

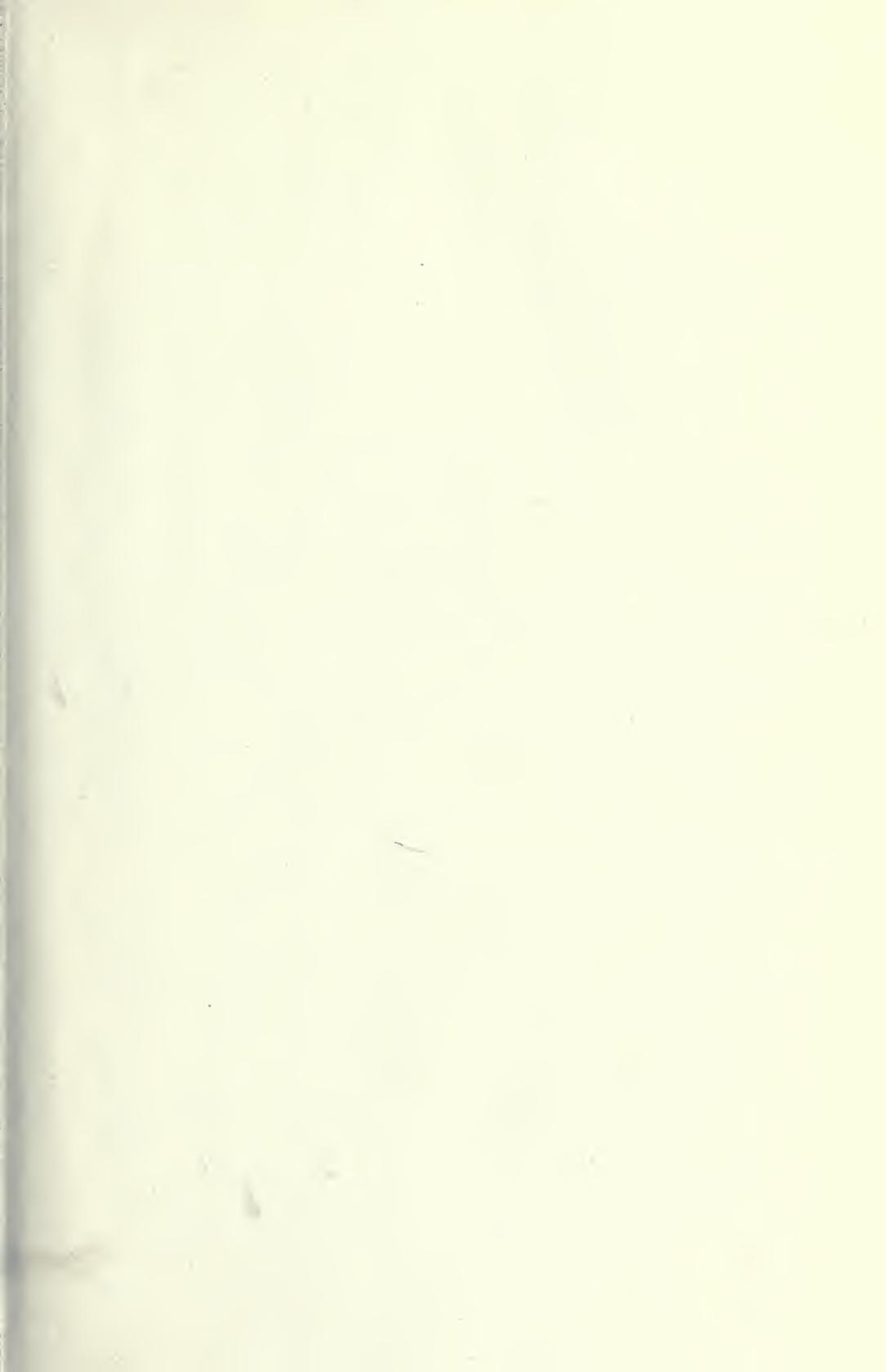
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A HISTORY
OF
THE CANADIAN BANK
OF COMMERCE



SIR JOHN AIRD.

GENERAL MANAGER SINCE 1915. VICE-PRESIDENT SINCE 1919.

Hist. Ser.

82-81-2

A HISTORY
OF
THE CANADIAN BANK
OF COMMERCE

WITH AN ACCOUNT OF THE OTHER
BANKS WHICH NOW FORM PART
OF ITS ORGANIZATION

BY
VICTOR ROSS

VOLUME II

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PREFACE



HIS volume closes at the end of 1918, so that, to be exact, it covers about twenty months more than the first half-century of the bank's existence, to which period the record was intended to be confined.

The end of 1918, however, is so strongly marked as an epoch in history that its selection seemed a matter of course. Again, as the year 1918 drew to its close the bank reached its goal of a rest or reserve fund equal to its paid-up capital and recommenced that development which had been interrupted by the Great War. The next chapter of its history is still in the making.

In the preface to Volume I of this work I have said that chapter III of this volume had been written by Mr. P. C. Stevenson, of Ottawa, and chapter VII by Dr. Adam Shortt. The diagrams illustrating various aspects of the growth of the bank are the work of the bank's archivist, Mr. H. O. E. Asman. Through the kindness of the Department of the Interior I am able to include maps of the Yukon district illustrative of chapter III.

In the first volume I referred to the burden of editorial supervision which fell upon Mr. A. St. L. Trigge, and I cannot allow the second volume, which contains the history of the Canadian Bank of Commerce itself, to appear without again bearing witness to his share in the work. In addition to the many editorial notes provided by him, and the searching inquiry into every historical statement made in the two volumes, he has been alone responsible for all the material in

the series of appendices. The delegation of the actual authorship of the history to the hands of an outsider has perhaps justified itself in the attainment of a truer perspective of the events which the history relates. Mr. Trigge's contribution to the general result, however, has been so much more than that of a compiler of data as to entitle him to share equally in the credit of whatever literary and historical value the work may possess.

VICTOR ROSS.

November, 1922.

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THE HON. WILLIAM McMASTER
First President, 1867-1886.

PLATE NO. 2.

CHAPTER I.

THE CHARTER.

The genesis and early development of The Canadian Bank of Commerce are coincident with the birth and infancy of the Dominion of Canada. The amended charter under which the bank was founded was granted in the period of unrest which immediately preceded Confederation, and its doors were opened only a few weeks before the Dominion came into existence on July 1, 1867. The bank was one of the new institutions for which the way was cleared by the retirement from the field of the two largest and most prominent of the banks chartered by the province of Upper Canada prior to Confederation, the Bank of Upper Canada and the Commercial Bank of Canada, and was, as has been narrated in the first volume of this work, shortly after its commencement to become the heir of the third and only remaining one of these banks, the Gore. Furthermore, its founders were prominent in their unswerving advocacy of the principles adopted when the banking policy of the new Dominion was finally decided on in 1870 and 1871.

The birth-throes of the Dominion, as reflected in the events of the pre-Confederation era, were severe. The rapid increase of population in Upper Canada from 1840 onward, while producing manifold benefits, gave rise to political controversies of the bitterest nature. The Act of Union of 1841 had placed Upper and Lower Canada on a parity, so far as political representation was concerned, each province being allotted sixty-five seats in the joint legislature. Upper Canada, which had in 1849 begun to overbalance its copartner east of the Ottawa River, not merely in agricultural production, but also in population, writhed under the political deadlock

brought about by the equal representation of the two; and of the ensuing controversies were born not merely the racial jealousies which time has not yet wholly allayed, but Confederation itself. As the late Goldwin Smith¹ truly said: "Deadlock was the father of Confederation."

By 1850, Upper Canada or Canada West, which we now call Ontario,² was beginning to reap the fruits of the labours of the pioneers who established British institutions in the region bordering on the Great Lakes. First had come the United Empire Loyalists, resolute, ambitious and far-seeing, refusing to bend their necks to oppression that was not the less onerous because it was exercised in the name of democracy. The quality of the settlers who came from Great Britain and Ireland in the half century that followed the advent of the Loyalists could hardly have been bettered. Many of them had capital, a considerable number were well versed in agriculture, all of them were filled with the emigrant's zeal for change and improvement. Settling at first along the waterfronts, they eagerly pressed on to the rich arable lands of the interior, so that by 1850 Upper Canada was dotted with towns and villages that were intensely alive, real centres of production and wealth, and filled with hope and promise.

¹Goldwin Smith (1823-1910), was born at Reading, England. He was Regina Professor of Modern History at Oxford from 1858 to 1866, and Professor of English and Continental History at Cornell from 1868 to 1871. From the latter date until his death he was a resident of Toronto, where he edited the *Bystander*, and wrote extensively upon the historical and current aspects of the relationship of Canada to Great Britain and to the United States. He believed that the geographical position and commercial interests of Canada would eventually cause her to break away from the British Empire and to form with the United States one great Anglo-Saxon nation.

²Prior to 1791 the territory which has since become the provinces of Ontario and Quebec was known as the province of Quebec. By Imperial order-in-council dated August 24, 1791, Quebec was divided into two provinces to be known as Upper and Lower Canada (corresponding with the present provinces of Ontario and Quebec) and this order-in-council took effect by proclamation on December 26, 1791. William Houston, M.A., *Documents Illustrative of the Canadian Constitution*, 1891, p. 146, note 2.

The designations Canada West and Canada East seem never to have had any legal sanction, but came into common use after the Act of Union of 1841. Finally, when Confederation took place in 1867, the British North America Act conferred the present names, Ontario and Quebec.

The revolutionary outbreaks of 1848 on the continent of Europe, following a period of over-speculation, led to an almost complete paralysis of trade in Europe. This soon spread to North America and the closing years of the decade witnessed one of the most severe commercial crises of the century. The repeal of the corn laws in Great Britain in 1846, and the consequent abolition of the preference hitherto granted to Canadian wheat and flour, had at the same time dislocated the accustomed channels of Canadian trade, and increased the adverse effect on this country of the international crisis. Up to this time the trade of Canada had consisted in very large measure of the export, via the ports of the St. Lawrence, Quebec and Montreal, of her chief natural products, wheat and timber—the wheat being principally the product of the farms of Upper Canada. She was now thrown back more upon herself, and the increase of population and the springing up of new towns and villages already referred to led to the development of a number of small local manufacturing industries supplying the home markets. There were at this period several banks in the country of considerable size and importance, chief among which were the Bank of Montreal, the ill-fated Bank of Upper Canada and the unfortunate Commercial Bank. All of them incurred heavy losses during the crisis, particularly through the accounts of those of their customers who had been engaged in trading with Great Britain. These losses not only restricted the supply of available funds, but tended to make the banking policy one of unusual caution for the time being. Complaints of lack of banking facilities became common, and an agitation sprang up for an increase of banking capital, regardless of the fact that the existing banks had for years been engaged in fruitless efforts to increase their capital. In order to foster and build up the newly-established local industries there was also a demand for the extension of banking facilities to the smaller communities, and especially for the establishment of small local banks in the towns and villages throughout the country. Under these circumstances it was only natural

that, because of the close proximity of the province to the State of New York, the public mind should be in a measure influenced by the banking systems prevailing there. In New York "free banking" had already gained acceptance, and it had in Canada one very staunch advocate in the person of William Hamilton Merritt¹ of Welland, who in 1850 succeeded in inducing the legislature to authorize a trial of this system. The main features in which it differed from the existing system of chartered banks were:

1. The permission accorded to any individual or group of individuals, on complying with the requirements of the Act, to carry on the business of banking, including the issuing of notes, without obtaining a special charter from Parliament.
2. The provision that notes could be issued only to the extent of the government securities deposited with the Receiver-General.
3. The restriction of a bank to one office.

The minimum amount of capital for any joint-stock company formed under the Act to conduct a banking business was placed at £25,000 currency, and such a company was obliged to qualify to issue notes to the extent of at least £25,000. It was in this way that a market for government securities was to be created. The limitation of a bank to one office, and the size of even the largest Canadian towns at this stage of the country's development, of necessity restricted the amount of capital which could be employed, and in

¹William Hamilton Merritt (1793-1862) was one of the most public-spirited and energetic men of his time in Upper Canada. Born in the State of New York, he came to Canada with his parents in 1796. He served in the War of 1812, taking part in several battles, among them Queenston Heights and Lundy's Lane. He took a deep interest in the improvement of the means of transportation in the province, being one of the principal promoters of the Welland Canal. In 1836 he advocated the establishment of a provincial bank, in which the Government was to be the predominant partner. He was a strong advocate of reciprocity in trade between Canada and the United States. In 1848 he was made President of the Council in the La Fontaine-Baldwin administration, and in 1850 became Commissioner of Public Works. In 1860 he was elected a member of the Legislative Council.

practice must have prevented the banks established under the Act from attaining large proportions. This result was facilitated by the smallness of the minimum amount of capital required, and has led to the impression that only small banks were contemplated under the Act. There were, however, in its provisions, no restrictions looking to this end, but the plan was undoubtedly the antithesis of the branch banking which is the fundamental principle underlying the Canadian banking of to-day. Mr. Merritt aimed at the ultimate elimination of the chartered banks, but in this he did not succeed, with the result that in the "fifties" and until well on into the "sixties" Canada enjoyed a dual banking system, consisting on the one hand of chartered banks with branches and extensive capital, and on the other of free banks of purely local importance and limited capital.

Of the new institutions that grew out of Mr. Merritt's plan, only one, the Molsons Bank, has survived, and it later adopted the system now prevalent. The principal reason which led to the adoption of the free banking system by the United States did not apply to Canada. In the neighbouring republic, bank charters had been used as political plums; the triumphant party in a given election had often rewarded its henchmen by such grants, with small provision for the protection of the public. Thereby an intolerable situation had arisen, for which the free banking system seemed the only effective remedy. Mr. Merritt and his supporters could present no such arguments in favour of destroying Canadian bank charters, and as it turned out, the free banks established in this country were unable to maintain themselves alongside the chartered institutions because of the greater economy of the system under which the latter worked. The free banks were obliged to invest the whole amount of their authorized note issue in securities bearing a moderate rate of interest, and it was not possible to keep the whole note issue in circulation at all times. In addition, as these securities were not available except in the event of failure, the banks had to main-

tain the usual reserves. There were other objections to the system, but the foregoing were sufficient to prevent its proving a success in a country where efforts were being made to increase the supply of capital available for banking. When a change of government took place in 1854, the Hon. William Cayley,¹ who succeeded Francis Hincks² as inspector-general favoured a return to the older system, and the existing free banks speedily obtained charters. Thus the free banking system went out of existence, although the Act itself was not formally repealed as a whole until the passing of the Bank Act of 1880.³ Mr. Merritt maintained that his plan had never had a fair trial and that it was "the best system adopted in any country from the beginning of the world to the present time." Somewhat later he was able to boast of a distinguished convert in Mr. E. H. King, president and general manager of the Bank of Montreal,⁴ and in the controversies that took place after Confederation, when the best minds in this country were applied to securing a permanent and efficient banking law, the free system was frequently canvassed.

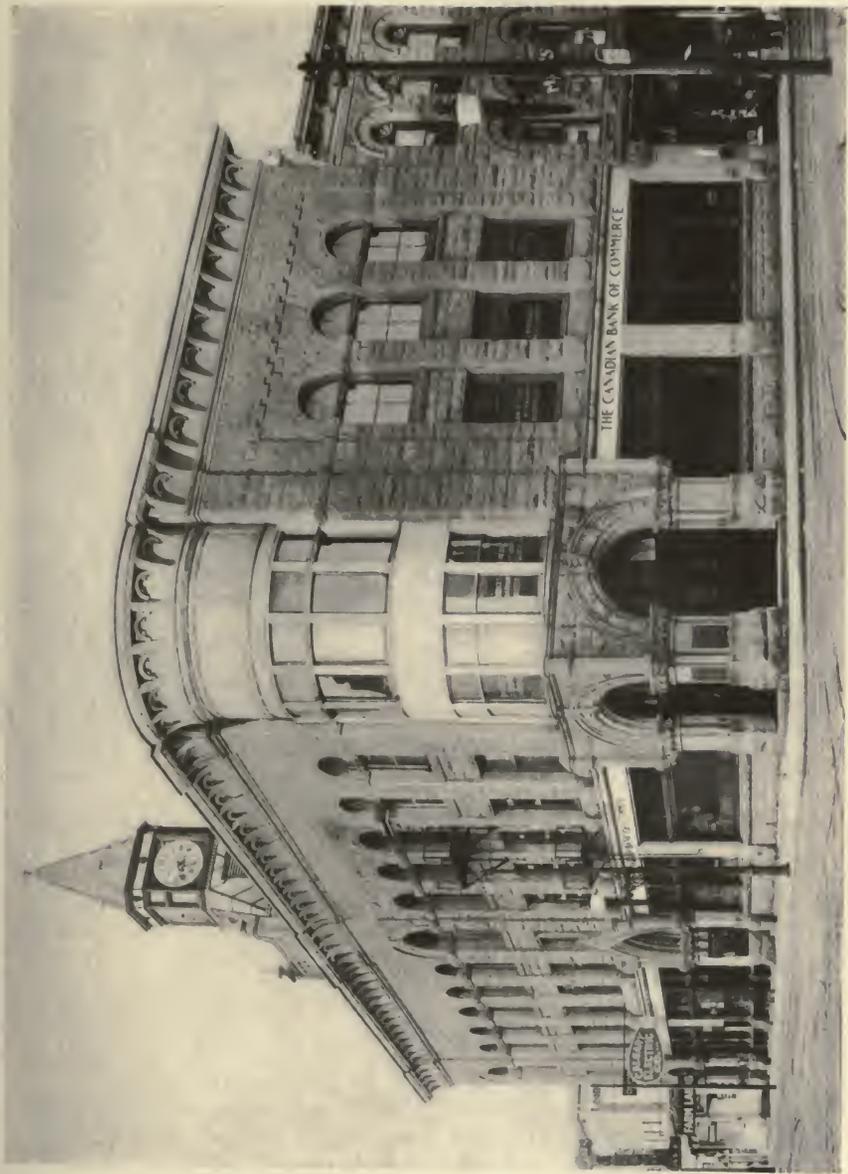
The "fifties" in the Canadas were an era of railway construction. The six years, 1852 to 1858 inclusive, witnessed the construction of 1563 miles of new track, whereas in 1849 the total mileage had been about fifty. The construction of

¹William Cayley (1807-90) was called to the bar at Lincoln's Inn in 1834 and to the Ontario bar in 1838. He entered public life in August, 1845, becoming Inspector-General (as the Minister of Finance was then called) of the province of Canada in the Draper administration. He held this office until 1848 and again from 1854 to 1858. As such, in 1857, he introduced a bill to discontinue the "free banking" system favoured by William Hamilton Merritt, but the bill failed to become law. Subsequently he was for some years Registrar of the Surrogate Court of the County of York.

²See page 35.

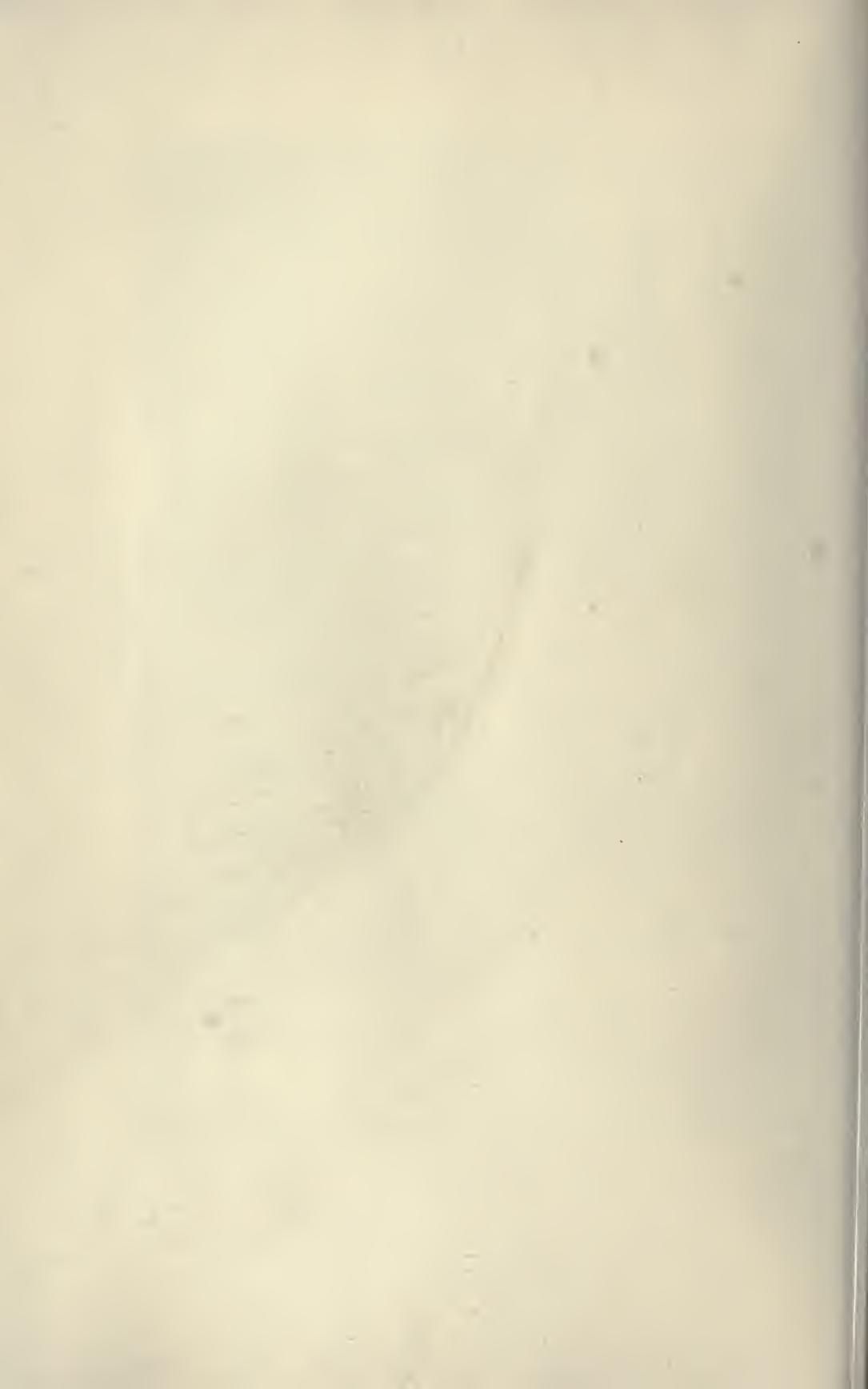
³The sections granting note issuing powers were repealed by the Dominion Note Act of 1866 (29-30 Vict. c. x).

⁴Adam Shortt, *Canada and Its Provinces*, 1914, X, 627. Edwin H. King (1828-96) came to Canada from Ireland and entered the service of the Bank of British North America. He resigned in 1857 to become inspector of the Bank of Montreal, of which institution he became general manager in 1863 and president in 1869, retiring in 1875 and passing the remainder of his life in England. He was one of the ablest and most forceful bankers of his day.



CALGARY, ALTA.

PLATE No. 3.



the Grand Trunk Railway and of several smaller lines, such as the Great Western Railway, which were later incorporated with the former system, was chiefly responsible for the increase. The Reciprocity Treaty with the United States, negotiated by Lord Elgin¹ in 1854, had opened up a ready market for Canadian agricultural products. Canada had already been recognized as a desirable field for the investment of foreign capital, and manufacturing industries, based on the needs and available raw materials of the country, began to make their appearance. The harvests of 1853, 1854 and 1855 were abundant and the prices obtained for agricultural commodities high. All the material conditions that make for prosperity were present, but speculation in land was rampant, and there was a lack of any settled policy for financing the requirements of the Government, or for carrying on the banking business of the country; so that when crop failures occurred in 1857 and 1858, coincident with a commercial crisis which commenced in Great Britain and spread rapidly to the United States and Canada, severe depression and disaster were the results. If political conditions in the province of Canada at this time were unsettled, financial conditions were in an even greater ferment, and political and financial unrest not infrequently go together.

The depression of 1857-58 was due, so far as Canada was concerned, to conditions which have often been paralleled in the history of this continent. The people of Canada had entered upon a period of mad speculation in land, and spent each dollar before it was earned. Speculators in land found arguments in the increased prices of farm products. Excessive

¹James Bruce, eighth Earl of Elgin (1811-63), came to Canada as Governor-General in 1846, after four years of office as Governor of Jamaica. His giving of the Royal assent to the bill indemnifying those who had suffered in the rebellion of 1837 led to the "loyalist" riots in Montreal (see Vol. 1, pp. 224, 225). During his stay in Canada, however, he acquired great popularity and was instrumental in establishing cordial relations with the United States. His career subsequent to his departure from Canada in 1854 led him on diplomatic missions to China and Japan, and finally in 1860 to the post of Viceroy of India.

sums were paid for wild lands. Plans of new towns, born of railway extension, in which everyone was to become rich by the rise in realty values, were produced to tempt the farmer and the wage-earner. The result was that the year 1857 found the average Canadian deeper in debt than he had been even before the golden era of commercial expansion and quick profits began to dawn. This was especially true of the farming community, at that time paramount in the country's affairs. As Breckenridge, the historian of the Canadian banking system, says: "They had sold for cash and bought largely on credit. Considerable additions were made to improved farming lands, but many tied up their capital by speculating in unproductive real estate. Trade was stimulated to an unprecedented degree, and bank accommodations were stretched to the utmost limit. Excessive and extravagant importations occurred in 1856 and 1857. The Municipal Loan Fund, a scheme whereby the province guaranteed the borrowing of the towns and counties, served to swell the inflation."¹ No permanent improvement took place until after the American Civil War,² during which great profits accrued to the Canadian farmers, and to those traders who had staple products to sell.

In this craze for speculation the banking community seems to have shared as deeply as the farmer and the trader, and the suspensions and bankruptcies that followed shook public confidence in the banks. During the regime of the Hincks administration and the trial of the free banking system no charters had been granted, but when the succeeding Government came into power, little or no attempt seems to have been made to stem the tide of applications for new charters. Not only were they granted regardless of whether any addition to banking facilities was needed in the district which the

¹R. M. Breckenridge, Ph.D., *The Canadian Banking System, 1817-1890*. (Publications of the American Economic Association, Vol. X), p. 159. Mr. Breckenridge was at one time Seligman Fellow in Economics, Columbia College.

²The American Civil War lasted from 1861 to 1865.

proposed bank was to serve, but also without regard to the characters or *bona fides* of the promoters. The result was that shocking abuses developed, and a number of banks were started merely for the sake of the note-issuing privilege and the profit to be derived from issuing notes for circulation in the western States and avoiding their redemption to the fullest extent possible. Some of these charters fell into the hands of American adventurers, notorious among whom was one Paddock, a New York tavern-keeper, who controlled the Western Bank of Canada.¹ Throughout this period and for some years thereafter banking was in an experimental and highly uncertain state, and a sound basis for confidence was not again reached until 1871, when Sir Francis Hincks secured the passage of the first general Bank Act, the fundamental features of which have remained almost unchanged ever since.

It must not, however, be supposed that all the charters granted at this time were intended for fraudulent use. Several banks which carried on business very successfully for a number of years, and some which are still in existence, date from this period. Among these may be mentioned the Bank of Toronto, and the Eastern Townships Bank, which after a highly honourable career was to amalgamate with The Canadian Bank of Commerce in 1912. There were also a number of charters which lay in abeyance through inability to raise the necessary capital, and among them was that of the Bank of Canada which under a change of name became later The Canadian Bank of Commerce.

On August 9, 1858, the Hon. William Cayley and others petitioned the Legislative Council of Canada for an Act of incorporation under the name "Bank of Canada," and within one week the measure passed through all the necessary stages.

¹Breckenridge says: "The Bank of Western Canada was controlled by one Paddock, a New York tavern keeper, who, by paying for his stock, secured a respectable old man at Clifton to act the stool pigeon as president of the bank, but he had no check on the issue of notes. Efforts were made to float them in Illinois, Wisconsin and Kansas, with some success, but the notes were never redeemed." *The Canadian Banking System*, p. 164, note.

A few amendments of minor importance were made by the Legislative Assembly and accepted by the Council. On August 16 the bill received the assent of the Governor-General, Sir Edmund Walker Head, Bart.¹ The provisional directors were the Hon. William Cayley, the Hon. J. C. Morrison,² Angus Morrison,³ the Hon. John Ross,⁴ William Henry Boulton⁵ and Frederick Cumberland.⁶ All these gentlemen were prominent citizens of Toronto and the descendants of most of them continued to play important parts in the city's life for many years. The capital of the bank was fixed at \$3,000,000 in shares of \$50 each, and permission was given to commence business as soon as \$1,000,000 was subscribed and \$250,000 actually paid in. The number of votes to which a shareholder was entitled was fixed in accordance with a graduated scale, with a maximum of twenty. It was further provided that one-tenth of the paid-up capital should always be invested in debentures of the province of Canada payable within the

¹Sir Edmund Walker Head, Bart. (1805-1868), Lieutenant-Governor of New Brunswick from 1847 to 1854, and Governor-General of Canada from 1854 to 1861; later a Governor of the Hudson's Bay Company.

²Joseph Curran Morrison (1816-85) was born in Ireland, but came to Canada when quite young. He was educated at Upper Canada College, and was called to the bar in 1839. He became Solicitor-General in the Hincks-Morin ministry, and held office in several subsequent administrations. In 1862 he was appointed Puisne Judge of the Court of Common Pleas, and in the following year was promoted to the Court of Queen's Bench. In 1877 he was transferred to the Court of Appeal.

³Angus Morrison, Q.C. (1824-82), was a native of Edinburgh, but came to this country with his parents at the age of eight. He was educated in Belfast, Ireland, and at Upper Canada College. He studied law and was called to the bar in 1846. In 1854 he was elected to the House of Commons, and he sat in the House for twenty years as the representative of various constituencies. From 1876 to 1878 he served as Mayor of the City of Toronto. He was made a Queen's Counsel in 1867.

⁴The Hon. John Ross (1818-71) was a native of Ireland, and after coming to Canada, studied law at Brockville. He married a daughter of Robert Baldwin, the well-known leader of the struggle for responsible government. Mr. Ross was appointed to the Legislative Council in 1848 and became Solicitor-General in 1851. He filled many important positions in succeeding administrations, and for ten years was president of the Grand Trunk Railway Company. At Confederation he was called to the Senate of the Dominion of Canada, and became Speaker of that body in 1869.

⁵William Henry Boulton (1812-73) was a native of Toronto, and represented that city in Parliament continuously from 1844 to 1853. He was also Mayor of Toronto

province or secured by the Consolidated Municipal Loan Fund,⁷ and that the note circulation of the bank should never exceed the total of paid-up capital, specie and provincial government securities on hand. The total liabilities of the new institution were expressly limited to three times the paid-up capital, plus deposits made in specie and in government securities. Advances against commercial paper or other securities bearing the name of any director, or of any firm in which a director might be a partner, were not to exceed one-twentieth of the bank's discounts and advances at the time such accommodation might be extended.

Despite the liberal terms of this charter and the prominence of the provisional directors, the promoters made no headway with the new venture. The title, "Bank of Canada," which would to-day be regarded as of great value, was not at that time an asset, because of its similarity to the name of the Bank of Upper Canada, which was already experiencing from 1845 to 1847 and again in 1858. His residence was The Grange, later occupied by Goldwin Smith, Esq., and now the property of The Art Gallery of Toronto.

⁶Frederick William Cumberland (1821-81) was born in London, England, and educated at Dublin and King's College, London. After serving his apprenticeship as a civil engineer he entered the employ of the London and Birmingham Railway. Later on he was for some years in the employ of the British Admiralty. Having married a sister of Mrs. T. G. Ridout, whose husband was cashier of the Bank of Upper Canada, he decided to emigrate to Canada, and came to Toronto in 1847. In 1848 he was appointed county engineer of the County of York. He served as Commissioner for Canada at the Great Exhibition of 1851, and subsequently, in the capacity of chief engineer, superintended the construction of the Ontario, Simcoe and Huron Railway, which ran from Toronto to Collingwood. He resigned from the service of the Railway Company in 1854 and devoted himself exclusively to architectural work. Among the buildings he designed in Toronto are St. James Cathedral, the Normal School and the Main Building of the University of Toronto. In 1859 he became managing director of the Northern Railway of Canada, and was most successful in building up the business of that road. In 1861, at the time of the Trent affair, he organized the 10th Royals, now the Royal Grenadiers, and became the first colonel of that Toronto regiment. During the Fenian Raid he served on the staff. He was a member of the Senate of the University of Toronto and later of Trinity College. For a time he sat in the provincial legislature and in 1871 he was elected to the House of Commons of Canada. In the same year he was elected a director of The Canadian Bank of Commerce. See page 75.

⁷See Vol. I, p. 227.

difficulties, and was to fail before the new bank came into being. But apart from this unfortunate similarity of title, general conditions were against the flotation. The provisional directors tried for a time to obtain the necessary subscriptions, and then decided to let the charter lie in abeyance. Five years later, in 1863, they sought an amendment¹ of their charter enabling them to open subscription books, and to hold the organization meeting for the election of the first Board of Directors, in London, England. The bill empowered the Board to hold its meetings and transact the bank's business in London, so long as three-fourths of the capital stock was held by persons resident in Great Britain and Ireland. It passed the first and second readings, but on being reported by the Standing Committee on Banking and Insurance towards the close of the session, it was referred back by the House and never heard of again. Two later applications to the same effect proved equally futile, and it was not until 1866 that the projected bank came into existence under circumstances which illustrate the curiously fluctuating financial history of the times.

There was in Upper Canada about 1866 an abundance of money seeking investment, but in many other respects conditions seemed by no means propitious for such an enterprise, because the great activity due to the American Civil War was over, and the Reciprocity Treaty with the United States had just been rescinded. Under the provisions of this treaty Canadian farmers had for twelve years enjoyed a ready market at high prices, but they were now experiencing the depressing effects of what they deemed a blow at their economic welfare. None the less, in the long run this supposed misfortune had the salutary result of teaching Canada, at the very outset of Confederation, to rely upon herself. The Government's lack of a definite financial policy was, to a new banking

¹The bill was introduced by the Hon. John Alexander Macdonald (1815-91), later the Rt. Hon. Sir John A. Macdonald, G.C.B., the well-known Canadian statesman, and Prime Minister of the Dominion of Canada from 1867 to 1873, and from 1878 to 1891.

enterprise, perhaps the most serious feature of the situation, but at this time there also occurred the final collapse of the Bank of Upper Canada,¹ to the man on the street almost as great a misfortune as the abrogation of the Reciprocity Treaty. At one time this bank had enjoyed almost as great a prestige as the Bank of England, and after its failure it was found that many Canadians had hoarded its notes, fresh as on the day of issue, for twenty years, with the same reverence as though they were gold, although those in touch with financial affairs had long known it to be in a shaky condition. As the depository of government funds and as fiscal agent of various administrations it had enjoyed special favours, and after it failed sinister stories gained currency that certain politicians had not hesitated to use their knowledge of its condition, and of its dependence on continued government favours, to exact advances on very doubtful security. Its decay had been due principally to the reckless real estate speculation that marked the middle "fifties." During the last six or seven years of its career, more than one banker of ability and probity made fruitless endeavours to place it on a sound footing. As its largest creditor the Government was necessarily anxious to keep it alive, but could not avert the calamity, and ultimately recovered nothing of its own claim, while the other creditors were paid only in part. Speaking of this incident, which is one of the milestones in Canadian banking, Breckenridge says: "It remains now merely to remark some of the valuable effects of the failure. Blind popular belief in the safety of banks as banks was corrected, and a popular criticism was created and thereafter applied to the management and accounts of the banks which served the province. To managers and directors it gave a wholesome warning, not only to look to the inner organization of their banks, but also to guard against making any loans whatsoever on real estate security. Finally it opened the way for two or three clean-handed young banks, who were destined, partly in filling the

¹The Bank of Upper Canada closed its doors on September 18, 1866.

Upper Canada's place, to take rank among the leading banks of the Dominion."¹ Looking back after many years, now that the passing of time has effaced the sense of the heavy financial loss which the failure of the Bank of Upper Canada brought to so many in the province, it is comparatively easy to see the beneficial side, but at the time this was not evident. One of the first results was to focus public attention on the difficulties in which its old rival and most important competitor, the Commercial Bank of Canada, found itself. As the head office of this bank was in Kingston, which no longer held the important place in the commercial life of the province which it had formerly occupied, the bank was perhaps not quite so closely in touch as the Bank of Upper Canada with the developments taking place at the capital of the province. Partly on this account it had not lost so heavily in the land speculation of the "fifties," but it had become involved in the rivalry and speculative expansion of the railways, which was one of the results of the era of feverish railway construction. Litigation ensued with the Great Western Railway Company over very large advances made to the Detroit and Milwaukee Railroad Company, control of which had been obtained by the former company. The revelations which were the result of this litigation disturbed public confidence in the bank, and this ultimately led to its downfall.

The position in which the two leading banks of Upper Canada thus found themselves left the Bank of Montreal paramount in the field of Canadian banking. Its position was further strengthened by the passing of the Provincial Note Act of 1866. The Government of the province, of which the Hon. Alexander T. Galt² was then the Finance Minister, was seriously embarrassed by its inability to withdraw the government moneys in the Bank of Upper Canada, owing to

¹Breckenridge, *The Canadian Banking System*, p. 177.

²Sir Alexander Tilloch Galt, G.C.M.G. (1817-93), as he became in later life, was the youngest son of John Galt, the friend and biographer of Lord Byron, and the founder of the domestic school of Scottish literature. John Galt, so far as Canada



CHARLOTTETOWN, P.E.I.

PLATE No. 4.

the difficulties of the latter. The Government had borrowed largely from the Bank of Montreal, and was refused further advances by its London agents; in fact, its financial difficulties were as great or greater than those of the banks. The failure of the Bank of Upper Canada had involved some loss to the holders of its notes and had thus created a desire for a currency which was better secured. The financial straits of the Government now seemed to point to a plan which would permit of this, and which would at the same time release the Government from its most pressing financial difficulties. In addition, the Hon. Mr. Galt had long held that the Government ought to provide the currency of the country, both paper and metallic. He had in 1860 brought forward a measure establishing a Provincial Treasury Department with the sole right to issue paper money, but had been forced to withdraw it in the face of the opposition aroused. Now the times seemed more propitious, and the financial need of the Government was perhaps greater. On the other hand, the opposition of the banks, especially in Upper Canada, was unchanged, save in the case of the Bank of Montreal, which for reasons that will

is concerned, is chiefly famous as the first man to see the possibilities of Canadian lands as a field for British investment. He organized the great Canada Land Company and founded the town of Guelph. He ended his days in Great Britain as a popular author.

Alexander T. Galt was born in Chelsea, London, and in 1835 entered the service of the British American Land Company, founded by his father a few years before for the purpose of settling the vacant lands of the Eastern Townships. His interests were centered in the Eastern Townships, and it was one of the grievances of the western banks that he took little interest in that part of the country which his father, through the Canada Company, had done so much to open up. He was prominent among the promoters of railways in the early days of railway construction in Canada, first with a view to solving the transportation problem of the Eastern Townships, and later in connection with a larger project, the Grand Trunk Railway. His name also appears in the list of applicants for the charter of the Eastern Townships Bank (see Vol. I), which now forms part of The Canadian Bank of Commerce. In 1849 he entered the legislature as member for Sherbrooke, P.Q., and he subsequently served as Minister of Finance in several administrations. He was one of the foremost advocates of Confederation. In 1880 he became the first High Commissioner for Canada in London, but resigned in 1883. One of his nephews, Mr. George F. Galt, is a director of The Canadian Bank of Commerce.

presently be disclosed supported Galt's scheme. He claimed that his measure would render the note circulation absolutely safe and secure much-needed revenue for the province.

In face of the strong opposition of the banks, based upon the extent to which the abolition of the note-issuing power would curtail their ability to finance the movement of the grain and lumber business of the whole country, and especially of western Canada, Galt modified his proposals. The surrender of the note-issuing power was made optional with each bank, and inducements were offered them in the way of the payment of interest on the amount of their surrendered note issues until the expiration of their charters, a remission of the tax on note circulation, and freedom from certain penalties for taking interest above seven per cent. In this form the proposals became law. It is said that the Government promised that, if the \$5,000,000 it needed and hoped to secure by the issue of provincial notes were obtained by loan or in any other way, it would not issue the notes, but this understanding was not carried out.

The Bank of Montreal was the only bank to avail itself of the provisions of the new Act, and to surrender its note issue. This was done under a special arrangement with the Government, by virtue of which it became the provincial government agent for the issue and redemption of the new notes. In addition to the inducements granted by the statute, the bank was well remunerated for its services in acting as the government agent, and was able to put into liquid condition the large sum, amounting to about three million dollars, which it had held locked up in government debentures. These debentures were exchanged for provincial notes as the Bank of Montreal notes were withdrawn from circulation, and since the new notes were legal tender, the bank was relieved from the necessity of carrying the specie reserves previously required to protect its own note circulation, and was paid by the Government for what reserves it might carry for the redemption of the new notes. The financial relief obtained by the

Government was therefore limited mainly to the amount of the new provincial notes which the Bank of Montreal was able to prevail upon the other banks to carry for the purpose of making settlements of daily balances. On the other hand the Bank of Montreal benefited very largely by the new plan; it was relieved of the burden of Government debt which it had been carrying, and its position and consequent prestige were immensely strengthened; indeed, the elimination of its most powerful rival, the Bank of Upper Canada, and the growing embarrassment of the Commercial Bank left it master of the situation. At Confederation the Bank of Montreal possessed nearly a fourth of the total paid-up banking capital of Ontario and Quebec, and its assets were more than a fourth of the total assets of all the banks in those provinces. Its liabilities, in the form of deposits and circulation, were nearly a third of the liabilities of the same banks, which totalled \$39,000,000. Nevertheless, success brought in its train not uncommon consequences; the bank became the object of general popular criticism and even animosity, not always confined within reasonable limits. But the roots of its unpopularity in Canada West lay still deeper. Breckenridge writes: "The original cause, no doubt, was the restrictive policy followed in Canada West, after 1862-3, at the instance of the extraordinarily able man then at the head of the bank, Mr. E. H. King. The western business was regarded as thoroughly unsound, being based on accommodation paper. Mr. King had no reverence for 'names' upon securities offered for discount; he resolved to bring the business down to a solid basis. And so he did, although at the cost of more than a million dollars, written off between 1863 and 1866 by the Bank of Montreal on account of bad and doubtful debts in Upper Canada.¹ Canada West also suffered by the process, and much of its loanable capital, accumulated as deposits in the Bank of Montreal, was drained away from the producers of the province, either to supply the importing merchants of

¹See footnote on page 2.

Montreal, or to be sent to New York, there to serve the bank's exchange and gold speculations in Wall Street."¹ Under these conditions the position of those accustomed to look for accommodation from the "western" banks became extremely difficult. The policy of the Bank of Montreal was strongly opposed by the Hon. William McMaster, and in his remonstrances he was supported by Mr. Archibald Greer, the manager of the Toronto branch of that bank. Their representations did not avail to change the decision of Mr. King, and undoubtedly this fact strengthened the determination to establish another bank.

It was under these circumstances that the new bank came into being. A group of wealthy and influential business men engaged in the trade of Upper Canada was interested in the project, and finding that the work of the legislature was too far advanced to render it possible to secure a charter during the session of 1866, the Hon. William McMaster² purchased the charter of the Bank of Canada from the Hon. William Cayley. The name was changed to The Canadian Bank of Commerce by an amending Act assented to on August 15, 1866, by Viscount Monck, the Governor-General.³ This Act provided that the capital stock should be reduced from \$3,000,000 to \$1,000,000, and authorized the subscribers to commence business as soon as \$400,000 had been subscribed, and \$100,000 had been paid into one of the existing chartered banks. It also provided that a further sum of \$200,000 must be paid in within two years after the bank should open its doors, an additional sum of \$200,000 within three years and the remainder not later than June 1, 1870. Another pause now ensued. The

¹Breckenridge, *The Canadian Banking System*, pp. 225 and 226. See also Adam Shortt in *Canada and Its Provinces*, V, 287-288.

²See page 23.

³Sir Charles Stanley, fourth Viscount Monck (1810-94), appointed Governor-General of Canada and of British North America in 1861, rendered valuable assistance in connection with the negotiations for Confederation. He became the first Governor-General of the Dominion of Canada, and shortly after his resignation in 1868 was made a member of the Imperial Privy Council.



PLATE No. 5.

CHATHAM, ONT.

financial and commercial conditions of the country were most unsettled and there was a strong doubt as to whether the great project of Confederation would be carried into effect. During the winter of 1866-67 it was decided to take no further steps towards the formation of the new bank. In February, 1867, however, the necessary committees were formed and the work of organization was taken up actively.

The success of the new promoters was in complete contrast with the experience of the original projectors of the Bank of Canada. Subscription books were opened in February, 1867, and within a few months the necessary funds were more than forthcoming. On April 18, 1867, a general meeting of shareholders was held in the Mechanics' Institute at the corner of Church and Adelaide Streets, Toronto, later for many years the headquarters of the Toronto Public Library, and now occupied by one of its branches. The directors chosen were the Hon. William McMaster, president, Henry S. Howland,¹ vice-president, and Messrs. William Alexander,² John Macdonald, M.P.P.,³ T. Sutherland Stayner,⁴ John Taylor⁵ and

¹Henry Stark Howland (1824-1902), of Pilgrim Father and Quaker ancestry, was born at Paulings, N.Y., and came to Canada in 1840. He was for many years engaged in the milling business, but later in life became the head of the wholesale hardware firm of H. S. Howland, Sons and Company, Toronto. In public life he served as Warden of York County. He was active in the promotion of railway construction and was for some time president of several railway companies whose lines centred in Toronto. In 1875 he assisted in founding the Imperial Bank of Canada and became its first president, holding the office until his death.

²William Alexander (1826-1910) was a native of Montrose, Scotland, and was educated at Montrose Academy. He came to Canada in 1857 and the following year entered into partnership with the late Mr. J. L. Blaikie in the stockbroking firm of Blaikie and Alexander. In 1864 Mr. Alexander was elected president of the Toronto Stock Exchange.

³The Hon. John Macdonald (1824-90) was born in Perth, Scotland. In 1849 he established the firm of John Macdonald and Company. Beginning with a retail dry goods business on Yonge Street, Toronto, just south of Richmond Street, he sold out after a few years, and entered the wholesale trade on Wellington Street. The firm has since become one of the largest wholesale houses in the dry goods trade in Canada. He was elected to Parliament in 1861 as member for West Toronto and again by acclamation in 1875 for Centre Toronto, replacing Mr. Robert Wilkes (see page 75) declared not duly elected. In 1887 he was called to the Senate.

William Elliot.⁶ Most of these gentlemen were merchants and importers, with a solid stake in the community, to whom improved banking conditions were vital. Three weeks after his election Mr. John Macdonald resigned over some difference of opinion with the Hon. Wm. McMaster, and the directors selected Mr. James Austin⁷ to fill the vacant place. On May 14 the opening of branches at London, St. Catharines and Barrie was authorized, and the head office at Toronto opened its doors to the public on the following day. Mr. Archibald Greer, already referred to, was chosen as the cashier.

Some idea of the eagerness with which the investing public in various parts of Ontario welcomed The Canadian Bank of Commerce is given by Mr. Greer's correspondence during the months immediately preceding the opening for business. His letter of March 1, 1867, to Mr. H. S. Strathy,⁸ the prospective manager at London, Ont., and afterwards general manager of the Traders Bank of Canada, tells of his gratification at the fact that the provisional directors of the Bank

⁶T. Sutherland Stayner (1824-1904), son of Thomas Allen Stayner, Postmaster-General of British North America, was connected as director with several financial institutions, including (at a subsequent date) the Imperial Bank of Canada. He was also a member of the first Board of Directors of the Toronto General Trusts Corporation.

⁷John Taylor (1809-71) came with his parents from England to Canada in 1821 and settled in York County. He and his two brothers, Thomas and George (1813-94), erected in 1840 one of the first paper mills in the valley of the river Don, and in 1845 opened an office in Toronto. They later established saw and flour mills. George Taylor succeeded his brother John as a director of The Canadian Bank of Commerce, and was also a director of the Ontario Loan and Investment Company.

⁸William Elliot (1812-93) came to Canada to take up farming, but entered a wholesale business and later established chemical mills in Toronto. He was a director of the Northern Railway of Canada, the Toronto General Trusts Corporation, and a number of other financial companies, and held at different times the positions of president of the Toronto Board of Trade, vice-president of the Confederation Life Association, and vice-president of The Canadian Bank of Commerce.

⁷James Austin (1813-97). A native of the County of Armagh, Ireland. He came to Canada with his parents at the age of sixteen, and was apprenticed to the printing trade. Later on he formed a wholesale and retail grocery partnership with Mr. P. Foy, on the dissolution of which he retired from active business, and interested himself

of London,⁹ who had some time previously obtained a charter, had decided to merge their interests with those of The Canadian Bank of Commerce. The motives and purposes of the new institution were announced as follows: "We do not oppose anyone, all we seek is the good of the country. We believe that all the floating capital which some banks get hold of is loaned out of the country. Our policy is to benefit our respective localities by employing our own and the floating capital coming under our control, in the support of the trade and industry of the place." Letters to Mr. Verschoyle Cronyn,¹⁰ London, and Mr. William Sisson,¹¹ Port Hope, in the same month, report the eagerness with which the stock was subscribed, not only in Toronto but elsewhere, by men of substance with ability to pay up most of their stock at once, if necessary. Mr. Greer writes to Mr. Cronyn on March 15: "Our stock here is being rapidly subscribed. We are moving towards the \$700,000. This does not include Guelph, whither Mr. McMaster went yesterday with Mr. Howland, nor Hamilton, where a book was sent to a good man, nor Barrie, where a

in a number of financial institutions in Toronto. He founded the Dominion Bank in 1871 and became its president. He was also president of the Consumers Gas Company and of several insurance companies, as well as chairman of the Canadian Board of the North of Scotland Canadian Mortgage Company.

⁹Henry Seaton Strathy (1832-1919), son of A. H. B. Strathy, was born in Edinburgh. He commenced his business career as a clerk in the wholesale dry goods house of Hope, Birrell and Company, London, Ont. In 1850 he entered the service of the Gore Bank, and remained in its employ until appointed manager of the London, Ont., branch of The Canadian Bank of Commerce in May, 1867. He was cashier of The Canadian Bank of Commerce from 1869 until 1872, succeeding Mr. Dallas. In 1874 he was appointed cashier of the Federal Bank, and in 1885 he entered the service of the newly-established Traders Bank as general manager, retaining that position until his retirement in 1907.

¹⁰This institution (the Bank of London), chartered in 1866, of which Messrs. V. Cronyn, H. S. Strathy and other well-known Londoners were the promoters, must not be confounded with the "London and Canada Bank," or "The Bank of London, in Canada." The "London and Canada Bank" was incorporated in 1874, changed its name by Act passed in 1875 to "The Bank of the United Provinces" and back again in 1876 to "The London and Canada Bank." It had the right to fix its chief office in Toronto, Montreal or London, Eng., as the directors might decide. The charter was forfeited for non-user. "The Bank of London, in Canada" went into operation, but

book has also gone. We had orders to-day from Montreal for \$14,000. We will certainly have all the stock subscribed this month." On March 19 Mr. Strathy was informed that they had progressed so far beyond expectations that it might be necessary to cut down London's original allotment of \$150,000. "This week will, I think, from present appearances," wrote Mr. Greer, "complete the thing, so that it may be said that in one month our stock has been all subscribed." Five days later, the London office was informed that The Canadian Bank of Commerce had been obliged to reject applications to the amount of \$50,000, and that the subscription books had been closed. The institution selected for the necessary deposit of \$100,000 was the Bank of Montreal. On May 9, 1867, the president, Mr. McMaster, writing to Mr. William McEwan, general manager of the London and County Bank, London, Eng.,¹² was able to say: "The charter under which The Canadian Bank of Commerce was organized was granted by the Canadian legislature last autumn. The capital is \$1,000,000 in shares of \$50 each. It has all been subscribed and about \$400,000 is already paid up. The balance will be paid within the present year in the event of its being called up. Our shareholders number about six hundred, and a great

had a brief and unsuccessful career. According to Breckenridge (*The Canadian Banking System*, p. 310) its fortunes were blighted by the sinister influence of a speculative president, who, on the eve of selling its business to the Bank of Toronto, decamped to the United States. It was wound up under an Act passed for the purpose in 1888.

¹⁰Verschoyle Cronyn (1833-1920), son of the late Rt. Rev. Benjamin C. Cronyn, first Anglican bishop of the diocese of Huron, was born in London, Ont., and educated at the University of Toronto. He studied law and was called to the bar in 1860, practising his profession in his native city. In 1902 he was made a K.C.

¹¹William Sisson, J.P., was an old and prominent resident of Port Hope, having settled there in June, 1823. He was a native of Dutchess County, New York State. He commenced the manufacture of leather in Port Hope, and carried on business there successfully for many years, retiring in 1852. During the Rebellion of 1837 he was in command of a troop of cavalry, which he had been instrumental in raising. He was Treasurer of the Durham Agricultural Society for forty years, and an active promoter of the first Mechanics' Institute in Port Hope. He died in Port Hope on February 3, 1885.

¹²Now (1922), the London County Westminster and Parr's Bank, Limited.

many of them stand very high, both as regards wealth and position. I own 500 shares, amounting to \$25,000."

Though The Canadian Bank of Commerce has never been a one-man institution, no history of the enterprise would be complete without some account of the personality of the Hon. William McMaster, to whose initiative it owed its foundation. Mr. McMaster was a native of Ireland and had his rightful share of the dour and steadfast characteristics associated with the Ulsterman. He was born in County Tyrone on December 14, 1811, the son of a linen merchant, and was reared in his father's trade. He had passed his thirtieth year when he emigrated to Toronto and secured a position with his uncle, Mr. R. Cathcart, a leading dry-goods merchant on Yonge Street.¹ A year later, in 1844, he was taken into partnership, and subsequently bought out the business, which became that of William McMaster and Nephews, wholesale dry-goods importers. As the years went on, his activities became chiefly financial. In addition to his banking interests, he was closely connected with railway development in Upper Canada and was chairman of the Canadian Board of the Great Western Railway up to the time of its amalgamation with the Grand Trunk Railway. His death on September 22, 1887, in his seventy-sixth year, came suddenly, for he fainted while addressing a meeting of the Board of McMaster University, which he had founded, and within a few hours passed away of heart failure. Throughout his life he was a strong supporter of the Baptist communion, and to his beneficence that body owes much of its standing in the educational field. McMaster

¹In a letter dated March 7, 1867, James Dougall, of Windsor, Ont., a well-known merchant, who acted also as agent of the Commercial Bank at that place, writes to Mr. Greer: "I am not personally acquainted with Mr. McMaster, but probably I was the cause of his coming to this country, as in 1828 or 9 I got acquainted with his uncle, the late Mr. Robert Cathcart, the founder of the house. He was then a clerk with Daley and Tannahill of Niagara. I . . . advised Mr. Cathcart to leave them and begin for himself . . . He did so and purchased all his goods from me as long as I remained in Toronto (I had the first wholesale store established there), and prospered, bringing out his nephews to aid him afterwards."

University is the chief memorial of his activities in this direction, but other Baptist institutions owed their continuance to his willingness to loosen his purse strings whenever the advancement of the Baptist Church was involved. The Puritan strain in his temperament is indicated in a letter he wrote to the directors of The Canadian Bank of Commerce from Ottawa during the period when he was watching banking legislation in which they were interested. He had attended a social function at Rideau Hall in honour of H.R.H. Prince Arthur, the present Duke of Connaught, and he says: "The levee and ball are brilliant affairs—of the latter I know nothing except by hearsay, having returned to my rooms after making three of my best bows to the Governor-General, Prince Arthur and Lady Young.¹ There could have been no fewer than 2,000 present. Nine hundred bottles of wine were consumed, not to speak of other liquors. Everything was conducted on the most magnificent scale, and no one, looking at the gay scene, would think for a moment that we had in this Canada of ours people living in log shanties, or that there were to be seen in our back townships old men and their wives driving at a snail's pace to the nearest village in an ox team on the top of a few bags of wheat. What a contrast—but such is life." Though he might sigh over the social extravagance of his day, Mr. McMaster was no socialistic dreamer, but a dispassionate and shrewd business man, zealous for a sound financial policy which might promote the well-being of the whole community. Before his decision to found a new bank, he had already proved himself an adept in dealing with the difficult matter of British and American credits, in which as an importer on a large scale he was deeply interested.

In 1859 he sent his nephew, Mr. J. Short McMaster, to Manchester, to be the resident partner of the firm of William McMaster and Nephews. The first bill which he

¹Lady Young was the wife of the Governor-General, Sir John Young, who succeeded Lord Monck in 1868, and held office until 1872. During his stay in Canada, Sir John Young was created Baron Lisgar of Lisgar and Bailieborough.

drew on the Manchester agency thus established was bought by the late Robert Walker of "The Golden Lion,"¹ a leading Toronto retail clothing house of the time, and one which specialized in British woollens. Early in the "sixties," on instructions from his uncle, Mr. J. Short McMaster obtained a credit from the Union Bank of London for £10,000. This was granted without the usual guarantee from a British merchant, an achievement of which the McMaster firm was naturally proud. In 1865 William McMaster sold out his interest in the business to his nephews, A. R.² and J. Short McMaster, and the firm became known as A. R. McMaster and Brother. He still continued his business as a financier, however, and began to sell his bills on A. R. McMaster and Brother, Manchester, in the New York market through a friend, Mr. Caldwell Ashworth, who had established himself in that city as a financial agent.³ After the foundation of The Canadian Bank of Commerce Mr. Ashworth continued to act in New York as broker for the bank, and William McMaster continued to draw on his nephew in Manchester, but in the name of the bank. At the request of The Canadian Bank of Commerce the firm of A. R. McMaster and Brother opened in Liverpool also, in anticipation of the cotton bill business with New York, in which the president and directors discerned the possibilities of profit. This did not prove a success, and finally the firm moved to London and established an office in Clement's Lane, Lombard Street, as agents of The Canadian Bank of Commerce. They opened an account with Alexander Cunliffe and Company, who were willing to discount at the street rate, which was usually lower than the bank rate. On the dissolution of Cunliffe and Company, they opened a discount account with the London and County Bank,⁴ with which Mr. McMaster already enjoyed friendly relations.

¹This establishment, which many residents of Toronto can still recall, was situated at Nos. 33, 35 and 37 King Street East, on the south side, east of Yonge Street. See J. Ross Robertson, *Robertson's Landmarks of Toronto*, 1908, Fifth Series, p. 12.

²See note on page 76.

³The office of Mr. Caldwell Ashworth was at No. 7 New Street, New York, in 1867.

⁴See page 22.

Though Mr. McMaster had devoted much energy to organizing the business of The Canadian Bank of Commerce, his main activities during the first four years of its existence were concerned with legislation at Ottawa—private bills affecting his own institution and general measures affecting all chartered banks. He had been called to the first Senate of Canada in 1867 and was therefore in a position to watch and influence developments. Though a strong Liberal in politics, he was ready to co-operate with those of the opposite party in his efforts to place banking on a sound and permanent basis. During the early years of Confederation, banking legislation frequently called for the presence at Ottawa of representatives of all the leading banking institutions in the four provinces of the new Dominion, which at that time contained no less than twenty-eight chartered banks. The letters which Senator McMaster wrote from the capital to his directors, almost daily during this period, reflect the play and counter-play of the political situation upon important questions of financial policy, and the difficulties that the founders of The Canadian Bank of Commerce had to face.

At the time when The Canadian Bank of Commerce came into being, the Minister of Finance was the Hon. William P. Howland,¹ who must not be confused with his brother, Mr. H. S. Howland, vice-president of the new bank, who later became president of the Imperial Bank of Canada. The Hon. W. P. Howland took office after the resignation of the Hon. A. T. Galt in 1866, but made no attempt at financial innovations. On the formation of the first Government after

¹Later Sir William Pearce Howland, K.C.M.G. (1811-1907). He was born in Paulings, N.Y., and came to Canada in 1830. He was for a time engaged in milling at Lambton Mills, Ont., but soon entered the wholesale grocery business in Toronto. Entering Parliament in 1857, he held office from 1862 to 1868 in various capacities in successive administrations. He was one of the delegates to the London Colonial Conference to complete the terms of union between the provinces of British North America. He was appointed Lieutenant-Governor of Ontario in 1868 and was knighted in 1879. He was president of the Ontario Bank and of the Toronto Board of Trade.

Confederation, Mr. Howland took the post of Minister of Inland Revenue, Mr. Galt again becoming Minister of Finance.

In October, 1867, just five months after The Canadian Bank of Commerce had begun business, came the final scene in the tragedy of the Commercial Bank. At the annual meeting in June, 1867, it was proposed to write off part of its capital. New directors took charge, and auditors were appointed to investigate and report on the bank's position, but their report failed to reassure the public. The depositors became uneasy and the unrest culminated in a run. Assistance was secured from the Bank of Montreal, but a few weeks later the run started again. The Hon. Alexander T. Galt, Minister of Finance, was at this period one of the bank's directors, so application was made to the Dominion Government to come to the bank's assistance. This was refused, and a subsequent application to the other banks in Montreal meeting a like fate, the Commercial Bank suspended payment on October 22. Great excitement prevailed in Toronto over the event, much more than in the case of the Bank of Upper Canada, and runs took place on several of the banks, which were only allayed when the Dominion Government announced its willingness to accept the notes of all the banks still doing business. The rumours regarding the Commercial Bank and the unsettlement of the public mind that they produced were among the difficulties with which The Canadian Bank of Commerce had to contend at the outset, giving the management many moments of deep anxiety and causing it to put forth every effort to maintain strong cash reserves, lest the distrust should spread to the infant institution under its charge.

The failure of the Commercial Bank was an honourable one. Its affairs were found in much better shape than those of the Bank of Upper Canada, and it was recognized that if given time the liabilities could be paid in full. Finally, early in 1868, arrangements were concluded with the Merchants Bank of Canada to take over its assets and issue to its shareholders shares in the Merchants Bank in exchange for shares

in the Commercial Bank in the proportion of one to three. The failure was, however, a very severe blow to the Hon. A. T. Galt, and undoubtedly formed one of the principal reasons for his resignation from the Cabinet on November 3, 1867. Neither Galt nor King of the Bank of Montreal was popular in western Canada at this period, because of their attitude in the past towards banking legislation, and the rumour spread that they had conspired together to ruin the Commercial Bank. Although the rumour could not stand investigation for a moment, Galt felt it bitterly, and considered that his colleagues, and especially Sir John A. Macdonald, had allowed the matter to come before Parliament in a light which reflected unfavourably on him. He had been one of Sir John A. Macdonald's nearest confidants and advisers, and had been chosen by him in 1862 to go on a secret mission to ascertain the real policy of President Lincoln when certain members of the United States Cabinet were advocating the conquest of Canada as an offset to Federal reverses. He was able to bring back assurances that no such war of conquest would be tolerated as long as Lincoln was at the White House. The admiration in which his oratorical and reputed financial genius was held was voiced by Henry J. Morgan,¹ the faithful biographer of three generations of Canadians, who in 1862 described him as both the Gladstone and the Disraeli of Canada. It must have been with the greatest reluctance that Sir John A. Macdonald accepted his resignation at this time.

Galt's successor in 1867 as Minister of Finance was John Rose, a man of the most brilliant attainments, who was destined to enjoy a distinguished career in Great Britain in later years. Rose was born in Aberdeen, Scotland, in 1820, and came to Canada as a boy, settling in the Eastern Townships. He studied law in Montreal and was called to the bar at the age of twenty-two. Within a few years he had built up the largest law practice in that city, and was especially fortunate in being appointed solicitor of the Hudson's Bay

¹*Sketches of Celebrated Canadians and Persons connected with Canada, 1862, p. 618.*

Company. It is significant that he received his appointment as Queen's Counsel at the age of twenty-seven, at a time when that title was very charily bestowed. Entering politics he became Solicitor-General in the Macdonald-Cartier administration of 1857 and later held the portfolio of Commissioner of Public Works. In 1860, when the Prince of Wales, afterwards Edward VII, visited Canada, Rose was chosen, because of his ability and fine address, to conduct the tour of the Heir Apparent, a task of no small difficulty in those days of indifferent transportation facilities and strong sectional jealousies. The friendships he made during the Royal visit stood him in good stead in later years, when he left Canada to take up his residence in Great Britain. He was knighted in 1870, and two years later a baronetcy was conferred upon him. In 1873 he joined the Court of Directors of the Bank of British Columbia,¹ and in 1886 was made a privy councillor. He died in 1888, having become one of the most noted bankers in London.

As has been pointed out, at Confederation the Bank of Montreal occupied a leading position among the Canadian banks, and its president, Mr. E. H. King, was zealous to maintain that pre-eminence. In November, 1867, he came out emphatically in favour of the banking system which had been tried and found wanting under Mr. Hamilton Merritt's measure of 1850.² Mr. King favoured the United States system of independent local banks, prohibited from maintaining branches. He argued that the note issues of the banks should be restricted and also be based entirely on government securities deposited with the Receiver-General. In addition he strongly recommended the continued issue of Dominion notes, as provided by Galt's measure, and that the banks should be obliged to hold a fixed ratio of reserve in specie and these notes. When Mr. Rose laid his proposals before the House of Commons on May 14, 1869, it was clear that he had adopted Mr. King's ideas in their entirety.³

¹See Vol. 1, p. 319.

²See page 4.

³Breckenridge, *The Canadian Banking System*, p. 239; Shortt, *Canada and Its Provinces*, X, 629.

It was natural that Mr. McMaster, who had founded a bank as a protest against what he deemed the unfair treatment of Ontario, should be personally opposed to the Rose resolutions. In this he had the support of almost all bankers throughout Canada, who pointed out that the government proposals would make it necessary for the banks to replace by the new notes not only their outstanding note circulation, but also those notes held as cash in the tills of the branches. This would involve the purchase of an immense amount of government securities at prices enhanced by the sudden demand. As the funds of the banks were already fully employed in their discount business, the only way in which the necessary money could be obtained would be by calling on their customers to pay up their loans. This would at once affect the mercantile business of the country, and in many cases cause distress and failure. There was also the objection involved in the alternative of either carrying unused in their tills for the greater part of the year the additional notes required to move the crops each autumn, or else bringing on every year at that period a money stringency with all its attendant evils. It is characteristic of Mr. McMaster, however, that he did not show his opposition publicly to the resolutions. He had excellent reasons for this, one being the hope of an easy passage for the private legislation desired by The Canadian Bank of Commerce. It was a young institution, and though its advent had been eagerly welcomed by the investing public of Ontario, it could not command support in Parliament to as great an extent as some of the older banks. The Senator, therefore, thought it unwise to place himself in open antagonism to the powers that ruled the Finance Department of Canada. The private legislation referred to was an application by the bank for permission to increase its capital stock from one to two million dollars. Within a year or two, in mistaken zeal, he sought and obtained authorization for another increase of capital. His correspondence from Ottawa during 1869 and 1870 shows that these measures met with an

opposition that at times caused him grave anxiety, and frequently taxed his patience.

In April, 1869, a few weeks before Mr. Rose announced his banking policy, the Hon. John Hamilton of Kingston,¹ chairman of the Senate Committee on Banking and Commerce, fell dangerously ill. "I was urged to take his place," writes Mr. McMaster, "but peremptorily refused. In doing so, I proposed the Hon. Mr. Macpherson,² who was unanimously elected. I am constantly looking after our bill and hope it will be read a first time early next week. The Finance Minister has appointed his banking committee in the other House and everything connected with the present system of banking will presently be ventilated." On May 1 he reports that the bill will probably stand for some days in the Commons, but will experience little delay after it reaches the Senate. He speaks in terms of appreciation of Mr. George Hague,³

¹The Hon. John Hamilton (1801-82) was born at Queenston, Ont., but removed to Kingston in 1840. He is said to have been the first to introduce iron vessels on Canadian waters. He was a member of the Legislative Council of Upper Canada from 1831 until the Act of Union. He sat in the Legislative Council of the united provinces until Confederation, and in the Senate of Canada until his death, completing over fifty years of continuous service in the Upper Chamber.

²Sir David Lewis Macpherson (1818-96) was born in Scotland and came to Canada in 1835. He was interested in railway promotions and became president of the Toronto company organized for the construction of the Canadian Pacific Railway which failed to secure the charter. From 1864 to 1867 he was a member of the Legislative Council of Canada, and in the latter year was appointed to the Senate. He was Minister of the Interior from 1883 to 1885, and was knighted in 1884.

³George Hague (1825-1915). A prominent Canadian banker. Born in Rotherham, Yorkshire, he came to Canada in 1854. Soon afterwards he entered the service of the newly-organized Bank of Toronto, and in 1863 was appointed cashier, as the chief executive officer of that bank was then termed. He took a prominent part in the discussions with the Government at the time of the enactment of the first Dominion Bank Act, supporting the essentials of the present Canadian banking system as against the proposals of the Government. In 1876 he retired from the Bank of Toronto, but in 1877 he was prevailed upon to take charge of the Merchants Bank of Canada with a view to extricating it from the difficulties into which it had fallen. This he accomplished successfully, remaining in its service until 1902. He assisted in founding the Canadian Bankers' Association and became its first president. He was well-known as a writer on banking and financial subjects, and was very active in religious and philanthropic work.

afterwards for many years general manager of the Merchants Bank of Canada, but at that time connected with the Bank of Toronto, and a strong champion of the "western" banks. "His zeal and ability in contending for the old system of banking, with some amendments, does him infinite credit," writes Mr. McMaster. The allusion is of course to the system of chartered banks possessing the privileges of establishing branches and of issuing a bank-note currency, of which the Senator was a strong supporter. He was, however, resolved not to commit The Canadian Bank of Commerce to any position until its own legislative business had been settled, and declined to preside over a meeting of bankers held on May 1 to discuss the Government's banking measure. "The most prominent in the movement," he writes, "urged me strongly to occupy the chair on the occasion, which I refused. I, however, thought it advisable to attend the meeting, but declined being a party to its action on the grounds that I could not think of incurring the responsibility of acting for the Bank of Commerce with reference to the business under discussion, or any other matter, without first consulting my colleagues, the directors, and at the same time stated that I regarded the meeting as being premature, and thought it would have appeared more judicious and business-like to have deferred action until the government scheme was developed." Others, including Senator Benson,¹ took a similar view, but the greater number of those present were in favour of immediate action and a presentation of resolutions to the Hon. Mr. Rose. Senator McMaster withdrew from the meeting, "in order to be relieved from declining to be one of the deputation." He considered that The Canadian Bank of Commerce should not interfere, but should wait quietly until the government scheme

¹The Hon. James Rea Benson (1807-85) was engaged for many years in milling and shipping, and did much by his various enterprises to build up St. Catharines. He was made a member of the Legislative Council of Canada in 1867 and, after Confederation, was elected to the House of Commons. In 1868 he was called to the Senate. For many years he was president of the Niagara District Bank, and after its amalgamation with the Imperial Bank of Canada, he became a director of the latter bank.

made its appearance, when the bank, having manifested no hostile feeling toward the Government, would be in a better position to secure modifications and improvements. He also tells the Board of Directors that Senator Macpherson is of the opinion that the country is on the verge of an agitation over the banking question that will exceed the excitement of the "Rep-by-Pop" movement.¹ Mr. McMaster himself believed that the new banking scheme would carry both Houses and asked definite instructions from his directors as to the course he was to pursue. "Do you," he asked, "wish me to oppose it to the bitter end, and destroy any influence I may have to improve the measure, or should I, to a moderate extent, accept the government scheme and do what I can, in a friendly way, to improve it?" The directors refrained from giving him definite instructions, but intimated that it would be inadvisable to take a position of antagonism towards the other banks on a question in which all were vitally interested. This reply seems to have been a disappointment to him, in that the Board had left all the responsibility on his shoulders, and in a letter dated May 10 he explained that his position was not easy. "Should I finally decide on supporting the proposed banking scheme," he continued, "I shall do so upon broad and well-defined principles and because I believe it to be in the interest of the banks and country generally, or because I feel

¹The movement for representation in Parliament in proportion to population, in other words, "representation by population," nicknamed "Rep-by-Pop" in the political phrase of the day, was one of the burning political questions which sprung out of the Act of Union of 1841, already referred to in this volume (page 1). Owing to the fear of French domination, the English-speaking minority at the time the Act was passed insisted on equal representation in the legislature for both Upper and Lower Canada, in spite of the fact that the population of Lower Canada was half as large again as that of the Upper Province. During the years which followed, the population of Upper Canada increased by immigration at a much more rapid rate than that of Lower Canada, so that in about eight years it equalled and soon surpassed the population of the Lower Province. Now that the tables were turned, the French population of Lower Canada naturally regarded the provisions of the Act of Union as the legal safeguard of their peculiar institutions. The problem disappeared at Confederation when what had been Upper and Lower Canada again became separate provinces.

sure the measure will be carried in spite of all opposition and regard it as being wisdom on my part not to assume a hostile attitude towards the Government, but utilize any little influence I have with its members to improve the measure. Our friend, Mr. Hague, says, 'Do everything in your power to defeat the scheme, and if you fail, try to improve it afterwards.' But when he gets to be a little more experienced in public matters, he will find out that a Government will yield much in order to be relieved from the opposition of those who are looked upon as possessing considerable influence in either House, but if opposed by such parties until a vote is taken which results in demonstrating that the Government has a large majority, no friendly remonstrances will be listened to afterwards."

A day or so later he was extremely annoyed to learn that the House of Commons Committee on Banking had decided to postpone consideration of the bill for the extension of the capital of The Canadian Bank of Commerce until Mr. Rose's general banking scheme had been laid before the House. Nevertheless the bill speedily passed through both Houses after it was finally taken up on May 18, 1869, and by May 31 it only awaited the formal assent of the Crown. To his surprise the Banking Committee of the Senate gave more trouble than that of the Commons. This was because Senator Ryan,¹ vice-president of the Bank of Montreal, strongly opposed some of its most important clauses. Anticipating such a move because of his old differences with that bank, Senator McMaster had all his friends on hand, and he found his reward for the moderation of his attitude towards the Government's general legislation in the fact that his bill was

¹The Hon. Thomas Ryan was a native of Ireland. He was engaged in mercantile business in the province of Quebec, being a partner in the firm of Ryan Brothers and Company, of Quebec and Montreal. Retiring in 1863, he was elected to the Legislative Council of Canada, in which body he sat until Confederation, when he was called to the Senate. He served on a commission appointed by the Canadian Government with a view to opening up trade between Canada and the West Indies, Mexico and Brazil. He took much interest in educational matters, and was one of the Catholic Commissioners of Education for the province of Quebec. He died in 1889.



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strongly supported by the Minister of Finance, the Hon. John Rose. Consideration of Mr. Rose's own resolutions dragged on through June, and it transpired that in this case the prophetic gift had failed Senator McMaster, for the opposition roused by the other banks was sufficient to wreck the scheme. The Government, to save its face, agreed to postpone consideration of the banking legislation until the following session. In the interim between the sessions of 1869 and 1870, the Hon. Mr. Rose, realizing that every day only strengthened the opposition to his plan, retired from the Government and left Canada. About the same time Mr. King, the reputed father of the measure, retired from the active management of the Bank of Montreal and took no further part in public affairs.

It was at this juncture that Sir Francis Hincks returned to Canada on a visit which had unexpected consequences to himself and to the banking community. The career of Sir Francis Hincks had been a remarkably varied one. The scion of a Cheshire family which had settled in Ireland, he early foreswore the divinity career in which his father and several of his brothers won distinction, and resolved to become a merchant. He went to the West Indies in 1830 as supercargo of a trading vessel; and while in Barbados, he made the acquaintance of a Canadian gentleman who prevailed on him to pay a visit to Canada. He came to Toronto in 1832 with letters to Robert Baldwin,¹ and was soon engaged in business as a merchant. Commerce did not afford sufficient scope for his eager mind, however, and in 1838, after the

¹Robert Baldwin (1804-58) was the son of Dr. W. W. Baldwin and was born in Little York, as Toronto was then termed. He studied law and was called to the bar in 1825. In 1830 he was elected to the legislature. He became one of the most prominent leaders of the Reform party in Upper Canada in the struggle for responsible government with what was then known as the "Family Compact." He was Attorney-General for Upper Canada from 1842 to 1843 and again from 1848 to 1851. During both these periods he was closely associated in the administration with Louis Hippolyte La Fontaine (1807-64), Attorney-General for Lower Canada, who later became Sir Louis La Fontaine, Bart. In 1851 Mr. Baldwin retired from public life.

arrival of Lord Durham,¹ he started a newspaper called the *Examiner* for the purpose of advocating the union of the Canadas. In 1841 he was elected to represent the County of Oxford in the first legislature of united Canada as a supporter of the La Fontaine-Baldwin Reform group, and in 1842 was made Inspector-General, as the Minister of Finance was then called. The construction of the Grand Trunk and Great Western Railways was largely facilitated by the encouragement which he gave to these projects. His career furnishes one of the few instances in which Great Britain has selected a colonial statesman as a governor of another colony. In 1855 he was offered and accepted the post of Governor of the Windward Islands, and in 1862 he was promoted to the very important office of Governor of British Guiana. On the expiration of his term of office he visited Canada with no intention of making a permanent stay. It was then that the happy inspiration came to Sir John A. Macdonald of asking him to remain and to attempt the task of devising a uniform banking law for Canada. He consented, and was sworn in as Minister of Finance toward the close of 1869.

The resolutions which Mr. George Hague and other bankers had drawn up during the previous session for presentation to Mr. Rose, and which had been rejected by him, stated emphatically that neither a government note system, nor a system modelled on that of the National banks of the United States, was desirable. They pointed out that the following provisions would, without curtailing discount facilities or weakening the gold reserves behind the currency, afford the note holder ample protection:

¹John George Lambton, first Earl of Durham (1792-1840), an early advocate of Parliamentary reform in the British House of Commons and Lord Privy Seal in Lord Grey's ministry, came to Canada as Governor-General the year following the rebellion of 1837. His policy of conciliation was severely criticised by the Home Government, and he resigned, returning to England towards the end of 1838. Shortly afterwards he presented to Parliament his famous "Report on the Affairs of British North America," which formed the basis of the Act of Union between Upper and Lower Canada passed in 1840, and has remained one of the great landmarks in the constitutional history of the British Empire.

1. The double liability to be enforced twelve months after suspension of payment.
2. A call to be made on the shareholders whenever the capital of a bank is impaired to the extent of twenty per cent.
3. The qualification of directors to be increased, and to bear some proportion to the amount of the capital.
4. Returns to be made in greater detail.
5. The note circulation to be kept within reasonable bounds.
6. The minimum for specie reserves to be set at twenty-five per cent. of demand liabilities.
7. The maximum division of profits to be set at eight per cent. until a Rest of twenty per cent. is accumulated.

These resolutions were laid before Sir Francis Hincks as soon as he assumed office, and when Parliament met in February, 1870, he had already prepared two bills which in the main met with the approval of the banking community. One provided for a general banking Act, and the other placed the government note issue on substantially the basis that it now occupies. Those sections of Galt's Provincial Note Act of 1866, providing for the surrender by the banks of their note-issuing powers in favour of the government issue, were repealed, and henceforth the government notes and the bank-notes were to occupy their respective fields side by side. The increase in the amount of the government issue, and the weakening of the specie reserve behind it, did not escape the vigilance of the financial critics of the day, for it is precisely in these respects that the weakness of a government note issue lies. The most gratifying feature of the proposed changes was the decision of Sir Francis to place all banks on the same footing. In pursuance of this policy he notified the Bank of Montreal on February 14, 1870, of the Government's desire to terminate, at the end of six months, the arrangement made with it by the Hon. Alexander T. Galt for the issue and redemption of the provincial notes. He also cancelled an agreement entered

into in November, 1865, whereby the Government was compelled to keep continuously on deposit with the Bank of Montreal between \$400,000 and \$500,000 without interest. After the House met, Sir Francis Hincks placed himself on record as in favour of branch banking, as being the system most suitable to Canadian conditions.

The principles laid down in the bankers' resolutions outlined above were for the most part accepted by Sir Francis. With regard to note circulation he proposed that the Government should retain a monopoly of the privilege of issuing all notes under \$4, and the banks were required to hold fifty per cent. of their cash reserves in Dominion of Canada legal tender notes. The measures introduced by Sir Francis Hincks were particularly agreeable to the Ontario bankers, who had rarely been listened to in the past. Especially did they meet with the approval of Senator McMaster, for they embodied in part the very principles for which he had contended. It will be noted that at this session he was quite willing to accept the chairmanship of the Banking Committee, a post he had refused in the previous year, owing to his radical, though concealed, hostility to Mr. Rose's scheme. He also had in hand legislation sanctioning the amalgamation of the Gore Bank with The Canadian Bank of Commerce and authorizing a large increase in the capital of the latter.

Although the bankers were one in supporting the Hincks measures, and Sir John A. Macdonald was relieved that he had at last found the man and the solution for his banking problem, politics were to play a greater part in this legislation than in the case of the proposals of the Hon. John Rose. The reason was that the Liberal Opposition counted on a political advantage if, without enunciating a policy of their own, they could defeat the Government and leave the whole question in the air. If they could force a general election on this or any other issue, they felt confident of victory, and therefore many of them favoured blocking the measure without respect to its merits. Although a Liberal of many years' standing, Senator

McMaster would not countenance such tactics and his correspondence with the officials of The Canadian Bank of Commerce is full of scorn for those who devised them.

In his first letter after the session opened, dated February 24, he tells his Board not to be alarmed by the rumours as to cabinet differences appearing in the *Globe* and other Liberal organs. "The Government is strong and I have every reason to believe will weather the storm. Gordon Brown¹ is here at work among the members, exciting their prejudices against the government banking policy, and he, as well as other kindred spirits, actually seems sorry that Rose's bill has not been brought forward. The reason is obvious; they confidently expected to upset the Government on the measure. They view the question from a purely political standpoint and would turn out Hincks upon it, even if they were sure that Galt or Rose were certain to take his place, while we look at it only with reference to the interests of the country. I saw Sir Francis this morning and am satisfied his banking measure will be everything we were led to expect. All things considered, I feel sanguine we shall get a pretty good bill." The next day he expresses regret that he cannot run up to Toronto to satisfy certain gentlemen of the fidelity of Sir Francis to the interests of Upper Canada, the impression having evidently been created that the interests of the "western" banks were to be sacrificed once more. "There are many," he says, "endeavouring to make mischief and I cannot well be spared from Ottawa at present." It is quite evident that he had a voice in framing the resolutions about to be introduced into Parliament by Sir Francis Hincks, for on February 28 he writes: "The banking resolutions are to be introduced tomorrow in the House of Commons, and I think they should give satisfaction in Upper Canada. Be this as it may, one thing

¹John Gordon Brown (1827-96) was a brother of the Hon. George Brown (1818-80), the founder of the *Globe*. He was born in Scotland and educated in Edinburgh and New York. He became editor of the *Globe* in 1851 and subsequently managing director. In 1882 he retired from the *Globe*, and the following year was appointed Registrar of the Surrogate Court of Toronto.

is certain, I have left no stone unturned in order to make them as perfect as possible. Several changes for the worse have been pressed upon Sir Francis since the deputation waited on him some three weeks ago, and besides reasoning and coaxing I had to show a little fight occasionally in order to defeat the influence brought to bear on him."

The resolutions drafted by Sir Francis were introduced on March 1, and seemed to give general satisfaction. One point which Senator McMaster thought required amendment was that relating to the qualification of directors. He urged, in private conferences with Sir Francis, that this be reduced. He also favoured granting charters for a period of twenty years, but the Finance Minister finally placed the term at ten years. The Senator reported that the Mackenzie and Brown party¹ were preparing to defeat the Government on the clause which took away from the banks the right of circulating one and two dollar bills, but rightly predicted that they would not succeed.

On March 8 he was able to advise that the bill authorizing the amalgamation of the Gore Bank had made some progress in the House of Commons, and intimated that it had passed through an ordeal in the Standing Orders Committee. "There are," he adds, "a large number of bankers here who had held several meetings for the purpose of considering the banking resolutions. I was appointed chairman and in that capacity had to invite Mr. King to attend. I can hardly describe to you how different his manner and general bearing appear, when compared with the way he acted when he had Rose at his back, ready to do his bidding. Whatever may be the state of things in future, one thing is certain, that just now King, like Samson, is shorn of his locks, and without power for mischief."

On March 10 Mr. McMaster reported that the representatives of the various banks had, after several protracted

¹The new Liberal or Reform party, as opposed to the Liberal-Conservative coalition party of Sir John A. Macdonald. The leaders of the Reform party were the Hon. George Brown and the Hon. Alexander Mackenzie (1822-92). In 1873 the latter became the first Liberal Prime Minister of Canada.

meetings, secured a lengthy interview with the Minister of Finance, who received their suggested modifications in good part; they asked for a simplification of the returns, and that the percentage of their reserves to be held in Dominion legal tender notes should be reduced from fifty to thirty-three and one-third per cent. On March 12 he reports that most of the amendments regarded by the western bankers as important are likely to be conceded. Speaking of the debates in the House of Commons, he says: "Brydges,¹ Galt, Sandfield,² Cartwright³ and King have been hard at work for some days in order to have the headings struck out which required the deposits and discounts in each province to be given separately, and also that the liabilities growing out of exchange drawn by a bank on itself should be furnished and form part of the bank's indebtedness to the public. I need not tell you they were successful, and in this respect the western banks are not treated fairly. I am sick and tired of the banking question and would give anything to be home, but I feel myself bound by a sense of duty to remain and do what I can to make the measure as perfect as possible." Two days

¹Charles John Brydges (1826-89). President of the Mechanics Bank. Mr. Brydges was born in London, England, and commenced his business career in 1843 as a junior clerk in the employ of the London and South Western Railway Company. He subsequently became secretary of the Company, but resigned in 1852 on being appointed managing director of the Great Western Railway Company of Canada. In 1862 he also became managing director of the Grand Trunk Railway Company during the negotiations for the fusing of the two companies, and managed both until September, 1862, when the negotiations having fallen through, he resigned as director of the Great Western Railway Company. In 1868 he was appointed one of four commissioners to superintend for the Dominion Government the construction of the Intercolonial Railway. He resigned from the Grand Trunk Railway Company in 1874, and in 1879 succeeded Mr. Donald A. Smith, afterwards Lord Strathcona, as Commissioner of the Hudson's Bay Company, with headquarters at Winnipeg, where he resided until his death.

²John Sandfield Macdonald (1812-72). A native of St. Raphaels, Glengarry County, Ontario, he was called to the bar in 1840, and in 1841 elected to the House of Assembly in the first Parliament of the united province of Canada. In 1849 he was Solicitor-General in the La Fontaine-Baldwin Government, and subsequently held various offices, being Premier from 1862 to 1864 in what is known as the "Caretaker" ministry. After Confederation he was selected to form the first Government of the

later he announced with evident gratification that a matter to which he had given close personal attention, the qualification of directors, had been arranged in a manner which is sure to meet with the approval of the other directors. The director of a bank with a capital of one million dollars and under must hold personally and in his own right at least \$3,000 of paid-up capital stock; of a bank with over one and not exceeding three million dollars of capital stock, \$4,000, and of one with over three millions, \$5,000. The system of monthly returns was simplified and the percentage of reserves to be held in Dominion of Canada legal tender notes was fixed at thirty-three per cent., as the bankers had suggested.

In this letter Senator McMaster also refers to misstatements in the press, which show the influence of politics on the discussion of what might be regarded as a highly technical question. "I am receiving letters from Upper Canada, from which it would appear that King and I have had a row, he going with the western banks and I acting in opposition to them. I need not tell you that the *Telegraph's*⁴ statements to this effect are pure fabrications. I acted in the most friendly manner with all the banks, as well as those in the west, all province of Ontario and held office as Premier and Attorney-General from 1867 until 1871. During part of this time he sat also in the Dominion House of Commons, which accounts for the reference made by the Hon. William McMaster to his taking part in the debates. There were several others at this time who sat in both the Ontario Legislature and the Dominion House of Commons, there being nothing in the British North America Act to forbid this. So far as Ontario is concerned, the practice was put an end to by 35 Victoria (Ontario) 1871-72, c. iv, which disqualified members of the Commons of Canada from sitting in the Ontario Legislature.

³Sir Richard John Cartwright, G.C.M.G. (1835-1912), was the son of the late Rev. R. D. Cartwright, Chaplain to the Forces at Kingston, Ont., and a grandson of the Hon. Richard Cartwright, a United Empire Loyalist, who became judge of the Court of Common Pleas, and a member of the Legislative Council of Upper Canada. He was born in Kingston, Ont., and educated at Trinity College, Dublin. He was for a time president of the Commercial Bank of Canada, Kingston. From 1873 to 1878 he was Minister of Finance, and from 1896 to 1911 Minister of Trade and Commerce of Canada. He was created a K.C.M.G. in 1879 and G.C.M.G. in 1897.

⁴The *Telegraph* was a Toronto evening newspaper, which had recently been founded by the late John Ross Robertson, but failed shortly afterwards, to be revived some years later as the *Evening Telegram*.

through, and when King attempted to pull the wool over their eyes, as he frequently did, it was my duty as chairman to see that the question under discussion was fully understood. For instance, he came out strongly against the legal tenders, pointed out with his usual ability the immense danger and risk to which the banks would be exposed by holding them, and was actually carrying the meeting with him, when I, in the most courteous manner, drew his attention to the fact that his favourite bill of last year would not only have deprived the western banks of their entire circulation, but also compelled them to invest their entire capital in Government bonds, which might under a variety of circumstances be depreciated to an enormous extent. The banks saw through the fallacy of his arguments at once, and he felt a good deal annoyed. There were a few other similar occurrences, but I invariably expressed myself in a good-natured manner."

The Senator also speaks of differences with Mr. Hague, of whom he says: "He made a strong appeal to the meeting in favour of being allowed to issue notes on the basis of reserves. He was exceedingly earnest—and as a consequence, the meeting thought it was a fair thing that should be granted. When they had all let off steam pretty well, I reminded them of the fact that all prudent business men wrote off their bad and doubtful debts annually, and in order to maintain a sound position the banks should do the same, but if a law was passed authorizing them to use their reserve or Rest as a basis for circulation, it would afford such a temptation to pile up a reserve by the accumulation of bad debts, that none ever would be written off, and a most unsound state of things would be the result, and when I got through there was not a single one who did not oppose the system."

A few days later Senator McMaster writes in censure of Messrs. Galt and Cartwright for going over the same ground again and again for the purpose of annoying Sir Francis Hincks and weakening the Government. On March 28 he says, "Cartwright, who last year was the champion of our Upper

Canada banks, moved two amendments in the interest and at the special request of King, but fortunately they were rejected by large majorities. It took all the ingenuity I was master of, to keep some of the Liberal party right in these votes. Very high authority cautions us against putting our faith in princes, but the warning should have extended to members of Parliament." Nevertheless the "Act respecting Banks and Banking" passed safely through the House of Commons on April 5, 1870, was ratified by the Senate on April 12, and received the Royal assent on May 12.

A circumstance which no doubt contributed to the disgust of Senator McMaster was that his Canadian Bank of Commerce legislation was meanwhile hanging fire. Though zealous for the adoption of the general banking measure, he was not forgetful of his own bill, which provided for the amalgamation of the Gore Bank and the increase of the capital of The Canadian Bank of Commerce to three million dollars. On March 18 he reports success in his efforts to get the Banking Committee of the House of Commons to meet, in order that they might take it up. "King," he writes, "had been in Montreal for some days, but is expected here this evening again, and I was most anxious to get our bill through committee previous to his return, which could not have been managed in any other way than through Sir Francis, who is chairman. The bill as amended will be reported to the House this evening, but no measure of the kind will be allowed to go through any additional stages until the government bill is passed." He also says that he is somewhat embarrassed over the proposed increase in capital. The government resolutions as originally introduced had contemplated providing for such increases in future, but the clause had been dropped. Just before "the Committee met, Macpherson, with whom I have co-operated in banking matters generally, gave it as his decided opinion that we should, if possible, get the power to increase our stock to four instead of three millions of dollars. In view of the fact that the provisions of our amended charter of last year

[1869] do not bind us to any particular time within which the stock must be subscribed, if I can manage to have the present increase placed under the same provisions, I feel disposed to fall in with Macpherson's views. There are difficulties to be surmounted with regard to the notice and other things, but I navigated the bill through the Banking Committee without the weak points being detected, and it is possible the additional million may be included and passed without much trouble. You will understand that I have got the bill through Committee providing for four instead of three million capital, but can have the additional million struck out when passing through the House, if thought advisable. Some of our friends think that, in order to occupy the position we should hold in Upper Canada, our stock should be four million."

Apparently the directors approved of this eleventh-hour suggestion, and the bill was advanced two or three stages until it came before the Committee of the Whole on March 28. Then Sir George Etienne Cartier,¹ the Quebec leader in the Government, rose in his place and instructed the members that the bill must stand until the Government's financial legislation was disposed of. Mr. McMaster writes: "Whether this may have been done for the purpose of securing my continued support and that of others who have bills before Parliament, or that he has got his instructions from King, I cannot say—but I need not tell you, my disappointment is very great." To understand this fully, it must be remembered that he was a Liberal supporting the financial legislation of a

¹Sir George Etienne Cartier, Bart. (1814-73), was a native of St. Antoine, P.Q. He studied law and began to practise in 1837. He took a prominent part in the rebellion of 1837 and was obliged to flee to the United States. After his return to Canada he entered public life, and became the valued colleague of Sir John A. Macdonald and a prominent leader of his own race. In 1849 he was elected to the House of Assembly, entered the Cabinet in 1855, and from 1858 to 1862 he and Sir John A. Macdonald were joint Prime Ministers of Canada. Pre-eminently a practical statesman, he was always a great supporter of railway construction as essential to the development of Canada, and rendered great services to the cause of Confederation. He was also the author of many practical measures of reform affecting his native province, such as the abolition of the seigniorial tenure and the codification of the civil law.

Conservative Government against the opposition of important members of his own party, and that he had been successful in inducing other Liberals to follow his example. It is apparent that Sir George Cartier developed a personal opposition to the bill of The Canadian Bank of Commerce, for on April 2 Mr. McMaster alludes to an appeal he had made to Sir Francis Hincks for an exercise of his friendly offices with his colleagues. "I hope the result may be favourable," he writes, "but there is no certainty beyond the fact that Sir Francis has urged me all along to keep quiet and he would see that the matter is made right."

Two days later he sent to Toronto the gratifying tidings that the bill had passed its second reading in the Commons, but he anticipated that when it came before the Senate, Senator Ryan would offer strong opposition, especially to the amended clause increasing the authorized capital. On April 6 the bill finally passed the Commons and the Senator writes: "I think the Government will not care to have another bill in which I am interested before Parliament for some time, as I have kept badgering them constantly, and finally succeeded in making them believe that I am a very badly used man." A few days later he was able to write: "It was indeed with unfeigned satisfaction I telegraphed you to-day to the effect that our amalgamation bill went through committee this morning, was reported to the Senate this afternoon, when it passed its final and third reading, so that my anxiety regarding the measure is now at an end. Ryan showed his teeth repeatedly when the bill was under discussion in the committee, but having taken the precaution of either seeing my friends who are on the committee, or addressing them a note requesting their presence and co-operation in the matter, everyone came to time. I had Mr. Street¹ on hand to speak for the Gore Bank, so that Ryan, who evidently wished to give trouble, found himself so powerless that he soon gave up the fight." It is evident that the Government was resolved to stand by Senator McMaster, for he adds that the only two

members of the Cabinet who were also members of the Senate Banking Committee, the Hon. Edward Kenny² of Halifax, and the Hon. Peter Mitchell³ of Montreal, though they had but seldom attended its deliberations, were present on this occasion to give him their support.

It will be seen that the parliamentary session of 1870 was a momentous one for the banks of Canada, as it produced a general banking Act which gave a prospect of permanence and an equality of opportunity for all. It also placed The Canadian Bank of Commerce in a position to meet the growing needs of the business community by authorizing the increase of its capital. To the success of both measures, its founder and his associates contributed by their unfailing vigilance and persuasive influence. From 1870 the bank stands out as one of the great banking institutions of Canada.

¹Thomas Clark Street, M.P. (1814-72), son of Samuel Street, one of the early settlers in the neighbourhood of Niagara Falls. Educated as a barrister, he was called to the bar, but never practised. He was president of the Gore Bank from 1862 until 1868, and a director of The Canadian Bank of Commerce from July, 1870, until his death. He represented Welland in the Legislative Assembly of Canada from 1851 to 1854 and from 1861 to 1867, and also in the first Parliament of the Dominion of Canada. For his portrait, see Vol. I, p. 177.

²Sir Edward Kenny (1800-91) was a native of County Kerry, Ireland, who emigrated to Nova Scotia and was called to the Senate of Canada at Confederation. He was Receiver-General of the Dominion of Canada from 1867 to 1869, and President of the Privy Council from 1869 until 1870. He was knighted in 1870.

³The Hon. Peter Mitchell (1824-99) was a native of Newcastle, N.B. He studied law and was called to the bar in 1848. For many years he was engaged in lumbering and shipbuilding. He was elected to the Legislative Assembly of his native province in 1856 and four years later was appointed to the Legislative Council, becoming a member of the Government of the province in 1860. He was a strong supporter of Confederation and a delegate to the conferences connected therewith. He was called to the Senate of Canada in 1867 and was Minister of Marine and Fisheries from 1867 to 1873. He resigned from the Senate in 1874, and was elected to the House of Commons.



CHAPTER II.

1867 TO 1901.

We may now turn back a little in our story and review the business beginnings of The Canadian Bank of Commerce. It had opened its doors in May, 1867, and during the three years that ensued, while Senator McMaster was fighting his diplomatic battles at Ottawa, the directors and staff were busy laying the foundations of a great business structure. The hearty welcome which had been extended by the investing public when the stock was placed on the market was paralleled by the response of the commercial community, not only at Toronto but at other points in Ontario, as soon as the bank began business. As stated in the foregoing chapter, branches at London, St. Catharines and Barrie were authorized almost simultaneously with the opening of the head office and during the next few years the directors were constantly asked to consider requests from other towns for branches in their communities. In Toronto the premises at the south-east corner of Yonge and Colborne Streets,¹ erected and originally owned by Ross, Mitchell and Company, and later occupied by the Bank of Upper Canada, were purchased from the assignees of that bank for the use of the head office.

The London branch was placed in charge of Mr. H. S. Strathy, who had been connected with the Gore Bank. Mr. Verschoyle Cronyn, the bank's solicitor in that city, was appointed local director. Mr. H. C. Barwick was made manager at St. Catharines, with Mr. James Norris, of the firm of Norris and Neelon, contractors, as a local director.²

¹See plate 7, facing page 54.

²The custom of appointing local directors at many of the branches was continued for some years, but was discontinued in 1878.

Mr. Edwin S. Lally, formerly agent of the Bank of Upper Canada at Barrie, was appointed agent at Barrie, with Mr. T. D. McConkey¹ as local director. Both these men bore names intimately associated with the history of Barrie and of Simcoe county. Soon after, steps were taken to establish branches in Guelph and Hamilton. In the former the stock of the new bank had met with a ready sale; in the latter was situated the head office of the Great Western Railway, the business of which had been secured for the bank by Mr. McMaster, who was chairman of the Canadian Board of that railway. A sub-agency in Strathroy, under the control of the manager of the London branch, completed the list of branches opened during the first year.

Before The Canadian Bank of Commerce began operations, an arrangement had been effected with the Merchants Bank of Canada, Montreal, whereby each agreed to collect free of charge for the other at its branches. A few months later this arrangement was cancelled and a similar one was made with the Molsons Bank. As already mentioned, Senator McMaster's friend, Mr. Caldwell Ashworth, acted for the bank in New York in the same capacity as he had for the McMaster firm—as broker in transactions involving the purchase and sale of foreign exchange and the conversion of United States currency funds into gold.² It was also decided

¹Thomas David McConkey, M.P.P. (1815-90), was a native of Ardtrea, County Tyrone, Ireland. His family came to Canada about 1821, and were among the early settlers in the neighbourhood of Barrie, Ont. Mr. McConkey went into business in Barrie about 1843, and became warden of the County of Simcoe in 1860. In 1863 he was elected as member for the North Riding of Simcoe in the last Parliament of the Province of Canada, and again in 1867 in the first Parliament of the Dominion of Canada. He was one of the petitioners for the charter of the Bank of Simcoe, incorporated in 1866, which never came into existence, and one of the charter members of the Toronto, Simcoe and Muskoka Junction Railway Company, incorporated in 1869. He was sheriff of the County of Simcoe from 1875 until his death.

²For many years following the Civil War in the United States, gold was at a premium in that country, and the bank kept two accounts with its customers, one in currency and the other in gold funds. The first general ledger of The Canadian Bank of Commerce shows that two accounts were kept with Mr. Ashworth, one in current funds and the other in gold. Speaking of this period, John Crosby

to open an account with the Bank of the Republic. In June, 1867, arrangements were made through Mr. J. Short McMaster for the opening of an account with the London and County Bank in London, a service for which Mr. McMaster received the thanks of the directors. Within a few months, the cashier, Mr. Archibald Greer, who had been so active a lieutenant of the president in setting the enterprise in motion, took ill and died, and the Board selected Mr. R. J. Dallas, manager of the Montreal branch of the Bank of Toronto, as his successor.

One of the early acts of the directors was to decide upon a corporate seal. On April 7, 1868, they adopted a device designed and executed by Mr. Joseph T. Rolph, one of the founders of a well-known firm of engravers in Toronto. A facsimile of this seal appears opposite page 48. It continued in use until June, 1891, when it was replaced by the design which faces page 198. The present official seal¹ was adopted in March, 1908, and is the work of Messrs. Ramsden and Carr, St. Dunstan's Studio, South Kensington.

Brown in "*A Hundred Years of Merchant Banking*" (1909, p. 281) says: "With the outbreak of the Civil War and the suspension of specie payment it was no longer safe to leave exchange transactions uncovered from day to day. No one could tell what the premium on gold would be within the next twenty-four hours. Indeed it is hard for one who has not lived through those days to understand the difficulty with which all foreign business was transacted. Quotations for exchange were always given both in gold and currency. If the buyer elected to pay in currency, it was necessary at once to cover the transaction by the purchase of gold, and the fluctuations were so rapid and so constant that it was almost impossible to avoid serious loss. Year by year the premium on gold advanced, and with it, of course, the quotations in currency. The highest prices for both gold and sterling in currency were reached in the summer of 1864, and on July 13, a good line of our sixty-day bills on Liverpool was sold in currency at 306, and some of these bills bought back again a few days later at fifteen or twenty points less. This extreme rate lasted but a short time." In a foot-note to this passage he adds: "This quotation [306] is according to the old method, and represented a premium on gold of about 172 per cent. With exchange for gold at $109\frac{3}{4}$ and gold at a premium of 172, say 272, the exact equivalent quotation in currency would be $298\frac{1}{2}$. The difference between $298\frac{1}{2}$ and 306, $7\frac{1}{2}$ points, extreme as it may seem now, represented then only a fair margin to cover the risk in the sudden fluctuations of gold before a purchase could be made. Gold reached its highest premium, 185 per cent., say 235, on July 11, 1864."

¹Opposite page 306.

So well did the young bank prosper that on November 28, 1867, the directors were able to declare a dividend at the rate of eight per cent. per annum for that part of the year 1867 (seven and a half months) during which the bank had been in operation. When the first annual general meeting of shareholders was held on July 6, 1868, the directors had excellent progress to report. The calls on the shareholders had been met with unusual promptness, the paid-up capital standing at \$916,359, only about \$80,000 short of the authorized amount, and the directors were empowered by the shareholders to apply to Parliament for permission to increase the capital stock to two million dollars. The financial statement presented to the meeting was as follows:

LIABILITIES.	
Capital stock paid up.....	\$ 916,359 00
Circulation.....	702,388 00
Deposits.....	1,302,480 70
Reserve for interest accrued on deposits.....	3,098 39
Dividends unpaid.....	32,393 28
Rest.....	40,000 00
Balance of profits carried forward.....	362 01
	<u>\$2,997,081 38</u>
ASSETS.	
Specie and provincial notes.....	\$ 785,017 35
Notes and cheques of other banks.....	139,066 69
Balances due by other banks, after deducting balances due to other banks.....	45,781 49
Government securities.....	92,500 00
Notes and bills discounted.....	1,894,294 03
Bank premises and furniture.....	40,421 82
	<u>\$2,997,081 38</u>

Soon after the meeting it became apparent that, in view of the rapid increase in business, the appointment of an inspector or other assistant to the cashier was advisable; and the president, vice-president and cashier were appointed a

committee to select a suitable man for the post, at a salary not to exceed \$2,400. The cashier, Mr. Dallas, was at that time in receipt of a salary of \$4,000 per annum, with an allowance of \$500 for a house, a provision which illustrates a custom then prevailing in most banking institutions. A comparison of these figures with the salaries of the present day will indicate the great change that has taken place in the remuneration of the holders of important offices during the past fifty years. Shortly afterwards, the directors adopted the policy of paying the income tax on the salaries of officers of the bank and of requiring that all appointments of officers must be submitted to the Board before being confirmed. Junior clerks were to be taken on trial for a period of one month.¹

An amendment to the charter, increasing the capital of the bank and making other minor changes, occupied much of the attention of the Board during the latter part of 1868.² The directors had apparently little doubt but that their president would be able to obtain the necessary authorization for the proposed increase of capital, despite the troubled political situation at Ottawa, for in September, 1868, they resolved that provisional certificates should be issued in anticipation of this increase, binding the bank either to furnish the holders on June 1, 1869, with stock at par, or in the event of the legislation being refused, to refund the money with interest at six per cent. per annum. As it happened, it proved to be unnecessary to return any of the moneys so deposited, for the amendment to the charter was passed on June 22, 1869, and in July \$400,000 of the new stock was still unsubscribed. Though a considerable portion of this could readily have been issued to applicants other than the existing shareholders, the Board decided, in consideration of the valuable business already acquired, and the fact that a reserve of \$100,000 had been accumulated in two years, to hold the balance of the stock for sale at a premium later on.

¹The probation period for junior clerks has since been extended to three months.

²See page 30.

At the first annual meeting the directors announced their policy with regard to the opening of branches in the following words: "Your directors have from the commencement acted upon the principle of establishing only a limited number of branches, and of confining the operations of the institution to a strictly legitimate banking business; and they cannot too strongly urge upon their successors a rigid adherence to this policy, as being not only in the interest of the shareholders, but ultimately most conducive to that of the country." Thus, though requests for the opening of new branches had been numerous from the beginning, all the applications received during the second year of business were declined, except those from Woodstock and Simcoe, where the business of the Gore Bank was offered on terms which in the judgment of the directors it was expedient and desirable to accept. The Simcoe branch was taken over on May 15, 1869, and a minute of the Board refers to the primitive arrangements for conveying money parcels to and from that place. The members of the stage company which carried them were required to hold themselves individually responsible for losses, and it was decided that not more than \$2,000 should be forwarded at any one time. During the twelve months ending June, 1870, owing to an increase in the paid-up capital, the Board felt justified in adding Galt and Goderich to the list of branches, and a few weeks later, Peterboro and Orangeville.

In 1868 the Board had decided to open savings departments at the branches in Hamilton and Guelph, interest to be allowed at four per cent., or at five per cent. on sums remaining on deposit from June 30 to December 31 in each year. Presumably the higher rate was based on the theory that it was desirable to retain deposits during the period of the crop movement, which then, as now, placed a strain upon the financial resources of the country. A year later the question of continuing to pay these rates of interest came before the directors, and it was determined that the existing rate of four per cent. should be continued as a general rule, but with the



FIRST HEAD OFFICE OF THE BANK 1867-1890
South-east corner of Yonge and Colborne Streets, Toronto. Formerly occupied by the Bank of Upper Canada.

understanding that five per cent. might be allowed in exceptional cases. This resolution was not to affect existing arrangements with savings bank depositors.

During the year 1869, negotiations for the amalgamation of the Gore Bank were successfully concluded. In November, Mr. Edward Blake, Q.C.,¹ was requested to prepare the notice of application to Parliament to sanction the arrangement with that bank. Mr. Blake was then at the outset of a career which was to bring him fame as a lawyer and a statesman on both sides of the Atlantic. It is interesting to note that at the meeting of shareholders held on October 26, to ratify the Gore Bank agreement, the names of two citizens long connected with financial affairs in Toronto, John L. Blaikie² and Henry Pellatt,³ father of Sir Henry Pellatt, appear

¹The Hon. Edward Blake (1833-1912), jurist and statesman, entered both the Dominion House of Commons and the Ontario Legislature at Confederation. In 1869 he assumed the leadership of the Liberal party in the latter assembly, and on the defeat of the Hon. John Sandfield Macdonald in 1871 became Premier of Ontario. Shortly afterwards, on the abolition of dual representation (for which see note on page 42) he resigned his seat in the provincial legislature, and devoting himself to Federal politics, joined the Liberal administration of the Hon. Alexander Mackenzie in 1873, and from 1875 to 1878 held the portfolio of Justice. On the return to power of Sir John A. Macdonald, Mr. Blake became Leader of the Opposition, which post he held until 1887, when he was succeeded by Mr. (afterwards Sir) Wilfrid Laurier. In 1892 he was nominated as an Irish Nationalist candidate for the British House of Commons and sat for South Longford until 1907, when he retired from public life. By profession a barrister, he founded in Toronto, in conjunction with his brother, the late Hon. Samuel Hume Blake, the legal firm now known as Blake, Lash, Anglin and Cassels, which has acted as general solicitors for The Canadian Bank of Commerce since December, 1881. Mr. Blake was at one time Chancellor of the University of Toronto, and was the first president of the Toronto General Trusts Corporation, holding office for fourteen years.

²John Lang Blaikie (1823-1912), a native of Scotland, came to Canada in 1858, and in partnership with William Alexander established the Toronto brokerage firm of Blaikie and Alexander. Mr. Blaikie was a director of the old Northern Railway (running from Toronto to Georgian Bay and now forming part of the Grand Trunk Railway System), and was president of the Canada Landed and National Investment Company, the North American Life Assurance Company and the Consumers' Gas Company (Toronto).

³Henry Pellatt, Senior (1830-1909), was born in Glasgow and came to Canada in 1852. In 1860 he went into business in Toronto as a stock-broker. Later on he entered into partnership with Mr. (afterwards Sir) Edmund Boyd Osler, and still later with his son, now Sir Henry Pellatt. He was president of the Toronto Stock Exchange from 1876 to 1880.

as scrutineers of the vote. The number of votes cast was 1,885.

The assistance that had been rendered to the Gore Bank in 1868 had suggested to other banks involved in difficulties a means of obtaining temporary relief, and on May 21, 1869, the cashier reported to the Board that the president and cashier of the Royal Canadian Bank had approached him on the previous evening with a proposal that The Canadian Bank of Commerce should advance \$50,000 to that bank on the security of its bills receivable. The Board declared its willingness to render the assistance asked, provided that the other banks which had assisted the Gore Bank in 1868 also joined in the advance to the Royal Canadian Bank, and that the paper offered by the latter was approved. The president and vice-president were requested to confer personally with the officers of the Royal Canadian Bank on the subject. Apparently it was not possible to reach an agreement, as the assistance asked for was not given, and the Royal Canadian Bank was forced to suspend payment. It was able to resume business again some months later.

In September, 1869, the cashier, Mr. R. J. Dallas, retired owing to ill-health, and Mr. H. S. Strathy, manager of the London branch, was appointed in his stead. He held office for upwards of three years, when he too resigned from the service of The Canadian Bank of Commerce, to engage in business in Montreal.

A minute of November, 1869, records that a letter from the Mayor of Toronto was read to the Board asking for a subscription towards the expenses incurred by the General Committee in charge of the arrangements for the reception of His Excellency the Governor-General, and H.R.H. Prince Arthur, Duke of Connaught. It is evident that in those days directors were not disposed to take as liberal an attitude toward such requests as has characterized them in later times. They decided that as the Board had expended about \$200 in illuminating the bank building and many of the shareholders

had subscribed as individuals, they did not feel justified in granting the Mayor's request. Since then ideas have changed, but at this period it was the custom of all banks to avoid such expenditures, as far as possible, on the ground that directors had no legal right to devote the funds of a corporation under their control to such objects. In fact, the first instance which indicates a changed outlook was the subscription of \$1,000 voted by the directors of The Canadian Bank of Commerce in March, 1890, for the restoration of the University of Toronto after the fire in February of that year. Subsequently in April, 1906, the Board granted the sum of \$25,000 to the Relief Fund for sufferers by the San Francisco earthquake, a benefaction which bank directors in the "seventies" would have considered wildly extravagant. During the Great War the calls on banks and other semi-public institutions became very heavy, and many thousands of dollars were donated by them to various patriotic and charitable objects. In one year, 1918, the contributions of The Canadian Bank of Commerce for such purposes totalled no less a sum than \$102,550.

On June 28, 1870, the question of the fees to be paid to the directors came before the Board, and it was decided that the total amount should be \$5,000 per annum. After paying each director the usual fee of \$5 for each meeting he attended, and allotting the sum of \$2,000 to the president and \$1,000 to the vice-president, the balance was to be divided equally between the two last-named.

At the annual meeting on July 12, 1870, held after the passing of the legislation which increased the authorized capital to \$4,000,000, it was reported to the shareholders that \$2,036,765 of the capital had been paid up, and that the power to increase was permissive and need not be exercised unless additional capital could be profitably employed. In anticipation of the expansion incidental to the autumnal crop movement, the outgoing directors recommended that their successors should offer \$300,000 of new stock to the shareholders "on terms which will give them a substantial advantage, and at the same

time contribute to increase the reserve." This new stock was subsequently allotted to the shareholders at a premium of twelve and a half per cent., and was payable in monthly instalments of ten per cent. each.

In the summer of 1870, the Hon. William McMaster went to England, at the request of his Board, to make more favourable arrangements for the conduct of the bank's London business. The Bank of Montreal had just opened an office in London, and doubtless it was felt that improved facilities were necessary to offset this move. Senator McMaster left Toronto immediately after the annual meeting held on July 12, reaching Queenstown on July 29, and Liverpool on July 31. The Franco-Prussian War broke out on July 15, but it is difficult to tell whether he had heard the news before he sailed. On board the "Java," off Queenstown, he writes: "The steam tug has not yet boarded us, but will do so in a few minutes. We are starved for news respecting the state of matters in Europe, and the papers expected from Queenstown are looked for with the greatest anxiety." He spent the week-end with his nephew near Manchester and then proceeded to London, reaching there August 1. He found conditions very unpropitious for the object of his visit. He writes: "Money matters are very stringent in London, where about fifty failures have occurred among brokers during the last few days. Stocks of every description have fallen greatly, and are still much depressed. The great reduction in cotton has seriously affected many connected with that branch of business, and should the war be a protracted one, which some of the best informed men in both Manchester and London think is almost certain to be the case, the present state of things is certain to grow much worse. The gravity of the position is not realized in either the United States or Canada yet as it is in England, but the wave will most assuredly reach both places before long; and in view of the increase that must necessarily take place in our business in the new fields we have engaged to occupy, I regard it as being of the utmost importance

that you should aim at endeavouring to get a considerable amount of the new stock paid in time to assist us in conducting the Fall business. And as no man can tell what complications may ultimately arise from the present war, I trust you will be alive to the importance of studiously avoiding all new business that is likely to lock up funds for any length of time.

“I have seen and talked over matters with the manager of the London and County Bank, and have reason to fear that our arrangements with that institution cannot be much improved. I have never beheld such long faces as are to be seen in London among all parties connected with money matters. Speculation has run high, and the war brought things to a sudden stand. Under ordinary circumstances, financial men could calculate with some degree of certainty as to when the storm would be likely to blow past, but having to look at things through war spectacles, all seems dark and mysterious respecting the future, and as a natural consequence neither banks nor private capitalists seem disposed to entertain new proposals of any kind.”

The next week or two were spent by the Senator in negotiating with the London banks for the facilities he wished to obtain. He soon decided that the London and County Bank could not be expected to meet his views, and thought of entering into negotiations with the London Joint Stock Bank. He learned, however, from Mr. J. G. Harper,¹ formerly manager of the Merchants Bank of Canada, Toronto, that the Merchants Bank kept its account with the London Joint Stock Bank, so he decided to approach the Union Bank of London, which had acted as agent for the Bank of Montreal until the latter opened a branch in London. There were two concessions which Mr. McMaster desired to secure. One was a decrease in the rate of commission charged on acceptances, so as to enable his bank to compete on more

¹Mr. Harper was then in London on a visit prior to taking up his new appointment as manager of the branch of The Canadian Bank of Commerce about to be opened in Montreal. See page 61.

even terms with those Canadian banks which had their own London offices. His second object was to obtain an uncovered credit, which was very rarely granted by a London bank. He writes: "The difficulty of getting any bank here to grant an uncovered credit is far greater than we in Canada apprehend. The Union at this moment have only one uncovered credit in their books, although the number of parties drawing on them is very large."

The negotiations with the Union Bank seemed to have reached a most satisfactory conclusion, when Senator McMaster was notified by the manager of that bank that his Board would not consent to take the account on the terms which had been discussed between them. "This announcement," he writes, "was most unexpected, and in view of what had transpired, surprised me not a little." He attributed the change of attitude to Mr. E. H. King, who, he says, had continued to cultivate very friendly relations with the Union Bank and at times gave it considerable business. He then decided after all to try negotiations with the London Joint Stock Bank, but found that bank, as he had expected, unwilling to take a second Canadian bank account, having already the Merchants Bank of Canada on its books. The Senator then bethought himself of an old friend, David Davidson,¹ treasurer of the Bank of Scotland, Edinburgh, which had opened a branch in London two or three years before. He wrote to Mr. Davidson with some misgivings, for as he says in a letter to Mr. Strathy, "knowing a little of how the Scotch banks are conducted, I doubt whether a reasonable credit can be obtained in that quarter. It, however, will do no harm to try." He subsequently visited Edinburgh, and after protracted negotiations succeeded in obtaining an arrangement which he jubilantly describes as "of a most satisfactory character." The terms "are much more favourable than those the Merchants Bank have with the London

¹David Davidson was the chief executive officer of the Bank of Montreal from 1855 to 1863, with the title at first of cashier and then of general manager.

Joint Stock Bank, which you know have hitherto been the best accorded to any Canadian institution. Nearly my entire time and attention since my arrival in England have been directed to the single object of improving our bank arrangements. At one time the prospect appeared very gloomy, but I determined not to leave England without accomplishing the desired end; and I need not tell you how gratifying the result is to my feelings." The Senator might well take credit to himself for inaugurating this connection, for the close relations and friendliness between the two banks have continued down to the present time. Indeed, the Bank of Scotland continued to be the sole London correspondent of The Canadian Bank of Commerce until 1901, when the latter bank acquired a London office of its own as a result of the purchase of the Bank of British Columbia.

In the early summer of 1870 the bank decided to open a branch in Montreal, that city being the natural clearing house for transactions in produce and other exportable commodities. Mr. J. G. Harper¹ was appointed manager, and an office was leased at No. 10, Place d'Armes. About a week later, the Sarnia branch was opened, and during the next year, Dundas, Collingwood, and Chatham.

The tide of opinion in Canada at this period was setting very strongly in the direction of large capitalization for banks. There were several reasons for this. Historically, it was the period of reaction from the days of "free banking." The memory of the many small banks which had failed with disastrous consequences to all concerned was fresh in the minds of men, and the pendulum had undoubtedly swung too far in the opposite direction. At this period, the Bank of Montreal (which had the account of the Government), and the Bank of Toronto, were the only banks in Canada the deposits in which exceeded the paid-up capital to any considerable extent. In fact, even including these banks, the total deposits of all the banks at Confederation, as shown by the returns for July, 1867,

¹See page 59.

were \$32,003,341.64, while the total of the paid-up capital was \$31,018,810.82. The note circulation also bore a more important relation to lending power than now, and paid-up capital was the main factor in determining the legal limit of the note circulation. Finally, there was the rivalry between the Montreal and Toronto banks, which caused the latter to aim at cutting down the lead in paid-up capital held by the Montreal banks and increased by the passing of the two oldest and largest western banks, the Bank of Upper Canada and the Commercial Bank. These conditions and the natural desire for expansion were reflected in a resolution of the shareholders at the annual meeting of The Canadian Bank of Commerce held in July, 1871, when it was moved by Mr. E. H. Rutherford¹ of Toronto, seconded by Mr. T. D. McConkey of Barrie, both wealthy and well-known men in their respective communities, that the authorized capital of The Canadian Bank of Commerce should again be increased by an additional \$2,000,000, making the total \$6,000,000. Although the bank was little more than four years old, it was proposed to make the capital six times the amount originally authorized. The step was facilitated by the provision of the new general Bank Act which vested the power to increase the capital of a bank in the shareholders in general meeting assembled. This had gone into force just ten days before the meeting was held, and rendered the special Act of Parliament formerly required unnecessary. At the annual meeting in the following year (1872), it was resolved to issue the balance of the authorized capital stock, amounting to \$1,200,000, at a premium of twelve and a half per cent. The new stock was allotted to the shareholders on July 31, 1872, the premium to be payable with the first instalment of ten per cent. at the time of accepting the allotment, and the balance in consecutive monthly instalments of ten per cent. each.

¹Edward H. Rutherford (1820-85), a native of County Leitrim, Ireland, was from 1850 to 1855 partner in the brokerage firm of Whittemore, Rutherford and Company, Toronto. He was at one time vice-president of the Bank of Upper Canada. From 1867 to 1873 he was president of the Consumers' Gas Company, Toronto.



LONDON, ENG.

PLATE NO. 8.

The opening of the New York agency in 1872 came at a most interesting juncture in the history of world finance. The recovery from the panic of 1857 had been slow, and the Civil War in the United States had interfered with many of the accustomed channels of trade. England had suffered from the lack of the cotton which, but for the war, would have been spun in Lancashire, and had passed through a brief although sharp panic when Overend, Gurney and Company failed in 1866. Germany had received an indemnity of 5,000,000,000 francs after the Franco-Prussian war and had indulged in an orgy of speculation, accompanied by the formation of joint-stock companies and so-called banks, the development of mines, and the building of railways, steel-works and sugar refineries on a scale never before known in Europe. On the other hand, France, urged on by her debt, surpassed herself in the effort to accumulate new capital, rebuild her industries and reorganize her army. In the United States, the depression resulting from the Civil War had been followed by four years during which the steady flow of the money of European investors into the country, and the amount of capital sunk in improvements to property and all kinds of construction work, including the completion of a transcontinental railway, had exceeded all previous experience. In short, the nation had never seemed so prosperous, or so hopeful. The whole world had enjoyed a period of sixteen years during which the volume of production, and the activity of business in general, had exceeded all previous experience. Such world-wide expansion must in the nature of things receive a check and the reaction soon followed. A crisis broke out in Vienna early in 1873, but the world panic did not manifest itself in the United States until September, when the failure of the well-known banking firm of Jay Cooke and Company took place.

For some years prior to the opening of The Canadian Bank of Commerce in New York, the bank had been a buyer of bills of exchange drawn in the United States against cotton and various other products and a seller of its own bills drawn on

its London correspondents. The National banks of the United States, with rare exceptions, did not attempt to carry out foreign banking transactions, and as at that time the Federal Reserve System had not been thought of, much less created, the result was that the Canadian banks with offices in New York, and a few private banking houses, held the leading place in the field of foreign banking. Not only did they buy a very large proportion of the bills drawn against cotton, grain and prepared cereals, cattle and provisions, lumber and wooden wares, kerosene, steel billets and rails, agricultural and other machinery, and other exports from the United States, but the American importer had to come to them when he wished to make arrangements to pay for his purchases of foreign merchandise. He might require to cable money to pay for metals or other staples sold only for cash, or he might need a letter of credit to enable a shipper in some remote country to draw on London at sixty, ninety or one hundred and twenty days for the cost of goods shipped to the United States. Thus did he finance his purchases of coffee and sugar from various countries; dried and citrus fruits, olives and grapes from the Mediterranean, long before they were grown in California; phosphates and other fertilizers from Great Britain and Germany, before the cotton-growing States were able to produce the needed supply at home; brimstone, before other minerals displaced its use; wool, hides and goat-skins from many lands; cinchona bark from South America; and drugs, medicinal plants, spices and rugs from Persia and Asia Minor. The letters of credit issued by The Canadian Bank of Commerce covered jute, gunny bags, printed cottons, coffee, rubber, and many kinds of spices, essential oils and gums from India and China, hemp and sugar in large quantities from the Philippines, ebony from Madagascar, ivory from Zanzibar, and rubber, mahogany and sisal from Latin America. Out of sixty or seventy different kinds of merchandise imported from Japan and China may be mentioned tea, coffee, raw and woven silks, soya beans, porcelain, rugs, fibre mattings, rattan

and bamboo wares, strawbraids, spices, drugs and oils, toys, feathers and human hair, in addition to many products of Oriental skill in paper-making and printing.

There were still left some descendants of the New England ship-owners and traders who over a hundred and twenty-five years ago used to sail their ships from New England around Cape Horn and up the west coast, and trade their cargoes of American wares for furs at the mouth of the Columbia river; then sailing on to China, the best fur market of those days, sell their furs, and finally bring back a cargo of tea, hoping to be the first vessel to reach Boston with the new season's crop. In quite recent years a New England customer of The Canadian Bank of Commerce used to send out his ships loaded with cargoes of general merchandise of which kerosene formed the most important item. He would call at Aden and trade his cargo for goatskins from North Africa, then at Zanzibar for ivory, and at Madagascar, before the French conquest, for ebony. But he bought more ivory at Zanzibar than could be paid for in kerosene, and sold more kerosene in Madagascar than could be paid for in ebony, so the bank supplied him with letters of credit to pay for the ivory at Zanzibar, and bought his bills on Madagascar for the kerosene.

When the United States came into possession of the Philippines during the Spanish-American War, The Canadian Bank of Commerce, having had correspondents at Manila for many years, carried out many transactions for the United States Government, such as the payment of troops, and the financing of shipments of food from many parts of the world to Manila. Indeed, the number of pay-drafts for the United States army and navy and other government services, collected by the bank on account of its Asiatic correspondents at this period, would have amazed many citizens of the United States who did not realize that the banks of that country were not equipped for the transaction of a foreign banking business.

In 1872, as has been stated, foreign banking was more or less confined to a few private firms and the agencies of some of the Canadian banks. One firm of private bankers, Messrs. Brown Brothers and Company, were not only the leaders in this department of banking, but the main source of supply of exchange and of international credit for mercantile purposes, as opposed to what is called finance. The others included great financial bankers, whose bills on London might incidentally represent transactions in securities, but were not dependent thereon for safety, and international houses, calling themselves bankers, whose main purpose, however, was to keep afloat bills of exchange drawn upon affiliated firms in London. The bills of these houses, known as "finance bills," had been extensively used to provide funds for the building of American railways and could be liquidated only by the sale of the railway securities behind them. The panic of 1873 began with the failure of one of these houses, and this failure was soon followed by others. As dealers in foreign exchange, The Canadian Bank of Commerce could not expect altogether to escape loss, although it had sought to avoid purchasing such bills.

From about 1862 gold and silver had commanded a premium in the United States, and the business of the brokers in coin in the city of New York had grown to such proportions that it had been regularly organized. A Gold Exchange had been formed, of which several hundred brokers, bankers and leading merchants were members. This organization issued regular quotations for gold in terms of paper currency, and by these the foreign trade of the country was regulated. The agency of The Canadian Bank of Commerce, in common with many other banking institutions, lent gold on the security of deposits of paper currency sufficient in amount to provide a reasonable margin against the risk of fluctuations in the premium. As it also made similar loans for the Great Western Railway Company of Canada, the bank was an important factor in the operations on the Gold Exchange. Almost all



NEW YORK, N.Y.

those who thus borrowed gold failed before the panic was over, but as the business of the bank was very closely watched and the full margin of security allowed by law carefully maintained, in the end little or no loss was incurred. The bank's total losses in New York during this panic were not large, but were an unwelcome addition to the more serious losses met with in Canada, and it is a great satisfaction to recall that, as one result of the crisis, the experience gained by the officers of the bank led them to lay down certain principles upon which the business of the New York agency has ever since been conducted. Since 1873 it has been remarkably free from loss.

In Canada the summer of 1873 was a very difficult one for bankers. Many failures occurred, and the air was filled with rumours affecting the standing of various banks. The letters which passed between the cashier and the president during the period when the latter was attending to his Parliamentary duties in Ottawa as a member of the Senate, throw a vivid light on the difficulties and dangers of piloting a young bank through the dark days of panic and financial stringency.

Until January 1, 1874, the price of sterling exchange was quoted in New York in terms of a premium on the old par of exchange, \$4.44 $\frac{1}{2}$, which dated back to Colonial days.¹ The real or mint par of exchange—that is, the intrinsic value of the gold legally contained in a sovereign, expressed in terms of dollars, namely \$4.8666—was expressed as a premium of nine and a half per cent. on the old par. By an Act of Congress passed March 3, 1873, however, it was ordered that in all payments by or to the Treasury of the United States the sovereign or pound sterling should be valued at \$4.8665, and that the same valuation should be the par of exchange

¹At this valuation (\$4.44 $\frac{1}{2}$ to the pound sterling) the dollar was worth 4s. 6d. According to Robert Chalmers (*A History of Currency in the British Colonies*, n.d., p. 6.), "the sterling value generally accepted in the seventeenth century for the piece of eight was 4s. 6d., the rating subsequently stereotyped by Queen Anne's Proclamation of 1704 and by Sir Isaac Newton's Tables of 1717." This appears to have been the origin of the old par. Sir Isaac Newton was Master of the Royal Mint in 1717. "Piece of eight" is the name by which the dollar was known prior to 1728 (*Idem*, p. 16).

with Great Britain in the United States. All contracts made after January 1, 1874, on the basis of the old par of exchange were declared null and void. This enactment resulted in a complete change in the method of quoting sterling exchange in New York, the modern method of quoting the pound sterling by its equivalent in dollars and cents being adopted. Importers had become so accustomed to the old method that for months after the adoption of the new system dealers were obliged to give both old and new quotations. Nevertheless the new method soon grew in favour and had a very marked effect in reducing the margin between buyer and seller. Bankers had often great difficulty in explaining that a difference of one cent in the rate was not a difference of one per cent., but merely about one-fifth of one per cent. The older method of quoting sterling persisted in Canada until quite recent days and has even now not entirely died out in country districts. The Canadian Bank of Commerce was the first bank in Canada to make use of the modern method, adopting it for its bulletin advices to Canadian branches on March 15, 1906, and the practice soon became common. Another relic of colonial days in New York in 1871 was the law which provided that, if a sterling bill was protested for non-payment, the *bona fide* holder had the right to collect from the drawer not only the face value of the bill but damages at the rate of ten per cent. This law remained in force until 1897, although for many years before its repeal the damages of ten per cent. were rarely exacted except in cases of fraud.¹

In 1873, the work of improving and enlarging the Welland Canal was in progress, and early in that year the directors decided to open a sub-branch at Thorold, under the supervision of the St. Catharines manager, "partly with a view to cultivating a deposit business during the contemplated large expenditure of public moneys in canal improvements." The office at this point was kept open until May 31, 1897, and was reopened in October, 1916. In December, 1873, the

¹J. C. Brown, *A Hundred Years of Merchant Banking*, p. 283.

advisability of opening a branch at Ottawa was considered by the directors. Apparently the newly elected administration of the Hon. Alexander Mackenzie had intimated that it would welcome such a step, for "the president was requested to visit Ottawa at his earliest convenience for the purpose of securing suitable office accommodation, and conferring with the Minister of Finance and the Postmaster-General" with regard to having part of the Dominion Government business transferred to the bank. The Minister of Finance was the Hon. Richard Cartwright, with whom Senator McMaster had differed during the debates on Sir Francis Hincks' Bank Act,¹ and the Postmaster-General was the Hon. D. A. Macdonald.² It is evident that this time there was no disagreement, for in April, 1874, the Ottawa branch was opened in the Victoria Hotel block. The minutes of the Board show that The Canadian Bank of Commerce had done business with the previous administration as early as March, 1870, when it received from the Government a deposit of \$50,000 to be used for the purchase of United States silver.

Apparently, by March, 1873, the directors had come to the conclusion that an institution of the importance of The Canadian Bank of Commerce should have some regard for appearances, for in a quaintly worded resolution of that time it was ordered that the board-room be furnished "in a respectable manner."

During 1874 three other branches were opened in Ontario, in Lucan, Windsor, and Cayuga. Lucan was closed during the summer of 1883, when the business was moved to

¹See page 41.

²The Hon. Donald Alexander Macdonald (1816-1896) was a native of the province of Quebec. In early life a railway contractor, he served for a time as warden of the counties of Glengarry and Dundas. He entered Parliament in 1857, representing the county of Glengarry in the House of Assembly, and after Confederation, in the House of Commons, until 1875. In 1873 he was chosen by Alexander Mackenzie as Postmaster-General, and held that position until appointed Lieutenant-Governor of Ontario in 1875. In 1880, at the close of his term as Governor, he retired from public life, and took up his residence in Montreal until his death in June, 1896.

Parkhill. Windsor was destined to become an important branch, because of its proximity to the United States border and the city of Detroit. Cayuga, although established in August, 1874, does not appear in the list of branches given in the annual report until 1876. The office there was closed in May, 1878, only to be reopened early in 1890, after which it was for a time carried on in conjunction with Jarvis, a service being given at each place on alternate days. In May, 1875, a branch was opened at Paisley to be closed again during 1877, when the business was transferred to the new branch at Walkerton. The year 1875 was also marked by the establishment of an agency at Chicago, which had a fluctuating history for a time and was closed in 1886. In 1897, Mr. H. B. Walker, formerly manager at Windsor, Ont., was sent there as agent, but no regular office was maintained. In September, 1899, Mr. Walker was succeeded by Mr. Archibald Kains, who remained in Chicago until the end of December, 1900, when the agency was finally closed. In 1876, an agency was contemplated in Detroit, but on legal advice the idea was abandoned, although the bank transacted much American business through the Windsor branch.

During the first decade of the bank's existence, the names of many gentlemen afterwards prominent not only in the bank itself but in the financial history of Canada, first appear on the records. At the end of 1872, Mr. Strathy was succeeded as cashier by Mr. Walter Nicol Anderson, who had entered the service of the bank in 1871 as inspector. Up to this time the cashier had not only supervised the business of the whole bank, but had also acted as manager at Toronto. In December, 1873, the directors decided to appoint the inspector, Mr. James S. Lockie, formerly manager of the Bank of British North America, St. Stephen, N.B., manager of the Toronto branch, and Mr. Anderson assumed the designation of general manager. The book-keeping of the head office was not, however, separated from that of the Toronto branch until December 13, 1875, when the first head office general ledger

was opened. One of the first officers of the bank was Mr. J. H. Plummer, who entered the service early in 1867. He became manager at Barrie, then at Brantford and at Ottawa, and was appointed inspector in July, 1876. He resigned in July, 1878, to go into business for himself, and a few years later became assistant general manager of the Merchants Bank of Canada. In 1886 he returned to the service of The Canadian Bank of Commerce as assistant general manager, but retired again in 1903, and subsequently became president of the Dominion Iron and Steel Company, Limited. Mr. A. H. Ireland was first appointed to a clerkship in the Toronto office in 1870, but resigned in 1873 to undertake the management of one of the branches of the short-lived St. Lawrence Bank, which subsequently became the Standard Bank of Canada. Returning to The Canadian Bank of Commerce in 1875, he served as manager of a number of branches, and rose to be chief inspector and superintendent of branches. Another officer of these early days who afterwards attained prominence in the bank was Mr. John C. Kemp, formerly in the service of the Merchants Bank of Canada. He joined the staff of The Canadian Bank of Commerce as inspector in September, 1868, and after serving as manager at Hamilton, succeeded Mr. Lockie as manager of the Toronto branch, a position he held for many years. A minute of the Board in June, 1876, records that Alexander Laird, of Sarnia, formerly a clerk in the North of Scotland Bank, had been appointed to a clerkship at \$500 per annum. When Mr. B. E. Walker became general manager in 1886, Mr. Laird succeeded him as agent in New York. In 1903 he became assistant general manager, and in 1907, general manager, holding that position until a short time before his death in November, 1915. Sir John Aird, the present general manager, entered the service of the bank as a clerk in the head office in November, 1878. His first appointment as manager was at the Seaforth branch in 1888. He became manager at Winnipeg in 1899 and superintendent of the branches in Manitoba,

Saskatchewan and Alberta in 1908. In 1911 he was appointed assistant general manager and in 1915 general manager. In 1917 he was elected vice-president of the Canadian Bankers' Association, and the same year received the honour of knighthood from His Majesty King George V. Among other well-known names which appear in the early records are those of Mr. George Burn, who was a clerk in the head office in 1873, and Mr. E. L. Pease, who entered the Montreal branch in April, 1875. Mr. Burn subsequently became general manager of the Bank of Ottawa, and president of the Canadian Bankers' Association. He was knighted in 1917. Mr. Pease later entered the service of the Merchants Bank of Halifax, now the Royal Bank of Canada, and is vice-president and managing director of the latter. In 1916 he was elected president of the Canadian Bankers' Association.

Mr. Byron Edmund Walker, now known as Sir Edmund Walker, entered the service of the bank in July, 1868. In 1873 he was sent to New York as junior agent. After two years' service in that city he returned to Canada as manager of the Windsor branch, and successively filled the positions of manager at London, inspector at head office, and manager at Hamilton. In May, 1881, he returned to the New York agency as joint agent with Mr. James H. Goadby, and remained in that city until summoned to take the post of general manager in 1886. In 1906 he was elected a director, and in 1907 president.

At the celebration of his golden jubilee as an officer of the bank in July, 1918, Sir Edmund indulged in a few reminiscences of his early experience, which may be included here for the light which they throw on the banking conditions of those days: "I went to school in Hamilton at four years of age and was ready for the Normal School in Toronto just about the time when Fort Sumter fell, but the doctor forbade it, and said I had better run about and get a little flesh on my bones before I did any more studying. In August, 1861, when twelve

years and ten months old, I entered the office of my uncle really as an experiment in health. In such books as *Who's Who* he is described as a private banker, but he had what in Europe is called a *bureau de change*—an exchange office. Here the American traveller sold his State-bank notes, of which there were many hundred kinds, issued in various States, and ranging in discount when sent to New York in accordance with distance, but more so in accordance with opinion as to the soundness of the banking laws of the different States, the problem being further complicated by the existence of scores of failed banks, of forgeries and raised notes. As a result, I soon became a recognized expert in counterfeit money. To us the Irish emigrant came who wished to send a pound home to the mother, or the small trader who, afraid to enter the counting-room of a regular bank, wished to buy or sell a draft on New York. Our business consisted largely in buying the foreign coins of which our currency was mainly composed. It was only in 1858 and 1859 that silver money was coined for Canada, and the decimal system established, and accounts were still often kept in Halifax currency, while the names for York currency still lingered. We should remember that all currencies in North America are founded on the Spanish or Pillar dollar, the division of which into five pistareens caused the latter coin to be called a "shilling" in our Maritime Provinces, while the fact that the Spanish dollar was a "piece of eight" and that there were actual coins to represent this system of division also, caused the piece that was an eighth of the dollar to be called a "shilling" in some American colonies. This is ancient history, but our currency, when I was a boy, consisted largely of these Spanish coins, more or less worn and varying greatly in value for that reason, and I have counted tens of thousands of them, sending them to the melting pot. In addition to the small coins, we had, often but not daily, to buy Spanish and Patriot doubloons, Portuguese joes, and many other foreign gold and silver coins, and much worn English silver, that not worn being current

money. The American Civil War exaggerated these conditions by transferring to Canada their supply of these coins, together with State-bank notes, and the new currency created by the war, in exchange for horses, cattle and other supplies. I do not remember how soon my uncle entrusted me with this counter business, but my apprenticeship was measured by months, and as I remember things, in the years in which I was with him he almost never attended to the public. Thus I saw every issue of currency, even the original "greenbacks" which were payable in gold, and every issue of bonds made by the United States in carrying on the war. The American buying army supplies, the Canadian in the Union army home on leave, and, almost daily, the bounty-jumper, were my customers, and I kept at the door of the office a complete bulletin of the events of the war. . . .

"In our early days the president or vice-president was required to count the cash at each branch once a year. This Mr. McMaster was scarcely able to do, but he did me the honour of requiring me to accompany him to each branch in order that I might count the cash and prepare the statement for him, which he would then sign."

During the first seven years of the bank's existence, two other banks which have since attained great prominence were founded, and may even be said to have grown out of it. At the annual meeting in 1870, Mr. James Austin, who was elected a director in May, 1869, on the withdrawal of Mr. John Macdonald, M.P.P., from the Board, retired from the directorate and helped to found the Dominion Bank, of which he became the first president. In 1873 the Imperial Bank of Canada obtained a charter, and completed its organization in 1875 by combining with the Niagara District Bank. The first president of this young institution was Mr. Henry S. Howland, the original vice-president of The Canadian Bank of Commerce, who retired from the Board at the annual meeting in July, 1874. He was succeeded as vice-president by the

late Robert Wilkes, M.P.,¹ one of the pioneers in the wholesale jewellery business in Toronto, and prominent in politics as a Liberal. Mr. Wilkes served two years as vice-president and was succeeded by the Hon. Adam Hope,² of Hamilton, who had just been appointed to the Senate. Mr. Wilkes resigned from the Board in the following October. His drowning with two of his children a few years later is a tragedy still recalled by older Torontonians.

From time to time during these early years of the bank's existence new names appear in the list of the directors. The place of Mr. Austin was taken by Mr. Thomas C. Street, M.P., a former president of the Gore Bank. In May, 1871, Mr. John Taylor died, and was succeeded by his brother, George Taylor. At the annual meeting that year the Board was increased to eight, and Messrs. F. W. Cumberland (one of the original charter holders of the Bank of Canada) and Robert Wilkes, already referred to, were the new members elected. At the same time Mr. William Alexander, one of the first directors, retired. On the death of Mr. Street in 1872, Mr. James Michie,³ a well-known Toronto merchant, was

¹Robert Wilkes, M.P. (1832-80), a native of Trilleham, Leitrim county, Ireland, came to Canada with his family in 1848. He commenced his business career with his uncle, R. H. Brett, a hardware merchant in Toronto, and in 1852 entered the employ of Rossin Brothers, jewellers and dealers in fancy goods, Toronto, who later on built the Rossin House, a well-known local hotel for many years. In 1857 Rossin Brothers retired from business and sold out to Mr. Wilkes. As his business grew he opened branches in Montreal and Hamilton, and in 1872 his travellers went as far as Fort Garry (now Winnipeg) and British Columbia. He was the pioneer in the jewellery trade and in kindred lines in western Canada. He was prominent in municipal and political circles, and in 1872 was elected to represent Centre Toronto in the House of Commons. An occasional article from his pen on subjects of general interest appeared during his lifetime in local newspapers and magazines. In August, 1880, he was accidentally drowned at Sturgeon Point with two of his children.

²The Hon. Adam Hope (1813-82), a native of East Lothian, Scotland, came to Canada in 1834 and entered the mercantile house of Young, Weir and Company, Hamilton, where he later set up a business of his own. He was president of the Hamilton Provident and Loan Society, and was called to the Senate in 1877.

³James Michie (1828-83), a native of Aberdeenshire, became a member of the wholesale grocery firm of Alexander Ogilvy and Company, now known as Michie and Company, Limited.

elected to succeed him; and in 1874, on the retirement of Mr. Howland, the Board was increased to nine, Messrs. Noah Barnhart¹ and Adam Hope being added. In 1876, Mr. Wilkes was succeeded by Mr. John J. Arnton,² of Montreal, and at the next annual meeting Mr. A. R. McMaster³ joined the Board, taking the place of Mr. F. W. Cumberland.

The long period of depression which began in 1873 was felt severely by all Canadian financial institutions. Had they foreseen it, no doubt the shareholders of The Canadian Bank of Commerce would have hesitated before increasing the capital of the bank so rapidly during the first few years of its history. As early as the summer of 1872 there were signs of stringency in the money-market, and the rate of discount in Canada rose as high as ten per cent. By March, 1873, the banks began to restrict discounts, even at this rate; and two months later the insolvency of a large American lumber company caused many Canadian firms in that line of business to fail, and so caused losses to some of the Canadian banks. Then came the great financial crisis in the United States, which necessarily had its counterpart in this country, and was felt acutely during the first three months of 1875, the note circulation of the banks falling sharply. The extreme depression in the lumber trade was especially ominous for the Canadian banks, inas-

¹Noah Barnhart (1817-83) was educated at Upper Canada College, and engaged in a milling and mercantile business at Streetsville, near Toronto. Later he became an extensive buyer of grain, first at Collingwood and then at Toronto. He married a niece of the Hon. William McMaster.

²John J. Arnton (1833-94) was a native of Montreal, of Irish parentage, his parents having come from County Antrim. He was first in business with one Leeming, but subsequently became a land auctioneer, and is said to have handled large blocks of land in the vicinity of Montreal. In 1857 he married Margaret, sister of William Simpson, for many years manager of the Montreal branch of The Canadian Bank of Commerce. Towards the close of his life Mr. Arnton became blind.

³Arthur Robinson McMaster (1829-81), a native of the north of Ireland, was a nephew of the Hon. William McMaster. He entered the wholesale dry goods business carried on by his uncle in Toronto, and became a partner. In 1866 Senator McMaster retired from the firm, and his two nephews, Arthur R. and J. Short McMaster, carried it on under the style of A. R. McMaster and Brother. In 1872 Mr. A. R. McMaster was president of the Toronto Board of Trade.

much as a large proportion of their loans were based directly or indirectly on this industry. Later in the year bankruptcies became more and more frequent, numbering 1,968 in 1875, as against 966 in 1874. It is evident also that the larger and stronger firms had commenced to succumb, for the liabilities of insolvents in 1875 amounted to nearly \$29,000,000, as compared with about \$7,700,000 in 1874. Agriculture was not so seriously affected as lumbering, and helped to save the situation, but the banks necessarily suffered by the depreciation of the securities they held, and their real estate holdings tended to increase. Current business contracted sharply, but fortunately most of the Canadian chartered banks had accumulated sufficient reserves to enable them to weather the storm.

The experience of The Canadian Bank of Commerce during these years of reaction may now be told. The net profits for the twelve months ending June 28, 1873, were \$969,159, and from this date on until 1877 they showed a steady decline, falling to \$453,920 in the latter year, or less than half the amount earned five years previously. The note circulation also declined from \$2,519,884 in 1873 to \$1,365,828 in 1877, after which there was a steady if slow increase in both these items. The principal other items of the annual statements for these two years are given below:

	June 28, 1873	June 30, 1877
Deposits.....	\$ 6,073,103	\$ 7,583,219
Current loans.....	13,327,507	12,464,531
Total assets.....	16,657,555	17,707,194

The dividend of eight per cent. per annum which had been paid from the very commencement of business was increased to ten per cent. in 1874, but reduced again to eight per cent. in the second half of 1875. After 1877 a turn came in the tide of the bank's affairs, and the next few years showed steady if small increases in most items of the statement. Profits were on the up-grade, but it was not until 1902, when the business taken over from the Bank of British Columbia had been assimilated, that the record of 1873 was

equalled. Although a gradual improvement manifested itself in the figures of the bank's statement after 1877, it was only in 1880 that the gloom passed from the annual reports of the directors. From 1874 on, depression, stagnation and stringency are their main theme. In 1876 they attributed the decline in profits to the inflated condition of the business of the country, caused chiefly by overtrading, and reminded the shareholders that the consequent stagnation of industry demanded the exercise of more than ordinary caution, and called for contraction in place of expansion. In 1877 the directors stated that "the general depression of trade referred to in last year's report has continued with unabated severity in almost every branch of industry, rendering it impossible to employ capital at former remunerative rates. This circumstance, together with the determination of the Board to confine the operations of the bank to business of a legitimate commercial character has had the effect of materially reducing the profits."

In May, 1878, the president and general manager were authorized to make a special investigation of the affairs of the bank with a view to making provision for all bad or doubtful debts. The result of this investigation is recorded as follows in the report submitted at the annual meeting of shareholders in July, 1878: "It having been apparent for some time past that certain obligations held by the bank, which it was hoped would ultimately prove recoverable, had been rendered more than doubtful by the trying and protracted ordeal through which nearly every branch of business has been passing, the directors determined to deal with them at once. It is possible that a portion of these obligations may yet be collected, but to continue to include them in the available assets after their character has been definitely ascertained could not be justified on any principle of sound banking, and as they are the final outcome of business transacted during a former period of general and undue expansion, when the Rest was largely increased, the directors decided to provide for them out of that

fund, from which the sum of \$500,000 has therefore been withdrawn and applied as follows:

Appropriated for bad and doubtful debts....	\$350,000
Placed at credit of Contingent Fund Account....	150,000
	\$500,000

“The policy of contraction observed by all prudent business men has largely diminished the volume of commercial transactions, while excessive competition in banking and the necessity for extremely cautious management have materially affected the earnings. There are, however, indications of improvement, and the position of the bank fully warrants the directors in stating that when business becomes sufficiently healthy and active to afford safe and profitable employment for money, every reasonable expectation of the shareholders will be realized.” The whole of the sum transferred to Contingent Account on this occasion was required during the next two years, and an additional amount of \$175,000 had to be appropriated in 1881 for the same purpose.

At this period it was the practice of the Canadian banks to allow important customers to print on their cheque forms the words “payable at par at any branch,” and early in the “seventies” a firm of private bankers who kept their account with the Molsons Bank had been given the privilege of printing across their cheques, “Payable at par at any branch of The Canadian Bank of Commerce in Canada.” The private bankers subsequently failed just about the time that a large cheque of theirs on the Molsons Bank was cashed by the Hamilton branch of The Canadian Bank of Commerce. This bank then realized that its action in cashing a cheque thus crossed might, in the event of the failure of the drawer, be held to constitute legal payment, and that the bank might thus lose its recourse against the endorser. Fortunately in this particular case the question did not arise, but ever since the bank has taken pains to see that such cheques are crossed “negotiable without charge” instead of “payable at par.”

The minute books throw an interesting light on the methods of guarding bank premises in those days. For instance, in 1871, authority is given for the payment of fifty cents a night to an officer of one of the branches for sleeping in the bank during the absence of the manager in England. Later on, a "guard" of this kind, sleeping near the vault door, was required at almost every branch, and fifty cents a night became the recognized remuneration for this duty, which was assigned to a bonded officer of the bank and not to a messenger, porter, or minor employee of the unskilled order. Usually the members of the staff qualified to do so took turns week about in sleeping "on guard."

Naturally around this custom there grew up a number of stories, with which junior clerks who had just qualified for guard duty by the confirmation of their appointments, and who were about to take their turn at it for the first time, were regaled. In one of the western cities of Ontario it was related how the officer on guard, sleeping with a revolver under his pillow, had been wakened suddenly one night by the flash of a lantern in his face, to find a burly policeman standing over him. As was only natural he forgot all about his revolver, and when sufficiently awake to realize who his nocturnal visitor was, he was told by the policeman that he had found the front door unlocked. On another occasion the guard was awakened by ominous sounds coming from the coal cellar, as of the rattling and sliding of coal under some person's feet. The shivering clerk went to the head of the cellar stairs in his night clothes to receive the intruder, and as the latter appeared out of the darkness, recognized the police uniform, and was told that the wearer had found a cellar window open, and had entered by it to investigate whether anyone else had preceded him with evil intent. A third incident is recalled by more than one officer of the bank at the present day. A junior clerk was taking his turn on duty, and had just put out the lights and got into bed, when the transom over the side door of the bank revealed to him that he had forgotten to put out

the light on the staircase landing just outside the door. Going to the door, which closed with a spring, he opened it and reached out, holding back the door with one hand, to turn off the gas. Leaning a little too far, he heard the latch click and found himself shut out on the stone staircase in his night clothes and bare feet. It was late on a winter's night, so almost every one in that country town had gone home. After thinking the situation over for a moment, he went down to the street door, determined to ask some passer-by to call a policeman. Standing in the recess of the doorway, he realized that the streets were almost empty, but after a time a man approached. Behind the door the story was told briefly and the stranger asked to call a policeman. He seemed to hesitate at first, rather taken aback by the apparition which had greeted him, but soon consented to do so. In a few minutes the policeman arrived, and after hearing the story, consented to go to the house of another officer for a key. He returned about three-quarters of an hour later, accompanied by the bank officer to whom he had been sent, and released the unfortunate junior.

In those days the town constable, who usually constituted the whole of the protective force, was often more conspicuous by his absence than by his presence, especially at night. Indeed, the arrangements for police protection in many of the smaller Ontario towns were extremely primitive, as may be gathered from a minute of the Board of Directors in November, 1882, authorizing one of the managers to subscribe fifty cents a week towards police protection for the town at night.

The necessity for vigilance was demonstrated by an episode which occurred at the Goderich branch in June, 1874. As the train which conveyed outgoing express parcels left before 10 a.m., it was customary at that branch to make up parcels for shipment on the preceding day and to deliver them to the express agent early the following morning, as that official had no proper safe and would not accept responsibility for the money overnight. On this occasion a parcel

containing \$1,000 had been left in the outer vault of the bank, where only books and vouchers were supposed to be kept. The clerk whose duty it was to sleep in the bank carried the vault key, and as he entered the premises on his return from a meeting at the Young Men's Christian Association, he was seized and gagged. The burglars tied him to a chair which was placed on a small table so arranged that if he struggled he would inevitably fall off. They then secured the vault key from his pocket and had no difficulty in making off with the parcel. The directors held that the incident disclosed a breach of the rules in several important particulars, and decided to hold the manager responsible for the loss.

During 1876, an unusual number of requests to open branches were received by the bank from various parts of Ontario, but all were declined, except those from Stratford, opened in December, 1876, and Walkerton, in January, 1877. In May, 1877, the Bank of British North America closed its branch at Dunnville, and The Canadian Bank of Commerce at once made arrangements to open a branch in that town. In 1878, the branches in Cayuga and Trenton were closed and new ones were opened in Belleville, Paris and Seaforth. In August a request was received from the Board of Trade of Levis, P.Q., to open a branch there, but it too was declined. It is evident that as yet the management of the bank was disposed to limit its sphere of operations to the province of Ontario, and that its policy as to the opening of offices elsewhere, even in the larger centres of Canada and the United States, was governed largely by the requirements of its Ontario business.

The year 1879 witnessed an important innovation in the equipment of a banking office. The telephone had a few years previously been invented by Professor Graham Bell, then a resident of Brantford. On May 20, 1879, the manager of the Hamilton branch of The Canadian Bank of Commerce was granted permission "by way of experiment" to place his office, by means of the telephone, in communication with the



PORTLAND, ORE.

PLATE NO. 10.

Dundas branch, the office of the general manager of the Great Western Railway Company and his own home. The Board was cautious, however, for it specified that the cost of the experiment should not exceed the annual expenditure for cab hire, livery charges and telegraph messages, which these telephones would render unnecessary in future.

In 1879 the era of hard times drew to a close. The harvest of that year was an excellent one, and there were signs of returning prosperity for the lumber industry. The Mackenzie administration had been defeated in the previous September, largely because of the financial depression which prevailed almost continuously and which increased steadily through its five years of office. Sir John A. Macdonald had carried the elections on what he termed a "National Policy," involving the principle of protection of home industries. The advent of a new administration and of a new policy had roused a spirit of optimism in the country, and signs of the new era are apparent even in the deliberations of the directors of The Canadian Bank of Commerce. A project which was to have an even greater bearing on the future of Canada than the adoption of the National Policy was at last under way—the construction of the Canadian Pacific Railway, which opened the West for settlement. The new enterprise first appears in the records of The Canadian Bank of Commerce on March 7, 1879, when the Board had under consideration a proposal from the late Alexander Manning,¹ of Toronto, that the bank should issue a deposit receipt in favour of the Receiver-General at Ottawa as security for the performance of a contract awarded to Fraser, Pitblado and Company, with whom Mr. Manning was associated, for the construction of a section of the Canadian Pacific Railway. This request was

¹Alexander Manning (1819–1903), contractor, was born in Dublin, and played a large part in the municipal life of Toronto for over thirty years, serving as Mayor in 1873 and again in 1885. He was connected with a number of important projects, including the erection of the Parliament buildings in Ottawa, destroyed by fire in February, 1916, and the construction of the Welland Canal.

acceded to, and thus began the connection of The Canadian Bank of Commerce with the development of the Canadian West, in which it has since played so important a part. The abundant harvest of this year and the second era of railroad construction on a large scale caused prices of agricultural products, timber and other staples, to rise. The construction of the Canadian Pacific Railway brought in much capital from abroad, and immigration to Manitoba began to assume large proportions, resulting in the famous Manitoba land boom, the disastrous consequences of which were not immediately foreseen. The Canadian Bank of Commerce experienced a marked expansion of business as a result of these conditions. In the four years from June 30, 1878, to the same date in 1882 its assets rose from \$17,989,977 to \$27,495,273. The net profits rose gradually but steadily from the low point of \$453,920 in 1877, until in 1883 they reached the sum of \$774,362. The annual dividend was maintained at eight per cent. during this period. In 1876 the bank had been compelled by the prevailing depression to discontinue making additions to the Rest Account, but six years later it was able to resume the practice, and \$250,000 was added in 1882 and a like amount in 1883.

In the United States the change of conditions was marked by the resumption on January 1, 1879, of specie payments, which had been suspended ever since December, 1861. Canadian banks doing business in the United States, or carrying the accounts of American firms, as did the Windsor branch of The Canadian Bank of Commerce, no longer needed to keep accounts in both United States currency and gold. When Congress, in January, 1875, reached the decision that specie payments should be resumed in four years from that date, there was much doubt as to the feasibility of such a step. In 1877 the House of Representatives decided to abandon the project, but the Senate, by a majority of one, adhered to the policy of resumption. As the time drew near, the premium on gold came to an end and the change brought no evil con-

sequences; on the other hand it had a salutary effect on public finance.

The early autumn of 1879 was marked by what was probably as near an approach to a financial panic as has ever been experienced in Canada. Several of the Canadian banks found themselves unable longer to stem the tide of repeated losses and steadily diminishing assets. In May the Mechanics' Bank stopped payment, and in June the Banque Jacques Cartier. A more important institution was the Consolidated Bank, of Montreal, which had been formed in 1875 by an amalgamation between the Royal Canadian Bank and the City Bank, Montreal, both unsuccessful concerns. A shadow of coming events was cast before by the negotiations which began in May for the taking over of the branches of the Consolidated Bank in Berlin¹ and New Hamburg by The Canadian Bank of Commerce. This first proposal was declined, but after further negotiations the offices of the Consolidated Bank in Berlin and Norwich were taken over in June. Similar negotiations took place with other banks, so that by the time the end came in July the Consolidated Bank had divested itself of all its branches, save Toronto, Belleville, Wingham and the office in Montreal. The Merchants Bank of Canada had taken over its branches in Galt and Hamilton, the Federal Bank, Chatham, the Molsons Bank, Clinton, and the Imperial Bank, St. Catharines and Woodstock. On the evening of July 25 the directors of the Consolidated Bank had a meeting in Montreal with representatives of three Montreal banks, among which were the Bank of Montreal and the Merchants, but apparently nothing could be done to save the tottering institution. On the afternoon of Thursday, July 31, 1879, it suspended payment. The failure was not a bad one, as it was able to pay its creditors, both noteholders and depositors, in full. The end was precipitated by the withdrawal of deposits from its Montreal and Belleville offices, and the rapid return of its note circulation for redemption.

¹Now Kitchener.

Just about this time a meeting of the shareholders of the Stadacona Bank was held at Quebec and it was decided to wind up that institution, which was only a small one. Writing to Senator McMaster, who was at the time on a visit to England, Mr. W. N. Anderson said: "The Consolidated Bank suspended on the afternoon of Thursday last¹ and I was somewhat apprehensive that the country people, on attending market in the cities and towns on Saturday, might become excited and proceed to make demands on some of the other banks. This, however, I am glad to state, has not happened. There was a little temporary excitement at Belleville and Woodstock, but it passed away almost immediately without any result whatever beyond verbal expressions of disappointment." But the end was not yet. On August 6, an uneasy feeling was observable in Hamilton and Sarnia with regard to the position of the Exchange Bank of Canada, the head office of which was in Montreal, and the following morning it suspended. Next day came the suspension of the Banque Ville Marie,² and rumours regarding the solvency of the Banque de St. Hyacinthe, the Banque de St. Jean and the Banque d'Hochelaga. To quote Mr. Anderson again: "On the 9th [August] the run upon the City and District Savings Bank [Montreal] was serious, and the aggregate withdrawals of deposits were estimated at \$500,000. There was also a run upon the Molsons Bank in Montreal, the Bank of Hamilton in Hamilton, and the Merchants Bank in Hamilton, and financial matters generally were looking decidedly uncomfortable. The disturbance of confidence in Hamilton was no doubt occasioned in some degree by the failure of the Consolidated and Exchange Banks, but mainly perhaps by the destruction by fire of the McInnes and Sanford block, in which the Bank of Hamilton and the Merchants Bank were respectively located. On Saturday afternoon the run on the City and District Savings Bank stopped.

¹July 31, 1879.

²The Exchange Bank of Canada and the Banque Ville Marie were able to resume payment after the panic had subsided.



RADVILLE, SASK.

On Monday forenoon, the 11th instant, the run on the Bank of Hamilton was visibly diminishing, and in the afternoon it entirely ceased. I am now glad to be able to report that the excitement in Montreal and Hamilton has wholly disappeared, and that the usual quiet has been fully restored." In the midst of all these happenings Mr. R. B. Angus,¹ general manager of the Bank of Montreal, resigned, to take the management of the St. Paul, Minneapolis and Manitoba Railway, and was succeeded by Mr. C. F. Smithers.² In the excited state of public feeling that prevailed, this change gave rise to a crop of rumours affecting the solvency of even the strongest banks. During all these happenings and surmisings it may safely be assumed that the daily task of the Canadian banker was no easy one, but The Canadian Bank of Commerce held on its way, and apparently profited to some extent by salvage from the wrecks all around it. The deposits at many of the branches increased considerably, and in Montreal, especially, the bank acquired a number of first-class accounts.

As already stated, the Hon. William McMaster was absent in England during this time of financial shipwreck, having sailed about the middle of July to negotiate with the Bank of Scotland for some alterations in the arrangement between the two banks. Owing to the condition of commercial matters in

¹Richard Bladworth Angus (1830-1922), a native of Bathgate, Scotland, began his career in the Manchester and Liverpool Bank, and coming to Canada in 1857, entered the service of the Bank of Montreal. In 1869 he succeeded Mr. E. H. King as general manager of that institution, resigning in 1879 to become vice-president of the St. Paul, Minneapolis and Manitoba Railway. Mr. Angus was a member of the syndicate formed in 1885 to construct the Canadian Pacific Railway. From 1910 to 1914 he was president of the Bank of Montreal. He was a director of that bank and of the Canadian Pacific Railway Company, as well as of several other important companies.

²Charles F. Smithers (1822-87) was born in London, England, and coming to Canada in 1847 entered the service of the Bank of British North America, from which he resigned in 1858 to take a position in the Bank of Montreal. In 1879 he succeeded Mr. R. B. Angus as general manager, and two years later, on the retirement of Mr. George Stephen, subsequently Lord Mount Stephen, he became president. Mr. Smithers was a strong advocate of the American system of banking, and the securing of the bank-note issues by government bonds.

Great Britain and the cabled reports of financial happenings in Canada, he again found himself in London at a most inauspicious moment for the business which he had in hand, but he returned in September, having attained the object of his visit through the co-operation of the management of the Bank of Scotland.

Evidence of the opening up of the West and of the broadening of the outlook before Canada now begins to appear in the records of the bank. As early as September, 1879, a number of proposals for the opening of branches in Manitoba were under consideration by the Board. During the next few months applications for branches at Winnipeg, Emerson and Brandon were declined. The broadening outlook is evidenced by the authority given to the general manager on March 23, 1880, to effect an arrangement with the Ontario Bank to cash drafts of The Canadian Bank of Commerce at par when presented at the former's Winnipeg branch, and to enter into similar negotiations with the Bank of British Columbia for its branches to pay at par drafts drawn by The Canadian Bank of Commerce on the latter's New York agency. Up to this time communication with the Pacific Coast province had been carried on only through American channels. Although The Canadian Bank of Commerce was alive to the possibilities of western business, it is obvious that the directors did not realize the position that the Canadian Pacific Railway was one day to attain. On August 30, 1881, they considered a proposal by the Bank of Montreal that The Canadian Bank of Commerce should join in taking a portion of the bonds of the Canadian Pacific Railway and decided not to accede to it. The story of how the Bank of Montreal saved the situation for the railway is well known to those who have read the lives of Lord Strathcona, Lord Mount Stephen, and others associated with the building of this great transcontinental route. It was a case in which the prophetic gift was denied to the directors of The Canadian Bank of Commerce.

Under the terms of the Bank Act of 1871, its provisions

were subject to parliamentary revision every ten years, and in 1880 another effort was made to introduce the National Bank system of the United States into Canada. Mr. B. E. Walker, whose experience while in the New York agency of The Canadian Bank of Commerce had given him a thorough insight into the American system of banking, prepared an exhaustive comparison between the Canadian and American systems for the use of the Hon. Edward Blake and the Hon. William McMaster, who led the opposition to the proposed changes, the one in the Commons and the other in the Senate. The effort was not strongly pressed and soon went down to defeat in the face of the strong opposition it aroused.

At the annual meeting in 1879 the Hon. Adam Hope retired from the vice-presidency, although remaining a member of the Board. He was succeeded as vice-president by Mr. William Elliot, one of the three remaining members of the original Board, the other two being the president and Mr. T. Sutherland Stayner. In July, 1881, another director, Mr. A. R. McMaster, died, and at the annual meeting held just afterwards the shareholders decided not to fill his place, but to reduce the number of directors from nine to eight. On the death of the Hon. Adam Hope in August, 1882, the directors elected Mr. John Waldie,¹ of Burlington, to succeed him. In January, 1883, Mr. James Michie died and was succeeded in the following April by the Hon. Samuel Casey Wood,² formerly Treasurer

¹John Waldie (1837-1907) was a native of Hawick, Scotland. He was for many years a general merchant in Wellington Square (now Burlington), Ont., interested in the grain trade and shipping, but later removed to Toronto and went into the lumber business, becoming president of the Victoria Harbor Lumber Company, Limited. He was elected to the House of Commons in 1887, and again in 1888, as member for the county of Halton, and was also for some time warden of that county. He was vice-president of the Landed Banking and Loan Company, Hamilton, and a director of the Bank of Toronto from 1902 until his death.

²The Hon. Samuel Casey Wood (1830-1913) was the son of the late Thomas Smith Wood and was born at Bath, Ont. In early life he filled various municipal offices and was elected to the legislature in 1871. In the ministry of Sir Oliver Mowat, he held office successively as Provincial Secretary and Registrar, Commissioner of Agriculture, and Provincial Treasurer. On his resignation from the legislature he became manager of the Freehold Loan and Savings Society, Toronto.

of the Province of Ontario. Mr. John J. Arnton, of Montreal, also retired at this time, owing to ill-health, and at the annual meeting in July his place at the Board was filled by the election of Mr. James Crathern,¹ a member of the firm of Crathern and Caverhill, Montreal. In September, 1883, occurred the sudden death of Mr. Noah Barnhart, who was succeeded at the following annual meeting by Mr. W. B. Hamilton.²

The improvement in general business, which first began to be felt towards the close of 1879, is referred to in the annual report of 1881, as follows: "The bountiful harvest of last year, together with the active demand for timber and lumber at greatly increased prices, have produced a marked improvement in almost every branch of industry. In consequence, however, of the large reduction in the value of money, the profits do not bear the same proportion to the extent of business transacted as in former years, but they have enabled your directors to pay the usual dividend of eight per cent. and provide for all the bad and doubtful debts of the year, leaving a surplus of \$105,819.14.

"As a natural result of the improved state of trade, the circulation of the bank has materially increased, and although the directors were obliged by the unusual cheapness of money to reduce the rate of interest on deposits, these also have been considerably augmented."

In view of the tendency of deposits to increase largely, while loans were decreasing, the banks had been forced to

¹James Crathern (1830-1910) was president of the Merchants Cotton Company, the Royal Victoria Life Insurance Company and Keewatin Flour Milling Company, and a director of the St. Lawrence Sugar Refineries, Dominion Coal Company, National Trust Company, Limited, and Liverpool, London and Globe Insurance Company. He was a governor of McGill University and president of the Montreal General Hospital, and a member of the governing committee of the Alexandra Hospital.

²William B. Hamilton (1823-1906) was born in Montreal, and came to Toronto in 1849, where he was engaged in the clothing business. In 1858 he became interested in the firm of Brown and Childs, of Montreal, and opened a branch in Toronto for the purpose of carrying on a wholesale business in boots and shoes. In 1860, on the death of Mr. Childs, he became sole proprietor. Mr. Hamilton was president of the Toronto Board of Trade in 1881, and was also a director of the London and Ontario Investment Company and the Fire Insurance Exchange.

give serious attention to the question of interest on deposits. Some previous efforts to reduce rates made early in 1878, before the revival of business began, had been unsuccessful. The Merchants Bank of Canada and the general manager of the Consolidated Bank were both agreeable to the proposals made, but Mr. McCracken,¹ the assistant general manager, would not agree to them. In February, 1880, the directors of The Canadian Bank of Commerce decided, in conjunction with the Bank of Toronto, to discontinue the payment of interest on current account balances at the Collingwood and Barrie branches. The savings bank department at the Barrie branch was also discontinued, interest being paid only on deposit receipts. In May, The Canadian Bank of Commerce and the Merchants Bank of Canada took steps to reduce the rate of interest paid on deposits at Galt, Berlin and Waterloo, from five per cent. to four per cent. In September of the same year it was decided by the Board to reduce to three per cent. the rate of interest paid on current account balances at the Toronto branch. In October the Board authorized negotiations with the other banks with a view to an immediate reduction in the rate of interest paid on deposits at all branches to a maximum of three per cent. when subject to a long notice of withdrawal, and to two per cent. when subject to a shorter notice. No interest was to be allowed on moneys subject to repayment without notice.

As the financial statement submitted to the shareholders at the annual meeting in 1882 marks the culminating point of this short period of prosperity in the bank's affairs, the figures

¹Thomas McCracken (1835-96) was a son of James McCracken, shipbuilder, and member of the Parliament of Lower Canada. He entered the lumbering business of William Price and Company, Quebec, in 1850, but left four years later to join the staff of the Gore Bank, Hamilton. In 1869 he entered the Royal Canadian Bank, Toronto, becoming cashier, as the chief officer of the bank was then termed. On the amalgamation of the Royal Canadian Bank and the City Bank in 1875 to form the Consolidated Bank, he became assistant general manager of the latter. After the failure of the Consolidated Bank he re-entered the lumber business in Toronto, first as a member of the firm of John Oliver and Company and then of McCracken, Gall and Company. Later he formed the Toronto Land and Investment Corporation, of which he was manager up to the time of his death.

are quoted in full below. The statement bears the date of June 27, 1882.

LIABILITIES.

Notes of the bank in circulation.....	\$ 3,333,155 00
Deposits not bearing interest.....	2,712,569 35
Deposits bearing interest.....	12,859,354 77
Due to other banks in Canada.....	29,236 26
Due to agencies of the bank, or to other banks or agencies in the United Kingdom.....	370,750 84
	<u>\$19,305,066 22</u>
Capital paid-up.....	6,000,000 00
Rest.....	1,650,000 00
Reserve for rebate of interest on current dis- counts.....	150,000 00
Reserve for interest on deposit receipts and savings bank accounts.....	90,748 37
Dividends unpaid.....	1,271 07
Dividend No. 30, payable 3rd July.....	240,000 00
Balance of profit and loss account carried for- ward to next half year.....	58,188 04
	<u><u>\$27,495,273 70</u></u>

ASSETS.

Specie.....	\$ 943,056 03
Dominion notes.....	1,220,535 27
Notes of and cheques on other banks.....	462,909 86
Balances due from other banks in Canada.....	253,578 35
Balances due from agencies of the bank, or from other banks or agencies in foreign countries	2,792,719 76
Government debentures or stock.....	822,213 53
	<u>\$ 6,495,012 80</u>
Loans and bills discounted.....	20,400,622 15
Bills discounted overdue, and not specially secured.....	94,578 55
Overdue debts, secured by mortgage or other deed on real estate, or by deposit of or lien on stock, or other securities.....	108,540 46
Real estate, the property of the bank (other than bank premises), and mortgages on real estate sold by the bank.....	132,448 81
Bank premises and furniture.....	264,070 93
	<u><u>\$27,495,273 70</u></u>

Although profits continued to increase for another year, reaching \$774,362.86 in 1883, the annual statements for the five years following 1882 showed a steady falling off in total assets.

Old residents of Toronto will recall that about this period what were known as cedar block pavements were in vogue in the streets of Toronto and some other Ontario towns. Cedar logs were sawn into blocks about nine inches in length, and these blocks were laid on a foundation of sand, after the surface soil of the streets had been cleared away to a sufficient depth. The interstices between the blocks were then filled with sand, and the blocks rammed into place. When newly laid, such a pavement provided an excellent surface for traffic, but as a result of wear and decay the pavement in the course of a few years presented an indescribably uneven surface, which can only be compared with the old corduroy roadways built of tree trunks laid side by side. Many miles of the streets in the city of Toronto were at one time in this condition. A minute of the meeting of directors of the bank held on December 12, 1882, is, therefore, not without interest. It recorded the receipt of a notification from the Assessment Commissioner that the Council of the Corporation of Toronto proposed to pass a by-law for the construction of a cedar block roadway on Yonge Street between Melinda Street and the Esplanade. This proposal apparently had some connection with the extension of the street railway south on Yonge Street, from King Street to Front Street, and the directors decided that they would not interfere. It was not until nine years later that asphalt pavements were laid in this part of the city. Jordan Street was paved with asphalt in the summer of 1889; King Street a year later.

On the morning of Monday, February 25, 1884, an explosion of gas took place in the Toronto office of the bank, breaking all but one of the windows in the office, shaking the joists and partitions, damaging the heavy iron door of the vault and causing large masses of plaster to fall. A number of

the officers of the bank were cut by flying glass, but fortunately none of the injuries proved to be serious. An investigation made by a committee of directors, consisting of Messrs. Elliot, Stayner and Wood, reported that a plumber, who had been employed to repair some gas pipes in another room had turned off the gas while the lights were burning in the vault. It was just about closing time, and Mr. L. Bolster, the sub-manager of the branch, had examined the vault to see that the safes were closed and everything in order. Mr. Fitton, whose duty it was to see that the gas jets were extinguished and to close the vault, finding it unlighted, and not knowing that the plumber had turned off the gas, then closed the doors. Subsequently, the plumber, having finished his repairs, turned on the gas again. On the next day, Sunday, gas was smelled in the office, and the messenger on guard, suspecting that it came from the vault, turned it off at the meter. As the vault door was protected by a time-lock, he knew that it could not be opened until Monday morning to ascertain the cause of the leak. In the evening the gas was turned on again, because it was required in other parts of the building and also in order to conform with a rule which required a light to burn in the office all night. On Monday morning the vault was opened at the usual hour, and found to be full of gas. Care was taken to avoid using a match, and the doors of the vault and the windows of the office were opened to let out the gas. About half an hour later the messenger was sent into the vault to see whether it was free of gas. Not smelling any, he proceeded to light the gas burners. The match he struck ignited the gas which had collected in the upper part of the vault and a most violent explosion occurred. The messenger's face was burned and he was otherwise hurt, but managed to stagger out of the vault. The key of the time-lock, which was kept on top of the lock, was picked up, after the explosion, on the other side of the street. The force of the explosion had apparently propelled it through the manager's room and the



HENRY W. DARLING
Second President, 1886-1890.



THE HON. GEORGE ALBERTUS COX
Director, 1886-1914,
Third President, 1890-1907.



ALEXANDER LAIRD
General Manager, 1907-1915,
Director, 1912-1915.



ZEBULUN AITON LASH, K.C., LL.D.,
Director, 1907-1920,
Vice-President, 1910-1920.

front door of the office, and then across the roadway, a distance of considerably over one hundred feet. Notwithstanding the damage done to the office, business was suspended only for about two hours, and the broken windows were soon replaced. The committee of directors reported that it saw no reason to attach blame to anyone as being the cause of the accident, but steps were taken to remove the gas pipes from the vault.

The latter part of 1883 had seen a retrogression of the wave of prosperity which had swept over Ontario after 1879. The Manitoba land boom had collapsed in 1882 and left bankrupt many who had temporarily enjoyed great wealth, or at least the semblance of wealth. The ruin was not confined to Winnipeg and its vicinity, for many business men of eastern Canada had been carried away by the craze for speculation in western lands, and numerous customers of The Canadian Bank of Commerce were found to be involved. In Ontario the crop of 1883 was a poor one; and manufacturing industries were beginning to show symptoms of depression, the consequence of over-production. The prices of farm products, timber and other commodities that form the basis of the country's wealth, fell rapidly. The period from 1884 to 1887 was possibly the most difficult in the history of The Canadian Bank of Commerce. The assets of the bank fell from \$26,044,518 in 1883 to \$23,030,396 in 1884; to \$22,109,206 in 1885 and to \$19,574,094 in 1887, or over six millions of dollars in four years. In both 1884 and 1885 the sum of \$75,000 was appropriated for Contingent Account, although \$100,000 was added to the Rest in each of these years and the dividend was maintained at eight per cent. The annual report for 1886 announced a transfer of \$500,000 from the Rest Account to provide for bad debts of \$490,000; the dividend was reduced to seven per cent. and \$150,000 placed in Contingent Account. The adverse showing made in the fiscal year 1885-86 was in part due to a shrinkage in the value of the assets of the British Canadian Timber and Lumber Company held as collateral

by the bank, and in part to the failures of certain wealthy customers who had speculated in land in western Canada, and had subsequently been ruined by the sudden collapse of land values in that part of the country, referred to above. Among the assets of the British Canadian Timber and Lumber Company was a timber limit valued by the Company at \$700,000, and subsequently, by the trustees appointed to administer its affairs, at \$250,000. This limit sold at a public auction, at which the attendance was large and the bidding spirited, for the sum of \$158,650!

In the spring of 1885 the North-West Rebellion broke out, and a force of over 5,000 men, consisting principally of militia and volunteers, was raised for its suppression. Four members of the bank's staff are recorded as having served their country on this occasion, Messrs. Simcoe Mackintosh Daly, Percy Neville Smith, Charles Wauchope Gilmour and Edwin Protheroe Gower; and the directors decided to pay their salaries in full during their absence. Mr. Daly was shot through the hand while on active service. ^{by a bullet} Mr. Gower is the only one of the four who is still in the service of the bank, and now (1922) holds the position of assistant manager of the Toronto branch.

The annual report for 1886 was the last signed by Mr. W. N. Anderson as general manager and by the Hon. William McMaster as president. At the annual meeting of shareholders held on July 13, 1886, the veteran Senator, who for nineteen years had guided the bank's destinies, announced that in view of his advancing years and the state of his health he had decided to retire from the presidency. At this meeting, when moving the adoption of a by-law increasing the number of directors from eight to ten, he stated that he had, for the reasons just mentioned and in view of the increasing age of several of his co-directors, taken occasion lately to impress on them the necessity of strengthening the Board by the introduction of new members. He proposed the name of Mr. Henry W.

Darling,¹ president of the Toronto Board of Trade, as being a man of high character and financial ability, having a large and varied experience of mercantile matters, who would render good service to the bank. He also submitted the name of another gentleman destined to become even more closely identified with the fortunes of The Canadian Bank of Commerce, Mr. George A. Cox,² of Peterboro, who, the Senator said, was the architect of his own fortune and had given abundant evidence of mercantile skill, and would therefore be a great acquisition to the directorate. This prophecy was destined to be amply fulfilled. The late Colonel John I. Davidson,³ a prominent Toronto merchant, was also added to the Board, succeeding Mr. John Waldie, who now retired. Senator McMaster remained a director, and was succeeded as president by Mr. Darling.

¹Henry W. Darling (b. 1847) is a native of Edinburgh, Scotland, and came to Canada in 1862, entering the dry goods trade in Montreal. In 1884 he founded the firm of Henry W. Darling and Company, Toronto, which a year or two later amalgamated with that of A. R. McMaster and Brother, as McMaster, Darling and Company. In 1879 he was appointed general manager of the English and Scottish Investment Company. He served as president of the Toronto Board of Trade from 1883 to 1886. A few years later he removed to the United States, where he has for many years been treasurer of the General Electric Company, Schenectady, N.Y. For his portrait, see plate 12, facing page 94.

²The Hon. George Albertus Cox (1840-1914) was born in Colborne, Ont., and in early life entered the service of the Montreal Telegraph Company, becoming representative for this and other companies in Peterboro. In 1878 he became president of the Midland Railway of Canada, then in financial difficulties, and conducted the affairs of the company with such success that five years later he was able to sell the line to the Grand Trunk Railway at a profit to his shareholders. He was associated in an executive capacity with many corporations, including the Central Canada Loan and Savings Company, the Canada Life Assurance Company, the National Trust Company and the Canadian General Electric Company, and was president of The Canadian Bank of Commerce from 1890 to 1907. He was called to the Senate in 1896. For his portrait, see plate 12, facing page 94.

³John Irvine Davidson (1854-1910), son of Dr. Samuel Davidson, was born in Wartle, Aberdeenshire, Scotland. He came to Canada in his youth, and rose to be senior partner of the firm of Davidson and Hay, wholesale grocers, Toronto. He was president of the Toronto Board of Trade, 1890-91, and president of St. Andrew's Society, 1907-09. In 1891 he organized the 48th Highlanders, and was appointed to the command of the regiment, with the rank of lieutenant-colonel.

On July 20, the directors passed a resolution containing, in addition to a tribute of personal gratitude, the following significant and generous appreciation of the services of the bank's first president: "The directors have pleasure in referring to the fact that alike during the early history of the bank, the various stages of its growth in capital and resources until it attained a position second to one alone of the banking institutions of the Dominion, and the supervision of its affairs throughout more than one period of general depression and disaster, Mr. McMaster's rare business sagacity and energy of character have been conspicuously displayed; while in his place in Parliament, he has been ever ready to assist in promoting and perfecting the banking legislation of the country, thus establishing for himself a strong claim to the esteem and gratitude of all who, as shareholders or Canadian citizens, are interested in the financial and industrial welfare of the Dominion."

Fourteen months later the directors had to perform the sad duty of passing a resolution of condolence and sympathy with Mrs. McMaster on the occasion of the sudden death of her husband. The service he had rendered to the financial community at large was fittingly characterized in the following terms: "Mr. McMaster rendered eminent services to the financial and commercial interests of the Province and the Dominion. He was instrumental in establishing on solid foundations, insurance, financial and other important associations, and in his place in Parliament was ever ready to assist in perfecting legislation touching banking and other financial and commercial interests. He thus established for himself a strong claim to the respect and gratitude of all citizens who desire the financial and industrial welfare of the community."

Although the bank had experienced four years of serious losses, the policy of the new directors was vigorous and progressive. At a meeting of the Board held two weeks after his election, Mr. Cox moved, seconded by Mr. W. B. Hamilton, "that having regard to the insufficient accommodation and

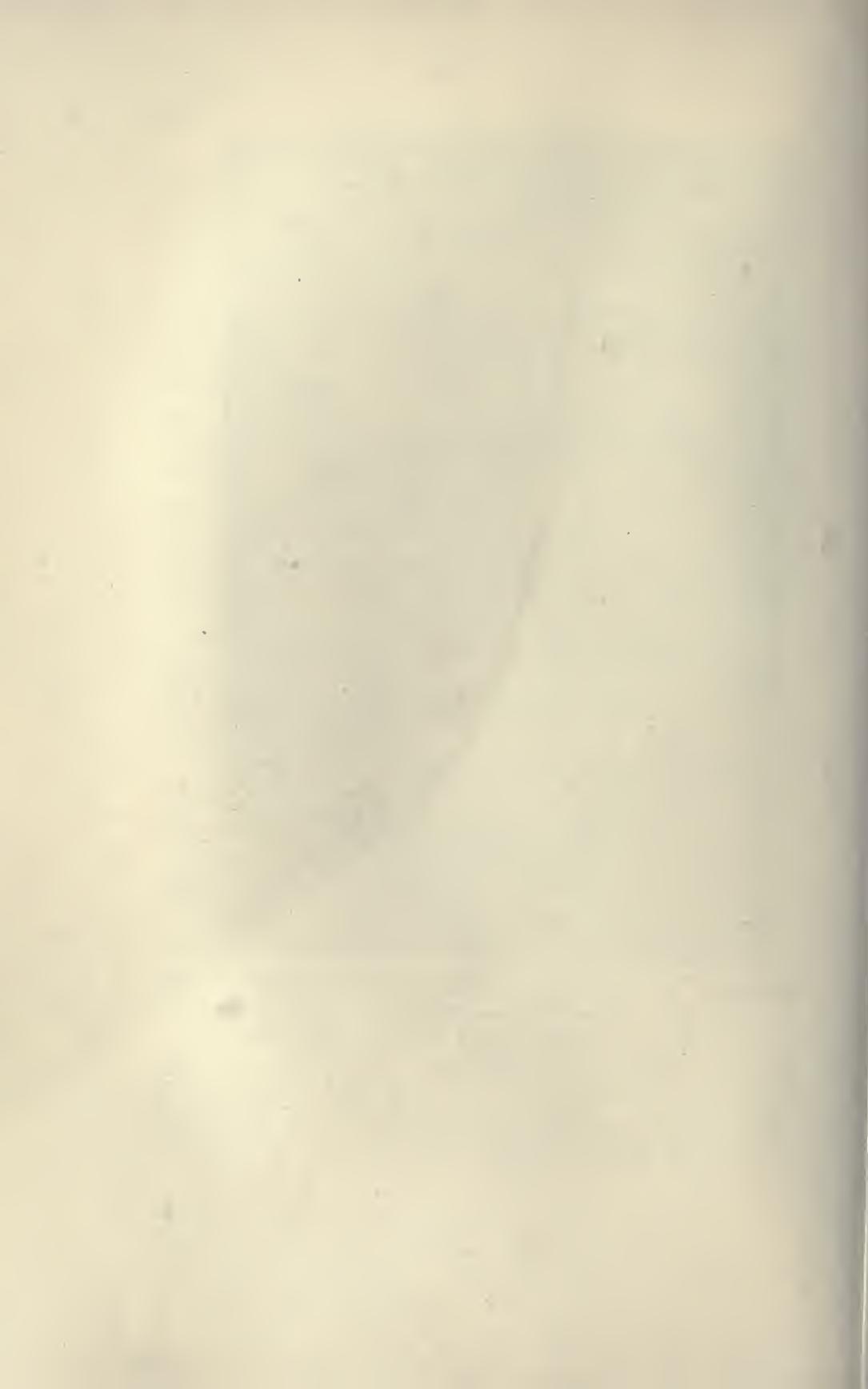


CORNER OF KING AND JORDAN STREETS, TORONTO, ABOUT 1820

The site of the present head office.

The small wooden building was the first Methodist Church in York
(now Toronto).

PLATE No. 13.



inconvenience of the premises occupied by the head office and the necessity of the bank to be in sympathy with the progress of the city and the province, and with the recent action of other banking institutions in the city, the time seems to have arrived when the question of a new head office should be considered." As a result the property at the corner of Jordan and King Streets, Toronto,¹ was leased from the Robert Hay Estate for a period of twenty-one years, and the erection of the present head office building² was commenced shortly afterwards under the supervision of the late Richard A. Waite,³ of Buffalo. Mr. Waite was then a well known architect, and had designed the legislative buildings of Ontario in Queen's Park, Toronto. These measures had the hearty approval of Senator McMaster, who took part in the negotiations for the Hay property. The new building was occupied at the beginning of 1890. Within a stone's throw of the site are now located the head offices of many of the leading banks and other financial institutions of Ontario.

At the beginning of the nineteenth century the whole frontage on the south side of King Street between Yonge and Bay Streets was owned by a local clockmaker, Jordan Post by name, a native of New England. His Christian name, and that of his wife, "Melinda," are preserved in the names of the streets which now bound on the east and south sides the property owned by the bank. The first building on the

¹In December, 1890, the bank acquired the freehold title to this property in consideration of an annuity payable over a series of years. The last of these payments has long since been made. The site has since been extended by the acquisition of adjoining property (see page 256).

²See plate 14, facing page 102.

³Richard A. Waite was a native of England. By profession an architect, he practised in Buffalo, N.Y. with his brother, William Waite. He was the architect for a number of large buildings in Canada, among them being the legislative buildings of the province of Ontario in Queen's Park, Toronto, the head office of the Bank of Hamilton, Hamilton, and the buildings of the Canada Life Assurance Company in Toronto and Montreal. He was also architect for the building of the Buffalo Insurance Company at Lafayette Square and Main Street, Buffalo. He died in Syracuse, N.Y. about 1908.

site was erected in 1818 and served as the first place of public worship of the Wesleyan Methodists in Toronto. It was a low wooden building, thirty by forty feet, running north and south and placed a little way back from King Street.¹ The first service was held in it on March 5, 1818, by the Rev. David Culp, and it was later the home of the first Sunday-school in Toronto. It continued to be used as a Methodist chapel until 1833, at which date the members of the congregation numbered 264. The building was afterwards for a time used as a theatre, under the name of "Theatre Royal."

Another change in the management of the bank was also impending. On October 12, 1886, Mr. W. N. Anderson, the general manager, tendered his resignation, which was accepted with expressions of regret from various members of the Board. Subsequently he became Deputy Provincial Treasurer of Ontario, and held this office until his retirement in 1905. His successor as general manager was Mr. Byron Edmund Walker, to whom reference has already been made. Mr. Walker was appointed general manager on October 12, 1886, and a month later Mr. J. H. Plummer, assistant general manager of the Merchants Bank of Canada, who had resigned from the service of The Canadian Bank of Commerce some years previously, was reappointed to the staff as assistant general manager.

Mr. Walker's appointment as general manager marks the beginning of a career which culminated in his election to the presidency of the bank in 1907, and which has caused him to be recognized in public life as one of the most eminent of Canadians. Not only has he long been known as one of the chief exponents of Canadian opinion on the subjects of banking and finance, but his activities in behalf of higher education, music and the fine arts have become equally familiar. The standing he acquired in the opinion of his fellow-bankers was shown as early as 1887 by his election as chairman of the meeting of Toronto bankers called to consider

¹See plate 13, facing page 98.

the request of the Central Bank of Canada for assistance in its difficulties. A year later he acted in a similar capacity in connection with the arrangements made for liquidating the Federal Bank of Canada with open doors. In 1891 he became chairman of the Bankers' Section of the Toronto Board of Trade, which made a thorough study of the Bank Act in anticipation of the revision of that Act in 1890, and as a natural result, Mr. Walker led in the discussions with the Finance Minister over the revision. Out of the activities of this Bankers' Section grew the idea of the Canadian Bankers' Association, which was formed as a voluntary association at the commencement of 1892, and which has since been incorporated by Parliament and clothed with important powers in matters affecting the banks of Canada. Mr. Walker was elected a vice-president of this Association at the second annual meeting held in June, 1893, and president in the following year. In 1899 he acted as chairman of a Royal Commission appointed to report on the financial position of the province of Ontario, and in 1904 he was chairman of the Section of Money and Credit of the International Congress of Arts and Sciences at the St. Louis Exposition. He has been in succession a trustee, a member of the Senate and a member of the Board of Governors, of Toronto University, and is now chairman of the last-named Board. To his efforts are due the founding of the Royal Ontario Museum and of the Art Museum of Toronto,¹ and he is the head of the governing bodies of both these institutions and chairman of the National Gallery of Art at Ottawa. He serves as a member of the National Battlefields Commission, which has given to Canada as a national park the historic battle-field of the Plains of Abraham, and is the founder and president of the Champlain Society. In 1908 his public services were recognized by His Majesty King Edward VII, who created him a Commander of the Victorian Order, and in 1910 he was knighted as Sir Edmund Walker. The foregoing are a few of the outstanding events in his

¹Now the Art Gallery of Toronto.

public career, and there is hardly any matter relating to the development of Canada in connection with which his advice and assistance are not sought.

These matters have a direct bearing on the history of The Canadian Bank of Commerce, since they have helped to create a new relationship between the banking profession and the community at large. Unusually diversified interests have not prevented Sir Edmund Walker from at all times zealously promoting the legitimate interests of the institution with which he has been connected for almost a lifetime; and the first years of his service as general manager were devoted in and out of season to strengthening its position. On the personal side of his character, to quote an old schoolmate and lifelong friend, the late Mr. Henry A. Ware¹ of Pasadena, Cal., who was at one time a fellow-officer in the bank, "Sir Edmund Walker is a great leader in the financial and business world whose ability and success are unquestioned, and at the same time he is so broad, sensible and fair in his transactions and decisions, as well as being very considerate of the rights and interest of all under his authority, that all members of the staff of his bank, as well as all others who have a close acquaintance with him, have not only a sincere admiration but real affection for him. . . . Notwithstanding all his attainments, he is modest, simple, and always cordial in welcoming his old friends."

The first concern of the new general manager was to make a thorough revaluation of the assets of the bank, so as to be able to present to the directors and the shareholders a trustworthy showing of the position and value of their property. In this he was ably assisted by the assistant general manager, Mr. J. H. Plummer. In the report made to the Board after

¹Henry Arthur Ware (1849-1918) was born in Hamilton, Ont. He was cashier and second vice-president of the Metropolitan National Bank of Chicago, 1884-86; cashier Union National Bank, Duluth, 1887-88; vice-president First National Bank of Duluth, 1889-95; vice-president Commercial National Bank of Chicago, 1896-98; and vice-president Northwestern National Bank 1898-1900; also a director of the Cable Company.



THE HEAD OFFICE OF THE BANK
South-east corner of King and Jordan Streets, Toronto.

PLATE No. 14.

this examination had been concluded, Mr. Walker said: "The present task has been rendered more than usually difficult by the fact that our opinion of some of the bank's assets differs very materially from that of my predecessor. Whenever the element of doubt fully enters into an asset, the basis for valuing the asset should be one which leaves out of sight all sources of recovery which are merely conjectural, and this, I think, applies with the same force to an account which is current and on which interest is collected, as to debts already in default, if the source of recovery of the whole debt cannot be seen. Between such a method of valuing the property of the bank, and a more hopeful view under which appropriations are not made until losses are positively ascertained, there is unfortunately room for very wide difference, especially when the assets under examination amount to as much as sixteen millions of dollars."

The report of the directors presented at the annual meeting held on July 12, 1887, showed that on the advice of the new management they had appropriated for bad and doubtful debts the sum of \$930,543 and had transferred to Contingent Account, to cover the estimated loss on doubtful debts still current and on accounts in liquidation, the further sum of \$455,490. These appropriations not only necessitated the transfer of \$1,100,000 from the Rest, but exhausted the sum of \$150,000 accumulated as a reserve for rebate of interest on current discounts. The Rest, which had reached \$2,100,000 in 1885, had now been reduced to \$500,000. Nevertheless, the dividend of seven per cent. had been more than earned, and the discount business of the bank was found to be not merely active, but in a sound condition. The career of the bank, during its first twenty years, had not been a brilliant success, but it is well to remember that it had a record not enjoyed by any of the banks which could be compared with it in size or amount of capital; it had a capital which had never been impaired, it had never failed to pay a dividend, and it had become the leading bank in the province of Ontario.

The position of the bank after the appropriations had been made is shown by the financial statement given below, which bears date, June 25, 1887, and which may usefully be compared with the statement given on page 92:

LIABILITIES.	
Notes of the bank in circulation.....	\$ 2,390,732 00
Deposits not bearing interest.....	2,088,845 77
Deposits bearing interest, including interest accrued to date.....	7,896,194 41
Balances due other banks in Canada.....	208,544 05
Balances due agents in Great Britain.....	270,219 28
Unclaimed dividends.....	2,398 32
Dividend No. 40, payable 2nd July.....	210,000 00
	<hr/>
	\$13,066,933 83
Capital paid-up.....	6,000,000 00
Rest.....	500,000 00
Balance of profit and loss account carried forward.....	7,160 81
	<hr/> <hr/>
	\$19,574,094 64
ASSETS.	
Specie.....	\$ 445,306 55
Dominion notes.....	879,472 75
Notes of and cheques on other banks.....	417,411 89
Balances due by other banks in Canada.....	159,626 11
Balances due by agents of the bank in the United States.....	823,432 55
British, Canadian and U.S. Government securities, municipal and other stocks and bonds.....	866,524 31
Call and short loans on stocks and bonds.....	591,388 77
	<hr/>
	\$ 4,183,162 93
Time loans on stocks and bonds.....	525,563 00
Other current loans and discounts.....	14,264,228 47
Bills discounted overdue, not specially secured (loss fully provided for).....	26,781 45
Overdue debts secured.....	149,040 94
Real estate (other than bank premises) and mortgages.....	167,686 46
Bank premises and furniture.....	257,631 39
	<hr/> <hr/>
	\$19,574,094 64

As a guide for the future the new administration naturally gave the fullest consideration to the underlying reasons for the losses which had been incurred. When a customer's borrowings had grown out of proportion to the amount ordinarily required by other businesses of similar character and extent, and it was found that he could not reduce his indebtedness without crippling his operations, the bank had in the past been careful to take mortgage security on his real property, but remained apparently more or less satisfied to have its funds locked up in "bricks and mortar." The new administration came to the decision that unless the value of the fixed assets was represented in the business either by capital or by mortgage loans, the account would henceforth be regarded as unsatisfactory, that those assets classed as readily available must bear a proper proportion to the floating indebtedness, and that when a borrower's account had got out of hand to an extent which necessitated the taking of security on real estate, the proper course for the bank in the majority of cases was not the taking of a mortgage, but either liquidation or the closing of the account. They determined that all customers requiring loans dependent directly upon their credit, and not upon definite security of any kind, should not only supply the bank with their balance sheets, profit and loss accounts, and other similar information, but should also, so far as the seasonal conditions of their business would permit, liquidate their loans once in each year. Grave doubts were expressed as to the practicability of instituting any of these reforms, but step by step the bank succeeded in placing its relations with its customers on this basis, and these principles are now accepted as the ordinary factors of safety in the conduct of the bank's business.

One of the early acts of the new management was to obtain from the British American Bank Note Company a different design for the \$10 note. The new notes proved very unsatisfactory when placed in circulation, and early in 1888 the decision was reached to issue an entirely new series.

The designs for the latter were engraved by the American Bank Note Company, and embodied all the latest ideas for protection against counterfeiting. The advances which had taken place in the art of photography had made it a comparatively easy matter to copy many of the older notes with their simple colour schemes, and to produce excellent counterfeits based upon photographic processes. This danger was guarded against in the new series by a much freer use of colour than had been customary in notes of earlier dates. Combinations of colours which had different photographic values were made a part of each design, so as to make it a difficult matter, in the existing state of the photographic art, to produce counterfeits by photographic methods. So successful was the new series from this point of view that, during the thirty years in which these notes were issued by the bank, the only counterfeits that ever appeared were one or two laborious and clumsy attempts at a hand-made imitation of individual notes. No counterfeit that could be multiplied by a mechanical process ever appeared.¹

At the annual meeting in 1887 new by-laws were passed, and a change was made in the date of the annual meeting. It was henceforth to be held on the third Tuesday in June, instead of the second Tuesday in July. This involved the closing of the bank's fiscal year at the end of May instead of June, and the payment of its semi-annual dividends on June 1 and December 1, in place of July 1 and January 1 as formerly.

The year 1887 also witnessed the passing of the last three members of the original Board of Directors of the bank. Mr. William Elliot, who had for eight years filled the office of vice-president, and Mr. T. Sutherland Stayner, retired at the annual meeting and were succeeded by Messrs. William Gooderham² and Matthew Leggat.³ Mr. George A. Cox was

¹For illustrations and a fuller description of these notes see plates 75 and 76, facing pages 526 and 530, and Appendix X.

²William Gooderham (1824-89) was the eldest son of William Gooderham, who came to Toronto in 1832 and founded the firm of Gooderham and Worts, millers and

chosen to succeed Mr. Elliot as vice-president. The Hon. William McMaster died in September. The Hon. S. C. Wood had resigned in July, just after his re-election, and it was therefore decided not to elect successors to Messrs. McMaster and Wood, but to reduce the number of the Board of Directors from ten to eight. The Board as then constituted consisted of Mr. Henry W. Darling, president; Mr. George A. Cox, vice-president; Messrs. George Taylor, William B. Hamilton, James Crathern of Montreal, John Irvine Davidson, William Gooderham, and Matthew Leggat of Hamilton.

During the "eighties" there was very little increase in the number of branches of the bank. In fact, had it not been for the decision of the new management in 1887 to try the experiment of opening branches in the more important retail centres of the city of Toronto, the number of branches opened during the decade would not have greatly exceeded the number closed. In 1880, 1882, 1884 and 1885, no new branches were opened, a state of things which had no parallel in the previous history of the bank. In 1881 a branch was opened in Port Hope and an agency in Durham, the latter in charge of the Walkerton manager, but these offices did not prove successful and were closed a year or two later. In September, 1881, an agency was opened in the village of Ayr in charge of Mr. John Wyllie, formerly manager for the Merchants Bank of Canada at that place, who had for a time carried on a private banking business in the village. In 1883 the Lucan branch was moved to Parkhill, as already mentioned. In 1886, after several years of very low rates for money in the United States, which in

distillers. Mr. William Gooderham, the son, was connected with the firm in his earlier years, but left it to take up other pursuits. He was for a time managing director of the Toronto and Nipissing Railway.

³Matthew Leggat (1829-1910) was a native of Glasgow, Scotland. After coming to Canada he entered into partnership with the late A. T. Wood, M.P., of Hamilton, Ont., in the wholesale and retail hardware business. He was for many years president of the Landed Banking and Loan Company, Hamilton, and a director of the Trusts Corporation of Ontario, Toronto. He was also for some years president of the Hamilton Board of Trade.

conjunction with the silver agitation¹ made it very difficult to lend surplus monies profitably, the Chicago agency was closed. At home, agencies were opened at Jarvis and Blenheim, the latter being placed in charge of the Chatham manager.

The first woman to enter the service of the bank, Miss Joan Inglis, was appointed to the staff of the head office in

¹The silver agitation in the United States may be regarded as part of the aftermath of the Civil War, and of the depreciation of the paper currency issued by the Government. It arose out of the fall in the value of silver, after 1873, which was due mainly to three causes:

1. The discovery of new silver mines of extraordinary richness in the State of Nevada and the consequent remarkable increase in the annual world production of silver, which doubled in a few years.

2. The substitution by Germany after the Franco-Prussian War, of an Imperial gold currency for the silver coinages of the various German states, and the withdrawal from circulation, and sale as bullion, of much of the latter. This operation was facilitated by the indemnity paid by France.

3. The cessation of railway building on a large scale in India, which checked the demand from that country for silver. When this took place, not only was the indebtedness of the Indian Government in Great Britain increased by the interest payable on the outlays for these railways, but that Government was deprived of the funds in Great Britain representing the proceeds of the large loans raised there for railway-construction purposes. As a result it was forced to offer for sale in London much larger quantities of Council bills than formerly, and these served as remittances to India instead of silver.

In 1873 the silver dollar had been dropped from the list of coins struck by the United States, and the owners of silver mines in that country and their political backers sought to have the unlimited coinage of silver made legal. The chief concern of the mine-owners was to create a market for the rapid increase in their product, while the desire of the politicians was more for continued inflation of the currency.

In 1878 an Act was passed compelling the United States Government to purchase a limited amount of silver annually and to coin it into silver dollars. Under this Act between 1878 and 1890 the Government paid out \$308,000,000 for silver bullion. In 1890, by another Act, the annual amount of silver bullion which the Government was obliged to purchase was increased, and payment had to be made in legal tender treasury notes. This inflation of the currency in a time of peace led to large exports of gold, and doubt as to the ability of the Government to maintain payments in gold gradually became general. Under these circumstances foreign institutions such as The Canadian Bank of Commerce naturally became anxious to reduce the amount of their risks in the United States. The inevitable consequences of this fatuous financial policy were postponed for a time, owing to a concurrent reduction in the National Bank currency and to the coincidence of large crops in the United States with poor crops in Europe, but in 1893 there occurred the anticipated financial panic, followed by a severe and prolonged commercial crisis.

January, 1887. Her appointment indicates the increasing use of the typewriter for correspondence.

In November of the same year, authority was given to the Montreal manager to instal twenty-five incandescent electric lights in his office. The cost of the installation was estimated at \$250 and the annual expenditure at \$437.50. This is the first mention in the minutes of the introduction of electric lighting into the offices of the bank. It was not until May, 1889, that the question of installing electric lighting in the new head office building came before the Board. The first contract for lighting the head office by electricity was approved on November 19 in that year.

During the early part of 1887, the arrangement with the Bank of Scotland, London, had been under discussion by correspondence, with a view to enlarging the scope of the foreign exchange business of the New York agency. Shortly after the annual meeting in July, the president and general manager visited England, and the latter succeeded in obtaining a reduction in the rate of commission paid for the services of the London bank by undertaking that the increase in business, even during the first year, would more than compensate for the reduction in rate. At the same time it was decided to close the relations with Messrs. A. R. McMaster and Brother, which had been most satisfactory and profitable, but would no longer be necessary when the new arrangement went into force. The Bank of Scotland had long accepted bills drawn by the bank against documentary exchange or other satisfactory cover, but payments by cable had been made through A. R. McMaster and Brother and demand drafts had been drawn on that firm, because such transactions were based on the discount rate for long term bills of the description known to exchange bankers as "clean bills," as the documents accompanying them, if any, are surrendered upon acceptance. It was the custom to sell these bills in a keenly competitive open market to the discount companies. This business the Bank of Scotland undertook in

a spirit of co-operation, and thus the two banks together in the next ten years built up one of the largest and most important foreign exchange businesses then in existence, having as its basis the movement of cotton, grain and other merchandise from North America to Europe.

The interval between the annual meetings of 1887 and 1888 was marked by the disappearance from the scene of two well-known banks, the Central Bank of Canada, which failed in November, 1887, and the Federal Bank of Canada, which went into voluntary liquidation less than three months later. As early as the summer of 1884, The Canadian Bank of Commerce had, in association with other banks, assisted the Federal Bank to a very large extent, taking as security approved paper, principally that of private bankers. In November, 1887, an appeal for similar assistance was made by the Central Bank of Canada and a meeting of the leading bankers of Toronto, of which Mr. B. E. Walker was elected chairman, was held to consider the request. Suspension was clearly imminent, and investigation showed that the failure of the bank could not be averted. The position was a delicate one, because it was evident that some of the directors of the Central Bank would endeavour to throw the blame of the failure upon the other banks, if the latter declined to help. Under Mr. Walker's guidance, however, the banks, instead of refusing to help, agreed to provide whatever was necessary, on condition that on examination the Central Bank was found to be solvent, with the further proviso that if insolvent it should immediately suspend payment. It was a foregone conclusion that investigation would show insolvency, for the reckless nature of its management had been well-known in banking circles, and the revelations made in the liquidation proceedings that ensued showed clearly why help would have been unavailing. Branches had been established at any place where the residents would subscribe for a sufficient amount of stock in the bank. In certain cases it had paid brokers for assistance in increasing its note circulation, and its deposits were built up



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by paying higher rates of interest than were current at the time, and by issuing deposit receipts at a discount. Then loans were made in large amounts to a few favoured persons. In this way was squandered the whole paid-up capital of the bank, with as much more as was subsequently obtained from the double liability of its shareholders.

In the case of the Federal Bank, which appealed to the banking community for assistance again in January, 1888, the state of affairs was wholly different. The management then in control of the bank had been unfortunate rather than dishonest. When the bankers met to consider its fate, Mr. Walker was again selected as chairman. Up to this time the practice had been to help a bank in difficulties only when good security, properly hypothecated, was forthcoming; but when this was impossible, matters were allowed to take their course, and the bank was almost invariably wound up under the drastic handling of a liquidator. At the first meeting in connection with the Federal Bank, some of the bankers present strenuously objected to any course which did not mean enforced liquidation under the terms of the Bank Act. The chairman, however, felt that the bank might well be assisted to wind up with its doors open, and that the other banks could safely lend against its general estate the money necessary to accomplish this, provided certain matters affecting the liability of the shareholders could be satisfactorily arranged. Many meetings were held, at which the discussion was long and difficult. Finally, at a conference held on January 26, 1888, which lasted thirteen hours and extended beyond midnight, an agreement was reached, and on the morning of January 27, the Federal Bank opened its doors for voluntary liquidation under the protection of all the other banks. The sum of \$2,700,000 had been pledged, if needed, but it took much less money than was expected; and the shareholders, instead of being assessed under their double liability, received a handsome return on their shares; more important still, a dark and trying situation in Canadian banking was brought rapidly to an end.

In his action in this matter and the course which he induced the other banks to adopt, Mr. Walker was heartily supported by the directors of his bank.

At the annual meeting in 1888, the address of the general manager assumed the character of a comprehensive review of the financial and industrial situation throughout Canada. In each ensuing report since that date, a survey of the conditions prevailing during the previous twelve months in agriculture, lumbering, mining, manufacturing and the many other interests of this country, has been placed on record, and these should form valuable documents for the future historian of Canada's economic development. In the autumn of 1889 another step was taken to place the management in close touch with commercial and financial conditions. The branch managers were instructed to send in weekly reports containing information as to crops and markets, changes in business and monetary conditions, and other similar matters. These reports are now received from the managers of over five hundred branches, who are thus trained as skilled observers, and supply information by which the bank is guided in extending credit. They are laid on the table at meetings of the Board, and are also utilized for the purposes of the bank's Monthly Commercial Letter and its annual survey of business conditions.

In February, 1887, the Board had authorized the opening of a branch in Parkdale, which was then, although a separate municipality, practically a suburb of Toronto. This project fell through, but it brought the whole question of opening such branches definitely before the directors. Already, for many years some banks had maintained more than one branch in Toronto, the Dominion Bank and the City Bank, Montreal, being the pioneers in this respect. On the suspension of the Central Bank of Canada in November, the directors at once authorized the opening of two branches to fill the vacancies left by its withdrawal from the corners of Bloor and Yonge Streets, and of Queen Street and Broadview Avenue. The

first was known as North Toronto and the second as East Toronto. Concurrently a branch was opened near the corner of Spadina Avenue and College Street, and was called North-West Toronto. Later on, as the city grew, these names were found to be misleading. Succeeding years witnessed the establishment of new municipalities, bearing the names North Toronto and East Toronto, miles beyond the branches bearing their names. Accordingly it became necessary to discontinue district names and to substitute the use of street names. The next year, 1888, no branches were opened, but almost every succeeding year has seen the list of city branches increased. The Yonge and College branch was opened in October, 1889, Queen and Bathurst, and Parliament Street in 1890, Market in 1892, and Toronto Junction (now West Toronto)¹ in 1893. Early in 1892 a similar experiment was made in Montreal, two city branches being opened there, one in the neighbourhood of Chaboillez Square and the other on St. Lawrence [Main] Street, but the experiment did not prove as successful as it did in Toronto, and both branches were closed a few years later. Very few other branches were opened during this period: Sault Ste. Marie and Waterloo in 1889, Walkerville in 1890 and Ailsa Craig in 1892, completed the list.

In 1890 the directorate again underwent important changes. Mr. Henry W. Darling, who had held the office of president for three years, retired, and subsequently took up his residence in the United States. Mr. George A. Cox, who was later to become a Senator, stepped up from the vice-presidency to succeed him. He had from the outset of his election to the Board been a vital and progressive factor in the bank's policies, and was recognized as a financier of the highest acumen and enterprise. The late Colonel John I. Davidson succeeded him in the vice-presidency. Another vacancy had been created in the directorate during the year

¹Toronto Junction was a separate municipality in 1893, but was annexed to the city of Toronto in 1909.

by the death of Mr. William Gooderham on September 12, 1889; and the newcomers to the Board were Mr. John Hoskin, K.C.,¹ a lawyer and financier of note elected in January, 1890, and Mr. Robert Kilgour,² a well-known manufacturer, elected at the annual meeting in 1890.

In the summer of 1889, Mr. J. H. Plummer, the assistant general manager, visited Great Britain with a view to improving the arrangements with the bank's correspondents and opening up new connections, particularly for letter of credit business, on the continent of Europe, in Australia and in South America. One of the results of this visit was the establishment of a business connection with the Union Bank of Australia, Limited, which has lasted ever since.

An important revision of the Bank Act took place in 1890 and the bankers of Canada were called upon to meet, as usual, the old arguments which are invariably produced on such occasions, and to fight against the adoption of many of the more prominent features of the United States banking system. Some anxiety was caused by the fact that the Minister of Finance, the Hon. George E. Foster,³ was under-

¹John Hoskin, K.C., LL.D., D.C.L. (1836-1921), was born at Holsworthy, England, and came to Canada in 1854. He was called to the Bar in 1863, and in 1877 became a member of the firm of McCarthy, Osler, Hoskin and Creelman. Dr. Hoskin for many years held the position of Official Guardian for Infants for the province of Ontario. He was chairman of the Board of Trustees of Toronto University, president of the Toronto General Trusts Corporation and a director of many other prominent financial institutions.

²Robert Kilgour (1847-1918) was born at Beauharnois, near Montreal. After serving in a clerical capacity in a wholesale business, in 1870 he helped to establish a company for the manufacture of paper bags, which later became known as Kilgour Brothers.

³The Right Hon. Sir George Eulas Foster, K.C.M.G. (b. 1847), is a son of the late John Foster of Apohaqui, N.B. After graduating from the University of New Brunswick with high honours, he taught for a number of years, and in 1877 was appointed professor of classics and history in his Alma Mater. Subsequently he turned his attention to politics and was elected to Parliament in 1882, as member for King's County, N.B. In 1885 he became Minister of Marine and Fisheries in the Government of the late Right Hon. Sir John A. Macdonald. In 1888 he became Minister of Finance, a position which he held in several later governments. In 1911 he became Minister of Trade and Commerce. For some years he was vice-president and general manager of the Union Trust Company, Toronto.



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stood to favour changes in the Act which were regarded by the bankers as undesirable. When the nature of his proposals was finally communicated to them, it was found that the most important matters about which there was likely to be a difference of opinion were the sufficiency of the security for bank-note issues, their currency at par in all parts of the Dominion, and the question of requiring the banks to carry at all times a definite percentage of their liabilities in cash.¹ Mr. B. E. Walker was selected as the leader of the bankers' delegation in the discussion of these matters with the Minister of Finance, who was finally prevailed upon to accept the main features of the proposals put forward, including the establishment of what is known as the Bank Circulation Redemption Fund and the provision for redemption agencies in all the provinces of Canada. In this way a satisfactory solution of the problems affecting the note issues was reached. Mr. Foster insisted that a minimum should be fixed by law for the cash reserves to be carried by the banks, but an appeal was taken by the bankers on this question to the Cabinet as a whole, and they were granted the courtesy of a hearing. The arguments of the bankers were presented by Mr. Walker,² supported by Messrs. George Hague of the Merchants Bank of Canada and Thomas Fyshe³ of the Bank of Nova Scotia. After the hearing was over, the Prime Minister, Sir John A. Macdonald, asked that the bankers should state their views in writing, and this was done. The matter was then carefully considered by the whole body of ministers, who gave their decision in favour of the bankers.⁴

¹These matters are discussed at length by Dr. Shortt in chapter VII. See p. 454.

²Mr. Walker's argument, under the title of "An Arbitrary Gold Reserve," appeared in the *Journal of the Canadian Bankers' Association*, (July 1920), XXVII, 387.

³Thomas Fyshe (1845-1911) was born in East Lothian, Scotland. He was for a time in the service of the Bank of Scotland, and of the Birmingham Joint Stock Bank, and after coming to Canada joined the staff of the Bank of British North America. For a few years he was in the brokerage business in New York, but again took up banking, this time in the service of the Bank of Nova Scotia, of which he became cashier in 1876. From 1897 to 1905 he was joint general manager of the Merchants Bank of Canada. He was president of the Canadian Bankers' Association, 1895-6.

⁴George Hague, *Journal of the Canadian Bankers' Association*, I, 109.

The outcome of these discussions with the Government revealed how valuable had been the work of the Bankers' Section of the Toronto Board of Trade, and how wise its policy of taking the lead in proposing reforms in the Bank Act. The changes proposed were not in the selfish interests of the banks, but could only indirectly be of benefit to them through the increased prosperity of their customers and of the community at large. The study the council of the Bankers' Section had bestowed on the Bank Act, prior to its revision, had equipped its representatives for the discussions which took place, and their fellow-bankers in Montreal and the Maritime Provinces frankly admitted this and allowed them to take the lead. The reforms proposed by the Toronto bankers had been accepted at the outset by all the banks except the Bank of Montreal, which eventually joined them, and the Bank of British North America, which, working under a Royal charter, felt that it was not called upon to express an opinion. When these proposals were accepted by the Government, the value of the work done, and the need of permanent co-operation in such matters between the various banks, became so evident that out of it grew the idea of the Canadian Bankers' Association. The suggestion that such a body should be formed was frequently made while the discussions over the Bank Act were proceeding, and at the beginning of 1891 a proposed constitution was printed and circulated, bearing the names of the eighteen banks which desired to become members. Considerable further discussion of the proposal took place during the year, but at length, on December 17, 1891, in Montreal, in the Board room of the Merchants Bank of Canada, the organization of a voluntary association of Canadian bankers under the name of the Canadian Bankers' Association was completed, the membership comprising twenty-four banks. The first president of the Association was Mr. George Hague of the Merchants Bank of Canada, and the four vice-presidents were Messrs. B. E. Walker of The Canadian Bank of Commerce,

James Stevenson¹ of the Quebec Bank, Thomas Fyshe of the Bank of Nova Scotia, and William Curtis Ward of the Bank of British Columbia. The first annual meeting was held on May 19, 1892, when it was announced that thirty-three banks had become members, and that exclusive of the thirty-three executive officers of these banks there were 444 associates.

The Association was frankly established for the two purposes set forth in Article 4 of its constitution, as follows: "The objects of the Association shall be to carefully watch proposed legislation and decisions of the courts in matters relating to banking and to take action thereon; also, to take such action as may be deemed advisable in protecting the interests of the contributories to the Bank Circulation Redemption Fund, and all other matters affecting the interests of the chartered banks.

"It shall also be competent for the Association to promote the efficiency of bank officers by arranging courses of lectures on commercial law and banking, by discussions on banking questions, by competitive papers and examinations. Prizes may be offered for proficiency, under the direction and control of the Executive Council."

It subsequently became evident that at the time of the formation of the Association some bankers had in mind only the benefit to the interests of the banks from such co-operation as had taken place during the revision of the Bank Act in 1890,

¹James Stevenson (1813-94) was the son of a Scottish merchant, and was born in the town of Leith. Coming to Canada with his father in 1836, he received the appointment of under-secretary to Sir Francis Bond Head, Lieutenant-Governor of Upper Canada. He served in the militia during the rebellion of 1837, and in 1839 obtained a position in the Crown Lands Department, Quebec. Later in the same year he entered the service of the Bank of Montreal as manager at Bytown, now Ottawa, and was subsequently manager of several other branches of that bank. In 1864 he became cashier, or general manager, of the Quebec Bank and held that position until his death. Several interesting papers from his pen on the early currency history of Canada were published during his lifetime in the *Transactions of the Literary and Historical Society of Quebec*, of which Society he served for some years as president. In 1893, in recognition of his ability as a banker, he was elected an honorary president of the Canadian Bankers' Association.

but others intended that the Association should also carry on educational work along the lines of the Institute of Bankers in England.

At the first annual meeting, the president, Mr. Hague, announced that the Association had already made arrangements for essay competitions on subjects relating to the theory and practice of banking, for which valuable prizes would be offered. He suggested, in addition, the formation for educational purposes of sub-sections in various parts of the country. At the second annual meeting held in Toronto the decision was reached to publish a quarterly journal, and this was the genesis of the *Journal of the Canadian Bankers' Association*, of which the first number appeared in September, 1893. In the following February (1894), the Council of the Association appointed an editing committee to take charge of the *Journal*, consisting of Messrs. J. H. Plummer, assistant general manager of The Canadian Bank of Commerce; Joseph Henderson, inspector of the Bank of Toronto, and Edward Hay, inspector of the Imperial Bank of Canada. Mr. Plummer was chairman of the committee, and it had as corresponding members, Messrs. George Burn, general manager of the Bank of Ottawa; E. Stanger, inspector of the Bank of British North America, and John Knight, cashier of the People's Bank of Halifax. Under the guidance of this committee the *Journal* soon attained a reputation which caused many lawyers and others who were not bankers to become subscribers.

At a special meeting of the Canadian Bankers' Association held in Montreal in December, 1893, Mr. B. E. Walker was elected president of the Association, in succession to Mr. George Hague. Mr. Walker was again elected president at the ensuing annual meeting held in Halifax, in July, 1894. In 1900 the Association was incorporated by Act of Parliament (63-64 Victoria, c. xciii) and invested with certain powers in matters affecting note issues and failed banks.

It is evident that the management of The Canadian

Bank of Commerce at this period was not inattentive to the importance of a contented and ambitious staff of officers, with a well developed esprit de corps. In February, 1891, the Amateur Athletic Association of Toronto, an enterprise in which the late Goldwin Smith took a keen interest, was formed for the promotion of athletic sport among young men, and the directors authorized an immediate donation of \$2,000 and an annual subscription of \$500 a year for five years, on condition that the bank's staff in Toronto, then numbering about one hundred, should be entitled to the free use of the privileges of the Association. At this time the bank was very active in encouraging its staff in every form of athletics, and although the Amateur Athletic Association did not realize the hopes of those who founded it, the assistance given by The Canadian Bank of Commerce to the enterprise showed the attitude of the management.

Another step of similar character was taken in November of the same year, when it was decided to enter into correspondence with Archibald Hewat, actuary of the Edinburgh Life Assurance Company, for the purpose of preparing a suitable plan for the establishment of a Pension Fund for members of the staff. The bank took great care to ensure a sound actuarial foundation for this fund, and keeping this object steadily in view, the fund has undergone an actuarial examination every ten years, such changes being made in its constitution and rules on these occasions as experience shows to be necessary. Regular contributions are made to the fund by both the bank and its officers, and it has now grown to large proportions. Its existence has done much to retain for the bank the services of its trained officers. The total amount contributed by the bank out of its profits from the establishment of the fund on June 1, 1894, down to the end of 1918 is \$1,058,241.¹

In March the bank had shown a new interest in educational work by a subscription of \$200 per annum towards the

¹See Appendix VIII for a history of this fund.

endowment of a scholarship in Economic and Political Science in the University of Toronto. In the following year, with a view to encouraging the members of the staff in the study of the theory of banking, and training them to approach their daily tasks in a more professional and scientific spirit, the Board offered prizes of \$25 and \$50, respectively, for papers to be contributed by them on subjects selected by the Canadian Bankers' Association. In later years similar competitions were held by the Canadian Bankers' Association itself, and in 1894, out of the thirty-five essays sent in, twelve were written by officers of The Canadian Bank of Commerce, while out of the four prizes awarded, the first and second in the senior competition and the first in the junior competition were won by officers of that bank. From this time onward will also be noted the adoption of a more generous attitude towards movements of a national or philanthropic character which involved considerations of public service.

The year 1892 was signalized by an innovation in Toronto that contributed materially to public convenience: the old-fashioned street cars drawn by horses were replaced by an electric trolley system. The improvement quickly spread to other towns and even to the rural districts, and the process of constructing radial railways, both for passengers and freight, began shortly afterwards. Only one who has lived in the horse-car period can realize what a change has been effected by the trolley in the social habits of the country, or the shifting of the centres of trade which resulted therefrom, with its inevitable effect on banking.

In 1893 The Canadian Bank of Commerce entered the western field, establishing a branch in Winnipeg, under the management of the late F. H. Mathewson, a trustworthy and able banker, who had received his early training in The Canadian Bank of Commerce, but had left its employ and successfully served another bank in Winnipeg during the trying years of the Manitoba land boom. At the annual meeting in June, Mr. Cox explained to the assembled

shareholders that the directors had deferred opening in Winnipeg because of the fluctuating character of the prosperity of the West, but that the growing interests of the bank's eastern customers in that part of Canada made it necessary to delay no longer. The report for the year shows that, in addition to the newly-organized Winnipeg branch, the bank had forty-nine offices, one in New York, three in Montreal, and the remaining forty-five in the province of Ontario.

The period from 1888 to 1892 was one of slow and tedious recovery from the depression of previous years and from the commercial and bank failures that marked the year 1887. In 1888 business was at a low ebb. In the early summer of that year, owing to the placing of large loans abroad, the condition of the Canadian money market changed suddenly from gradually relaxing stringency to great ease. The rates at which money was lent fell very low, and deposits in the banks increased largely. Early the previous summer, during the unsettlement produced by the bank failures of that year, the leading banks had increased the rate of interest paid on deposits to four per cent. per annum, and they now found this rate very burdensome. A rapid rise took place in real estate values in Toronto and other cities, and was accompanied by active speculation in suburban property. The crops of 1889 in Ontario were poor, and the following year business conditions in the Dominion, as elsewhere, were adversely affected by the embarrassment of the London banking house of Baring Brothers and Company. In spite of easy money and low rates the Post Office and the Dominion Government Savings Bank continued to pay four per cent. per annum for deposits, and the banks were compelled to meet this competition or to face the danger of losing their deposits. A measure of relief was obtained in the autumn when the Dominion Government reduced its rate to three and one-half per cent. There was little change experienced in the following year. The harvests were again poor and adverse tariff legislation in the United States, and depression in the lumber market, made 1890

a gloomy year. The tide of rising prices for urban real estate now began to ebb, and during the next two years put an effective stop to the insane speculation which had been rampant in so many cities of North America, and it was then discovered that the readjustment of values had profoundly affected the position of thousands of business men.

The harvests of 1891 and 1892 were good, and although produce prices were low, there seemed to be some improvement in business in Canada early in 1893. Great events were happening elsewhere in the financial world. The banking systems of Italy and Australia broke down almost completely; and in the United States the business interests were wrestling with the silver question.¹ Then came the financial collapse in the United States. About 600 National, State, savings and private banks, and mortgage companies, with liabilities of \$170,000,000, suspended payment, and at the close of the year less than 200 of these had resumed business. Bradstreets reported the failures in general business for the first nine months of 1893 as numbering 11,174, with liabilities of \$325,000,000. Many American railways passed into the hands of receivers. Prior to and during the panic large numbers of Americans, many of them with international reputations for wealth, came to Canada, seeking to borrow money. In the address of the president of the bank at the annual meeting in 1894, the following passage occurs: "During the summer and autumn of 1893 the applications for loans from private individuals and firms, industrial companies, municipal corporations, banks, and in fact every kind of business concern in the United States, from the western States to the Atlantic seaboard, were simply without number, and those who came were but the select few, who felt because of the sufficient security they had to offer, and the high rates they were prepared to pay, their wants would surely be supplied. As a rule the answer from all Canadian banks was the same, and it was that at the moment they were taking care of their own country."

¹See note on page 108.

It will be evident that during the period 1887 to 1894 conditions did not favour large earnings. For seven successive years, commencing in 1888, the net profits shown by The Canadian Bank of Commerce did not vary from one year to another by so much as \$40,000. The largest amount shown was \$538,113 in 1889. As the dividend was maintained at seven per cent. the earnings sufficed for little more than to pay the dividend and to provide \$100,000 yearly for the Rest, which by this slow and painful process had risen to \$1,200,000, or twenty per cent. of the capital, by May 31, 1894. All profits in excess of the amount required for the purposes just mentioned were evidently utilized each year by the management for the purpose of writing off doubtful assets and building up the reserves for contingencies—thus strengthening the bank's foundations and preparing for the imposing superstructure to be reared later on. In 1892 regular appropriations to write down Bank Premises Account were begun, the amount thus applied in that year being \$12,500; and in 1895 contributions to the Pension Fund first appear.

Although Canada, thanks to the strength of her banking system, escaped a panic in 1893, the business situation in the Dominion was profoundly affected by the depression that followed the crisis in the United States. Stagnation prevailed in many Canadian industries and trades. The four years, 1895 to 1898, were particularly discouraging to bankers. First of all, provision had to be made for the bad and doubtful debts which always follow a business reaction of this nature. Then, too, discount rates were very low, there being a great surplus of idle money after the panic. Notwithstanding that the Dominion Government was still paying three and a half per cent. on deposits, the banks were forced in 1894 to lower their interest rate to three per cent. Although early in 1895 the price of wheat had risen to \$1 per bushel, and the crops that year in Ontario were generally poor, prices for all agricultural products fell later on to a low level, owing to heavy crops elsewhere. The grain crop of western Canada

was 61,000,000 bushels, as against 32,000,000 bushels in 1894. Another year of severe depression followed in 1896, and the financial markets, both at home and in the United States, were much upset by President Cleveland's bellicose message to Great Britain regarding Venezuela. Low prices for agricultural products persisted in 1897, and liquidation proceeded in various parts of North America. Money was very cheap and the Dominion Government, recognizing the fact, at last reduced its deposit rate to three per cent., the same rate as the chartered banks were paying. However, the long period of depression was nearing its end; in 1898 business began to show signs of improvement. The Dominion was entering on a new era of railway building. Wheat prices were high, reaching \$1.91 per bushel for May wheat in New York on May 10—the result of an attempt to corner the wheat market.

In none of the four years 1895 to 1898 did the profits made by The Canadian Bank of Commerce reach \$500,000. They were only a little more than sufficient to cover the dividend of seven per cent., which called for \$420,000 annually. The policy of adding to the Rest had to be suspended. In fact, in 1896, it was necessary to take \$200,000 from that fund, thus reducing it to \$1,000,000, for the purpose of establishing a Contingent Fund of \$233,560 as a provision for doubtful debts. During the eleven years which followed 1887 the bank's resources grew very slowly. Its total assets had risen from \$19,574,094 on June 30, 1887, to \$23,038,441 in 1889, and to \$28,912,387 in 1893, and they remained around that level for five years, or until 1898. The rapid progress of the bank may be said, therefore, to date from 1898, for in that year there was a gain in assets of nearly \$5,000,000, bringing the total to \$34,256,103. From that time on the figures rose rapidly year by year, the \$100,000,000 mark being passed in 1906.

In September, 1895, the directors sent Mr. Archibald Kains, of the New York agency, to New Orleans for the winter for the purpose of purchasing foreign bills of exchange

in conjunction with Mr. J. O. Bigelow. The foreign business of the New York Agency had grown to very large proportions, and bills of exchange drawn against cotton formed a large percentage of these dealings. New Orleans was the centre for cotton shipments, and the representation of the bank in that city was therefore a logical development of existing business. The following year, 1896, saw the opening of a regular agency of the bank in that city during the winter months. It was placed in charge of Mr. Kains, with Mr. F. E. Dench as his assistant. In July, 1898, Mr. Kains was succeeded as agent by Mr. John Hamilton Fulton, who remained in charge until the end of December, 1900, when the agency was finally closed and its business transferred to the Commercial National Bank of New Orleans,¹ which was incorporated for this purpose and was for many years closely allied to The Canadian Bank of Commerce. This step was necessitated by State legislation in regard to taxation, and proved a happy solution of what had been a difficult situation. Mr. Fulton remained with the Commercial National Bank first as cashier and then as manager. In 1904 he was elected a director and vice-president, and in 1910 president. He resigned from the presidency in 1917 to join the staff of the National City Bank, New York, of which he became the senior vice-president. A few years after Mr. Kains left New Orleans, he was appointed manager of the branch at San Francisco taken over from the Bank of British Columbia, and he was in charge of that branch at the time of the earthquake and fire of 1906².

The number of branches in 1897 shows the slow growth of the bank's resources at this period. As has been seen, after the opening of the Winnipeg branch in 1893 they numbered

¹This institution has since, by an amalgamation, become the Canal-Commercial National Bank.

²An account of these incidents in the history of the San Francisco branch and of Mr. Kains' part in them will be found on page 288. Subsequently he became for a time manager of the San Francisco clearing-house, and in 1914, on the foundation of the Federal Reserve banking system, he received the appointment of governor of the Federal Reserve Bank of San Francisco.

fifty, but in 1897 had decreased to forty-six. Only one branch had been opened in the interval—Waterford, in May, 1894—and five had been closed, Ailsa Craig and Jarvis in 1895, St. Lawrence Street, Montreal, in 1896, Thorold and Waterford in 1897. Chaboillez Square, Montreal, was closed early in 1898. The situation, however, was about to change. A decided expansion of business took place in Canada during 1898 and 1899, and The Canadian Bank of Commerce abandoned the policy which had up to this time made it almost entirely an Ontario institution. During the three years following 1897 thirteen branches were opened and only one closed. This brought the total up to fifty-nine in June, 1900, and at the end of that year came the amalgamation with the Bank of British Columbia, and the consequent taking over of its branches.

The rapid increase in the production of gold in the Yukon district about this time led the Dominion Government to enter into negotiations with the bank, as a result of which the latter was appointed bankers of the Government for the Yukon district and its sole agent for the collection of the royalty on gold. Accordingly an expedition of bank officers sailed from Vancouver on May 10, 1898, and opened a branch in Dawson City on June 15.¹ An interesting sequel to this adventure into the far north is to be found in the report of the bank for 1911. The general manager, Mr. Alexander Laird, informed the shareholders that two items of \$300,000 and \$500,000, respectively, recovered from over-appropriations in 1909 and 1911, were due in part to the fact that the bank had held in reserve all the profits made at Dawson City awaiting the final outcome of the business in that district. The incident serves to illustrate the care taken by the bank's management to make sure that the profits shown in the balance sheet were really earned.

In the same year as the opening in Dawson, branches were established in Vancouver, Cranbrook, Fernie and Green-

¹The story of this expedition is told in chapter III.

wood, in British Columbia, and in Skagway, Alaska, which was the northern terminus of the ocean lines conveying passengers and freight to the Yukon. In Ontario, branches were opened also in Dresden and Port Perry. The following year (1899) saw new branches established in Atlin, B.C., and Fort Frances, Ont. A sub-agency of the Cranbrook branch was opened in Fort Steele, B.C., but was closed again in 1901. In 1900 branches were opened in Closeleigh, now known as Whitehorse, in the Yukon Territory, and in Seattle, Wash.¹

In May, 1899, the Board authorized for the first time the payment of a general bonus to the members of the staff. Every officer and employee of the bank who had been in the service for six months or over, received a bonus on his salary, computed as follows:

1. On salaries up to and including \$500—ten per cent. with a minimum of \$25.
2. On salaries over \$500 and up to \$1,000, inclusive—seven and a half per cent. with a minimum of \$50.
3. On salaries of more than \$1,000—five per cent., with a minimum of \$75.

This was another step taken by the management in the carrying out of a settled policy that the bank should provide by every possible means for the well-being and contentment of the members of its staff.

The fiscal year 1899-1900 was pronounced by Mr. Walker at the annual meeting in 1900 "the most prosperous in the history of our country;" the crops were good and prices excellent; there was a feeling of confidence in the future throughout the country, and manufacturing industries were entering upon that era of expansion which continued with brief interruptions down to the beginning of the Great War. As the statement of May 30, 1900, is the last which shows the figures of The Canadian Bank of Commerce alone, apart from those of its amalgamated institutions, it will now be quoted in full:

¹As from this time on the number of branches opened is very large, the reader is referred, for information of this character, to the chronological list in Appendix XII.

LIABILITIES.

Notes of the bank in circulation	\$ 4,191,693	00
Deposits not bearing interest	5,486,925	84
Deposits bearing interest, including interest accrued to date	24,193,343	69
	<u>\$33,871,962</u>	<u>53</u>
Balances due to other banks in Canada	6,768	39
Balances due to agents in Great Britain	1,447,479	22
Dividends unpaid	1,767	92
Dividend No. 66, payable June 1	210,000	00
Capital paid-up	6,000,000	00
Rest	1,250,000	00
Balance of profit and loss account carried forward	34,821	05
	<u>\$42,822,799</u>	<u>11</u>

ASSETS.

Coin and bullion	\$ 2,251,598	25
Dominion notes	1,399,471	25
	<u>\$ 3,651,069</u>	<u>50</u>
Deposit with Dominion Government for security of note circulation	175,311	37
Notes of and cheques on other banks	821,176	30
Balances due by other banks in Canada	166,867	85
Balances due by agents of the bank in the United States	1,090,246	03
Government bonds, municipal and other securities	6,310,285	80
Call loans on stocks and bonds	3,286,196	18
	<u>\$15,501,153</u>	<u>03</u>
Time loans on stocks and bonds	1,644,532	28
Other current loans and discounts	24,437,142	94
Overdue debts, (loss fully provided for)	113,899	15
Real estate (other than bank premises)	108,399	83
Mortgages	65,393	71
Bank premises	861,918	58
Other assets	90,359	59
	<u>\$42,822,799</u>	<u>11</u>

These figures show the fresh life and vigour which had been infused into the organization of the bank under Mr. Walker's management.

As a result of the increase in the number of branches of The Canadian Bank of Commerce during this period, the extension of the territory it covered, and the growth in the volume of Canadian production and trade which took place about this time, the business of the bank had expanded rapidly. The increase of almost \$5,000,000 in total assets during 1898 was followed by increases of over \$5,400,000 in 1899 and of over \$3,000,000 in 1900. Thus in the three years the assets of the bank had grown by nearly fifty per cent. Naturally the profits also began to assume larger proportions. In 1899 they were \$542,802, permitting an appropriation of \$100,000 for writing down Bank Premises Account, after provision had been made for the dividend of seven per cent. In the next year, 1900, they reached \$766,582, an amount sufficient to pay the dividend, provide \$250,000 for the Rest, and \$100,000 for Bank Premises Account. The Rest had now reached \$1,250,000, a trifle more than twenty per cent. of the paid-up capital of \$6,000,000. The slowness in the growth of this fund since 1887, when it was reduced to \$500,000, was not due, as some thought, to an over-sanguine estimate of the bank's position by the new management, or to the occurrence of greater losses than were estimated when the reduction took place. The profits indeed suffered from the poor quality of much of the older business, but the main reason for slow progress in building up the Rest was the fact that the capital was absurdly large in proportion to the deposits and note circulation. The history of the early banks in Canada shows that the chief reason for their existence was the service they performed by exchanging their own credit obligations in the form of bank-notes for the credit obligations of their customers, which, however good they might be, were prevented by their very form from passing current as money. There were almost no savings from which deposits could be derived, and the main object of a bank in seeking a charter

was to obtain power to circulate its notes as money. As the note circulation was limited mainly by the capital, the bigger the capital the better, provided that loans could be made to a sufficient extent to utilize both capital and note circulation. This was the underlying reason for the unwise competition in the early "seventies" between Sir Hugh Allan,¹ the Hon. William McMaster and Mr. E. H. King, the respective presidents of the Merchants Bank, The Canadian Bank of Commerce, and the Bank of Montreal. Sir Hugh Allan led with the evident intention of increasing the capital of the Merchants Bank of Canada to \$6,000,000, to equal that of the Bank of Montreal. The story of the successive increases in the capital of The Canadian Bank of Commerce has already been told. The result of the contest was that the capital of the Bank of Montreal was doubled, being increased to \$12,000,000, the capital of the Merchants Bank was increased to \$9,000,000, while that of The Canadian Bank of Commerce did not go beyond \$6,000,000 until many years later. In the light of history and experience, it must be admitted that these increases were grave mistakes. The improvement of the means of transportation in Canada hastened the return of the bank-note circulation and thereby rendered it less profitable to the issuing bank; deposits meanwhile were growing, although only at a slow pace; and thus new banking conditions were being created. It is obvious that a large paid-up capital, on which dividends must be

¹Sir Hugh Allan (1810-82) was born at Saltcoats on the Firth of Clyde, and came to Canada in 1826. He began his career as a clerk in a dry goods establishment in Montreal, but in 1831 entered the employ of Millar, Edmonstone and Company, ship-agents and shipbuilders. Four years later he became a partner, and in 1861 obtained full control of the business with his brother Andrew, since which time it has been known as the H. and A. Allan Company. For many years the firm were interested in a line of small sailing vessels which plied between Montreal and Great Britain. Then in 1852 the two brothers joined with a number of Canadian merchants in forming the Montreal Ocean Steamship Company, which founded the well-known Allan Line of steamships. Mr. Allan was founder and first president of the Merchants Bank of Canada, and president of the Montreal Telegraph Company. In 1871 he was knighted in recognition of his great services to Canadian commerce.



SAN FRANCISCO, CAL.

paid, would be undesirable if notes could not be circulated in proportion to it, and it is also clear that the larger the deposits are in proportion to capital, the greater will be the profits. As soon as it was realized that conditions had changed, the unwisely ambitious efforts of the three largest banks were followed by the creation of smaller banks, the founders of which proposed to profit by what was occurring. Several directors thus left the Board of The Canadian Bank of Commerce to become the founders, or important directors, of other banks with small capitals.

The table on page 132 tells the tale. In 1890 the Bank of Montreal was able to circulate its notes to the extent of only 44.4 per cent. of its capital, the Merchants Bank to the extent of 53.6 per cent., and The Canadian Bank of Commerce to 49 per cent.; while the Dominion Bank circulated 86.2 per cent. and the Imperial 94.4 per cent. of their respective capitals. The comparison of total assets with capital is even more illuminating. The assets of the Bank of Montreal were only 399.8 per cent. of its capital, of the Merchants Bank 373.6 per cent. and of The Canadian Bank of Commerce 384.3 per cent., while those of the Dominion Bank were 827.2 per cent. and those of the Imperial Bank 670.3 per cent. of capital. In time the growth of the country overtook the capitalization, and by 1900 The Canadian Bank of Commerce was able to put into circulation a larger proportion of its authorized note issue than any of the other five banks mentioned, while the percentage of its assets to its capital was larger than in the case of any of the others except the Dominion Bank. From this time forward The Canadian Bank of Commerce found no difficulty in earning as much as any other Canadian bank.

HISTORY OF THE BANK

COMPARISON OF NOTE CIRCULATION AND TOTAL ASSETS IN RELATION TO PAID-UP CAPITAL.

BANK	December	Paid-up Capital	Rest	Total	Note Circulation	Percentage of note circulation to paid-up capital	Total Assets	Percentage of total assets to paid-up capital
Bank of Montreal.....	1890	12,000,000	6,000,000	18,000,000	5,332,968	44.4	47,978,001	399.8
	1900	12,000,000	7,000,000	19,000,000	6,957,298	58.0	95,909,039	794.2
Canadian Bank of Commerce...	1890	6,000,000	800,000	6,800,000	2,942,159	49.0	23,061,388	384.3
	1900	6,000,000	1,250,000	7,250,000	5,605,194	93.4	53,828,176	897.1
Merchants Bank of Canada.....	1890	5,709,200	2,335,000	8,134,200	3,107,320	53.6	21,664,776	373.6
	1900	6,000,000	2,600,000	8,600,000	4,114,779	68.6	31,477,185	524.6
Dominion Bank.....	1890	1,500,000	1,900,000	2,800,000	1,292,819	86.2	12,407,559	827.2
	1900	2,223,574	2,223,574	4,447,148	1,864,166	83.8	23,982,507	1076.3
Imperial Bank.....	1890	1,500,000	700,000	2,200,000	1,416,072	94.4	10,055,111	670.3
	1900	2,491,701	1,721,503	4,213,204	2,079,088	83.4	22,100,466	886.9

The taking over of the business of the Bank of British Columbia at the end of 1900 was a notable event in the history of The Canadian Bank of Commerce, and the thoroughness with which all the details were carried out illustrates the methods of the management at this period of the bank's history. It is true that nothing like it had occurred in Canada for a number of years, and that in the absence of precedent, every detail called for careful consideration. It is also true that the amalgamations which had taken place in the past had been of banks which were more or less in difficulties, and that for this reason action had to be taken promptly or not at all, so that there was no time to consider methods of procedure. In this case there was no need for haste. An agreement between the two banks was signed on April 30, 1900. The carrying out of this preliminary agreement was sanctioned by the shareholders of The Canadian Bank of Commerce at a meeting held on August 20. On September 28 the general manager submitted to the Board the results of such examination as it had been possible to make of the assets of the Bank of British Columbia from the books and papers of that bank, and after the matter had been discussed at one or two meetings of the Board, it was referred to a committee of five directors with instructions to report at a subsequent meeting. The committee dealt with the matter promptly and reported the following week. It was then decided that the knowledge so far gained justified the making of an actual physical inspection of all the assets of the bank in order to check the statements submitted. This was carried out by making a simultaneous examination of the cash, securities and accounts of the eleven offices of the Bank of British Columbia from London, England, to San Francisco. On the conclusion of this examination, with satisfactory results, another special general meeting of the shareholders of The Canadian Bank of Commerce was held on December 11, which formally confirmed the final agreement between the two banks. In the meantime the shareholders of the Bank of British Columbia had met on July 25 and

December 6, and had on their part ratified the agreement, which was carried into effect on January 1 following.

By this amalgamation, the capital of The Canadian Bank of Commerce was increased to \$8,000,000, through the issue of \$2,000,000 of new stock to the shareholders of the Bank of British Columbia. For the fiscal year ending May, 1901, the profits were \$854,323, and this amount, together with the surplus of \$562,776 derived from the purchase of the Bank of British Columbia assets after transferring the sum of \$75,000 to the Pension Fund to provide for the staff of the Bank of British Columbia, made it possible to transfer \$750,000 to the Rest, making the total of that fund \$2,000,000, or twenty-five per cent. of the capital. It was soon to grow very rapidly. The total assets were now \$67,553,578, an increase of almost sixty per cent. during the year.

Before concluding the account of this period of the bank's history it will be well to review the changes in the directorate during the last few years of the nineteenth century. In May, 1894, occurred the death of Mr. George Taylor, who had been a director continuously since 1871. His place was not filled, a by-law being passed at the next annual meeting reducing the number of directors to seven. Mr. John I. Davidson, the vice-president, retired from the Board in May, 1896, and Mr. Robert Kilgour was then elected to the vice-presidency, Mr. Joseph W. Flavelle¹ taking the vacant place among the directors. In 1900 the number of directors was increased to nine, by the addition of Mr. Abner Kingman²

¹Sir Joseph Wesley Flavelle, Bart., LL.D. (b. 1858), is the son of the late John Flavelle and was born at Peterboro, Ont. He is president of the National Trust Company, Limited; vice-president of The Robert Simpson Company, Limited, and of the Toronto Penny Bank; and a director of the John Murphy Company, Limited, of Montreal and Quebec. He is a Governor of Toronto University and was for many years Chairman of the Board of Trustees, Toronto General Hospital. During the Great War he acted as Chairman of the Imperial Munitions Board in Canada, and for his services was created a baronet in 1917.

²Abner Kingman (b. 1856) is a native of Boston, Mass. He came to Montreal in 1875 and entered the firm of Robert C. Adams and Company, of which he was made a partner in 1879. In 1882 the firm name was changed to Kingman and Company,



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and Mr. W. E. H. Massey.¹ Thus in 1901 the directorate was composed of the following gentlemen: the Hon. George A. Cox, president; Robert Kilgour, vice-president; Messrs. James Crathern, William B. Hamilton, Joseph W. Flavelle, Matthew Leggat, John Hoskin, W. E. H. Massey and A. Kingman. Mr. B. E. Walker was still the general manager, with Mr. J. H. Plummer as assistant general manager, Mr. A. H. Ireland as inspector and superintendent of branches, and Mr. Vere C. Brown as assistant inspector. The annual meeting of June 18, 1901, was the last to be held in midsummer. Thereafter, the bank's fiscal year was changed so as to end on November 30, and the annual gathering of shareholders was henceforth held on the second Tuesday in January.

and in 1901 its interests were acquired by the Dominion Coal Company, and the firm was dissolved. Mr. Kingman is a director of the Sun Life Assurance Company, the Lake of the Woods Milling Company, the Dominion Glass Company, Consumers Cordage Company, the Illinois Traction Company, and of many other large companies. During the Great War Mr. Kingman resided in London, England, devoting his entire time to the work of the Canadian Young Men's Christian Association Overseas, of which he acted as Executive Chairman.

¹Walter Edward Hart Massey (1864-1901), born at Newcastle, Ontario, was a grandson of Daniel Massey, the founder of the agricultural implement manufacturing business in Newcastle, which afterwards became the Massey Manufacturing Company, and which was removed to Toronto in 1879. Mr. Massey was educated in Cleveland, and at Boston University, returning to Canada in 1886 to take an active part in the business of the company. He assisted his father, Mr. Hart A. Massey, in the negotiations with A. Harris, Son and Company, of Brantford, which led the two companies in 1891 to join forces as the Massey-Harris Company, Limited. He was connected with many business institutions and philanthropic organizations.





PLATE No. 19.

CHAPTER III.

THE YUKON ADVENTURE.

Some time before the founding of Dawson City in 1896, as a consequence of the rich discoveries of gold on adjacent creeks, the bank had been asked by one of the large trading companies operating in the Yukon Territory, or as it was then generally termed, the "Klondike," to open a branch at Fort Cudahy, about sixty miles below Dawson City, on the Yukon river. This invitation was declined, even though the two leading trading companies intimated that they would be willing to contribute a substantial annual sum towards the expenses of the proposed branch. The insufficiency of the police protection, the absence of mail service, and the slight prospect of the establishment of railway or telegraphic communication with the outside world in the near future, were sufficient to deter the bank from giving the proposal favourable consideration. Then came the extraordinarily rich discoveries of gold on Bonanza Creek, a tributary of the Klondike river, which in its turn empties into the Yukon at Dawson City. The news of this and of other finds in the same district reached the outside world in 1897 and, like a magnet, drew many thousands of men in all conditions of life and a few of the more daring women to the country. There was thus imposed on the Canadian Government the necessity of a large increase in the force of the Royal North-West Mounted Police which guarded the district, and in the Civil Service establishment which carried on its administration.

About this time the bank was asked by the Minister of the Interior to open a branch in Dawson City, with a view to acting not only as the banker of the Dominion Government in the Yukon Territory, but also as the agent of the Government

for receiving the royalties on gold mined in that district. Having already acquired some slight knowledge of the conditions which would confront it, the bank consented, and as soon as it was assured of being appointed to represent the Dominion Government for these purposes, preparations for the expedition were begun.

Naturally these preparations occupied several months. There were many details to be considered, and the novelty of the situation added to the difficulty of dealing with it. Protection from violence was considered as being of the first importance, and for this reason it was arranged that the bank's building should be situated within the government compound. As it afterwards turned out, this precaution proved unnecessary, for thanks to that splendid force, the Royal North-West Mounted Police, law and order ruled not only in Dawson City itself, but over the whole of the Canadian trail from the Chilkoot and White Passes, and this despite the difficult nature of the country and the bad elements invariably found in such an immense and sudden influx of people.

The selection of the staff for the bank's expedition was one of the matters to which much attention was devoted. It was decided that the men to be sent must possess, in addition to a sound and athletic physique, certain qualifications of age and experience; as a matter of fact, the youngest member of the expedition was twenty-seven. At this time "Klondike" was a word to conjure with, and volunteers were not lacking. It was decided that the first party should enter the Yukon early in the spring of 1898 by way of either the Chilkoot or the White Pass,¹ and should be followed in the early summer by a second and smaller expedition, which would take the main supplies for the branch, and travel, by way of Seattle, to St. Michael on the Bering Sea and thence by steamer up the river Yukon for 1,600 miles to Dawson City.

It was necessary that some members of the staff of the branch should acquire certain technical qualifications to enable

¹See plate 21, facing page 142.

them to handle the business of assaying gold dust. Through the kindness of the Secretary of the Treasury of the United States one man studied assaying at the sub-treasury in New York. A second was trained under a commercial chemist in Boston and a third took a course at the School of Practical Science in Toronto, at the same time acquiring a practical knowledge of safes and their locks at the plant of Messrs. J. and J. Taylor, of Toronto, through the courtesy of that firm.

As the summer season in the Yukon is very short and the only means of communication with Dawson City during the long winter months was by dog team over the arduous winter trail, the question of supplies presented some difficulty. No data were available upon which to estimate the number of the staff or the quantity of supplies required. A sufficient supply of acids and other material for the assay plant, and of stationery and note circulation for banking operations was imperative, and the following spring would be the earliest moment at which any mistake in calculations could be rectified. The questions of food and clothing presented, perhaps, less difficulty, but any one who has lived under conditions where supplies of fresh food, apart from game, are not available for long periods of time, will understand how completely the comfort and well-being of the staff were at the mercy of a selection which might prove to be insufficient or injudicious. All these details were given the direct personal attention of the chief executive officers of the bank, and the fact that the supplies sent in proved adequate for all purposes and that the food afforded ample and healthful variety, is an accomplishment of which those responsible for the arrangements may well feel proud.¹

The party selected to travel via the Chilkoot or the White

¹The equipment and supplies shipped to Dawson City ranged from ink powder to Peterboro canoes and fire brick for the assay furnace. A complete list of the articles would occupy too much space, but some idea of the thoroughness with which the matter was gone into may be gathered from the "Memorandum of Requirements, etc." with which each member of the expedition was furnished by head office. This will be found in Appendix I, on page 475.

Pass numbered six in all, and included two sturdy and intelligent messengers, one of whom was a first-class cook. Two members of this party and the "*chef*" left Toronto on April 11, 1898, and reached Vancouver on April 19. The supplies they took with them had to be carried over the pass and then floated 600 miles down-stream to Dawson City.¹ It was originally expected that they would be able to cross the lakes on the other side of the passes, where the ice lasts longer than in the river, and reach the Yukon river before the ice broke up. Had this been possible a scow could have been built at the head of the river, and as its current is very swift the party could have reached Dawson² very shortly after the ice broke up on the river; however, the manager, who was one of the party, was detained on the Pacific coast by unforeseen causes, and the carrying out of this plan was thus prevented.

In these circumstances the second officer proceeded alone. On April 26 he sailed from Victoria, B.C., for Skagway, Alaska, on board the "City of Seattle." Those who travelled on these steamers in pioneer days will not soon forget the experience. Many more passengers were carried than could be accommodated, but as most of the Argonauts were bent on reaching Dawson at the earliest possible moment, comfort was disregarded. On reaching Skagway, arrangements were made for freighting over the White Pass to Lake Bennett the six tons of supplies carried by the party, and the officer himself left at once for Lake Bennett, reaching it on May 1. It was not until five days later that the manager and cook arrived, and the three then went into camp to await the arrival of the remainder of the expedition.

The White Pass route was selected by this first party owing to the fact that an avalanche had just taken place on the

¹The route is via a chain of lakes—Bennett, Tagish, Marsh and Laberge—and their connecting rivers—Fifty Mile, Thirty Mile and Lewes—down the latter and the Yukon river to Dawson City.

²In the earliest days of the camp the town was known as Dawson City. This was later on shortened to Dawson, which is now, according to the Geographic Board of Canada, which has authority over place names, the correct form.



Chilkoot Pass, causing the death of about sixty persons. The journey over either pass in those days was "hard going," and to raw easterners the sight of so many dead packhorses was particularly gruesome. It was estimated by the Mounted Police that over three thousand animals had already been killed by abuse and overwork on the White Pass trail alone. At the summit of the pass, where the thermometer registered 15 degrees below zero, the party received much kindness and a night's lodging from Inspector Cartwright, R.N.W.M.P., a son of the late Sir Richard Cartwright.

On April 30, 1898, the second party which was to travel by the "passes" route, consisting of two officers and a messenger, left Toronto. They were detained a week at Vancouver waiting for a steamer to Skagway, but finally sailed on May 14 by the "City of Seattle." This party took charge at Vancouver of the preliminary supply of bank-notes and other banking requisites which had been forwarded to the Bank of British Columbia in that city, and which had to suffice for all purposes until the up-river steamer from St. Michael should reach Dawson with the remainder of the staff and the main equipment of the branch, such as safes, bank-notes and other cash, food and general supplies. The interim supplies of bank-notes and stationery, which had to be carried over the passes and then taken down the river to Dawson, had been hermetically sealed, in order that no damage might occur from mishaps on the way. The notes of the bank thus shipped in were not countersigned, and the serial numbers were recorded as a protection against worse eventualities. In addition to this, during the earlier years, the notes of each individual shipment were surcharged at each end "Yukon," or "Dawson," in a distinctive colour, so that in the event of loss by accident or theft, the notes of any particular shipment could be distinguished from all others.

During the stay of the second party at Vancouver and during their passage on the steamer to Skagway, the most general topic of conversation was found to be the successful

exploits of the gang headed by the notorious thug known as "Soapy Smith," who for a long time operated unchecked, with headquarters at Skagway. It was obvious that the large box of bank-notes in the cabin with its countersunk screws and the seals of the bank, although never left without one of the party on guard, could not escape the notice of "Soapy," and so one night the box was quietly broken up and thrown out of the cabin port-hole. Its contents were placed in the kit-bags of the officers with clothes stuffed around the packages, and canvas sacks were secured for the displaced wearing apparel. Near Juneau a United States Customs official came aboard and inspected all baggage before it left the ship, but care was taken that he should not evince any curiosity as to the contents of the kit-bags. The method employed has never been divulged, but the customs officer is said to have confided to both officers in turn that the other was a "prince." On arriving at Skagway on May 17, the kit-bags and their contents were thrown casually on the dock with the other baggage, but two members of the party were never more than a few feet away.

The bank had arranged to have an escort of North-West Mounted Police meet the party at Skagway, but as no sign of them could be found in Skagway by the only member of the party who could be spared to make a search, it was decided to cross over to Dyea, which in those days bore a slightly less unsavoury reputation than Skagway. After a thorough wetting in a small launch they reached Dyea and put up at the Olympic Hotel, which provided the usual accommodation and service afforded by such stopping places in those pioneer days. The search for the police escort at Dyea was unsuccessful, but the following afternoon they were discovered in Skagway, having been delayed on their way through the White Pass. They advocated the Chilkoot Pass route to Bennett, which was about thirty miles distant, so the following morning at daybreak the journey was begun. By five o'clock in the afternoon the party reached the summit of the Chilkoot Pass, a journey of fourteen miles, involving a climb of 3,500 feet from the starting



THE WHITE PASS

The first Canadian Bank of Commerce party on the summit, May, 1898.



THE CHILKOOT PASS

Gold-seekers making the final climb to the summit, May, 1898.

point at tide-water. It was a steady climb over a hard wearing trail, and after the last steep ascent from "The Scales" to the actual summit,¹ where Canadian territory began, a night's rest was most welcome. The police officer in charge here, Inspector Belcher, was most kind in his attentions to the party, and so indeed were all the officers of the force at the various posts along the trail to Dawson. That night was spent in a tent, and next morning the members of the party woke to find that the snow had drifted in under the canvas and had covered everything in sight.

During the previous evening a dog team had been secured to carry the baggage, and about 4 a.m. on May 20 the party left the summit with a blinding sleet storm in their faces, and reached Long Lake about noon, having been up to their knees and frequently up to their waists in the soft snow of the trail. The storm continued until about three o'clock in the afternoon, when Lake Lindeman was reached. As several other parties had broken through the ice that day, "Three Fingered McKay," the driver of the dogs, considered it foolhardy to attempt to cross Lake Lindeman until the following morning, when the night's frost would have hardened the ice to some extent. Accordingly at 4 a.m. the following morning a start was made. One of the party went ahead, sounding the ice with a pole. Where he failed to jab the pole through the ice, there lay the trail, and a zigzag one it was. Lake Bennett was reached in the course of the morning, and there, after the bank-notes had been deposited with Superintendent S. B. Steele,² of the North-West Mounted Police, the two parties met.

Lake Bennett presented a really marvellous sight, with its many thousands of people and tents, and the whole place buzzing with activity. Here was the starting point of the river journey to Dawson, and rude boats were to be seen in all stages of construction; some, however, on being launched, would not

¹See plate 21, facing page 142.

²The late Major-General Sir Samuel B. Steele, K.C.M.G., of the Strathcona Horse, knighted for his services in the Great War.

stay bottom down. The splendid physique of the would-be *voyageurs* was striking. A more lasting impression was created by the law and order maintained so unobtrusively by the Mounted Police, in such marked contrast with the conditions prevailing in Skagway and other places only a few miles away across the boundary line, where property and, on occasion, life were none too safe. A demonstration of the methods of the Mounted Police occurred that very day. A man had been caught red-handed, stealing food and other supplies from a number of caches. He was brought before Superintendent Steele the same morning. The trial was short. In effect, Colonel Steele said to him, "In this country a man's 'grub' frequently means his life. I'll give you three years with hard labour." And so later in the day the culprit, arrayed in parti-coloured garb, contrived out of one yellow and one black Mackinaw suit, was sawing wood for the Government on the street or trail, hindered from escaping by an attachment quite as effective as a ball and chain. Such incidents had a wholesomely deterrent effect on the incipient criminal aspirations of others; clearly here was an administration calling for good behaviour.

That afternoon the later arrivals proposed that at least some members of the expedition should push on without delay to Dawson. The ice along the lake shore was in a mushy condition and they thought that in one of the bank's strong twenty-foot Peterboro canoes they could make gradual progress through it. Colonel Steele declared that the plan was a foolish and dangerous one, and that when the lake ice broke up the party would soon be overtaken by those who remained behind. In view, however, of the bank's agreement with the Government, inaction seemed deplorable, and it was decided to make the attempt. The manager and cook from the first party, the accountant from the second, and an outsider named Stewart, known to the manager, were selected for the expedition. Only one of these had had any previous experience in canoeing, but "Tommy," the cook,

who had been a sailor and was a first-class all-round handyman, as strong as a bull, soon became proficient, and Stewart also developed considerable aptitude for the work. An ample stock of "grub" and blankets, a light tent and a supply of the bank's notes were loaded on the canoe, and on the following day, May 22, this raw crew set out on the trip of six hundred miles over unknown and in many places extremely dangerous waters.¹ The first day, although all hands worked like mules, they made only ten miles and Colonel Steele's predictions recurred ominously to their minds. That evening the tent was pitched for the only time on the trip. On subsequent days every member of the crew was so tired by nightfall that a quick dive into the blankets was the only preliminary to a night's repose. The second day saw a start at daybreak and more steady plodding through the mush ice, although the rate of advance was often not more than a hundred yards or so per hour. At the first Mounted Police post they reached, they obtained a sled for use in hauling the canoe when the ice would not permit it to be forced through. To use the sled meant unloading the canoe on the ice, placing it on the sled and then reloading; even then it was a matter of trusting to luck whether or not the ice would support the sled. After eight hours spent in hauling it over rotten ice under a blazing sun, a stretch of about four miles of open water was reached, and the lighter work of paddling the canoe came as a welcome relief. The open water was soon succeeded by an ice jam, caused by an on-shore wind, and as it was now fairly late the party rested for supper and took to their blankets on the beach, where about sixty other people were encamped who had been caught in a similar predicament.

The third day found the ice jam heavier than ever on account of wind, and the manager, a very heavy man who should never have attempted the trip, developed a severe sore throat and badly swollen legs. No progress could be made that day or the next, but by the following morning the

¹See plate 22, facing page 146.

wind had shifted, and at 5 a.m. a heavy scow, manned by the crews of several boats, attempted to break a channel through the ice. After about two hours' work she succeeded and the bank's canoe followed in her wake.¹ The going through the mush ice was exceedingly heavy as far as Tagish Post, which was reached about noon. As the sun was very hot, one of the party by way of bravado took a swim, or rather two or three headers, among the ice floes—a drastic plunge, but invigorating enough when one was out again in the hot sun. At Tagish Post a call was made on Inspector Strickland of the Mounted Police, who had his wife and baby with him, and like all his colleagues, proved most hospitable. Here the party saw four Indian lads chained to an anvil in a tent. They had murdered a man named Meehan, and wounded his partner, Fox, in an attempt to get possession of their supplies. It was a most cold-blooded affair, and the murderers—mere boys—had just been rounded up by the police, in spite of the efforts of their tribe to assist them in evading capture. Some of the gang were subsequently hanged at Dawson.

The party left Tagish that afternoon and the canoe was pushed along the right-hand bank of Marsh Lake until late evening, when it was again stopped by ice. The water here was very shallow and although the canoe drew but little, it had to be unloaded by packing the kit ashore. This could only be done by wading through about three hundred yards of mud, in which one sank to the knees at every step, and the process proved most exhausting. An attempt was made to get supper, but the myriads of mosquitoes caused intense suffering, even preventing sleep that night. The following morning a start was made at four o'clock, the first task being the arduous one of reloading the canoe. The only open water in the lake was along the shore, and this was so shallow that the canoe had to be pushed along by its crew, who sank into the muddy bottom at every step. The manager was by this time quite ill, and had to remain in the canoe. About six miles of progress

¹See plate 22, facing page 146.



LAKE BENNETT, Y.T.

The first Canadian Bank of Commerce party crossing the lake, May, 1898.



LAKE TAGISH, Y.T.

The first Canadian Bank of Commerce party breaking through heavy "mush ice," May, 1898.
(The arrow points to the bank's canoe.)

PLATE NO. 22.

were accomplished by this method, when the heavy ice jam again called a halt for the day. The mosquitoes proved no less trying than at the previous stopping-place.

Next day, May 28, they started at daybreak to cross six miles of very treacherous-looking ice, with a view to reaching the opposite side of the lake where the water appeared to be more open. The sled and canoe were hauled across without accident, and a narrow channel of water was found about six miles in length. At the end of this, the sled had again to be dragged over the ice for about four miles to the shores of an island in Marsh Lake. This time they broke through the ice, as predicted by a party camped on the shore, who had refused to assist them in dragging the canoe, even though offered high pay. No worse consequences than wet legs resulted, and ten miles of open water were now reached, with the wind behind them for the first time. Rapid progress was made here, and lunch was eaten on the Fifty Mile river, in company of the usual horde of mosquitoes. The water of this river was very muddy, and most unpleasant to taste, even in tea. That afternoon, by dint of hard paddling, the canoe reached Miles canyon at the head of Whitehorse Rapids.¹ Here a road-house provided supper, the menu and style of cooking not differing greatly from what the party had provided for themselves, and all hands, thoroughly fagged out, slept on the river banks.

The following morning their whole kit was portaged round the rapids, as it was considered unwise to risk the chances of running them on account of the bank-notes carried. The

¹This canyon and Whitehorse Rapids were both named by Lieutenant Frederick Schwatka of the Third United States Cavalry, after General Nelson A. Miles of the United States Army. In 1883 Lieutenant Schwatka made a military reconnaissance in Alaska from Chilkoot Inlet, over the pass of the same name and down the lakes and river, through Canadian and American territory to the Bering Sea, the record of which has been preserved by the Smithsonian Institute. The rapids did not retain the name "Miles," but are now universally known as the Whitehorse Rapids. On the same trip Lieutenant Schwatka also gave names to Lake Marsh, after Professor Marsh of Yale University, and to a number of other outstanding physical features of the territory through which he passed.

portage was long and rough and the day very hot, and it was shortly after noon before the foot of the rapids was left behind. During the day a dog-driver, named Langdon, and his team were engaged to assist in any further hauling of the sled and canoe, with its heavy cargo, over the ice. The river turns and bends continually, with a current like a mill-race and with many submerged rocks, some of which were grazed by the canoe, but without causing any mishap. The skill of the dogs in trailing the party along the banks of the river was marvellous. Owing to the rapid current they were left far behind soon after the start, and that day no stop was made until a very late hour. Some time during the night all five dogs trotted into camp, despite the fact that it had been pitched on the opposite bank of the river.

On May 30 an early start was again made down the river. Big bush fires were raging on both banks, and the dense smoke and the large sparks lighting on the canoe proved very troublesome. Lake Laberge was soon reached, and after paddling about seventeen miles the party ate lunch on a large island in the centre of the lake. Here the water was good and this was a great treat after the gritty evil-tasting stuff which had been all that could be procured for some days past. While they were on the island a man was rowed over to them in a scow in order to find out whether they had any medicine. He was almost helpless, owing to a bad attack of scurvy. He called it "blackleg" and insisted on showing its ravages. He was purple up to his loins, and did not look as though he could live to see Dawson. Yet he could not go back against the current, and so had to try to go on, until finally he reached Dawson. Some months later, when he came into the office there in good health, none of the party knew him, for he looked fully twenty years younger. After lunch the old game of breaking a way through rotten ice was renewed and kept up until eleven o'clock at night, when such sleep as the mosquitoes permitted was secured. These pests were by far the most savage and numerous yet encountered, and no precautions

could completely circumvent them. At this stage of the journey it was noted that print could be read quite easily by natural light at midnight, and for a time it was difficult to get accustomed to the absence of darkness.

A start was made at daybreak on May 31, a strong head-wind having cleared away the ice. Thirty Mile river was close at hand, and as its current was very swift, rapid progress could have been made, had the head-wind abated. Hootalinqua was therefore made the goal for that evening, but the head-wind increased and after struggling against it until midnight, the party was forced to spend the night on the banks of the Thirty Mile river, which was found to be very swift and full of rocks.

The next day head-winds again prevailed, and the party had a particularly narrow escape from a sunken rock, which nearly capsized the canoe. They encountered some Indians who were fishing, but these were principally women, children, and a few old men, who knew no English. Overtures for the purchase of fish in exchange for silver were unsuccessful, but some men who were passing in boats shouted to the party to offer sugar or tobacco. A few cupfuls of sugar and a couple of plugs of tobacco at once procured a most excellent mess of fish, which was a great treat, as all hands were by this time thoroughly tired of bacon and beans, and beginning to cast reflections on Tommy's ability as a *chef*. The real trouble was that he was never given time to prepare anything more than a hasty snack, as the "Dawson or bust" fever had acquired such a dominant hold over the party that all stops were very brief. This day seventy miles were covered, and the stop for the night was made near a police post, half way between Big and Little Salmon rivers. One of the police constables here, named Solly, wanted to know in the worst way who had won "the boat race." He was a Cambridge man, and dilated on "the stupid blighters" who had passed that way before our party and who could not grasp what race he had in mind.

On June 2 a good day's progress was made, thanks to the

strong current, but adverse head-winds continued. On reaching Five Finger Rapids the travellers paddled ashore at a cove just above the rapids, to look them over before they "shot" them. After two or three hours of argument the manager and two members of another party, one of whom could not swim, were prevailed on to walk around the rapids. This alone lightened the canoe by nearly three hundred pounds, in addition to which some of the freight was transferred to the canoe belonging to the manager's portage companions, which was to be towed by the bank's canoe. Half-way down the rapids the towed canoe shot aboard the other, nearly knocking the man at the helm overboard, and the bank's canoe finished the rapids stern foremost. It was out of sight of those on shore when this inglorious finish occurred, and the secret was not divulged until long after by those who figured in it.

The descent of these rapids occupied only a few minutes, but it was two or three hours later when the manager arrived at the foot, bitten to pieces by mosquitoes and exceedingly wroth. "No more climbing round rapids for him," was the substance of his emphatic and embroidered verdict. Consequently when the Rink Rapids, a little further on, were reached, all the party, including the two outsiders owning the second canoe, piled into the big canoe, while their smaller sixteen foot one was again towed. These rapids come upon the traveller very suddenly after rounding a bend in the river, and offer a comparatively easy channel—much easier than the "Five Fingers"—near the right-hand shore. As the canoes rounded this bend, they came upon a large fallen tree, hanging by some shreds to its roots on shore, and thrashing up and down in the channel. The canoe had, therefore, to be directed into the very bad water further out from shore, every man working his hardest to push her through. Several of the big curling, smashing waves were safely passed, when one came aboard, slowing up and nearly filling the canoe. The prospect looked dark, but the canoe won, and shore was reached by careful paddling



PLATE No. 23.

THE DAWSON MANAGER'S DOG TEAM

with only an inch or two of free-board showing. Everything, including flour and clothing, was soaking wet. Had the wave come aboard when they first entered the rapids, the canoe could not have lived, and to swim ashore in that icy water and swift current would have been equally impossible. As soon as they were on shore all turned in, wet as they were, and slept the sleep of the just.

On June 3 a start was made in a heavy downpour, all hands being drenched. Fort Selkirk was reached at 3 p.m. and here an attempt was made to put up some kind of a shelter and to get warm and less wet. While they were there, an empty boat, with the port side smashed in, drifted past; evidently some poor fellows had come to grief in the rapids. Selkirk was described by one of the party as a dismal hole with lots of Indians and cur dogs. The Indians looked like Japanese and not a white man was to be seen. Some old cabins were still standing, but, for "travellers' reasons," these were not used as shelters.

Rain continued to fall on the two following days, notwithstanding which good progress was made. On June 4 they ran over one hundred miles in a day of seventeen or eighteen hours, thanks to the swiftness of the current. It is hard to describe the discomfort of those three days and nights in the rain—everything soaking wet; the members of the party cramped and stiff from cold and wet, and their hands swollen as a result of mosquito bites and sunburn; while the only cooking possible was the making of a pot of tea or coffee.

About midnight on June 5 the lights of Dawson were seen ahead, and in a twinkling all discomforts were forgotten. A landing was made at the police barracks, and everything, including the canoe, was taken into the square. The kit-bags, containing the bank-notes, were placed in the guard-house, and as usual, used for pillows on the floor. The police officers were in bed, but the guard kindly provided a snack from its scanty rations.

The next day the bank-notes were locked up in a cell of the

jail by Inspector Starnes, and the party breakfasted at the house of that sterling officer, the late Superintendent C. Constantine. A small tent, with a board floor, in the barrack square, was most kindly placed at the disposal of the bank's officers. A call was then made on Captain J. J. Healey, the representative in Dawson of the North American Transportation and Trading Company, whose officials in Chicago had assured the bank of temporary office quarters and safe accommodation. The question of the latter was immediately placed out of court by a glimpse of the safes owned by the Company, which were simply bursting with sacks of gold dust. A small frame building, about twenty by twenty-four feet, covered with galvanized iron, and hitherto used for storing dog-fish, was gladly accepted as temporary quarters. It had no windows, and a ladder in one corner led through a small opening in the ceiling to a loft with about five feet of head-room in the centre and two feet at the sides. Arrangements were immediately made to erect a board counter across the full width of the office, and to provide in lieu of safes two big wooden chests lined with sheet iron. Later on calls were made on Captain Hansen of the Alaska Commercial Company and on Major Walsh, in charge of the administration of the District, as well as on various other officials. Captain Hansen kindly gave the bank's officers permission to erect the melting furnace and to install the muffle furnace, assay scales and other necessary equipment in a storehouse, which happened to be empty for the time being. He also put them in the way of having a supply of charcoal made from birch by a capable man.

June 7 was devoted to giving the famous "city" the "once over," and to making friends. Dawson had come through a bad winter, as several up-river boats had failed to arrive the previous autumn, and food was therefore scarce and expensive. Beverages were still more costly, as one of the bank's party learned a few days later while endeavouring to enlarge his circle of acquaintances and to locate prospective business for

the bank. When it was suggested that this purpose would be furthered by a visit to "Tammany Hall" on the opening night, he was only too pleased to go under the auspices of Judge Morford, an old-timer, whose title of "Judge" was purely a courtesy one. The Judge had said that all "the boys" from Bonanza and Eldorado were going to take in the opening of this dance hall, and prospects seemed good. The sight was a strange one; first of all came the concert or show, and then the more serious business of the evening. Raucous-voiced "callers off" stimulated the laggards to "grab a lady," and when the dance was over, everyone "promenaded" to the bar and purchased a drink for his partner and himself. The "lady" received what is known as a percentage cheque, to be cashed at the close of the evening, and then the "caller off" hastened on the next dance. Overhead were tiers of small boxes running all round the hall. Neither the Judge nor the banker danced that night, but very soon the former was hailed hilariously by friends in one of the boxes and he, in due course, introduced his banker friend to Skiff M—, Johnny L—, and one or two other old-timers and the ladies in this box. They were drinking champagne, and it came quick and fast. As payment was made by handing a small sack of gold dust to the waiter, who took it to the scales and subsequently returned it, the banker could not ascertain the cost, but he observed that three pints were required to serve a "round." In due course, his sense of the fitness of things impelled him to play the host. As he had no sack of dust, he had to enquire the cost after the drinks were served, and was told \$120, or \$40 a pint. He endeavoured to carry the matter off with a brave face, but as the refreshments had taken nearly all the money he carried, and his turn would assuredly come again quickly, prudence induced him to see in the crowd an imaginary individual he "simply had to speak to." He went to his bed and for some time thereafter sought business in less exciting circles. That night Tammany Hall took in about \$30,000 over the bar. Many of the patrons were men who had a

fortune in sight on their claim, and who had previously gone through many hardships and deprivations. In that environment their celebration and their taste for champagne were only natural, and would have no disastrous effect if they did not remain too long in the "city." The next evening was spent in attending a banquet given on the spur of the moment by a well-known miner who had just enriched himself by about \$1,500 in ten minutes or so at a faro lay-out. The bill of fare was moose steak, fried eggs and champagne.

Log cabins and tents were the usual dwelling places of the inhabitants, but scows and boats of various sizes were moored eight and ten deep all along the river bank, and on board most of them the occupants slept and cooked and ate their meals. Later on some of the large scows were cut in half and transformed into rude winter dwellings higher up on the river bank, while quite a number of people passed their first winter in Dawson living in a tent well banked with snow and with a hole for the chimney of the stove. When the bank's party arrived, the streets were quagmires, owing to a recent overflow of the river, and sidewalks did not exist. Daylight continued for twenty-four hours, and so did the crowds that filled the streets, or moved in and out of the saloons, dance halls and gambling houses. The town was what is known as "wide open," yet order reigned amid this apparent chaos and the limitations were recognized and not overstepped. No one in the surging throngs seemed to be in any particular hurry, and doubtless many, like the bank's party, were trying to pick up their bearings in such novel surroundings. Dogs lay around everywhere and fought up and down the streets. Garbs were, as might be expected, rough and uncouth, and few women were to be seen—save those of the dance halls—and no little children. Manners were good, even if rough—the fact that one might be giving offence to Frank Slavin, ex-heavyweight champion of international fame, or to someone else equally undesirable as an adversary, contributing without doubt to this happy condition of affairs. A man minding his own

business, and keeping a civil tongue in his head, was perhaps less likely to be drawn into unpleasantness than if he were in Toronto or Montreal.

In the earlier days of the camp honesty prevailed, and the old-timers did not lock their cabins, but with the great influx of population that followed, such precautions were quickly instituted. As giving some indication of current prices, it may be cited that a lunch the officers of the bank had at a restaurant cost \$7.50 each. It consisted of two dubious eggs fried, bacon of poor quality and in bad condition, bread, strong butter and a cup of coffee to each man. The price of champagne has already been alluded to; a pint of Bass' ale could be procured at some restaurants for the more modest sum of five dollars. It must be remembered that the first cost of an article counted but little in arriving at the price in Dawson; the freight into this place of difficult access was the main factor. Conditions improved quickly, however, and the price of articles of food became more moderate.

The interval which elapsed before the arrival of the remainder of the expedition was spent chiefly in worrying over their non-arrival, securing prospective customers, and in answering questions at the temporary office and explaining that it could not be opened for business until the main party arrived. The latter had remained at Lake Bennett awaiting the completion of a big scow, which was built to convey them and their supplies down-stream to Dawson. The scow left Lake Bennett on June 5, with about six tons of freight stowed away in her hold. The deck was boarded in even with the gunwale, and on this a tent was erected open at both ends to permit of a passage from the bow to the stern. A contract had been made with a small stern-wheeled steamer or launch, the "Bellingham," to tow the scow to Dawson for the sum of \$1,100.¹ Owing to the fact that a very large sum in notes of the bank and other cash was on board, each officer of the bank in the party was armed, as indeed had been those who

¹See plate 24, facing page 158.

went ahead in the canoe. Several outsiders from Ottawa and Toronto and one man from South Africa, known to the members of the staff, were also on the scow, but none save the officers of the bank knew where the currency was stored, although the packages were purposely kept in sight at all times. The man from South Africa bore bankers' credentials to the officers of the bank, but subsequently spent a long term in Dawson prison for the thoroughgoing rogue that he was. The packages containing the money were alluded to as stationery, and the rule was that two members of the staff should always remain on guard over them.

It was estimated by the bank's officers that on Lake Bennett the day they started there were about a thousand boats and scows, each carrying from two to a dozen passengers. As far as the eye could reach were craft of every kind and description, propelled by sails, blankets, carpets, or anything handy that could be used for the purpose. The winds were favourable, everyone was in a happy mood, and most of the travellers were singing. As already intimated, many of these boats had been built by men who had never even examined a boat closely before, and in too many cases they proved nothing but coffins for their owners. The number of lives lost in that epic rush for the gold-fields will never be known. The waters to be travelled over were, of course, those already described. The bank's scow ran the Whitehorse Rapids in charge of an experienced pilot, thanks to the ubiquitous Mounted Police, who insisted on the taking of proper precautions at this point. The pilot's fee was \$100. The police also insisted on having 5,400 lbs. of freight unloaded here, to be transported to the foot of the rapids at a cost of three cents a pound by a tramway just completed. The currency was carried by the same tramway under guard of the bank's own officers. At times considerable trouble was occasioned by the grounding of the scow, and after one or two such occurrences the rule was for all hands to jump into the water and keep the scow moving by pushing it with their shoulders. In this way they had only once on

the whole trip to Dawson to unload the scow in order to get her off a bar. In the swift Thirty Mile river considerable difficulty was experienced in avoiding rocks, and several times they ran on sand bars. On one occasion the steamer ran on a bar which the scow was able to avoid, and the latter, being heavier than the steamer and carried on by the rapid current, dragged the steamer over. Another time the steamer took one side of an island and the scow the other, but the crew of the scow were able to cast off the lines in time, and had no difficulty in joining the steamer a few miles lower down. In navigating the rivers, there was always one man at the bow and another at the stern of the scow, handling the sweeps, and this was the hardest part of the task, as some days they would run for nineteen hours. The longest day's run was 110 miles in a swift current.

At Five Finger Rapids they cast off from the steamer and ran through alone. Later they took a line from the steamer and went through the Rink Rapids, although at their first approach they were caught in an eddy and badly scared, and had to go back a quarter of a mile to make a fresh start. At Stewart river some time was lost owing to sand bars, and in one case the wrong channel was taken, on the advice of Indians who, they were subsequently told, made a practice of doing this with a view to wrecking scows and securing a chance of stealing supplies. In some cases loss of life has been attributed to these Indians and their schemes. The last day's run was from Stewart river, which they left at 6 a.m. on June 14, reaching Dawson at 3 p.m., a distance of about seventy-five miles.

Immediately upon the arrival of the scow all hands fell to and worked until a late hour unpacking books, stationery, scales, etc., so as to be ready for business on June 15. A brave little canvas sign, nailed to a frame about two and a half feet wide by eight feet long, and reading on both sides as follows:—

THE CANADIAN BANK OF COMMERCE
CAPITAL PAID UP SIX MILLION DOLLARS

was hung out at right angles to the front of the shack, announcing to passers-by the bank's presence in the community. The staff, with the exception of the manager, then moved their kit into the cramped garret over the office and used it as sleeping quarters until that autumn, when the bank's permanent building was completed; the two messengers slept on the office floor, where the Mounted Police guard was on duty. A mess tent was put up on one side of the office and as the ground was practically a swamp, a duck-board walk was improvised between the two.

Early the following morning, June 15, the doors of the office were opened for business. The staff consisted of four officers, Ross, the messenger, and Tommy, the cook. But so great was the rush of business that the mess was soon abandoned, meals were obtained at a restaurant and the messenger and cook pressed into service as handy clerical assistants—to write supplementaries, label gold sacks, and perform other similar duties, which they did in a most intelligent and creditable manner. From the moment of opening that first morning until late summer there was a constant crowd, both at the counter and waiting outside to get in. The public space in the office measured only about five feet by twenty feet. Under such conditions the apportionment of duties was out of the question. As soon as an officer finished conferring with one customer, he turned to another, and what with the diversity of succeeding transactions, cramped quarters and crude equipment, it was quite impossible at first to follow the usual methods of a normal office. Some attempt was made to have a "teller" in control of the cash, but as all the officers dipped into his unlocked drawer to make payments,



PLATE No. 24.

THE SECOND CANADIAN BANK OF COMMERCE PARTY TOWED BY THE "BELLINGHAM" ON THE SIXTY MILE RIVER, JUNE, 1898

This picture gives an excellent idea of the number of boats making their way to Dawson in the spring of 1898.

and replenished it with funds received, the responsibility for the correctness of his cash was, to the amusement of all, loudly disclaimed by him, although as pertinaciously insisted on by the others. The once spotless deposit ledger was quickly filled with open accounts in the same "free for all" manner—which also applied to the weighing in and out of gold dust. Yet throughout the trying chaos and scurry of these early months the teller was able to balance his cash correctly, notwithstanding the number of his assistants, and the various books balanced in an equally satisfactory manner. Had the officers of the branch not been experienced and well-seasoned, a different result would under these conditions not have been surprising.

The transactions of the branch were varied and, in many cases, novel. Many customers would desire to sell their gold dust, and until the assay plant was in operation, the dust was weighed and the customer credited with the weight and given a receipt. His signature was taken, his sack of dust numbered with a pointed stick dipped in ink to correspond with the number given to his account, and then, if he so desired, an advance was made to him in currency at the rate of \$14 an ounce, until the assay results were known. Another would desire to lodge documents with the bank in escrow. Many others would wish to leave their gold dust subject to cheque payable in gold dust. Such cheques were usually drawn in currency and crossed payable in gold dust at the rate of sixteen or even seventeen dollars to the ounce. Before paying them, the necessary calculations had to be made and checked. Those whose funds were not in the form of cash or gold dust usually carried negotiable certificates of deposit issued by the United States banks on the Pacific slope. Enquiries were frequently made as to how funds could be forwarded to the Dawson branch for credit of the enquirer through other banking channels. Letters were also constantly asked for and information of all kinds freely sought, and when possible, always cheerfully given. Around midday, word

would be passed that Tommy had lunch ready, and one at a time would rush out, gobble a hasty bite or two, and then return to give someone else a like chance. Despite all efforts, the supply of signed bank-notes would occasionally run out, and then one or two of the staff would have to assist the manager, who did most of this work in the daytime, until a surplus was again on hand. This sort of thing went on until seven or eight o'clock in the evening, when the blare of cornets, the pounding of drums and the harsh, strident and far-reaching tones of the "caller-off" in the dance halls would ease the situation. The cash was then put in an old tin biscuit box and locked up for the night, with the sacks of gold dust, in one of the iron-lined wooden chests; though more often than not this was subsequently opened up again, perhaps several times in the evening, to accommodate someone and secure another friend for the bank. Each chest had two locks and the custody of the keys was divided among the four officers, but as the hasps and staples would not afford much protection against a burglar, the premises were never left unguarded day or night. When the door was closed to do the internal work, the office was in darkness, despite the twenty-four hours of daylight, because the shack had no windows. Candles were used for light, and two roughly made tables and a few crude stools constituted the furniture. By the time the writing up of the day's work was completed and a further supply of bank-notes signed, the hour was very late.

The galvanized iron sheathing of the building made it frightfully hot, and despite fatigue, the heat and the noise of the dance-halls and the passers-by often made sleep impossible. There was a night as well as a day population, devoted to pleasure (?) and gambling, and the absence of darkness and the novelty of the life and surroundings doubtless contributed to enlarge the crowd of night-hawks. Time and again the members of the bank staff rose from their rough beds, after two or three hours of endeavour, in sheer desperation at the in-

ability to sleep or rest, and joined the throngs in the streets or at some place of amusement, returning after a time to have another try—not always successful—at getting to sleep. In such expeditions no opportunity was overlooked to enlarge the circle of friends and customers of the bank; as a matter of fact, quite a number of valuable accounts were first attracted to the bank by one or another of the staff in this informal and highly unorthodox manner. About four o'clock one morning a week or so after the bank opened, a large missile was hurled through the canvas sign by a lone and indignant reveller, whose loud complaint that, "I am from Missouri, and you have to show me where they have six million dollars in that bum little shack," was much enjoyed by all the officers of the bank whom his noisy monologue had awakened. The messengers were better sleepers, or perhaps more staid characters; at all events they clearly did not enjoy the necessity of getting up occasionally at night, in response to determined and sustained pounding on the door, to explain to some intoxicated citizen, who had run out of funds and desired to cash a cheque, that it was the middle of the night, and that the bank was closed and would not open until eight or nine in the morning. This explanation generally elicited the injured response, "That's a h— of a time to wait for a drink."

About 7 a.m. one of the messengers would bring a supply of water from the near-by river, and the various members of the staff with soap, towel and toothbrush, would take basins of water outside the front door and perform their ablutions, at the same time explaining to a queue of would-be customers that they would be attended to as soon as possible. When dressing was completed, business commenced at once, and a hasty breakfast was snatched in like manner to the lunch already described. The various departments of the Government had opened accounts as soon as the branch was ready for business, and the volume of business received from them was heavy and involved a great deal of work.

In a week or two the two wooden chests were bulging with

sacks of gold dust. Within a few days a melting furnace had been built with fire brick from plans which the party had brought with them; the muffle furnace had been set up, and acids, fluxes, delicate Troemner balances and all the other paraphernalia of an assay department had been got ready. A short delay took place before the charcoal was ready, but the staff eventually "fired up" and attempted a preliminary melt of fifty ounces. They sweated over this for forty-eight hours, only to find it a conglomerate mass that could neither be returned to the customer nor assayed. Over and over again they compared the furnace with the plans and found it to correspond. Most of the customers who had received preliminary advances on their gold dust were only waiting for the completion of the assay and an adjustment of price to take a down-river boat and leave the country for a time. These made frequent enquiries at the office every day, and meanwhile the two assayers wrestled with their problem. Eventually the office staff proved recreant to their trust, or lacked resource and inspiration for inventing further reasons for delay, and began suggesting that, while there were of course a great many assays to handle and all were being dealt with in strict turn, a call at the assay department might elicit more definite information as to when the particular customer's assay was likely to be completed. The result was an incursion of enquirers at the assay plant that proved anything but helpful. A look-out and a hot fire were kept to guard the miserable secret, and as a last resort, in the case of any particularly pertinacious individual, one of the officers (in strict turn) would develop a thirst from the really fierce heat of the furnace, and with an air of *camaraderie* which he was far from feeling, would invite the offensive visitor out for a drink. Then it was his duty to lose his guest, while the other man carried on at the furnace. This situation, at the time, had little humour in it for those immediately concerned; even a temporary failure in the assay department, if known, carried possibilities of adverse consequences to the bank's future



FIRST ASSAY QUARTERS IN THE BANK'S BUILDING
Weighing assay results.



LAST GOLD SHIPMENT MADE BY THE BANK IN THE SEASON OF 1898

PLATE No. 25.

business that were highly unpleasant to contemplate. The problem was solved during one of the above-mentioned thirst expeditions by a chance meeting with an Austrian graduate of the School of Mines, Vienna, who was just then looking for work. He was brought over to the office, and with a few signs and a little French (he spoke only a few words of English) the difficulty was explained. He looked at the conglomerate mass and at the furnace, both outside and in, then with a grin took a cold chisel and mallet and enlarged the draught by knocking out a few bricks. The bank's officers were quite competent as assayers, but their schooling had not included furnace construction, and they had worked from the plans only. Their first melt was poured in short order, and "Jorish" (for that was the only name he ever got) was enthusiastically engaged as melting assistant at fifteen dollars a day. As this was the wage for pick-and-shovel men on the creeks the bargain was a good one for the bank, and in addition it enabled one of the assayers, turn about, to be relieved occasionally for office work. Jorish stayed a month or two with the bank and then left for the mines. His departure was eagerly seized upon by the manager to write the delicate insinuation to head office that "we have lost the most highly paid official of the Dawson branch by the resignation of the man employed as stoker for our melting furnace." As will be seen later on, the inference in this would not bear analysis.

From this time on no further difficulties were encountered either in melting or assaying, and it is most gratifying to be able to record that the assays of over \$2,300,000 of gold purchased and shipped during the first season accorded almost precisely with those of the United States Mint and the Selby Smelting Company in San Francisco and Seattle, the infinitesimal variations in the results being accounted for by the lack of distilled water, and the poorer quality of the heat in the bank's furnace. In the exceedingly trying conditions under which the work was done, the exactness of these assays fulfilled the best hopes of the bank's staff. From the first moment of contact with the

community in Dawson, they realized that the confidence of the public was the prime essential to the building up of a good business. In many cases exaggerated ideas as to the value of gold dust from various claims were held. Whenever a sceptic was encountered, with an imaginary grievance on the score of the bank's assays, he was invited to come in with his dust, watch it melted and watch the bricks weighed, and then receive a clipping from his brick which he could take to San Francisco, get assayed there and compare with the bank's assay certificate. This offer often worked like a charm when no amount of argument could have succeeded, and in some instances it was accepted and the correctness of the bank's assay was fully established. More often, however, the mere offer convinced the complainant of the good faith of the bank's officers. In a number of cases angry men produced assay certificates for gold mined from the same claims and which had already been assayed on the Coast in the autumn of 1897, and based on these their demands for higher returns than the bank's assay would allow. It invariably transpired that they had taken the fineness shown by the other assay and had never troubled to ascertain the actual returns in currency per ounce of gold dust, which of course showed the loss in melt occasioned by the impurities in the gold dust.

Faced with such an enormous amount of business, and with facilities for handling it which were as yet only crude, it was clearly impossible, before shipment, to attempt to run into bricks all the dust that was purchased. The procedure followed was to make a careful selection of an average sample of about fifty ounces from each lot, run this into a brick and assay it, and ship the balance in dust, carefully identified by the number on the sack with the written record of the brick bearing the corresponding number. Even then the melting and muffle furnaces were run to full capacity all season, so that had any other course been adopted fewer melts and assays must have been made, and the bank's business would have been restricted accordingly. In addition to the business

which has been described, the pack trains of the Government bringing in the royalty on gold and those of the larger miners frequently arrived outside the bank, the horses or mules loaded down with gold dust which it was no brief task to weigh and inspect. It will therefore readily be understood that the situation was one which did not permit of nice discrimination as to methods of office routine; the conditions which existed had to be met in the best way possible. On June 23 the first consignment of gold, valued at \$758,520, the result of a multitude of individual assays and purchases, was shipped out by the North American Transportation and Trading Company's down-river steamer, the "P. B. Weare." The whole staff worked on this first shipment until four o'clock in the morning, when the gold was put on board the steamer packed in strong wooden boxes clamped and banded with iron, and with the screws countersunk and sealed.¹ It was insured under an arrangement made at head office before the departure of the first expedition from Toronto, and Ross, the messenger, accompanied it as a guard to St. Michael, where he met the bank's third party coming into Dawson by the up-river route. The senior of the two incoming officers then took over the shipment, and the other officer and Ross proceeded up the river with the safes and main supplies, reaching Dawson on July 26.

During the remainder of the summer and the long winter months which elapsed before Dawson was again brought into communication with the outer world, the staff of the bank had much reason to appreciate the extreme care and attention which had been given to every detail, even the slightest, in organizing the expedition. Before their advance party arrived at Lake Bennett, the members of the expedition of the Bank of British North America, which had stolen a march on them by making an earlier start, had reached the head-waters of the Yukon

¹Early the following spring a supply of boxes built of steel and designed specially for carrying gold shipments, which had been made in Toronto, reached the Dawson branch.

river, and were thus able to take advantage of the earlier break-up of the ice in the river. They consequently reached Dawson about a week ahead of the canoe party, and opened at once, but the river rose and flooded the city, forcing them to close their office. The canoe party arrived as the flood subsided, and thanks to the care with which everything had been arranged beforehand, were able to open in relatively comfortable and secure premises, whereas the others had only a tent. The staff of The Canadian Bank of Commerce had brought an assay plant over the passes with them, and had it in operation, buying gold dust and making shipments and consequently securing permanent and valuable connections long before the other bank was in a position to reap the benefit from similar facilities, for its staff had brought no assay plant with them. In addition, for a long time the others were forced daily to carry all the gold dust they purchased to and from the police barracks. Had The Canadian Bank of Commerce, with the large quantity of gold dust it had constantly on hand, notwithstanding fairly frequent shipments, been forced to follow a similar practice, the task would have been a monumental one. These conditions obtained until both banks completed their permanent quarters, and then once again the foresight and prudence of this bank were vindicated. Its quarters were in the Government Reserve adjoining the police barracks, while the office of its competitor was in the heart of the city. When one of those disastrous conflagrations which on more than one occasion destroyed a large part of Dawson, swept the city in April, 1899, they lost their office and learned to their sorrow that their fire-proof vault was not worthy of its name. During the first season of slightly more than three months The Canadian Bank of Commerce made four large shipments of gold, the last of which¹ was shipped on the same steamer that carried the first shipment of the other bank, the only shipment they made that season.

No time was lost in the erection of a permanent building

¹See plate 25, facing page 162.



DAWSON, Y.T.
The first building erected for the bank.



STREET SCENE IN DAWSON, Y.T.

for the bank, the final instructions being telegraphed by the general manager from Chicago and reaching the first party just as they left Vancouver. This building, which stood outside the recognized fire zone, was completed late in the summer, save for the window panes, glass for which could not be obtained until after the snow had come. Some of the last scows which reached Dawson before the river froze brought cargoes of window-glass, from which they reaped "much honourable advancement" and the bank secured its window panes. The building was two stories in height, and was constructed of logs sawn on three sides, with the bark left on the fourth or outer side.¹ The roof was made of two thicknesses of boards, covered with an inch of mountain moss and over that three inches of mud. The inside measurements were thirty-five feet long by twenty-five feet wide. The second storey was divided by partitions of one-inch match-boards and was used as staff apartments. Downstairs, on the left, space was partitioned off in the rear for the assay quarters.² An extension of the ground-floor at the back of the building provided a commodious kitchen and dining-room. The building was lighted during the first year by lamps and heated by large wood-burning stoves. Later on, electricity was available for lighting purposes. About twelve feet away in one direction was the Gold Commissioner's Office, and on the other side were the Mounted Police buildings and stockade. The cost was over \$30,000, and as the expenses of sending the staff, equipment and supplies of the branch to Dawson reached the sum of \$24,700, it will be seen that the opening of the branch involved a preliminary outlay of over \$50,000.

At first there was literally no time or opportunity, save late at night, for the officers of the bank to look round and ascertain the kind of place and people of which they were a part. Writing on June 20, 1898, the Dawson manager says: "Business is rushing with us and we are working just now

¹See plate 26, facing this page.

²See plate 25, facing page 162.

from twelve to fifteen hours a day. From present appearances the branch will prove profitable. The greatest drawback to this place is the enormous price which has to be paid for every article. People outside cannot believe that such prices exist. I will give you a few samples: Land values—\$40,000 paid for a small lot on the main street. Rents—the ground floor of a building about 25 by 40 feet rents at \$10,000 for seven months, for a saloon. A Mr. Rutledge has a building made of slabs, with ten rooms—eight of which he occupies himself, and he rents the two other rooms for small stores (very small) at a rental of \$12,600 per annum. Small log cabins rent at from \$200 to \$400 per month.¹ Wages—a teamster with a team of horses gets \$100 per day. Domestic servants (women) get \$100 per month and their board. Ordinary clerks in the North American Transportation and Trading Company's store get \$125 a month and their board. Gold-dust weighers in the saloons get \$20 a day. Labouring men get \$15 a day. Provisions of all kinds are sold at enormous prices:—beef, \$1.25 per pound; eggs (case), \$18 per dozen; flour, \$12 per sack of fifty pounds; butter in tins, \$2 per pound; potatoes, \$1 per pound.² You now pay from \$3 to \$5 for a dirty, uncomfortable meal at a restaurant, and in fact there is nothing that can be bought for less than fifty cents—no matter how small it is. Lumber is \$400 per thousand. Wood runs from \$30 to \$60 per cord, and most of the things people in Ontario consider absolutely necessary for keeping house with are unpurchasable." At this time brooms and whisks could not be procured, and candles, until the up-river boats arrived, sold for a dollar each. There was a great scarcity of many essential articles. A substantial cooking range commanded a staggering price, and even if one was willing to be bled, could not always be procured.

When the scows arrived from Lake Bennett they would be met on the water front by small traders and others eager to

¹These premises were of course in most desirable locations.

²Fresh potatoes, brought in by the first scows, were sold readily at \$5 per pound.

secure anything they had for sale. In most cases the scow men were so surprised at the prices offered that they sold readily and without haggling. The few apples obtainable in Dawson retailed at a dollar each. If a scow had aboard a few quart bottles of whiskey or gin, the owners would invariably let them go when offered twenty dollars a quart, and none grumbled save those who had arrived too late to obtain any. The new-comer was staggered at first in an environment where money seemed to be relatively the cheapest commodity. In the earliest days the cost of protesting a bill or cheque was ten dollars, and all legal and medical fees were on a corresponding scale. There were numerous American practitioners both in law and medicine, all more or less qualified according to accepted standards on one or the other side of the international boundary; but when steps were subsequently taken to regulate the practice of these professions, few of them submitted themselves for examination.

All payments were made in gold dust until the advent of the banks took place. From that time on the use of gold dust lessened year by year until the community at last reached a currency basis. All the coin and currency in the country were at first almost entirely in the hands of the gambling halls. Everyone carried a "poke," and no shop, however humble, was complete without scales. A miner would order drinks at a box in a dance hall, and toss his poke to the waiter; it may be taken for granted that the official weigher of the house did not run any chances of cheating himself, in addition to which, unless the appearance of the waiters did them rare injustice, these gentry kept a pinch of dust for themselves, both in going to and coming from the scales in the bar. When it is considered that the spenders of the dust were intelligent men and quite alive to what was going on, it is surprising how long these conditions prevailed. It was generally conceded that a sack of, say, \$100 in gold dust would be empty after purchases had been made to the extent of about seventy dollars. Of course, the majority of the men who thus found

themselves wealthy overnight, as it were, had previously led lives of privation and hardship, and it is not to be wondered at that many lost their balance and were careless, if only for a short period, in such surroundings. Even shrewd and conservative easterners, in many cases, had their sense of the value of money utterly destroyed in a very short time. Two young lawyers, whose signs had up till then been the only evidence of their practice in the east, made over twenty thousand dollars in the first two months they practised as a firm in Dawson, and like the majority in such instances, they found it most unsettling.

As already stated, the notes of the bank issued at Dawson had either "Yukon," or "Dawson," printed across them in heavy block type in various colours. The general public did not grasp that this had been done as a precautionary measure, and assumed that it was a special issue carrying a compliment to the new country. When the notes were first paid out, it was amusing to see groups of men in the streets passing one of them from hand to hand for inspection. By some they were regarded as excellent souvenirs and a great many were thus sent out in letters home. The compliment was even paid the bank by one gambling hall of installing a complete set in a glass-covered case as a part of a novel betting game; but alas, this game either did not prove popular or profitable, and disappeared after a very brief existence.

After the arrival of the big rush from Lake Bennett the streets of Dawson simply seethed with people day and night. Hovels of the queerest kind were hastily run up on the waterfront and elsewhere, for use as shops and restaurants. Bars and dance pavilions were opened in tents. All nationalities were represented in the crowd; good nature was prevalent and everyone expected, as a matter of course, to make a fortune. Unlike the population of earlier days in the Klondike, the community now included a larger percentage of the criminal and depraved classes—offscourings of the cities of the Pacific Coast and elsewhere. Among them, as the official reports of

the Mounted Police will show, were parasites and hangers-on of dance and gambling halls, burglars, confidence and hold-up men—in fact, thugs of every degree of criminality. The way in which these undesirables were kept inactive and below the surface by the Mounted Police was nothing short of marvellous; to such an extent were they kept out of sight that many people lived in Dawson without the slightest idea as to the extent of the menace. It would take a volume to describe the full range and multiplicity of the duties of the Police. Their rule was absolute, yet always tempered with courtesy, justice and common sense. Under it the thug with a long and evil record on the “outside” (the Klondike being known as “the inside”) became exceedingly tame and docile during his more or less transitory stay in the district. As one of their officers once said, their efforts were constantly directed towards making life “unattractive” for persons with questionable records. Such persons were placed under surveillance on arrival in the country, and as a result of this and of the pressure and advice by which it was accompanied, the intelligent among these undesirables were glad of an opportunity to transfer their attention to other localities. Such as did not adopt this course had only a short career, being quickly brought to book on one count or another and sent in due course to swell the number who performed useful service for the Government on what was known as “The Woodpile.” In bitterly cold weather, when a mist hung over the ground, one’s thoughts reverted to Dante’s *Inferno* on passing this unfortunate legion sawing, chopping or hauling wood for Her Majesty, under an escort of Mounted Police in short buffalo coats and with loaded carbines, stamping about to keep warm. The object lesson was undoubtedly useful to the idle and crooked.

In 1898 most of the entries in the “Crimes List” for Dawson were for offences of a minor nature and included no desperate crimes, such as the occasional murders which took place later on. A few citations will illustrate this: non-

payment of wages, dog-stealing, unsanitary premises, fraud, unlawfully practising medicine, disturbing the peace, deserting employment, and using vile language. Honourable mention may be given to two cases, although these are by no means isolated ones. In July, 1898, one E. Ward was committed by Inspector Harper and subsequently sentenced to *three months' imprisonment with hard labour* "for cheating at play." In October, 1898, the charge against one Joe Bradly was that he had been "ordered to leave town and did not go." He was sentenced to *six months' hard labour* by Inspector Starnes. The first of these cases occurred when gambling was "wide open" in the community. The authorities did not interfere with "straight" games, and while one might perchance feel some mild curiosity as to the niceties of the purely legal points involved, only encouragement could be derived by an honest man from such a healthy code of ethics. In the second instance, old Klondikers would know that the man must have been a public menace, and a fool to boot, for not having wit enough to take his chance and get out. The Police were ruthless with the unfair player, the drunken brawler and like offenders. They also contributed to Sunday observance by insisting on the closing of all places of business or amusement. Sharp at one o'clock on Monday morning, however, dance and gambling halls were again going full blast, and in Dawson one required no time-piece to tell that hour. The saloons, gambling and dance halls ran "to the limit," but this limit respected the public sense of good order and fairness.

At Dawson, in 1901, three men, Brophy, Tomerlin and Harris, entered the gambling room of the Dominion Saloon armed and masked. They covered the occupants and escaped with the plunder, only \$1,500. No one knew who they were, yet in short order the crime was traced to them and they were apprehended, Brophy being wounded. Tomerlin turned King's evidence. Harris was sentenced to ten years in the penitentiary and Brophy was given a life sentence. By such

methods the rights of property in the Yukon were hammered home with success.

In some of the murder cases in the north, where the crime was committed on a distant trail, thus enabling the perpetrators to escape and remain for a time unknown, the work of the Mounted Police seems little short of miraculous. They kept up the pursuit like bloodhounds, scouring not only the Yukon, but many cities in Canada and the United States, and finally apprehending the culprits and establishing a complete case against them. A perusal of the annual reports of the various officers in the Yukon will be found of most absorbing interest, although the various incidents are invariably recorded in the modest and unembellished language of actual fact. It was a wise and fortunate measure that this force was directly under the control of the central Government of the Dominion, and fully supported by the latter in their efforts to detect and punish crime. In more than one case very large sums were spent in order to bring a murderer to the gallows.

In the autumn of 1898 the Yukon Field Force, a composite unit recruited from the permanent militia, which was sent into the country by the arduous Glenora-Teslin route, established headquarters at Selkirk and sent to Dawson a detachment of about fifty officers and men for service there. This detachment was under the command of Captain H. E. Burstall, R.C.A., now Major-General Sir Henry Burstall, K.C.B., K.C.M.G., who distinguished himself greatly in the recent Great War, being knighted and otherwise decorated for his fine service. This force was able to relieve the Mounted Police in guard duty and in other ways, and was well thought of during its stay of about a year and a half in the country.

Dawson had been built on swampy ground. There was at first no system of drainage, and an appreciation of the value of sanitary precautions was hard to instil into its heterogeneous population. For this reason, the scurvy prevalent in the early spring was followed, as the season progressed, by even more widespread typhoid and dysentery, from the last

of which the officers of the bank suffered at the outset. The administration was criticized naturally, perhaps, but unfairly for these things. The matter received attention at the earliest possible moment, but as was proved later, the installation of an efficient drainage system and water supply was a task of a very large order. The camp had grown up overnight, as it were, the officials were all worked to death, Ottawa was a long distance away, and it took time to submit the requirements to Ottawa and to devise remedies. At the same time, no man of unbiassed views who lived there in the early days will deny that there were some real grievances. The royalty of ten per cent. on the *gross* output of a mine, with a paltry exemption for working expenses of only \$2,500, later increased to \$5,000,¹ may be included in these, as it retarded the development of the mining industry. There would have been no complaint against such a tax on the net result to the miner, but owing to the extremely high cost of food, wages, transportation and everything else, the tax in many instances resulted in a loss to the miner who was operating low-grade

¹The Department of the Interior has very kindly supplied the following information as to the various rates of royalty imposed from time to time on placer gold mined in the Yukon:

- By an order-in-council dated July 29, 1897, which came into force on September 11 following, provision was made for a royalty at the rate of ten per cent. on the *output* of placer mines up to \$500 per week, and after that, at the rate of twenty per cent.
 - By an order-in-council dated January 18, 1898, which came into force on March 5 following, provision was made for a royalty at the rate of ten per cent. on the *output* of all placer mines, with a yearly exemption of \$2,500.
 - By an order-in-council dated March 30, 1899, which came into force on June 1 following, the exemption from payment of royalty was increased to \$5,000.
 - By an order-in-council dated March 13, 1901, which came into force on April 17 following, the royalty was reduced to five per cent. on the *output*, less the exemption provided for.
 - By an order-in-council dated May 21, 1902, the royalty was reduced to two and one-half per cent. on the value of the gold *shipped from the Yukon Territory* after May 1 in that year, the gold to be valued at the rate of \$15 an ounce. No exemption was provided for.
- Since the date mentioned, the royalty collected has been at the last-mentioned rate, without exemption.



KLONDIKE RIVER BLUFFS
Freighting goods up the creeks.



GOLD DUST FROM THE YUKON ARRIVING AT SEATTLE

Said to have been the largest shipment by one vessel ever received at that port.

PLATE No. 27.

ground. It was also felt that, as he was *the easiest* person to reach with a tax, the miner was taxed more heavily than the rest of the community. There were also legitimate grounds for complaint as to the difficulty of recording claims, and there seemed room for the modification of certain features in the law regarding the representation of claims. Less reasonable at first were the complaints of lack of roads, mail service, and other such things. Though the lack of these was seriously felt, it might have occurred to the agitators that even Rome was not built in a day. Unquestionably the conduct of the Gold Commissioner's office gave warrant for complaint at the outset; but this was largely due to one or two shady characters having crept into minor positions in the office, at a time when it proved necessary to augment the staff from local sources to meet the avalanche of business which descended on it. It was also generally conceded that there was some petty bribery of certain of these clerks in the Records Office for the purpose of obtaining unfair preferences, but the Commissioner himself, and the heads of the other government departments, were men of character and unquestioned honour. Similar difficulties have occurred in other mining camps where the pressure of government duties was less intense and gave much less excuse for inefficiency or corruption. It was found that when proper representations were made to Ottawa, the disposition there was to act promptly and to seek to improve conditions, and the Government may be said to have met the situation with vigour and intelligence, when consideration is given to the time required and the number of trained officials needed to cope with these complex difficulties in a distant mining camp, the population of which had jumped in a short time from 5,000 to 30,000. During the whole of 1898 there was a steady influx of new officials, and one by one, conditions were improved or modified in reasonably short order. Crooked clerks were weeded out, good roads and trails were built, and the service rendered by the Post Office, the Gold Commissioner's Office and other civil departments

became adequate and creditable. After a few years the royalty on gold was decreased to five per cent. and eventually abolished altogether, an export duty of two and a half per cent. being substituted for it.

In the summer of 1898 indignation mass meetings were frequently held in the streets of Dawson. Australians, South Africans and Englishmen were more prominent as agitators than were the Canadians or the Americans. Up to a certain point the police would refrain from interfering. If that point was passed, however, a constable or two would shoulder a way through the crowd and give the excited orator advice that calmed his ardour. Failing to effect this, they would disperse the meeting without difficulty, such was the power of the record behind them.

On the creeks and in the mines the same steady trend towards improvement was exhibited. Out of trails that had been quagmires, in which many a poor horse or mule had been badly "staked," were evolved creditable roads. The ground in Dawson and on the creeks is workable without artificial heat to the depth of only a foot or a foot and a half below the surface; beyond that it is frozen solid and is impenetrable to the pick. At first wood fires were used to thaw this granite-like earth, and then the thawed dirt was excavated, this process being continued until a shaft had been sunk to bed-rock. Then the same method was used to "drift" or burrow into the earth away from the shaft, a wooden windlass and bucket, worked by man-power, being used to hoist the dirt to the surface and establish a "dump." On the creek claims bed-rock was reached at a depth of from twelve to thirty feet, but on some of the deepest hillside claims it did not occur for sixty feet or a little over. There were, of course, exceptional claims of even greater depth. All supplies had to be carried in on a man's back, or hauled by hand on a sled over the winter trail, unless the miner was able to have them brought in by dogs, horses or mules. Wood for fires had to be cut on the hills and hauled to the claim; a great deal was

required, and every year the supply became more difficult to obtain and involved longer hauls. Thus work went on during the winter, the miner testing his work frequently by "panning," in order to keep on the "pay streak." By spring the resultant dump had assumed large proportions; in some cases, where many men were working, it was colossal. The spring sun thawed these dumps, which had of course become frozen, and the dirt was then shovelled into sluice-boxes, with riffles to retain the gold and black sand when the head of water, run into the sluice-box from the flume, carried off the dirt and gravel. After some hours' shovelling and sluicing, the work would be stopped in order to ascertain the result or "clean-up," and this process continued until the dump had been "washed up." Another and more primitive way of cleaning up was by shovelling the dirt into a rocker which was worked by hand.

Such methods as are described above were the only ones in use in the early days of the camp, but they gradually gave place to improved devices. Boilers and pipes supplied steam for thawing purposes and a steam winch operated the buckets in the shafts. Later, these buckets were made self-emptying, and pumps and labour-saving machinery were installed. Summer-working, or ground-sluicing on a larger scale, was introduced at an early date. About four years after the camp was established, extensive hydraulic works and huge dredges began to be employed. In the early days the supply of water for sluicing had been more or less precarious, and its failure often meant a tragedy. Later on, the building of large dams to conserve the water, and of flumes or pipes to carry it long distances, became a separate enterprise. These later methods involved an enormous outlay of capital such as was not dreamed of in the joyous early days of the camp. Large numbers of dredges have for years been operating on low-grade ground, which could only have been worked at a loss by the primitive methods described above. The worked-over ground of earlier days on various creeks has also been rehandled by dredges with excellent results. As may be supposed, these large hydraulic

and dredging operations have entirely readjusted the basis of placer-mining in the district. At the beginning the camp was essentially a "poor man's camp;" that is, the opportunities were open to everyone alike, and there was much ground available for prospecting and locating claims. With the passing of groups of claims, worked out by the old methods, into the hands of dredging companies, and the more general operation of large grants or concessions by dredge or hydraulic machinery, the day of the small individual miner was over. There are, of course, still some miners of that type at work, and their labours will, no doubt, from time to time be well rewarded, but the general character of the district has changed, and mining, as a rule, is now carried on by large interests operating on an extensive scale.

As early as 1897 the North American Transportation and Trading Company had opened up a quartz ledge across the river opposite Dawson. Various other quartz claims were subsequently located in the vicinity, and some stamp mills of small capacity were operated on some of these for a time, but it is generally understood that they met with very indifferent success. On the other hand, higher up the river, in the Whitehorse and White River districts, quartz mining proved more successful. Our first canoe party observed outcroppings of coal at Five Finger, as they passed down the river, and coal has been mined on the Yukon river since about 1898, although so far on a very small scale, the production of the district amounting in 1910 and 1911 to about 12,000 metric tons each year.

The miner himself in the early days usually lived like a pig, although conditions naturally varied in individual cases, at least in degree. The reader can picture for himself the stuffy cabin wherein four or five men slept, ate and smoked, where pans of dirt were "washed up" in one corner and wet clothes were dried in another. The only means of ventilation was to open the cabin door, and in winter time the piercing cold caused this to be little used. The miner's food was badly



WINTER IN THE YUKON



SUMMER IN THE YUKON

prepared, and he practised economy in the washing of dishes. In many cases no glass was available for the cabin windows, and as a substitute empty bottles were placed side by side with the chinks filled with moss and clay. In such surroundings scurvy and other diseases seldom failed to appear. Soon, however, the better-class miner tired of such an existence, and if his claim proved of any value his cabin was quickly changed into a clean and most attractive abode, especially if the owner had brought his women-folk with him. Curtains, carpets or rugs, wall-paper, pictures and numerous other adjuncts of civilization then became essentials, and some of the richer miners had even a cow and a piano. Food and cooking also became more civilized. Improved transportation facilities were soon provided at comparatively reasonable rates by freighting companies, and brought the prices of commodities rapidly to a lower level. The miner was a hospitable individual, but most casual in his dealings with those he knew and liked. Many a time an officer of the bank, returning down the creeks to Dawson, has been hailed by a miner, handed a considerable sack of dust, and asked to lodge it in the bank for him. As a matter of prudence, it should unquestionably have been weighed before it was taken. It was not, however, done that way, but then each man knew the other.

In the early days in the Yukon every day brought some new incident or revealed some new character worthy of fuller reference than space here permits. One of these characters was the late Alexander Macdonald, "the Klondike King," known sometimes as "the Big Moose," or "Big Alec," from his enormous stature. He was a Nova Scotian, with only elementary schooling, and had followed the hard life of the prospector for many years, going to the Yukon some years before the Dawson strike. With the little money he had, supplemented by whatever he could succeed in borrowing, "payable on clean up," he soon secured an interest or two in some promising claims, and he justified his faith and judgment

by becoming the largest individual holder in the Yukon. At one time he owned over fifty interests or full claims, the total value of which was enormous. He is said to have been offered by a British syndicate a very large sum—the stories say, from a million upwards—for his holdings. He was a “good living” man and kindly natured, but not qualified to administer his large interests and great wealth with success after they had been acquired, and when he died some years later he had little or no means left. His first statement of affairs, given to the bank verbally in its shack of an office, was a “classic,” and it took hours to extract the information from him. Time and again, just as he was about to sign it, “Oh begosh, I forgot 42,” or some other claim, he would say, and these omissions were rectified, until finally he signed a statement that even to the limited knowledge of the bank’s officers in those early days placed him in the millionaire class. With assistance from the bank he then bought another claim for what seemed a very large price, but before that summer was over he had recovered the purchase price and sold the bank about as much again in gold dust derived from it. The claim still had several more years of profitable working before it, so once again “Big Alec” had justified his judgment.

Among the old-timers, or “Sourdoughs,” as they were called in contradistinction to the new-comers, or “Cheechakos,” were such men as Skiff Mitchell, Johnny Lind, John Ericson, Dan McGillivray, Robert Henderson (the real discoverer of the diggings) and hosts of others, men hard to beat and the very salt of the earth. One day after office hours two members of the staff obliged a stranger, who subsequently became a steady customer. He was a smallish individual, looking rather incongruous in his frock coat. After the transaction was over he wrote on a slip of paper, “Please give the gentlemen some champagne—William Gates,” and passed the slip across the counter, saying, “There, boys, you’ll find that’s all right at the Monte Carlo,” and added in an impressive way, “I’m Swiftwater Bill.” The order certainly proved all right and

after being honoured was not retained by the dispenser of the beverage. In spite of this munificence, however, an illusion had been shattered, for "Swiftwater Bill" was as meek-looking an individual as ever sold ribbon.

One very sweltering day in June, 1898, a fat, highly rouged and gaudily bedecked damsel, of no tender years, enquired at the scales, of the only two members of the original Dawson staff who are still in the bank's service, "Have you got my tights and slippers—I'm Caprice?" Without a quaver she was referred to the gentleman at the other end of the counter, the manager. It is said that the manager's face was a study in dignity as he told her that she was in a bank. "Sure," said Caprice, "The Bank of Commerce, isn't it? Joe Brooks told me he'd send them here." Joe Brooks was a packer on the Skagway trail, and after a search it was discovered that the bank *did* have her tights and slippers—in a parcel. A week or so later these were seen in all their glory. Sunday sacred (?) concerts had been instituted, on the police closing the dance halls for that day. Living pictures were then quite the thing. Before the curtain rose on a certain picture, a placard announced the title of a well-known hymn, and then amid a delighted hum of recognition from the audience of "Good Lord, it's Caprice," this stout damsel was seen, in the pink tights and slippers, clinging to a huge cross. "Pygmalion and Galatea," as rendered by a Dawson stock company, with a stuffed malamute dog to represent a fawn, was only one more diverting incident in a life that then teemed with the amusing.

During the first summer, however, there was little but work for the small staff of the bank. Later on in the season the bank moved into its new premises, equipped with three safes having special contrivances attached to the locks to provide for certain contingencies in this out-of-the-world place, and with rooms for the staff (the windows without window panes, however). With these, and with their own mess, the men considered themselves in clover, as well they might after "pigging it" in a dark loft for over two months and obtaining most indif-

ferent meals in the unappetizing environment of the various local restaurants. It may here be said that they went into the Yukon under an arrangement whereby they were to be housed, clothed and fed at the bank's expense, but were to be paid their eastern salaries for the time being. Even laundry bills, doctors' bills and others of like nature were paid by the bank. In other words, they were to be kept, free of expense to themselves, and to draw eastern pay until the following summer, when it was expected that the head office would be able to arrive at some equitable basis for their remuneration. Shortly after the assistant general manager made the first inspection of the branch in the spring of 1899, the salaries of all the officers were revised, and each man received a special bonus equivalent to his past year's salary; in addition, every officer, from the accountant down, was granted a special annual allowance of \$800. The salaries of the manager and assistant manager had been revised on a scale which rendered the absence of this special allowance no injustice to them. It was also decided that the arrangements outlined above for the keep of the staff should be continued. It may be mentioned here that until the mess was installed in the permanent building the bank's bill for meals at restaurants for the staff of six was about \$2,000 a month. In these circumstances, banking charges in the Yukon, from the point of view of the old and settled portions of Canada, were naturally high; but compared with the general level of prices, to which allusion has already been made, it is difficult to avoid the conclusion that they were really on a more modest scale than anything else.

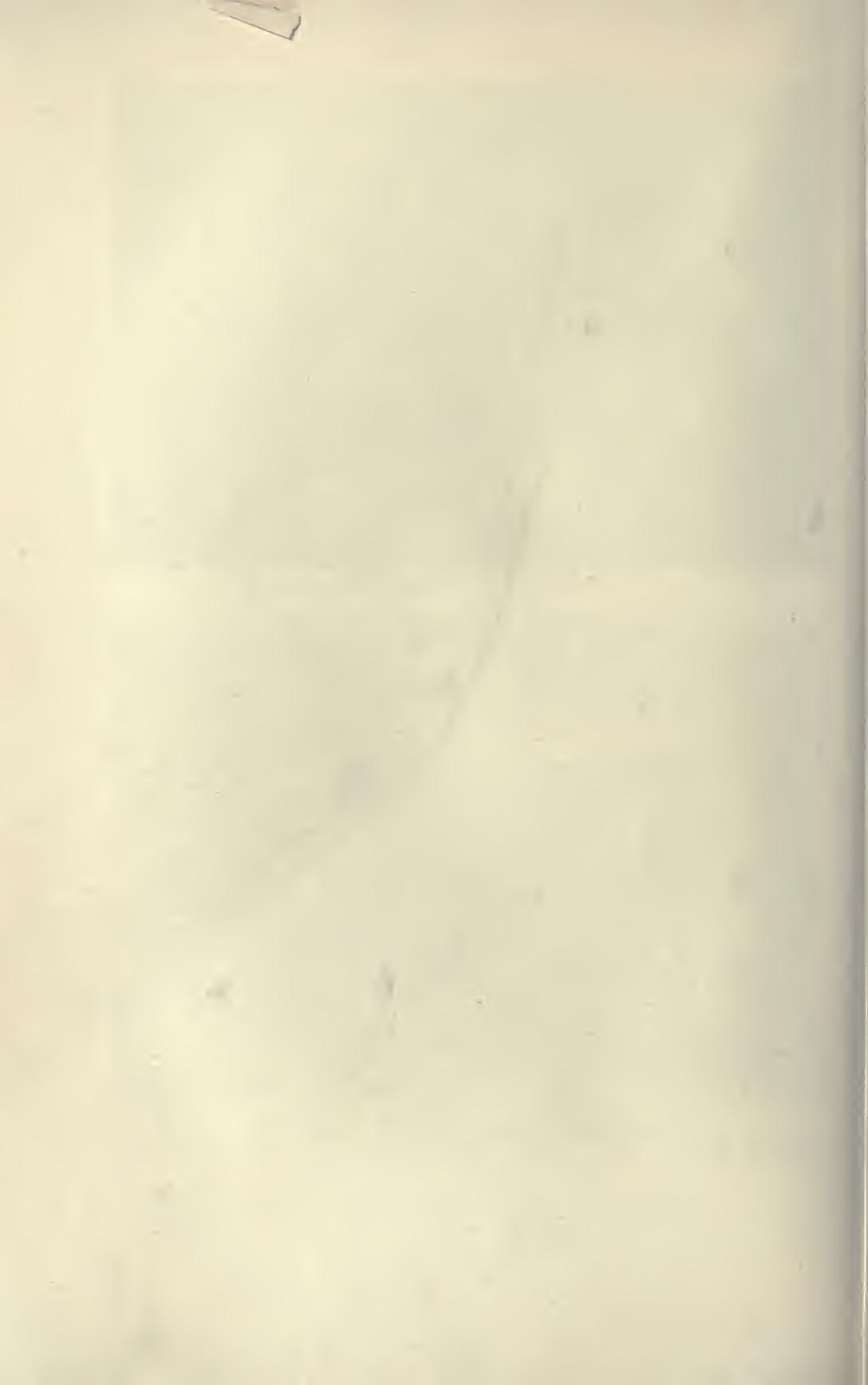
The assistant manager, who was also chief assayer of the branch, accompanied one of the later shipments of 1898 out of the Yukon to make a report on conditions to head office. After his departure the work of melting and assaying the gold dust was indeed a heavy burden to the assistant in charge. To shovel charcoal and to work in an atmosphere furiously hot and filled with the fumes of nitric acid, day after day without



THE WINNIPEG STAFF IN WINTER GARB 1898-9



THE DAWSON STAFF IN WINTER GARB 1903-4



relief, was a job for which only a sturdy blacksmith's assistant would hanker. The chief assayer returned to Dawson by one of the last scows to reach the city that autumn. The ice was forming so heavily that they ran for two days without being able to land, and had to chip wood off the scow to make a small fire aboard for the purpose of heating water for tea or coffee.

During the winter it was found that the process of hammering a clipping off a gold brick on an anvil, in a room separated from the office only by a thin partition, did not conduce to easy or graceful conversation with customers. A special assay shop was therefore built behind the bank and the space hitherto occupied by the assay plant in the office was utilized for a large and massive vault, the walls, floor and ceiling of which were constructed of thick masonry, reinforced overhead by steel rails. At the time of the big fire in April, 1899, the vault had just been completed and was drying out. When it was seen that the fire would reach and destroy the premises of the bank's competitors, this vault was placed at the disposal of their manager. With more faith than judgment he declined the offer, and their vault collapsing during the fire, for a number of days, later on, the odd sight was seen of their officers "panning" the debris where their vault had stood, a guard of the Yukon Field Force being maintained on the spot until the "clean-up" was over.

As soon as the bank's own building was completed, it was possible to introduce improvements and labour-saving methods into the work. When the two members of the up-river expedition arrived, the division of the office routine followed in any normal banking office had been adopted. The business of the branch soon thrived, and in the spring of 1899 a trained assayer, not a member of the bank's regular staff, was employed and gasoline furnaces and other improvements were installed. The new facilities made it possible to run much larger bricks and gradually to eliminate altogether any shipments of gold in the form of dust. After about 1902 or 1903

only bricks were shipped. About the same time, too, the bank succeeded, with the cordial support of its competitor, in abolishing the use of gold dust as currency, and thereafter it was bought subject to assay only. The use of gold dust as a kind of currency, or "trade dust," as it was called, had been gradually decreasing for some time. At first both banks dealt in it, buying or selling as occasion offered, and accepting deposits payable in gold dust as well as in ordinary money. The inconvenient practice followed by the bank at first of keeping each customer's sacks of trade dust separate had early been abandoned, as no dust of the better grade was ever lodged as trade dust, and thereafter all trade dust was kept in a common stock. Another change which effected a great saving of time was the use of decimal weights, instead of Troy weights, for weighing gold. After these changes were made, one man with an understudy was able to handle all the bank's gold dust. A careful record arranged chronologically was kept of all the numerous assays of the dust from all the claims on each creek above and below "discovery" claim.¹ The "gold clerk," and others of the staff in a lesser degree, soon became surprisingly expert at telling on sight the claim from which any gold dust offered had come, and when small casual lots were offered the gold clerk would scrutinize the dust carefully, clean it well in his blower, and if the seller desired cash immediately, would fix the price and complete the purchase at once. When the use of trade dust came to be abolished, a substantial amount (running into five figures) had to be written off the books of the bank to bring the dust then on hand down to the figure it would net at the Coast assay offices. In addition to an adjustment of the arbitrary price at which it had been current, ranging from \$17 down to \$16, and then towards the end of 1898 down to \$15, and finally to \$14.50 an ounce, provision

¹"Discovery" claim was the first claim staked out on a creek, or in any other locality where gold was found. The claims up stream were designated as being "above discovery" and those down stream as "below discovery," and both were numbered consecutively from discovery claim. A discovery claim was usually twice the size of an ordinary claim.

had to be made for the loss in melting and the heavy cost of freight and insurance.

During the first year or two of the camp a large proportion of the output of gold dust was used as currency and therefore remained in the Yukon. For the same reason the shipments made by the bank during its earlier years by no means represented the whole of its purchases.¹ Very few miners whose output of gold was of low grade desired to sell on an assay basis. It was therefore bought as trade dust, and traded in, that is to say, it was bought at a fixed arbitrary figure and sold at another fixed but slightly higher figure. To forestall possible criticism, it may be said that the public in the Yukon had full knowledge of the margin of profit made by the banks and others in handling trade dust, and that in most instances the prices of articles paid for in gold dust made full and ample allowance for what might seem at first sight an injustice. As has already been mentioned, the bank, as one of the ultimate receivers of trade dust, eventually wrote off a very large sum to do its part in remedying the situation. In justice, however, to the memory of the pioneers, be it said that, unlike the "morals" and manners of the camp, trade dust deteriorated by constant manipulation in the course of the moral uplift of the community, until at last it was "civilized" out of existence as an economic sore.

When the river froze up on November 4, 1898, those who were experiencing such things for the first time felt strangely isolated from the world at large. This sensation, however, soon passed away, although it was difficult to get used to the short periods of daylight during the long winter months or the eternal daylight of the summer. In those pioneer days the mails were several months in transit, and it was not until September 28, 1899, that Mr. J. B. Charleson completed for the Government the building of the 526 miles of telegraph

¹For statistics as to the yearly production of gold in the Yukon District, the amount of royalty collected, and the amount of gold shipped by The Canadian Bank of Commerce, see Appendix II (p. 478).

line from Lake Bennett to Dawson. The work had been commenced at Lake Bennett on April 15, 1899, and considering the extremely difficult country through which the line had to be built, it was generally conceded to have been done in record time. Like transportation, telegraph communication proved to be essential to the advancement and growth of the district.

From the midsummer of 1898 on, it had been apparent that, outside of the large dealings in gold dust and exchange, the volume of mercantile business offered would increase steadily. At first the lack of fire insurance facilities, and of independent warehouses outside the fire zone, placed on certain classes of loans definite limitations, which were soon realized and removed. One of the fears which haunted the management of the bank was that of running out of supplies of bank-notes, and as the bank was under-staffed, it was arranged that during the next winter two more officers should come in over the ice by dog team, and bring an additional supply of notes with them. They left Toronto on December 9, 1898, and reached Dawson on February 18, 1899. This made the total amount of bank-notes supplied to the Dawson branch \$970,000, and in the summer of 1899 this was augmented by another shipment of \$960,000, which arrived not a moment too soon. Accompanying this last-mentioned shipment were four more officers and another large safe. During the interval and even before the close of navigation in 1898 the Dawson branch had endeavoured to conserve the supply of the bank's notes by paying out those of other banks, a large amount of which had accumulated in the country. Of course a large amount of the notes issued by the bank in the Yukon had been carried out of the district, but considering that there was another bank in Dawson with a large note circulation of its own, and that the amount of trade dust in circulation, although difficult to estimate accurately, was probably about two million dollars, the foregoing figures offer some indication of the substantial character and rapid growth of business in the community.

Early in the first winter it was realized that the bank should have a down-town branch, and one was established in a small office adjoining the premises of the Alaska Commercial Company. It was opened mainly as a convenience to the public, and conducted along lines that caused no uneasiness on the score of fire risk. In fact, on January 10, 1900, after the branch had been moved to Front Street, in the very heart of the business section, the office was burned down by a fire that destroyed the greater part of the business section of the city. On that occasion no loss whatever was experienced, and no inconvenience beyond the mere trouble of having to thaw the safe before the dials which operated the locks could be worked and the safe opened. As soon as it became clear that the office would be burned, the small equipment of furniture and even the stove were carried to safety. The down-town manager went into the office to have a final look around, but had to make a rapid exit, as the firemen, assisted by the populace generally, had ropes and tackle on the whole front of the structure and were heaving away at it to pull it down when he emerged. He got clear of the building just as the front crashed to the ground, and only drew a good-natured laugh from the crowd when he took indignant exception to such casual treatment. It was the custom of the police at a fire to order men indiscriminately to assist in such work as that just described, or in passing buckets in long lines from the river and other tasks, and immediate arrest and heavy sentences awaited those who deemed themselves immune from such public service. The members of the force themselves worked like Trojans and took most daring risks.

After the first summer it was the custom at the bank to keep the vaults open until about eleven o'clock each night during the "clean-up," two or more of the staff remaining in the office to receive gold dust arriving in town from the mines after hours. This convenience to the public was instituted for the reason that unforeseen delays often occurred on the trail and prevented the miners from reaching town during the usual

business hours. This action of the bank was greatly appreciated by the miners, as otherwise, especially when a large amount of dust was brought in, its care overnight would have given them grave concern.

From the beginning it was evident that the well-established lines of conservative banking, unless sensibly and radically modified to meet the conditions encountered, would result in the bank doing a business altogether inadequate to provide for the heavy expense incurred in opening the branch, and the almost equally heavy cost of maintaining it. A bank in that country run along the usual lines would perhaps have incurred no actual losses, but its returns would have shown nothing to offset its expenses. The problem was to draw a sane dividing line between courage tempered by wisdom and common sense, and courage without either. Even in the comparatively simple task of identifying the hundreds of payees of the various kinds of bills of exchange presented, the situation which faced the officers of the bank was, especially at first, an entirely novel one. In order to identify themselves, many men could offer only others equally unknown to the members of the staff or to the rest of the community. The officers of the branch did their best in such cases and used such powers of discrimination as they possessed, but seemingly took chances such as would drive many a staid, comfortable bank manager in the east into his grave. The bank's trump card in these knotty cases was its versatile and exceedingly shrewd teller—the same who in the opening days had disclaimed the responsibilities usually accompanying that position. He was a Mason, and by some mysterious method which none of the rest of the staff could ever fathom, he would, in certain cases, establish some community with a man, take him to one side and after brief converse with him announce, "He's all right." That settled it, and it is pleasing to record that in several years the bank incurred no losses through this channel of prolific possibilities. Taking the Dawson business as a whole, while the same immunity

from losses cannot be claimed, the ultimate result of the venture repaid the bank well, even when the vital part played by it in the opening up and developing of a new part of Canada is left out of account. It was of course evident, as time went on, that changes in the management and personnel of the staff in Dawson were advantageous, and even necessary, in order to bring to the appraisal and conduct of the business entirely fresh points of view and opinions untrammelled by settled convictions based on several years of local experience; for the latter, although undoubtedly of great value, might well in that sanguine atmosphere have a tendency to engender undue optimism, and a consequent measure of disregard for what appeared to be the "cramping" influences of recognized methods of lending.

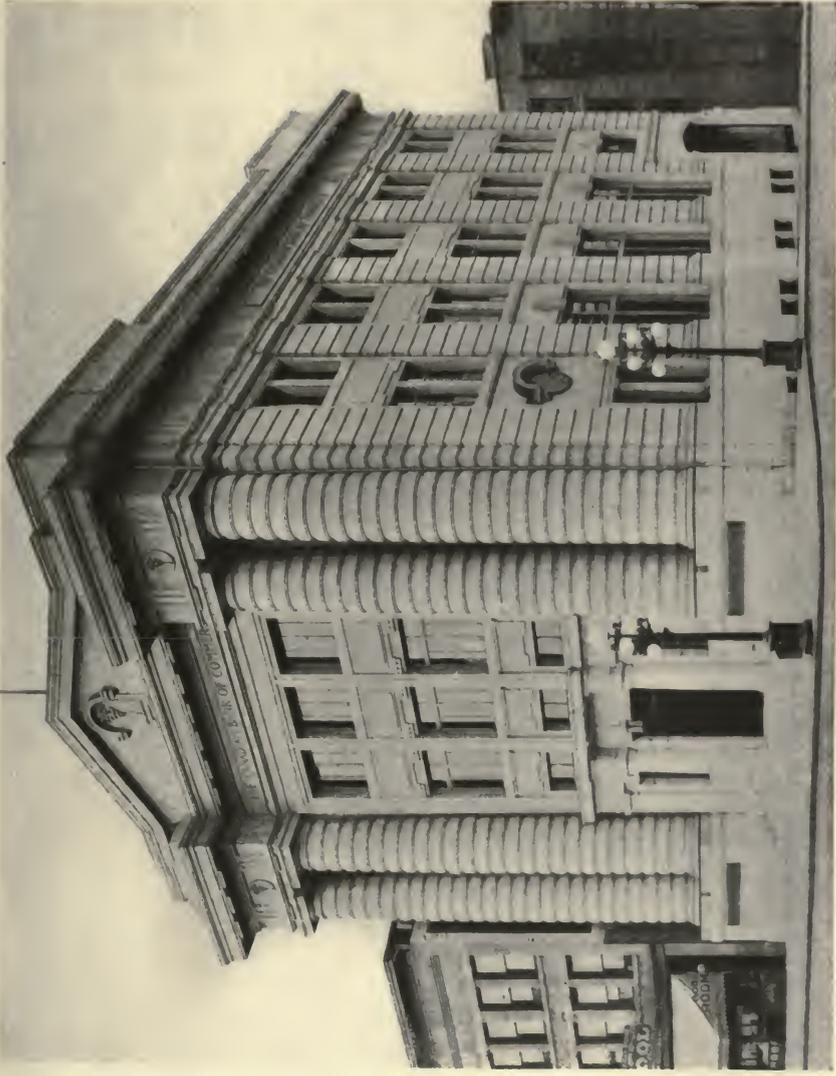
In later years there were a considerable number of "sick" accounts at the branch requiring "nursing," some of which involved protracted litigation. These less pleasant tasks fell to a later management. The ultimate losses due to large dragging mining loans were really surprisingly small, but it must be conceded that this desirable outcome was materially aided by the advent of the large dredging and hydraulic companies, which purchased certain properties taken by the bank as security.

The annual branch inspections took place at Dawson as at other branches of the bank, and their value was perhaps more fully realized there than elsewhere, because of the remoteness and inaccessibility of the place, which made communication by mail so slow and unsatisfactory, especially in the earlier years of its history. This rendered it necessary to accord wider discretionary powers to the local management than would under other circumstances have been deemed prudent. In the light of experience it is not difficult to see how mistakes could have been checked more promptly, if not entirely avoided; Dawson was a success, but it might have been a bigger one. On the other hand, had the officers of the

branch at the outset showed timidity, or lacked vision and courage, it might have been a failure or at best a draw.

From outside testimony it is evident that the pioneers on the bank's staff fitted easily into the community and that each man played a part in contributing to the welfare of the branch. At first the officers of the bank dressed as did the majority of the citizens of Dawson. Under the early conditions this rough garb was as suited to the office as elsewhere, and not until much later days did normal customs prevail in this respect. The management and the other senior officers were accustomed to visit the miners and the various creeks, and on their return would make notes regarding the claims they had seen, especially those in the success of which the bank had some direct interest. The enlargement of the bank's clientele was not neglected during these expeditions, and they were generally found enjoyable, although during the first year a man had to be physically "fit" to travel with dogs. In summer-time a saddle horse was more pleasant and expeditious. Later on, good trails were built, and stages ran all season. Sometimes the traveller was caught by bad weather on the trail and experienced considerable discomfort before he could reach shelter. If his dog team met another on the narrow trail and the two teams fought until they got off the trail into the deep snow, the driver had often to hammer the fight out of them with whip or club and then probably to take off his mittens to disentangle the harness. This would result—when the thermometer was very low—in making his hands so numb that he could hardly get his mittens on again, and in chilling him to the point where the only thing to do was to run until he got warm again, or reached a cabin or road-house. The air was crisp, dry and invigorating, and the average winter weather was delightfully bracing. A temperature of twenty to thirty degrees below zero was comfortable for travelling with dogs,¹ but sometimes it would drop to sixty below and on rare occasions even lower.

¹See plate 23, facing page 150.



VANCOUVER, B.C., EAST END BRANCH.

Development was as rapid in the case of transportation facilities as in any other direction. The difficult construction work of the White Pass and Yukon railway was pressed on with courage and tenacity. By October, 1898, this company had built the first two miles of the railway line from Skagway into Canadian territory by way of the White Pass, and in June, 1900, had completed its line to the foot of the Whitehorse Rapids.¹ From that point to Dawson, steamers in summer and a stage line in winter ran on schedule. As giving some idea of the changes brought about in two years, it may be mentioned that in 1900 there were twenty substantially built steamboats plying regularly between Dawson and Whitehorse, and about thirty running on the lower river between St. Michael and Dawson. During that summer 26,774 tons of freight were carried to Dawson by these steamers, while in addition about 5,000 tons were brought by hundreds of scows down the river. The up-river steamers brought into Dawson that year 4,064 passengers and carried out 5,465, while the lower-river fleet brought in 1,406 passengers and carried out 1,518. Freight and passenger rates were high, but not unduly so, under the conditions existing there. The freight rate from Skagway to Whitehorse on the railway was then four and a half cents a pound, the distance being about 110 miles. This was, of course, a very high charge, but it should be remembered that before the advent of the railway the cost of freighting supplies between Skagway and Whitehorse had ranged from forty cents to one dollar a pound.

By 1900 the mails were handled with regularity and despatch, and through the Dawson newspapers the telegraph line kept the citizens in touch with changing [events on "the outside." The situation was very different from that which prevailed in the summer of 1898, when an enterprising citizen paid \$150 for the latest copy of the *Seattle Post Intelligencer* to arrive in Dawson, hired a hall and charged a \$5 admittance fee to each person to hear "the very latest news of Uncle Sam's

¹The first passenger train from Skagway reached Whitehorse on July 30, 1900.

war with Spain." The hall was jammed and the favourable news the paper contained was read out to a wildly enthusiastic audience.

As a rule the river freezes completely over about the first week in November and the ice does not break up until about the second week in May. It is not difficult, therefore, to form some idea of the great boon, as well as the commercial advantages, conferred on the people of Dawson during this long winter-locked period by the improvement in transportation facilities and means of communication. From that time on, travelling to and from Dawson was a pleasant and comfortable matter in summer; in winter, unless the weather was extreme, the 332 miles between Dawson and Whitehorse were covered in reasonable comfort—absolute luxury, according to the old "sourdoughs" of the trail—for the stages travelled quickly, with relays of horses.

It is rather disappointing to have to record that Canadian business men did not prove as alert as their brethren in the United States in securing their share of the trade of this northern country. During 1902 two trade commissioners visited Dawson, one sent by the Canadian Government and the other by the Canadian Manufacturers' Association, to enquire into conditions and to learn why Canada was not securing a larger percentage of trade from this territory. These steps might well have been taken three or four years earlier. The Mounted Police reports indicate that in 1901 only about thirty-five per cent. of the business was in Canadian hands, but in 1902 the proportion increased to about sixty-four per cent. and the outlook was for an improvement in future years. Ignorance of the requirements of the country, and tardiness in sending trustworthy representatives from Canada to examine into conditions and to open up avenues of trade, were mainly responsible for the lost opportunities of the earlier years.

From 1902 on, the Yukon Territory was ruled by a local administration with greatly enlarged powers, while Dawson

was incorporated, and governed by a mayor and council. Handsome and commodious administration buildings were erected, and a well-equipped fire department now protected the city. The water supply and general sanitary system were excellent, and the city enjoyed a good telephone and electric light system. About this time gambling was abolished, at all events as a form of public amusement. Drastic restrictions were placed upon the operations of the dance halls, and the women could no longer be served a drink on the premises, or in any public bar, as heretofore. Corporations, traders, peddlers and others were called on to bear their share of taxation. Churches, in one form or another, there had been from the beginning, but now children could go to school. In short, Dawson had grown to the stage where the residents brought their wives and children to make their homes there. The manager and assistant manager were able to live in their own houses or cabins, apart from the rest of the staff, who still continued to occupy the original permanent bank building, although it had been considerably enlarged.

As stated in the last chapter, shortly after the Dawson branch was opened, the bank established others on the Pacific Coast, among them Vancouver and Seattle, the two chief centres of trade with the Yukon. Of the others, Skagway, Whitehorse and Atlin were in territory directly tributary to Dawson, the first two being the principal stopping places on the main line of travel from Canada and the United States to Dawson, and the third a subsidiary mining camp on the borders of the Yukon Territory and British Columbia. The facilities afforded by these branches were of very great assistance to the business at Dawson. Atlin was a good though short-lived gold placer-mining camp, about sixty-five miles from Lake Tagish, and had a population of almost 6,000 in the summer of 1899. Skagway, before the completion of the White Pass and Yukon railway, did a large business as the seaport on the quickest route to Dawson, and as the headquarters for the transshipment and transportation of freight going over the passes. In 1902

the bank's office at Skagway was wrecked by a desperado in broad daylight, as told in chapter V.¹ Here, too, Soapy Smith and his gang had reigned, and old-timers still enjoy the story of how he once took under his wing for a day a parson who was trying to raise money to erect a small church at Lake Bennett. Soapy heard of this and the first time that the clergyman was in Skagway he accosted him, and after certain bluff admissions that he wasn't a good man himself, succeeded in conveying the idea that he had respect and admiration for those who were and who lived up to their convictions. He concluded by heading the list with a subscription of \$200 for such a laudable purpose, and then the two went around Skagway on a canvass. In those days no man with property—and sense—would refuse a request of Soapy's; so the two quickly raised a sufficient sum, about two thousand dollars. Later on, as the money was being carried over the pass to Lake Bennett, Soapy's gang held up the parson. Of course, Soapy himself was not in evidence.

The branch at Whitehorse was opened in April, 1900. In addition to being the terminus of the White Pass and Yukon railway, this place is the point of transshipment to river steamers. It was here that Robert Service, at one time an officer of The Canadian Bank of Commerce, acquired fame as a poet by writing his *Songs of a Sourdough*. It was here that he must have learned to love this strange country, its life, people and customs, for old-timers are all agreed that no one who had not done so could have written as he did. A bank can so seldom boast of harbouring a poet that the opportunity cannot be allowed to pass of quoting his poem, "*The Spell of the Yukon*," which describes so vividly the evolution of the new-comer in that far north country, the grandeur of its scenery and its strong grip upon the imagination, conveying at the same time, as it does, just a hint of those "high-spots" no old-timer ever missed on a trip to the "outside."

¹See page 285.



VICTORIA, B.C.

"THE SPELL OF THE YUKON."¹

I wanted the gold, and I sought it;
I scabbled and mucked like a slave.
Was it famine or scurvy—I fought it;
I hurled my youth into a grave.
I wanted the gold and I got it—
Came out with a fortune last fall—
Yet somehow life's not what I thought it,
And somehow the gold isn't all.

No! there's the land. (Have you seen it?)
It's the cussedest land that I know,
From the big, dizzy mountains that screen it,
To the deep, deathlike valleys below.
Some say God was tired when He made it;
Some say it's a fine land to shun;
Maybe: but there's some as would trade it
For no land on earth—and I'm one.

You come to get rich (damned good reason),
You feel like an exile at first;
You hate it like hell for a season,
And then you are worse than the worst.
It grips you like some kinds of sinning;
It twists you from foe to a friend;
It seems it's been since the beginning;
It seems it will be to the end.

I've stood in some mighty-mouthed hollow
That's plumb-full of hush to the brim;
I've watched the big, husky sun wallow
In crimson and gold, and grow dim,
Till the moon set the pearly peaks gleaming,
And the stars tumbled out, neck and crop;
And I've thought that I surely was dreaming,
With the peace o' the world piled on top.

¹Reprinted, by permission of the publisher, from *Songs of a Sourdough*, by Robert W. Service. Second Edition. William Briggs, Toronto, 1897.

The summer—no sweeter was ever;
 The sunshiny woods all athrill;
 The greyling aleap in the river,
 The bighorn asleep on the hill.
 The strong life that never knows harness;
 The wilds where the caribou call;
 The freshness, the freedom, the farness—
 O God! how I'm stuck on it all.

The winter! the brightness that blinds you,
 The white land locked tight as a drum,
 The cold fear that follows and finds you,
 The silence that bludgeons you dumb.
 The snows that are older than history,
 The woods where the weird shadows slant;
 The stillness, the moonlight, the mystery,
 I've bade 'em good-bye—but I can't.

There's a land where the mountains are nameless,
 And the rivers all run God knows where;
 There are lives that are erring and aimless,
 And deaths that just hang by a hair;
 There are hardships that nobody reckons;
 There are valleys unpeopled and still;
 There's a land—oh, it beckons and beckons,
 And I want to go back—and I will.

They're making my money diminish;
 I'm sick of the taste of champagne.
 Thank God! when I'm skinned to a finish
 I'll pike to the Yukon again.
 I'll fight—and you bet it's no sham-fight;¹
 It's hell!—but I've been there before;

¹Service is right. While this side of the picture has not been dwelt on, it certainly was no "sham-fight" for those who went in unaided, and very often with only slender resources, to wrest gold from that country. As he says, it could "bludgeon" the man who was not strong physically, or who was without ample supplies or money. In 1899 the Mounted Police sent nineteen insane persons out of the country. The number varied, of course, from year to year, and the cases were mainly attributable to hardships, deprivation and consequent brooding loneliness. Big strong men have been seen lying down on the trail—too worn to take their packs off—and weeping. Yet a man foolish enough to laugh or sneer at such a sight would, in nine cases out of ten, be provided with "the fight of his life."

And it's better than this by a damsite—
So me for the Yukon once more.

There's gold, and it's haunting and haunting;
It's luring me on as of old;
Yet it isn't the gold that I'm wanting,
So much as just finding the gold.
It's the great, big, broad land 'way up yonder,
It's the forests where silence has lease;
It's the beauty that thrills me with wonder,
It's the stillness that fills me with peace.

In 1901 was completed the last building erected by the bank in Dawson. Permission was obtained from the Government to build on the waterfront, which had been reserved almost entirely for docks and their warehouses. The exterior of the building presents a most modern appearance and the interior is well finished and equipped. The cost was about \$50,000. The staff had grown to twenty in number when they moved into the new building, the erection of which seemed to mark the end of what may be termed the "pioneer" days. After 1901 or 1902, under the more civilized conditions which prevailed, the business of the branch was conducted along much the same lines as at any other branch in a settled community. The management of the branch was considerably more exacting and onerous, and there was less of that novel and beguiling atmosphere which had given such charm to the early days that the members of the original staff were reluctant to accept transfer to the "outside," even for promotion. On the whole, there is much reason to envy the "originals"¹ and the early reinforcements of the Dawson staff their varied experiences in opening the branch and "roughing" it in the

¹The original members of the Dawson staff were: H. T. Wills, manager; Thomas McMullen, assistant manager; Percy C. Stevenson and Charles G. K. Nourse; Alexander Ross and Thomas Comloquoy, messengers. Messrs. Stevenson, Nourse and Comloquoy are still in the service of the bank; Mr. Stevenson is manager at Ottawa, Mr. Nourse, manager at Winnipeg, and Thomas Comloquoy, senior messenger at the head office.

unique pioneer days. Dawson in later years, shorn of its breezy and unruly pioneer ways, could not, despite the greatly increased comfort of living conditions, make up for much that it lacked and that the "outside" gives. As is generally known, the population decreased gradually as the heyday period of the camp passed away, until in recent years it has fallen to quite low figures. On this account, and with the advent of large interests in the mining field, the business and importance of the branch have lessened as time went on.

In these later years the citizens of Dawson have been fined for "neglect to clean sidewalk," just like the citizens of any ordinary town in the east, and it is doubtful whether any of the pioneers who are still living could be induced to take up permanent residence in Dawson under such horribly prosaic conditions. When Bret Harte, in the "sixties," wrote his good-humouredly quizzical poem, "*An Arctic Vision*," anent the purchase of Alaska for the United States by Secretary Seward, and predicted gold-mining among other possibilities of that frozen country, he little dreamed that his chaffing and sceptical prophecy would be so strikingly fulfilled. Perhaps still less did the old "sourdough" pioneers of 1895-97 anticipate the radical changes which were so soon to take place. This calls to mind the remark made by one of these old-timers to a member of the bank's staff in the autumn of 1898—the year of the bank's arrival. The speaker was "Nigger Jim," who, although pure white, had to endure this sobriquet for the sole reason of his soft southern dialect. The Yukon Field Force had just arrived in Dawson and, accompanied by two light field-pieces, paraded to their barracks in heavy marching order with all their military trappings, led by their officers in very swagger regulation kit, swords, pith helmets, etc. This spectacle proved too much for Nigger Jim, who gazed long and earnestly at them, and then remarked, "Well I guess this place is getting too d——d civilized for me. I'd better be moving on again to the frontier."



CHAPTER IV.

1901 TO 1914.

The dawn of the twentieth century marked an epoch in the history of The Canadian Bank of Commerce, for in the years which immediately followed the opening of the new century there took place the transition of the bank from a purely provincial to an all-Canadian institution, with establishments on both oceans, linked together by many branches at strategic points in the vast intervening territory. The history of the bank has already been traced from 1867 to 1900, and it has been pointed out that it came into existence at Confederation to meet an urgent need for improved banking facilities in the newly-created province of Ontario, and that its growth kept pace steadily with the expansion of trade and population in that province. The process by which its field of action became transcontinental began, as the nineteenth century drew to its close, when the business of the Bank of British Columbia was acquired; but this stroke of enterprise still left not only a blank east of Montreal, but also an enormous gap of prairie country between Winnipeg and the Rocky Mountains. The first decade of the new century saw the bank reaching out into new fields of usefulness, power and influence, and perhaps the most important part which it played was in the great drama of western development. About the time that this was beginning, The Canadian Bank of Commerce also made its entry into the Maritime Provinces by acquiring the extensive business of the historic Halifax Banking Company, which dated from 1825. In 1906, it completed its occupation of the Atlantic Coast field by the acquirement of the Merchants Bank of Prince Edward Island, and a few years later the chain was completed by the purchase of the Eastern Townships Bank in the province of Quebec.

The Canadian Bank of Commerce began the twentieth century with a system of sixty-seven branches, of which forty-five were in Ontario, fourteen in British Columbia and the Yukon, five in the United States, and the remaining three in Winnipeg, Montreal and London, England, respectively. Its paid-up capital was \$8,000,000, its reserve fund \$2,000,000 and its total assets in round figures \$64,000,000. The earliest developments in western branch extension occurred in 1902, when the bank, its sense of proportion challenged, decided to enter the unoccupied territory between Winnipeg and the Rockies, and thus revealed its understanding of the future that lay before the North-West Territories. It must not be assumed that the guiding minds of the institution had previously been blind to what was about to take place in that region. A belief in the future of the West had been one of the most strongly cherished convictions of Sir Edmund Walker, when he was general manager, and he had been at pains to impress it on the members of his staff. Some of his present associates recall that in the early "nineties," when pessimism prevailed in eastern Canada as to this country's future, and more business men than to-day would care to confess it were inclined to think the late Goldwin Smith right in his view that Canada's destiny lay in becoming a subordinate part of the American Republic, Sir Edmund Walker was sounding an entirely different note. Agricultural depression, the fall in land values, and heavy emigration of farmers' sons to the United States, tended to promote in financial circles pessimism as to Canada's national outlook, but Sir Edmund's analysis of the situation and optimistic forecast of the future were to justify themselves in less than fifteen years. To the pessimists among his associates he would prophesy, "Wait till the last of the free lands in the United States have been taken up, and you will see a great movement of immigration into our North-West."

The last of the free lands in the United States were taken up with amazing rapidity on the opening of the Oklahoma

Indian reservation for settlement in 1901, and immediately Sir Edmund's prophecy with regard to the Canadian West began to be fulfilled. Settlers with capital to create new homes and farms came not only from the United States, but from Great Britain and from eastern Europe, and the movement continued until interrupted by the outbreak of the Great War. Though there have been occasional regrets at the policy which brought so many of alien tongue and institutions to the western provinces, there is no doubt but that the new-comers performed an indispensable service. The rough work of rapid development devolved largely on them, and they assisted materially in creating the many towns and cities which have had their birth during the present century.

It seems incredible now that so many in eastern Canada were blind twenty years ago to what the immediate future held in store for the North-West Territories. Only the occasional individual who had studied the subject with an open mind realized what might happen, and even he knew little of the possibilities of the Canadian prairie country. Not many years earlier, the belief had prevailed that wheat could not be successfully grown in the West outside a certain limited area of Manitoba. Even so astute a man as the late James J. Hill,¹ a Canadian by birth, and the founder of

¹James Jerome Hill (1838-1916) was born near Guelph, Ont. He spent the early years of his life on his father's farm and was afterwards for some years a clerk in various mercantile houses in St. Paul, Minn. He became connected with the transportation business during the Civil War in the United States, and in 1870 established the Red River Transportation Company, to open up direct communication between St. Paul and Fort Garry, Man., now Winnipeg. In 1871 he came into contact with Mr. Donald A. Smith (later Lord Strathcona and Mount Royal) and in 1878 these two men with some others obtained control of the St. Paul and Pacific Railroad, Mr. Hill being made managing director. In 1880, with Mr. George Stephen (later Lord Mount Stephen) Mr. R. B. Angus and a few others, he entered the syndicate which built the Canadian Pacific Railway. In 1883 Mr. Hill sold out his interest in the Canadian Pacific Railway to his associates and thereafter devoted himself to the St. Paul, Minneapolis and Manitoba Railroad, a reorganization of the St. Paul and Pacific Railroad, which has since become part of the Great Northern Railroad System. Mr. Hill became president of the last-named road in 1893, retiring in 1907 to become chairman of the Board.

the Great Northern Railroad of the United States, held the view that the scorching suns of what are now the provinces of Alberta and Saskatchewan would shrivel the wheat berry before it attained maturity. By 1900, however, wheat-growing had spread along the main line of the Canadian Pacific Railway to a short distance west of Moose Jaw, and also along the railway to Prince Albert in northern Saskatchewan. In the Edmonton district settlers were striving with the elements to get their grain ripened. The Medicine Hat district to the south had, in school geographies of the time, been placed within the area of the "Great American Desert;" and it is true that the droughts in that district had for a time justified the belief of meteorologists that the settlers who in 1902 began to arrive in large numbers would have cause for bitter regret, a belief which unfortunately during recent years has to some extent been confirmed. The possibilities of the Saskatoon district, which has since proved a wonderfully productive region, were unsuspected even by the companies which were selling land there; and their agents used to indulge in expressions of pity for those whom they regarded as their misguided victims. As late as 1903 an officer of The Canadian Bank of Commerce travelling on a train fifty miles south of Saskatoon heard a fellow-passenger say, pointing to a settler engaged in breaking a half-section on the prairie at much expense, "Poor devil, he'll be broke in a couple of years!" It is more than likely that the "poor devil" was able to reap the reward of his industry and enterprise. Even if he did not, it is certain that many who have since become his neighbours have been more fortunate. Whether Providence had anything to do with it or not, the predictions of meteorologists as to drought ceased to come true from the time the inrush of settlers began in 1901. In that summer there was a fairly generous rainfall in districts where pessimists had declared rain to be almost unknown, and the desert places began to blossom. The average rainfall ever since has been fairly good. There have been seasons when drought has recurred

in the dry areas of the Canadian West, but it has also extended to uncondemned areas in the American West. In some of these dry areas, lands have changed ownership in later years at the highest prices yet recorded in the West. The first two decades of this century have shown that, by the use of proper methods of farming, grain can be successfully grown over the greater part of the prairie region of western Canada and—under favourable weather and market conditions—very profitably.

It fell to the task of the present general manager, Sir John Aird, to seize the opportunity afforded by the fulfilment of Sir Edmund's prophecy. Sir John Aird was at the period mentioned manager of the Winnipeg branch, and on the first indications of an era of new settlement in the West he began to urge on the head office the advisability of establishing branches in the prairie country. The policy of the directors had always recognized both their obligation to preserve the interests of their shareholders and depositors, and their duty to assist in the legitimate progress of Canada. They were unwilling to take a step in the dark, but Sir John Aird's representations were so emphatic and convincing that in 1902 they decided to instruct him to go over the ground in company with a representative of the head office, Mr. Vere C. Brown, later to succeed Sir John as superintendent at Winnipeg.

In September, 1902, these officers set out on a prospecting expedition which resulted in the establishment of branches at Calgary, Edmonton, Medicine Hat and Moosomin within a few months, followed by many others during the two or three succeeding years. They were already satisfied as to the coming importance of the wheat sections of Manitoba and were disposed to recommend as an initial step the establishment of a branch at Oak Lake in that province, but on reflection concluded that until the more important centres were occupied, a hamlet such as Oak Lake could well afford to wait. The result of this delay was that another bank opened in Oak Lake ahead of them. Their next choice was Medicine Hat,

which Sir John Aird believed to be a promising point, although another institution was already in the field. It was merely a divisional point on the railway and the trading post for the ranchers of that part of southern Alberta. For miles in every direction, save for an occasional herd of cattle, there were no signs of human habitation. American ranchers, forced out of their own country by the encroachments of farmers, were migrating into the district in the belief that it was a country that would be free for all time to come from that great source of annoyance to cattle-men, the settler's fence. In the autumn of 1902 the two streets of Medicine Hat were alive with picturesque cowboys, and money seemed so plentiful that the representatives of The Canadian Bank of Commerce decided that there was room for a second bank. When, shortly afterwards, a third came in, it seemed to those in occupation of the territory one too many, but within a few years there were seven.

At that time Calgary was a centre of recognized importance, although its population was less than 7,000. Five banks were already established there, but the visitors decided that there was no ill-luck in even numbers and proceeded to open a sixth. They rented premises on a ten-year lease at a figure which seemed over-generous to some, but within five years the rental value of the property exceeded the stipulated rent three or four times over. Since then the population of Calgary has grown to over 60,000, and it has fifteen banks, several of which maintain more than one branch.

The future of Edmonton was less apparent in 1902 than that of Calgary. At that time Alberta had not acquired autonomy and the selection of the northern city as the provincial capital had yet to come. Edmonton had not long emerged from the status of a Hudson's Bay Company's post, though it had long been and still is a point of great importance in the fur trade. In 1901 it had a population of 2,600, spread along the bend of the Saskatchewan river. It was reached by a single train each day from Calgary, which consisted of

one first-class passenger coach and a number of freight cars, and made 190 miles in twelve hours. Even then passengers had to disembark at Strathcona, on the side of the river opposite the town, and travel two miles in an omnibus over a mud road, crossing the river in a ferry. There was usually a race from the railway station for places on the ferry to avoid waiting for a later trip, and many upsets were the result. Between the railway tracks grass grew rankly in summer-time, and the condition of the road-bed would cause a general mix-up of the contents of the passenger coach as the train rounded the numerous curves. Now Edmonton has excellent railway connections, and the Canadian Pacific Railway from Calgary reaches it over a magnificent high-level bridge. In 1902, three banks were already on the spot and there seemed hardly room for a fourth, but the bank's representatives discerned that Edmonton would one day be the metropolis of a vast agricultural country to the north, and looking to the future, as at Calgary, they decided that the town should be occupied. Edmonton has since grown from an outpost town to a substantial city of over 50,000 inhabitants.

The primitive conditions which still existed on the branch lines of western railways were demonstrated to the travellers on the return trip from Edmonton to Calgary. The train was due to arrive at the latter point at 8 p.m., but near Didsbury the evening dew had bent the grass growing to a height of two or three feet between the railway tracks so as to cover the rails thickly. The train was brought to a stop by the slippery green grass, and it was not until next morning that assistance arrived from Calgary to take the passenger coach to its destination. At this period similar conditions were to be found on the Prince Albert branch and on most of the other "feeders" to the main line of the Canadian Pacific Railway. An excursion to the country south of Calgary, in the region of Macleod and Lethbridge, went to show that the climate made wheat-growing hazardous, and that the country was predestined to cattle ranching. Yet the experience of settlers,

who were even then moving in, was to prove that in favourable seasons the opposite view was justified. Later years have shown that an adequate annual rainfall cannot always be relied upon, but provision has since been made for irrigating a considerable part of the area.

The establishment of branches in Medicine Hat, Calgary and Edmonton has seemed worthy of extended notice, because the marvellous change that has come over the West in a few years has made these towns important centres. At these points The Canadian Bank of Commerce was not the first bank in the field (the pioneer phase of its activity in this part of the country was to come a year or so later), and the bank's officers were feeling their way cautiously. These three branches, with Moosomin and eight smaller towns, completed the bank's western programme for 1902, and were followed in 1903 by Regina, Portage la Prairie and Prince Albert. In 1904 Moose Jaw was added to the list, and in 1905 Lethbridge, Brandon and Saskatoon. These centres are mentioned because of their comparative importance. During these years many other branches were established at smaller places,¹ where it was a race as to which bank should open first, and in these contests the resourcefulness of the aggressive young officers of The Canadian Bank of Commerce in many instances carried off the honours. The story of some of their efforts and of the hardships they had to endure is narrated in the following chapter.

It was indeed necessary that the bank should put forth all its energies, if it was to keep pace with the phenomenal development that was taking place, stimulated by both immigration and railway construction. A rival to the Canadian Pacific Railway had entered the field in the shape of the Canadian Northern Railway, and by a policy of acquiring unused charters and branch lines was already linking the latter together to form part of a new transcontinental system. Even a third line to span the prairie, the Grand Trunk Pacific

¹See Appendix XII, page 559.



WINNIPEG, MAN.

Railway, was in embryo. The following figures will give some idea of the rapid increase in western production during the first decade of this century. In 1899 the spring wheat crop of Manitoba, Saskatchewan and Alberta amounted to 35,000,000 bushels. In 1900 (a year of crop failure) it had fallen to 17,000,000 bushels. Nine years later it amounted to 140,000,000 bushels, and in spite of some set-backs it has been increasing steadily ever since. The population west of the Great Lakes, including British Columbia, increased by 1,100,000 between the census of 1901 and that of 1911, or approximately 200 per cent. In the prairie cities, where the earlier western branches of The Canadian Bank of Commerce were established, the growth of population was on the same phenomenal scale, for the rapid settlement of agricultural land brought great numbers of firms and individuals from the east in search of business opportunities, and to such newcomers banking facilities were indispensable. During the period between the two censuses just referred to, the population of Winnipeg grew from 42,340 to 136,035; of Calgary, from 4,392 to 43,704; of Regina, from 2,249 to 30,213; of Edmonton, from 2,626 to 24,900; of Brandon, from 5,620 to 13,839; of Moose Jaw, from 1,558 to 13,823; of Saskatoon, from 113 to 12,004; of Lethbridge, from 2,072 to 8,050; and of Medicine Hat, from 1,570 to 5,608. In British Columbia the increases were not quite so phenomenal (save in the case of Vancouver, which during the same period grew from 27,010 to 100,401), but they were very considerable. In 1900 there were only three clearing-houses in the western half of the Dominion, namely at Winnipeg, Vancouver and Victoria, and their combined clearings were, in round figures, \$200,000,000. In 1910 the number had been increased to six by the addition of Calgary, Edmonton and Regina to the list, and their combined clearings reached \$1,760,000,000. The growth in railroad mileage had been from 3,716 miles in 1900 to 8,650 in 1910, and until checked by the war railway construction continued on an ever-increasing scale.

The rapid strides made by The Canadian Bank of Commerce in the territory west of the Great Lakes are best shown by the fact that, whereas until its entry into the Yukon in 1898 it had only one branch in the West, that at Winnipeg, at the close of 1911 it had 149, of which 113 were in the three prairie provinces. It will be seen that the outcome more than justified the bank's western policy, but it must not be imagined that it was adopted in a restless, speculative spirit. In fact, one of the great services rendered in the West by the Canadian banks has been their effort to educate the people (not at all times with success) in sound conservative methods of finance. The optimism of Sir John Aird and his chief did not blind them to the fact that, while the future of the West seemed assured, there was a limit to the number of unprofitable branches (the present value of which lay chiefly in the future) that could be carried by the bank at any one time. Consequently it was the policy of the general manager and of the Board to keep the brake on, and to meet the definite needs of the western community as they arose, rather than to take reckless chances.

There was also another problem which had to be faced, the practical one of obtaining trained men for the new branches. The strain on the staff during that period of extension was severe. Conditions in Canada, as a whole, during the first decade of this century, were prosperous and there were numerous openings for young men which appeared to offer a more remunerative career than banking. Clerks leaving the employ of the bank were occasionally able to boast of having made within a week or two, on a real estate deal, more than a year's salary with the bank. Resignations from the staff showed a tendency to exceed applications from young men eligible for employment. At the beginning of the bank's western development it had only sixty Canadian branches from which to man the new ones, so that the problem of finding a trained staff for from six to twelve new agencies per annum seemed at times insoluble. The managers of the old-established

Ontario branches were during this period continually obliged to importune the head office for more assistance, and concurrently would come urgent representations from Sir John Aird that a new branch ought to be opened at some western point if The Canadian Bank of Commerce was not to lag in the race to occupy remunerative territory. The query, "Where are the men to come from?" was an almost daily torment to those in charge of appointments, but somehow or other they managed to worry through.

In 1905 the limit of possible effort seemed to have been reached, when a happy inspiration came to the management. The abilities of Scottish youths trained in accounting had long been traditional in Canadian financial circles, and it was decided to see what assistance could be obtained from that source. The officer who was deputed to make the annual inspection of the London, England, branch was authorized by the general manager to visit Scotland for the purpose. Arrangements were made beforehand with a prominent Writer to the Signet in Edinburgh to act as agent for receiving applications, and advertisements were inserted in the newspapers of leading Scottish cities. When the officer arrived in Edinburgh, he found that the number of applications awaiting him ran into the thousands. The offer of a salary ranging from £50 per annum for inexperienced beginners, to £100 for clerks with some training, had proved very alluring in a country where the standardized salary for bank clerks was £20 the first year, £30 the second and £40 the third. The applications were subjected to a process of elimination until the number was reduced to a few hundred of the more promising, and the officer set out for a tour of Dundee, Aberdeen, Inverness, Perth, Stirling and Glasgow to interview applicants personally and to enquire into their capabilities and antecedents. The result was the immediate appointment of seventy-five applicants of a most satisfactory character and a steady stream of promising applications until the outbreak of the late war. When the news first became known, there was some criticism in Canada from the parents of

youths in this country who had failed of appointment. Competing banks also made a jest of the plan, but as soon as they saw the excellent results obtained, began to follow suit. In 1910 similar steps were taken to recruit men in Ireland, arrangements being made for the purpose with solicitors in Dublin and Belfast. In England a number of men were taken on through the bank's London office, which for a time extended its activities to the continent of Europe with a view to obtaining men equipped with a knowledge of the language and customs of the various European nationalities found in Canada. The outcome has been to provide Canada with a body of new-comers of the most admirable type, many of whom will found families in this country, while at the same time The Canadian Bank of Commerce was enabled to continue its policy of branch extension in the West.

As already stated, the bank, while obeying the tendency immortalized in Bishop Berkeley's¹ line, "Westward, the course of Empire takes its way," was not idle in the east. About this time came the acquisition of the Halifax Banking Company,² which gave The Canadian Bank of Commerce a solid footing in the Maritime Provinces, under conditions which banished any sectional prejudice that might be aroused by a new-comer from the region of the Great Lakes who sought to compete for business with local institutions hallowed by long traditions. The taking over of the Halifax Banking Company was accompanied by an increase in the capital of The Canadian Bank of Commerce from \$8,000,000 to \$10,000,000, and this was authorized at a special meeting of shareholders held on April 14, 1903. The details of the purchase may be briefly recapitulated here. The absorbed bank had a paid-up capital of \$600,000 and a Rest of \$525,000, for which The Canadian Bank of Commerce virtually paid with its own stock

¹George Berkeley (1685-1753), Irish bishop and philosopher, was born near Dysert Castle, Thomastown, Ireland. He was a graduate of Trinity College, Dublin. In 1724 he was nominated Dean of Derry, and in 1734 was raised to the bishopric of Cloyne. He was the author of a number of philosophical works.

²See Vol. I, chapter II.



THE BRONZE ENTRANCE DOORS OF THE WINNIPEG BUILDING
PLATE No. 33.

valued at \$160 per share. The shareholders of the Halifax Banking Company received \$700,000, par value, of Canadian Bank of Commerce stock, which at the rating just mentioned amounted to \$1,120,000, and \$6,000 was paid in cash, or \$1,126,000 in all. Any provision for bad debts which The Canadian Bank of Commerce might find it necessary to make subsequently would represent the price of the goodwill. The assets were taken over on the evening of May 30, 1903, the day on which the Governor-General in Council approved the agreement of purchase, and at the next annual meeting of The Canadian Bank of Commerce the net results of the amalgamation were announced to be as follows:

Surplus of Halifax Banking Company's assets over liabilities, at purchaser's valuation	\$1,039,028
Paid to Halifax Banking Company's shareholders in cash	\$ 6,000
Transferred to Pension Fund for Halifax Banking Company's staff	40,000
Credited to Capital Account for new stock issued	700,000
	746,000
Premium on new Canadian Bank of Commerce stock	\$293,028

Thus The Canadian Bank of Commerce actually received a premium of about forty-two per cent. on the new shares issued to stockholders of the Halifax Banking Company, the market value of its shares at that time showing a premium of sixty per cent. The difference of eighteen points—in round figures, \$126,000—would represent the payment for the goodwill. By its entry in this manner into the Maritime Provinces the bank acquired eighteen new branches in Nova Scotia, and two in New Brunswick. The banking law of Canada at that time permitted the creation of local boards of directors, and the following members of the Board of the Halifax Banking Company were appointed local directors at Halifax: Messrs.

Robie Uniacke (chairman),¹ C. W. Anderson,² John MacNab,³ and W. J. G. Thomson,⁴ and Dr. W. N. Wickwire.⁵ These local boards have now, however, ceased to exist as such, the surviving members continuing to serve merely as an advisory committee.

Significant as was the evolution of The Canadian Bank of Commerce from an inland and purely provincial to an all-Canadian institution with establishments on both the Atlantic and Pacific seacoasts of Canada, the fact should not be overlooked that in the process the bank had also acquired a certain international status, the importance of which was sure to increase with the passing of time. After 1900 it had its own offices in Great Britain and the United States, and the ramifications of its business extended to other parts of the world, as for instance, the Hawaiian Islands, as will now be told. Not only was it established in London and New York, the financial centres of the two hemispheres, but

¹Robie Uniacke (1835-1904) was born in Halifax, N.S., the son of Andrew Mitchell Uniacke, a member of a prominent legal family of Nova Scotia. Mr. Uniacke was educated as a barrister, but did not practise, being a man of considerable means. In addition to serving as president of the Halifax Banking Company, he was a director in numerous other financial and industrial corporations (See Vol. I, p. 107).

²Charles Willoughby Anderson (b. 1843) is a native of Musquodoboit Harbour, N.S. His father, William Anderson, was a Scottish land surveyor. Mr. C. W. Anderson was a member of the grocery firm of C. and W. Anderson for many years, but is now retired.

³John MacNab (1832-1916) was a native of Lanark, Scotland, the son of Ebenezer MacNab, a merchant of that town. Mr. John MacNab entered commercial life in Halifax, where he was for many years a partner in the firm of Alexander MacLeod and Company. He took much interest in charitable and educational work. He was a director of the Eastern Trust Company and of the Halifax Fire Insurance Company.

⁴William James Guilding Thomson (b. 1858) is a son of James Thomson and a native of Halifax. Mr. Thomson has for many years been engaged in business in Halifax as an insurance broker and financial agent.

⁵William Nathan Wickwire, M.D. (1839-1911), son of Peter Wickwire, was born at Cornwallis, N.S. He studied medicine at the University of Edinburgh, graduating in 1864. For some time he practised in Halifax in partnership with Dr. Tupper (afterwards Sir Charles Tupper). In 1866 he was appointed Assistant Health Officer for the port of Halifax, and about six years later he became Chief Medical Officer, holding the latter position for twenty-seven years, or until his resignation in 1899. In addition to being a director of the Halifax Banking Company, he served on the Boards of a number of other companies.

it had also branches in the principal seaports on the Pacific coast of both Canada and the United States, thus occupying a particularly favourable position in the event of the future development of trans-Pacific trade.¹

Through the transfer of the business of the Bank of British Columbia the bank had acquired an interesting and long-standing connection with the sugar industry of the Hawaiian Islands. The cultivation of sugar commenced in these Islands about 1850, and is now carried on along the most scientific lines. For many years the sugar planters have maintained an experimental station there that is a marvel to this industry throughout the world. No expense is spared in the researches in soil-analysis, entomology and pathology. Millions of dollars have been spent on water conservation and irrigation systems, and the cane-crushing mills are most modern in every particular. A few months after the opening of the office of the Bank of British Columbia in San Francisco, two men, Andrew Welch² and Gilbert Malcolm Sproat,³ came to San Francisco from Victoria and went into business as exporters and importers. A few years later Mr. Sproat retired and his

¹Another interesting point in this connection is the impossibility under present laws in the United States of another bank acquiring a similar position to that held by The Canadian Bank of Commerce. For instance, while the *status quo* is recognized so far as The Canadian Bank of Commerce, San Francisco, is concerned, no foreign bank is now allowed to open a branch in the State of California.

²Andrew Welch (1837-89) was born in Cupar-Fife, Scotland, and educated locally. After acquiring some business experience in Liverpool and London, he emigrated to British Columbia about 1850, and remained there until 1864 when he removed to San Francisco to become a partner in the firm of Welch and Sproat. During the later "sixties" Mr. Welch became interested in the sugar trade of the Hawaiian Islands, and in 1871 he founded the firm of Welch and Company, which acted as agents for several of the large sugar factors of those islands.

³Gilbert Malcolm Sproat (1834-1913) was born and educated in Scotland, and went to British Columbia while that province was still a Crown colony. He appears to have been interested in the development of the timber resources of British Columbia and Vancouver Island, and with one Captain Stamp in 1860 obtained from the Shesha Indians by treaty a grant of land at Somass, Alberni Canal, Vancouver Island, for the purpose of erecting a saw-mill. About 1864 he went to San Francisco and later returned to England. After Confederation he became Agent-General for British Columbia. In 1876 he was appointed one of three commissioners

place in the business was taken by the late R. P. Rithet,¹ of Victoria, the firm name being Welch and Company in San Francisco and Welch, Rithet and Company in Victoria, and both firms becoming important customers of the Bank of British Columbia. The first connection of Welch and his partners with the sugar trade of the Hawaiian Islands resulted in a loss, but was followed by other transactions, until in time they became one of the leading firms in the trade, and agents for a number of important sugar plantations. The Bank of British Columbia early evinced its faith in the enterprise of Welch and Company and made large advances to the sugar interests of the Islands. This banking connection has continued down to the present day, and forms a highly-esteemed part of the business of the San Francisco branch of the bank.

The rise of the bank to its new status having been traced, it is now necessary to revert to other matters which occurred in 1901, the date at which this chapter commences.

One of the first evidences of the change in the character of the bank is seen in the action taken by the Board on to set apart reserves in British Columbia for the use of the Indians. In 1878 he became sole commissioner for this purpose, and held office until March, 1880, when he resigned. For a time he resided in Nelson, B.C., and he also held the position of stipendiary magistrate at Revelstoke. He was for a short period editorial writer on the staff of the two Victoria newspapers, the *Colonist* and the *Times*. It is said that Sproat Lake, near the Alberni Canal, Vancouver Island, and Sproat's Landing, now Robson, at the foot of the Arrow Lakes in British Columbia, were named after him.

¹Robert Paterson Rithet (1844-1919) was born near Lockerbie, Scotland, and educated at Annan Academy. He came to British Columbia in 1862, and entered into partnership in business, first with Gilbert M. Sproat in 1865, and then with J. Robertson Stewart in 1870. The following year the firm of Welch, Rithet and Company (now known as Rithet Consolidated, Limited) was formed and bought out the interest of Mr. Stewart in the business. Mr. Rithet served as president of the Victoria Board of Trade for several years. He was Mayor of Victoria in 1885, and represented the city of Victoria in the provincial legislature from 1894 to 1898. After the death of Mr. Andrew Welch in 1889, a great deal of Mr. Rithet's time was spent in San Francisco, where he was successfully identified with the development of the sugar industry of the Hawaiian Islands. For many years he was president of Welch and Company, San Francisco. He was also president up to the time of his death of the California and Hawaiian Sugar Refining Company.



PLATE No. 34.

WOODSTOCK, ONT.

January 31, 1901, to establish a stock register and transfer office in London, England, for the convenience of the large body of shareholders resident in the British Isles, who had formerly been shareholders of the Bank of British Columbia. Another was the issue of a revised list of specimen signatures of those officers of the bank who were authorized to sign circular letters of credit. This included the newly-acquired branches outside Canada, but in the light of later history, its chief interest lies in the fact that, even after including the former offices of the Bank of British Columbia outside Canada, the list covered only two pages of letter paper, whereas to-day the bank issues a booklet containing about twenty-two pages of signatures. Another change of the same significant character was that thenceforth circular and other letters of credit were drawn on the bank's own London office. Up to this time they had been drawn on the Bank of Scotland, as the London agents of The Canadian Bank of Commerce. A very marked extension, also, of the foreign business of the bank took place as one result of the acquisition of the Bank of British Columbia, and the list of its foreign correspondents was considerably increased.

On January 17, 1901, a change was made in the Chicago correspondents of The Canadian Bank of Commerce, the Northern Trust Company replacing the Corn Exchange National Bank. During the summer of 1902 the bank opened an account with the Bank of England. The transactions of the London office, and the diverse interests of the bank in the business of the world's financial centre, had assumed proportions which warranted the opening of an account with this honourable institution, the banker's bank *par excellence*. The relations between the two banks have always been exceedingly agreeable and cordial.

In June the shareholders decided to change the fiscal year of the bank, which had for some years terminated on May 31, so as to end on November 30, and the second Tuesday in January was fixed as the date for the annual meeting. The

reasons for suggesting this change were, as stated at the meeting by the general manager, that the holding of the annual meeting in June had been found to interfere with the proper supervision of the bank's business at distant branches, as it necessitated the general manager and assistant general manager remaining in Toronto at a season of the year when they ought to be free to visit the branches. With the extension of the bank's business to the Pacific Coast and to other countries this disadvantage was increasingly felt.

The growth in the volume of the head office correspondence with the branches led in 1901 to a change in the form of the letters in order to facilitate the task of handling the multifarious matters with which the correspondence dealt. Previously the general rule had been that a branch manager would deal with each subject about which he had to write in a separate paragraph of the one letter. The system then inaugurated, as subsequently developed, provides a separate numbered letter for each subject, and special forms for various purposes, all of which immeasurably facilitate the handling of the correspondence of a large organization which is divided into departments, each dealing with a more or less definite division of the work. The changes that less than two decades have made in office routine are brought forcibly to mind by a circular issued by the head office suggesting that all the branches should provide themselves with typewriters, and use them for all official correspondence. Until then it had been the custom of many managers to write their correspondence by hand, with consequent loss of time at both ends. The reason for introducing the change was that the first step had been taken towards dividing the business of the bank into districts supervised by superintendents, to whom a large part of the head office correspondence is now addressed. In January, 1901, a resident inspector was appointed at Vancouver, to ensure prompt dealing with matters affecting branches on the Pacific Coast. The change in organization helped to relieve the pressure on the head office in Toronto, though

the branches were not debarred from addressing the general manager at any time when they desired to do so. Shortly afterwards the branches were instructed to supply the inspector with copies of their letters to the general manager; and vice versa, to supply the general manager with copies of letters to the inspector. For this purpose carbon copies made on the typewriter were superior to those which could be made in any other way, and they were also obtained with a minimum of labour. Instructions were therefore given that the old method of copying letters on dampened sheets by means of a press was to be done away with, and that carbon copies were to be taken instead. The saving which resulted when the press-copy letter-book succeeded the old system of laboriously making handwritten copies of all correspondence has already been referred to.¹ Now this labour-saving contrivance, after a life of about fifty years, was made obsolete by the use of carbon paper. Somewhat later the branches were instructed to file the correspondence with head office about borrowing accounts under the name of the customer with whose account the letter dealt. All communications regarding each customer, from the head office and from the branch, were to be filed in order of date in loose-leaf binders, the customers' names being arranged in strict alphabetical order. In this way a consecutive history of each account is obtained, always ready for reference and needing no index.

Another change in office methods about this time was suggested by the discovery of a new development in the limitless field of fraud. In April, 1901, both The Canadian Bank of Commerce and the Imperial Bank of Canada were victimized through paying savings bank receipts, the amounts of which had been increased after they had been marked by the ledger-keeper. The first measure taken to combat this form of fraud was the use of a safety paper that would make such alterations more difficult. Later on, as it was realized that safety paper afforded only a measure of protection, the

¹Vol. I, p. 220.

rule was promulgated that after marking a savings bank receipt, the ledger-keeper must hand it to the paying teller, instead of back to the customer. Some years later the weakness of this method was revealed, when on a busy morning, a teller paid the wrong person, who happened to be dishonest, and the bank was obliged to pay the money twice. The incident illustrates the extreme difficulty of making any rule or devising any system which will be proof against dishonesty and error.

In 1901, the bank began to experience a demand for note circulation greater than its statutory powers under the Bank Act enabled it to fill. In September, during the annual crop movement, the branches were advised that the note circulation of the bank had reached a point which rendered it necessary to cease furnishing notes to other banks or to anyone except the bank's regular customers, and then only for their own legitimate requirements. One method adopted to meet the stringency temporarily was, at places where facilities for the prompt redemption of the notes of other banks did not exist, to pay out again all such notes taken over the counter in the ordinary course of business. These conditions affected to a greater or less degree all the banks in Canada, but it was not until 1908 that the Act was amended so as to authorize any bank during the usual season of moving the crops to issue notes to a certain extent in excess of its paid-up capital, subject to the payment of interest to the Government.

In November, 1901, the management advised the branches as to the bank's policy with regard to public offerings of stocks and bonds by the bank. From time to time subscriptions for various issues had been accepted at its branches, and it was pointed out that in London, New York and other large financial centres the banker who received subscriptions was not considered in any sense responsible for the soundness of the securities offered. In fact, bankers in such centres do little more than assure themselves of the respectability of any enterprise on behalf of which they are requested to act in this

manner. In 1901 the volume of business of this class in Canada was limited, but it was felt that it was destined to grow. It was therefore thought imperative that the branch managers and the public should know that when the bank acted as agent for issues of stock or bonds it did not in any way intend to recommend to the public the securities, and could assume no responsibility for them whatever—moral or financial.

In 1902, for the first time in the bank's history, the annual meeting was held in January, in accordance with the by-law passed the year before. At this meeting it was decided to increase the number of directors from nine to ten, the maximum number then permitted by the Bank Act, and as a vacancy had been created by the untimely death of Mr. Walter E. H. Massey, the quota was completed by the addition of two well-known Canadian business men to the directorate. One was the late Hon. Sir Lyman Melvin Jones¹ (who had not at that time been knighted), a business associate in the Massey-Harris Company of the deceased director. The other was the late Senator Frederic Nicholls,² who played a prominent part

¹The Hon. Sir Lyman Melvin Jones (1843-1917), a native of the county of York, Ontario, commenced his business career in the employ of A. Harris, Son and Company, Brantford, manufacturers of agricultural implements. He became a partner in the firm in 1872 and in 1879 was sent to Winnipeg as its western manager; later on he became general manager. During his stay in Winnipeg he served as alderman and mayor of the city, and as vice-president of the Board of Trade. He was Treasurer of the Province of Manitoba in the Greenway Cabinet from January, 1888, to May, 1889. On the amalgamation in 1891 of A. Harris, Son and Company and the Massey Manufacturing Company to form the Massey-Harris Company, Limited, he removed to Toronto as general manager of the new organization and was also elected a director. In 1902 he became president of the company. He was called to the Senate in 1901 and knighted in 1911.

²The Hon. Frederic Nicholls (1856-1921) was a native of England and was educated in Germany. He came to Canada in 1874, and was prominently identified with the development of electricity in this country. He was the organizer of the Toronto Incandescent Electric Light Company, the first company in Canada to adopt the underground system of electric distribution. For seven years he held the office of secretary of the Canadian Manufacturers' Association. He was also prominent in the iron and steel industry, being for many years vice-president of the Dominion Iron and Steel Company. He was president and general manager of the Canadian General Electric Company, Toronto, as well as a director of many other railway and industrial concerns.

in the development of Canadian industries. Just prior to the annual meeting the waning of the Rossland gold-mining boom, which had marked the later "nineties," was indicated by the closing of the branch of The Canadian Bank of Commerce in that town.

The problem of the scarcity of currency recurred periodically. The scarcity of small legal tender notes in the summer of 1902 impelled the Canadian Bankers' Association to make representations to the Deputy Minister of Finance, who gave assurances that steps had already been taken to ensure a proper supply during the crop movement of the coming autumn. The records of the time show that there was also danger of a shortage of silver coin. The Canadian Bank of Commerce, itself, was apprehensive of a shortage of its own notes and issued instructions to its managers pointing out that the situation with regard to note circulation had entirely changed from what it had been a year or two before. They were asked to discontinue all the machinery adopted in the past for maintaining the circulation of notes at the highest possible point; such as the payment of carrying charges on notes sent in for deposit, or on the bank's own notes sent out for circulation.

In August of the same year, the growth of the business of the head office necessitated the extension of the head office building in the rear to Melinda Street. In addition to other accommodation, there were provided a handsome board-room¹ and quarters for the printing and stationery department, the work of which had grown to large proportions. The new extension gave ample room at the time, but has long since been outgrown. In September, the private banking business carried on for many years in Parkhill by the late Thomas Langford Rogers, formerly manager of the Exchange Bank of Canada at Parkhill, was taken over and combined with the business of the Parkhill branch of the bank, Mr. Rogers becoming manager.

¹See plate 35, facing page 222.

Although Canada was still prosperous, there were ominous indications of impending trouble in other countries. In October, 1902, the managers were warned of acute pressure in the money markets of the United States and Canada, and were asked to refrain for the time being from lending freely. A month later it became necessary to inform them of the unsatisfactory position of affairs in Australia, and to enjoin caution in transacting business with that commonwealth. Owing to severe droughts Australian finances were in none too sound a condition and it was feared that as a consequence the public credit might be impaired. An unfortunate feature of the situation was that the crop failure due to the drought in Australia had produced an abnormal demand for grain from abroad which tended to increase imports at a time when Australia was not in a condition to pay for them with ease.

Allusion has already been made to the long association of Mr. J. H. Plummer with the bank, in which he had latterly held the post of assistant general manager. His final retirement from the service on January 15, 1903, was signaled by the presentation to him, by officers of the bank all over Canada, of a service of plate. The occasion of this presentation gave the opportunity for a social reunion which enabled many out-of-town officers to renew old-time friendships. Mr. Plummer was succeeded as assistant general manager by the late Mr. Alexander Laird,¹ who had for many years been one of the agents of the bank in New York.

In February of the same year the business of Halstead and Company, private bankers, at Portage la Prairie, Man., was taken over and a branch opened in that place. On April 14, in view of the approaching consummation of the purchase of the Halifax Banking Company, a special general meeting of shareholders was held in order to pass a by-law increasing the authorized capital of the bank from eight to ten million dollars. It was stated at this meeting that there was no thought of issuing the whole of this stock immediately,

¹See page 71.

but that 14,000 shares would be required to carry out the agreement with the Halifax Banking Company. In addition, in view of the increase in the currency requirements of the country, the directors felt that an increase in the note circulation powers of the bank might at any time become advisable, and that it was well to be prepared to act promptly when the time should come. The balance of the \$2,000,000 new stock authorized at this time, over and above the amount required for the shareholders of the Halifax Banking Company, was not issued until early in 1905.

Early in 1903 steps were taken to increase the staff and broaden the organization of the head office, so as to enable it to cope with the growth of the bank. It became necessary to divide the work into departments, and in order to facilitate this and avoid overlapping, the scope of each department was set out in writing. Within a few years the head office was to grow from a small group of officials, each of whom was in constant touch with all that occurred, to a large and complicated organization in which it was impossible for any individual to be in full touch with the details of all transactions. To facilitate the working of the more complicated organization, a head office committee was established, consisting of the general manager, the assistant general manager and the heads of departments, with certain of their assistants. This committee, which met at first every Monday, Wednesday and Friday for the purpose of discussing the bank's business, has been found a useful adjunct to the organization, familiarizing the head office staff with the general policy of the bank, and co-ordinating the work of the various departments. Since the beginning of 1910, when the day of the weekly meeting of the Board of Directors was changed from Tuesday to Friday, the committee has met only twice a week, on Tuesdays and Thursdays.

Steps were taken in April, 1903, to obtain a site in the city of Montreal for the erection of a building for the bank's own use. The Temple building on St. James Street was



THE BOARD ROOM

selected for this purpose and arrangements were completed for its purchase. A few years later the building now occupied by the Montreal branch¹ was erected on the site.

About midsummer the branches were asked to decline to make loans to casual borrowers and to keep their advances at as low a level as possible consistent with the retention of valuable business, on account of the active demand for money and the necessity of having in reserve sufficient funds to provide for the autumnal grain movement. Managers were urged to take the earliest opportunity to get rid of loans which did not offer some collateral advantage to the bank apart from the mere earning of interest. By August the money stringency had grown so marked that it was decided that the rates of discount must be increased. All advances made, not for business purposes but merely to accommodate the borrower, were to bear the minimum rate of seven per cent. The minimum rates for mercantile business, not of the first class, were fixed at six and a half to seven per cent. A herald of the increased cost of living, of which so much was subsequently to be heard, was the announcement in June that, although the Board did not wish to make a rule increasing the minimum salary of \$1,000 on which an officer would be permitted to marry, it would be considered imprudent for him to do so on that salary without first consulting the executive as to his prospects in the bank.

The general condition of the country early in 1904 was so prosperous as to create apprehensions of reaction, and it was decided to make every effort to improve the quality of the discounts as far as possible, in anticipation of a coming period of depression which might be expected to develop bad debts. There was ample warrant for this policy of caution so far as Ontario was concerned, because the winter of 1903-04 was so severe that much damage was done to the fall wheat crop and a considerable part of the acreage devoted to it had to be plowed up in the spring. About this period also a number

¹See plates 36 and 37, facing pages 226 and 230.

of disastrous fires took place, one of which devastated a large part of the wholesale section of Toronto, and resulted in a loss of approximately twelve million dollars.

A month before the annual meeting held in January, 1905, a new stock issue was made, increasing the paid-up capital to \$10,000,000. The new stock was allotted to shareholders of record on January 12, 1905, at 140. Holdings of less than seven shares were disregarded, the allotment being made on the basis of one share to every $6\frac{69}{100}$ old shares.

The work of eliminating old forms of office drudgery led about this time to the introduction of adding machines, the use of which has since become so general. From the start the management insisted that all calculations made by the use of machines must be checked. Further regulations were also devised to facilitate the handling of the ever-growing volume of the head office correspondence with the branches. It was ordered that everything intended for the head office or any of its numerous departments should henceforth be forwarded in one envelope; but that correspondence for the general manager should be enclosed in a separate envelope, properly addressed. In this way it was possible to facilitate the task of distributing to the various departments the multifarious returns and statements received from the branches.

At this time a strong effort, in which The Canadian Bank of Commerce took the lead, was made to increase the use of bank money orders. The Canadian banks adopted the same scale of rates of commission on sales of money orders as was charged by the express companies, and made mutual concessions by agreeing to abolish the commission which had previously been charged for cashing the money orders of rival institutions. After a few years' experience, however, the former plan of allowing a commission in such cases was resumed. In July, money orders for use in Canada and the United States were for the first time issued by the London, England, branch on special forms devised for the purpose. This has since become an established part of the business of that office.

A few months later the Canadian Bankers' Association decided to adopt a new bank money order form for the general use of the Canadian banks, and eventually selected a design prepared for the purpose by an officer of The Canadian Bank of Commerce. The new form did not, however, come into use until July, 1908. By the autumn of 1905, as a result of the efforts put forth, the money order business of The Canadian Bank of Commerce had grown to such an extent that it was found advisable, in order to facilitate the necessary book-keeping, to separate money orders altogether from drafts in the system of inter-branch accounts. This change rendered the balancing of the respective accounts very much easier. In the following January the head office completed arrangements to enable the branches to issue bank money orders calling for a definite sum in local currency and payable at the offices of the bank's correspondents in the principal countries of Europe. Arrangements had previously been concluded to make them payable without charge in the larger cities of the United States. Some years later, in 1911, it was thought advisable to issue a special form of money order for use in Europe. It was drawn on the London branch of the bank and was expressed in sterling. The rate at which it would be negotiated by banks on the European continent was printed on the face, so that no dispute could arise over rates of exchange. The holder knew exactly the amount of foreign money to which he was entitled.

A shortage of twenty-dollar notes of the bank in the autumn of 1905 was probably another indication of the general rise of prices. It is perhaps not generally realized by the layman that high prices cause an increased demand for the higher denominations of currency. This was especially noticeable in the early days of the Dawson gold camp. In 1905 the use of ten-dollar notes instead of fives began to increase, and ten years or so later, after the tremendous rise in prices caused by the Great War, the demand for twenty-dollar

and fifty-dollar notes became much more general than at any time in the past.

In the spring of 1905 the bank had taken over the private banking business of Messrs. Cowdry Brothers at Macleod, Alta., and established a branch there. In the following January it exchanged the business of its branches at Canning, N.S., and Sackville, N.B., with the Bank of Nova Scotia for the business of the branches of the latter bank at Strathcona and Wetaskiwin, Alta. Competition had become very keen among the banks over the opening of new branches at places which seemed likely to afford desirable business in the near future, and was caused almost as much by the fear of being outdistanced by a rival in the occupation of what might prove to be desirable territory as by the immediate need of the territory itself. It was hoped that the bank's desire for more rational methods would be recognized by the other banks in this exchange.

The year 1906 was marked by the extension of the bank's business in the Maritime Provinces through the purchase of the Merchants Bank of Prince Edward Island. It was announced on February 17, 1906, that a provisional agreement had been reached, and it was arranged that the transfer should take place on June 1 following.¹ By this transaction the deposits of The Canadian Bank of Commerce were increased by about one million dollars. The desire of the great banks of Canada to increase their business in the Atlantic provinces had been indicated at the time of the failure of the Bank of Yarmouth, N.S., a few months earlier, when the Bank of Montreal took over its assets.

At this period an effort was made to free Canada from the large quantity of American silver coin which circulated so widely in this country. The Finance Department of Canada arranged with the Canadian Bankers' Association that the banks should undertake the task of ridding the country of this silver, agreeing to pay the cost of shipping, with a small commission for the labour involved in handling the coin.

¹See Vol. I, p. 159.



MONTREAL, P.Q.

Under this arrangement the banks were to take from the Dominion Government Canadian silver coins to replace the American coins sent back to the United States.

On April 20, 1906, The Canadian Bank of Commerce was notified of the greatest disaster that had ever befallen any of its branches—the destruction by earthquake and fire of its San Francisco branch, which carried on an extensive and important business.¹ Fortunately all members of the staff escaped death or serious injury, and the business revival that ensued compensated the bank financially for the temporary disruption of business caused by the disaster. An account of this occurrence, as it affected the bank and its officers, is given in the next chapter.²

In July, 1906, the perennial fear of a money shortage in the ensuing autumn once more appeared. The branches were advised by head office that the very active demand for money which already existed seemed likely to increase as the autumn progressed; and were consequently urged to restrict their advances as much as possible, and to avoid those which rested indirectly on real estate, or from which no profit was derivable apart from the interest earned. They were also urged to get rid of undesirable business or accounts which did not yield adequate profit. Loans to reputable farmers were specifically excepted from the application of these instructions.

Speaking generally, the year 1906 was marked in Canada by a large increase in immigration from the United States to the western provinces, and by a shifting of population from eastern Canada to that territory. There was a rapid expansion of business in all parts of the Dominion, which resulted in extreme monetary stringency. These conditions were especially emphasized toward the close of the year, and it became necessary to prolong until the month of December the period during which the banks paid out again the notes of their competitors, instead of sending them in for redemption in the usual manner.

¹See plate 48, facing page 290.

²See page 288.

It may be interesting at this point to review the growth of The Canadian Bank of Commerce during the period of rapid expansion that reached a climax in the figures of the statement submitted to the shareholders at the close of November, 1906. This statement is reproduced on page 229. At the end of 1902 the total assets of the bank stood at \$72,800,000; in 1903, they had increased to \$83,000,000; in 1904, they were \$91,000,000; in 1905, \$98,000,000; and in 1906, \$113,000,000—well above the hundred million mark. An increase of fifteen million dollars in assets during a single year would have astounded the able financiers of the Confederation era who founded The Canadian Bank of Commerce. During the five years the bank had increased its assets by sixty per cent. and had shown excellent net profits. In 1902 the profits were \$1,028,509, a high record; in 1903, \$1,004,217; in 1904, \$1,124,973; in 1905, \$1,376,167; and in 1906, \$1,741,126. As the annual dividend of seven per cent. remained unchanged up to the close of 1905, the growth of the Rest was rapid. In addition to surplus profits, this account received the surplus of \$562,776 derived from the purchase of the Bank of British Columbia, of \$293,028 from the Halifax Banking Company, and the premium of forty per cent. on the issue of \$1,300,000 of new stock in 1905. The additions to the Rest, from 1901 to 1906 inclusive, amounted in all to \$3,750,000, increasing that fund from twenty-one per cent. of the paid-up capital in 1900 to fifty per cent. in 1906. As a considerable number of new branch buildings had been erected each year, some of a very expensive character, it was considered advisable to increase the sums written off Bank Premises Account. The appropriation for this purpose in 1902 was \$51,736; in 1903, \$85,007; in 1904, \$127,806; in 1905, \$219,234; and in 1906, \$341,435. The bank's annual contribution to the Pension Fund, which had been \$15,000 in 1902, was increased in 1904 to \$25,000 and in 1906 to \$30,000. The bonuses paid to the staff during the period were fixed in proportion to net profits. Thus at the end of 1902, a year of handsome returns,

GENERAL STATEMENT

LIABILITIES.

Notes of the bank in circulation.....	\$ 9,199,204	68
Deposits not bearing interest	22,626,899	72
Deposits bearing interest.....	64,525,637	10
Balances due to other banks in Canada	177,623	57
Balances due to agents in Great Britain.....	398,781	58
Balances due to other banks in foreign countries.	1,063,750	89
Dividends unpaid.....	500	94
Dividend No. 79, payable 1st December.....	350,000	00
Bonus of one per cent., payable 1st December.	100,000	00
Capital paid up.....	10,000,000	00
Rest.....	5,000,000	00
Balance of Profit and Loss Account forward..	103,562	43
	<u>\$113,545,960</u>	<u>91</u>

ASSETS.

Coin and bullion.....	\$4,041,456	76
Dominion notes.....	5,935,008	25
Deposit with Dominion Government for security of note circulation.....	427,450	00
Notes of and cheques on other banks.....	4,361,228	07
Balances due by other banks in Canada.	38,986	50
Balances due by agents of the bank and other banks in foreign countries.....	2,460,680	49
Government, municipal and other securities..	6,201,456	95
Call and short loans.....	9,001,395	08
Other current loans and discounts.....	79,303,228	33
Overdue debts (loss fully provided for).....	125,812	19
Real estate (other than bank premises).....	89,472	14
Mortgages.....	37,336	63
Bank premises.....	1,300,000	00
Other assets.....	222,449	52
	<u>\$113,545,960</u>	<u>91</u>

the amount was as high as twenty per cent. on salaries up to and including \$500; fifteen per cent. on salaries over \$500 and up to \$1,000; and ten per cent. on salaries over \$1,000. As a rule, however, the scale of bonuses during the period was twelve and a half per cent., ten per cent., and seven and a half per cent., respectively, to the three classes mentioned. In December, 1906, a circular was issued to the branches expressing appreciation of the way in which the staff of the bank had responded to the exacting demands made on them during the five preceding years of rapid branch extension. Under the favourable conditions prevailing, it was decided in the latter half of 1906 that a bonus of one per cent. should be paid to the shareholders in addition to the regular dividend of seven per cent., which they had received for many years past. Commencing in 1907, dividends were paid quarterly instead of half-yearly as in the past, and the rate was made eight per cent. This rate was continued until the end of 1909.

In its prosperity and progress during this period, The Canadian Bank of Commerce reflected the development of Canada itself, which had been steady and satisfactory. The total foreign trade of the country rose from \$357,000,000 in 1900 to \$529,000,000 in 1906; the gross earnings of the steam railways, from \$70,000,000 in 1900 to \$125,000,000 in 1906; the mineral production, from \$64,000,000 in 1900 to \$79,000,000 in 1906. These figures show that its prosperity was not due solely to the great increase in grain production in the West. The excess of imports over exports ranged from \$13,000,000 in 1901 to \$76,000,000 in 1905, showing that a considerable amount of money was being brought into the country by immigration and by borrowing abroad. The prosperity of Canada, it may be added, had been maintained during a period of many disturbances in international finance. A widespread speculative movement in securities had come to an end in 1902, and during 1903 there was a heavy world-wide shrinkage in the value of stocks and bonds, including even British consols. The Russo-Japanese war of 1904-05



MONTREAL, P.Q. (Interior)

placed a great strain on the money markets of the world, and much difficulty was experienced in borrowing for long terms in London. The amount borrowed by Canada at this time, however, was small in comparison with her borrowings in the years immediately preceding the Great European War. At the close of 1905 the crop situation was excellent; there was great activity in railway construction, especially in the West; the Canadian iron and steel industry was developing rapidly; Cobalt was just coming into prominence as a great silver-producing area; and a hopeful sign for the future was the greatly intensified interest in Canada and Canadian affairs which was being shown in both Great Britain and the United States.

During the years under review the staff of The Canadian Bank of Commerce, as might be supposed, had grown rapidly in numbers. At the end of 1904 it numbered 840 as against 385 in 1894, and the demand for efficient and trustworthy young men increased steadily, owing, of course, to the great increase in the number of branches. At the annual meeting of shareholders in January, 1906, it was intimated by the Board that the enlarged volume of business, the wide extent of territory which the operations of the bank now covered, and the diversity of its interests seemed to render an increase in the number of directors advisable. An amendment to the Bank Act, recently passed by Parliament, had removed the limit of ten set as the maximum number of directors which a bank might have, and the shareholders were therefore free to increase the number of directors to twelve. The general manager, Mr. B. E. Walker, was given a seat at the Board, and the late Mr. H. D. Warren,¹ a well-known manufacturer, was elected to the other vacancy.

¹Harry Dorman Warren (1860-1909) was born in Brooklyn, N.Y., and educated at Princeton University. After spending some years in the employ of the Gutta Percha and Rubber Manufacturing Company, of New York, he went to London, England, as secretary of the American Elevator Company. In 1887 he was appointed president and treasurer of The Gutta Percha and Rubber Manufacturing Company of Toronto, Limited, which positions he held until his death.

Some years previously the bank, in order to cope with one of the problems brought into being by its rapid growth, had decided to establish a subsidiary company, owned and controlled by itself, to erect and own many of its branch buildings. The reasons underlying this decision were explained at length by the president, the Hon. George A. Cox, at the annual meeting held in 1907. Only brief mention need be made of them here. While it had long been recognized that in the larger cities it was wise for the bank to have buildings in keeping with its standing, which could only be done by owning them, the problem of obtaining suitable housing for the bank at country points was exceedingly difficult. In addition, it had been found that desirable living accommodation for the officers was hard to obtain at country points, and the policy was adopted of seeking to provide the staff with apartments over the bank. This could rarely be done in rented buildings, and it became necessary to undertake building operations on an extensive scale. It was felt that the annual outlay for this purpose must necessarily be larger than the shareholders could reasonably be expected to provide wholly out of the earnings of each year, and in order to take care of it, and to have all building operations conducted under an efficient organization, the Dominion Realty Company, Limited, had been formed. Its shares were owned entirely by the bank, the cost thereof being written off each year, and the Company obtained the balance of the moneys required for its operations by the sale of its bonds in the open market, the rentals of the buildings being more than sufficient to pay the bond interest and to retire the issues at maturity.¹

Among the events of 1906 was one which caused a sensation in Canadian financial circles. This was the failure of the Ontario Bank, a long-established institution, with its head office in Toronto and many branches scattered through the province from which it derived its name. At the time of the failure the assets of the bank amounted to \$16,000,000.

¹See Appendix IV, p. 486.

It closed its doors on October 12, and subsequent legal proceedings showed that the failure was due to reckless speculation. There had been no defalcations, but the law had been seriously transgressed and the financial condition of the bank concealed through false statements in the sworn monthly returns to the Government. The failure differed from others, in that the perilous condition of the affairs of the bank was unknown and unsuspected even by the banking community. As the general manager of The Canadian Bank of Commerce explained at the annual meeting of that bank immediately following the failure, the other banks in Toronto were informed of the critical position of the Ontario Bank only on the day on which the decision was reached that the institution must suspend payment. By taking prompt action, the Toronto banks, in the few hours available, effected an arrangement whereby no delay or loss was suffered by the depositors or other creditors. The plan adopted was the liquidation of the Ontario Bank with open doors by the Bank of Montreal; a number of other banks, including the Bank of Montreal itself, guaranteeing that bank against loss, in case the assets of the suspended institution and the double liability of its shareholders should prove insufficient to meet its liabilities. The guarantee of The Canadian Bank of Commerce was fixed at \$400,000. As matters turned out it was not necessary to call on the guarantors, inasmuch as the assets and so much of the double liability as was collected (after much litigation) sufficed to pay all claims. Nevertheless, the prompt action of the other banks served to avert anything approaching a panic among bank depositors in general, and to maintain public confidence and financial calm at a critical time, just as did similar action at the time of the failure of the Federal Bank of Canada some years previously. Unquestionably, the method of dealing with a crisis by liquidation with open doors proved wise and timely.

The annual meeting of 1907 witnessed important changes in the executive of The Canadian Bank of Commerce. The

Hon. George A. Cox, who had been president since 1890, decided to resign that office, but remained a member of the Board of Directors. His successor was Mr. B. E. Walker, who had been general manager for twenty years, and who has ever since held the presidential office. Mr. Walker's successor as general manager was the late Mr. Alexander Laird, who had held the position of assistant general manager since the retirement of Mr. J. H. Plummer. On Mr. Laird's promotion the latter office was abolished, and a rearrangement was effected whereby Mr. A. H. Ireland became superintendent of branches; Mr. H. H. Morris, superintendent of Pacific Coast branches; and Mr. Vere C. Brown, chief inspector. The continued growth of the bank's business rendering it desirable still further to increase the number of directors, a by-law was passed fixing the membership of the Board at fourteen. The new places were filled by the late Mr. Z. A. Lash, K.C.,¹ one of the most eminent members of the Canadian Bar, and Mr. E. R. Wood,² whose abilities as a financier were winning ever-increasing attention in the business community. A vacancy had been caused in the previous July by the death of Mr. W. B. Hamilton, the senior member of the Board, and his seat

¹Zebulun Aiton Lash, K.C., LL.D. (1846-1920), was a native of Newfoundland. He was called to the bar of Ontario in 1868 and created a King's Counsel in 1879. Mr. Lash was Deputy Minister of Justice of Canada from 1872 to 1876. In the latter year he resumed his practice at the bar, entering into partnership in Toronto with Messrs. Edward and S. H. Blake, and founding the firm now known as Blake, Lash, Anglin and Cassels, who have for many years been the general solicitors of The Canadian Bank of Commerce. Mr. Lash appeared before the Imperial Privy Council in a number of important cases. He was chief counsel for the Canadian Bankers' Association, The Canadian Bank of Commerce, the Canadian Northern Railway Company, and many other large concerns. He was a governor of Toronto University and a director of many important companies. Mr. Lash was elected vice-president of the bank on January 11, 1910, and held that office until his death on January 24, 1920.

²Edward Rogers Wood (b. 1866) is a native of Peterboro, Ont. He entered the service of the Central Canada Loan and Savings Company in 1884 and rose to be vice-president and general manager. In 1914 he was elected president. Mr. Wood was chairman of the Dominion Executive Committee which handled the campaigns for the Dominion of Canada Victory Loans of 1918 and 1919. He is a vice-president of the National Trust Company, Limited, and a director of the Canada Life Assurance Company and of many other financial, industrial and railway companies.

had been filled by the election of the late Senator Edwards,¹ of Ottawa, a leading figure in the lumber industry of this continent.

In his last address as general manager, Mr. Walker, after relating the circumstances under which a panic had been averted at the time of the failure of the Ontario Bank three months previously, frankly told the shareholders that in the view of experienced bankers events in the financial world were moving towards a crisis. He explained that Europe was bearing the enormous cost of the South African war and the Russo-Japanese conflict, and that since these wars capital had been destroyed on an unexampled scale by earthquakes, fires and other catastrophes. Thus the money market had been placed under a severe strain, and he foretold the danger of serious trouble occurring in the following autumn. His predictions were fulfilled to the letter. At the next annual meeting, the new general manager, Mr. Laird, was obliged to report to the shareholders that 1907 had been "a year unprecedented in the history of financial stringency." The crisis was world-wide in its effects, and was followed by an inevitable contraction of credit. This state of affairs was reflected in the circular letters of instruction sent out to the branches all through 1907, which partook of the nature of the "storm bulletins" issued to mariners. At the outset the managers were asked to abstain from making casual advances and instructed to accept new business only when it was of a class that would lead to permanent and profitable connections. In April the branches were told that the head office was receiving a greater number of applications for new credits and

¹The Hon. William Cameron Edwards (1844-1921) was born in the township of Clarence, Russell county, Ontario. He entered the lumber business when quite young, and in 1868 commenced business on his own account, some time later establishing the firm of W. C. Edwards and Company, which has for many years carried on extensive saw-mills and other works at Rockland and New Edinburgh. Mr. Edwards was also a noted stock breeder and raiser. He was elected to the House of Commons as member for Russell in 1887, and was called to the Senate in 1903. He was president of the Canada Cement Company, and a director of the Toronto General Trusts Corporation and of many other companies. He died on September 17, 1921.

for increases in current credits than it was possible to grant, and that it would probably become necessary to limit all customers to the lines within which their accounts had been conducted during the previous year, but it was pointed out, as usual, that the bank did not desire that loans for moderate amounts to responsible farmers should be declined. The bank was in fact, owing to the refusal of other banks to make new advances, in the embarrassing position of being offered more new business than it could accept. The relief looked for through a reduction in the volume of its loans had not been forthcoming to the extent expected, although it was hoped that the situation might become easier on the opening of navigation. Two months later, however, the management informed the branches that this hope had not been fulfilled. Toward the end of April a circular was issued to some of the branches, principally in the east, instructing them to raise rates wherever possible, except in the case of farmers' business, in the hope that this would result in decreased borrowing and the withdrawal of business which was not of the highest grade. It was also necessary to point out to the managers that new loans were still being made to casual and occasional borrowers for a very large aggregate amount each week, and that at most branches the authorized credits had been exceeded. The need for co-operation in getting the finances of the bank into a more comfortable position was emphatically urged.

In the West special difficulties had been encountered in the matter of collections, owing to the severity of the preceding winter, and in May a circular was sent to the branches in that territory advising them that large sums were tied up in advances on wheat stored in elevators, and emphasizing the difficulties of the situation from the banking standpoint. At this time, however, a slight easing of the situation enabled the bank to withdraw the restrictions on casual advances, provided that the money was required for such purposes as made the advances legitimate banking transactions. The branches were

instructed that the highest prevailing rate of interest was to be charged on all such advances, and they were warned of the certainty of extreme stringency in the following autumn. In July the managers were instructed that under no circumstances were they to permit advances to run beyond the authorized limits without reference to head office. In August efforts were made to advance the minimum rate of discount on accounts of the highest grade to six per cent., a course already adopted by at least one important competitor. The attention of managers was further drawn to the fact that the continued expansion of business in Canada and the abnormal increase in the unfavourable balance of foreign trade indicated that it was clearly time for a slowing down of business activity in this country.

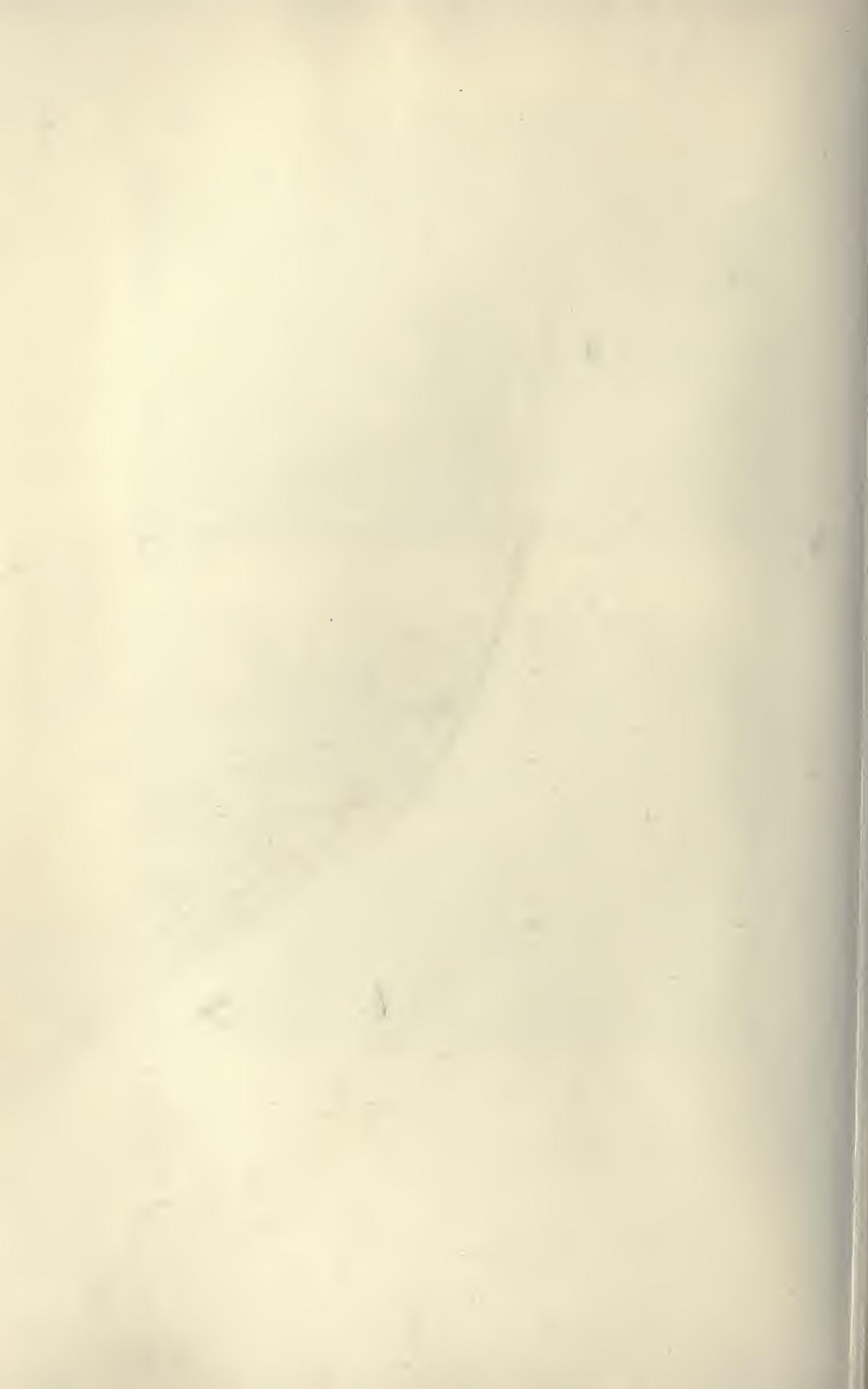
The autumn of 1907 was a very anxious time for bankers everywhere. Towards the end of October the branches were advised that there had been no improvement in monetary conditions in Canada. The old arguments as to the necessity of keeping loans within certain limits were recapitulated, and this warning was followed by another circular of information as to the monetary troubles which then prevailed in New York and other American financial centres. In view of the situation the branches were instructed to send all American currency direct to the New York agents, because the latter had difficulty, under the new clearing-house regulations, in procuring currency for remittances to outside points. They were also instructed to cross drafts on San Francisco, payable through the clearing-house of that city, in order that currency might not be demanded for them over the counter. On November 5, advices were sent out that currency was at a premium of from two to three per cent. in New York, and on this date the instructions which had been issued with regard to drafts on San Francisco were made applicable also to those on Seattle. On November 7, it became necessary to instruct the branches to accept, for collection only, cheques and drafts on points in the United States where the bank had no direct

correspondents, and not to treat them as cash, as United States correspondents were refusing to accept on deposit items payable at outside points. The reason for this was that such items were settled for by drafts drawn on the principal clearing-house centres, and at these centres clearing-house balances were being settled only by means of clearing-house certificates, which were certificates of indebtedness usually bearing interest and secured by the deposit of short-dated commercial paper. No currency or real money was available for remittances, except at a very heavy premium. Many of the clearing-house associations at this period not only issued certificates for the purpose of settling clearing-house balances, but also for use as ordinary currency. The latter were based on similar security, but were issued in sums as low as five and ten dollars each to take the place of bank-notes. The situation in the American metropolis was steadily growing worse. On November 13, New York funds were reported at a considerable discount, and by November 19 they were unsaleable in Montreal and Toronto at a nominal discount of one per cent. Panic had developed in the United States. In the latter part of October a number of large banking institutions in New York City closed their doors; and banks throughout the country, pressed by frightened depositors, took alarm, and began to withdraw their funds from the New York banks as quickly as possible. The reserves of the clearing-house banks fell rapidly, and in a few days a general suspension of cash payments was inaugurated and continued for two months. It was not until February, 1908, that the head office of The Canadian Bank of Commerce was able to advise its branches that conditions in the United States had again become normal, and to remove the restrictions imposed during the crisis.

The steps taken by The Canadian Bank of Commerce to regulate new credits and to persuade its customers to reduce their liabilities have already been described; and these were typical of the course followed by all the leading Canadian institutions. Consequently, when the crash came, financial



WINNIPEG, MAN., STAFFORD AND GROSVENOR BRANCH
(Showing the gardens surrounding the bank.)



Canada was in a fair shape to meet it. Instead of suspending payment, the banks of this country continued to pay cash on demand, and for the most part continued to give their industrial, mercantile and agricultural customers the advances they required to enable them to carry on business. The strength and stability displayed by the Canadian banking system during this crisis redounded greatly to the advantage of Canada in the years following the panic. Great Britain, the United States and other countries possessing capital for investment were very favourably impressed. In 1908, within a few months after the crisis, British money began to be invested in Canadian securities and Canadian investment projects in unprecedented volume. During that year \$165,000,000 in Canadian bonds were sold in Great Britain and \$6,000,000 in the United States. This new movement of capital into Canada continued steadily for some years after 1908 and helped to increase the resources of the Canadian banks, the total deposits in which rose from \$616,000,000 in February, 1908, to \$926,000,000 in December, 1910. The Canadian Bank of Commerce participated fully in this upward movement.

It was perhaps inevitable that the measures which had been taken by the Canadian banks to conserve their resources during the stringency of 1907 should result in attacks on the Canadian banking system. In January, 1908, it was learned that a post-card containing a libellous attack on the banks in general, and on The Canadian Bank of Commerce in particular, had been mailed to members of the House of Commons and to various newspapers. On another occasion a similar pamphlet was distributed among clergymen throughout Canada. The widespread distribution of a dodger containing these libels at Fernie, B.C., a mining town inhabited largely by foreigners, caused a run on the branch of The Canadian Bank of Commerce at that point which lasted a day and a half. A curious feature of this run was that the depositors who withdrew their funds were entirely willing to

accept notes of the bank in payment. The Fernie situation was soon restored to a normal basis, but the wording of the dodger led to the circulation of a story, which appeared in some newspapers on the Pacific Coast, to the effect that the directors of The Canadian Bank of Commerce had lost ten million dollars in speculation on Wall Street. Most of the newspapers in other parts of the country were wise enough not to publish the story, and it soon died out.

A more serious attack on the policy which had saved Canada from the deplorable consequences of a financial panic in 1907 was that made on the bank in the House of Commons in March, 1908. The attack was supposed to be inspired by personal feeling against the late Senator Cox, who had been president of the bank and was still one of its directors. It was charged that the bank was a gambling institution, this assertion being based on a garbled report of certain evidence given by Senator Cox, as president of the Canada Life Assurance Company, before an Insurance Commission which had held a widespread investigation some time previously. Subsequently, however, on being made acquainted with the facts, the member who brought the charge withdrew it and made the *amende honorable*.

It may here be pointed out that attacks on the Canadian banking system almost invariably arise at periods when it is necessary in the interests of financial stability for the banks to restrain the speculative public. The very methods by which the financial resources of the country are conserved tend to provoke resentment among those whose plans, if allowed free play, would be likely to involve themselves and others in ruin.

On January 18, 1908, it was announced that the Canadian banks had arranged to take over the various branches of the Sovereign Bank of Canada, and had assumed all its liabilities. The crisis of the previous autumn had revealed the instability of this institution, although a careful examination of its assets showed that the business might safely be

taken over. There had been rumours from time to time that the bank was to be taken over by The Canadian Bank of Commerce exclusively, and the officers of the various branches had been instructed to deny these reports.

During the period of keen competition between the banks to obtain business at their newly established western branches, many customers had formed the habit of borrowing simultaneously from banks in different towns. It was now discovered that the practice had developed into something like a science, the customer playing a game of battledore and shuttlecock between his various accounts. Numerous losses had been incurred as a result, and to put an end to the practice, the branches of The Canadian Bank of Commerce were cautioned against lending money outside the territory properly tributary to their towns.

In June, 1908, it was announced that the bank's business between Lake Superior and the Rocky Mountains would be placed under the control of a superintendent at Winnipeg, a plan which has since been extended with excellent results. Mr. John Aird, then manager at Winnipeg, was appointed to the new position with the title of superintendent of Central Western branches, retaining at the same time his position as manager of the Winnipeg branch. About the same time the growth of the Pension Fund became such that it was deemed wise to transfer its management to trustees for the purpose of supervising its investments and administration under the Board of Directors. Five of the senior officers of the bank were appointed the first trustees.

A contrast to the state of apprehension which had prevailed during the previous summer is afforded by the announcement made to the managers at the end of August, 1908, that the financial situation was once more comfortable; and that while money had not become generally plentiful in Canada, pronounced ease was looked for by the following spring. The bank was therefore willing to consider proposals for any new business of a high class. Just before the close of the financial

year the practice of paying interest on deposits quarterly, which had first been adopted by the ill-fated Sovereign Bank of Canada, was discontinued. The system of compounding interest at such frequent intervals had been found to involve heavy additional labour on the part of the staff without corresponding advantages to the customers.

In December, 1908, arrangements were first made by the bank to issue travellers' cheques, which have since become an accepted part of its effort to meet the convenience of the travelling public. A few years later these cheques were to figure in a very remarkable criminal case in the United States. A man, nicknamed by the police "Christmas" Keogh, developed the practice of negotiating forged travellers' cheques every year during the Yuletide season at places distant from the supposed place of issue. A Toronto mining broker was arrested in St. Louis on the charge of being the mysterious Keogh, who had evaded the American authorities on many occasions. It proved a clear case of mistaken identity, but the circumstantial evidence was strengthened by the fact that Keogh had used the cheques of The Canadian Bank of Commerce. The Toronto man was subsequently released, and Keogh was finally captured in 1918, having forgotten the old adage about the pitcher that goes too often to the well.

In 1909, as had been anticipated, the financial situation became much easier, and general business was comparatively slack. However, in August, the branches were advised that there were signs of a stiffening of money rates in New York, and of an improved demand for money in the near future. In the autumn, agricultural conditions in the province of Ontario were reported to be on the down grade, more particularly as regards the production of cereals. Farm lands at this time were selling at prices lower than had prevailed for several years.

During the first decade of the twentieth century the opening up of the West for settlement drew large numbers of immigrants to Canada. In 1903 and in 1906 special efforts

THE CANADIAN BANK OF COMMERCE

<p>WE ISSUE DRAFTS AND MONEY ORDERS PAYABLE IN ALL PARTS OF THE WORLD</p>	<p>NOS TRAITES ET MANDATS-POSTE SONT PAYABLES DANS TOUTES LES PARTIES DU MONDE</p>	<p>TRASMISSIONE DI DENARO PER QUALUNQUE PARTE DELL' ITALIA</p>	<p>EXPEDIMOS GIROS Y LIBRANZAS POSTALES PAGADERAS EN TODAS PARTES DEL MUNDO</p>	<p>GELD-ÜBERWEISUNGEN NACH ALLEN TEILEN VON DEUTSCHLAND UND OESTERREICH</p>
<p>PÉNZKÜL DEMÉNYEK MINDEN HELYRE OSZTRÁK-MAGYAR ORSZÁGBAN</p>	<p>PENÍZE SE POŠILAJÍ DO STARÉ VLASTI RYCHLE A POČIVĚ BEZ VEŠKERÝCH VYDAJŮ</p>	<p>SMEŇKY A VIPLACENICH PENEŽYCH DO KAŽDEJ ČASTKY V RAKUSKO-UHORSKEJ KRAJINY</p>	<p>OVDJE SE OTPRAVI NOVAC ODMAH U SVE MJEŠTA STARE DOMOVINE</p>	<p>TU SE POŠILJA DENAR V STARO DOMOVINO TOČNO IN VESTNO</p>

POLYGLOT ADVERTISING CARD

Issued by the bank.

were made by the bank to get into touch with the new-comers from the United States, who were taking up land in the Canadian West in large numbers. The object was, of course, to secure their banking business. The success of these efforts led to the formation of plans for reaching other nationalities than those speaking the English language, and the moment was opportune. About this time there took place a large influx into Canada of alien immigrants of many nationalities, which included Scandinavians and Hollanders from the northern parts of Europe, Italians and Greeks from the south, and members of the various Slav and Czech races from the Balkan states, Russia and Austria, in addition to Chinese, Japanese and Hindus from Asia. These settled more or less all over Canada, from the Atlantic to the Pacific, some of them in colonies, and others, especially the Chinese, Greeks and Italians, scattering over the country in pursuit of their usual occupations of laundrymen, restaurant-keepers, shoe-blacks, labourers and fruit-vendors. There was therefore a call to provide banking facilities suited to the needs of these foreigners, many of whom could not speak English, and were unfamiliar with the business methods of this country. In the United States a similar problem had presented itself at an earlier date and had been in great measure solved by the organization of small banks for the avowed purpose of catering to the needs of the various alien nationalities. In any neighbourhood where a colony of one particular nationality of any size had sprung up, one of these banks would be organized, its staff comprising at least one officer who could speak the language and was familiar with the customs of the foreigners. In Canada there was no legal provision for forming such small banks, and the task of providing for the needs of the new-comers had to be taken up by the head offices of the existing banks, if anything was to be done. The Canadian Bank of Commerce was the first to enter the field, and in 1909 equipped its branches throughout the country with facilities for issuing drafts and making remittances direct to almost

any part of the civilized world in the currency of the country where the money was to be paid. This was at the time an innovation in Canadian banking. Up till then a draft on New York had been used for a remittance to any place in the United States; a draft on London, or possibly on Paris or Hamburg, for other parts of the world. The foreign drawing facilities of the Canadian banks had been limited to New York, Chicago, London, Paris and Hamburg or Berlin. The effort to make the new facilities known led the bank to the use of polyglot advertising cards, one of which is reproduced on plate 39.¹ A special cipher code was also compiled for the use of foreign correspondents in the event of their requiring to communicate by telegram or cable with the branches of the bank. Arrangements were made to telegraph daily exchange quotations to the Winnipeg and Calgary branches, and to have these offices issue them by mail to the other branches in their territory. Formerly exchange quotations had been distributed by mail from Montreal, but this method was too slow to meet the needs of a general foreign exchange business.

Among the steps taken by the directors and management for the comfort and well-being of the staff about this time was the provision of libraries at a number of the outlying branches where the opportunities for recreation outside office hours were meagre. Over eighty of the branches were thus equipped and the number has since been increased.² For many years a library had been maintained at head office, devoted principally to works of reference connected with finance, economics and Canadian history. This had been made available to the members of the staff by a system of lending cards, the postage on books sent to the branches being paid both ways by the bank, but it was felt that at outlying places more might be done to provide not merely instruction but entertainment for the officers of the bank. In December, 1909,

¹Facing page 243. See also plate 40, facing page 246.

²At the end of 1921 the number had reached 225.

the bank opened recreation rooms in its building at the corner of Bloor and Yonge Streets for the use of its staff in Toronto. The rooms are comfortably furnished and provided with a piano, billiard tables, and other facilities for games. There is also a reading and writing room supplied with periodicals, including the principal illustrated weeklies.

During the year an effort was made by the banks to get rid of the mutilated and worn silver coinage which was so prevalent in Canada. The Canadian Government agreed to redeem worn but unmutilated silver coins at their face value, and to accept mutilated pieces at a discount of twenty-five per cent. It was hoped that this step would retire the large amount of worn coin in circulation, but the plan was defeated by the rigid interpretation placed on it by some of the Assistant Receivers-General, who insisted on classifying as mutilated, and hence as subject to discount, any silver coin with the slightest scratch. Those obliged to handle silver coins in large quantities naturally objected to this, and the amount of worn coinage retired was negligible. Something was done, however, towards reducing the large amount of American silver coinage afloat in Canada by means of the arrangement with the Government entered into some years previously.¹

At the close of 1909, the principal officer authorized to perform that part of the work of branch inspection which has to do with the correct carrying on of the daily routine of the office, rather than with the examination of the liabilities of borrowing customers to the bank, ceased to be designated as routine inspector and became known as auditor; the officers holding a similar position in the departments of the various superintendents were designated audit officers.

During the year preceding the annual meeting of 1910, the Board had again lost by death two of its members, Mr. H. D. Warren, whose service in that capacity had been brief, and Mr. Matthew Leggat, who had been a member of the Board since 1887. Mr. Frederic Nicholls also resigned in

¹ See page 226.

December, 1909. The Hon. J. M. Gibson, K.C., LL.D.,¹ whose services to the province of Ontario, first as a cabinet minister and later as Lieutenant-Governor, and to his own city of Hamilton as a leader in financial and industrial enterprise, are well known, was elected in March, 1909, to succeed Mr. Warren. At the next annual meeting, Messrs. William McMaster² of Montreal, and Robert Stuart³ of Chicago, joined the Board, and Mr. Z. A. Lash, K.C., LL.D., succeeded Mr. Robert Kilgour as vice-president. During the following year Mr. George F. Galt⁴ of Winnipeg was chosen to fill the vacancy caused by the death of Mr. James Crathern, who

¹The Hon. Sir John Morison Gibson, K.C.M.G., K.C., LL.D. (b. 1842), was born in the township of Toronto, county of Peel, Ontario, and is by profession a barrister. He entered public life in 1879 as member for West Hamilton in the local legislature. He held office as Provincial Secretary of Ontario from 1889 to 1896; Commissioner of Crown Lands from 1896 to 1899; and Attorney-General from 1899 to 1905. From that date until 1908 he was a member of the Government without portfolio. In 1905 he was appointed Lieutenant-Governor of Ontario and held this office until 1914. He has long taken a deep interest in military affairs and holds the rank of Brigadier-General in the Canadian militia. He is vice-president of the Toronto General Trusts Corporation, president of the National Steel Car Company, Hamilton, and a director of many other companies.

²William McMaster (b. 1851) was born in Montreal. He began his business career in the employ of Morland, Watson and Company, and was later transferred to the Montreal Rolling Mills Company. He is a director of the Bank of Montreal, president of Canadian Explosives, Limited, vice-president of the Dominion Steel Corporation, Limited, and director in numerous other companies.

³Robert Stuart (b. 1852) is a native of Ingersoll, Ont. Going to the Western States, he settled at Cedar Rapids, Iowa, in 1872, and became one of the founders of the American Cereal Company, which was reorganized in 1906 as the Quaker Oats Company. The latter operates large mills at Akron, Ohio; Cedar Rapids, Iowa; Chicago; Battle Creek, Mich.; Peterboro, Ont.; Saskatoon, Sask., and elsewhere. Mr. Stuart is treasurer of the company. He is also a director of the Canada Life Assurance Company. For some years he was president of the American Exchange National Bank of Chicago.

⁴George Frederick Galt (b. 1855), son of the late Chief Justice Sir Thomas Galt, is a native of Toronto. He went to Winnipeg in 1882, and entered into partnership with his cousin, John Galt, under the firm name of G. F. and J. Galt, now G. F. and J. Galt, Limited, of which Mr. G. F. Galt is president. During the war he served as a member of the Canadian Government War Purchasing Commission. He is also president of the Northern Trusts Company, and vice-president of the Great West Life Assurance Company, Winnipeg. He was president of the Winnipeg Board of Trade 1888-89.

passed away in June, 1910, after twenty-seven years' service as a director. At the commencement of 1910 the day of the weekly meeting of directors was changed from Tuesday to Friday, the change taking effect after the annual meeting.

During 1909 the bank had installed safety deposit boxes at a number of city and country branches, to test the popularity of the accommodation thus afforded. It proved so acceptable to the public that early in 1910 the management announced its readiness to equip in a similar way any branch where the extent of the business to be obtained might warrant it. Since then these boxes have been installed in many parts of the country, and in the opinion of most managers have proved themselves to be a valuable part of the service rendered by the bank to its customers, as well as a profitable feeder to its general business.

The decrease in the production of gold in the Yukon Territory was followed by the closing on September 30, 1910, of the branch at Skagway, Alaska, which had served the convenience of miners and traders going to and from the Yukon. In August the bank's field of operations had been widened by the opening of a branch in the city of Mexico.

The year 1910 was marked by two bank failures, that of St. Stephen's Bank, a small institution at St. Stephen, N.B., and that of the Farmers Bank, which had head-quarters in Toronto and many branches in the province of Ontario. The speculative propensities of the men who controlled the management of the latter bank had brought the institution into such a shocking condition that it was quite out of the question for the other banks to come to the rescue and assist in its liquidation with open doors. Its very existence had been regarded with apprehension by experienced bankers, as from the outset no attempt had been made to conduct it on legitimate lines. Adverse reports had been circulated even before it opened its doors; and its whole course had been marked by evasions of the Bank Act. Had the provisions of that Act been properly complied with, it either would never have opened its

doors, or having done so, would have been forced to close them before loss to its depositors had supervened.

Despite the fact that the years 1907 to 1910, inclusive, were marked by difficulty and depression, The Canadian Bank of Commerce prospered. Its total assets increased from \$113,000,000 in November, 1907, to \$157,000,000 in November, 1910. In most of these years the profits were also satisfactory. In 1907 they were \$1,752,350; in 1908, \$1,627,332; in 1909, \$1,510,696, in addition to which the sum of \$300,000 was recovered from over-appropriations; and in 1910, \$1,838,065. The dividend remained at eight per cent. until the first quarter of 1910, when it was increased to nine per cent. A further increase to ten per cent. followed in 1911. At the annual meeting in 1908 the authorized capital of the bank was increased from \$10,000,000 to \$15,000,000. The additions to the Rest were one million dollars in 1908 and another million in 1910, bringing that fund up to \$7,000,000, or seventy per cent. of the paid-up capital. The yearly appropriation out of current earnings applied to writing down Bank Premises Account ranged from \$300,000 up to \$419,000; and the annual contribution to the Pension Fund was increased in 1910 from \$30,000 to \$50,000.

Reference has already been made to the formation of the Dominion Realty Company, Limited, as a subsidiary enterprise, to construct and own the smaller branch buildings, the bank acquiring the capital stock, and writing off the cost.¹ In 1906 the premises belonging to the bank stood in its books at a value of \$1,300,000, against which there were lands and buildings conservatively valued at \$1,951,600, safes and fixtures valued at \$478,200, and Dominion Realty Company's shares for \$600,000, representing a cash investment of like amount, a total of \$3,029,800. Three years later, on November 30, 1909, Bank Premises Account had grown to \$2,000,000; while the property values behind this amount were: land and buildings,

¹See page 232.

\$3,173,000 ; safes and fixtures, \$560,000 ; investment in Dominion Realty Company's shares, \$1,091,000; a total of \$4,824,000. During 1910 the contract was let for the erection of a new and larger office for the bank in Winnipeg.

The year 1911 proved to be one of great activity, not only because of the increased demand for money, but also because of the expansion of the bank's business at home and abroad. The branch managers were advised in April that there was every indication of an extremely active demand for money during the following autumn and winter. "The aggregate expenditures of municipalities for permanent improvements," it was stated, "and of corporations and individuals for the erection of buildings of all kinds, and for other investments of a fixed character, promise to reach record totals." The strain upon the staff became pronounced, and great difficulty was experienced in finding men sufficiently trained to fill the positions available. Promotions were much more rapid than had been the case a few years before. One of the expedients adopted, at first principally at the foreign branches, was to employ local men who were not appointed to the regular staff or admitted to the Pension and Guarantee Funds, and who were therefore denominated "temporary" employees, in contradistinction to those who were expected to spend a lifetime in the bank's service. This policy was not new, for the bank had taken on temporary employees at Dawson and other western branches many years before, but it had never been adopted on an extensive scale, being regarded purely as an emergency measure. A few years later, however, during the Great War, and largely as a result of the adoption of conscription in Canada, a large proportion of the staff, both of men and women, came to consist of temporary employees. Not only did the expansion of the bank's business cause difficulty in securing the necessary staff, but the steadily rising cost of living and the many opportunities of earning higher remuneration in other occupations, even if only temporarily, drew many men from the bank's employ.

Indications of how the bank sought to meet these difficulties are seen in the increase of the salary offered to junior officers just entering the service from \$250 to \$300 per annum, and in the extension of the system of granting a living allowance as an addition to an officer's salary at those places where the cost of living was greatest. An issue of \$2,000,000 of new capital stock, part of the amount authorized in 1908, was made in May, 1911, and was allotted to the shareholders on the basis of one new share for each five previously held, smaller holdings being disregarded. The price at which the new stock was issued was 180. This issue increased the paid-up capital of the bank to \$12,000,000.

On April 21 the appointment of Mr. John Aird, superintendent of Central Western branches, Winnipeg, as assistant general manager at Toronto, was announced. His successor as superintendent at Winnipeg was Mr. Vere C. Brown, formerly chief inspector.

In the early spring the bank's note circulation began to approach the legal limit, and the branches were instructed until further notice to pay out the notes of other banks which came into their hands. This situation prevailed intermittently all summer, and was not relieved until October 1, when the amendment to the Bank Act providing for additional note circulation came into force. At the same time as this shortage of bank-note circulation there occurred an unprecedented shortage of legal tender notes of small denominations, and in June the banks were asked by the Deputy Minister of Finance to pay out two-dollar bills instead of ones, whenever possible. The suggestion was also made that silver coin might be utilized to relieve the situation.

At the end of 1911 the branches of The Canadian Bank of Commerce numbered 243, distributed as follows: in Ontario, 66; in Quebec, 3; in Nova Scotia, 13; in New Brunswick, 1; in Prince Edward Island, 5; in Manitoba, 21; in Saskatchewan, 52; in Alberta, 40; in British Columbia, 33; in the North-West and Yukon Territories, 3; in England, 1; in the United States,

4; and in Mexico, 1. Thus there were 149 branches west of Lake Superior as against 94 in eastern Canada. The balance, however, was soon to be adjusted by the purchase of the Eastern Townships Bank with its 99 branches and sub-agencies, 84 of which were in the province of Quebec. This put the eastern branches in a slight majority. In June, 1912, the operations of the bank were extended to Newfoundland, Great Britain's oldest colony and now one of her overseas Dominions, a branch being opened in St. John's. This was a natural outcome of the business of the bank in the Maritime Provinces and especially in Halifax, the trade of which has such close connections with that of St. John's. The beginning of 1912 also witnessed the opening of a direct account by the Vancouver branch with the Chartered Bank of India, Australia and China, Hong Kong.¹ This proved to be the first successful step taken to improve the bank's facilities for selling drafts on the Orient and transacting other banking business with that part of the world. Up to this time it had been the custom for the head office to make arrangements with the New York or San Francisco agencies of banks in the Orient whereby the branches of The Canadian Bank of Commerce might draw on points in the Far East, the Oriental bank fixing the rate at which the remittance to it must be made. This roundabout method was not conducive to the extension of business, but one obstacle in the way of improving the facilities lay in the difficulty of providing funds in Hong Kong and other banking centres in China and Japan. It is the custom for bills of exchange against exports of goods from America to the east to be drawn in United States gold dollars, and to call for repayment in the same currency, with interest on the face amount of the bill until the approximate arrival of the remittance in New York. These stipulations form what is termed the "eastern clause." Occasionally a bill may be drawn in sterling and call for repayment in a similar manner

¹The Chartered Bank of India, Australia, and China is the oldest correspondent of the Canadian Bank of Commerce in Asia, its name appearing as early as 1889 in the list of the bank's correspondents.

in London funds, but only rarely is one to be seen drawn in Hong Kong dollars, Shanghai taels, Japanese yen, or other eastern currency. It is said that one of the reasons for this custom is the gambling instinct of the Chinese. The native importer does not wish to be bound to pay so many Chinese dollars, but prefers to watch his opportunity in the fluctuations of the silver market. Consequently the usual method of providing eastern funds is the purchase of a telegraphic transfer in London, and the fluctuations of the eastern exchanges are such that it is only with the greatest difficulty that an Oriental drawing account can be operated successfully in this manner. The Vancouver branch, however, situated on the borders of the Pacific Ocean in comparatively close touch with the avenues of Oriental trade, has been able to overcome the handicap and has successfully developed the business of the bank with China and Japan.

At the annual meeting in January, 1912, Mr. Robert Kilgour retired from the Board, after having served as a director for over twenty years and as vice-president for fifteen. The vacancy was filled by the election of the general manager, Mr. Alexander Laird, who still retained the office of general manager. As the amalgamation agreement with the Eastern Townships Bank was to take effect a month or two later, and its completion would involve the issue of the whole of the authorized capital stock of \$15,000,000, it was deemed advisable at this meeting to increase the authorized capital to \$25,000,000. Up to the present time none of the additional amount has been issued. Steps were also taken looking to the redivision of the capital stock of the bank into shares of \$100 each, instead of \$50, but this alteration was not carried out until 1914 under the provisions of the new Bank Act. A by-law was also passed increasing the number of directors from fourteen to nineteen upon the coming into effect of the agreement with the Eastern Townships Bank, and arrangements were made for admitting the members of the staff of that bank to the Pension Fund of The Canadian

Bank of Commerce. During the previous twelve months His Majesty, King George V, had conferred the honour of knighthood on two of the directors of the bank. The Hon. Sir Lyman Melvin Jones received his knighthood at the time of the Coronation, and His Honour Sir John Morison Gibson, K.C.M.G., then serving as Lieutenant-Governor of Ontario, at the New Year.

The creation of the Eastern Townships division, comprising all former branches of the Eastern Townships Bank south of the river St. Lawrence, took place on March 1, Mr. James Mackinnon,¹ the late general manager of that institution, being given the title of manager-in-chief of the division, with headquarters at Sherbrooke. Subsequently all the branches in the province of Quebec, save those in Montreal, were placed under the control of this department, and on Mr. Mackinnon's retirement from the post of manager-in-chief, his successor, Mr. E. L. Stewart Patterson, received the title of superintendent. Five directors of the Eastern Townships Bank, Messrs. William Farwell, D.C.L.,² Gardner Stevens,³ A. C.

¹James Mackinnon (b. 1850) is a native of Londonderry, Ireland, and was educated at St. Francis College, Richmond, P.Q. He entered the service of the Eastern Townships Bank and became manager at Cowansville in 1876 and at Grand Forks, B.C., in 1900. Later in the same year he was appointed assistant general manager, and in 1902 general manager (see Vol. I, p. 401). Mr. Mackinnon retired from active service in 1917, and in 1920 was appointed chairman of the Sherbrooke Advisory Board of the bank. He served as Mayor of Cowansville for three years and as Warden of Mississquoi for one year. He was president of the Sherbrooke Board of Trade in 1908.

²William Farwell, D.C.L. (1835-1918), was born at Compton, P.Q. After some years spent in commercial life he entered the service of the People's Bank, Derby Line, Vt., in 1859 as assistant cashier. The following year he was appointed assistant cashier of the newly-founded Eastern Townships Bank, and subsequently rose to be, first, cashier, then general manager and finally president (see Vol. I, p. 375). Mr. Farwell served as Mayor of Sherbrooke in 1907 and 1908. He was a director of the Sherbrooke Railway and Power Company, the Black Lake Consolidated Asbestos Company, and several other organizations. His eldest son, Edward Winn Farwell, is manager of the Sherbrooke branch of The Canadian Bank of Commerce.

³Gardner Stevens (1850-1916) was born at Frost Village, P.Q., the son of the late Hon. Gardner Green Stevens, first manager of the Waterloo branch of the Eastern Townships Bank and for many years a director and vice-president of that bank. Mr. Gardner Stevens, the son, became a director on his father's death in 1892 and in 1911 was elected vice-president. He was secretary-treasurer of the Brome Lake Electric Power Company, and a director of the St. Lawrence Power Company and several other companies.

Flumerfelt,¹ George G. Foster, K.C.,² and Charles Colby, M.A., Ph.D.,³ were elected to the Board immediately after the amalgamation took place, in accordance with the arrangements made the previous January. Steps were also taken for the formation at Sherbrooke of a local advisory Board for the province of Quebec, the members of which were chosen from among the former directors of the Eastern Townships Bank, Messrs. Farwell and Stevens being members of both the general and local Boards. A stock register was opened at Sherbrooke for the convenience of the former shareholders of the Eastern Townships Bank, who had now become shareholders of The Canadian Bank of Commerce; but after a year or so its continuance was found unnecessary and it was transferred to Montreal on May 31, 1915, and consolidated with the register already existing in that city.

During a political campaign which took place early in 1912 false charges were made and circulated against the Canadian banks with regard to the loans which they were accustomed to make in New York. As the periodical revision of the Bank Act was then approaching, it was deemed advisable to place the facts of the situation before the public, and an article on the subject by the president of the bank, Sir Edmund

¹Alfred Cornelius Flumerfelt (b. 1856) is a native of Markham, Ont. He entered the wholesale boot and shoe business in Cobourg in 1875, and removed to Winnipeg four years later. In 1886 he went to Victoria, B.C., as branch manager for Ames Holden and Company of Montreal. Since 1900 he has been engaged in mining. He is president of the Granby Consolidated Mining, Smelting and Power Company, Limited, the Hastings Shingle Manufacturing Company, etc., and a director of numerous other companies. He served for a number of years as a member of the city council of Victoria, B.C., and also as president of the Board of Trade of that city.

²The Hon. George Green Foster, K.C. (b. 1860), is a native of Knowlton, P.Q., and was educated at McGill University. He was called to the bar in 1881 and made a King's Counsel in 1896. He is head of the firm of Foster, Mann, Place, Mackinnon, Hackett, Malvena and Brais, Montreal. He is president of the Stanstead, Shefford and Chambly Railway, vice-president of the Montreal Tramways Company, and a director of many other companies. He was called to the Senate in 1917.

³Charles William Colby, Ph.D., LL.D. (b. 1867), is a native of Stanstead, P.Q., and was educated at McGill University, taking a post-graduate course at Harvard University. He was for many years professor of history in McGill University. He is president of the Noiseless Typewriter Company.



GUELPH, ONT.



PLATE No. 41.

WATERLOO, ONT.

Walker, which had originally appeared in the *Monetary Times*, was reprinted and circulated throughout Canada. Apparently these efforts were successful in dissipating the impression that Canadian interests were detrimentally affected by the practice, for the criticisms soon died down.

In September it became necessary to advise the branches that the market for municipal debentures was depressed, and that advances depending for liquidation on the sale of such securities should be avoided, unless arrangements had first been made for their sale to responsible parties. Ten months later the bank's policy with regard to municipal debentures became the subject of an attack by the *Moose Jaw Times*, with special reference to the bank's relations with that municipality, and a misleading press despatch was sent to newspapers in other cities. The city council of Moose Jaw, however, passed a resolution condemning the *Times* for its attack, and the mayor made a public announcement that any inconvenience experienced by the city in its financial arrangements had been caused by inability to dispose of its debentures.

The summer of 1912 witnessed the annual strain on the note circulation, and the branches were asked to adopt the usual means to restrict, as far as possible, the use of the bank's notes, and to refrain, except when unavoidable, from ordering additional supplies. In September, however, these restrictions were relaxed, and the branches were left free to order such supplies as they required, and were instructed to use the bank's own notes for all payments.

In October, 1912, it was decided to adopt the practice, now in vogue, of having a review of business conditions written for presentation to the shareholders at the annual meeting by the superintendents or other officers in charge of the various districts in which the bank does business. This review is compiled from reports on business conditions in their neighbourhood furnished by the managers of the various branches. Up to this time Sir Edmund Walker, first as general manager and later as president, had incorporated

this information in his review of general conditions at the annual meeting.

By March, 1912, the accommodation afforded by the head office building had become so cramped and insufficient that a number of the departments were forced to rent quarters elsewhere, and arrangements were made to acquire by lease or purchase the adjoining properties westward on King Street as far as the building of the Quebec Bank, now owned by the Bank of Nova Scotia. The property extends in the rear to Melinda Street and its acquisition gave the bank a site with a frontage of 151 feet on King Street and a depth of about 168 feet, on which it is proposed in the near future to erect a new head office building. In the meantime the old buildings have almost all been adapted to the use of the bank.

In June, 1912, there occurred at Regina a cyclone of unusual intensity, which did great damage in the city, crushing many buildings in the path of the storm and causing much loss of life and devastation to property. The bank subscribed the sum of \$5,000 to the relief fund raised for the sufferers. Later in the year a similar sum was subscribed to the King Edward Memorial Fund of the National Sanitarium Association, to be used to endow a bed to be known as The Canadian Bank of Commerce bed.

At the annual meeting in January, 1913, the number of the directors was increased from nineteen to twenty-two, and Messrs. George W. Allan,¹ H. J. Fuller² and Frank P. Jones³ were the new men chosen. In October Mr. William McMaster retired from the Board and the vacancy thus occasioned was not filled. Instead, steps were taken at the ensuing annual

¹George William Allan, K.C. (b. 1860), is a native of Toronto. He was educated at Upper Canada College and Trinity University. He is senior partner of the legal firm of Munson, Allan, Laird, Davis, Haffner and Hobkirk, and Munson, Allan, Loader, Patton and MacInnes. He is a director of the Great West Life Assurance Company, the Canada Permanent Mortgage Corporation, the Canada Cement Company, and many other concerns. In 1917 he was elected to the House of Commons as member for South Winnipeg.

²Henry Jones Fuller (b. 1874) is a native of Worcester, Mass. He is president and general manager of the Canadian Fairbanks-Morse Company, Limited, a director of several allied companies and of the Canadian Consolidated Rubber Company. He was

meeting to reduce the number of directors from twenty-two to twenty, as vacancies should occur. Commencing in December, 1912, a semi-annual bonus of one per cent. was paid to the shareholders in addition to the regular dividend of ten per cent., and this rate of distribution continued for some years.

At the beginning of 1913 the dangers of the real estate situation received the attention of the management. A circular was sent to the branches on January 31, pointing out that a very large percentage of the statements of affairs (particularly of casual and farmer borrowers) which came before the head office revealed disproportionately large holdings of real estate. At this period agents for the sale of western town-site lots were especially active both in the rural and the urban sections of eastern Canada, strong efforts being put forth to induce the unwary to purchase western real estate at enormously inflated values. Unfortunately the victims of these speculations numbered very many ill able to afford their losses. The managers of the bank were instructed to advise their customers against purchasing land to an extent which would impair working capital and to do all in their power to prevail on customers to reduce unduly large holdings of real estate.

In February, 1913, the disturbances in Mexico City, where the bank had a branch, reached the point where it was necessary for the banks to close their offices temporarily. Particulars of the manner in which the lives of the officers were endangered are given in the next chapter,⁴ and furnish a side-light on the adventurous side of service in a widely extended institution like The Canadian Bank of Commerce. a director of the Eastern Townships Bank from 1911 until its amalgamation with The Canadian Bank of Commerce.

⁴Frank Percy Jones (b. 1869) is a native of Brockville, Ont., and was educated at the Royal Military College, Kingston. After several years in the employ of the Nova Scotia Steel Company, New Glasgow, he entered the service of the Dominion Iron and Steel Company, becoming general manager in 1905. In 1910 he was appointed general manager of the Canada Cement Company, Limited, of which he is now the president and general manager. He is also a director of the Montreal Trust Company.

⁴See page 299.

The annual pressure on the note circulation came earlier than usual this year, and measures for combating it had to be adopted in March. The situation improved in May, but became serious again a month later, and real ease did not come until October.

An effort to improve the efficiency of the junior members of the staff was made during the year, when it was announced that bonuses would be given to officers taking up a systematic course of study in banking and passing the examinations of any approved educational institute or correspondence school.

In September the bank was appointed by the Canadian Bankers' Association one of the three trustees of the central gold reserves established by the revised Bank Act to provide cover for note circulation in excess of the paid-up capital of the issuing bank, thus preserving for the country the elastic quality of its note circulation. The need for some provision of this character had been demonstrated by the frequency with which during the preceding ten or a dozen years difficulties had arisen in providing a sufficiency of currency for the business of the country, especially during seasons of great activity. The earnings of capital invested in banking have been reduced by competition to the point where new capital cannot be obtained merely for the purpose of extending note-issuing powers, even in the case of a well-established business; and since the Great War and the rise in price of almost everything save money, conditions in this respect have grown worse, owing to the augmented burden of taxation, part of which is borne directly by the note issues. In fact, the day when a bank can afford to have a capital sufficiently large to provide a reserve of note-issuing power seems to have definitely passed away.

The revised Bank Act called for the election of auditors by the shareholders, and at the next annual meeting, held in January, 1914, Messrs. T. Harry Webb, C.A., of Winnipeg, and James Marwick, C.A., of Montreal, were chosen. The Act also permitted the redivision of the capital of the bank,



FORT WILLIAM, ONT.



PORT ARTHUR, ONT.

the shares of which had a par value of \$50, into shares of \$100 each. This process was finally completed fourteen months after the new Act came into force. Arrangements were made to communicate with the shareholders who held odd half shares after the redivision, so as to facilitate the purchase or sale of the necessary amount to even up individual holdings.

The autumn of 1913 brought a slowing down of the expansion which had been so marked a feature of Canadian trade after the financial world recovered from the crisis of 1907, although the Great War, which was to change the face of everything within less than a year, was nowhere foreseen. The changing aspect of affairs was indicated by a slackening of the strain upon the staff, which had for at least ten years been a difficult problem for the management. A circular issued on October 7 announced that the staff was now so amply manned that future appointments would be confined to young lads who had just left school and that officers leaving the bank would not be re-employed, as had been permitted during the period of difficulty in building up a staff sufficiently large to cope with the rapid growth of the institution. Little more than a year elapsed before the call for young men to fight the battles of the Empire and humanity created staff problems more perplexing than any that had been experienced during the years of rapid expansion.

A Federal Income Tax law came into force in the United States on November 1, 1913, and rendered it necessary to attach certificates to almost all coupons and dividend cheques payable in that country. The provisions of this law were so obscure and involved that it was found to be impossible at the outset to give the branches definite instructions regarding the tax. Unfortunately there has been a tendency during recent years for legislative bodies in Canada to pass hasty and ill-considered measures, the bearing of which on the everyday life and transactions of the ordinary individual cannot be ascertained in time to enable him to obey the law. Such hasty legislative acts have been fairly common in the

past in the United States, but it is sincerely to be hoped that the practice will not be permitted in this country.

In January, 1914, there took place the death of the Hon. George A. Cox. He had been a director of the bank for nearly twenty-eight years, during twenty of which he had served as president or vice-president. In accordance with the provisions of the by-law enacted at the annual meeting held just before his death, his place was not filled.

Allusion has been made to the passing of forged travellers' cheques by "Christmas" Keogh. During January, 1914, in consequence of his forgeries, it was decided to make a new issue of a different design and to discontinue altogether the issue of cheques of the denomination of \$200. Criminal enterprise of a widely diversified nature caused a good deal of anxiety during the early part of 1914. On January 30 the branches were warned that a number of desperadoes were at large in the western provinces, and were quite likely to make attempts at daylight robberies of the banks. The managers were instructed to be on their guard and to take special precautions against attack. Forgeries had been more or less prevalent for some years and in April, 1914, a curious case of this kind came to light. A forged money order, supposed to have been issued from the bank's branch at Joliette, P.Q., was presented at the Montreal office for payment. The person presenting the order acted in such a peculiar manner that he was suspected and detained. On examination he was sent to an insane asylum and it was learned that he had openly given an order to a printer in Joliette for two hundred similar forms, which had been printed without demur and handed over to him. A counterfeit of the \$10 note of the bank also appeared in Hamilton, Ont., about April. Apparently the black and white parts of the note had been copied by photographic processes and the colouring done by hand. The result was crude and would deceive no one accustomed to handling money. Perhaps

the counterfeiter himself realized that his handiwork was bad, for only three of these counterfeits were ever seen.

In the spring of 1914 the shortage of farm labour in the province of Ontario became so serious as to force the Provincial Government to take action, although the war was subsequently to make the situation infinitely worse. In an effort to overcome the difficulty, the bank instructed its managers in Ontario to assist the work of the Bureau of Colonization, established by the Ontario Department of Agriculture to bring farm labourers from the United Kingdom. This co-operation took the form of keeping at the various branches a supply of application forms, and assisting farmers to fill them out, and forward them to the Government.

Before closing this chapter it will not be amiss to review the progress made by the bank in the period with which it deals. The following figures taken from the statements presented at the annual meeting held in June, 1901, which incorporated the figures of the Bank of British Columbia, and from the government return of July 31, 1914, will speak for themselves:

	May 31, 1901	July 31, 1914
Paid-up capital	\$ 8,000,000	\$ 15,000,000
Rest	2,000,000	13,500,000
Note circulation	5,446,773	11,767,475
Deposits	48,004,599	191,944,909
Loans	49,050,667	184,948,833
Total assets	67,553,578	252,179,071
Number of branches	67	379 ¹
Number of staff	575	3,536 ¹

At the end of 1914 the shareholders numbered 6,147; the figures are not available for the earlier date.

These figures, however, eloquent as they are, do not tell the whole story. The year 1901 was the climax of a period of

¹As in January, 1915, the nearest date available.

great prosperity, in which the bank had shared to the full.¹ Its business had expanded rapidly, and it had also taken over in January the business and assets of the Bank of British Columbia. In these ways its assets had increased

¹Addressing the shareholders at the annual meeting in 1901, Mr. B. E. Walker, the general manager, reviewing the progress made during the years then just past, said:

"As the balance sheet of the bank exhibits changes of unusual importance we have thought that the shareholders would be interested in comparing the present situation with the past in a more extended manner than is our ordinary custom. Three causes have combined to increase abnormally the figures with which we have to deal. We have had a year of most gratifying increase at all of our branches; we have incorporated the figures of another bank; and we have, by the change in the Bank Act, been required to bring into our balance sheet the assets and liabilities of our agencies in the United States, instead of merely showing the resulting balance due us, as was the previous requirement of the Act.

"Our statement shows that the resources at our command at the present time are \$67,553,578, an increase since last year of \$24,730,779. The resources at our command in recent years have been as follows:

1890.....	\$22,596,520
1895.....	28,408,274
1898.....	34,256,103
1899.....	39,682,786
1900.....	42,822,799
1901.....	67,553,578

"The increase in our deposits during the past year has been \$18,324,330, which may be divided as follows:

Deposits of the Bank of British Columbia assumed.....	\$8,253,384
Increase during the past year in branches of The Canadian Bank of Commerce, apart from those which were formerly establishments of the Bank of British Columbia, and in the latter for five months.....	7,527,726
Increase due to change in form of balance sheet.....	2,543,220
	<hr/>
	\$18,324,330

"The increase in our note circulation during the past year is \$1,255,080, of which about \$1,000,000 is attributable to the business taken over from the Bank of British Columbia.

"It will interest you to consider again, as we did a few years ago, the relative growth of this bank as compared with the growth of all banks in Canada combined.

"In 1896 our deposits constituted 9.27 per cent. of the entire deposits in chartered banks in Canada; at present they constitute 14.31 per cent of the whole, an increase of 5.04 per cent.

"In 1896 our note circulation was 7.79 per cent. of the entire circulation of Canadian banks. It is now 11.49 per cent., an increase of 3.70 per cent."



KINGSTON, ONT.



BELLEVILLE, ONT.

over fifty per cent. between November, 1900, and May, 1901. On the other hand the year 1914 was one of shrinkage rather than growth. A period of remarkable trade expansion, culminating in 1913, had been followed by sharp contraction and the Great War came just in time to assume much of the blame for the conditions of depression that this country must have experienced. It was therefore under somewhat shortened sail that The Canadian Bank of Commerce, in common with the other banks of this country, faced the sudden outbreak of war in 1914.

During the period under review the management of the bank had learned many lessons. The very rapidity of its growth and the constant increase in the volume of work which its officers were forced to handle had accustomed them to changes in organization and in methods, and forced them to adapt themselves to meet unexpected circumstances. It had acquired a reputation for leadership in the technical details of banking, partly due no doubt to a willingness to share the results of its experience with other institutions and to aid them as much as possible in solving their problems. A readiness to meet emergencies bade fair to become a part of the equipment of its officers, as was evidenced by the alacrity with which they opened up new fields for banking on the very confines of civilization. These characteristics did not forsake the bank when the clouds of war finally burst. Among the vivid recollections of that period are the groups of excited men that gathered at its head office when the storm was breaking, to go away calmed and soothed by contact with the leaders of The Canadian Bank of Commerce.

CHAPTER V.

THE ROMANCE OF BANKING.

In an institution which has its agencies not merely in the snug towns and cities of Canada, but also at many outlying points on this continent from the Arctic circle to the tropic of Cancer, the life of a member of the staff is subject to constant changes, not infrequently involving abrupt contrasts. The bank officer one year shares the wild life of the newly opened mining camp, and perhaps next year is in the midst of a revolution in Latin America; he may encounter earthquakes on the Pacific Coast, and later the perils of forest fires in another part of this vast continent. If he is married, his wife goes with him; so that the life of a girl who marries a bank officer in the earlier years of his service is apt to be one of continuous change, of bidding farewell to old friends and of making new ones. This is a condition peculiar in North America to the great Canadian banks and probably no other calling save that of the officials of great railways is subject to such vicissitudes.

Mr. F. C. Whitehouse, manager of one of the branches of The Canadian Bank of Commerce, has depicted the various phases of this wandering life in a little brochure, *Songs of the Service*. The following verses are from "*The New Recruit*:"

What makes the Manager's heart to penk, what
 makes him to perspire,
It isn't being always broke, nor t' Superintendent's
 ire ;
It's the everlasting juniors, in an everlasting stream,
As stupid as they make them, and most uncommon
 green.

* * * *

Getting clear of dirtiness, getting done with mess,
 Getting shut of doing things rather more or less ;
 Quite a youth of promise—nearly earns his pay,
 When orders come to send him west—there's
 another on the way !

In such an institution as The Canadian Bank of Commerce, there is always "another on the way." Something is nearly always happening to keep the current in motion—a new mineral discovery, the quick development of a new agricultural area, not to mention world-wide catastrophes like the Great War. The manager's wife has woes of her own, which Mr. Whitehouse voices in his ditty, "*We're on the Move Once More,*" from which the following lines are quoted:

My friends I leave behind me, and some are well
 worth while,
 Though I've known them but a year or so at best.
 I am off to face the music with the bland and child-
 like smile
 Of which a banker's wife must be possessed.

* * * *

I have done it now so often I know what it will cost,
 By the time our home is furnished roof to floor,
 Not to mention casual damage, and the treasures
 left behind.
 Holy Moses ! We are on the move once more !

Though the ordinary routine of banking has its humdrum aspects, there has been plenty of adventure in the lives of many members of the bank's staff. Some of the most striking pioneering experiences of the officers of The Canadian Bank of Commerce have occurred within the present century in prairie towns of Saskatchewan and Alberta that now possess solid business blocks, well paved streets and most of the other attributes of urban civilization, but which were absent from the map twenty years ago. The rush of settlers from the

United States and Europe, which was at its height from 1900 to 1905, and coincided with the construction of new trans-continental railways, created a situation where new towns sprang into being almost in a night. Many of the new-comers had ample means and were eager to avail themselves of banking facilities. The more progressive Canadian chartered banks were on the keen look-out for favourable locations for new branches. They did not wait for the advent of the railway, but sought to anticipate the prosperity that the lines of steel, slowly reaching out across the prairie, would be sure to bring. It was realized that the first bank to put up its sign and to open its books was in a position to make the strongest bid for the business of the future. "Beating the other fellow to it" acquired a sporting interest almost as stimulating as "claim jumping" in the early mining days. For aggressive outdoor men, of the type prevalent among the staff of The Canadian Bank of Commerce, the incidents of those days of rush and enterprise are cherished recollections. They assuredly needed all the stimulus that the sport of the thing could give them, for they had to endure perils of cold, blizzard and flood. In some instances they took their wives with them, and to these brave girls the memories of their first winters, in places which are now towns and cities gay with social life, recall the experiences of their grandmothers and great-grandmothers in the early days of settlement in eastern Canada.

The story of the opening at Vegreville, in Northern Alberta, is thus recounted by the officer entrusted with the task: "Acting on telegraphic instructions from head office, I left Edmonton, in company with a junior clerk and a driver, at 8.30 p.m., on September 8, 1905. The only horses we were able to procure for the trip (a distance of about ninety miles by trail) were a team of only partly broken cayuses. We made Fort Saskatchewan late that night, and after a few hours' sleep were ready to continue the journey at 5.30 the next morning. I had placed our grip, containing five thousand dollars in currency and several hundred dollars in

silver, on the back seat of the democrat, and the driver, who had been holding the horses, was about to get in, when the wind, blowing hard at the time, frightened the horses and away they went, pulling the driver over on his back, in which position he was forced to let go the reins. Their mad career was abruptly ended, however, when the horses ran on either side of a post. For a few minutes the air seemed filled with suitcases, boxes of stationery, etc. When everything finally came down to earth, both boxes of stationery had burst, the weight of the silver had split the grip, and the ground for some distance around was generously strewn with all sorts of stationery and bundles of cash. After chasing the stationery about in the wind for some time and recovering most of it and all of the cash, we procured another democrat and made a fresh start.

"We reached the town of Vegreville that night after a long hard drive, the monotony of which was broken slightly during the afternoon by another lively but harmless run-away. The hotel, as it was called, was a frame building consisting of little else downstairs than the bar and an "eating room." In the latter, we discovered that the only way to have a meal with any degree of peace was to sprinkle sugar at one end of the table to draw the flies, and then partake of a hasty meal at the other end. Upstairs, the partitions between the bedrooms were of cheesecloth nailed on the studding, so that the occupant of any room which had a lighted lamp could be distinctly seen by all others on the floor. After a tiring day we retired early to bed, but not to sleep. The bed proved to be already too crowded with unwelcome occupants, so much so in fact, that sleeping on a chair with one's feet on the washstand was found to be much more comfortable. The next day was Sunday, but I got possession of an old abandoned log and mud hut, with an earth floor and one small square window in the front—the only available building—where we worked all day cleaning out the cobwebs and other truck. We painted and put up a large canvas sign, "The Canadian Bank of

Commerce," and were open for business on Monday morning. The hotel being impossible, we got two or three armfuls of straw from a stable, and on this, with horse blankets, we slept in our log hut "banking office" until November 9.

"To us the most interesting part of this episode was our experience with snakes. An old creek bottom, a short distance away, was infested with garter snakes, and with the approach of cold weather they appeared to migrate to the few buildings in the town and to our old hut in particular. I shall never forget my feelings the first time I wakened in the pitch darkness and realized that a snake was lying snugly against my body. Every night after this before retiring we would place six or eight candles on the ground around our bed, then shake up the straw with sticks and kill any of the reptiles that we discovered. Notwithstanding this precaution, we frequently awoke to experience the cold, clammy presence of an extra bed-fellow, which after the first few times did not seem quite so nerve-racking. If I remember correctly, our record killing was twenty-four snakes inside the "office" during one afternoon and evening. I might mention here that Mr. Hogg¹ of the inspection department paid us a week-end visit about this time, and was given a very comfortable bed in a sleeping bag on the improvised counter in the "banking office," well out of reach of our crawling friends.

"Subsequently I purchased a homesteader's shack, which we moved on wagon trucks about four miles over the prairie, to what was to be the new site on the railway. We were the first to locate on the newly staked townsite even before the lots were offered for sale, the business of the town being moved on November 9. The railway line was completed as far as the town a short time later. The post office remained for some time at the old town, the mail arriving there once a week, late in the afternoon, by stage from Edmonton. This necessitated our going to the old town in the evening on horseback, then back to the new town with the mail, where the week's

¹ Mr. William Hogg, now superintendent of Ontario branches.

cash book would be written. The outgoing mail in answer to that just received had to be prepared and delivered at the post office four miles away in time for the return stage, which left promptly at six o'clock the next morning."

The officers who went to Langham (Saskatchewan) before the main line of the Canadian Northern Railway¹ from Winnipeg was completed to that town, had the experience of running a bank for a considerable period without safe, books or bank stationery. The office equipment had been shipped, but had gone astray and could not be traced. The accounts were kept in an ordinary journal and scribbling book purchased at the local store, and the small memorandum books issued by the bank for advertising purposes had to suffice the customers for pass-books. At night the manager's club bag served as the repository of bills and securities, and the cash was kept in the old-fashioned way—between the mattress and the springs of the manager's bed at the hotel. The bedroom door was carefully barred with a hickory hockey-stick.

This manager and his staff had been outstripped at another place in the race to open a branch and wished to redeem their reputations. During the first winter a telegram arrived in code, but as the code-book had disappeared with the stationery, the message could not be deciphered. One word, "Radisson," gave the manager a clue. "They want us to open a branch at Radisson," he intuitively guessed, and at once despatched the teller on a freight train to that place. Immediately on arrival, the latter had a sign, "The Canadian Bank of Commerce," painted, and placed on a hastily rented building. The next morning the inspector of another bank came driving in from Battleford to establish a branch. Seeing the sign he drove on to Langham in disgust, very angry and very cold. The Langham manager's earlier rebuff in the sporting business of "beating the other fellow to it" was thus offset.

¹ Now the Canadian National Railways.



TEMPORARY OFFICE OF THE COBALT BRANCH 1905

Office accommodation under these conditions was necessarily primitive. At Langham the staff lived in a shack, for when the safe was installed in the temporary office, ten by twelve feet in area, there was little room for anybody. The walls were only of wood, an inch thick, and the office was heated by a second-hand cook-stove. The resourceful pioneers kept the ink in the oven, but even there it sometimes froze at night when the fire burned low.

Among the early customers of the bank in this part of the West were Doukhobors; but the officers of the bank soon found out that though primitive in some things these Russian Quakers had the instinct of business fully developed. The first advance made at the Langham branch was one to the head-men of thirteen Doukhobor villages. After sun-down, the evening before the note was due, they came to pay it off, and did not fail to ask for a rebate of interest because of payment ahead of time.

The opening of the branch at Innisfail (Alberta) was an instance of forestalling a rival. The officer of The Canadian Bank of Commerce detailed for the purpose got into conversation with another traveller on the train, and learned that the latter's mission was that of opening at Innisfail a branch for another bank. The Commerce officer preserved silence as to his own mission, taking comfort from the fact that arrangements had previously been made to occupy the office of an Innisfail solicitor. To tell the rest of the story in his own words: "Although there was a blizzard raging at the time, I was able to have a sign erected across the building, but found that the solicitor had made no effort whatever to move out of the premises, although he had received ample notice. He was in the country at the time and the owners of the building did not know when he would return. With the officer who accompanied me, I decided we would clean up the building ourselves, although it was in a rather disorderly condition. As the lawyer's papers were scattered all over the floor, we naturally concluded they were not of much value.

Everything was covered with two inches of dust, so we utilized the watering can pretty freely during our operations; consequently the papers were rather a sorry sight when we had swept them into the outside shed. On the lawyer's return he was very much perturbed and threatened to sue the bank, because we had mislaid all his 'important' papers and treated them in such a manner. However, after he cooled down somewhat, we told him that we should be glad to assist him in sorting them; but he eventually concluded to leave the papers where they were, provided we would allow him to go and pick out those he required from time to time. This was quite a satisfactory arrangement to us."

Saskatoon is perhaps the most important of those cities which sprang suddenly into existence on the open prairie at the dawn of this century; and The Canadian Bank of Commerce was located there almost from its birth. The first office was a two-storey building of a single thickness of boards which had been used as a flour and feed warehouse. An attempt to improve it by covering it with sheet metal revealed the fact that this material is an effective conductor of cold in winter and of heat in summer. As to conditions in winter the manager writes:

"There were two stoves in the office for heating purposes, yet while one's back was burning, one's hands would be freezing. It generally took an hour or more each morning to get ourselves and the ink thawed out sufficiently to commence work. Three members of the staff and myself occupied the bedrooms in the upstairs portion of the building, which was heated by a stove in the hall. It used to be the duty of the last man in to fill the stove in order to keep it burning all night. How cold the building was can be imagined from the fact that the stove has been red hot and yet a barrel of water standing in the corner of the hall about five feet from it would be frozen solid in the morning. One of the members of the staff had a novel scheme for keeping his feet warm while dressing, having had a soap box lined with cotton wool in which he

stood during the operation. One night I had my nose frozen when in bed. The stove downstairs generally burned out about seven or eight o'clock in the evening, and the cold came up through the floor so that it was impossible to keep the upper floor warm. During the summer the roof leaked somewhat, and one of our lady customers asked us to buy her a new hat, as she had had her's ruined while making a deposit.

"It was difficult to secure decent meals in those early days. The two or three hotels and one restaurant which were in the town were usually packed, as there was a large transient population. It was not unusual, in fact for many months it was an every-day occurrence, to see a queue formed which would lead from the door of the hotel dining-room to the corner of the street, so that unless one got into line for dinner (supper, as they called it) at 5 p.m. it was not likely that he would get anything to eat before 9 p.m., and then only what was left over. The first persons to arrive at the dining-room door naturally thought that they had secured the best places, but by the time the doors were opened the crowd behind pushed so hard that the first-comers usually found themselves flying through to the kitchen, while the others obtained the seats in the dining-room. By the time they got turned around there was no place for them, so they had to dine at a later hour."

Another occasion which called for all the fortitude and cheerfulness of the pioneer was the opening of branches at Willow Bunch and Bengough in southern Saskatchewan. Willow Bunch had been the centre of an old-time ranching district, but was then a picturesque hamlet, inhabited for the most part by French Canadians. When the bank's branch was opened there, there was no railway within a distance of forty miles. Some time later an office was opened at Bengough, which was over twenty-six miles away on a new line of railway, and Mr. Harold Cameron was placed in charge of both branches. At that time the only means of communication between the two places was by horse, and as the business

at both places was very active, Cameron was kept exceedingly busy. Frequently after partaking of his evening meal at Willow Bunch, he would have to finish the day's work at the office there, and then saddle his pony and set out in the dark for Bengough. On arriving at his destination he would roll himself up in his fur coat and blanket and go to sleep on the floor of the shack, which, as no other accommodation was available, constituted both the temporary office and the living quarters of the staff. The return journey to Willow Bunch would have to be undertaken under similar conditions after a busy day's work, and on one occasion Cameron found that he had fallen asleep in the saddle. After that he made a point of tying himself carefully to his saddle, and not infrequently snatched a period of well-earned slumber on the road, leaving it to his faithful pony to carry him safely to his journey's end. Some time later these conditions were brought to the attention of the district superintendent and arrangements were made which called for less strenuous work on the part of the manager of the two branches. Cameron subsequently left the bank to go into business for himself and met a tragic but heroic end on the battle-fields of France.

The rapid opening of branches in southern Alberta brought similar experiences to the officers stationed in that part of the West. At one time in the winter of 1904-05, owing to a shortage of clerks, it was found necessary to conduct two branches, those at Nanton and Claresholm, with the same staff. Every Tuesday, Thursday and Saturday the clerks, who slept at Claresholm, arose at 6 a.m. and took the train for Nanton, returning at 9 o'clock the same evening. The business grew very rapidly, so that frequently when the time came to take the train back to Claresholm the day's business at Nanton was not completed, and it was necessary to carry some of the Nanton books to Claresholm to finish the work. It was no uncommon sight to see a member of the staff trying to add up the cash-book on the train. The Claresholm office was installed in the roughest of wooden shacks, and had



THE BANK'S TEMPORARY OFFICE IN SOUTH PORCUPINE, ONT.
After the fire of 1911.



SOUTH PORCUPINE AFTER THE FIRE OF 1911

formerly been a Chinese laundry. Both the manager and his staff slept over it in an attic just large enough to contain two beds and a stove. One man had to stay awake almost all night to look after the fire, and snow would frequently penetrate the cracks in the roof and fall thickly on the beds. Frozen ink was an almost daily experience. The cellar was a mere hole in the ground without walls, which in spring-time had two or three feet of muddy water at the bottom. On one occasion a new safe arrived from the east, and it was necessary to move the two already there. Arrangements were made to have the work done on one of the days when the office was closed and the staff of the bank was at Nanton. The manager instructed the local contractor for the work to prop the floor carefully before attempting the task, but on returning in the evening the sight that greeted him was a large hole in the middle of the office floor, and the three safes lying at the bottom of it in the mud and water.

Despite almost impossible conditions these southern Alberta branches were very busy. In a few months a larger volume of business was built up than would be found at many branches in older-settled communities of eastern Canada where the bank had been open for many years. The members of the staff were often forced to work from seven o'clock in the morning until midnight to cope with the work on hand.

A spirit of practical joking and rough-and-tumble fun prevailed in these new communities. In one typically western town, the manager of a rival bank, who was well on in years and had come into a competence, sent in his resignation, and a very proper young man from the east, who prided himself on exemplary habits, was sent to succeed him. On the evening of the new-comer's arrival a farewell supper was being given at the local club for two ranchers who were leaving the district. About three o'clock in the morning, when the proceedings had reached the height of conviviality, the chairman, who happened to be the retiring manager, announced that his successor had arrived and that he thought this a magnificent opportunity

for him to meet the best people in the community. He had, he said, already extended to him an invitation to be present, but it had been declined, and he felt that his duty to the bank compelled him to insist on the young man's presence. He therefore appointed a committee of four to go to the hotel where the new manager resided and to bring him to the club, and they were instructed not to accept a refusal. The committee found him in bed and, on his again declining, picked him up in his night-clothes and bore him struggling through the streets of the town to the club, where he was deposited as a *pièce de résistance* in the centre of the banquet table, and compelled to make a speech. The young man realized that this particular town did not suit his temperament, and it is said that he telegraphed his head office applying for a transfer. At all events he departed within a week.

In Medicine Hat the story is still told of a Monday morning some years ago when the town found itself without banking facilities for several hours. "The opening day of the duck shooting season happened to fall on a Sunday. It is illegal to shoot on Sunday, but as usual several parties left town early in the morning, one of them including a member of the staff of each of the three banks then open. The day before, some of the practical jokers in the town had warned the members of this party that they believed the Mounted Police were determined to put a stop to Sunday shooting, and that they would make an example of any offenders they could catch. The party had stopped shooting about noon to rest and to have lunch, when one of them saw in the distance two horsemen with red coats riding rapidly towards them. Without waiting to investigate, the sportsmen made off as fast as their horses could travel, but in the excitement lost their trail and direction, and were out all night on the prairie, completely lost and with nothing to eat. They got back to town the next afternoon only to make the pleasing discovery that the red-coated horsemen were not policemen at all, and that a large party had driven out from town and hidden over the brow of a near-by

hill to watch the result of this very successful practical joke. All three of the banks were unable to open their safes that Monday, as each of the bank clerks in the party held a combination."

For married officers of the bank who had brought their wives with them, the housing problem at the pioneer western branches was necessarily more difficult than for bachelors, and their efforts to solve it were replete with mischance. The wife of the manager at Swan River (Manitoba) joined him during the February after the opening of the branch. They considered themselves fortunate in being able to secure four rooms in a wooden office building, with fissures in the outer walls sufficiently large not merely to let in breezes of hyperborean temperature, but to account for the disappearance of anything from a collar button to a spool of thread. Resolving that they would not put in another winter under such conditions, they made arrangements in the spring to start building a house, which was to be ready for occupation by the following August. The site had first to be cleared of willow scrub, and as the months went by and the mire created by the coming out of the frost was augmented by torrential rains, their hopes of getting a cellar dug and the foundation started became smaller and smaller. The most they dared to hope for now was any kind of a structure that would keep out the cold, and a roof that would keep out the rain. August found the house just beginning, and by October, when signs of winter appeared, it was a thing of roof and outer walls only, perched on tamarac posts. Christmas found them still in the old quarters, where water sometimes froze in the kettle on top of the stove while the fire was still burning. On New Year's Day they decided to move into the still unfinished house and occupy the three rooms which were ready for use. It was a luxury to have a fire which did not smoke, and food prepared on a real kitchen range, even though they went through the winter without cellar, furnace or cistern. During most of that year water for all purposes had to be either carried from a

distance, or melted from ice. Scarcely had the cellar been dug the following summer, when the rainy season began again. One night the rain fell in torrents, an unfinished eave-trough discharging a steady stream into the excavation. The cellar was filling rapidly, and the little house was in serious danger of collapse from the flood swirling around its temporary supports. Sturdy Doukhobors came to the rescue, however, with a pail and bucket brigade, and the erection of additional supports warded off the danger for the time being. As soon as possible, a drain extending three hundred feet to the river bank was completed and put an end to this difficulty.

The wife of the manager who opened the branch at Saskatoon had experiences which were no doubt those of many others. Her husband was fortunate enough to secure a house on the open prairie, about a mile from the office, the nearest neighbour being a quarter of a mile away. Their household goods arrived ahead of them and were dumped on the open ground near their unfinished house. Her expostulations evoked the answer that it never rained at that season of the year, and that the Royal North-West Mounted Police were so vigilant that thieves were unknown. As a matter of fact, their chest of table silver was left unguarded in the half-finished abode with no ill consequences.

The water problem was serious here also. A well was sunk at great expense, but the water when obtained was unfit for use. The new-comers were therefore compelled to depend on the irregular visits of a water-man, who dumped his wares, of a deep chocolate hue, into a barrel in the kitchen and invariably left a trail of mud behind. In winter-time the water he spilled on the door step would freeze and sometimes jam the door before it could be closed, bringing the temperature of the house down near the zero mark before the ice could be chopped away. Sometimes the water-man would fail to appear, and then the head of the household would be obliged to carry supplies from the river. There was a coal famine during the first winter, and on one occasion when no train reached the



THE COBALT MANAGER VISITING THE PORCUPINE DISTRICT 1910



SOUTH PORCUPINE, ONT.

Rebuilt after the fire of 1911. The bank's building is at the right end.



town for eighteen days, only slack could be procured. Consequently, when the furnace was lighted, it would fill the house with suffocating fumes, and the only remedy was to empty the furnace. Everything in the house, walls, clothes and furniture, would be blackened by the grime. Finally, when some real coal arrived, they were able for once to enjoy the luxury of a grate fire; but the construction of the fireplace was so faulty that when, at the end of the day, the manager went down to the cellar to make up the furnace fire for the night, he found the studding of the floor ablaze. There was no telephone over which to call for help and the temperature outside was forty below zero, but by hard work they managed to extinguish the blaze. In the summer, excitement was provided by the depredations of wandering cattle, with fell designs on their wind-break of poplar trees and the vegetable garden behind it.

During the second winter the manager and his wife had the misfortune to be overtaken on the prairie by a blizzard, while returning from an evening visit to some neighbours. They completely lost their way and wandered about for hours. It was impossible for the manager to leave his wife to search for shelter, as he was lost to sight and hearing at scarcely more than arm's length and she could not stand alone against the wind. Just when they were giving up in despair, a house was sighted, and gathering all his strength, the manager dragged his fainting wife to the door. Fortunately it had been left unlocked, otherwise the occupants would have discovered them only the next morning frozen to death in the snow, for even after they entered the house it was long before they could arouse the inmates, as their shouts were drowned by the fury of the storm.

Those who have read in Mark Twain's *Roughing It* the account of the silver boom in Nevada will find a parallel in the experiences of the officers of The Canadian Bank of Commerce who went to Cobalt in the summer of 1905 to establish a branch of the bank in this famous mining town. The Cobalt silver discoveries were the direct outcome of the

building of the Temiskaming and Northern Ontario Railway by the Ontario Government. The object of building this railway, which is now part of the route to the great clay belt of northern Ontario lying south of James Bay, was to open up new areas for settlement, but in 1904, during its construction, silver veins of fabulous richness were uncovered which dwarfed the original purpose for more than a decade.

By 1905 the district had attracted so much attention that the bank decided to open a branch in what is now the town of Cobalt, though at that time only a lake-shore forest. The bank's officials arrived on August 9, 1905, and immediately proceeded to pitch their tents, one to be used as a banking room¹ and to provide living accommodation for the staff, the other for mess arrangements and apartments for the cook, for like true pioneers they had taken the precaution of bringing with them that indispensable accessory. The manager writes: "The following morning we opened for business. Our office furniture consisted of a rough board counter covered with oilcloth, a strong iron box for our cash and a rough board table for the middle of the office. In our mess tent we had a rough board table covered with oilcloth as our dining table, two wooden benches as seats, and a prospector's stove, and our china consisted of tin plates, cups and saucers. At the time we came here, Cobalt was practically all bush. There were possibly half a dozen log huts, and the rest of the inhabitants, numbering in all about three hundred, lived in tents. It was very interesting to see the tents scattered through the trees.

"Winter set in about October 1, and it was then necessary that the town's inhabitants should get into warmer quarters. Tar-papered shacks and log cabins sprang up all over the town like mushrooms during the night, and by January 1 there were possibly two hundred shacks. In the meantime a few nice buildings were being erected. In our case we imported a

¹See plate 44, facing page 270. This was not the first occasion on which The Canadian Bank of Commerce had done business in a tent. One had been used at Atlin, B.C., in 1899 (see plate 47, facing page 286), and another at Whitehorse, Yukon District, in 1900.

ready-made building from Vancouver, which proved to be, and still is, the most attractive in the town. Our troubles came when we started to put the building together. Every one was prospecting and it was very difficult indeed to persuade men to do manual labour. In the evening I would get busy and hunt up possibly half a dozen men for work on the building next day, but the following noon my foreman would inform me that the men thought they would go prospecting in the afternoon, so the next night I would have to go through the same performance, and always with the same results. At last in desperation we wired Toronto for carpenters and in this way we got the building completed. By this time it was November 20, and in the meantime we were still living in the tent. After October 1 it was cold, the thermometer in many instances running down to from twenty-five to thirty-five degrees below zero. In order to keep ourselves at all comfortable we used to sleep with coon-skin coats on, and fur caps pulled down over our ears, and on top of this all the blankets we could bear. In the mornings, before we could wash, we had to wait until the water in the pails could be thawed out, as it was always frozen solid. Almost invariably we had to eat our meals with coat, cap and gloves on, and we had to be quick if we wished to eat our food while it was hot, for it very soon got cold. All this lasted until November 20, when we moved into our spacious and comfortable permanent quarters, where we had our own dining-room, cook, and everything that was reasonable to expect in a new country."

That winter the sound of the hammer and saw was heard all day long in Cobalt because the snow was too deep for prospecting, and by spring a real town was in existence. The chief relaxation for a good many of the prospectors was found in the flowing bowl, and frequently the members of the staff of the bank had to show their prowess by throwing unwelcome visitors off the premises. In 1906, the rush to Cobalt reached its height and the investment in its mines or prospective mines was estimated at a total of \$75,000,000. The madness of

speculation reached the city of New York, and for three consecutive days mounted police had to clear Broad Street of people who were obstructing traffic in their frantic efforts to buy Cobalt shares from curb brokers. Such excitement meant lively times in Cobalt itself, and the craze was not unjustified, for Cobalt proved without parallel as a high-grade silver-producing centre. The bank's business necessarily flourished, and consisted largely of deposits, an aggregate of from two to three hundred thousand dollars a day being common. Prospectors, speculators and merchants, eager to seize the advantage of a new field, constituted the clientele. The craze for well-located mining prospects was so great that in one instance \$75,000 in cash was paid for property without the purchaser taking the trouble to examine it. Loans were not in great demand, because the ore was so rich that the first car-load sometimes paid for the whole investment in the mine. It was a common occurrence for a car of ore to realize \$100,000. The bank was, however, able to render public service by loans to mercantile concerns, or to municipalities for local improvements, and found a profitable business in lending on the security of bars of metal.

The Cobalt branch was the precursor of branches at Gowganda,¹ Elk Lake and elsewhere, which were established as these mineral districts were opened up. Later came the Porcupine gold discoveries, which in their turn demanded banking facilities. At Latchford, a staff of two arrived on a Monday and by Wednesday night had quarters ready for business on a spot where the virgin forest had been standing at the time of their arrival. This temporary building, twelve by twenty feet in size, holds the record for fast construction among the banking offices of this continent. On Thursday morning it opened for business with a safe, a counter and a large cotton sign across the front bearing in black letters the familiar words, "The Canadian Bank of Commerce." Among the peculiar incidents at this branch was the request

¹See plate 51, facing page 310.

of a customer for a room in which to undress. He was granted permission, and on coming out again produced a belt containing \$8,500, which he deposited. Experiences that would upset the decorum of the average well-ordered city bank are, however, common, everyday incidents at the outposts, and the bank official soon learns to enter readily into the ways of pioneer communities.

The Temiskaming and Northern Ontario Railway had barely been extended to Golden City, and the Porcupine district was just beginning to assume the usual appearance of a mining camp, when the disastrous fire of July, 1911, broke out. The villages of South Porcupine and Pottsville were completely destroyed, valuable mining plants were ruined, and about two hundred miners and prospectors perished in the flames, which swept as far as Kelso and Cochrane. At South Porcupine the smoke and flames were visible early in the morning of July 11 and gradually closed on the village, but it was hoped that the wind would cause the flames to sweep past. A considerable amount of back-firing and clearing was done in an effort to protect it. In the meantime, as many as possible of the women and children were removed in launches to Golden City, and all the men and buckets available were pressed into service to drench the exposed buildings, on which the sparks were falling thickly. The banks had placed all their cash and books in the safes and made all possible preparations for their protection. By noon the flames were roaring over the tops of the trees outside the town, and it was clear that the latter was doomed. Along the main street horses and cattle were careering wildly, and the smoke became so thick that it was not an easy matter to get safely to the edge of the lake. Fortunately the bottom shelved gradually, and it was possible to wade out to a depth of five feet or more over a wide area. Here a motley collection of canoes, rafts made of boxes, and anything that would float, was crowded together, festooned with human beings in all stages of hope and fear. On one fairly substantial raft were piled various household belongings and

trunks, on top of which sat two stout Italian dames with bird-cages, and for three hours, amid the smoke and blistering heat, their lamentations could be heard above the roar of the flames. To offset their dirge, a small Scotchman, his head alone visible above the water, struck up "Annie Laurie," in which many joined, but the atmosphere of smoke and cinders finally proved too much for even the most enthusiastic of the crowd. They were forced to content themselves with endeavouring to obtain all the air possible, occasionally dipping into the water to extinguish the burning cinders falling on them. Except for an interval of five or ten minutes, which seemed like an hour, the danger of suffocation was not great, as the fury of the wind for the most part kept the smoke well above their heads. Thus the hours dragged on, until late in the afternoon the fire subsided enough to allow exploring parties to go over the ruins of the town, where the sights and odours were nauseating. Within a few months, however, there sprang up a new town on the site, with hotels and other buildings, for as soon as lumber could be rushed in, the sounds of hammer and saw were heard from early dawn till late at night.¹

Another example of the makeshifts of pioneer banking was furnished by the opening of the branch at Prince Rupert (British Columbia), in January, 1907. There had been much discussion as to the point on the Pacific Coast to be chosen as the terminal of the Grand Trunk Pacific Railway, which in conjunction with the National Transcontinental Railway was to form a new route from the Atlantic to the Pacific. When the location of the terminal was finally announced, there was naturally a rush of all sorts of adventurous persons to take advantage of the great opportunities which such a place was expected to offer. The bank officers who went to Prince Rupert took a safe with them, if little else, and the first difficulty which they encountered was when the safe ran amuck on being lowered from the steamer, smashed the sled waiting on the wharf to convey it to its destination, and landed

¹See plates 45 and 46, facing pages 274 and 278.

in such a perilous position that most of the population of the town had to come to the rescue. Finally it was conveyed to the half-finished quarters that had been provided, where a teller's cage was improvised by barricading the door of the manager's room with a dining-room table, the manager himself making use of an old beer cask as a desk. It was not long, however, before Prince Rupert began to assume the aspect of a settled community, and the pioneering period was shorter there than in those places which owed their rise to sudden and evanescent mineral discoveries.

A "hold-up," to use a term in general use in this country, is not an uncommon banking experience at outposts, but few such incidents have been attended by such extraordinary circumstances as the one which occurred on September 15, 1902, at the branch in Skagway, Alaska. Skagway is situated on the Lynn Canal, one of the outlets of the great gold country of the Yukon, and at this period the branch did a large business with prospectors going into or coming out of the gold country. On the day in question the office was in charge of two men, George Wallace, a veteran of the South African War, and Charles R. W. Pooley, who afterwards saw service in France. Toward closing time a stranger walked into the bank, and producing a stick of dynamite asked Wallace if he knew what it was. Wallace, thinking the man was joking, replied, "Yes, dynamite." The visitor then demanded that Wallace give him \$20,000 instantly, or he would blow up the bank, enforcing his demand by whipping out a revolver and levelling it at Wallace.

Wallace's South African experience had taught him coolness, and he turned to go into the teller's cage as if to comply. Quick as a flash he called out to Pooley, "Look out, he's got a gun," and bolted for the back door. Pooley at the same time jumped behind the open door of a large safe. The man fired at both of them, but the shots went wild, one of them striking a steel stanchion in the teller's cage and two others entering the wall of the office. Almost simultaneously a terrific

explosion occurred, the firing of the revolver having exploded the stick of dynamite which the man held in his hand, as well as some others he carried in his pockets. The office was a total wreck, a large hole four feet across being blown in the floor and all the plaster falling from the walls and ceiling.¹ The glass was blown out of the windows and the manager's room and its furniture were almost completely destroyed. The absence of that officer at Whitehorse probably saved his life. The walls of the building were sprung out of place and several holes appeared in the ceiling of the office. The bank's solicitor was just leaving the building when he heard the shots fired, and turning to re-enter, he was struck in the face by pieces of glass from the door and knocked down by the force of the explosion.

The noise of the exploding dynamite echoed and re-echoed from the precipitous sides of the mountains which wall in the town on two sides, and this and the ringing of the fire bell brought most of the inhabitants to the scene. Very promptly the officers of some companies of United States Artillery, who were stationed in the town, threw a cordon of their men around the building, a precaution by no means unnecessary, because the gold dust, coins, and fragments of the paper currency, which had formed the contents of the teller's cash box, were strewn all over the roadway and the floor of the building. Fortunately the perpetrator of the outrage was the only person seriously injured. He was picked up in a dying condition about ten feet from the spot where the dynamite had exploded, given medical attendance and taken to the hospital as soon as possible, but never recovered consciousness. Despite the efforts of the local authorities, his name was never ascertained, although he was recognized as having spent some days gambling in the various saloons about town. He had carefully laid his plans for escaping, having made an appointment with a boatman to meet him at twenty minutes after three that afternoon, and row him over to Dyea. Curiously enough, a stick of dynamite, unexploded, was found

¹See plate 47, facing this page.



ATLIN, B.C.
First office of the bank.



THE SKAGWAY OFFICE AFTER THE EXPLOSION

on the floor opposite Wallace's wicket, and a setter dog belonging to Pooley, which had been lying under a small table in the teller's box within a foot or so of the hole in the floor, crawled out uninjured.

The damage to the bank's property proved comparatively light. Although a considerable number of vouchers in the teller's cage were blown into small pieces and his cash was scattered all over the roadway and the floor of the office, by careful work most of the fragments of the vouchers and paper currency were pieced together, the gold coins were carefully gathered up and the gold dust, of which a considerable quantity happened to be lying on the teller's counter, was saved by a unique expedient. All the debris, which had been carefully guarded by the United States soldiers, was collected, and the splinters, broken plaster and other fragments were put through a miniature sluice-box similar to that used in an ordinary placer mine. The result was that a quarter of an ounce more gold dust was recovered from the ruins than was supposed to have been on hand before the explosion.

About an hour after the explosion an officer of the White-horse branch, who had been instructed to relieve the Skagway manager during his annual furlough, arrived at Skagway by railway. He was told by the conductor of the train what had occurred, and found the bank building surrounded by a curious mob. He at once took charge, and after arranging for a continuance of the military guard, set to work to get things in shape to resume business on the morrow. When the books and documents had been gathered together, carpenters were set to work to shore up the ceiling and prevent the contents of the upper storey from sliding down into the office. Canvas was stretched across the front of the building, sentries were posted inside and out, and with a barricade of desks and other furniture arranged diagonally across the office, the bank opened for business promptly at 10 o'clock next morning. About midnight the previous evening, while partaking of a hasty repast in a restaurant, the relieving officer overheard a

miner at a neighbouring table say to his companion, "Well, partner, I guess I'll take my money out of the bank that was blown up, in the morning." Taking a good look at the speaker on his way out, the officer kept a watch for him in the morning. The two comrades came in early, and seemed surprised to find that there was still money left with which to do business. On one of the men enquiring whether he could withdraw his deposit he was told that he certainly could, and after filling out the necessary voucher, he took the money. Immediately he wished to re-deposit it, but was met with a firm refusal, being told that if he was too scared to keep a few hundred dollars in The Canadian Bank of Commerce, he had better keep it in his pocket. By this time quite a few men were in line for a similar purpose, but hearing the conversation they began to slink away, and thus the staff escaped the ordeal of the first half-hour's run on the bank which they had looked for in a community accustomed to the little one-office banks of the small towns in the United States. Later the manager was told by one of the miners that he and his friends had intended taking out every dollar they had, but on seeing the attitude of the bank's officials and that if they took their money out it might not be accepted for re-deposit, they had changed their minds.

Of the many harrowing experiences through which officers of The Canadian Bank of Commerce have passed, no other has equalled that of the earthquake at San Francisco, which occurred shortly after daybreak on the morning of April 18, 1906. The earthquake was immediately followed by many fires, which raged unchecked for three days and continued to break out sporadically for two days longer, devastating the whole of the business district and a large number of the best residences in the city. Although, according to official records, the earthquake lasted only sixty seconds, in that short interval of time it destroyed the entire water, lighting, heating and drainage systems of the city, and the authorities found themselves without the ordinary means of fighting fire. The

fires, which destroyed almost every hotel, wholesale house, warehouse and manufacturing plant which the city contained, were checked only by meeting destruction with destruction, by dynamiting buildings in the path of the conflagration, so that the course of the devouring flames might be stopped by lack of material on which to feed. The only other agency available was human perseverance, by dint of which some men saved their homes, putting out with their own hands the fires started by flying embers. Before the fire had run its course, it had swept over 2,832 acres of the most populous sections of San Francisco, and destroyed over 500 city blocks, or about 25,000 buildings, of which the estimated value was \$350,000,000.¹ Over half the residents of the city were rendered homeless, and for a time it was necessary to distribute free rations to 300,000 souls.²

The story of those terrible five days, when the chief city of the Pacific Coast was a tempest of flames—how, under the direction of valiant leaders, a remnant of the city was saved, and a homeless, desperate populace was protected from starvation, thirst, disease and the accompanying crime, so that the death list did not exceed five hundred persons—might be the theme of an epic which would fill a great volume. The story of the reconstruction and commercial rehabilitation of San Francisco, so that within nine years she was able to welcome the whole world to one of the most beautiful of international expositions, is another wonderful record of modern enterprise.

In both events the San Francisco branch of The Canadian Bank of Commerce played its part. At this time the branch occupied the ground floor of the Mutual Life building on California Street, in the heart of the district devastated. The manager was Mr. Archibald Chetwode Kains, who has since become widely known as a banker in the United States.

¹See plate 48, facing page 290.

²The bank subscribed the sum of \$25,000 to the relief fund which was raised for the benefit of the sufferers.

Mr. Kains saved his own home by his personal efforts, returning to it and fighting the fire, as it broke out again and again, after his family had been ordered off the premises by the military authorities. The chief damage his house suffered was due to the falling of the chimneys, which happened to almost all buildings, not only in San Francisco, but in the adjacent cities of Berkeley and Oakland.

The office of the bank and the building in which it was situated, with the all-important exception of the bank vaults, were completely gutted by the fire. By great good fortune every member of the staff escaped death or injury, although the assistant manager, Mr. G. W. Bruce Heathcote, developed a serious illness from the physical strain through which he passed. Another officer, the father of a three days' old infant, had the pain of seeing his wife and babe struggling between life and death for weeks afterwards, as a result of the shock. Most of the officers of the bank had their homes on the other side of the harbour, in the near-by cities, where the damage was slight. Those who were living in the business district of San Francisco lost all their belongings by fire. One clerk who lived in the outskirts of the city had the extraordinary experience of sleeping through the earthquake, and only learned of the disaster while walking down town in the morning on his way to the office.

The following vivid description of the scene, contained in a letter from an eyewitness, Mr. J. A. Forster, a member of the staff of the branch,¹ which was published by the *Mail and Empire*, Toronto, shortly after its occurrence, seems worthy of reproduction here: "I was sleeping in an upper storey of the Cumberland, one of the many large hotels in San Francisco's hotel district. The steel frame building shuddered as if it had been hit by a flying express train of many cars. Then came the frightful quake, that commenced the tale of ruin and death. Tall buildings rocked to and fro like poplar trees in Toronto on a windy day. Many buildings caved inwards, the

¹Now (1922) manager of the City Hall branch, Toronto.



THE SAN FRANCISCO DISASTER OF 1906

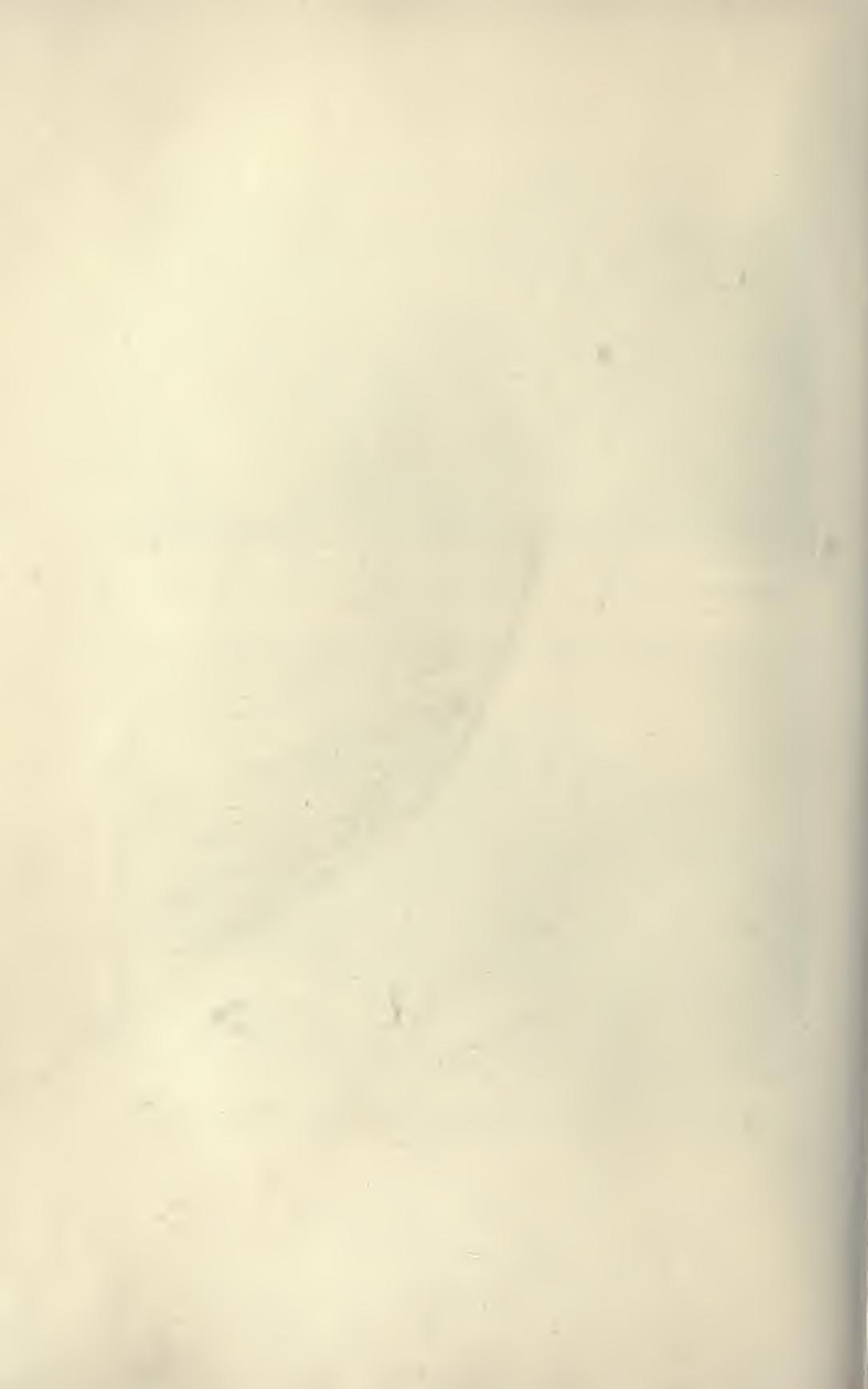
The district bounded by Bush, California and Kearney Streets. The building in which the bank's office was situated is marked by an arrow.



SAN FRANCISCO, VAN NESS AND EDDY STREETS BRANCH

This was one of two sectional buildings intended for the prairie provinces of Canada, but shipped to San Francisco immediately after the disaster (November, 1906).

PLATE No. 48.



walls following the roof, killing scores of sleeping people in their beds. Practically every chimney in the city fell, and everywhere huge cornices and heavy ornamental pieces were hurled from the tops of skyscrapers to the sidewalks, crumbling like dry clay, or imbedding themselves in the cement and asphalt. My first instinct was to get out of the building, but when I reached for the wall to steady myself, it fell away as if some huge giant had pulled it just out of my reach. Plaster fell from the walls in large pieces, pictures tumbled down, the glass crashing to atoms on the floor. Two windows fell inwards to add to the wreck, and in thirty seconds what had been fairly tidy bachelor quarters was a mass of broken glass, plaster, window-frames and books. And all this happened in one half-minute. Any man who lived through those frightful seconds would have sworn to you on that eventful Wednesday that the earth shook for half an hour. Newspapermen and others who were on the streets at the time of the earthquake say the streets and sidewalks seemed to roll towards them like a ground-swell on the water. The sensation on the street was fearful and sickening—the same feeling, only many times intensified, that one has when the express elevator of a twenty-storey office building starts on its downward flight.

“The moment the hotel settled back on its foundations, I scrambled out of the mass of debris to find scores of men and women racing down the halls in their night-clothes, blood in many cases running from their feet cut by the broken globes from the chandeliers that littered the hallways. Two or three cool-headed men steadied the rest, but many of the women stopped only when they had reached the middle of the roadway. There the spectacle was pitiful, but not untinged with the ludicrous. From every house and hotel poured a stream of men, women and children, in a hundred varieties of night-dress. Some laughed hysterically at the twisted buildings, many cried, and not a few prayed more fervently out in the middle of the dusty roadway that morning than they had ever

prayed in their lives before. A few minutes later the tide turned, when people realized the scantiness of their attire and scrambled back for clothes and shoes. Soon the streets were filled again with a laughing, reassured crowd bent on sight-seeing. No person in the better portion of the city had, at this time, any conception of the horror. Many were struck with fear, however, by a string of frightened, panting dogs, which came running up the hills from the valleys below at a slow trot, keeping steadily on in the middle of the road, disregarding the calls and whistles of the spectators.

"On Sansome Street, a thoroughfare that might be said to correspond with Wellington Street in Toronto, I got the first warning of what was likely to happen. A large four-storey insurance building was just beginning to burn. A hose-cart, with its load unreeled, stood at the kerb. Two firemen held the nozzle towards the blaze, a third turned the key at the hydrant, but no water came. The earthquake had completely knocked out the water system. Blank-faced and helpless, the firemen waited, but the hose remained limp, the water would not come. To crown the confusion of the fire-fighters, their leader, Chief Sullivan, to whom tribute has been paid by fire commissioners from all over the world, did not appear. He, with his wife, lay dead and mangled in a pile of ruins that marked the down-town fire station. Meanwhile the fire leaped to the next building and the next and the next. At this time there was no wind and the fire spread in three directions over the block. One of the first structures to catch was the handsome Mutual Life building, the ground floor of which was occupied by the San Francisco branch of The Canadian Bank of Commerce. While the people who now crowded Sansome Street for blocks stood helplessly by, watching the unhindered sway of the flames, huge columns of smoke rose in the air at several other points in the business district. Then the first burst of activity commenced. Throughout the business section poured an army of clerks loaded down with books and valuable papers. Prominent business men, coatless and

hatless, were everywhere to be seen working like madmen to save the records of their business, dashing into their buildings again and again, until falling walls and the heat of the flames forced them to think of their lives. Loud explosions rent the air and people rushed to discover the latest cause of alarm. It proved to be from the gas, which had escaped from the pipes smashed by the earthquake, and had formed in manholes and spaces under the roadway. As the fire advanced the gas exploded, throwing large pieces of asphalt high in the air. The heavy iron cap of a manhole was shot skywards to the height of a four-storey building. More explosions of a different nature soon followed, dynamite being used in a vain endeavour to stop the onward sway of the flames. Many handsome structures were razed to the ground by explosives, but in the entire absence of water the use of dynamite seemed only to add to the force of the fire. By noon, the fire was burning madly over a score of blocks. The police force, though concentrated in the burning district, proved inadequate to cope with the crowds and maintain reasonable fire lines. The note of a bugle heralded the coming of the United States regulars, and for some days the city was practically under martial law. In many cases the soldiers had to use force to keep men from foolishly risking their lives in attempts to save their valuables.

“Hundreds of volunteers rushed to the aid of the firemen, who were now fighting the flames with axes, dynamite and counter-fires. To the mass of the people, however, the fire had become a fascination to be gazed at from one point of vantage or another as the fire lines were extended. All afternoon the fire burned wildly on and no one knew what the end would be. Numbers of men were fatally injured by falling walls and steel girders, and despite many heroic attempts to save them, had to be left to the merciless fire. One poor fellow’s appeals for a quicker and more humane death were so piteous that a merciful soldier granted his request with a bullet.

“As the firemen and volunteer fire-fighters became exhausted their ranks were filled from the lines of spectators, sometimes at the point of a soldier’s bayonet. Late that afternoon the second retreat from the fire fiend began, and the flames, having left the main portion of the business district a mass of smoking ruins, forged their way into the Mission, where thousands of the poorer classes of the city had their homes. Every available vehicle, from a wheelbarrow to a hearse, was pressed into service to convey the refugees to the parks and the ocean. The main thoroughfares leading from the lower part of the town were blocked from one side to the other with a motley crowd of humanity perspiring under loads of personal effects. But in hundreds of cases food and clothing were left to burn by their owners, while they carried off shivering dogs, chattering parrots and other pets. In numerous instances the bottoms fell out of the bird-cages and the birds escaped, but the owners hurried on for blocks and miles clinging to the empty wire frames, intent only on reaching a place of safety. For three scorching days and blood-red nights San Francisco burned, and the flames reaped their awful harvest of life and property. The story of ruin and disaster, of heroic acts and noble self-sacrifices, will never half be told.”

To the task of keeping order, and the manifold other duties required of men in such a crisis, the bank’s officers lent themselves willingly, and the archives of The Canadian Bank of Commerce are replete with interesting historical documents recording their experiences. There were also very difficult financial problems for Mr. Kains and the other San Francisco bankers to face. With all possible speed, arrangements were made to reopen the bank in temporary quarters¹ and the Vancouver branch was instructed by the head office to arrange for the shipment of two portable buildings for use as offices. These

¹The bank at first secured temporary quarters in the dining-room of a residence on Van Ness Avenue, belonging to one of its customers. Later it removed to the office which it had occupied before the catastrophe.



BASEMENT OF THE OFFICE IN LONDON, ENGLAND, DURING THE GREAT WAR
Protection from air-raids.

were wooden buildings of a type specially designed for the use of the bank, and were such as had been erected by it at Cobalt and in other outlying places in Canada where materials and labour were difficult to obtain on the spot. All the materials used in their construction were cut to fit at a large lumber mill in British Columbia and shipped by rail to wherever the building was to be erected. It was the custom of the bank at this period of rapid expansion to keep one or two such buildings on hand ready for emergencies. Those sent to San Francisco were not required for the use of the branch. One of them was erected after the catastrophe on a rented site at 308 California Street, almost opposite the old office of the bank, and was subsequently sold. The other was erected on the south-east corner of Van Ness Avenue and Eddy Street, where it served as the home of the sub-branch established there in September, 1906.¹

Business had ended abruptly at the close of April 17, and during the ensuing days of destruction, men who could previously have written their cheques for vast sums without any hesitation had seen their material resources wiped out. Though there was a crying need for cash, the specie and records, not only of The Canadian Bank of Commerce but of every other financial institution, were lying in hot steel vaults in the heart of the burned area. The experience of those who ventured to open their safes and vaults before they were thoroughly cooled was disastrous. When the doors were opened the inrush of air caused the half-baked contents to burst into flames, and in numerous instances currency, securities and valuable records were completely destroyed. Fortunately Mr. Kains, guided by what he had learned of the effect of fire on steel vaults in other great conflagrations, cautiously waited until the vaults of the bank were thoroughly cooled, and when they were opened on May 7, nineteen days after the fire commenced, the contents were found in perfect order. While the outer doors were considerably damaged by

¹See plate 48, facing page 290.

the fire, the keys of the inner doors operated the locks without difficulty. Owing to the fact that the majority of the customers of The Canadian Bank of Commerce were manufacturers whose establishments lay on the outskirts of the city and were therefore not seriously damaged, the losses they experienced were comparatively light. The banks generally did not resume ordinary business until May 23, and The Canadian Bank of Commerce was unable to get into its office until May 25. In the meantime, acting on the advice of the banking community, the Governor of California had helped to solve the problems of the financial situation by declaring a legal holiday from day to day. To relieve the situation the banks generally had begun, within ten days after the disaster, to make advances of \$500 each to responsible customers. Small supplies of gold, silver and paper currency had been obtained from other cities, and these were doled out in the interest of the community at large at the discretion of the managers of the various banks.

The optimistic character of the reports sent by the bank's officers to the head office, during the weeks following the catastrophe, as to the ability of San Francisco to recuperate would have gratified every patriotic citizen. They were emphatic in the view that the city of the Golden Gate would regain and hold her pre-eminence on the Pacific Coast, and these forecasts were amply justified by the outcome.

Another important American city where an agency of The Canadian Bank of Commerce was established in 1896 is the romantic old city of New Orleans, founded by the French in 1718, the centre of the cotton trade of the south, to which the foreign exchange business growing out of cotton shipments attracted the bank as soon as a policy of international expansion had been decided on. Probably few are aware of the extent to which in those days the cotton and other export business of the United States was financed by the New York and New Orleans agencies of the bank. The bills drawn against cotton shipments to Europe, purchased by the bank

at these two agencies, represented a considerable part of the cotton exported from the United States. Mr. Kains, who was afterwards manager of the San Francisco branch, was the officer who opened the New Orleans agency. Attempts were made to legislate the agency out of existence by imposing heavy taxation on it as a foreign enterprise, and this finally led in 1901 to the establishment of the Commercial National Bank of New Orleans as an allied institution to take over the business.

Just as California is subject to earthquakes, Louisiana has suffered from flood and fever. The city of New Orleans itself has escaped disaster from flood, but for many years it stood in great danger of the vast volume of water brought down by the Mississippi river breaking through the levees and inundating the city. On several occasions in the spring the office of the bank in New Orleans was ten to fifteen feet below the level of the river, and frequently the water has been kept out of the principal streets of the city only by the use of sandbags. At the time when the bank did business in New Orleans the city had no sewerage or water system, and the residents depended for their water supply on rain-water collected in large cisterns. Many of the officers who went from Canada will recall the unpleasant necessity of using the muddy Mississippi water for toilet purposes.

In the earlier years of the bank's business there its officers went through several epidemics of yellow fever. On one occasion New Orleans was quarantined by all the surrounding country. Texas, Mississippi, Alabama and the rest of the State of Louisiana absolutely refused to permit anyone from New Orleans to enter their borders; and through trains from New Orleans were not allowed to discharge any passengers from that city. Men with shotguns were placed at every station to see that the regulations were obeyed; and it would probably have meant death for anyone to attempt to get off a train for a moment's airing. Fortunately yellow fever is now almost a thing of the past, as a result of the discovery that

a certain kind of mosquito is responsible for spreading it, and the adoption of effective methods for dealing with those pests; and the life of the banker in New Orleans now pursues a normal and placid course.

During the German air raids over England, the members of the London staff were not without exciting experiences. The situation of the office, close by the Mansion House, the Bank of England and the Royal Exchange, was considered by the military authorities as being in the danger zone, and in July, 1917, the Corporation of the City of London requested the bank to allow persons to take cover in its building at their own risk during raids, and to post a notice to that effect in a conspicuous position outside the premises. In addition, for the safety of the staff, an elaborate barrier of sandbags and planking, about nine feet high and three feet thick, was constructed in the basement parallel to the counter as a protection against missiles entering by the window openings.¹ When the warning of an air raid was given, the members of the staff usually took refuge in the lower vault, or behind this barrier which ran in front of it. The roof of the building also was protected by a similar contrivance.

On September 4, 1917, however, two members of the staff had a very narrow escape from death. It was not a new experience for either of them, because by a singular coincidence the same two officers had passed through a similar ordeal in 1915, while on a holiday at Margate. The circumstances, however, were somewhat different. At Margate they were on a tennis lawn, when the Germans came over on a bombing expedition. They dropped to the ground, and a bomb fell so near them that it covered them with earth, but left them otherwise uninjured. At the time of the raid of September 4, 1917, the two friends were occupying a maisonette in London near the Connaught Club. Shortly after eleven o'clock they both retired to bed, but in about five minutes they heard the engine of an aeroplane, the loud noise from which convinced

¹See plate 49, facing page 294.

them that it was an enemy machine. They dressed hurriedly and went out on the road to see the fun. The bursting of bombs and shells could be heard in the neighbourhood, but the aeroplane appeared to have gone, so they went back to bed. A quarter of an hour later the noise came near once more, and again they dressed and went out of doors to seek better shelter, only to find that an enemy machine was immediately overhead. They dived back into the doorway and had just shut it when there was a terrific explosion and they seemed to be enveloped in a huge red cloud of dense suffocating smoke. Temporarily blinded, they went out on the street again. The cries of injured and frightened people rose all around them, and an investigation showed that every house on a street facing them, as well as the interior of their own, had been wrecked. Pieces of shrapnel had entered the windows of their sitting-room, embedding themselves in the walls, and in another room a piece had cut a clean hole through a marble slab an inch and a half thick. Although the bomb had apparently exploded in mid-air, its effect had been to destroy every window and to wreck the interiors of all the houses in the neighbourhood.

These young men apparently led charmed lives. As at Margate their escape was marvellous, for in getting behind a door they were doing a most dangerous thing. The military authorities later warned the public against just such a course, because an exploding bomb usually blows in all the doors in the neighbourhood, and a person hiding behind one is almost certain to be killed. In this case the glass of the door was blown in and the edges of the woodwork peppered with shrapnel, but none had gone directly through the door itself or they would have been hit. Had they remained in their room, instead of going out the second time, they would almost certainly have been killed.

For the lover of excitement at any cost, the City of Mexico, after the fall of President Diaz, when various factions were fighting for control of the administration, provided ample

scope. The bank established a branch there in 1910, when the outlook was apparently serene. The great administrator, Porfirio Diaz, was still to all intents and purposes dictator, though nominally only President. The Republic of Mexico was at the height of its prosperity, with a substantial surplus in the treasury and a favourable national budget. Foreign capital was pouring in for the development of the country, and the banking outlook in Mexico City was good in every respect. As soon as the branch was opened, business came to it in a steady and satisfactory stream; men of all nationalities came forward with deposits and a flourishing exchange business was transacted. Unfortunately, the seeds of discontent were already being sown in the land, and the whole fabric of national prosperity was destined to be destroyed within a very few years by political revolution. In November, 1910, less than three months after The Canadian Bank of Commerce opened its branch, Madero started a revolution in the north, which was the beginning of all the troublous times that ensued.

The Madero revolution spread rapidly throughout the following winter, and by May, 1911, the outlook had become so serious that Diaz and his principal supporters decamped and sought refuge in Europe. Madero attained power without bloodshed, although a severe earthquake on the morning of the day he entered the city led the superstitious to proclaim that his reign would be a troubled one. For the moment, his prospects seemed excellent, as contrary to the custom in Latin-American countries, Diaz, on his departure, had left sixty million pesos in the national treasury. The *Maderistas* embarked on a career of wild extravagance, and within the space of eighteen months had entirely dissipated the public funds. The crisis came in February, 1913, when there occurred what is known in Mexico as the *Decena Tragica* (ten tragic days).

The trouble began with the release from jail, as the result of a plot, of Bernardo Reyes and Felix Diaz (nephew of

the former dictator), who were both aspirants for the Presidency and had been imprisoned by Madero's orders. The two political ex-prisoners placed themselves at the head of a body of troops who had been won over to their cause, and marched on the national palace, where they were received with machine-gun fire and Reyes was killed. Felix Diaz then captured the arsenal several blocks away. This was in turn besieged and bombarded, and for ten days the streets of the city were a battle-field, in which the numbers killed—mostly civilians—were variously estimated at from 1,500 to 14,000, the smaller figure being nearer the mark. The fighting was ended by treachery, Huerta, the commander of the *Maderista* troops, making a compact with Felix Diaz and arresting President Madero. By a political "double shuffle," embracing two or three nominal "resignations," Huerta seized the reins of power and declared himself President. The next evening, Madero and the former Vice-President, Suarez, were killed in an automobile in the open street, while being transferred from the palace to the penitentiary.

Inasmuch as its office occupied a prominent position in the business section of Mexico City, the bank was within the danger zone during the *Decena Tragica*. The streets were alternately in the possession of various factions, and both sides showed a very embarrassing willingness to turn their rifles on foreigners. In this way several of the members of the staff had narrow escapes. Mr. William Hogg, who had recently arrived to make an inspection and relieve the manager during the latter's absence on furlough, took up his quarters in the manager's house. He was awakened early one morning by a heavy explosion, and not knowing the cause, he and another member of the staff who was sharing the house with him got up and went downstairs to the sitting-room for safety. Later on they returned to bed again. On making an investigation the following morning, they found that a three-inch shell had hit the coping of a building across the street, and that the shot it contained had scattered all over the front of their

house. Two or three shot had entered their bedroom through the window and lodged in the wall above the bed. This might be deemed fairly exciting, but the climax was to come. While sitting at luncheon in the dining-room next day, a bullet from a shell which had exploded near by entered through the dining-room window, and passed so close to Mr. Hogg's neck that he felt his hair moved by the current of air caused by its flight. The bullet had force enough to make its exit through the door of the room, which was about an inch thick. After this experience they decided to seek other quarters, rather than to risk the chance of a shell entering the house and exploding in the room where they were. Fortunately the very next day a truce was declared to permit non-combatants in the danger zone to depart, and Mr. Hogg and his friend gladly accepted the invitation of another friend to stay at his home in the suburbs.

On the second day of the shooting, Mr. D. Muirhead, another member of the staff, later to become manager of the branch, while returning home in the evening, was challenged by one of the outposts of the *Felicistas* (the Diaz party). One of them happened to be a former employee of the Confederation Life Association of Canada and knew most of the Canadians in Mexico, so Muirhead was soon allowed to proceed. The streets were extremely dark, the street lights having been put out of commission, and he had gone only about two blocks when he heard a cry of "*Alto.*" Before he realized that "Halt" was meant, he felt the muzzle of a rifle pressed against his stomach. This partizan was less complaisant, and replied to the statement that the pedestrian was a peaceful foreigner with the cheerful announcement that he had orders to kill all foreigners. Three or four companions carefully looked to their rifles and then marched him to a wall, with the apparent intention of unceremoniously executing him. Muirhead's protests were emphatic, and he asked for an audience with their captain before the happy despatch. During the conversation that ensued, he was able to glean



MEXICO CITY, MEX.

the name of the faction to which they belonged, and at once told them that they should not execute him, because they were his friends. To prove it he embraced the leader with true Latin effusiveness and gave him a peso. The soldier was so flattered, that for the time being he abandoned his post and escorted Muirhead out of the danger zone, but even when they parted Muirhead felt a lurking suspicion that another revulsion of feeling might prompt his quondam friend to shoot him in the back. He learned later that two men had been shot in the same block, after making the error of naming the opposite faction when challenged. Later in the evening, at the Paseo Club, he met a friend who bought him a drink, which the friend says was badly needed. Over their glasses the story was told, and the friend remarked, "Well, it took a Scotchman to save his life for fifty cents."

The next evening Muirhead had another hair-raising experience. The danger of stray bullets, which was greatest in the daylight, having subsided, he set forth to visit the manager of the Bank of Montreal. Stopped by a group of men in plain clothes, he continued on his way and did not answer their "*Qui en vive.*" In a moment a bullet whizzed passed him, and like the negro in the legend, he heard it again when he passed it. Just as he reached his destination another bullet missed him. A few minutes later the gang had a quarrel among themselves and two were killed. After that experience he kept closely to the house for a week, until one night three shells struck the roadway in front of his abode and he decided to move out of the danger zone. One day in his new quarters he saw a lone man kill or wound ten of a posse of eighteen mounted police who were pursuing him.

Other members of the staff also had their unpleasant moments. Mr. Rossire, who lived in the building of the Young Men's Christian Association near the citadel, lost everything he had with the exception of the clothes on his back, for the soldiers completely looted the premises. Another officer, Mr. Bonilla, was confined to an apartment

house for five days with nothing to eat but a few crusts, and when the bank staff reassembled at the office after the fighting was over he looked like a ghost. In this apartment house many were killed, because a battery of machine-guns on an adjoining building constantly drew the fire of the opposing side. During all this destruction and bloodshed, the bank's premises escaped without other damage than was caused by a rifle bullet which passed through one of the front windows and the screen of the manager's room.

In these stormy circumstances Huerta assumed power, and commenced a series of financial experiments, which culminated in December, 1913, in his making Mexican bank-notes legal tender, from which time all metallic currency ceased to circulate. Despite the political excitement the business of the bank continued to increase, but trouble began again in April, 1914, when the Americans decided to occupy Vera Cruz. Anti-American feeling ran so high in Mexico that all persons of that nationality tried to get away to Vera Cruz on special trains. The bank's stenographer, Mr. E. D. Doster, applied for his furlough, inasmuch as he was an American and wished to do a little work as a newspaper correspondent. As business was at a standstill, the furlough was granted, but the decision was unfortunate for him. He was arrested on a pretext that he was sending out false news, taken to police head-quarters, and never heard of afterwards. Although the authorities claimed that he was "released," there is no doubt in the minds of his friends as to the nature of the release.

The flight of Huerta on the approach of the Carranza forces in July, 1914, brought about further political changes, with alternate occupations of the city by *Villistas*, *Zapatistas*, *Carrancistas* and other "istas," until at last in August, 1915, Carranza obtained something like stable control. During these days of frequent upheavals the staff of the bank was occasionally without water and light, so that the branch would sometimes be closed for a week at a time. At other times the mails would cease for a month, or the telegraphic lines be

temporarily destroyed, so that the experience of being entirely cut off from the outside world was not infrequent. Fiat paper money having proved a failure, Mexico returned to a metallic currency, and for a time the business of the branch was almost entirely confined to buying and selling New York exchange. It is hoped that with the return to more stable and prosperous conditions the bank will reap the reward of its patience and tenacity.



CHAPTER VI.

THE BANK DURING THE WAR.

The latter half of the year 1914 will long be remembered as a nightmare by Canadian bankers. The effect of the outbreak of war on the operations of finance was instantaneous and deadly. The universal conflict, although long predicted, came with a suddenness that left the world temporarily stunned, and the delicate machinery of international banking ceased over-night to function. The cardinal difficulty lay in the suspension of all communication by cable, so that, except in the case of New York, it was impossible to find out the conditions existing in the financial centres of the world, or to learn what steps were being taken to re-establish financial order. Even London was cut off from all telegraphic communication with the continent of Europe on August 2. In Canada it was known that a moratorium had been proclaimed in England, but as to its terms, or what kinds of business were affected, even the Government and the banks in this country were for some time quite in the dark.

So far as the domestic situation was concerned all indications in the latter part of July pointed to the early advent of a period of financial depression, and the country was ill prepared to meet a crisis of any kind. Canada had just come to the end of an era of rapid expansion, accompanied by the inevitable recrudescence of speculation in real estate. Afterwards the war was blamed for many things which were in reality the logical outcome of this state of affairs. The outlook immediately before Canada was thus by no means rosy from the standpoint of the banker, even had the European situation continued normal.

A crisis was, however, maturing in Europe with whirlwind rapidity, which reduced all purely domestic apprehensions to

insignificance, and on August 4 it became clear that within twenty-four hours the British Empire would be at war with the greatest military power on earth. To the Canadian banker with an intimate knowledge of affairs the future was indeed dark.

Although the assassination of the Austrian heir-apparent at Sarajevo, Bosnia, in June, 1914, had been recognized as being ominous to the peace of eastern Europe, it was not until the conflict was practically inevitable that the full gravity of the consequences dawned on the world, and especially on the people of North America. The seriousness of the financial situation was first intimated to the head office of The Canadian Bank of Commerce by a cable from its London branch dated Saturday, July 25, which reported a tightening of money and a sharp decline in stocks, owing to the state of affairs on the Continent. "The Governor of the Bank of England," the cable added, "takes a calm view of the situation and is hopeful for the best. Continental and New York exchanges with the exception of Paris advance in favour of London . . . Bourses in Brussels and Vienna closed; Paris nominally open; Berlin working and said to be slightly stronger in tone. Position here quiet and prices steady at about their lowest, as jobbers refuse to work."

The closing sentence of this cable is very interesting in retrospect, for it shows that ten days before Great Britain was actually at war, the Irish problem, which had disturbed public affairs in the Motherland during the early part of 1914, was regarded quite as seriously as the crisis in eastern Europe. "Ulster situation grave," ran the message, "and all waiting result of reassembling Parliament, as Dublin episode likely to create great difficulty for Government." It is apparent that at this time London financiers were as apprehensive of a civil conflict as of a European war in which Britain would be a belligerent.

During the next three or four days the advices showed that Russia was being watched more closely than Germany

by the London Stock Exchange. A rapid drop in the prices of those securities in which Canadian investors were especially interested gave abundant cause for alarm on this side of the Atlantic. It seemed to be the view that the danger point was St. Petersburg, as Petrograd was then known. Thus on Wednesday, July 29, the London branch cabled to the head office, "Consider that feeling is steadily improving, but all depends on action of Russia." Later in the same day came optimistic tidings. The closing of the markets had been marked by an upward tendency, but heavy withdrawals of gold from the Bank of England for export to the Continent led to the expectation of an immediate advance in the bank rate. "We are still hopeful," ran the message, "that European war will be avoided. The Prime Minister stated in the House of Commons this afternoon that situation at the moment is one of extreme gravity, but that it is hoped the area of possible conflict would be circumscribed."

This hope began to be dispelled the next day (July 30) when the London bank rate was increased to four per cent., and the discount rate to five per cent., while consols fell to 69½. It was reported that, although the Ulster question was supposed to have been settled, the Continental situation was as black as it could well be, and the message added: "There is an emergency meeting of the Stock Exchange tomorrow morning at ten to decide whether they will close or not."

On July 31, the Friday before Britain's entry into the war, the London Stock Exchange closed until further notice, a step which within the next few days was followed by every stock exchange in the United States and Canada. On that day the bank rate was increased to eight per cent. (a jump of 100 per cent. in twenty-four hours) and the general market rate for loans to ten per cent. The Bank of England was facing exceedingly heavy demands for gold and advances, and the Government had given it authority to issue fiduciary notes at its discretion. On August 1 Germany declared war

upon Russia and served her ultimatum on France. The Great War had begun.

In the meantime the Canadian Minister of Finance, Sir Thomas White,¹ who was without definite information as to Great Britain's probable action, became apprehensive as to the effect upon the Canadian banks of the profound disturbance to world finance which was taking place. Information reached him of runs upon banks in certain Canadian centres, and that depositors were demanding gold, and this increased his feeling of uneasiness. On Sunday, August 2, he decided to summon the representatives of the Canadian Bankers' Association to meet him at Ottawa on Monday, August 3. The president of the Association, the late Mr. D. R. Wilkie² of the Imperial Bank, was attending a meeting in Montreal, and it was arranged that he and the Montreal representatives of the Association should come to Ottawa afterwards. Sir Edmund Walker, president of The Canadian Bank of Commerce, was absent from Toronto at his summer house at De Grassi Point, Lake Simcoe, and efforts were at once made to

¹The Right Hon. Sir (William) Thomas White, K.C.M.G. (b. 1866) is a native of the County of Halton, Ontario. He was educated at the University of Toronto, and was called to the bar of Ontario in 1899. He was for some years vice-president and general manager of the National Trust Company, Limited, of Toronto. Entering public life in 1911, he was elected to the House of Commons as member for the county of Leeds, and entered the Cabinet of the Hon. R. L. Borden (now the Right Hon. Sir Robert Borden, G.C.M.G.) as Minister of Finance, a position which he held throughout the Great War. He resigned in August, 1919, and took up the practice of law. In November of the same year he was elected a director of The Canadian Bank of Commerce and in 1920 he became a vice-president.

²Daniel Robert Wilkie (1846-1914) was a native of the city of Quebec, and was educated at Morrin College. In 1862 he entered the service of the Quebec Bank, and was appointed manager of the St. Catharines branch in 1867, and of the Toronto branch in 1872. On the founding of the Imperial Bank of Canada in 1875 he was appointed general manager, and in 1906 he was elected president. He served as president of the Toronto Board of Trade in 1893, and at the time of his death was president of the Canadian Bankers' Association, a position which he had occupied for about two years. He was also a director of the Confederation Life Association, the Toronto General Trusts Corporation, and a number of other bodies. He was a prominent advocate of the establishment of a branch of the Royal Mint in Canada and of a Canadian gold coinage.



GOWGANDA, ONT.
Temporary premises of the bank.



GOWGANDA, ONT.
The bank's first building.

reach him. An extract from Sir Edmund's diary shows that about midnight on Sunday, August 2, a messenger arrived by boat from Lefroy, the nearest telegraph office, with a telegram calling for his presence in Ottawa on Monday afternoon, to confer on measures to meet the situation created by the war. The messenger had crossed the bay in such a high wind that he was afraid to return by water, and was motored home. Sir Edmund at once made arrangements to start for Toronto by motor early next morning. By violating the speed laws, he managed to catch the train for Ottawa, and was in the capital by 4 p.m. By 9.30 p.m. on August 3 a plan had been drafted for meeting the situation produced by the war in Canada, the necessary order-in-council was passed, and information as to the steps to be taken was handed to the press. This plan was embodied later in the Finance Act of 1914, and remained in effect almost without alteration throughout the war. The incident probably constitutes a new record for expedition and resourcefulness in dealing with a great crisis.

One of the first steps taken in Great Britain was to issue a Royal Proclamation, dated August 2, providing for a moratorium of one month in the case of bills of exchange other than cheques or bills payable on demand, and extended a few days later to other bills of exchange, negotiable instruments, or contracts calling for payments, dated prior to August 4, 1914. Some important exceptions were made, including payments in respect of wages or salary; payments of £5 or less; rates or taxes; maritime freight charges; debts due by residents outside the British Isles; savings deposits; the bank-note liabilities of a bank of issue, and other matters purely local to the British Isles. Though originally designed for one month only, it was later, as the war plans of Germany unfolded, found necessary to extend the term.

The policy of declaring a moratorium was very generally adopted on the outbreak of war by neutral as well as belligerent countries. France and Germany followed the same course as Great Britain; and among the countries then neutral which

resorted to a similar course were Italy, Turkey, Switzerland, Denmark, Brazil, China, Argentina and Uruguay.

No general moratorium was declared in Canada, for fear of the effect upon its credit as a borrowing country; but later some limited enactments of this character were passed by various provincial legislatures. It was the fixed policy of the members of the Canadian Bankers' Association to avoid any steps that would operate to the detriment and inconvenience of the commercial and industrial life of the community, and in this they had before them the good example of the British banks. These, as soon as the moratorium was proclaimed in Great Britain, united in observing it until the public mind was reassured, but as soon as possible thereafter began meeting their obligations, while favouring the extension of the moratorium on the ground that it was in the general interest of the community as differentiated from the narrower sphere of the banks. Those Canadian banks having offices in London followed the policy adopted by the British banks in order that all the banks might show a united front to the public, and reaccepted, with a few trifling exceptions, all bills maturing in August, 1914. At the same time, throughout the period of suspension, the bank balances carried by the London branch of The Canadian Bank of Commerce were more than sufficient to meet its commitments, and after the thirty days expired (although the moratorium had been extended) the bank began to pay its bills and thereafter took no advantage whatever of the extension of the moratorium.

From previous chapters of this history the reader will have learned that for some years The Canadian Bank of Commerce had been carefully perfecting its arrangements for carrying on a foreign business. The bank had made great efforts to provide for the banking needs of the growing foreign population of Canada. It had created an extensive network of correspondents abroad, particularly in Europe, and letters of credit, travellers' cheques and foreign drafts had become a very important factor in its business, especially at the western

branches. Now, at the first news of the outbreak of war, a sudden paralysis descended on this carefully reared organization. Indeed, it is difficult to describe the confusion caused in banking circles the world over by this event. Cable communication being severed or put under stringent regulation, international banking simply ceased to exist. The use of cipher codes, so necessary in banking, was forbidden even in cables to and from Great Britain. Day after day only political news of the most alarming character reached Canada, and what the financial situation was in other countries, even in the most important financial centres, such as London, Paris and Berlin, or what measures were being mooted to restore order, was shrouded in darkness. Were the banks in other countries still honouring letters of credit and paying drafts, or were they refusing all business of this character? A moratorium had been declared in Great Britain; but what did this mean, or to what did it apply? The very word "moratorium" was new and vague, and yet it was a matter of grave concern to The Canadian Bank of Commerce, for it might mean the cancellation, at least temporarily, of existing arrangements with old correspondents. For some days no word as to these matters was to be had, then gradually bit by bit scraps of information were pieced together, until light was obtained on the points where it was most needed. For about ten days no transactions outside the borders of Canada and the United States could be undertaken. Then a limited measure of business communication with Great Britain was reopened. At first only transactions of small amount could be put through, but gradually the restrictions were removed. The London office obtained permission to use one cipher word in cables to branches in this country, but not elsewhere. It was a long time before relations could be re-established on a normal basis with the remainder of the British Empire outside Great Britain and those other parts of the world with which communication was more or less possible during the war. Another factor which was to colour

and disturb the operations of the bank for some months after the war broke out was its heavy interest in the sea-borne exports of Canada. To grasp one of the acute problems that confronted the managers of a large number of its branches at this time, it must be remembered that not for several months did the British Navy gain that mastery of the seas which alone made commercial intercourse with other parts of the world possible. Throughout the last five months of 1914, the possibility of a catastrophe from German naval activity was by no means remote, and was ever present in the minds of Canadian bankers, on whom the exporting classes necessarily depended for financial support.

A series of circulars issued by The Canadian Bank of Commerce to its branch managers during the ten days after the declaration of war indicates the caution with which it was necessary to proceed at this time. A circular of August 4 outlined the decisions reached by the Minister of Finance at the conference with Canadian bankers at Ottawa on the preceding day. These provided, first, for the issuance of Dominion notes, in case of need, against securities deposited by the banks and approved by the Minister of Finance. In order to conserve the Canadian gold supply against demands from foreign sources, the banks were authorized to make payments in bank-notes until further notice, instead of in gold or Dominion notes. This was the course adopted in Great Britain and in most other countries. Settlements at the clearing-houses, however, continued to be made in Dominion notes. A further temporary measure permitted the chartered banks to issue excess note circulation to an amount not exceeding fifteen per cent. of paid-up capital and rest or reserve fund. It was also announced that the Government was prepared to give all possible assistance to prevent any avoidable unsettling of business. The efforts of the Canadian bankers at the hurried conference of August 3 had been directed towards obtaining an ample supply of readily available currency without impairing the existing resources of the banks, and it

was impressed on the branch managers that, since payment in gold or Dominion notes was no longer obligatory, gold payments should be avoided and Dominion notes paid out only in small amounts for change-making purposes.

Instructions were also given that transactions in sterling and foreign exchange were to be avoided, except the payment of small sums for ordinary travelling or living expenses to holders of travellers' letters of credit issued by direct correspondents of the bank in Great Britain and the United States. No payments were to be made on letters of credit issued by banks on the continent of Europe, or by British and American banks which were not correspondents. An embargo was also placed upon cable payments—for the good and sufficient reason that the cable companies had been prohibited from taking messages in code—payments under commercial letters of credit, and the issuance of letters of credit, travellers' cheques, or drafts and money orders payable abroad. The managers were instructed to decline everything in the nature of new business or the enlargement of existing credits, and to warn borrowers operating under authorized credits to use them as sparingly as possible. These drastic restrictions on ordinary banking operations show what a revolution had been effected within twenty-four hours by the outbreak of war.

On August 6, it was deemed necessary to give further explicit instructions as to foreign business, in these terms: "All drafts drawn by foreign correspondents (except those in the United States) on the branches of this bank should be referred to the branch at which the account is kept, for instructions. If the draft is drawn by any institution which has no account, but is advised as being in order by the London, England, branch or the New York Agency, it may be paid. Drafts of any other nature whatsoever should not be paid without reference to this department; in fact absolutely no foreign transactions must be undertaken without reference to us, except in cases where the funds are already in hand or definite instructions regarding their treatment have been

given." It was also announced that arrangements had been made for the transmission and authentication of telegrams authorizing payments between the London office and the Montreal and Toronto branches, provided that such messages were in plain English, and addressed and signed in full; but that it was not intended to use these arrangements for general business or for making profits, but solely for the purpose of facilitating the bank's finances. At the same time to avoid hardship in special cases, if particulars of proposed transactions were given, the head office would decide whether they could be carried out. Managers were instructed to withdraw advertisements from their local newspapers offering facilities which it had been decided to discontinue.

On the same day, owing to the abnormal state of the foreign exchanges, an important decision with regard to foreign collections was reached. Until further notice, proceeds of all collections received from banks and firms outside North America were to be credited to the Toronto branch, to be held in a Suspense Account until conditions warranted a distribution of the funds. The foreign branches and a few of the larger centres in Canada were instructed to open Suspense Accounts in their own books to deal with such collections. This circular evidenced the extraordinary demoralization of the foreign exchanges on the outbreak of the war. Instructions were given that items payable in foreign currencies should be collected at the following rates: Pound sterling, \$5; marks, 25 cents; francs, 20 cents; lire, 20 cents. The correspondents from whom the items were received were to be advised of what had been done, and informed that direct settlement would follow so soon as the situation had readjusted itself. On August 7 it was decided that a little latitude might be allowed in the matter of rates, and managers were instructed that, if any drawees of foreign collections refused to make settlement on the basis named, some discretion might be used and payment might be accepted at rates a little lower than the scale fixed; "especially should consideration of this kind be

given if the goods involved are of a perishable nature. In cases where doubt exists you should telegraph to this department for instructions."

By August 12 the confusion had been partially cleared up, especially as regards sterling exchange and war risk insurance. Branches were advised that they might resume sterling transactions with their own regular customers, buying or selling amounts of £500 or under. In the case of drafts for larger amounts certain restrictions still applied. It was necessary to make sure that funds to meet all drawings were available in Great Britain. The main difficulty was that bills purchased prior to the proclamation of the moratorium in Great Britain were no longer available for this purpose. Payment could not be obtained at maturity, nor could the bills be discounted or borrowed against in the manner customary in the London market. A new start, as it were, had to be made, and funds provided for each transaction individually. There was also difficulty in procuring satisfactory remittances. Permission was given to the branches to purchase demand bills on first-class British banks, and short-dated documentary payment bills¹ drawn on the United Kingdom, but only for small amounts. Only the bills of drawers of undoubted standing were to be considered as acceptable, the bills to be drawn against cargoes of food products, or other commodities which could be insured under the British Government war risk insurance plan.

In order, on the one hand to ensure the movement of food products to Great Britain, and on the other to provide transportation to foreign markets for her manufactured products and thus enable manufacturers to continue to give employment to their work-people, the British Government almost immediately after the outbreak of war announced arrangements to insure vessels and cargoes to and from British ports against marine and war risks at a flat rate,

¹This is the technical term for bills which have documents attached which are to be surrendered only upon payment of the relative bill.

irrespective of distance, but varying between one and five guineas per cent. according to the probability of a German naval attack. On August 12, for instance, the rate was four and a half guineas per cent. This arrangement at that time applied only to vessels of a certain standard flying the British flag; it came into force on August 5 and did not cover prior sailings.¹ Branches in the United States were instructed to arrange war risk insurance through reliable brokers in that country.

Another thing which tended to relieve the situation was a cable message from the London manager that he would be able to take care of all outstanding branch drafts on Continental banks. By August 14 conditions appeared to be settling down somewhat, and the branches were advised that they might discontinue advising the head office of the issue of drafts in excess of \$10,000, a rule which had been laid down a fortnight previously when the financial outlook was very dark.

In many of the instructions given to the branches at this period the head office was guided by information received by cable from the London office, on which fell in a large degree the strain of dealing with the emergency created by the crisis. All sorts of new problems were hourly arising, especially in connection with the British moratorium and European business. The proclamations prohibiting trading with the enemy presented immediate difficulties for all banks doing business with the Continent. During the first week of the war the London office was, for this reason, obliged to refuse payment

¹The step thus taken by the British Government was vital to the interests of many others besides the British consumer, and ranks with the financial plans described a few pages further on as evidence of the bold and far-seeing measures adopted by the clear-headed leaders of Great Britain at the outset of the war. Mr. J. W. Flavelle (now Sir Joseph Flavelle, Bart.), as one of those most heavily interested at the time in the movement of Canadian food-products to the Motherland, was one of the first Canadians to obtain authentic information as to the marine insurance plan, and a memorandum drawn up by him on the subject was of great service to Canadian bankers. The text is reprinted in Appendix III, as a record of how a great problem was solved.



WINDSOR, ONT.



WALKERVILLE, ONT.

of a cheque drawn on it by the bank's agents in Hamburg; and the sudden severance of relations with Germany and Austria, with which Canadian importers and shippers did a considerable business, of course worked both ways. Another matter which involved serious legal and technical difficulties was the noting and protesting of bills which had been extended for a calendar month under the moratorium proclamation of August 2. Notaries found it physically impossible to note the bills, and refused to protest them on the ground that they might incur a penalty for damaging the credit of a firm which had taken advantage of the Royal Proclamation. In the end the bank managed to protect itself and its customers by sending a formal notice to the obligants on such bills, although at first the solicitors of the New York Agency insisted on the protest of the bills forwarded by that office of the bank. Perhaps in this case necessity knew no law.

Within a fortnight after Great Britain's declaration of war, the Chancellor of the Exchequer, the Right Hon. David Lloyd George, took the bold step of authorizing the Bank of England to discount at bank rate, without recourse to the holder, approved bills of exchange accepted prior to the proclamation of the moratorium on August 4. This remarkable and far-seeing action was interpreted by the Bank of England in the most liberal way, and enabled the "frozen" resources of the banks and the London bill-discounting houses to be turned into cash without further liability on the part of the holder. Not only were bills on London accepting houses "approved" by the Bank of England, but they discounted in this way the obligations of the London offices of foreign banks, even of those of enemy nationality. It would be impossible to estimate the relief which this step gave to the money market in London. The result was immediately felt in the resumption of discount business on a small scale, and the relaxation of a stringency which threatened to paralyse British trade.

On August 21 the Chancellor of the Exchequer asked for

the views of financial men, including the representatives of the Canadian banks doing business in London, as to whether it was advisable to permit the moratorium to come to an end, or to continue it. A termination of the moratorium would have been an advantage to the Canadian banks in the sense that it would have enabled Canada to obtain payment of large sums which were due, such as instalments on loans issued before the war, but the banks did not press this point—taking the view that the general situation should be considered. Ultimately the moratorium was extended for another month, that is, until October 2, 1914. Some of the anxieties which faced the London manager of The Canadian Bank of Commerce¹ are indicated in the following passage from a letter dated August 21: "Of course, if this moratorium continues here for any indefinite period, it may be necessary for somewhat similar steps to be taken in Canada, especially if there should be any attack made on the deposits of the banks. We are fearful of the effects of the drain on Canada to pay interest here; especially if it is impossible to raise fresh funds to meet the capital expenditure which is in progress there, and which cannot well be stopped without causing serious loss and distress. The revenue of the country, it seems certain, will fall off rapidly and the Government itself will possibly be in difficulties to meet its current expenditure. The cost of living will become abnormally high, and this will cause a still further drain on your resources. We do not clearly see, however, whether any immediate remedy can be effected by the moratorium, except that interest payments need not be met."

It is not necessary to deal at great length with the psychological effects of the war on the Canadian community, which necessarily had their reaction on banking. While the financial men of the English-speaking world were straining every effort to devise plans which would enable commerce to be carried on with some slight approximation to the rather deceptive motto, "business as usual," the average individual

¹Mr. H. V. F. Jones, now assistant general manager.

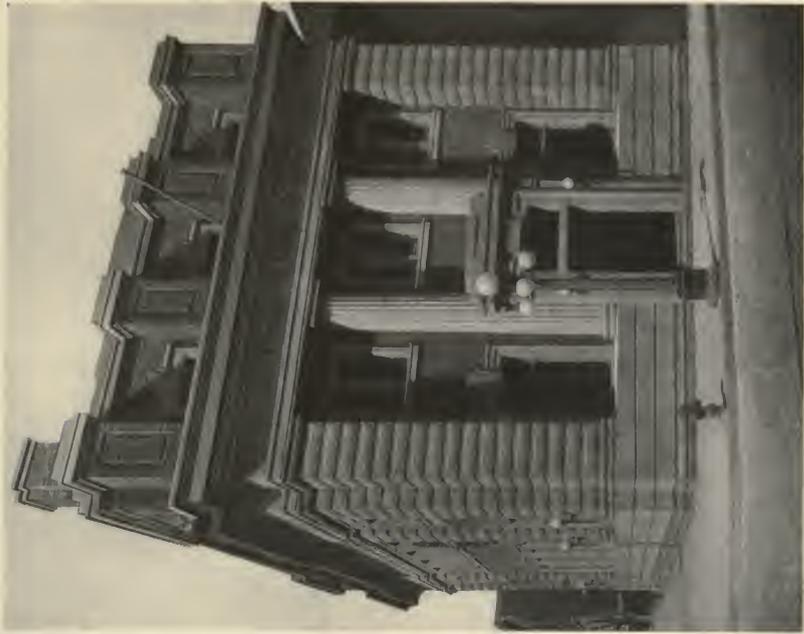
was frankly in a state of panic. The closing of the stock exchanges of the world was a spectacular demonstration that this was a conflict exceeding in magnitude all other conflicts within the memory of living man; but persons who had the vaguest possible notions of stocks and exchange felt the strain of the crisis in the necessary curtailment of credit, the fear of unemployment and the rumours of possible famine. Many persons sought to lay in large supplies of food as a safeguard against the latter possibility, and to withdraw their deposits from the banks with the intention of placing them in safety-deposit vaults, or adopting less modern methods of hoarding. All the conditions which lead to panic were present, and only the influence of the country's financial advisers prevented such an outcome. The wisdom of providing for the issue of emergency bank-note circulation from August 1, instead of waiting until September 1, as at first proposed, was demonstrated within a week. The instructions of The Canadian Bank of Commerce to its managers warned them to devote themselves actively to the task of reassuring depositors who might be unnecessarily alarmed, and enjoined them to see that the utmost tact and judgment were used in dealing with the public, and that all cases of unusual withdrawals or evident nervousness on the part of depositors were reported to them promptly. They were reminded that a calm and collected bearing would do much to inspire confidence and dispel alarm. As arrangements for the future began to take more permanent shape, the managers were again reminded that their customers should be warned to shape their affairs so as to be able to live within the lines of their authorized credits, and were instructed to refuse accommodation in excess of an authorized credit, unless special sanction from the head office had previously been obtained. Customers were also to be given to understand that borrowings must be utilized strictly for the purposes for which the relative credit was granted and under no circumstances for other objects, or for the assistance of friends or outsiders.

Arrangements for issuing drafts on foreign countries began

to be reinstated on August 20, but instructions were given that drafts drawn by banks or banking houses in Germany or Austria-Hungary were to be refused even though funds had been provided to meet them. Two days before, permission had been given again to remit the proceeds of collections direct to banks and firms in the United Kingdom and in countries outside Europe. The branches were advised to disregard all reports obtained in the past on the standing of banks or firms in Great Britain and Europe, and to confine their purchases of sterling bills to "clean long bills¹ drawn on the British and colonial joint stock banks in Great Britain and some of the larger accepting houses." On no account were they to purchase such bills drawn on the London offices of foreign banks.

Owing to the fear of violence on the part of enemy agents, the managers were enjoined on August 27 to take special precautions for the protection of the bank's premises. Strangers were not to be admitted after banking hours and great care was to be exercised in dealing with them at all times, and especially in accepting packages from them for safe-keeping. In September the managers were warned against negotiating drafts, the reimbursements for which were to be received through certain American firms with large German connections. The circulars of this period are replete with allusions to the fluctuation of exchange rates between Canada and the United States and to the difficulties caused by the suspension of specie payments in the United States. The effect of the naval situation on banking is shown by instructions that a deviation clause must be inserted in all marine insurance, since it might be necessary for a ship to seek another port than that to which it had originally been destined. By the end of November matters had been so far adjusted that the sale of travellers' cheques for European

¹"Clean long bills" is the technical description of bills of exchange the term of which exceeds a few days and which are unaccompanied by documents representing the transaction in discharge of which they are drawn.



ST. CATHARINES, ONT.



NIAGARA FALLS, ONT.

and general use could be resumed, the clauses regarding payment in Belgium, Germany and Austria being cancelled. Another convenience restored by special government permit after a few months was the use of the bank's own cipher code with its branch at St. John's, Newfoundland.

In looking back on the events of 1914, it must be borne in mind that the enormous sacrifices of young manhood this country would be called upon to make were then unforeseen. There were many who thought that the war would be a short one; others, more far-seeing, predicted a conflict of at least three years' duration. No one conceived that before an armistice would be signed Canada would have placed nearly half a million men in the field, or dreamed of the unparalleled military power that the British Empire was to develop during the war. The first call for volunteers in this country named 20,000 as the number required for immediate service, and the response exceeded the requisition by more than fifty per cent. It was at the time deemed wise to check the ardour of the young men who wished to give up everything and take up arms, for neither this country nor the Motherland had, in August, 1914, developed the machinery to handle such immense forces as were later placed in the field. Earlier in this book some account has been given of the staff difficulties that arose during the period of expansion which preceded the war. Patriotic enthusiasm at once revived these difficulties in an intensified form, and by the end of August two hundred of the bank's officers had enlisted. A circular was sent to the branches expressing the fear that the younger men had been carried away by over-enthusiasm, and pointing out that the first contingent was quite small in proportion to the total population of Canada. "We have no desire to withhold any officer from volunteering for foreign service who feels it incumbent upon him to do so at the present time, but at this juncture it does not seem to us at all necessary that any one of immature years or who is in any way now or likely to be charged with responsibility for the support of others, should

feel called upon to volunteer," said the general manager. In seeking to recall the state of the public mind in this country in August, 1914, it must be remembered that no one then imagined that the war would be one of attrition, which would demand constant additions to the ranks of the belligerents. Subsequently the views of the most conservative Canadians were changed by the force of circumstances, and no class in the community did more to encourage the fullest co-operation and concentration of purpose in the great task of winning the war than those in control of the great banks of Canada.

It has already been pointed out that even had there been no war in Europe, conditions in certain parts of Canada would have given rise to anxiety. Reports from the western branches about September 1 showed that some districts of southwestern Saskatchewan and southern Alberta were suffering severely from drought. Managers were advised that in districts where fodder was plentiful applications for assistance in purchasing live stock would be considered on their merits, but that it was desirable to limit this assistance principally to farmers who were likely to be able to retire the advances within a reasonable time. A few days later, on the representation of the Minister of Finance that rumours had reached him of the unwarranted restriction of farmers' credits in certain districts of the West, the branches were advised that no situation existed or had existed in the past which would excuse any restriction of credit to deserving farmers hurtful to them or to the interests of the community at large. Indeed, in the movement to increase the production of food in Canada, which soon became necessary and which continued throughout the war, the banks proved to be an important assisting factor.

Shortly before the war, the province of British Columbia had authorized a loan for ten million dollars, three-quarters of which had been issued through The Canadian Bank of Commerce in London. In September that province desired to issue the balance of \$2,500,000, and enquired whether it

was possible to do so in London. The London office was compelled to answer that, until the Imperial Government had financed its requirements and until other difficulties in connection with the situation, such as the effects of the ending of the moratorium and the closing of the stock exchanges, were out of the way, there was no prospect of selling British Columbia securities in London. Early in August the Saskatchewan Government had also desired to borrow two million dollars in London and to ascertain the prospects for the renewal of bills for a million and a half of dollars maturing in November, already placed in Great Britain, and it had been necessary to advise them that it was impossible in the state of war then existing to consider the possibility of any new financing. With regard to the renewal of the maturing bills, all that could be said at the moment was that it was impossible to forecast the future. Later on, the horizon might become somewhat clearer.

As soon as war was declared, the protection of the Pacific Coast cities, Victoria and Vancouver, from naval attack, became a vital matter. At the end of July, Germany had a small but powerful naval squadron in the Pacific under Admiral Count von Spee with a base in Kiao-Chau, China, and until this squadron was destroyed at the Falkland Islands, it was a standing menace to all British ports and Allied shipping on the Pacific Ocean. One of the first steps taken for the better protection of British Columbia, as soon as the war began, was the purchase by the late Sir Richard McBride,¹ Premier of British Columbia, under authorization from the Government of Canada, of two submarines which had just been

¹Sir Richard McBride, K.C.M.G., (1870-1917), was a native of New Westminster, B.C., and was educated at Dalhousie University. He entered public life in 1898 as member for Dewdney, B.C., in the local legislature. In 1900 he joined the British Columbia Cabinet as Minister of Mines, and in 1902-03 was Leader of the Opposition. In 1903 he became Premier and held that office until December, 1915, when he accepted the position of Agent-General of the province in London, which he held until his death. He was a delegate to the Interprovincial Conference in Ottawa in 1906, and to the Colonial Conference in London in 1907. He was knighted in 1912.

completed at Seattle. The bank's superintendent at Vancouver was hurriedly asked by Sir Richard McBride to provide the sum of \$1,150,000 in the United States to pay the vendors. Owing to the outbreak of war United States funds for such a large amount could not be purchased in the usual way, and the only alternative was to utilize the bank's gold reserves for the purpose, although just at that moment every Canadian bank was doing its utmost to conserve and increase its gold reserves. The bank, however, agreed to carry out the transaction, provided the Dominion Government would make good to it the loss of gold. The purchase of the submarines was promptly completed and the Dominion Government paid over to the bank the gold it had been obliged to use for this purpose.

In the early weeks of the war the panicky feeling and general condition of hysteria on the Pacific Coast, caused by the exposed position of Victoria and Vancouver, produced so much apprehension of possible runs on the banks that the head office decided to prepare for contingencies by largely increasing the supplies of available currency at the branches in those cities. The naval situation had an important effect in more ways than one on the business of the bank in British Columbia. The war necessarily increased the demand in Great Britain for one of the great staples of the province, canned salmon, the bills drawn against which the bank had been accustomed to negotiate. Prior to the war consignments of salmon to England had been shipped by the Blue Funnel Line, across the Pacific and via the Indian Ocean and the Suez Canal. The war-risk insurance by this route rose to virtually prohibitive figures, and it became a matter of the utmost importance to the bank's customers that new routes should be found. For the time being the consignments were sent across the continent to the Atlantic seaboard, the insurance rates by the latter route being somewhat lower.

Perhaps the most anxious days for the bank's officers on the Pacific Coast occurred during the first week of October,

1914, and to many people it will no doubt come as a surprise to learn that the bombardment of Victoria and Vancouver by the squadron of Count von Spee was regarded at that time as so probable that measures were taken to remove and protect the bank's reserves in those cities. Had the secret been allowed to leak out, it might have caused a panic in western Canada. On October 1 the superintendent of the bank at Vancouver telegraphed that he had received confidential information (said to emanate from the naval authorities at Esquimalt, B.C.) that two or three heavily armoured hostile vessels were on their way from the Far East, and were expected to arrive within a week and to attack Victoria and Vancouver. He asked the head office to try to obtain authentic information from Ottawa. Enquiries at the capital practically confirmed the news, but partial assurances were given that the German squadron could not arrive before October 5 or 6, and that, meanwhile, British ships were on the way from South American waters to intercept them. It was also learned that the Dominion Government was that day (October 1) considering the removal of its funds from the British Columbia cities. The superintendent at Vancouver was asked to advise what disposition of the funds and securities of the bank he would recommend, and was informed that the president of the Canadian Bankers' Association (Mr. D. R. Wilkie) had telegraphed the clearing houses at Victoria and Vancouver suggesting that settlements should be made in future by drafts on eastern cities. The recommendation of the superintendent was that all gold and securities should be sent by express to Seattle and Portland, and the gold was shipped accordingly. The securities and about \$850,000 in notes of the bank were sent to Seattle in charge of four officers of the bank, who accompanied the shipment. Bank legal tenders were sent by registered mail to Winnipeg. An extra safe was placed in the Seattle branch to accommodate the wealth thus brought to the American city.

It is of course a matter of history that the German squadron responsible for these measures changed its course and sailed down the coast to South American waters, encountering the British squadron under Rear-Admiral Sir Christopher Cradock at Coronel, off Santiago, Chile. Sir Christopher, who had done so much to free the Atlantic of the German menace, went down before superior gun-power, but was avenged by Vice-Admiral Sir Frederick Doveton Sturdee at the Battle of the Falkland Islands a few weeks later. The latter victory practically freed the Pacific Ocean of the enemy for the remainder of the war, and not again were Canadian bankers called upon to take steps to protect their reserves from the perils of war.

At the outset of the war, as was naturally to be expected, Great Britain took steps to withdraw balances from foreign banks and to obtain payment of such debts due to her from abroad as could be collected. Even before the actual outbreak of hostilities a steady stream of gold was flowing from New York to Great Britain, but this ceased as soon as the seas became unsafe. The demand for remittances to Great Britain led to a rapid rise in the value of the pound sterling abroad. Early in the first week after war broke out some small transactions in cable transfers were reported in New York at the high figure of \$7 per pound sterling, and a few days later no quotations were to be had—trading in exchange had ceased. The demand had not been filled, however, and about the middle of August it was announced that the Bank of England had named the Department of Finance in Ottawa as a depository to which gold might be remitted for its account. The fact that the City of New York had over \$80,000,000 in short term notes maturing in London and Paris during the balance of the year 1914 hung like a heavy cloud over the situation, but this immense sum did not represent half the amount of indebtedness which it is estimated that Americans were called upon to pay. Accordingly, very large sums of gold

soon reached Ottawa for the credit of the Bank of England.¹ The City of New York notes were retired by an issue of new securities taken by a syndicate of which almost all the banks and trust companies of that city were members, and a large amount of the proceeds of this issue found its way to Ottawa in gold. Another considerable sum went to Ottawa from the United States Treasury, in connection with the measures taken by the Government of the United States to provide means for the relief and return to that country of the many thousands of American citizens travelling in Europe at the outbreak of war, who found their letters of credit and travellers' cheques useless, as no bank would venture to negotiate them. One of the steps taken by the United States Government for this purpose was to send over to England about \$6,500,000 in gold, partly government money, partly funds provided by bankers in the United States, on two United States cruisers, the *Tennessee* and the *North Carolina*. A third source of the gold sent to Ottawa was the remittances made by the trustees of the "\$100,000,000 gold pool," contributed by the banks located in the "reserve" and "central reserve"² cities of the United States for the purpose of relieving the foreign exchange situation. With the approval of the Federal Reserve Board³ of the United States, the money was

¹On the authority of Dr. Bonar, formerly Deputy Master of the Ottawa Mint, it may be stated that during the period of the war there was received at Ottawa for account of the Imperial Government and the Bank of England, no less a sum than \$1,204,355,661.25 in gold.—*Journal of the Royal Statistical Society*, Vol. LXXXIX, Part II (March 1921).

²These terms, "reserve" and "central reserve" cities, are derived from the requirements of the National Bank Act of the United States that all national banks should keep reserves aggregating a certain percentage of their liabilities in the banks of certain designated cities of that country.

³The Federal Reserve Board consists of seven members, including the Secretary of the Treasury and the Comptroller of the Currency of the United States. The other five are appointed by the President of the United States, with the advice and consent of the Senate, for a period of ten years. The Board is the directing head of the Federal Reserve System, over which it is given large powers of control in matters of general policy. The Federal Reserve System comprises the twelve regional Federal Reserve Banks, which function as central banks, all National banks, and such State banks, trust companies and other institutions as work in conjunction with the system.

placed at the disposal of a committee of the New York clearing-house and was used to create credits abroad, principally in Great Britain, against which exchange could be drawn. The apportionment of the amounts to be contributed by the various cities was made by the Federal Reserve Board, which requested the local clearing-house association in turn to settle the share of each bank and to secure pledges for the amount. In this connection The Canadian Bank of Commerce was called on to contribute to the fund at its three branches on the western coast of the United States, Portland, Seattle and San Francisco. The combined subscriptions of these branches amounted to nearly \$300,000 and had to be paid in gold or gold certificates of the United States. This was one of the indirect ways in which the bank was called on to do its part in connection with the war.

In November, 1914, the British Government issued its first war loan of £350,000,000 three and a half per cent. stock or bonds at 95, and the Chancellor of the Exchequer requested the banks of Great Britain, including the Canadian institutions doing business in London, to indicate the amount for which they would subscribe. The question was a difficult one, for while the success of the loan was of vital importance to the whole Empire, the Canadian banks realized that they might soon be called upon to aid their own country in financing its war efforts. Nevertheless, The Canadian Bank of Commerce recognized an obligation to support the British loan to the best of its ability, and was the only Canadian bank to make a firm application for an allotment. The sum at first suggested by the London manager was £100,000, but this was subsequently increased to £150,000.

Many patriotic projects were soon set on foot in Canada, and in every instance where these were of a *bona fide* character they were cordially supported by the bank. The first was the Canadian Women's Hospital Ship Fund, raised during August, 1914, subscriptions to which were accepted by the bank and transferred to Toronto free of charge. The Canadian Patriotic

Fund, which raised such large sums and did such admirable service in caring for the dependents of soldiers, was organized soon afterwards with H. R. H. the Duke of Connaught, then Governor General, at its head. The Canadian Bank of Commerce joined with all other Canadian banks in negotiating cheques of this fund without charge at its branches, irrespective of the bank on which they were drawn. A like policy was later adopted towards all other funds of a similar character, and a special rate of interest was allowed on deposits made on behalf of such funds.

An untoward incident of the year in banking circles was the failure of the Bank of Vancouver, which suspended payment on December 14. It was, however, a small institution with a purely local business and the failure had no serious effect on the general financial situation in Canada.

The condition of affairs in Mexico was a source of some anxiety throughout 1914. It will be recalled that shortly before the outbreak of hostilities in Europe, the United States made an abortive attempt to punish the Mexican guerilla chieftain, Villa. This fiasco naturally had its influence on conditions in Mexico City, and as early as January, 1914, the bank instructed its branches not to sell drafts or telegraphic transfers on Mexico City for sums in excess of \$5,000, gold, without first obtaining permission from the Mexico City branch by telegram. Months before any other country was obliged to adopt a moratorium, such a measure was in existence in Mexico, and this tended to increase the difficulties of transacting business there. In fact, in April conditions became so unsettled, and the feeling against the United States so strong, that it was a question as to whether it would be wise to keep the branch open, especially in view of the restrictions placed on telegraphic communication with Mexico by the United States authorities. These conditions, however, soon passed away.

By January, 1915, the inroads made by enlistment on the bank's staff were so heavy that it became necessary to seek

recruits for junior clerkships. All told, 413 bank officers had left on active service; 279 of these had been granted leave to serve with the first and second contingents, or on home service; 69 had been granted leave to join the third contingent; 65 men had resigned voluntarily and had been granted retiring allowances with an assurance of reinstatement. The movement of Canadian troops to France, which began early in the year, created an interesting series of human documents in the form of letters from members of the staff overseas to their old associates, and the bank decided to make use of these for an occasional publication, *Letters from the Front*, which thus became a first-hand record of the experiences of members of the staff in the Great War. The first number was issued on August 18, 1915, after some months of collection and preparation. A sad phase of the conflict was the casualty lists of members of the staff, which grew longer and longer as the year went on. At first these lists contained merely the names of those who had died from illness contracted during the severe processes of training, but presently deaths on the field of battle became a frequent occurrence, and the loss of many a young man, well known to and beloved by his comrades, was mourned by them. The first death benefit paid out of the Pension Fund in the case of an officer of the bank who had fallen in battle was paid on July 16, 1915, to the relatives of Mr. W. H. Fowler, who had been killed in action on May 22.

Even during the war, the bank pursued its policy of encouraging members of the staff to acquire a knowledge of the theory of banking. The financial assistance granted to students taking courses in banking was continued, and in the examinations held that year under the auspices of the Canadian Bankers' Association two out of the fifteen students who passed the examinations prescribed in the Fellows' Course, and twenty-two out of the forty-two successful students in the Associates' Course, were members of the staff of The Canadian Bank of Commerce—both the Fellows and fifteen of the Associates taking honours.

Despite the large number of officers of the bank who enlisted at the very outset of the war, the events of 1915 made the call more urgent as the year progressed, and the staff problem grew more difficult month by month.¹ In November it was found advisable to adopt a more favourable attitude towards voluntary applications for employment from officers in other banks, but this was confined to officers of only a few years' experience. At the same time the question of using women in clerical positions in place of men, a practice which afterwards became general in all banks, was first broached, and the managers were asked to consider what could be done in this direction. Of course, it had by this time become quite customary to employ women as stenographers and filing clerks.

Although in January, 1915, the war had been in progress for over five months, and everyone had begun to realize that the end was far away, the public mind had not settled down to accepting war conditions as the normal state of affairs. It was thought advisable to issue a circular to the branches pointing out how easily people are upset by trifles, and that the slightest show of reluctance even in a small matter such as the closing of an account was liable to be misinterpreted and to reflect unfavourably on the bank. The managers were urged to see that the officers in charge of the savings-bank ledgers were, as far as possible, senior men of good judgment who were likely to use the necessary tact in their dealings with the public. A little later the imposing of heavy additional taxation upon the banks led to emphasis being placed on the imperative need of the utmost economy in all things, and managers were requested to do all they could to discourage the issuing of cheques on savings-bank accounts, the payment of interest on current accounts, and the many unremunerative services performed by the banks.

¹The suddenness with which the problem of replacing members of the staff who volunteered for military service came upon the bank will perhaps be realized when it is stated that seven weeks after the outbreak of war (October 23) the number of officers who had left on military service was 311.

During the first half of 1915 the events of the war led to an appreciable increase in the premium on United States funds in Canada, although only on one occasion did the rate rise above one per cent. This led the Canadian banks to adopt the method of dealing in United States funds at the market price, instead of absorbing the premium as had in the past been the custom in most cases. As yet the manufacture of munitions had not been organized in Canada on the scale which was shortly to create unexampled activity in trade. During the first three months of 1915 business was slack, and as a result a large surplus of silver coin accumulated in the tills of the branches. Arrangements were made to have this coin carefully sorted and disposed of through the various Assistant Receivers-General.

In March the bank advertised its willingness to make enquiries into the possibilities of new markets abroad for Canadian products, there being some expectation, as a result of conditions brought about by the war, of the extension of Canadian foreign trade, particularly with other parts of the British Empire. Later in the year, with the object of presenting accurate information about Canada in a form which would be interesting to the general reader, the bank commenced the issue of a Monthly Commercial Letter, which soon achieved great popularity and a wide circulation, and if one may judge from letters received by the bank, has proved a success in its chosen field. Perhaps not the least evidence of this is the coming into being of several other similar letters. Another method of distributing information adopted for use inside the bank about the same period was the issue from time to time of pamphlets containing hints and ideas as to routine and bank administration, consisting largely of material gathered from the experience of officers throughout the service. These afforded a channel for the distribution of valuable ideas and information about banking topics in general.

The year 1915 was marked by a considerable amount of war legislation which had its effect on banking. An amend-

ment to the Bank Act was passed by the Federal Parliament permitting the banks to lend money for the purchase of seed grain and to take the resulting crop as security. A stamp tax of two cents on cheques, bank drafts and bills of exchange (in the case of the last-mentioned items, only when transferred to or lodged with a bank) was adopted by the Minister of Finance as one means of raising revenue, and an additional tax of one cent was placed on all letters and post cards. These taxes came into effect on April 15, 1915. The banks were later appointed agents of the Department of Inland Revenue for the sale of war revenue stamps. In the case of the war tax on letters, strong efforts were made to induce the Government to surcharge the existing two cent postage stamps instead of requiring an additional stamp to be affixed, but in vain. When it is known that the annual postage bill of the bank amounted at that time to about \$130,000, the labour involved in affixing an additional stamp to each letter which went to make up the above amount will be fully appreciated. A year or so later the Government of its own volition overcame its strongly urged objections, and issued, first, a surcharged two cent stamp, and later, a three cent stamp which included the war tax.

Precautions had now to be taken against trading, even unwittingly, with the enemy. In June it was felt advisable to warn the branches that a great many securities payable to bearer, issued by the Rio de Janeiro Tramway Light and Power Company, Limited, and the Brazilian Traction Light and Power Company, Limited (both corporations in which Canadian investors were largely interested), had been left behind, or had been lost by their owners, in those parts of Belgium and France occupied by the Germans, and that great care must be exercised in negotiating coupons detached from the securities of these companies. The managers were instructed to satisfy themselves fully as to the actual ownership of the securities, or as an alternative to accept the coupons for collection only.

In June, 1915, the connection of the bank with the Commercial National Bank of New Orleans,¹ which had been formed a number of years before to take over the business of the agency of The Canadian Bank of Commerce in that city, was terminated by the sale of the remaining securities to a syndicate. About the same time it was decided to abolish the local Advisory Board of the bank in Prince Edward Island. This consisted of the surviving members of the directorate of the Merchants Bank of Prince Edward Island and had come into existence when that institution was purchased.² In September certain new requirements of the California Bank Act made it necessary to allot a certain part of the capital of the bank to the San Francisco branch. Accordingly it was allotted a paid-up-capital of \$750,000, a surplus of \$250,000 and a special reserve fund of \$100,000.

On September 15 two important changes affecting the management of the bank came into effect. Sir Edmund Walker resigned the position of chief executive officer which he had continued to hold after his election to the presidency in January, 1907. Mr. Alexander Laird, who had succeeded Sir Edmund Walker as general manager, also resigned, owing to illness. Mr. John Aird, the assistant general manager, soon to be made Sir John Aird, was promoted to be general manager and Mr. H. V. F. Jones, who had been manager of the London (England) branch, came back to the head office, which he had entered as a junior in 1887, as assistant general manager. Mr. Charles Cambie, manager at Ottawa, was sent to London as successor to Mr. Jones. Mr. Laird remained on the Board of Directors, but did not long survive his retirement. His death took place on November 29, and at a meeting of the Board on December 17, the following resolution was moved by Mr. Z. A. Lash, K.C., and seconded by Dr. John Hoskin, K.C.:

¹See page 124.

²See Vol. I, p. 159.

"The directors of The Canadian Bank of Commerce desire to express to the family of their late colleague, Alexander Laird, the deepest sympathy in the great loss which they are called upon to bear.

Mr. Laird entered the service of the bank in 1876, and after serving in such important positions as inspector and agent at New York, he became assistant general manager in 1903 and general manager in 1907. When, because of failing health, he retired from the staff in 1915, he had served the bank for nearly forty years.

As a banker, and especially in the difficult intricacies of foreign exchange, he had an international reputation, while his judgment was sought by many people in every walk of life. His warm heart and kindly interest in their welfare, accompanied by a high sense of duty, made him at once the beloved friend and respected monitor of his staff. The same high qualities of heart and mind won and retained for him the esteem of his fellow bankers and, indeed, of all those who came into daily contact with him.

His loss is an irreparable one to the whole community and the directors desire by this resolution to testify to their profound sorrow at his early death."

In the following January, a day or two before the annual meeting of the bank, another of the directors, Mr. Gardner Stevens, passed away. Mr. Stevens had been vice-president of the Eastern Townships Bank when the amalgamation of that bank took place, and joined the Board of The Canadian Bank of Commerce at that time. Mr. Laird's place at the Board was taken by Mr. H. C. Cox,¹ son of the late Senator Cox. Mr. Stevens' place was not filled, the number of directors being reduced at the annual meeting of 1916 to nineteen.

¹Herbert Coplin Cox (b. 1873), youngest son of the late Senator George A. Cox, formerly president of The Canadian Bank of Commerce, is a native of Peterboro, Ont. He is president and general manager of the Canada Life Assurance Company, vice-president of the Central Canada Loan and Savings Company, Toronto, and director of the National Trust Company, Limited, and the Canadian General Electric Company, besides holding similar offices in many other financial, insurance and commercial corporations.

The volume of the bank's business had now become so large that it was obviously impossible to rely on memory alone to determine the extent to which customers borrowing from the bank were interconnected. To assist the directors in maintaining a proper supervision of the extent to which credit was granted, and to ensure that this feature of the situation should not be overlooked, it was decided in October that all credits to individuals or concerns, directly or indirectly connected with each other, should be presented to the Board at the one time so that the directors might have positive knowledge of the aggregate advances to any particular interest.

As the war progressed, the situation which had prevailed in the sterling exchange market at the outset was entirely reversed. Reference has already been made in this chapter¹ to the sudden and abnormal rise in sterling exchange at the outbreak of the war, to its cause and to some of the measures taken to cope with the situation. On September 1, 1915, the quotation in New York for sterling cable transfers dropped momentarily to 450½, after a steady decline from the high figure of \$7 reached in the first week of the war. The war expenditures of Great Britain and her Allies were on such an enormous scale that all the funds that could be made available in the United States had speedily been exhausted, and yet their need for the food products and raw materials of the United States was on an ever-increasing scale. Efforts were made to steady and support sterling exchange, and these the bank aided to the best of its ability. In November it authorized credits in favour of three large English banks for sums ranging from \$500,000 to \$1,250,000 for the purpose of supporting the sterling exchange market. Under these credits bills were to be drawn by the English banks on the New York Agents of The Canadian Bank of Commerce, and after acceptance, to be discounted on the New York market. The bills were issued at 90 days sight, were covered by a deposit of

¹See page 316.



FORT FRANCES, ONT.



MOOSE JAW, SASK.

securities with the Bank of England, and were placed in the hands of a committee to be accepted and sold in New York.

Towards the end of 1915 the British Government reached its long delayed decision to blockade Germany, and this decision, which affected exports very widely, was of deep interest to bankers. Even though the regulations against trading with the enemy had been well observed in the main, Germany was finding means to obtain supplies through indirect channels. Orders-in-council were issued forbidding the exportation of fish of all kinds to many countries in Europe; of scrap steel and scrap wrought iron to any countries except the United Kingdom, British possessions and protectorates; of rolled oats and oatmeal to all foreign ports in control of the enemy; and of hay to all destinations abroad except the countries of the Allies. Gradually these orders-in-council were extended to cover a very large list of commodities, and it was necessary to keep the branches of the bank advised as to these matters.

Throughout the year 1915 the bank continued to use its resources and machinery to the utmost in assisting the various plans devised to raise funds for the prosecution of the war, and for meeting the emergencies created by it. The services of the managers were, for instance, placed at the disposal of the Canadian Patriotic Fund to investigate cases of need on the part of officers' families which could not be reached by the ordinary methods of visitation. The co-operation of the bank was also freely given to the first appeal made in Canada by the British Red Cross Society. Subscriptions were accepted free of charge for the Canadian Aviation Fund, which continued in existence until the organization of the Royal Flying Corps. The same courtesies were also extended to the Canadian National Branch of the British and Foreign Sailors' Society, which had under its special care the British sailors who happened to be in Halifax from time to time, and to the Seamen's Hospital Fund, Greenwich.

Nor were the financial needs of the Allies forgotten. In

common with other banks operating in the province of Saskatchewan, the bank agreed to negotiate free of charge cheques issued by the French Government Fund in favour of dependents of soldiers serving in the French army. Acting in co-operation with the Bank of Naples, the branches were authorized to accept subscriptions from Italians in Canada to the Italian Government National four and a half per cent. War Loan issued at 93. Similar facilities were given free of charge to the French five per cent. War Loan of 1915, known as the Loan of Victory, which was issued at 87¼. The bank itself subscribed \$250,000 to this loan.

In November, 1915, the Canadian Government issued its first domestic war loan, bearing interest at five per cent. and maturing in 1925. The proposal of the Minister of Finance, which was assented to by the Canadian Bankers' Association, was that the banks should subscribe \$25,000,000 proportionately to their paid-up capitals, which made the share of The Canadian Bank of Commerce \$3,289,910. The loan was heavily over-subscribed, and although the Minister of Finance accepted \$100,000,000, or double the amount he had asked for, the allotment to the banks was subsequently reduced. In common with all the banks of Canada, The Canadian Bank of Commerce placed the services of its branches at the disposal of the Government for the purpose of receiving subscriptions and assisting in every way in placing the loan in the hands of the public. Few people, outside the officers of the banks, realize the heavy burden placed upon the depleted staffs of the Canadian banks by the various government loans, and especially by the Victory Loans. The service was cheerfully rendered, and its value acknowledged by the Minister of Finance.

The year 1916, though one of fluctuating fortune in the theatre of war, will remain memorable in the annals of Canadian commerce and finance, because the great increase in Canadian exports, chiefly of agricultural products and munitions, set the tide of wealth flowing to this country in unprecedented

volume. The era of rising prices, high wages, and production on a large and organized scale, in which capital was the necessary factor, had definitely set in. It may rightly be said that Canada for the first time since Confederation began to realize her full powers. For decades she had been borrowing from the investors of the Motherland, but in 1916 the position began to be reversed. The enormous war expenditures of Great Britain had rendered it impossible for that country to continue as a lending nation, or to pay cash for her purchases abroad. The great contracts which helped to keep the wheels of industry and commerce moving in Canada were obtained as a result of credits extended to the Government of Great Britain. It was only natural that this radical change in the relations between the two countries should be marked by corresponding changes in both the commercial and the financial affairs of Canada. The change in financial relationship was facilitated by the comparative ease of the money-market in this country. The large scale of the war operations called for a corresponding scale of financial operations, and relatively very large sums were advanced by The Canadian Bank of Commerce to both Dominion and Imperial Governments for war purposes. These advances took the form of purchases of treasury bills, and in the case of the Dominion Government were usually made in anticipation of the issue of the various Canadian War Loans, from the proceeds of which they were retired from time to time. It was the just boast of the Government that the subscriptions to the various Canadian War Loans came from the pockets of the people themselves, and not directly out of the coffers of the banks, thus leaving the resources of the latter available for the purposes of agriculture and commerce. Of course, the deposits of the banks were depleted for the time being, but it was surprising to note in how short a time the money came back to them again.

The money advanced to the Imperial Government in 1916 was used for the purpose of buying Canadian wheat. With

the concurrence of the Minister of Finance very large credits were also granted during this year to the Imperial Munitions Board against the security of British Government treasury bills. These moneys were likewise expended in Canada for the purchase of all kinds of supplies. Advances to the two Governments and to the Imperial Munitions Board were usually arranged through The Canadian Bankers' Association, and the amount required was divided among some or all of the chartered banks in proportion to their paid-up capitals. On more than one occasion The Canadian Bank of Commerce joined with others of the larger banks in assuming the shares of smaller institutions which felt themselves unable to carry the full amount. In the ways thus mentioned the Canadian banks provided over \$150,000,000 during 1916 for the use of the Governments of Great Britain and Canada. When the Second Dominion of Canada War Loan of \$100,000,000 was issued in September, the Canadian chartered banks agreed to underwrite one-half the amount, but as the loan was over-subscribed the banks were not called upon to take up their underwriting. The Canadian Bank of Commerce, however, subscribed firm for a large sum. In addition the bank participated by underwriting, subscription, or purchase, as the occasion called for, in the following issues made in the United States:

Anglo-French 5 year External Loan, \$500,000,000 5% bonds, due 1920.

United Kingdom of Great Britain and Ireland, \$250,000,000 Secured 5% Notes, due 1918.

United Kingdom of Great Britain and Ireland, \$300,000,000 Secured 5½% Notes, due 1919-21.

American Foreign Securities Company, \$94,500,000 5% Collateral Notes (in connection with the \$100,000,000 3 year 5% French Government Loan.)

Anglo-Foreign Securities Company, 3 year 5% Notes.

French Industrial Credit.¹

¹The French Industrial Credit was a commercial export credit established on behalf of a group of leading French industrial concerns, in connection with which the French Government acted as an intermediary, and was secured by the deposit in New York and Paris of French Government notes, or bonds of neutral countries.

The London office also did its share in the purchase from time to time of treasury bills of the British and French Governments, and in September subscribed for shares in the British Italian Corporation, Limited, formed to offset German influences in Italy and to facilitate trade between Italy and the Allies, particularly Great Britain.

The movements of the precious metals during the war will always have an interest for economists. The channels through which they usually pass were, as soon as the war broke out, either interrupted or closed entirely, while the disturbance to credit at the same time created an extraordinary demand, especially for gold, which could be met only by movements on an unusually large scale.

During the first two years of the war, or until October, 1916, when dealings in gold in Great Britain were restricted to those for government account, the London branch of The Canadian Bank of Commerce undertook a large volume of transactions in gold, which gave rise to many interesting problems of exchange and shipping, and in the aggregate involved many millions of dollars. Perhaps nothing else so fully illustrates the international character of the bank's business.

The defeat of the German squadron off the Falkland Islands, followed by the sinking of the *Dresden* off Juan Fernandez, freed the Pacific Ocean from the menace of the German navy, and it became possible to move the accumulation of gold in Australia to the Pacific ports of the United States and Canada. Accordingly one class of transactions entered into by the London office of the bank consisted of the purchase of sovereigns or bar gold in Australia to be shipped to one of the branches on the Pacific Coast, usually San Francisco, there to be sold to the United States Mint for account of the bank. Another class involved the purchase of United States eagles or bar gold in London under arrangement with the Bank of England¹ to release by cable the

¹Reference has already been made to the facilities which the Bank of England had for such purposes. See page 328.

equivalent in Ottawa for shipment to New York. A third consisted simply of the purchase of bar gold, eagles, or sovereigns, in London for shipment to New York.

In the case of purchases of gold in Australia, the bank, in view of the position of the foreign exchanges, was able as a rule to pay a premium, ranging at times as high as forty shillings per cent. As soon as the date of shipment of such a purchase was fixed, the date of its arrival at the Pacific Coast port would be carefully estimated and arrangements entered into to sell an equivalent amount of cable transfers, to be made on a fixed future date, falling a few days or a week after the estimated arrival of the gold. Such transactions are known technically as "forward cables." Sometimes such cables were sold as far as three weeks ahead; on the other hand, when the exchange market was falling steadily, sales might be postponed. In most cases the institutions selling the gold were reimbursed by payment to their London agents as soon as advice of the shipment having been made was received by cable. San Francisco was usually the port selected for delivery, and on arrival there the gold was sold to the United States Mint, payment being received in two amounts, four or five days apart, as is the custom of that Mint. Other items of expense, such as freight and insurance, arranged at the port of departure or arrival, were ultimately paid by the London branch.

The story of silver during the war is a fascinating one. At the outset the silver market was dull and the demand for the metal was light. In the London market it had been the custom to fix two daily prices for silver, one for delivery in seven days, and the other for delivery in two months. The impossibility of extending credit under the abnormal conditions which prevailed, and the unwisdom of entering into commitments for the future delivery of an article the supplies of which were so likely to be interfered with by the progress of the war and might conceivably be cut off altogether, caused this custom to be at once abandoned and, as silver could not

be sold for future delivery, a drop in price took place. It was not long, however, before the first signs of the unusual demand created by the war made their appearance. Silver was needed as currency for military disbursements and to replace gold, which it was necessary to husband for the purpose of liquidating external indebtedness. As prices in general rose and the field of military operations widened, the demand for silver increased and the price of the metal also rose. Thus, as early as 1915, active military operations in Egypt caused a great demand for silver from that country. The troops employed there were largely from India, and were accustomed to the use of silver. When the supply of piastres ran out, the Indian rupee was made legal tender in Egypt. Later, as the war extended to Mesopotamia and East Africa, the rupee was in great request in both these countries. In Mesopotamia the Arabs had to be paid in silver for supplies or services, and a large proportion of the rupees disbursed for these purposes disappeared into the neighbouring countries, where these hitherto unknown coins found a ready welcome as a trustworthy currency. At one time as much as 10,000,000 ounces of silver a month was required for the three theatres of war just mentioned. This, of course, created a demand for silver from the Indian Mint, to replace the rupees withdrawn for use elsewhere. There was also a heavy demand for coinage purposes from nearly every European nation, either for military purposes or because of the marked rise in prices that was becoming so general. The first effect in India of all these influences had been to decrease the home demand for silver. The natives reasoned that the price of silver was too high as measured by that of the products which they had to sell. But the enormous external demand for rupees soon depleted the Indian reserves, and the shrewd native traders, watching this and foreseeing the demand which was coming, began to buy silver, and soon in competition with their own Mint forced the price to a very high level. This involved grave difficulties for the Indian Government in its policy of steadying the gold exchange

value of the rupee, as it would have become a profitable operation to melt rupees and export the resulting bullion to London, thus increasing the demand for remittances to India. This was met by a restriction of general imports into India, but at the same time prices in that country were rising very rapidly, and a demand was springing up abroad for Indian products, such as jute, for war purposes, which carried prices for such articles still higher. The shortage and high price of the imported goods which the Indian natives were accustomed to buy now led them to restrict their purchases in spite of their increased buying power, and to hoard silver instead.

The high price and great demand for silver in India led about 1916 to large exports of silver from China to India, and it is estimated that during the years 1916 to 1918 inclusive not less than 100,000,000 ounces of silver reached India from this source. There was a good market in China for exchange on London, and the Chinese exchange bankers sold drafts on London and provided cover by shipping silver to India. In China gold is considered only as a commodity and the rise in the price of silver led the Chinaman to reason thus: "Gold is becoming very cheap, and now is the chance of a lifetime to buy ornaments and jewellery." China's entry into the war in 1917 only aggravated the situation by creating an additional demand for silver there, and thus drawing attention to the depletion which had occurred in her stocks of the metal. The collapse of Russia also led to a very great demand for silver from the interior of Asia, in districts where formerly the rouble note had served as currency. Hence in 1918 there existed an extraordinary and almost world-wide demand for silver. Great Britain, herself, was forced to enact a Defence of the Realm regulation making it illegal for anyone to retain silver coin in excess of a reasonable amount for his domestic and business requirements. Neutral countries were in great straits for lack of sufficient silver for commercial and currency purposes. The demand from India, notwithstanding all she had taken from China and elsewhere, was insatiable. China

and the interior of Asia were in the market for all they could get. Almost the whole world was scrambling for the white metal. The United States held a large mass of useless silver in her Treasury in the form of coined dollars, and had a certain interest in the Indian situation, owing to the difficulty experienced in procuring remittances to India to pay for the Indian goods, such as jute, of which she stood in urgent need. This led in 1918 to the passing of the Pittman Act by the United States Congress, under the provisions of which over 270,000,000 silver dollars were melted and sold, to be replaced later by purchases of an equivalent amount of silver from the producers of the United States.

The conditions outlined above lend interest to the extraordinary increase in the shipments of silver from the port of San Francisco during the years 1916, 1917 and 1918, in which The Canadian Bank of Commerce had its share. In normal years in the past, the exports from this port had ranged from 6,000,000 to 10,000,000 ounces, but in the later years of the war there was an enormous increase. The figures follow:

1916.....	18,000,000 oz.
1917.....	58,158,000 oz.
1918.....	156,782,000 oz.

The shipments of 1917 and 1918 were destined as follows:

	1917	1918
To China....	33,048,000 oz.	20,409,000 oz.
“ India....	<u>25,110,000 oz.</u>	<u>136,373,000 oz.</u>
	58,158,000 oz.	156,782,000 oz.

Of these amounts The Canadian Bank of Commerce shipped in 1917 23,093,691 ounces of bullion and 1,536,000 Mexican pesos, and in 1918 54,452,917 ounces of bullion and 3,798,669 Mexican pesos.

During 1916 the patriotic calls on the time and services of the Canadian branches and their officers continued, although they were not so heavy as in 1915. Assistance of every kind was freely extended to the work of the Canadian Patriotic Fund: subscriptions were handled free of charge for the

Duchess of Connaught's Prisoners of War Fund, and the whole-hearted support of the staff in all parts of the country was extended to Commodore Æmilius Jarvis,¹ naval recruiting officer for the Royal Canadian Volunteer Reserve for Ontario, in his campaign to enroll recruits for that force. Later the same co-operation was extended to similar recruiting in other provinces. At the request of the Military Hospitals Commission the branches were instructed to accept from any bank without charge transfers of the accounts of convalescent soldiers from towns in which hospitals were located.

It was only in 1916 that the full gravity of the war situation began to be felt in Canada, and even then the colossal nature of the task of finding money for the enormous purchases of the Allies in the United States, which had fallen to Great Britain's share, was not fully grasped. The progress of the war had produced a marked effect on agriculture in Canada. Enlistment had drained the market for farm labour of all the men who were physically fit, and had raised the price of the less efficient remainder. The weather of the previous autumn had been unfavourable for the preparation of the land, and the acreage to be sown in 1916 seemed likely to show a reduction. The high prices which ruled in the live stock markets were a temptation to the farmer to turn his breeding herds into money and thus deplete the source of future food supplies. At the same time it was of the utmost importance to the welfare of Canada that her exports of agricultural products should be maintained, and if possible, increased. It was beyond question in the interests of Great Britain and her Allies that the constant supply of foods, so vital to the carrying on of the war, should as far as possible be obtained within the

¹Æmilius Jarvis (b. 1860) is a native of the county of York and was educated at Upper Canada College. He entered the service of the Bank of Hamilton at an early age and was subsequently for a time with the Traders Bank of Canada. Upon the reorganization of the Sovereign Bank of Canada in 1907 he became president of that bank. He is head of the firm of Æmilius Jarvis and Company, Toronto, bankers and brokers. He has been many times Commodore of the Royal Canadian Yacht Club, Toronto, and is one of the best-known yachtsmen in Canada.

Empire. Accordingly early in 1916 the Dominion Government brought these matters to the attention of the banks, and a series of circulars was issued by The Canadian Bank of Commerce to its branches, asking their assistance in the efforts being made by the Government to increase production. The branches in country districts were instructed how they could aid in the movement and were asked to send to the Extension and Publicity Division of the Dominion Experimental Farm, Ottawa, lists of the names and addresses of farmers to be placed on the mailing lists of the department to receive the literature which it issued from time to time. The managers were also asked as far as possible to impress the seriousness of the situation on the farmers, and it was suggested that, in all cases where the character and methods of a farmer warranted so doing, offers of special financial assistance should be extended. Steps were taken to ensure the co-operation of the farming community in the movement to the utmost extent compatible with correct methods of tillage, the observance of which was more than usually important in view of the decrease in acreage. How well the farmers of the Dominion did their part that year has already been mentioned. The Dominion Parliament also lent its aid by making permanent a temporary clause in the Bank Act, adopted in 1915, whereby banks were permitted to lend money for the purchase of seed wheat. Later in the year the Act was further amended so as to permit banks to lend money to farmers or other persons engaged in raising live stock on the security of their herds.

By the beginning of 1916 the market for sterling exchange had become fairly steady, and the limitations which at the outset of the war had been placed on sales by the branches were now entirely withdrawn. In May, Scandinavian exchange reached a premium of over sixteen per cent. and Dutch exchange a premium of six and a half per cent., and the branch managers were instructed to be careful to avoid loss when selling travellers' cheques for use in those countries. Later on, the amount of local currency to be paid for travellers'

cheques in Holland and the Scandinavian countries had to be reduced. United States exchange commanded a slight though fluctuating premium during the earlier part of the year, but by September the premium had disappeared entirely and was even succeeded for a time by a discount. All these matters affected the business of the branches and necessitated a constant revision of instructions.

The process of tightening the blockade of Germany, and of circumventing schemes for trading with the enemy also involved the frequent issue of instructions to the branches. Early in 1916 the Chief Commissioner of Dominion Police at Ottawa, anticipating that efforts would be made to forward duplicate drafts through other channels in cases where the authorities had stopped remittances to the enemy, warned the banks to be especially careful when issuing duplicate drafts on the United States. The first reference to the "black list" of the British Government appears in a circular issued on May 23. Managers were urged to be cautious in transacting business of any kind with firms bearing German names, or those of other enemy nationalities, residing in foreign countries. In cases of doubt, a branch cashing coupons or making payments was to require a signed declaration that the proceeds were not intended for the benefit of the enemy. The branches were also advised that the Dominion Government required of the bank information as to enemy property in its possession or under its control, such as bank balances, securities held for safe-keeping, or debts owed to the bank by enemy citizens. In July, amendments to the United States Income Tax Law came into effect, imposing a tax of one per cent. on coupons of United States corporations owned by citizens of foreign countries, and involving difficult problems for the banks, owing to uncertainty as to the practical working of the law.

Trouble had again broken out in Mexico, and owing to the great fall which had taken place in the value of the Mexican peso, the old plan of debiting drafts drawn in pesos at the nominal par of fifty cents on the dollar was abandoned in

March. Thereafter drafts had to be drawn in gold dollars and to be crossed, "Payable in Mexican currency at the bank's buying rate for demand drafts on New York." In July, a warning was issued not to send any collections or make any transfers of money, either by telegram or letter, to the Mexico City branch. The issue of drafts was still permitted, but any other transaction had first to receive the approval of the head office or of the New York agents. In October there was some improvement in the situation, and permission was given to resume business with Mexico on a limited scale.

The business of the head office had now reached such proportions that it was found necessary to remodel for the bank's own occupation some of the adjoining buildings, which had been acquired some years before. This enabled the bank to bring back under one roof certain departments which had for some time, for lack of room, been forced to find quarters outside the head office building. The outbreak of the war necessitated a postponement of the plans for erecting a new and larger head office, and since then there has not been a sufficient adjustment of the great increase in the cost of building which occurred during the war to warrant going on with the plans. By degrees almost the whole of the buildings on the site owned by the bank have been remodeled and occupied.

In 1916 the staff problem reached an acute stage. By the beginning of the year over 750 officers, or nearly thirty-five per cent. of the members of the bank's staff between the ages of 18 and 45, had taken up military duty. The announcement was made that the bank was prepared to augment its staff of stenographers and of women clerks, and that the latter had already been used to fill senior posts in some offices. The managers were asked to give careful consideration to the question of substituting women for men wherever possible. Enlistment was at this time in full flood; a month later, the number of the bank's officers who had

taken up military duty had risen to 850, and by May to 1050. In most cases only women were available to fill the places of the enlisted men.

The increase in the cost of living had by this time assumed very serious proportions, and was destined to be an increasingly burdensome problem for a long time to come. In September the managers were asked to make enquiries as to the cost of board and lodging and as to the rentals paid by officers of the bank stationed at their branches. In December a general bonus was authorized, but the staff was warned that economy must be practised by all.

An experiment, which proved a great convenience to the many Canadians who now had relatives at the front was tried shortly before Christmas. The branches were supplied with new five-franc notes of the Bank of France for remittance to soldiers overseas. The plan was afterward extended to include British Treasury notes.

The following year (1917) was one of the most trying of the war. It was largely one of misfortune for the Allies, and throughout its weary months the possibility of an inconclusive verdict was ever present in the minds of statesmen and bankers. It closed as it began, with no signs to indicate when the great struggle would come to an end, or which side would experience the bitterness of defeat. It is not necessary to review the incidents of the war in that dark year, during which the only compensation for the collapse of Russia, and the partial collapse of Italy, was the victory of British arms in what had once been the Turkish Empire and the entry of the United States into the conflict, although almost wholly unprepared for war on a large scale. As a result of submarine warfare the Motherland and her European allies began to experience severe privations in the matter of food supplies, and although Canada was spared this dreaded accompaniment of the war, the pressure of events on her financial and political organization was extreme. The clearest evidence of this lay in her adoption of the policy

of conscription in order to maintain the Canadian army at adequate strength. When this was announced in Parliament by the Prime Minister, he stated that under the voluntary regime 414,000 men had enlisted. It was, however, the expressed intention of the Government to maintain a Canadian army of half a million men in the field, so that men were required to make up the deficiency in numbers, as well as the wastage through the losses of war. The year was marked also by the beginning of a new epoch in Canadian finance, when the Government decided to raise by popular subscription in small amounts a great internal loan, which afterwards proved to be only the first of a series.

The records of the bank during 1917 reveal the steady and consistent effort of the management to play its part in the stupendous task of providing funds for the prosecution of the war and the maintenance of the commercial fabric of Canada. The financial aid rendered to the prosecution of the war was on a larger scale even than during the previous year. The needs of the Dominion Government had grown to be very large, as at this time it was not only providing the funds for its own war expenditures at home, but lending to the Imperial Government the money to pay for the heavy purchases of munitions and other supplies made by the latter in Canada. In February the Canadian banks were asked by the Minister of Finance to underwrite \$60,000,000 of the Third Canadian War Loan. Of this amount the share of The Canadian Bank of Commerce was about one-eighth, and the banks were, of course, expected to take up their proportion of the underwriting to the extent of the deficiency, should the loan not be subscribed in full. In addition to underwriting its share, The Canadian Bank of Commerce subscribed "firm" for a large sum. The issue was to be \$150,000,000 twenty-year five per cent. bonds, payable in Canada and New York, and the subscriptions received amounted to \$236,654,000, so that the banks were released from their underwriting obligations. The money thus raised did not long suffice for the needs of the

Government. In June the Minister of Finance notified the banks that he would require to borrow from them, on four months treasury bills, from seventy to seventy-five millions for war purposes. Not all the banks joined in making this loan, but The Canadian Bank of Commerce found \$12,000,000 as its share. In October more money was required, this time for a period of two years, the amount being \$73,720,000. Again The Canadian Bank of Commerce carried rather more than its proportionate share.

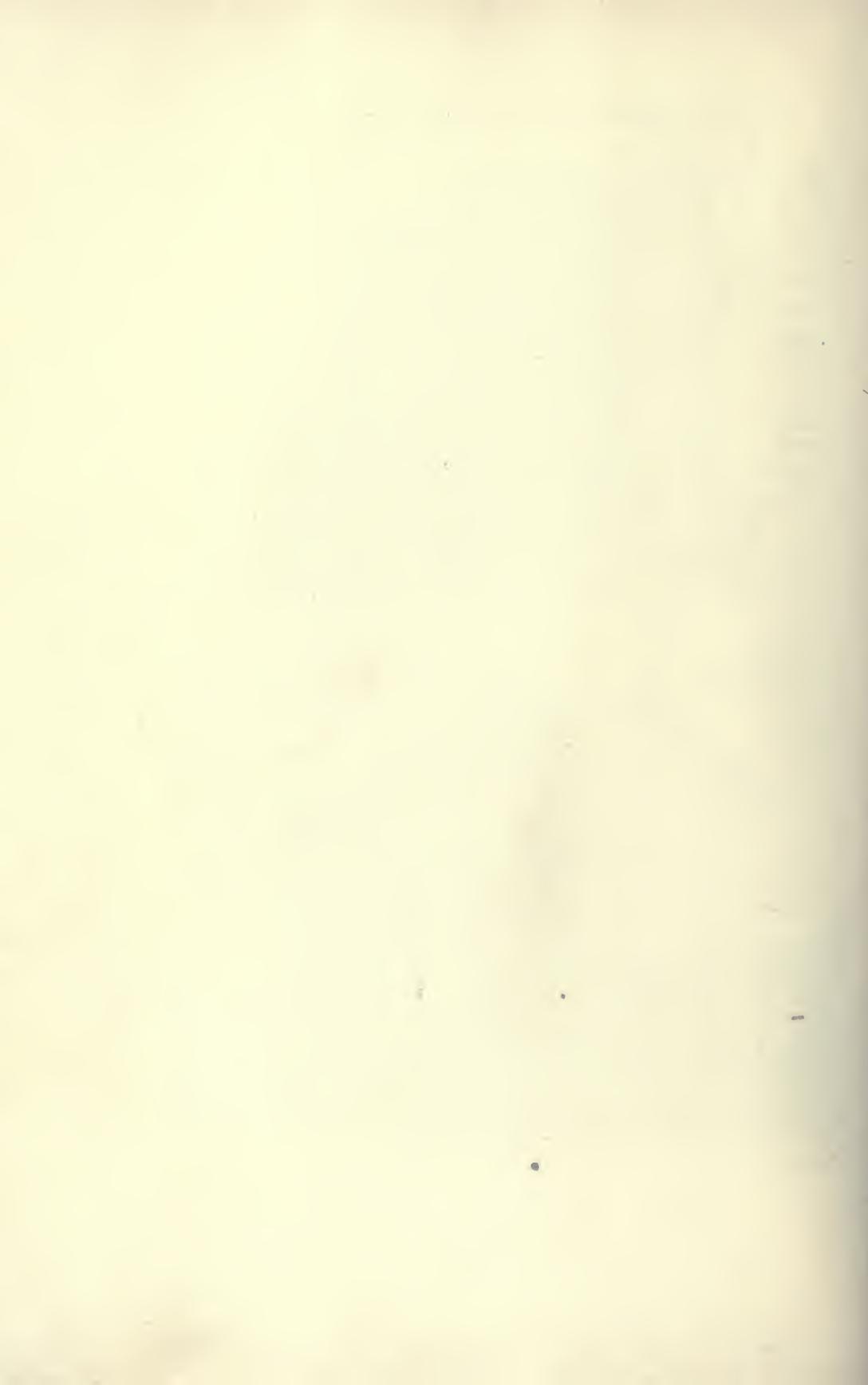
It was in October that the announcement was made of the fourth domestic Canadian War Loan, known as the First Victory Loan. This was the first loan of a really popular character, in which wage-earners, farmers, business men small and great, indeed all classes of the community, were asked to participate. On its success the future of the country depended in no small degree. At this time Canada not merely could not borrow in Great Britain, but was even lending money to the Motherland for the purpose of financing the contracts for the supplies of food and munitions purchased by the British Government in this country. In addition, Canada was excluded from the money markets of the United States by the entry of that country into the war. The Canadian banks had already advanced very large sums to the Government, and could not be expected to supply all the funds required for the prosecution of the war. The only untouched source of supply seemed to be the savings of the people of Canada, and after consulting some of the ablest of Canadian financiers, Sir Thomas White decided to try the experiment of a popular loan. The success of the first Liberty Loan in the United States, issued in May, 1917, was a promising omen, although the two cases were not parallel, as the American people had not felt the heavy strain of three years of loss and suffering that had as yet brought no apparent results. To the Canadian banks the Victory Loan meant a genuine sacrifice, for they were called on to facilitate the withdrawal of large deposits which it had taken much effort and many years to



CALGARY, ALTA., FIRST STREET WEST BRANCH



PRINCE ALBERT, SASK.



build up. No spirit of selfishness, however, influenced the bankers, and they lent their aid heartily to the task of making the loan a success. Committees of bankers were formed throughout the country to act in an advisory capacity under the authority of the Canadian Bankers' Association for the purpose of assisting the campaign. These committees had their headquarters in Montreal, Quebec, Halifax, St. John and Charlottetown, in eastern Canada; and in Toronto, Winnipeg, Regina, Calgary, Edmonton, Vancouver and Victoria, in central and western Canada. Only two of the committees were without a representative of The Canadian Bank of Commerce and in four cases the chairman was a member of its staff. These were: Toronto, Mr. H. V. F. Jones, assistant general manager of the bank; Calgary, Mr. C. G. K. Nourse, local manager; Halifax, Mr. D. Macgillivray, local manager, and Vancouver, Mr. G. V. Holt, local manager. The subscription lists opened on November 12 and closed on December 1. The banks had agreed to make advances at the rate of five and a half per cent., the rate of interest yielded by the bonds themselves, to subscribers who might not be able to pay for their bonds at once, provided they were able to repay the advance within a year; and they also accepted the bonds for safe-keeping for one year free of charge. The issue was nominally for \$300,000,000, but the objective was in reality \$400,000,000. This objective was more than achieved, the banks offering every facility in the way of keeping open after hours, giving advice to customers, and assisting in countless other ways to attain the desired result.

An interesting little incident of the campaign occurred at one of the branches of the bank in a prosperous rural district of western Ontario. A package of notes of The Canadian Bank of Commerce, presented in payment of an instalment of the Victory Loan, was found to consist partly of ten consecutively numbered notes of an old issue which, according to the books of the bank, must have been paid out about 1899, and partly of even older notes issued in 1887

but withdrawn shortly afterwards. The condition of the notes showed that they had been very little in circulation, and additional proof of this was given by the consecutive numbering of the ten notes first mentioned. They furnished very interesting evidence of hoarding, in the one case for about thirty years and in the other for not less than eighteen.

In addition to giving direct aid to the Dominion Government as outlined above, the bank participated during 1917 in a loan of \$50,000,000 made by the Canadian banks to the Imperial Munitions Board against the security of treasury bills of the Dominion of Canada, and in what was known as the "Second Wheat Loan" of \$100,000,000 to the British Government, also shared by the other banks. In addition, it renewed an advance of several millions made the previous year to the Imperial Munitions Board, and granted a large standing credit at the New York Agency for the purchase of the sterling bills of the Wheat Export Company, Limited, which acted as agent for the British Government in its purchases of wheat. It also invested from time to time in treasury bills of the Governments of Great Britain and the United States (the latter being now a partner in the war), and in the following issues brought out in the United States:

United Kingdom of Great Britain & Ireland, \$250,000,000

5½% Secured Loan Convertible Gold Notes due 1918-19.

United States Government, First Liberty Loan,

\$2,000,000,000 15-30 year 3½% Gold Bonds.

Dominion of Canada, \$100,000,000 5% Gold Notes due 1919.

An interesting feature of the year was the aid extended by the bank to the finances of Italy. It will be remembered that during the previous year it had become a shareholder in the British Italian Corporation, Limited, formed to foster the trade of Italy with the other Allies. In March, 1917, the bank was designated by the Italian Treasury to receive subscriptions from Italians in Canada to the Italian Government

Consolidated five per cent. War Loan. During the same month the bank confirmed a large sum in letters of credit issued by the Credito Italiano, one of the foremost Italian banks, also interested in the British Italian Corporation, Limited; and in July it participated in an Italian acceptance credit arranged through the Banca d'Italia.

So far as the branches of the bank were concerned, their services were called upon in connection with the appeal for the British Red Cross Society Fund, the Navy League of Canada and the Halifax Relief Fund. Those in the United States co-operated in the Liberty Loan campaigns just as did the Canadian branches in the Victory Loan campaigns. Early in the year the branches were advised that the Dominion Government was about to issue war savings certificates of the denominations of \$25, \$50 and \$100, and to inaugurate a national thrift campaign, and the managers were asked to give these plans their energetic support. The demand for greater agricultural production was stronger than ever, because Canada was one of the countries on which the Motherland depended for supplies. The Dominion Government had undertaken the task of making advances to grain-growers in the West for the purchase of seed grain and fodder, and the bank's branches in Alberta and Saskatchewan, the two provinces in which such advances had been necessary, were asked to accept and remit without charge to the Government any moneys tendered them in repayment of such advances. In the spring the Ontario branches were requested to assist as far as possible in a campaign for greater production inaugurated by the provincial Organization of Resources Committee. One of the measures adopted was the making of loans under the guarantee of the Ontario Government to farmers who required assistance for the purpose of purchasing seed grain; another was the giving of an additional week's furlough to any bank officer undertaking to work on a farm during the whole of his vacation. Over three hundred of the bank's staff volunteered their services under this arrangement. The

Canadian Bankers' Association, jointly with the Department of Agriculture, also offered cash prizes at the autumn fairs to boys and girls under seventeen for exhibits of calves or pigs which they had raised themselves, and the branch managers co-operated in making known and otherwise furthering these competitions. The enlistment of youth in the cause of thrift and production was aided also by the establishment of school savings departments at certain branches. In these and many other ways, small and large, did the bank seek to do its share to stir up the whole community to a sense of what the emergency required.

The introduction of conscription, the great political event of 1917, has already been mentioned. Although the announcement of this policy was not made by Sir Robert Borden¹ until the end of May, the fact that it was inevitable was recognized some months earlier. The branches were advised in January that it was evident that some such measure was pending, and the managers were pressed to engage and train women clerks to fill all openings which could be created for them. Steps were taken during the summer, as soon as the text of the proposed Act of Parliament was known, to ascertain how many members of the staff were likely to be exempted under its provisions. After the Act had become law, interest centered on the regulations to be made by order-in-council for its administration, and particularly for establishing and governing the procedure of the tribunals which were to pass

¹The Right Hon. Sir Robert Laird Borden, G.C.M.G. (b. 1854), is a native of Grand Pré, N.S. He studied law and was called to the bar in 1878. For a time he practised his profession in Kentville, N.S., and subsequently in Halifax. He entered the House of Commons as member for Halifax in 1896, and was made leader of the Conservative party in 1901. In 1911 he was called on to form an administration, in which he was President of the Privy Council. In 1917 he formed a Union Government, composed of members of both political parties, which held office during the remainder of the Great War. He was the first overseas cabinet minister to receive a summons to attend a meeting of the British Cabinet. He was the representative of Canada in the Imperial War Cabinet, 1917 and 1918, at the Imperial War Conference, 1917 and 1918, and at the Paris Peace Conference, 1919. He resigned the Premiership in 1920 on account of ill-health.

upon applications for exemption. Every effort was made by the head office to keep in touch with what was done, so as to be in a position to advise the branches at the earliest possible moment as to what was required of them. It was anticipated that the call would not extend beyond Class I under the Military Service Act, that is, unmarried men who had reached the age of twenty and who had been born not earlier than 1883, or roughly, those between the ages of twenty and thirty-four, and such men were asked to apply for medical examination at the earliest possible moment, so that it might be ascertained how many would be exempted on medical grounds and could therefore be expected to remain with the bank. It had been hoped that large employers with scattered staffs, such as banks and railways, would be able to deal with the question of exemptions before a central authority, instead of before the local tribunals scattered throughout the country, for it was clear that the members of these tribunals, being men totally unskilled in deciding such questions as were to be brought before them, and having no precedents to guide them, would be sure to take different views of similar cases and to render conflicting decisions. It was known that the instructions drafted by the Military Service Council for the guidance of the tribunals required them, when an application for exemption was made by an employer, to obtain "full information with regard to the total number of persons employed by the applicant, their respective occupations, qualifications and sex, with the number in each group," and "to what extent the employer is putting forward a claim for exemption on behalf of each employee within the class called out." It was obvious that information of this character must emanate from the head office of the bank, for the officials there were the only ones who could, in the nature of things, supply it. The Government, however, decided to deal with the question of exemptions through the local tribunals, and it therefore became necessary to supply the local managers with the information, and to rely on them to argue in support of all applications for exemption.

In view of the extent to which its staff had already been drained by voluntary enlistment,¹ the bank asked all those of its officers who were supposed to be medically unfit to apply for exemption and to report the result, and announced its intention to apply for the exemption of a certain number of officers, to be designated later, whose services were deemed indispensable. Had sufficient time been available to ascertain how many members of its staff would be classed as medically unfit and were therefore likely to be exempted from military service, it would have been possible to reduce the number of exemptions applied for, but this could not be done under the circumstances. In October the branches were advised that, at the suggestion of the chairman of the Military Service Council, a special committee had been appointed by the Canadian Bankers' Association to which each bank might submit a list of officers for whom exemption was required, the committee to make a finding on the merits of each case for use before the local tribunals. The committee consisted of five members, from as many banks, and included a representative of The Canadian Bank of Commerce.

The actual call for service came on October 13, 1917, the men called out being, as expected, those in Class I under the Military Service Act. The necessities of the military situation required prompt action, and the interval between the proclamation calling out the men and the date on which they were

¹The following details as to the composition of the staff about this time will be of interest. The total male clerical staff (excluding messengers, who were in most cases men of more advanced years than those called out under the Military Service Act) at the outbreak of the war numbered 2,580. At the end of September, 1917, the number of enlistments from the bank's staff had reached 1,379, in addition to 805 men who had resigned for other reasons, many of them subsequently enlisting. The proportion of men on the staff whose service antedated the war, and who might therefore be regarded as trained officers, was less than half the number of the staff at the outset of the war; while during the interval the volume of business had increased enormously, as may be judged from the facts that the bank's deposits were thirty per cent. greater than in 1914, and that the clearing-house figures of all the banks (indicating the volume of their daily business) were nearly fifty per cent. greater. In addition, the Victory Loan campaign, with all the immense burden of work it placed upon the banks, was just pending.

ordered to report, or to apply for exemption, was barely a month. This added to the difficulties by which the bank was already beset. It had lost by enlistment forty-four per cent. of the officers on its staff at the outbreak of the war, and was now faced with the necessity at one and the same time of carrying on a vastly increased volume of business, and releasing a large proportion of the trained men who remained to it. It was expected to decide, in advance of the courts' decisions, how many men it must retain, and to present full and detailed statistical information in this regard in support of each application for exemption. Ordinarily to prepare such information alone would require months of time, but in this case there were only weeks available. By dint of strenuous effort on the part of the Staff Department, the branch managers and other officers of the bank were kept fully posted as to the steps they were called upon to take, the difficulties likely to arise were anticipated, and a solution was indicated. The managers were also instructed fully as to the procedure to be followed in applying to the local tribunals for exemptions, and in appeals from the decisions rendered. They were supplied with a printed pamphlet containing a complete classified list of all the officers of the bank in Canada coming within Class I of the Military Service Act, and including all the information required by the instructions given to the appeal tribunals by the Military Service Council. In addition, the pamphlet contained statistics and arguments in support of the bank's case. A copy of this pamphlet and the certificate of the special committee of the Canadian Bankers' Association accompanied each application for exemption supported by the bank. No other bank in Canada was able to supply its managers with such a complete statement of the case for use before the local tribunals. A warning was also issued to all branches as to the penalties to which the bank would be subject for retaining in its employ any man who had not complied with the terms of the proclamation by which conscription had come into force. The circulars issued at this time on the subject are an eloquent

witness to the difficulties encountered and to the spirit in which they were met. Full consideration was given on the one hand to the bank's patriotic duty in the terrible emergency which confronted the nation, and on the other to its responsibilities as a part of the financial machinery of the country, on the continued functioning of which depended the fortunes not only of individuals but of the Government itself. The problem was a weighty one, and its solution called for many hours of hard work and anxious thought.

The cost of living, as it affected the members of the staff in all its aspects, food, wearing apparel and rentals, gave the management much concern during 1917. In January it was decided to grant war allowances as from February 1, that year, to married officers with salaries not exceeding \$4,000 per annum. Somewhat later, a war allowance of \$100 per annum was granted to married men on the temporary staff. The initial salary of a junior clerk was also advanced from \$300 to \$350 per annum, and an additional allowance of \$100 was made to juniors away from home and in receipt of the minimum salary. At the end of the year a liberal general bonus was granted, not only in recognition of the faithful service rendered by the members of the staff under increasingly trying circumstances, but also to commemorate the fiftieth anniversary of the opening of the bank, which occurred this year.

In the early days of banking in Canada arrangements were quite commonly made to have the manager of a branch reside on a bank's own premises. There was usually a bank house, the bank utilizing part or all of the ground floor as its office and the manager and his family residing in the apartments above. Those who are familiar with the older premises occupied by or erected for the use of banks in eastern Canada will quite readily recognize that they were often built with this purpose in view. From the bank's standpoint such an arrangement provided an additional safeguard for its funds, especially in the days when no organized force of either police or firemen existed, and to the manager it gave

excellent living quarters, usually free of charge, that enabled him to eke out his often modest salary. As the country became more settled and the population of the cities and towns increased, municipalities began to provide safeguards against fire and burglary and the practice from the bank's point of view became less advantageous. The same process of growth had also rendered the business section of the town less attractive for residential purposes, and gradually the custom fell into disuse. The one-time managers' residences were occupied by caretakers or turned into offices, and the newly erected bank buildings showed by their design the change which had taken place. A few of the old-fashioned bank houses still lingered, and occasionally a manager, in some place where a suitable dwelling was not to be had, would prevail upon the bank to erect or purchase a house for him, or else to lend him the money wherewith to build or purchase one for himself. Then came the opening up of the West, and the enterprising efforts of the banks to carry their establishments as far as and sometimes beyond the very confines of civilization. They opened branches on the prairies at railway junctions and other strategic points, almost in advance of population. At first younger men took charge of these branches, and were more or less satisfied to make the best of any makeshifts they could obtain for living accommodation. This stage passed away in its turn. After extensive experience The Canadian Bank of Commerce found that the ownership of residences for the use of branch managers was not satisfactory either to the bank or to the manager, and for a while the policy of making loans to managers to enable them to provide living quarters for themselves was adopted. This again was subject to the objection that in very few cases was a subsequent manager willing to take over the residence of his predecessor. Finally, in 1917, the problem had become a very live one, owing to the opening of numerous branches in districts where building conditions were in a primitive state, and the

executive decided to lay down the following rules for the guidance of managers under such circumstances:

1. The bank will assist a manager to acquire a residence only in cases where no other satisfactory course is open. The cost of all such dwellings must be in keeping with—

(a) The size and character of the place.

(b) The financial standing of the manager.

(c) The probable needs and financial standing of future managers.

2. Plans and specifications must be submitted for consideration in ample time to enable the bank to give each case careful study.

3. Repayment must be made in definite monthly amounts, plus interest; in addition to which the manager must take care promptly of all expenditures for taxes, insurance, repairs, etc.

4. The appointment of a new manager will be made on condition that he take over his predecessor's residence at a valuation satisfactory to both parties and to the bank, the bank's decision to be final. Managers will be expected to take the risk of any ordinary fluctuations in value. In the event of an extraordinary decline in value caused by an unlooked-for decrease in values of town properties, the bank will consider the reimbursing of an out-going manager for a portion of his loss.

In August, 1917, the Department of Banking Accounts and Exchanges at the head office, established in 1908 under Mr. T. F. Aspden, was reorganized and its name changed to "Foreign Department." The objects of the reorganized department were defined as the securing of new business in co-operation with the branches, particularly the accounts of European and American banks, and the co-ordination and facilitating of the bank's exchange business. It was also expected to compile information that might assist the development of Canadian foreign trade. The sterling business of those branches not keeping direct accounts with the London, England, office, and the arrangements for drawing on

Continental Europe, were taken over from the branches which had hitherto looked after these matters. The department was placed in direct telegraphic communication with Montreal and New York, so as to ensure close touch with the exchange market in both places.

On account of the enormous increase in the volume of the bank's business, steps were taken at this time to widen the powers of the district superintendents and of certain of the senior managers by increasing the limits for credits which might be granted by them without formal application to the Board of Directors for approval.

Arrangements were made in September for the Portland and Seattle branches of the bank to qualify as "clearing non-member banks" of the Federal Reserve System¹ under the local branches of the Federal Reserve Bank of San Francisco. The San Francisco branch had for some time been on a similar footing.

The many attempts by German agents in the United States to destroy munition plants and other factories during 1916-17 led the bank to urge on the managers the necessity of increased precautions for the protection of its premises, and to ask its managers to impress the need of similar precautions on those customers whose premises might be the object of attack.

The time being one of political ferment in Canada, certain politicians and newspapers, without much consideration of all that the phrase might imply, indulged in a good deal of talk about "conscription of wealth." In a few cases this had an unforeseen effect. The possibility of legislation along such lines led to extreme nervousness on the part of some bank depositors regarding the safety of their deposits, the newspapers having led them to believe that it was the intention of the Government to seize all private wealth. This condition of alarm was especially prevalent in the smaller towns, and the managers of branches in such places were asked to point out that what was really meant was merely an additional tax

¹See note to page 329.

payable by those who were supposed to be able to afford to pay it.

A marked innovation in banking practice was introduced about this time. Book-keeping machines were adopted for writing the ledgers at a few of the larger branches, the customer being furnished with a typewritten statement of his account each month, instead of a pass-book showing all transactions. This improvement did away with the necessity of writing up pass-books at the end of the month, a piece of drudgery of which the older generation of bank officers had its full share, involving as it did, at the end of each month, many hours of night work, sometimes till long after midnight.

Early in the year information reached the Chief Commissioner of Dominion Police that there had been a material increase in the number of Canadian bank drafts forwarded through the mails to persons in neutral countries, without correspondence or anything else to show the purpose for which the money was intended, the inference being that it was for re-transmission to an enemy country. The banks were therefore requested by him, before selling drafts on neutral countries, to obtain an explanation of the purpose for which the money was to be used.

On April 15, 1917, the Hon. Sir Lyman Melvin Jones, who had been a director since January, 1902, passed away after a long illness. He was president of the Massey-Harris Company, Limited, and an industrial leader of rare ability and great business acumen. In alluding to his death the directors placed on record that for more than fifteen years his counsel had been keenly sought and his judgment highly regarded by the directors and executive of the bank. Sir Lyman Jones was succeeded by Mr. Charles Newton Candee, president and managing director of Gutta Percha and Rubber, Limited.¹

¹Charles Newton Candee (b. 1860) is a native of Rochester, N.Y. He entered business as a clerk in the wholesale and retail rubber establishment of O. W. Clary, Syracuse, N.Y., in 1879. In 1886 he came to Toronto and was appointed assistant manager of the Gutta Percha and Rubber Manufacturing Company, Limited, of Toronto, now Gutta Percha and Rubber, Limited, of which company he is now president and managing director.

During the year, one of the directors, Mr. J. W. Flavelle, was created a baronet for his notable services during the war as chairman of the Imperial Munitions Board. Another pleasing event was the conferring of knighthood on the general manager, Mr. John Aird, among the King's birthday honours in June. Not only by his associates, but by the community generally, the honour was regarded as well bestowed and worthily earned by reason of the counsel and aid he gave the Canadian Government in its war finance.

As the year was drawing to a close the whole world was shocked by the catastrophe at Halifax, when through an explosion on a French munitions ship, a large part of Halifax was levelled to the ground and hundreds of people were killed. The office of the bank in that city was only slightly damaged, and was not rendered uninhabitable, while the members of the staff fortunately escaped without serious injury.

Canadians will probably never again experience such a gamut of varied emotions as the year 1918 provided. On New Year's Day no one could foresee that before a cycle of twelve months had run its course the arms of the Allies would be completely victorious. For nearly three months the outlook was so puzzling that experts differed as to whether the enemy would attempt a last and desperate dash for victory, or whether he would seek the way out in a draw, to which many persons in a war-weary world seemed ready to assent. The problem was solved when on the coming of spring Germany took the gambler's chance, launching an offensive which brought her within such narrow range of victory that for three months or more the people of all Allied countries experienced many hours when it seemed as though all their sacrifices would be in vain. There followed on that dark period three months of cumulative victories and ever-soaring hopes, that culminated during November in the complete collapse of the Central Empires. On November 11, the armistice was signed, and though the formal ratification of peace was yet far away, the bloodshed was over. It is a remarkable

evidence of the manner in which the Canadian people had become steeled to the horrors of war, that during these extraordinary months they showed a steadiness in complete contrast to the fever and panic of 1914. The firm policies of the great banking institutions of the country undoubtedly contributed in a large degree to this demonstration of national stability.

As in the previous years of the conflict, the immensity of the cost of the war was reflected in the transactions of The Canadian Bank of Commerce, the financial assistance rendered to the Governments of Great Britain and of the Dominion being continued on the same generous scale. In July the bank joined with the other Canadian banks in an advance to the Dominion Government against four months treasury bills. It also renewed advances made the previous year to the Dominion Government and the Imperial Munitions Board, as well as the "Second Wheat Loan" to the British Government. The total of these transactions ran into many millions. Purchases were also made from time to time of French Government treasury bills offered in London. Other issues in which the bank invested were:

United Kingdom of Great Britain and Ireland, 5%
National War Bonds due 1922.

United States Government, Fourth Liberty Loan,
\$60,000,000 15-20 year 4¼% Gold Bonds.

Dominion of Canada, Second Victory Loan,
\$300,000,000 5½% Bonds due 1922-23.

French Republic, Loan of Liberation, 1918, 4% Perpetual Rentes.

All told, the assistance rendered by The Canadian Bank of Commerce to the finances of the various Allied Governments to which reference has been made in this chapter reached the enormous total of over \$130,000,000, of which over \$33,000,000 was renewed for a further period. This does not, of course, mean that advances of this amount were current at any one time, but on the other hand neither does it include the very

large additional advances made after hostilities had ceased, but before the immense military forces could be disbanded.

At this point it may be interesting to include a summary of the principal subscriptions voted by the Board to various war funds during the five years of the conflict:

Aug. 1914	Canadian Patriotic Fund.....	\$50,000
Sept.	Canadian Red Cross Society.....	5,000
Nov.	Belgian Relief Fund (Toronto Board of Trade).....	2,500
May 1915	University Overseas Hospital....	1,000
Oct.	Trafalgar Day British Red Cross Fund.....	5,000
Jan. 1916	Canadian Patriotic Fund.....	50,000
Feb.	Seamen's Hospital Fund, Green- wich.....	750
Apr.	Y.M.C.A. Military Service Fund.	2,500
Aug.	Maple Leaf Club, London, Eng- land.....	500
Oct.	British Red Cross Fund.....	5,000
Nov.	British Sailors' Relief Fund.....	5,000
Jan. 1917	Canadian Patriotic Fund (for 1917).....	50,000
May	Y.M.C.A. Military Service Fund.	2,500
July	Maple Leaf Club.....	500
Oct.	British Red Cross Society.....	7,500
Dec.	Y.M.C.A. Fund for care of re- turned soldiers.....	2,500
Dec.	Navy League of Canada.....	5,000
Jan. 1918	Halifax Relief Fund.....	25,000
Jan.	Canadian Patriotic Fund (for 1918).....	50,000
Apr.	Maple Leaf Club.....	500
June	Y.M.C.A. Red Triangle Fund....	10,000
Sept.	Navy League of Canada.....	10,000
Oct.	Catholic Army Huts.....	2,500
Oct.	Italian-Canadian Soldiers' Aid of Canada.....	500

The policy of the bank throughout the war was to extend the facilities of the institution gratuitously to all legitimate funds and projects for the furtherance of the war or for the relief of the suffering caused by it, though some judgment was necessarily exercised as to their *bona fides*. As new conditions arose, new plans for relief were constantly to the fore. One of the last which marked the war period was the Agricultural Relief of the Allies Fund. In January, 1918, the branches were authorized to receive subscriptions to this fund, the proceeds of which were to be used to provide seeds, machinery, etc., to assist farmers in the areas devastated by the war to make a fresh start. In April, at the request of the Minister of Finance, it was agreed that branches in Manitoba, Saskatchewan, Alberta and British Columbia should negotiate without charge warrants issued by the Soldier Settlement Board. These warrants represented loans made to assist returned soldiers in paying for and equipping farm lands purchased by them. The bank was again officially designated by the Italian Treasury to receive subscriptions to the Italian Fifth Consolidated five per cent. War Loan of 1918, and the branches were accordingly given the necessary authority and asked to assist the loan in any way they could. Later in the year the French Government Loan of Liberation received similar support. In addition the Board of Pension Commissioners asked for and was granted the aid of the bank's managers in dealing with the *bona fides* of claims for pensions. Co-operation was also extended to the campaign to raise funds for the Ontario Division of the Navy League of Canada during Sailors' Week, 1918, September 2 to September 7, and subscriptions were accepted and remitted to Toronto free of charge. In the autumn the Second Victory Loan campaign made its heavy demand upon the time and services of the staff of the bank. These things are recorded here in order that the part played by the Canadian banks during the war and the public services they so freely rendered may not be forgotten. These services in most cases came to the attention of only a few of the



VANCOUVER, B.C., KITSILANO BRANCH



NEW WESTMINSTER, B.C.

public, so that Canadians generally were scarcely aware of the facts.

The prospectus of the Fifth Canadian War Loan, the Second Victory Loan, as it was called, was issued early in October. The rate of interest was five and a half per cent. By an arrangement between the Minister of Finance and the Canadian Bankers' Association a committee of five bank officers, comprising a representative of The Canadian Bank of Commerce, was appointed to confer with the Department of Finance as to the methods of handling subscriptions to the loan, especially in so far as the banks were concerned. This committee went into the matter with great care and drafted instructions for the guidance of the banks in performing their share of the work on the loan. In addition, they drew up for the Department of Finance the circular of instructions sent by the Department to every branch of a bank in Canada. Although on this occasion the banks undertook a large amount of work which had previously been performed by the Department of Finance, and although there was a large increase in the number of subscribers, the procedure was greatly simplified as a result of the committee's labours, and the work of the banks was performed with even greater expedition and efficiency than in the past. As in the previous year the bank announced its willingness to assist subscribers to take up their subscriptions within certain limits; loans must not exceed ninety per cent. of the amount of bonds subscribed for and must be paid within ten months, the rate of interest to be five and a half per cent., the same as that yielded by the bonds. Cards were adopted for the record of loans to small subscribers.

The prosperity of the country at this time was clearly shown by the fact that, in spite of the enormous sums subscribed to the Victory Loan of the previous year, the savings deposits of the banks were higher in the autumn of 1918 than they had been twelve months previously. In the outcome, the Second Victory Loan was a prodigious success, the subscriptions

totalling well over \$700,000,000, although the prospectus had called for only \$450,000,000.

The issue of the Victory Loan had been preceded by a long campaign in the press advocating the practice of thrift, and despite the cessation of fighting, the Dominion Government, on the advice of leading Canadian financial men, decided that a continuation of the thrift movement was necessary for the well-being of the country. An arrangement was therefore made by the Department of Finance with the leading banks to place War Savings and Thrift Stamps on sale at all branches of the chartered banks.

The problems caused by the adoption of conscription reached a measure of solution during 1918. Early in the year the authorities were prevailed upon to deal with the list of exemptions claimed by each bank as a whole. This decision came as a great relief, but the voluminous information required by the Central Appeal Judge, and the necessity for the attendance of the staff superintendent of each bank at Ottawa during the hearing of its appeals, increased the already heavy burden of work borne by the staff departments of the various banks. It was agreed to call gradually, so many at a time, those men who could not well be spared by the banks, but whose services were nevertheless required by the military authorities. These men constituted the remnant of that part of Class I under the Military Service Act, who after medical examination had been placed in "category A", and by this time they constituted only a small percentage of the staff. Lists were compiled ranking them in the order of their importance to the banks, and from these lists, commencing in the order of least importance, so many men were called at stated dates. It was decided that The Canadian Bank of Commerce should furnish 112 men of this class at once, 47 about two months later, or in May, and 48 in June, the remainder to be called in September. Thus the bank was allowed a certain amount of time in which to train other men to carry on the duties of the officers called out. As a rule, it had been found very difficult to convince

the local tribunals of the importance of retaining a sufficient number of trained officials for the proper handling of the intricate financial business of the country. Even after the decision referred to above was given, it was not always correctly interpreted by the local registrars, and new difficulties cropped up as fast as the old ones were solved.

In April, men of Class I who had been placed in medical category B were called out, and efforts were made by those in charge of the administration of the Military Service Act to secure men more rapidly for the army by obtaining amendments to the Act including men of nineteen in Class I, along with those who reached that age from time to time. Power was also sought to cancel exemptions previously allowed, except when granted for physical disability or to those having other members of the family serving overseas. On May 6 a proclamation was issued calling for the registration of men who had reached nineteen years of age. It was recognized that the face of things had been changed, since the earlier exemptions were granted, by the success of the great German offensives of March and April. Six weeks before the armistice, under a convention between Canada and the United States, all male citizens of the United States in Canada within the ages called out in the United States were required to enroll or to apply for exemption. In the event of not doing so they became subject to the Military Service Act of Canada. Though this did not affect the banks materially, it had its importance for a considerable number of business concerns. Eventually neither the men in Class B nor those of nineteen were actually called for service.

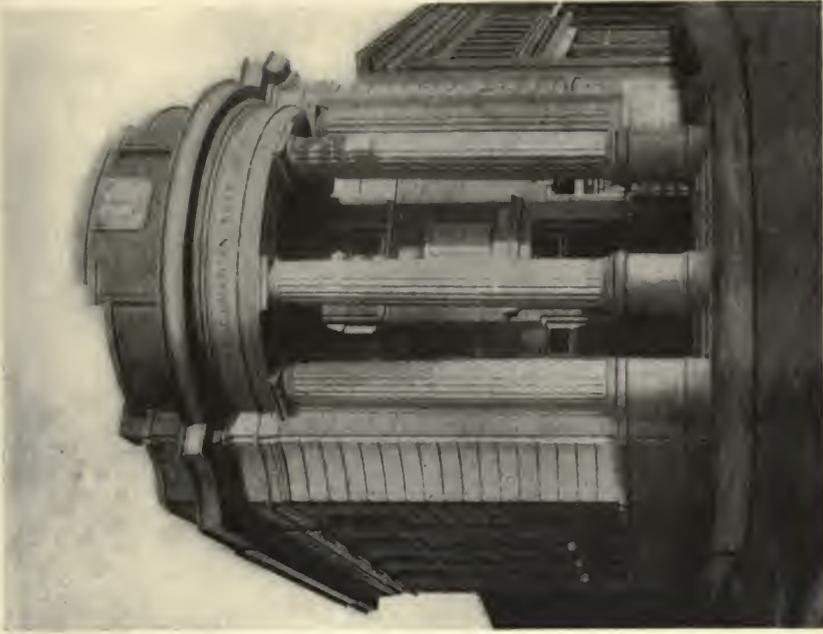
During 1918, on account of the extreme height to which the cost of living had risen, a general bonus was twice granted to the staff, one in June and one in December. A period of high prices, such as the country was then passing through, is felt specially by salaried men, for in the nature of things sudden and temporary increases in the cost of living cannot be met by corresponding increases in salaries, unless the downward

movement, which is sure to follow shortly, be correspondingly marked by decreases. In a service such as that of a bank, where most of the men employed look upon it as their life-work, such an unsteadiness in the scale of remuneration would engender greater dissatisfaction than do the difficulties of a period of steadily rising prices, for the hope of better things to come is strongly implanted in the human breast. As it was, the liberality of the directors and management of the bank in 1918 was much appreciated by the members of the staff.

The year was marked by two notable anniversaries. On May 19, the vice-president, Mr. Z. A. Lash, K.C., who had been for so many years the trusted legal adviser of the bank, celebrated the fiftieth anniversary of his call to the bar of Ontario. On the evening of that day, at a dinner given in honour of the occasion by Sir Edmund Walker, at which a number of his old colleagues and other friends were present, Mr. Lash gave an extremely interesting address on the changes which had taken place in the practice of the profession of law during the fifty years of his legal career. His call to the bar had occurred just one year and five days after the opening of the bank in Toronto, and in view of the close connection there undoubtedly exists between the practice of law and of banking, the address threw a great deal of light on the conditions under which the bank itself had been established. In a general way, said Mr. Lash, the changes had been for the better—"the tendency has been to disregard form and to deal with substance, to disregard technicalities and to deal with merits, to broaden the generous principles of equity and justice, and to apply them, rather than the narrower and less generous principles and rules of law."

A few weeks later, on July 24, Sir Edmund Walker completed fifty years in the bank's service, and in honour of the occasion the following resolution was spread on the minutes:

"The Board of Directors of The Canadian Bank of Commerce desire to record their gratification that the president of the bank, Sir Edmund Walker, C.V.O.,



NANAIMO, B.C.



KELOWNA, B.C.

LL.D., D.C.L., has been able, since 24th July, 1868, to render to the bank continuous and invaluable service. The directors extend to him hearty congratulations, and express their hope that he may be able, for many years, to preside as president and give to the bank the benefit of his long and unequalled experience in all matters affecting its interests.

"Sir Edmund entered the service on 24th July, 1868, at the age of twenty years, as a junior clerk, but even at that early age with an experience of seven years in the office of his uncle, a private banker in Hamilton, Ontario. His progress was rapid and continuous, and step by step his positions in the bank gave him a varied and comprehensive experience of banking in all aspects. While in the management of the New York branch, he was appointed general manager in the year 1886, which position he held until 1907 when he was appointed president.

"Sir Edmund's services to the bank cannot be over-estimated. His great executive abilities and wide knowledge of business and financial affairs have been made use of on many occasions by Governments and public bodies in Canada and in the United States of America.

"During his long business life he has been active in many ways in promoting the interests of the public, especially in connection with education, art, music, museums and early Canadian history, but at all times the interests of The Canadian Bank of Commerce were first, and he gave to it the benefit of the knowledge, experience and high standing which he acquired in these various ways."

The anniversary was marked also by a banquet held on the evening of July 24, at the King Edward Hotel, Toronto, at which many prominent citizens and a number of members of the staff were guests. On that occasion, Sir Edmund,

replying to the toast of the guest of the evening, delighted the company with an intimate account of banking conditions as he knew them in his early years, extracts from which have been incorporated in this book.¹

The day was further marked by the issue of new \$5 and \$10 notes, the first of a series remarkable among modern bank-notes for the artistic quality of the designs, in which Sir Edmund himself had taken the keenest interest.

On October 13, Mr. William Farwell, D.C.L., a director of the bank and chairman of the Advisory Committee at Sherbrooke, who had formerly been president, and at one time general manager, of the Eastern Townships Bank, passed away at an advanced age; and in recording his death, the Board bore witness not only to his abilities as a banker, but to "the attachment of friends in every station, to whom he had endeared himself through sympathy and helpfulness." Mr. J. S. Mitchell² of Sherbrooke, was appointed a director, and chairman of the Sherbrooke Advisory Committee, in succession to Mr. Farwell, and Mr. James Mackinnon,³ formerly general manager of the Eastern Townships Bank, and subsequently manager-in-chief of the Eastern Townships Division of The Canadian Bank of Commerce, was given a seat on that Committee.

By long tradition, the hours during which banks are open to the public have been from 10 a.m. until 3 p.m. on ordinary days, and on Saturdays until 12 or 1 p.m. As a war measure and an experiment, commencing on May 31, 1918,

¹See page 72.

²James Simpson Mitchell (1852-1920) was born at Ascot, P.Q. He became a partner in the firm of Lucke and Mitchell in 1877, and on the death of his partner, Colonel Lucke, in 1894, continued the business under the name of J. S. Mitchell and Company. This firm, with headquarters at Sherbrooke, has for some years been one of the largest wholesale hardware houses in the province of Quebec. Mr. Mitchell was one of the directors of the Eastern Townships Bank, taken over by The Canadian Bank of Commerce in 1912. He was also a director of the Stanstead and Sherbrooke Fire Insurance Company and of the Eastern Townships Brick Manufacturing Company.

³See page 253.

they opened at 9.30 a.m. and closed at 2.30 p.m. on ordinary days, and at 12 noon on Saturdays. The older hours have since been readopted in most respects.

No branches were opened by the Canadian banks during the long period of the European war, but ten days after the armistice was signed, on November 21, The Canadian Bank of Commerce opened in the historic town of Amherstburg on the Detroit River. More significant, as indicating the wide reach and scope of its business, was the opening on December 6 of a branch in St. Pierre-Miquelon, the lonely French colony in the North Atlantic, which had developed in commercial importance during the war. As might be expected after such a long period of quiescence, considerable activity and even rivalry among the various banks now developed, and during the next few months a large number of branches were opened, both by The Canadian Bank of Commerce and by the other banks.

The general banking policy during this, the final year of the war, was marked as in the previous two years by efforts to keep the production of both live stock and cereals up to a high level. The managers of the bank were urged to lose no opportunity of encouraging their farming customers to increase the number of live stock held. There was a certain amount of agitation at this time for fixed minimum prices for live stock, but the Government did not see its way clear to adopt so arbitrary a measure. The practice of making loans to farmers to purchase seed grain was continued. In the province of Ontario such loans were, when the financial position of the would-be borrower made such a step necessary, guaranteed by the Provincial Government. In the western provinces the Dominion Government agreed to give a similar guarantee of loans to destitute entrants on unpatented lands, to enable them to purchase seed grain for the next season. Applications under the latter arrangement were made through the Chief Inspector of Dominion Land Agencies, Winnipeg, and the rate of interest was fixed at seven per cent. per annum.

The granting of cash prizes at the autumn country fairs to farm children, for calves and pigs which they had raised themselves, was continued by the Canadian Bankers' Association and the Department of Agriculture at Ottawa, and the managers of The Canadian Bank of Commerce were asked to give the movement whole-hearted support. In May the bank distributed to all its branches a circular issued by the president of The Canadian Bankers' Association, which set out the need for limiting the banking credit granted during the period of the war to the purposes of facilitating production and distribution.

Throughout 1918 the heavy demand for remittances to the United States, which during recent years has caused the United States dollar to command a high premium in Canada for months at a time, was in increasing evidence. The market closed on January 8 with United States funds at one per cent. premium and no offerings. It became necessary to ask the branches to restrict their drawings on the United States to the requirements of their own customers and not to take any casual business of this character.

Early in the year the Foreign Department of the bank had undertaken the task of compiling a comprehensive list of the manufacturing resources of Canada, with the object of having information available to answer enquiries regarding export trade. The branches were instructed to furnish lists of local manufacturers or exporters, or of those who were likely to become exporters of either raw or finished materials, and to state the character of the materials manufactured or exported. The task of collecting and compiling this information occupied several months, and the result took the form of an Export Directory of Canada. A pamphlet was also issued, dealing with the requirements of export business, and the branches were asked to urge on their manufacturing customers the importance of getting into touch with new markets, in order to obtain for Canada a fair share of any trade that might offer. Concurrently, the department was compiling

a list of the principal importers of the world, with a short report on the standing of each, for the use of customers of the bank. Although an early termination of the war could not be foreseen at this period (July, 1918), the management of the bank was keenly alive to the necessity of finding markets for the products of Canadian industry after the production of munitions should cease.

It is worth recalling as one of the indirect results of the war that the winter of 1917-18 was marked by a shortage of coal unprecedented in the history of this continent. The immense demand for the purpose of manufacturing munitions of war, and the drain upon the mining population caused by the large armies raised by the United States on entering the war, were two of the causes of this shortage. One curious result was that at the instance of the Canadian Fuel Controller an order-in-council was passed by the Dominion Government restricting the use of coal for heating purposes in places of business during three days, Saturday, Sunday and Monday, February 9, 10 and 11, to the quantity necessary to prevent injury by freezing. The order applied to all that part of Canada lying between Fort William on the west and Riviere du Loup on the east, and thus included almost the whole of the provinces of Ontario and Quebec. Banks were specifically included in the order, and were allowed to open only for the purpose of accepting payment for obligations due. The order affected all branches of The Canadian Bank of Commerce in the two provinces mentioned, except Fort Frances, Emo, and Rainy River in Ontario, and Rimouski in Quebec. An enforced holiday of this character was certainly a unique experience for the staff. The large archives building of the bank on Atlantic Avenue, Toronto,¹ erected for the storage of its old records, was completely closed to the admission of new material during the balance of the winter.

There were many minor restrictions and other effects of the war, which had their bearing upon banking at this period.

¹See plate 70, facing page 498.

The shortage and high price of paper caused every effort to be made by the management of the bank during the years 1917 and 1918 to restrict its use as much as possible, and with this in view short cuts in book-keeping were devised. The important role played by paper in the business of banking, the immense quantities used even in an ordinary branch, and the need of a good quality for the permanent records of a bank, will at once become evident when it is considered that the office work of a bank consists almost entirely of making records, some of a most temporary character, and others of great permanent value. Another of the minor difficulties growing out of the war with which the authorities of the bank had to grapple was that of obtaining furniture and other office supplies, particularly typewriters. At one time the supply of the last-named article on the market was almost entirely reserved for military use. It was necessary to make the most of such articles as were on hand, and to minimize the purchase of new supplies until such time as better conditions prevailed.

There were restrictions of other kinds also that affected banking more or less closely. One of these, for instance, was the prohibition of the offering of any new securities, such as stocks or bonds, for sale in Canada, unless permission had first been obtained from the Minister of Finance. This naturally affected the business of the banks in many ways.

In March an Act of Congress of the United States regarding trading with the enemy went into force, and its requirements had to be complied with before coupons or dividends payable in the United States could be collected, or securities shipped into or out of that country. In this connection an undertaking was given by the head office on behalf of all branches of the bank in Canada and Newfoundland that no attempts would be made to deal with enemies, or allies of enemies, of the United States, this being the condition on which the New York agency was permitted to do business with the other offices of the bank. In July, as another war measure,

the ban was placed on the sale of Canadian securities in the United States without the consent of the Capital Issues Committee, Washington, D.C., an organization which was given power, in the interests of war finance, to pass on all securities placed on the market in the United States.

By order-in-council, dated July 18, 1918, the Secretary of State of Canada was authorized "to grant licenses permitting the transmission of money to enemies, allies and neutrals in enemy or enemy-occupied territory, to authorize communication or intercourse with enemies or persons in enemy or enemy-occupied territory, to authorize the expenditure of moneys in Canada on behalf of, or for the benefit of, enemies or persons in enemy-occupied territory, and to carry out such financial transactions as may be advisable and necessary for the purpose of protecting property or securities held or situate in Canada." Up to this time, owing to the various enactments against trading with the enemy, it had scarcely been possible to carry out lawful transactions of the kinds enumerated, and cases of real hardship had sometimes occurred. By this order-in-council the matter was placed upon a regular and practicable footing.

Though 1918 brought peace, it was not to close without some elements of domestic misfortune. During the last three months of the year an epidemic of Spanish influenza, in its career around the world, reached Canada, and the ravages of the disease were so severe that grave difficulties were experienced in carrying on the work of the bank. It became impossible to provide relief for all the branches where the staff was crippled by the disease, and the managers were instructed to take such medical precautions as were available. In Alberta the Government of the province made it compulsory for the employees of large office buildings, restaurants, banks and other places where numbers of people congregated during business hours to wear gauze masks over the mouth.¹

¹A photograph taken of the staff of the Calgary branch while this precaution was in force is reproduced on plate 58, facing page 382.

The epidemic came as a sort of aftermath to the ravages of war, and in numberless cases set the seal of tragedy on the most distressful five years in the history of Canada.

At the close of the bank's fiscal year in November, 1918, the sum of \$1,500,000 was added to the Rest, increasing that fund to \$15,000,000, a sum equal to the paid-up capital. This event, occurring just a few weeks after the signing of the armistice which closed the long and weary struggle with Germany and her allies, may be considered as marking the culminating point of the first fifty years of the bank's history. The exact anniversary had fallen some eighteen months earlier, on May 15, 1917,¹ but the outcome of the colossal struggle in Europe was so wrapped in gloom that though it would then doubtless have been possible to reach this goal, the step would not have been warranted by the financial conditions of the times.

The idea, so popular among Canadian banks, of accumulating a Rest or reserve fund equal to the paid-up capital, is an outcome of the double liability clause of the Bank Act. The fund is intended as a safeguard of the interests of the shareholders in the event of the double liability being enforced. In the case of The Canadian Bank of Commerce (including for this purpose the figures of the Eastern Townships Bank), about seventy-one per cent. of the Rest has been derived from undistributed profits, twenty-two per cent. from premiums on new stock issues, and the balance from the purchase of the business of the Bank of British Columbia and of the Halifax Banking Company.² The accumulation of this fund has been

¹The end of the bank's fiscal year has been changed twice during its history; first in 1887 from June to May, and then, in 1901, from May to November. This makes it difficult to compare the figures as on the exact dates.

²The composition of the Rest of The Canadian Bank of Commerce is given below, the figures in the first two columns analysing the share of that bank alone, while the second two include an analysis of the Rest of the Eastern Townships Bank, which was transferred, as it stood, to the Rest of The Canadian Bank of Commerce. In the case of the other two banks, the Bank of British Columbia and the Halifax Banking Company, the amount transferred to the Rest of The Canadian Bank of Commerce bore no definite relation to the Reserve Fund shown on the books



PART OF THE STAFF OF THE CALGARY BRANCH
During the influenza epidemic of 1918.

almost entirely the work of the last twenty years; during the previous fifteen years the bank had found it difficult to do more than earn a modest dividend on its capital. This period, in the case of The Canadian Bank of Commerce, formed the interim between the days when capital and note circulation were the basis of a successful banking business, and the conditions existing now, when deposits so largely overshadow these items.³ While the slow growth of the deposits during the earlier years reflected in some measure the difficulties through which the bank passed and from which it emerged so successfully, they were due mainly to general conditions in Canada, as will be seen if the deposits of all the banks from 1887 to 1910 are compared with those of The Canadian Bank of Commerce. The figures are given in the following table:

	All banks in Canada	The Canadian Bank of Commerce
1887	\$112,656,985	\$ 9,985,040
1888	125,136,473	11,009,556
1889	134,650,732	12,089,874
1890	135,548,704	12,493,883
1891	148,396,968	15,171,429
1892	166,668,471	17,000,184

of the amalgamated banks; it was simply the surplus value of the assets of those banks at the valuation at which they were placed on the books of The Canadian Bank of Commerce.

SOURCE.	Amount	Per cent. of total.	Including ana- lysis of Eastern Townships Bank figures.	Per cent. of total.
Premiums on new stock	\$2,666,452.78	17.78	\$ 3,413,804.73	22.76
Profits	9,077,742.73	60.52	10,730,390.78	71.54
Bank of British Columbia	562,776.11	3.75	562,776.11	3.75
Halifax Banking Company	293,028.38	1.95	293,028.38	1.95
Eastern Townships Bank	2,400,000.00	16.00
	\$15,000,000.00	100.00	\$15,000,000.00	100.00

³See page 129.

HISTORY OF THE BANK

	All banks in Canada	The Canadian Bank of Commerce
1893	\$174,776,722	\$17,966,200
1894	181,743,890	17,570,236
1895	190,916,939	17,636,489
1896	193,616,049	18,212,418
1897	211,788,096	19,354,957
1898	236,161,062	23,289,106
1899	266,504,528	27,726,363
1900	305,140,242	29,680,269
1901	349,573,327	51,679,366
1902	390,370,493	53,923,287
1903	424,167,140	62,783,655
1904	470,265,744	70,459,351
1905	531,243,476	74,373,491
1906	605,968,513	87,152,537
1907	654,839,711	87,041,057
1908	658,367,015	95,037,796
1909	783,298,880	120,486,978
1910	909,964,839	126,834,253

It is interesting to note the changes which took place in the bank's annual statement during the five years of the war. In comparing the figures at the end of November, 1914, with those of November, 1918, it will be found that the main items in its balance sheet are almost doubled:

	1914	1918
Deposits.....	\$181,508,809	\$353,158,816
Note circulation..	14,942,557	31,583,694
Loans.....	170,999,290	272,304,231
Total assets...	245,364,398	440,310,703
No. of branches.....	379	415

It will be noticed that loans lagged somewhat behind deposits and note circulation, but at the end of such a period of unsettlement this was only to be expected.

Throughout the war the dividend paid to the shareholders remained at ten per cent., with a semi-annual bonus

of one per cent., the rate adopted, as already mentioned, in the latter half of 1912. At the annual meeting in January, 1919, it was announced by the general manager, Sir John Aird, that as the Rest had now reached a sum equal to the paid-up capital, it was proposed in future to make the regular dividend twelve per cent. per annum. At the same meeting the number of directors was increased from nineteen to twenty-two, and the new seats were filled by the election of Messrs. Thomas Findley,¹ president and general manager of the Massey-Harris Company, Limited, Toronto; William W. Hutchison,² vice-president of the Lake of the Woods Milling Company, Limited, Montreal; and Hugh Russell Silver,³ of H. R. Silver, Limited, Halifax. For some time there had been in existence a special standing committee of the Board, which could be called into consultation by the general manager at any time, and at this meeting of the shareholders the committee was recognized by the by-laws and provision made for the remuneration of its members. The by-laws of the bank, which had frequently been amended in various particulars, until the amendments had become rather too numerous for convenient

¹Thomas Findley (1870-1921) was born at Bond Lake in the county of York, Ontario. He entered the service of the Massey-Harris Company, Limited, in 1890, and rose to be vice-president and general manager. He was also a director of the National Trust Company, Limited, and associated with a number of other companies closely connected with the Massey-Harris Company, Limited.

²William Watson Hutchison (b. 1865) is a native of Montreal. He started his business career in the employ of Messrs. Ogilvie and Hutchison, flour millers of Goderich, Ont. In 1882 he entered the service of Messrs. A. W. Ogilvie and Company, millers, of Montreal, and two years later went to Winnipeg in the employ of the Ogilvie Milling Company. In 1897 he joined the staff of the Lake of the Woods Milling Company, opening their Toronto office; in 1904 he was made eastern manager of the Company, with headquarters in Montreal. He was elected a director in 1905 and vice-president in 1910. He is also a director of the Keewatin Flour Mills Company, the Sunset Manufacturing Company, and the New Brunswick Railway Company. He has served as treasurer of the Montreal Board of Trade, and during the war acted first as a member, and later as chairman, of the Millers' Committee of Canada under the Food Board.

³Hugh Russell Silver (b. 1867) is a native of Lunenburg, N.S. He is president of H. R. Silver Limited, Halifax, export and import merchants. He is also a director of the Eastern Trust Company, Halifax, and serves on the Board of Directors of several other companies.

reference, were consolidated and re-enacted under the guidance of Mr. Z. A. Lash, K.C. The announcement was also made by the directors that a comprehensive plan for giving attention to the needs of those localities in Canada which required banking facilities was under consideration, with a view to overtaking the needs which had accumulated during the war, when it was deemed unwise to consider the opening of new branches. This led to the opening of a large number of branches in Canada and abroad; and in the occupation of foreign fields, such as the West Indies and Brazil, the following years were to witness a great extension of the bank's sphere of work and influence.¹

The general statement, dated November 30, 1918, presented at this annual meeting, was as follows:

LIABILITIES.

Notes of the bank in circulation.....	\$ 31,583,694 68
Deposits not bearing interest.....	151,010,570 57
Deposits bearing interest, including interest accrued to date.....	202,148,245 47
Balances due to other banks in Canada....	104,106 35
Balances due to banks and banking corres- pondents elsewhere than in Canada.....	10,322,592 58
Bills payable.....	118,347 00
Acceptances under letters of credit.....	13,048,927 03
	<u>\$408,336,483 68</u>
Dividends unpaid.....	4,376 86
Dividend No. 127 and bonus, payable 1st December.....	525,000 00
Capital paid up.....	15,000,000 00
Rest Account.....	15,000,000 00
Balance of profits as per Profit and Loss Account.....	1,444,842 68
	<u><u>\$440,310,703 22</u></u>

¹The details of this development do not come within the scope allotted to this present work, and must be left to a future historian.



HALIFAX, N.S.



ST. JOHN, N.B.

ASSETS.

Gold and silver coin current on hand.....	\$ 15,686,046 24
Gold deposited in Central Gold Reserves...	6,500,000 00
Dominion notes on hand.....	28,785,117 25
Dominion notes deposited in Central Gold Reserves.....	11,000,000 00
	<hr/>
	\$ 61,971,163 49
Notes of other banks.....	2,293,472 00
Cheques on other banks.....	15,701,358 67
Balances due by other banks in Canada....	100 62
Balances due by banks and banking corres- pondents elsewhere than in Canada.....	8,267,187 82
Dominion and provincial government securi- ties, not exceeding market value.....	36,165,259 20
British, foreign and colonial public securities and Canadian municipal securities.....	29,884,242 13
Railway and other bonds, debentures and stocks, not exceeding market value.....	6,018,039 70
Call and short loans (not exceeding 30 days) in Canada on bonds, debentures, stocks...	13,843,130 58
Call and short loans (not exceeding 30 days) elsewhere than in Canada.....	28,018,919 10
Deposit with the Minister of Finance for the purposes of the Circulation Fund.....	856,108 55
	<hr/>
	\$203,018,981 86
Other current loans and discounts in Canada (less rebate of interest).....	\$199,672,294 63
Other current loans and discounts elsewhere than in Canada (less rebate of interest).	17,617,641 44
Liabilities of customers under letters of credit, as per contra.....	13,048,927 03
Overdue debts (estimated loss provided for).	103,320 80
	<hr/>
Carried forward	\$433,461,165 76

HISTORY OF THE BANK

	Brought forward	\$433,461,165 76
Real estate other than bank premises ¹	\$1,150,347 84	
Less balance of mortgage assumed	32,307 04	
		<hr/> 1,118,040 80
Mortgages on real estate sold by the bank . . .		237,681 64
Bank premises at cost, less amounts written off		5,344,500 04
Other assets not included in the foregoing . .		149,314 98
		<hr/> <hr/> \$440,310,703 22

B. E. WALKER, President.

JOHN AIRD, General Manager.

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF THE
CANADIAN BANK OF COMMERCE.

In accordance with the provisions of subsections 19 and 20 of section 56 of the Bank Act, 1913, we report as follows:

We have audited the above balance sheet and compared it with the books and vouchers at head office and with the certified returns from the branches. We have obtained all the information and explanations that we have required, and are of the opinion that the transactions of the bank which have come under our notice have been within the powers of the bank.

We have checked the cash and verified the securities representing the investments of the bank at its chief office and principal branches at a date other than and in addition to the verification at 30th November, 1918, and found that they were in agreement with the entries in the books of the bank relating thereto.

In our opinion the balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the bank according to the best of our information and the explanations given to us, and as shown by the books of the bank.

T. HARRY WEBB, C.A.
of Webb, Read, Hegan & Co.

JAMES MARWICK, C.A.
of Marwick, Mitchell, Peat & Co.

} Auditors.

TORONTO, 20th December, 1918.

¹Including the unsold balance of former premises of the Eastern Townships Bank.

CHAPTER VII.

THE LEGISLATIVE DEVELOPMENT OF THE CANADIAN BANKING SYSTEM.

As has been established by documentary evidence, the Canadian banking system is the direct descendant, and for upwards of half a century past has been the only surviving descendant, of the first Bank of the United States, the charter of which was planned, chiefly after the model of the Bank of England, by Alexander Hamilton, first Secretary of the Treasury of the United States. The leading commercial and financial houses of Montreal, which were of necessity closely associated in matters of currency and exchange with the financial houses of New York, sought to establish in Canada a bank similar to that of the United States. The bill of 1808 to provide a charter for the Bank of Lower Canada reproduced, with the minimum of verbal change, the essential clauses of the charter of the Bank of the United States. Circumstances prevented the accomplishment of this design, but the chief promoters of it, after a second failure in 1817 to obtain a corporate charter under legislative authority, resolved to form a private corporation in the city of Montreal. Thus was launched the Montreal Bank in 1817. In the articles of association of this bank all the essential clauses of the charter of the Bank of the United States relating to practical banking were faithfully copied. In the following year, 1818, the articles of association of the Montreal Bank were copied in turn, with the minimum necessary alteration, by three other banks: the Quebec Bank, Quebec; the Bank of Canada, Montreal; and the Bank of Upper Canada, Kingston. After several attempts the Montreal Bank finally obtained a legislative charter, assented to in 1822, as "The President, Directors and

Company of the Bank of Montreal." Its articles of association, in accordance with the petition of the bank, formed the basis of that charter, as well as of the first charter granted in Upper Canada, namely, that of the Bank of Kingston in 1819. Thus the articles of association of the Montreal Bank became the basis for all subsequent charters granted to banks in both Upper and Lower Canada.

The banks in the Maritime Provinces and in British Columbia had an independent origin, but in both these regions the experience of the banks in Upper and Lower Canada was duplicated. As the eastern banks came into the main stream of Canadian banking only after Confederation, their influence on the development of the Canadian system was very limited; after Confederation they had simply to adapt themselves to a system already well established. As we shall see, however, their influence was not wanting in the framing of the first Dominion Bank Act of 1870.

In the course of the evolution of the Canadian system after 1817, three chief lines of influence can be traced. The first of these is to be found in the criticisms based upon actual experience of the working of the banks under local conditions during the gradual development of Canadian industry, commerce and transportation. The second was the banking experience of the other Provinces and of the neighbouring States. The latter were specially impressed with the financial necessity for keeping in touch, through New York, with exchange conditions. The third influence was that of the British Treasury, exercised through the Colonial Office, which possessed the constitutional right to revise or disallow colonial legislation, especially where it concerned banking and currency. Sometimes the tendency of the British authorities to direct or to restrict Canadian legislation on these subjects was very active and persistent, while at other times there was a disposition to allow the colonies to work out their own salvation, or destruction, as the case might be. These variations, however, in the paternal mood depended upon the

attitude of the British public towards their own monetary affairs, rather than on the danger or safety of the particular colonial measure or practice. Neither the banks nor the colonial Governments took very kindly to these evidences of paternal solicitude for their welfare. Nevertheless, not a few features in the Canadian banking system owe their inclusion to the insistence of the Home Government on certain requirements as a condition of obtaining the Royal sanction for the provincial legislation on the subject.

In the articles of association of the Montreal Bank the following are the leading features. The bank began as a private corporation with an authorized capital of £250,000 currency,¹ equivalent to \$1,000,000. The shares were for £50 each, and the shareholders might be either individuals or corporations. Only twenty shares could be subscribed for in the first instance, but subscriptions might be doubled if the whole capital stock were not subscribed within three months. Fifty shares, however, constituted the limit of subscription by any individual or corporation. The object was, of course, to permit and encourage as broad a basis as possible for the ownership of the shares, without unduly restricting the supply of capital. As soon as the bank should be in full operation there was to be no limit to the purchase or sale of shares, but all transfers of stock had to be registered on the books of the company. The subscriptions were to be paid in gold or silver coins current in the province. What these coins were could be ascertained by a reference to the list of coins given in the Currency Act. A limit was set for the amount of any one instalment on the shares, and for the interval between calls. When £5,000 had been received from the deposits of ten per cent. accompanying the subscriptions for stock, a meeting might be called for the election of directors for the first year, and when £25,000 in gold or silver had been paid in, the bank might open its doors for the discounting of bills and the issue of notes.

¹Halifax currency. See Vol. 1, p. 4.

The affairs of the corporation were to be managed by thirteen directors, of whom five constituted a quorum. They were to be elected annually and to appoint from among themselves a president and vice-president. They were also to appoint and pay such officers as were necessary to conduct the business of the bank, but were not themselves to receive any remuneration. They were to pass such by-laws and rules as might be necessary for the government of the affairs of the bank and for the direction of its officers. The chief employees of the bank had to give sureties for the faithful discharge of their duties. No shareholder could have more than twenty votes at a general meeting, and the number of votes to which each was entitled was fixed roughly in proportion to the number of shares held, the smaller shareholders, however, being given some advantage. Votes by proxy were allowed. Foreigners might hold shares in the bank, but only natural-born or naturalized British subjects who held at least ten shares and had been resident at least seven years in the province and three years in Montreal were eligible as directors. The liabilities of the shareholders were limited to the amount of the capital stock held by each, and all legal actions against the company were to be taken against the president. The bank might discount notes and deduct the interest in advance, but was not to deal in ordinary merchandise or anything except bills of exchange and gold or silver bullion. It was specifically prohibited from dealing in land or other real estate, or holding more than might be necessary for the conduct of its business. It might, however, take land and merchandise by way of additional security for debts already contracted to the bank and dispose of them by the ordinary process of law.

The total debts of the bank by way of bonds, bills, or notes were not to exceed three times the capital paid in, over and above such sums of money as might be deposited with the bank for safe-keeping. The directors responsible for contracting any obligations beyond these limits were to be personally liable for the excess amount, without, however,

relieving the bank from the liability. No one, except the officers of the bank, might inspect the account of any individual. The bank was to pay half-yearly dividends from its profits. Returns were to be made to the stockholders at each annual general meeting of the bank, and these had to show the total amount of debts due by and to the company, notes in circulation, bad or doubtful debts, and the profit and loss account. Such were the essential features of the articles of association of the Montreal Bank, and they still remain the basis of the Canadian banking system, with the addition of such details and developments as the expansion of the country and its trade and finances have required.

Although no express provision was made for the establishment of branches of the Montreal Bank, yet authority for this was understood to be included in the general powers given to the directors, and it was exercised by them, shortly after the establishment of the bank, by the opening of a branch in Quebec. The same general authority was considered sufficient to enable the bank to issue notes of any denominations from one dollar upwards. The fact that the denominations of the notes were expressed in dollars rather than in Halifax currency, which was the legal money of account, was a sign of the close connection between the business and financial interests of Canada and those of the adjoining American States, and constituted a prophecy of the ultimate adoption of the decimal currency as the Canadian money of account.

The Montreal Bank had applied for a legislative charter in 1817. A bill for that purpose was introduced and was under consideration when the legislature was prorogued. Shortly afterwards, in the same year, the bank went into operation as a private company. The following year, 1818, a bill to incorporate the bank passed both branches of the legislature, but was reserved for the expression of the Royal pleasure. This was, however, delayed indefinitely, and the bill was thus killed by a pocket veto. The bill was again passed by the legislature in 1821, but it was not until May, 1822, that the Royal assent

was given, and the Act¹ was proclaimed in Canada on July 22 of that year.

In the legislative charter the original articles of association were very closely followed, and thus became virtually the first Act of Incorporation. As a chartered corporation the bank was now a legal entity, with all the rights and obligations incidental thereto. Thus, under its new status, the bank became liable for its debts only to the extent of its resources as a corporation, and consequently the elaborate conditions required to limit the obligations of the shareholders in the private company were no longer necessary and were dropped. The directors, however, remained liable for any obligations incurred in excess of the limits prescribed in the Act.

The limitations placed on the bank as to the nature of the business in which it might engage remained practically the same, but a few points were rendered more explicit. Thus the real estate allowed for the use of the bank was limited to an annual value of £1,000. The bank might, without process of law, sell shares which had been pledged to it and not redeemed; it might charge any rate of interest up to six per cent., but was not to lend money to a foreign state. The denominations of the notes to be issued were still not specified. Penalties for embezzlement by the employees of the bank, for counterfeiting or forging the notes, bills of exchange and other obligations of the company were added; but as such penalties materially affected the criminal law of the province, they were seriously objected to by the British law officers when introduced into subsequent bank charters copied from that of the Bank of Montreal. Their presence in this original charter, however, escaped the vigilance of the authorities. The statements of the affairs of the bank, which were to be made to the stockholders, and to the Government when called for, remained practically the same as required by the articles of association. The stipulation [that dividends should be paid out of profits only was strengthened by the additional clause that no dividends were

¹ Geo. IV, 1821, c. xxv.

to impair the capital of the company. The term of the charter ended on June 1, 1831, but with an interesting reminiscence of the attempt to establish a provincial bank in 1808 it was provided that if a provincial bank should subsequently be established by Act of the legislature, the corporation of the Bank of Montreal must be dissolved within seven years. This clause and the one limiting the rights of alien stockholders were inserted by the Legislative Council. There is still no reference to the right of the bank to establish branches, although it actually had a branch at the time. When it was subsequently proposed, at the time of revising the charter, to provide for the establishment of branches, the objection was raised that to specify this power in the Act might imply that the bank had not previously the right to exercise it. It will be observed how slight were the changes made in transferring the Bank of Montreal from a private corporation to a chartered bank by Act of the legislature.

Two other banks of Lower Canada, the Quebec Bank and the Bank of Canada, which as already indicated had been established as private corporations under articles of association copied from those of the Bank of Montreal, also received charters from the legislature in 1822. Allowing for differences in name, location and amount of capital, these charters were virtually transcripts of that of the Bank of Montreal.

In Upper Canada the first bank charter which passed the legislature and became law was that for the Bank of Kingston.¹ This was not simply an incorporation of the private Bank of Upper Canada, at Kingston, established in 1818, although it was expected that it would either absorb or supplant it. The Act was a practical reproduction of the bill to charter the Bank of Montreal. There were necessarily a few variations due to the differences in amount of capital stock, size of shares, location of bank, and the addition of details regarding the original subscription of the stock and the payments to be made before starting business. The directors must all be subjects

¹59 Geo. III, 1819, c. xv.

of His Majesty, resident in the province. For the first time authority was specifically given to establish branches wherever the directors might decide, with the stipulation that a branch must be established in York within two years if two thousand shares were subscribed in the Home District. The first reference to the denominations of the notes appeared in this Act, fixing the minimum amount at ten shillings, or two dollars. The Bank of Montreal and the other banks of Lower Canada, as also the Bank of Upper Canada at Kingston, issued notes for five shillings or one dollar and the next charter granted in Upper Canada fixed the minimum at five shillings. No mention was as yet made of higher denominations. It was provided that, if the statements required by the legislature were refused, the corporation might be dissolved. The only important new feature was the provision that if the bank should refuse, within banking hours, either at the head office or any of the branches, to redeem its notes in lawful money of the province, all its business should, on pain of forfeiting the charter, be immediately suspended until it resumed the redemption of its notes. This feature was continued in the same form in several subsequent charters in Upper Canada, and naturally bore heavily on the banks, leading to various subterfuges to escape the inconvenient necessity of redeeming notes at the various branches. Apart from this, there was no essential difference between the bank charters of Upper and Lower Canada, although subsequently, through political and economic influences, some important differences developed. For various reasons, unnecessary to state here, the Bank of Kingston did not come into operation.

The new Bank of Upper Canada, at York, had also received a charter in 1819,¹ although it was not confirmed until 1821. With the exception of the fourteenth section, granting permission to issue notes for a minimum of five shillings instead of ten shillings, this Act was almost identical with the Act establishing the Bank of Kingston. The third section

¹59 Geo. III, 1819, c. xxiv.

set out the special arrangements whereby the Government of Upper Canada was authorized to subscribe for two thousand shares, or one-fourth of the whole stock of the bank. The provisions of this section had very important political and economic consequences, alike for the Government and for the bank, but they remained a peculiarity of the charter of the Bank of Upper Canada, and so contributed nothing to the Canadian banking system. Indirectly, of course, the fact that the management of the bank was in the hands of the so-called Family Compact,¹ which controlled both Legislative and Executive Councils and strenuously opposed all democratic movements, led to the dragging of banking questions into the front line of the struggle for responsible government which filled the political history of the province for the next twenty years. A temporary financial crisis led to the collapse of the private Bank of Upper Canada at Kingston, and prevented the Bank of Kingston from going into operation within the limit fixed by its charter. The Bank of Upper Canada at York thus obtained a monopoly of banking in the province, and this the directors of the bank frankly proposed to maintain by virtue of their control of the Legislative Council. In this they would undoubtedly have succeeded, at least until the political crisis of 1837, had they not found it necessary to seek from the legislature: first, a reduction of the minimum amount to be paid in before the bank could commence business;² secondly, a reduction of the capital to one-half the amount originally fixed, the Government, apparently in consideration of paying for the two thousand shares reserved for it under the charter, being given the right to appoint four out of the fifteen directors;³ and thirdly, when prosperity returned, an increase of the capital to its original amount.⁴ The third of these requests was not granted until 1832, and for this purpose it was necessary to secure the consent of the Assembly, in

¹See Vol. I, pp. 18 and 167.

²Geo. IV (2nd session), 1822, c. vii.

³Geo. IV, 1823, c. xi.

⁴Wm. IV (2nd session), 1832, c. x.

which the directors were rapidly losing ground. The situation for a number of years was therefore that while their control of the Council enabled them to block all new bank charters, their loss of control in the Assembly prevented the enlargement of the bank's capital, which had been reduced to £100,000. This incidentally made the government contribution one-half of the whole capital, instead of one-fourth, as in the original arrangement. A compromise was finally arranged by which the financial interests of Kingston were allowed to obtain a new charter, namely, that for the Commercial Bank of the Midland District, while the Bank of Upper Canada obtained the desired increase in its capital.

Allowing for the usual variations of place and persons, the amount to be paid in, and other details, the charter of the Commercial Bank of the Midland District, passed in 1832,¹ reproduces almost entirely the Acts chartering the Bank of Kingston and the Bank of Upper Canada, omitting, of course, the third section of the last-mentioned Act, which related to the partnership with the Government. There were, however, a few additional features in the charter of the Commercial Bank which are of permanent interest. In the first place, in response to the pressure of public opinion, and following the lead of some of the more advanced American banks and the renewed charter of the Bank of Montreal, a much fuller return of the affairs of the bank was required to be made to the Provincial Government. The earlier returns simply called for the amounts of capital stock subscribed and paid, debts due to and by the bank, notes in circulation, and specie on hand. The bank was now required to furnish information as to its liabilities under the following heads:

1. The capital stock paid in.
2. Bills in circulation of five dollars and upwards, not bearing interest.
3. Bills in circulation under five dollars, not bearing interest.

¹2 Wm. IV (2nd session), 1832, c. xi.

4. Bills and notes in circulation, bearing interest.
5. Balances due to other banks.
6. Cash deposited, including all sums due from the bank, not bearing interest (bills in circulation and balances due to other banks excepted).
7. Cash deposited, bearing interest.
8. Total amount due by the bank.

On the other hand, as showing the resources of the bank, it was required to state:

1. The gold, silver and other coined metals in the banking house.
2. Real estate.
3. Bills of other banks.
4. Balances due from other banks.
5. The amount of all debts due to the bank, including notes, bills of exchange, and stock and funded debts of every description, except the balances due from other banks.
6. Total amount of the resources of the bank.

The rate and amount of the last dividend, the amount of reserved profits at the time of declaring the last dividend, and the amount of debts due to the bank not paid and considered doubtful, were also to be given.

Section 23 provided that no money should be advanced by the bank on the credit of its own stock. Section 24 allowed any stockholder to learn from the bank the names of the other stockholders. Section 27 gave the legislature the right to make, during the life of the charter, other provisions as to the amount and description of the notes which might be issued by the bank, or to apply to the bank any restrictions placed on the Bank of Upper Canada, the only other chartered bank at that time. These new requirements disclose their American origin at the first glance. The particulars called

for by the revised statement showed considerable overlapping and a lack of consistency with items in other sections of the charter. These discrepancies, however, were adjusted in the course of time.

During the same session, as already stated, the Bank of Upper Canada obtained the desired power to increase its capital to the amount originally provided for in the Act of Incorporation, namely, £200,000. The greater part of this Act¹ was concerned with the necessary provisions for making the subscriptions to the new stock conform to the requirements of the original stock in calls, votes, dividends and other details. It included also all the new features introduced into the charter of the Commercial Bank. Although these Acts had not been reserved by the Governor for the signification of the Royal pleasure, yet the officials of the British Treasury, in an excess of zeal, stimulated by the vigorous protests of William Lyon Mackenzie and the political opponents of the Bank of Upper Canada, at first decided to disallow them, in order, as was said, to enforce certain requirements which were deemed to be in the interest of sound banking. Numerous petitions from Canadian merchants and strenuous remonstrances on the part of both branches of the legislature, accompanied by strong representations from the Provincial Government, finally induced the Home Government to refrain from such drastic action. At the same time the Province was given to understand that no further Acts relating to banking would receive the Royal assent unless they conformed to the requirements in question, which were, briefly:

1. Suspension of cash payments for sixty days to result in forfeiture of the charter.
2. Notes issued at any branch to be redeemable both at that branch and at the head office, although not at any other branch.

¹2 Wm. IV (2nd session), 1832, c. x.

3. One-half of the capital of the bank to be immediately paid in.
4. The amount lent on paper bearing the name of a director or officer of the bank to be limited to one-third of the total discounts.
5. The bank not to hold its own shares or make advances to its shareholders on the security of their shares.
6. A statement of the affairs of the bank to be prepared weekly, and a half-yearly return compiled from these statements to be made to the Government.
7. Shareholders to be liable for double the amount of their shares.
8. The funds of the bank not to be lent on the security of land or of other property not readily disposable, the bank to hold such property only to the extent necessary for carrying on its business; the bank not to own or be interested in merchandise except for the purpose of realizing on securities held; the business of the bank to be confined to the legitimate operations of banking, namely, advances upon commercial paper or government securities, and dealings in money, bills of exchange and bullion.¹

Nearly all these conditions were shortly afterwards incorporated in the charters of the Canadian banks; several of them, the third, fourth, fifth and eighth, were virtually in operation at the time, while the first was already implied. The sixth was objected to only as unnecessarily exacting because of the frequency of the returns. On the other hand, the second and seventh were strongly opposed. The opposition to the second was based on the amount of specie required to be kept on hand at both the branch and the head office to meet the same notes, and on the serious difficulties of transporting specie in a country such as Canada, but it was the seventh, or double

¹These regulations have already been referred to in Volume I, in which a brief summary of them appears on page 20.

liability condition, against which most of the argument was directed. It was held that it would prevent people of considerable means from taking stock in the banks; the directors, having inside information as to the financial condition of the bank, would be able to sell out their shares in case of trouble and thus protect themselves, and only the impecunious shareholders would be left to face the burden. Thus the measure would defeat its own object.

In the meantime the Bank of Montreal had received an extension of its charter, with various amendments, in 1830.¹ In this, as in the charters of the two banks in Upper Canada, the chief new feature was the increase of detail required in the returns to the legislature. The lines followed by these requirements were also American in origin, but the returns differed considerably in detail from those of Upper Canada. The chief items were as follows:

LIABILITIES.

1. Capital paid in.
2. Notes in circulation.
3. Net profits in hand.
4. Balances due to other banks.
5. Cash deposited in the bank, specifying the amount bearing interest, if any.

RESOURCES.

1. Current coin and bullion.
2. Value of buildings and other real estate.
3. Notes of other banks.
4. Balances due from other banks.
5. The total amount of debts due to the corporation, particularizing the amount due on bills of exchange, discounted notes, mortgages, and other securities.

¹10-11 Geo. IV, 1830, c. vi.



SMITH'S FALLS, ONT.



BLENHEIM, ONT.



FORD, ONT.

The following information was also required:

- (a) The rate and amount of the last dividend declared.
- (b) The profits reserved at the time of declaring the dividend.
- (c) The amount of debts due to the corporation, and secured by the pledge of stock of the bank owned by the debtors.
- (d) The amount of debts overdue and not paid, with an estimate of the loss likely to be incurred therefrom.
- (e) A list of the stockholders as at the commencement of each quarter of the year during the time for which the statement is required, specifying the number of shares held at these dates.
- (f) The amount of loans or discounts to the directors or for which they might be in any way security.

Section 8 provided that no note was to be issued for a smaller sum than five shillings currency, while notes issued for smaller sums than one pound five shillings currency (or five dollars) were not to exceed one-fifth of the amount of paid-in capital. There was a provision that the issue of notes below five dollars might be prohibited by the legislature without this being considered an infringement on any of the privileges granted under the Act.

This Act managed to run the gauntlet of the British Treasury without special objection being taken to it. It was followed, in 1833, by a charter for the City Bank,¹ also of Montreal, from which, as a result of criticism by the Home Government, the penalty clauses contained in the charter of the Bank of Montreal were omitted. Otherwise, in accordance with the general opinion of the Assembly in favor of uniformity in bank charters, it was practically identical with that of the Bank of Montreal. It is noticeable that the Home Government did not threaten disallowance because it had not all the features required by the Treasury Board.

¹3 Wm. IV, 1833, c. xxxii.

The practical difficulties experienced in obtaining from the conflicting parties in the legislature authority for further increases in the capital stock of the two banks in the Upper Province, and the prospects of disallowance by the Home Government, induced the banks ultimately to comply with both Provincial and Imperial requirements.

In Upper Canada also several attempts had been made to obtain charters for new banks. These were blocked by the Legislative Council, under the influence of the Bank of Upper Canada. In 1835, however, Allan N. MacNab,¹ a member of the Family Compact, and a former director of the Bank of Upper Canada, managed to secure the passage through the Council of a charter for the Gore Bank.² In this several new provisions appeared. No incorporated company was permitted to hold shares in the bank, unless conveyed to it in payment of a debt previously contracted, in which event the corporation holding the stock was not entitled to vote in the election of officers. This drastic clause, however, was repealed in 1839.³ In section 27 is found, for the first time in the two Canadas, provision for the double liability of shareholders,⁴ the object, as stated in the Act, being to afford additional security to the public against possible failure of the bank. In the event of it being necessary to wind up the affairs of the bank, and the president and directors declining to enforce the double liability, the Government might appoint five commissioners to take charge.

In the Act of 1836⁵ increasing the capital stock of the Commercial Bank, the seventh section contained a new provision to the effect that the total amount of paper discounted by the bank on which the name of any director or officer of

¹See Vol. I, p. 173 et supra.

²Various descriptions as c. xlvi, 5 Wm. IV, 1835, and c. xxxiv, 6 Wm. IV, 1836, on account of its reservation for the Royal assent. See Vol. I, p. 176, note.

³By 2 Vict., 1839, c. xli.

⁴In 1832 this feature had been incorporated in the charter of the Bank of Nova Scotia. See Vol. I, p. 69.

⁵6 Wm. IV, 1836, c. xxxiii.

the bank appeared as drawer, acceptor or endorser, should be limited to one-third of the total discounts of the bank. When this provision was afterwards introduced into new or amended charters, the proportion was made to depend somewhat on the amount of the authorized capital. Thus in the case of the Bank of Montreal and other large banks it was reduced to one-twentieth of the total discounts, and in some cases to one-thirtieth.

The practice, now so general in modern banking, of allowing interest on time deposits, was first introduced into Canada by an unchartered bank, the Agricultural Bank of Toronto, established on the English basis of a joint stock company with unlimited liability on the part of the shareholders. When this bank opened for business in May, 1834, it was announced that interest would be allowed on deposits. Although this innovation was much criticized by the representatives of the Bank of Upper Canada, it was followed, in July of the same year, by the Commercial Bank of the Midland District, and the other banks soon found it necessary to conform to the practice.

The period 1837 to 1840 was one of economic and financial crisis throughout North America, and in Canada was aggravated by political crises in both provinces which disrupted normal legislation in the Lower Province and deprived several of the banks for a time of their legislative charters. While the financial consequences of the suspension of specie payment had a serious temporary effect upon the banks, and the story is both interesting and instructive, yet during this period no permanent changes materially affecting the development of the Canadian banking system took place. The union of Upper and Lower Canada in 1841, and the establishment of a single legislature for the two provinces, naturally gave to subsequent banking legislation a unity and a breadth of range, the lack of which was becoming increasingly injurious to the commercial and exchange relations of the provinces.

After a virtual interregnum of about four years, the need for reconstructive and unifying legislation as regards currency and banking led to the introduction of a series of measures on these subjects during the first session of the united legislature, in 1841. The Bank of Montreal obtained a new charter,¹ giving it authority to increase its capital stock by another £250,000 currency. In this a number of new features were introduced and some older ones were developed. Its field of business, including the future establishment of branches, was now extended to the whole of the new province of Canada.² The revised qualifications for directors required that all of them should be natural-born or naturalized British subjects, who had lived seven years in Canada and three consecutive years in Montreal, or within seven miles thereof, and that they should each own at least ten shares of fully paid-up stock. Seven of the directors in office at the period of the election were to be re-elected for the following twelve months. By-laws made by the directors were to be approved by the shareholders at a general meeting. The president was the only director permitted to receive a salary, but he might be paid a sufficient sum to enable him to devote his whole attention to the affairs of the bank. Bonds were to be required from all the leading officers of the bank, the amount to be furnished by the chief cashier, afterwards known as the general manager, being fixed at not less than £5,000. The votes of the shareholders were valid only when their stock had been held at least three months previous to the voting, and the aggregate number of votes to

¹4-5 Vict., 1841, c. xcvi.

²A general Act (4-5 Vict., 1841, c. xcix) was passed at the same session to enable the banks heretofore chartered by either Upper or Lower Canada to carry on their business throughout the united province. It stipulated, in the case of Upper Canada banks opening branches in Lower Canada and issuing notes therefrom, that the notes should bear date at the place of issue, and be payable on demand both at the place of issue in Lower Canada and at the head office in Upper Canada. The Act was not to come into force until the bills extending or renewing the charters of the three Lower Canada banks, the Bank of Montreal, the Quebec Bank and the City Bank, should have received the Royal sanction. This Act was reserved for Her Majesty's assent and was proclaimed April 27, 1842.

which any individual or corporation was entitled was limited to twenty. Votes might be given by proxy, the proxies to be in writing and to be held only by another shareholder, who must be a British subject, but neither the cashier nor any other officer of the bank could vote or hold a proxy. Special or extraordinary general meetings of the stockholders might be called, after six weeks' notice specifying the objects of the meeting, by seven of the directors, or by twenty shareholders owning among them or holding proxies for at least five hundred and fifty shares. The legitimate business of banking is more sharply defined in this Act and additional limitations are placed upon it. The customary prohibition that the bank shall not hold or lend money on lands or tenements is enlarged to include ships or other vessels, or shares of its own capital stock or that of any other bank in the province. The bank must not lend money directly on goods or merchandise, or "raise loans of money," or buy or sell goods and merchandise, or engage "in any trade whatever, except as dealers in gold and silver bullion, bills of exchange, discounting of promissory notes and negotiable security, and in such trade generally as legitimately appertains to the business of banking." It might, however, take and hold mortgages and *hypothèques* on real estate and other property by way of additional security for debts already owing. In these requirements may be observed an attempt to comply with the conditions laid down by the Imperial Treasury for the granting of the Royal assent to future charters.

The rapid expansion of the note issue of the Bank of Montreal rendered necessary a clause permitting the bank directors to delegate to other persons than the president and chief cashier the task of signing and countersigning the notes. Notes intended for general circulation, whether issued from the head office or from any of the branches, must bear date at the place of issue and be payable in specie on demand at that place. Any office of discount and deposit under the management of a local board of directors was held to

be a branch of the bank, bound by all the stipulations governing the issue and redemption of notes. This also was a concession to the Treasury requirements, the practical difficulties being overcome by having all the notes signed and dated at the head office. The section providing that the suspension of specie payment for sixty days in any one year should involve forfeiture of the charter is another case of compliance with the British requirements. The total amount of notes payable on demand which might be issued was not to exceed the amount of the paid-up capital, while the amount of notes under one pound currency was not to exceed one-fifth of the paid-up capital, and no notes under five shillings, or one dollar, were to be issued. The legislature also reserved to itself the right of placing a further limitation on the note issue at any future time. This had reference to the desire of the Home Government and of a certain element in Canada that one pound currency, or four dollars, should be the minimum denomination of the notes issued by the banks. This, it may be remarked, was the minimum adopted by the Bank of British North America at the time of its going into operation in 1838.¹ The total debts of the bank were not to exceed three times the capital stock paid in, over and above the deposits made in specie and the government securities held. The reference to government securities is a new feature and marks the beginning of a series of attempts to make the expanding monetary requirements of the country serve the financial needs of the Government at critical periods. The detailed returns required by the Government from the bank were entirely recast, evidently also in response to the suggestions of the British Treasury. The returns were henceforth to be compiled monthly and sent in to the Government semi-annually. The nature of the information required is shown in tabular form in schedule B of the Act, as follows:

¹In the Maritime Provinces the legal minimum was higher than in Canada (see page 430).

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RETURN OF THE AVERAGE AMOUNT OF LIABILITIES AND ASSETS OF THE BANK OF
MONTREAL DURING THE PERIOD FROM 1ST TO 18

LIABILITIES.	MONTH ENDING						
	30th Sept. 18	31st Oct. 18	30th Nov. 18	31st Dec. 18	31st Jan. 18	28th Feb. 18	
Promissory notes in circulation, not bearing interest.....						£	
Bills of exchange in circulation, not bearing interest.....						£	
Bills and notes in circulation, bearing interest.....						£	
Balance due to other banks.....						£	
Cash deposits, not bearing interest.....						£	
Cash deposits, bearing interest.....						£	
Total average liabilities.....							£
ASSETS.							
Coin and bullion.....						£	
Landed or other property of the bank....						£	
Government securities.....						£	
Promissory notes or bills of other banks..						£	
Balances due from other banks.....						£	
Notes and bills discounted, or other debts due to the bank, not included under the foregoing heads.....						£	
Total average assets.....							£

Although, somewhat later, returns were required to be submitted to the Government monthly instead of semi-annually, this remained the standard form prescribed in all bank charters and amendments until the passage of the first general Bank Act in 1870.

The attempt to make the currency and banking system of the country serve the financial necessities of the Government by tacitly allowing a bank to increase its liabilities indefinitely, provided the excess over a certain amount was invested in government securities, has already been mentioned. This expedient, which was resorted to for the first time in the amended charter of the Bank of Montreal, and which was adopted solely with a view to induce the banks to purchase

and hold such securities, proved comparatively successful. A second attempt of a similar character was made the same year, when a bill was brought in to establish a government bank of issue, the purpose of which was to transfer to the Government the sole right to issue paper currency. This currency was to be obtained in exchange for, or on the deposit of, specie and government securities. As long as any securities so deposited were held by the Government, the interest on them was to be retained for the purpose of providing a fund for the operation of the system. The bank of issue was not to perform any of the other functions of banking, such as discounting notes, receiving deposits, or dealing in exchange. The chief sponsor for this plan was understood to be Mr. Francis Hincks.¹ The strenuous opposition of the banks, at whose expense the Government would have profited, and their influence with the commercial element, secured the defeat of the measure. The banks were required, however, to pay a tax of two per cent. on note circulation.

The next movement of this character promoted by Mr. Hincks, some features of which will be referred to later, was the "free banking system" instituted in 1851. The object of this was to create an extensive permanent market for government securities. On the failure of this expedient, there followed the Provincial Note Act of 1866, which was re-enacted in 1868 for the whole Dominion and thus formed the basis of the present Dominion note system, which is a partial reversion to the plan for a government bank of issue. All these expedients were primarily measures of government finance and only incidentally measures of banking and currency. The last is still in operation, but its character has been modified by the suspension of specie payments introduced at the outbreak of the late war.

Nearly all the new elements which had been introduced into the Act continuing the charter of the Bank of Montreal were gradually extended to the other charters, as they came up

¹See Vol. I, p. 21.

for renewal. The Quebec Bank and the City Bank, which found themselves in much the same position as the Bank of Montreal, received new charters in 1841, with practically the same conditions.¹

During the session of 1841, a new bank, the Bank of the Niagara District, was chartered in Upper Canada. The wording of the Act² followed the charters of the Bank of Upper Canada and the Commercial Bank rather than that of the Bank of Montreal, but all the essentially new features in the charter of the latter were incorporated in it, although owing to careless draughting, as in the case of the Gore Bank, the new sections were not always reconcilable with the older ones. One of the requirements of the Home Government, not hitherto introduced, was made applicable to the new bank, namely, the condition that before the bank should begin business the whole of the stock should be subscribed and at least half of it paid in. There was even a section providing for a proportional reduction in the allotment of shares in the capital stock of five hundred thousand dollars in anticipation of an extensive over-subscription. This, however, did not take place; on the contrary, the requirement that half of the capital should be paid up immediately was found to be too severe, and was subsequently relaxed both in this and in other new charters. In the end the bank came into operation under the "free banking" system just mentioned.

In 1842 the charters of the Bank of Upper Canada and the Commercial Bank were renewed and their capitals increased,³ and all the essential features introduced into the charters granted in 1841 were included. In 1843 the Bank of Upper Canada, the Commercial Bank and the Bank of the Niagara District were authorized to set apart a certain portion of their unissued capital stock to be subscribed and made transferable in the City of London only, and to be

¹4-5 Vict., 1841, c. xciv and c. xvii.

²4-5 Vict., 1841, c. xvi.

³By 6 Vict., 1842, c. xxvii and c. xxvi.

known as "English stock."¹ Such old stock of these banks as might be held in Britain could be exchanged for "English stock"; the old shares received in exchange by the bank might be held or sold at its discretion.

In 1843 the firm of Viger, De Witt and Company, which had carried on business in Montreal for some years as a private banking corporation, obtained a legislative charter as La Banque du Peuple.² The bank had been established on the principle of an association in which some of the partners were subject to unlimited liability, and others only to the amount paid in. As this arrangement was to be preserved, the Act naturally differs in several respects from the other charters of the time. This chapter, however, is concerned only with such new features as were contributed to the banking system of the country, and it will be found that nothing of a permanent nature was added by this charter, while on the other hand, the bank created by it was required to conform to all the essential banking conditions of the other charters.

Between 1845 and 1850 two new banks in eastern Canada received charters, but did not come into operation. These were La Banque des Marchands and the District Bank of Quebec.³ In the charter of the latter there was a slight innovation in the conditions connected with the calling in of the capital stock. Subscribers who did not pay their calls promptly were required to pay interest on the amounts due at the rate of six per cent. They might also be sued for arrears, to be recovered by the usual process of law; but on the other hand might, if they chose, pay in the full amount of the shares at any time in advance of the regular calls.

In 1850 the Act to establish freedom of banking was passed.⁴ The immediate object of this, as already indicated,

¹7 Vict., 1843, c. lxii.

²7 Vict., 1843, c. lxvi, reserved for Her Majesty's pleasure, and proclaimed June 27, 1844.

³The respective Acts were 10 Vict., 1846, c. cxv, and 10-11 Vict., 1847, c. cxiii, reserved for Her Majesty's pleasure, and proclaimed January 8, 1848.

⁴13-14 Vict., 1850, c. xxi.

was to assist the finances of the province. It had, however, some important effects upon the future trend of Canadian banking and currency. The general principles and main features of the measure were imported from the United States, where they afterwards became the permanent basis of the National Bank system of that country, and thus effected a permanent divergence between the American and Canadian banking systems. To clear the ground for the operation of the new system in Canada, the new Act repealed the special Acts and ordinances introduced during the financial crisis of 1836-40 to protect the public from the swarm of private banks which came into existence while specie payments were suspended. It also limited the power of issuing bank-notes to the existing chartered banks and to such others as might be authorized under its provisions. Any banks which did not possess charters, but had heretofore been authorized by legislative enactment to issue notes, and did not choose to come under the conditions of the Act, were allowed twelve months, expiring August 10, 1851, afterwards extended to January 1, 1855, to call in their notes. One section of the Act prohibited foreign banks from maintaining offices of discount or deposit, or for the circulation of notes, in Canada. In accordance with the American model, each bank formed under this Act was to conduct its business at one place only, thus eliminating branch banking. Banks might be established by individuals or partnerships, or any number of persons, not less than five, might establish for the purpose a joint stock company or association, which under the Act was created a body corporate. In the case of such a company the shareholders were subject to double liability, and the minimum capital was to be £25,000 in shares of not less than £10 each. The details of the organization and operation of the company were to be governed by by-laws approved by the shareholders and duly registered. The notes of the banks were to be obtained from the Inspector-General of the province, or in other words, the Department of Finance, on the basis of the deposit of certain specified public

securities bearing interest at six per cent. Each bank was required to redeem its notes in specie on demand, but the notes had the privilege of being receivable at par for all public dues. Should any bank fail to redeem its notes in specie on demand, it must be closed by the Inspector-General, and a receiver be appointed by the Government to wind up its affairs; the securities deposited with the Government were then to be sold and the notes outstanding became a first charge on the assets. In the event of voluntary liquidation, somewhat similar conditions applied to the redemption of the notes. Each bank was required to submit semi-annual statements to the Government,¹ differing somewhat in detail from those required from the chartered banks, but covering much the same ground. The general expenses of administering the Act were to be charged to the banks operating under it and might be taken out of the interest on the securities deposited with the Government. The existing banks, without surrendering their charters, were permitted to avail themselves of the provisions of the Act to the extent of depositing securities with the Government and obtaining in exchange special notes which had the privilege of being receivable for public dues of every kind. Such notes were to be a first claim upon the total assets of the bank and were exempt from the tax on bank-notes.

It will be observed from the foregoing that the chief features of permanent interest contributed by this measure were:

1. It was the first attempt to enact general legislation applicable to all banks.
2. It made the first effective provision for definitely connecting the Government with the issue of paper currency.
3. It made bank-notes for the first time a first charge on the assets of the issuing bank.

Naturally, there were subsequent modifications of the

¹These statements were subsequently (in 1851) required monthly (14-15 Vict., c. lxi.).

principles involved, but all these new features are still important characteristics of the banking system of the country. The Act itself, however, owing to certain defects in the system and the strong criticism of the chartered banks, proved ineffective and was ultimately repealed by the Bank Act of 1880. After another attempt in 1869 to introduce the National Bank system of the United States, the Canadian system was finally allowed to develop along the lines originally laid down, and thus, as already indicated, maintained the original principles of Hamilton's plan, while the American system almost entirely abandoned them.

Another general Act of 1850¹ extended somewhat the powers of the banks, both chartered and "free," in connection with mortgages. It allowed them to take, hold, and dispose of mortgages upon personal property, as well as on real estate, by way of additional security for debts contracted in the ordinary course of business. They might also purchase real estate mortgaged to them, in the same manner as individuals, and hold or dispose of it at pleasure. The following year, 1851, an Act was passed to encourage the chartered banks to comply, as far as possible, with the "free banking" Act, especially in the matter of using secured bank-notes.² Any chartered bank, on condition of limiting its old unsecured note circulation to the amount already outstanding, not only would obtain a reduction of one-half in the provincial tax on these notes for the next three years and complete exemption thereafter, but might also for any additional requirements issue secured notes to the extent of the specie and public securities held in its own vaults. The provisions of this Act were extended two years later to cover the issue of notes³ in excess of the paid-up capital or other limitation fixed by the charter of the issuing bank, provided they were secured as set out above.

In an Act of 1853,⁴ authorizing an increase in the capital of

¹13-14 Vict., 1850, c. xxii.

²14-15 Vict., 1851, c. lxx.

³By 16 Vict., 1853, c. clxii.

⁴16 Vict., 1853, c. cxliii.

the Quebec Bank and revising its charter, one or two innovations were introduced. Provision was made for legalizing the transmission of shares under certain circumstances, such, for instance, as death, insolvency, or the marriage of a female shareholder, otherwise than by the usual act of transfer executed by the shareholder in the books of the bank. Another clause enacted that "the bank shall not be bound to see to the execution of any trust," as for instance, obligations to which the shares belonging to any individual might be made subject.

In 1854 the legislature had before it the matter of permitting the chartered banks to increase their capital stocks. The failure of the free banking Act was becoming apparent and it was plainly a question of reverting to the older system of chartered banks. As a result six of the banks, the Bank of Montreal, the Bank of Upper Canada, the Quebec Bank, the City Bank, the Commercial Bank and La Banque du Peuple, were granted power to increase their capital, and in the enabling Acts a number of amendments were made to their charters.¹ The following year, it may be noted in passing, three of the banks which were among the first to go into business under the "Act to establish Freedom of Banking," the Molsons Bank, the Zimmerman Bank and the Niagara District Bank, also applied for and obtained charters.² Among the amendments made to the charter of the Bank of Montreal in 1854 was a clause (section 4) providing that the directors, as well as the president of the bank, might be paid for their services. This permission was soon extended to the other large banks, but not for some time to the smaller ones. The proportion of discounts or advances which might be made by the bank against paper or securities bearing the name of any director was also reduced from one-third to one-tenth of the total amount of its discounts or advances. In 1856 this was further reduced to one-twentieth.³ Other amendments, which

¹18 Vict., 1854, c. xxxviii to c. xliii.

²18 Vict., 1855, c. ccii, c. cciii, and c. cciv, respectively.

³19 Vict., 1856, c. lxxvi, section 21.

were also extended to the five other chartered banks mentioned above, were as follows:

1. The statements, heretofore required semi-annually, were in future to be sent in monthly, as under the free banking Act.
2. One-tenth of the whole paid-up capital was to be invested in securities of the province of Canada or of the Consolidated Municipal Loan Fund.¹ This clause was dictated by the financial requirements of the Government and figured for a considerable time in Canadian banking.
3. The duration of the charters was extended to 1870. As all subsequent charters, new or amended, were made to terminate in the same year, the way was thus cleared for the introduction of a general Bank Act, applicable to all the chartered banks.

In 1855 the Bank of Toronto was incorporated under a charter² which, while it did not contain any important new ideas, is remarkable chiefly for having left out a number of requirements to which almost all the other banks were subject. When the charter was amended in 1857,³ most of these were inserted. The most notable change was a provision that each share of the stock should carry a vote, without any limitation on the number of votes to which a shareholder was entitled. In the same year the Eastern Townships Bank, with head office at Sherbrooke, received an Act of incorporation embodying the usual conditions, but adding nothing new.⁴ In the following year, in an Act⁵ intended chiefly to clear up certain doubts as to the legality of the extension of the capital of La Banque du Peuple, previously authorized, a new clause was added which later in the session⁶ was made applicable to all

¹See Vol. I, pp. 226 and 362.

²18 Vict., 1855, c. ccv.

³20 Vict., 1857, c. clx.

⁴18 Vict., 1855, c. ccvii.

⁵19 Vict., 1856, c. xxvii.

⁶19 Vict., 1856, c. xlvi.

chartered banks; when bills or notes made payable at one place were discounted at another, a charge not exceeding one-half per cent. might be made for the expenses of collection. Incidentally, in an Act of 1856¹ amending and consolidating the various Acts relating to the Bank of Montreal, certain minor changes were made which afterwards became general. The directors might live anywhere within nine miles of Montreal, a limit afterwards abolished by an Act of 1861.² Instead of giving specific details of the information to be presented to the shareholders at the annual meeting, the directors were required to submit "a full and clear statement of the affairs of the bank." Under section 22, "the bank may charge any note or bill held by and payable at the bank, against the deposit account of the maker of such note or acceptor of such bill, at the maturity thereof; any law, statute or usage to the contrary notwithstanding." Another new feature, soon to become general, was that authority was given to impress signatures on the bank's notes by machinery. During the session of 1856 most of these clauses were included in the Acts consolidating the charters of the Commercial Bank of the Midland District and of the Bank of Upper Canada.³ The name of the former was changed to the Commercial Bank of Canada. During the same session the Union Bank of Canada, Hamilton, and the Colonial Bank of Canada, Toronto, received charters⁴ on lines somewhat similar to the charter of the Bank of Toronto. A new privilege given to the former was that of opening books of subscription not only in the United Kingdom, but in the United States and in France as well; shares might be issued and dividends made payable in those countries. In 1858 an Act to incorporate the Bank of Canada was passed,⁵ with a capital of \$3,000,000, an ambitious

¹19 Vict., 1856, c. lxxvi.

²24 Vict., 1861, c. xci.

³19-20 Vict., 1856, c. cxx and c. cxxi, respectively.

⁴19-20 Vict., 1856, c. cxxii and c. cxxiii, respectively.

⁵22 Vict., 1858, c. cxxxi. The name was afterwards changed to "The Canadian Bank of Commerce," so that the Act forms the original charter of that bank.



SOURIS, P.E.I.



AYER'S CLIFF, P.Q.



COATICOOK, P.Q.



LENNOXVILLE, P.Q.

amount for a new bank in those days. The charter, however, contained no new features of any importance.

The Royal Bank of Canada was chartered in 1859.¹ The petitioners were all residents of London, England, and the meeting to elect directors might be held there, although Toronto was to be the chief place of business. An interesting feature was that as the bank expected to be incorporated and to operate in the other provinces of British North America, the obligations, limitations and other provisions of the Act of the province of Canada were to apply only to the business of the bank within that province. In an Act of 1860, which consolidated the Acts forming the charter of the Gore Bank,² an interesting variation is found in the scale of voting. One vote was allowed for every five shares above ten, the total number of votes which any shareholder might have being still limited to fifteen. In an Act of 1861 granting a charter to La Banque Jacques Cartier,³ in addition to the usual stipulations, there appears for the first time the requirement that the amount of capital to be paid in before beginning business (in this case \$100,000) was to be deposited in one of the other chartered banks. The same stipulation reappears in an Act of 1866 amending the charter of the Bank of Canada, and changing its name to The Canadian Bank of Commerce.⁴ When the requirement was afterwards incorporated into the general Bank Act of 1890, the deposit had to be made with the Receiver-General. In an Act to amend the charter of the Bank of Montreal, passed in 1861,⁵ that bank was permitted to establish and maintain a guarantee fund to take the place of the bonds or securities required from its officers. It was also permitted to change the designation of its principal officer from "chief cashier" to "general manager," a change soon universally adopted.

¹22 Vict., 1859, c. cii. This is not the bank now bearing that name.

²23 Vict., 1860, c. cxvi.

³24 Vict., 1861, c. xc.

⁴29-30 Vict., 1866, c. lxxxviii.

⁵24 Vict., 1861, c. xci.

In 1859 an Act was passed, entitled "An Act Granting Additional Facilities in Commercial Transactions."¹ This had a very important bearing on the future development of banking in the Dominion of Canada, as it marked the first step towards the enactment of what are known as the "pledge sections" of the present Bank Act. Under the provisions of these sections a large part of the grain, lumbering and manufacturing business of the country is now carried on, to an extent which constitutes one of the outstanding characteristic features of Canadian banking practice at the present day. Yet, as will be gathered from the title of the Act referred to above, the primary aim of the legislation was not to facilitate banking, but to provide for a need felt by the business community. Only incidentally was banking affected, as the powers conferred by the Act applied alike to individuals and to banks. It is important that this aspect of the subject should be borne in mind, as it is often taken for granted that the legislation was enacted at the instance and for the benefit of the banks. Perhaps no class in the community derives more benefit from these provisions than does the farmer, as through them he is enabled to sell his grain, and often his cattle, for cash instead of on credit.

While a bill of lading and a warehouse receipt are in some respects similar documents, the legal effect of the two under the common law, prior to the enactment of the statute of 1859, was very different. By the custom of merchants the transfer of a bill of lading to another person transferred also the ownership of the property mentioned in it, but this was not the case with a warehouse receipt. To quote the late Z. A. Lash, K.C.:²

"The Act of 1859 referred to provided that, notwithstanding anything to the contrary in the charter or Act of incorporation of any bank in the province, any bill of lading, or any

¹22 Vict., 1859, c. xx.

²"*Warehouse Receipts, Bills of Lading and Securities under Sec. 74 of the Bank Act of 1890*," by Z. A. Lash, K.C., LL.D., in *Journal of the Canadian Bankers' Association* (Sept., 1894), II, 54.

receipt given by a warehouseman, miller, wharfinger, master of a vessel or carrier, for cereal grains, goods, wares or merchandise stored or deposited, or to be stored or deposited, in any warehouse, mill, cove or other place in the province, or shipped in any vessel or delivered to any carrier for carriage, might by endorsement thereon by the owner of, or person entitled to receive such cereal grains, goods, wares or merchandise, be transferred to any incorporated or chartered bank in the province, or to any private person, as collateral security for the due payment of any bill of exchange or note discounted by such bank in the regular course of its banking business, or any debt due to such private person; and being so endorsed should vest in such bank or private person all the right and title of the endorser to or in such cereal grains, goods, wares or merchandise, subject to the right of the endorser to have the same re-transferred to him if such bill, note or debt were paid when due.

“The Act made provisions enabling the bank or private person to sell the goods in question in the event of default in payment of the bill, etc., and it contained the proviso that no transfer of any such bill of lading, or receipt, should be made to secure the payment of any bill, note or debt, unless such bill, note or debt was negotiated or contracted at the same time with the endorsement of such bill of lading or receipt.

“It will be observed that this Act applied both to incorporated banks and to private persons. There were but five kinds of persons entitled under it to give a receipt for goods, etc., which might be transferred as collateral security, viz., a warehouseman, a miller, a wharfinger, a master of a vessel or a carrier.

“It will also be observed that no transfer of the bill of lading or receipt could be made to secure the payment of any bill, note or debt, unless such bill, note or debt was negotiated or contracted at the same time with the endorsement of the bill of lading or receipt.

“The courts decided that the warehouseman, miller, wharfinger, master of a vessel or carrier, entitled to give a bill of lading or receipt under the statute, must have been a person occupying the position of a bailee of the goods, not being himself the owner.

“In the same year, 1859, the statutes of the late province of Canada were consolidated, and the provisions I have referred to were embodied in chapter 54 of the Consolidated Statutes of Canada, which was entitled ‘An Act Respecting Incorporated Banks.’

“In 1861 this chapter of the Consolidated Statutes was amended, and it was provided that where any person engaged in the calling of warehouseman, miller, wharfinger, master of a vessel or carrier, by whom a receipt might be given in such his capacity for cereal grains, goods, wares or merchandise, was at the same time the owner of such cereal grains, goods, wares or merchandise, any such receipt given and endorsed by such person should be as valid and effectual for the purposes of the Act as if the person giving such receipt and endorsing the same were not one and the same person.

“It was further provided by the amending statute that all advances made on the security of any bill of lading or receipt should give to the person or bank making such advances a claim for the repayment thereof, on the grain, goods, wares or merchandise mentioned therein, prior to and by way of preference over the claim of any unpaid vendor.

“This statute introduced for the first time the principle under which the owner of goods, himself in possession thereof, might borrow money from a bank upon the security of the goods, and practically give to the bank a mortgage upon the goods in the form of a warehouse receipt. It will be observed, however, that the persons entitled to do this were confined to five kinds already mentioned, viz., those engaged in the calling of warehouseman, miller, wharfinger, master of a vessel or carrier, and the receipt must have been given in that capacity.

“The provision giving the bank a prior claim for repayment of advances over the claim of any unpaid vendor of the goods mentioned in a bill of lading, etc., was important, as under the law of the then province of Lower Canada, and, under certain circumstances, under the law of the province of Upper Canada, the claim of the unpaid vendor of the goods would prevail over that of the person making advances upon the security of the goods.

“In 1865 the provisions I have alluded to were further amended by chapter 19 of the statutes of the province of Canada for that year, which although expressed to be an amendment of the ‘Act respecting Incorporated Banks’, forming chapter 54 of the Consolidated Statutes of Canada, is strangely enough entitled ‘An Act Granting Additional Facilities in Commercial Transactions.’

“This Act provided for a transfer to a bank or private person of any cove receipt or any receipt given by a cove keeper or by the keeper of any wharf, yard, harbour, or any other place, for timber, boards, deals, staves, or other lumber, laid, stored or deposited in or on the cove, wharf, yard, harbour or other place of which he was keeper; and by it the list of persons entitled to borrow money from a bank upon the security of his own goods, under the simple form of a warehouse receipt, was enlarged so as to include persons engaged in the calling of cove keeper or of the keeper of any wharf, yard, harbour or other place, but the goods upon which he could so borrow must have been timber, boards, deals, staves or other lumber.

“The Act also provided that advances made on the security of any such cove receipt, etc., should give a claim for repayment on the timber, boards, etc., prior to the claim of any unpaid vendor or other creditor, save and except claims for wages of labour performed in making and transporting such timber, boards, etc.”

No further changes were made in the law on this subject until after Confederation.

Very few innovations of any importance were introduced into Canadian banking between 1861 and Confederation, although a considerable volume of banking legislation was passed. Most of it dealt with the establishment of new banks on already existing lines, or with amendments to charters increasing or reducing the capital stock, or granting extensions of time, especially for the subscription and payment of shares. In 1863 the Acts of incorporation of several banks which had become insolvent and had ceased operations, were repealed.¹ The difficulties into which some of the older banks had fallen in the case of the Bank of Upper Canada to several amendments of its charter in order to afford temporary relief. In an Act of 1862, reducing the capital of that bank,² among other things, it was provided that stockholders were not to be allowed to transfer their shares before their debts to the bank were paid. This, which was already a standard provision in the Maritime Provinces, became general in subsequent Canadian charters.

Before dealing with the first banking legislation of the Dominion, it is necessary to refer to the development of banking legislation in the Maritime Provinces. Soon after Confederation the banks in these provinces came under the provisions of the general Bank Act for the Dominion.

The first bank to be established in the Maritime Provinces was the Bank of New Brunswick, which received its charter in 1820.³ The charter conferred on the president and directors of the company the power to make such laws and ordinances for the good government of the corporation as were not contrary to the laws of England or of the province. The capital stock, in shares of fifty pounds each, was fixed at £50,000 in current gold or silver coins, one half to be paid in in specie within six months of the granting of the charter, and the remainder

¹By 27 Vict., 1863, c. xlv. This Act applied to the Colonial Bank of Canada, the International Bank of Canada, the Clifton Bank, formerly the Zimmerman Bank, and the Western Bank of Canada.

²25 Vict., 1862, c. lxiii.

³60 Geo. III, N.B., 1820, c. xiii.

within a year from that time. The usual limitations were placed on the power to hold lands or to lend money on real estate, and permission was given to take mortgages as additional security for debts already contracted. No shareholder could have more than ten votes. The bank must not deal in anything except bills of exchange and gold or silver bullion, but might sell goods or stock (shares) which had been pledged for advances. The joint stock or property of the corporation was alone responsible for its debts, and the bills, bonds, and notes of the bank were to contain a declaration to the effect that payment could be had only out of the joint fund of the corporation. The total debts were not to exceed twice the capital stock paid in, and the directors violating this condition were made personally responsible for any adverse consequences. The bills and notes of the bank were to be printed from stereotype plates and signed by the president and cashier. At the annual meeting the directors must lay before the stockholders a statement of the bank's affairs showing:

1. The amount of the debts due to and by the corporation.
2. The bank-notes in circulation.
3. The gold and silver on hand.
4. The amount of debts, in their opinion, bad or doubtful.
5. The surplus profit, if any, after deducting losses and provision for dividends.

This statement was to be signed by the directors and attested by the cashier, and a copy was to be sent to the Secretary of the province. Any committee appointed by the legislature for the purpose of inspecting the affairs of the bank was to have access at any time to its books. Sixty stockholders owning in the aggregate three hundred shares, or seven directors, had power to call a general meeting, after thirty days' notice specifying the time, place and objects of the meeting.

The American origin of this charter is obvious, but it follows in general the New England model rather than that of the first Bank of the United States. As the promoters found

it difficult to raise the capital of fifty thousand pounds within eighteen months, an Act of the following year¹ reduced it to thirty thousand pounds and allowed the directors the privilege of calling in at first only half the value of the shares, and the remainder as they might see fit. In 1825 the authorized capital stock was restored to the original amount of fifty thousand pounds.²

In 1825, after the failure of several tentative efforts, a bill was introduced in the legislature of Nova Scotia to authorize the establishment of a bank in Halifax³ on lines very similar to those of the Bank of New Brunswick. There were, however, some special clauses in the bill, especially those setting out the method of bringing the bank into existence, which are not found elsewhere. The capital stock, like that of the Bank of New Brunswick, was to be £50,000 in shares of fifty pounds each. No specific persons were named as the grantees of the charter, which simply provided that subscribers on complying with the conditions laid down were to receive a charter, under letters patent from the Lieutenant-Governor in Council, as the Halifax Bank Company. Otherwise, the conditions specified in the bill are very much the same as those in the charter of the Bank of New Brunswick, and very similar in principal to those contained in the first charter of the Bank of Montreal. The bank was to operate under by-laws adopted by the shareholders and approved by the Lieutenant-Governor in Council. One-half the capital was to be paid in before the bank went into operation, and the remainder within two years. There were the usual restrictions on the holding of real estate and the lending of money on such security. The total indebtedness of the corporation over and above the deposits from the public was not to exceed three times the paid-up capital stock. This follows the Canadian rather than the New Brunswick model. An additional

¹2 Geo. IV, N.B., 1821, c. xx.

²6 Geo. IV, N.B., 1825, c. iii.

³See Vol. I, p. 44.

provision, which now appeared for the first time, restricted the debts due to the bank to three times the paid-up capital stock. The capital had to be employed in discounting in accordance with recognized banking principles, and in buying and selling bills of exchange and other negotiable securities and bullion.

The bank might sell personal pledges lodged with it as security for loans. Another new provision was that so much of the capital stock as was not immediately required for banking purposes might be invested in reliable public securities or exchanged for provincial notes.¹ The minimum denomination of the bank-notes to be put into circulation was fixed at five shillings. The bill also granted a monopoly of banking privileges in the province for ten years, except in the event of a provincial bank being established. The bank was to be subject to inspection by persons appointed by the Government, and failure to conform to the conditions of the charter would involve its forfeiture. Such clauses as those relating to the votes of shareholders, the bonds to be furnished by the cashier, and the adoption of by-laws by the shareholders were virtually the same as in the charter of the Bank of New Brunswick. Under normal conditions the shareholders were subject to single liability, but it was provided that in case of the winding up of the bank, either at the end of the charter or in consequence of its forfeiture, the shareholders at the time would be liable for all the debts of the bank in proportion to the shares held by them. The Lieutenant-Governor in Council might increase the capital stock of the bank, by additional sums of £25,000, up to a limit of £100,000. The shares were transferable only on the books of the bank, and after the discharge by the shareholder of all debts due to the bank. The statements to be submitted to the shareholders at the annual meeting, and the copies furnished to the Lieutenant-Governor, were the same as those prescribed for the Bank of New Brunswick. Should the bank not redeem its notes or other obligations

¹See Vol. I, p. 30, and Appendix I to that volume.

on demand, the holders were entitled to receive interest on the debt at the rate of twelve per cent. per annum until paid. Neither the Chief Justice nor any associate judge of the Supreme Court might hold stock in the bank, or be otherwise interested in it. After being the subject of several warm debates in the legislature, the bill failed to pass. Public opinion was fearful of the undue influence which the bank might possibly exercise, especially under the monopoly proposed by the bill. As in the case of the Bank of Montreal, the chief promoters, therefore, resolved to bring the bank into existence as a private corporation. This was accomplished in September of the same year, when the Halifax Banking Company, operating under a partnership agreement,¹ opened its doors for business as the first bank to be established in Nova Scotia. As the agreement provided for a very limited partnership, its terms were comparatively simple, details being left to the rules and regulations to be adopted by the partners, which might be adjusted to meet the requirements of experience. It is in the bill, therefore, as brought before the Assembly, rather than in the partnership agreement, that the conception of the principles of banking held by the promoters of the first bank in Halifax is to be found. These principles were, on the whole, faithfully followed by the Halifax Banking Company in its operations.

It is to be observed that in the list of rights and privileges to be enjoyed by both the Bank of New Brunswick and the proposed Halifax Bank, there is a fuller recognition of the true function of a bank, namely, to promote industry and commerce, than was found at this early period in the provinces of old Canada.

The first bank to receive a legislative charter in the province of Nova Scotia was the Bank of Nova Scotia. Its charter² followed the lines of the Bank of New Brunswick even more closely than did the bill for establishing the Halifax

¹See Vol. I, p. 432.

²Wm. IV, N.S., 1832, c. i.

Bank. The authorized capital stock was £100,000, with provision for an increase to £200,000 whenever conditions should prove favourable, the additional stock to be sold at public auction. The shares were for fifty pounds each, and the capital stock was to be paid in gold and silver coins or provincial treasury notes. The jealous apprehension of a possible combination of the money interests of the province is manifested in the requirement that no person should be eligible as a director who was a partner in or director of any other bank in the province, or a director of any other bank whatsoever. In 1837 this requirement was repealed.¹ The joint stock or property of the corporation was alone responsible for its debts and engagements, but on the expiration of the charter the shareholders for the time being were proportionately liable "in their private and individual capacities" for the redemption of the bonds, bills or notes of the bank. In order, also, to keep the capital of the bank intact, any loss or deficiency in the capital caused by the "official mismanagement of the directors" had to be made good by the shareholders for the time being, but only to the extent of the amount of the shares they then held. To this extent the Bank of Nova Scotia was the first bank in British North America the shareholders of which were subject to more than single liability.² There was much debate over the minimum denomination of the note issues of the bank, much of it having reference to the desirability of a change in the existing law which fixed it at twenty-six shillings. Partly to protect the provincial note issue, and partly to insure a considerable circulation of metallic currency, it was finally decided to leave it at twenty-six shillings.³ The Act contained the special clause in the proposed charter of the Halifax bank limiting the

¹By 7 Wm. IV, N.S., 1837, c. lxxiii.

²See Vol. I, pp. 20 and 67.

³By an earlier statute (1-2 Geo. IV, N.S., 1820-21, c. xxxviii), evidently passed with a similar purpose in view, the issue or circulation as money of any bills or notes for a less sum than twenty-six shillings had been forbidden, and such notes were declared void.

note circulation of the bank and its debts other than deposits, as also the amount due to the bank, to three times its paid-up capital. The statements to be laid before the shareholders and transmitted to the Governor were the same as those required from the Bank of New Brunswick, but a new clause provided that if a government examination or the annual statement disclosed that the capital stock had been impaired to the extent of one-half, the bank should be dissolved by the legislature or by proclamation of the Lieutenant-Governor. In all other respects the Act was almost identical with the charter of the Bank of New Brunswick.

In 1833 an Act¹ was passed imposing further limitations on the issue of bank-notes in Nova Scotia by changing the minimum denomination from twenty-six shillings to five pounds, or twenty dollars, and this remained the minimum for bank-notes in Nova Scotia until 1870.²

Between 1835 and Confederation a number of new banks were established in New Brunswick and Nova Scotia, but for the most part they were modelled somewhat closely along the lines of those already existing in these provinces. A few of the more important variations may be noted. In 1834, in the charter of the Central Bank of New Brunswick,³ there appeared for the first time in the Maritime Provinces the full double liability of the shareholders. This was evidently in response to pressure from the Colonial Office. A new and more detailed form for the presentation of the liabilities and resources of the bank was prescribed. These features were incorporated into subsequent bank charters. In 1838 the Bank of British North America⁴ obtained from the Maritime Provinces by special enactments⁵ the legal right to sue and be sued in the

¹3 Wm. IV, N.S., 1833, c. lxii; see also Vol. I, pp. 81 and 82.

²See 33 Vict., 1870, c. xii.

³4 Wm. IV, N.B., 1834, c. xlv.

⁴See Vol. I, p. 22.

⁵The New Brunswick Act is 8 Wm. IV, 1837, c. xvi; the Nova Scotia Act is 1 Vict., 1838, c. xxiv., and the Prince Edward Island Act, 7 Wm. IV, 1837, c. xxvii.

name of the manager or of a local director; otherwise, at this period, "by law all the proprietors or shareholders for the time being of the said company ought . . . to sue and be sued, and prosecute by their several distinct names." The province of Nova Scotia took the opportunity afforded it by this legislation to bring the bank under certain provincial regulations as to note issue. In 1847, when the charter of the Bank of Nova Scotia was renewed,¹ a new and more detailed form was prescribed for its statement of liabilities and resources, which resembled that in use by the Bank of Montreal. No other changes of importance occurred until after Confederation.

A Royal charter granted to the Bank of British Columbia in 1862, and renewed with amendments from time to time until 1901, when the bank was taken over by The Canadian Bank of Commerce, contributed rather unique features to the legal history of Canadian banking. The bank was established to meet the exceptional conditions that prevailed during the gold-mining boom in British Columbia, at that time very sparsely settled, and deprived of any connection with the eastern provinces of British North America. Of necessity, therefore, the bank originally depended upon the Home Government for its legal sanction and the supervision of its operations. The original subscribed capital was £250,000, but the Deed of Settlement, reflecting as it did the optimistic conception of the possibilities of gold mining in British Columbia, provided for a possible expansion of the capital within the period of twenty-one years which constituted the life of the charter to £2,000,000 sterling, an amount beyond the dreams of any Canadian bank of the period.

To a much greater extent than the Bank of British North America, the Bank of British Columbia was an institution native to Great Britain, deriving no capital from its field of operation. Its head office was in London, from which it was controlled by a Board or Court of Directors. They had power to establish branches in British Columbia and Vancouver's

¹10 Vict., N.S., 1847, c. lvii.

Island, which were at that time separate colonies. By a supplementary charter, granted in 1864, the bank obtained the right to establish branches in North America to the west of the 95th meridian, which meant to the west of the old province of Canada. Such branches might be either within or without British territory; but outside British territory they might be located only where there was a British consular establishment. By the same supplementary charter the bank was relieved from the necessity of keeping specie reserves for the redemption of its notes at both the head office and the place of issue, redemption at the latter being alone required.¹

The Royal charter, while prescribing certain fundamental rules for the banking operations of the company, provided that these and other details should be covered by a Deed of Settlement to be executed by the shareholders, approved by the Commissioners of the British Treasury, and registered in the High Court of Chancery. The Deed of Settlement made elaborate provision for all manner of details, and especially for the legal rights and obligations of the shareholders. The issue of certificates that certain conditions of the charter had been complied with, the prescribing and inspection of the returns to be made, the sanction of the by-laws to be adopted, indeed, the general supervision of all the operations of the bank, was vested in the Commissioners of the British Treasury. The bank, however, was required to conform to the laws of any colony in which it might operate.

Before beginning business the whole of the original capital of £250,000 had to be subscribed and at least one-half of it paid in, the remainder to be paid within two years of the date of the certificate authorizing the bank to commence business, but so that the payment in full should take place within three years of the date of the charter. The collapse of the mining boom, however, prevented the capital from being increased beyond the original amount within the time limit fixed by the charter, while the requirement that the second half should

¹See Vol. I, p. 274.

be raised within three years was revoked by the supplemental charter granted in 1864. By the Deed of Settlement the Court of Directors was empowered to appoint local committees of persons, either shareholders or not, and delegate to them powers of inspection and control, with such instructions as the Court might see fit to give. The Court might also purchase, take over, or amalgamate with any other bank or banks, and make payment in shares of the company, provided the number of shares so issued did not exceed the number authorized at the time. The Deed also called for half-yearly returns of the operations of the bank, showing the liabilities and assets, and including the amount of notes in circulation and of coin on hand. By the third supplementary charter of 1884, which extended the existence of the bank another ten years, the British Treasury was relieved of the supervision and control of the bank, as this was now sufficiently provided for in the Canadian Bank Act, to which the charter made the bank subject. In 1894 the charter was again extended to 1901, with an intimation that another renewal would probably not be forthcoming. The detailed regulations of the banking operations, which are contained mostly in the Deed of Settlement, covered the usual requirements of sound banking, and present few features calling for special remark. On its absorption by The Canadian Bank of Commerce, the Bank of British Columbia passed out of existence as a separate institution.

The period from 1866 to 1871 was an anxious, and at times, a very critical one for the economic interests of British North America. It covered the abrogation of the Reciprocity Treaty with the United States, the inauguration of Confederation, and the establishment of a new Government over the whole of the Dominion, which had to face new problems of commerce, banking, and finance. Nearly all the bank charters expired in 1870, and it was necessary for the Government to consider what should be its general policy towards renewing them. As we have seen, the way had been prepared

for a general Bank Act embodying the provisions which had been developed at first in a more or less experimental way in individual charters, but which afterwards, when approved in practice, were extended to the banks in general. The most critical problem in Canadian banking was the relation of the banks to the financial policy of the Government. In most respects the Government was inclined to leave banking to develop naturally along the lines called for by trade and commerce, so long as the general public were safeguarded in their increasing dependence upon the credit and exchange functions of the banks. From time to time, however, the financial straits in which the Government found itself had tempted it to interfere with this normal development in order to divert to the financial benefit of the Government those features of the banking system which seemed the easiest and most profitable to utilize in this manner. These were, on the one hand, the note issues, and on the other, the reserves, or that part of them which was usually invested in first-class securities easily convertible into cash under all conditions. The chief drawback to this policy from the point of view of the Government was that when once these resources had been thoroughly exploited there was little further upon which to draw. Thereafter any financial embarrassment of the Government tended to impair the credit of the currency as well as the market value of its securities. If the embarrassment continued, this naturally led, on the one hand, to a suspension of specie payments, followed by adverse foreign exchange rates, and on the other, to depreciation of the securities, first abroad and then at home.

Reference has already been made to various attempts of this character either to substitute government notes for banknotes, or to induce or compel the banks to invest certain portions of their capital in government securities. In the first direction, owing to the resistance of the banks, supported by influential public opinion, relatively small progress had yet been made in Canada. Much more had been accomplished in



THETFORD MINES, P.Q.



DANVILLE, P.Q.



FARNHAM, P.Q.



ROCK ISLAND, P.Q.

the Maritime Provinces, where the fluctuating credit of the provincial note issues had provided an instructive lesson. The national currency experiments in the United States and the success, from a purely financial point of view, which attended the establishment of the National Bank system on the foundation of the voluminous issues of government securities during the Civil War, naturally affected Canadian public opinion very strongly, and divided even the bankers into opposing camps over the proposal to adopt a similar system in Canada. It was during the critical period from 1866 to 1871 that this question elicited the greatest difference of opinion.

In 1866 the proposal for a government note issue was revived by the Canadian Minister of Finance, the Hon. A.T. Galt, in presenting the last provincial budget before Confederation. In his budget speech, Mr. Galt frankly admitted that this currency measure was entirely the outcome of the financial situation of the country. Floating debts to the extent of over \$5,000,000 were to mature during the year, and owing to the disturbed condition of Europe and the state of the London money market it would be impossible to raise the necessary funds there. He was therefore thrown back upon the resources of the province, where he found the note issues of the banks to be at once the most adequate and the most readily available source from which to supply the needs of the Government. He proposed to ask from Parliament the power to issue notes, redeemable in specie on presentation in Montreal, or Toronto, to the extent of \$5,000,000. Any bank surrendering its right to issue its own notes would be allowed, until the expiry of its charter, interest at five per cent. per annum on the average amount of its existing circulation. When the details of the measure were submitted to the bankers, it was evident that Galt aimed at replacing the whole of the bank-note issues by government notes, as under the American plan. In the discussions of the matter, men versed in banking and finance tended to divide into three

groups. The first rejected the scheme *in toto*. The second, while strongly objecting to any measure depriving the banks of their normal note issues, saw no special objection to the issue of about \$5,000,000 in government notes redeemable in specie; these notes could be held by the banks instead of the government securities then obligatory, and could be employed for settling clearing-house balances, and for other such purposes. The third approved of both aspects of Galt's plan, and heartily endorsed the proposed change from the older Canadian to the new American system, as affording uniformity in the currency and unquestioned security for its redemption. Galt's plan affected the banks in Upper Canada, now Ontario, very severely, as they depended much on their note circulation, whereas the banks in Lower Canada, or Quebec, depended less on note circulation and more upon exchange. Thus most of the western banks and commercial interests opposed the measure, while a number of the eastern banks were inclined to favour it. The Bank of Montreal, under the distinguished leadership of Mr. E. H. King, strongly supported the government measure and naturally brought upon itself very sharp criticism from western Canada, where people were not slow to point out the financial advantages which that bank would enjoy as the government agent through whom the proposed changes would be effected.

Galt met western criticism by asking how he was otherwise to provide for the pressing financial needs of the Government. The banks suggested a temporary loan, to which they would contribute, but the Minister of Finance was seeking relief from temporary loans and desired something more permanent. Those opposed to the scheme found their strongest argument in the fact that his proposal would destroy the elasticity of the currency under the existing system, so essential to the seasonal commerce of a country like Canada. On the other hand they experienced the greatest difficulty in meeting the popular argument that the plan would give both uniformity and stability to the currency, which at that period was much impaired by the

fact that a few of the issuing banks were tottering on the brink of bankruptcy. In the course of the prolonged discussion it developed that the strongest position was held by those who favoured an issue of government notes for an amount so limited that it would not interfere with the existing system, which had adjusted itself to the peculiar geographical and seasonal needs of the country. This proved to be the basis of the final compromise. In the face of the severe criticism and strong opposition which his measure evoked, Galt gradually modified his proposals. The time within which individual banks might adopt the government plan was extended to January 1, 1868, and in any case such a bank might, on giving due notice, resume its note issue and its former privileges. A further compromise was offered in the form of a suggestion to relieve the necessities of the Government by issuing \$3,000,000 in government notes and \$5,000,000 in two year seven per cent. debentures. In the meantime Galt resigned from the cabinet over the question of Separate schools,¹ and the Government finally declared that if the \$5,000,000 in debentures could be secured in time to meet its obligations, it would not avail itself of the powers of note issue contained in the currency bill.² As a result of this concession by the Government, the opposition to the measure was reduced sufficiently for it to become law.

The financial stringency which was general at that period, however, made it impossible to obtain the proposed loan in time to avoid the issue of provincial notes, and these gradually passed into circulation through the agency of the Bank of Montreal. For a considerable time the government notes put into circulation did not exceed in amount the Bank of Montreal notes withdrawn from circulation and so did not materially affect the note issues of the other banks. Thus the situation stood at Confederation, when the interests and opinions of

¹This refers to Galt's resignation in 1866. He resigned again the following year, just after the failure of the Commercial Bank, for totally different reasons. See page 28.

²29-30 Vict., 1866, c. x.

the people of Nova Scotia and New Brunswick were brought to bear upon the general financial and banking measures of the new Dominion.

During the first session of the first Dominion Parliament, a general Act¹ was passed authorizing all banks² incorporated by any of the provinces which were now included in the Dominion of Canada to open branches and do business throughout the Dominion. The tax of one per cent. on note circulation paid by the banks of the provinces of Ontario and Quebec (the former province of Canada) was now extended to the banks of Nova Scotia and New Brunswick. Every incorporated bank was given the following powers:

1. To take, hold, and dispose of mortgages and *hypothèques* on both personal and real property by way of additional security for debts already contracted; to buy in and hold real estate sold by it under the powers contained in such mortgages; and to acquire absolute title to mortgaged lands in the same manner as an individual could do.
2. To take bills of lading and warehouse and other receipts, as authorized by the Act of 1859 of the province of Canada and its amendments.³

¹31 Vict., 1867, c. xi.

²According to a contemporary newspaper account of a speech delivered in Parliament in April, 1868 (as nearly as can be ascertained), by the Hon. Mr. Rose, Minister of Finance, the position of the banking charters in force in the Dominion of Canada at the date of his speech was as follows: There were thirty-nine charters in existence, of which twenty-seven were in operation; namely, six in Ontario, eleven in Quebec, four in New Brunswick and five in Nova Scotia, besides the Bank of British North America, which did business in all the provinces. All the charters in Ontario and Quebec expired in 1870; there were three banks in Nova Scotia and one in New Brunswick whose charters expired in 1871; in addition there were in New Brunswick three banks with charters expiring in 1876, 1880 and 1890, respectively, and in Nova Scotia two banks with charters expiring in 1879 and 1885, respectively. Thus 1890 was the extreme limit of any charter in what was then the Dominion of Canada. The province of British Columbia did not enter the Dominion until July 20, 1871, so that the Bank of British Columbia, the charter of which expired in 1883, is not included in the foregoing figures.

³See page 420.

3. To take any rate of interest or discount not exceeding seven per cent. per annum, without being subject to the statutory penalties for usury. No higher rate than seven per cent. per annum was recoverable. A bank might also allow any rate of interest whatever on money deposited with it.
4. To charge, in addition to the nominal rate of discount, certain rates of premium for the cost of collection on bills discounted payable elsewhere than at the place of discount. Specific provision for this was rendered necessary by the limitation of the rate of discount set out in the foregoing paragraph.

The effect of this Act was, in substance, to extend to all banks then operating in the Dominion of Canada the powers granted to banks under the laws of the late province of Canada. The duration of the Act was until the end of the first session of Parliament held after January, 1870, but it was subsequently extended for two years by the general banking Act of 1870¹ and was repealed by the Bank Act of 1871.²

In the meantime the Canadian banks were passing through the period of unusual strain which followed the speculation of the early "sixties." Two of the oldest and at one time strongest banks in Canada, the Bank of Upper Canada and the Commercial Bank, had gone down, while others had barely been saved from a similar fate. The Bank of Montreal itself confessed to the loss of over a million dollars in connection with its business in western Canada. Naturally these conditions had the effect of causing much misgiving in the public mind as to the alleged efficiency and safety of the Canadian banking system, and afforded a strong basis for the arguments of those who once more resumed the agitation for the complete recasting of Canadian banking on the model of the new American system. Mr. King, the general manager of the Bank of Montreal, now came out very decidedly in favour

¹33 Vict., 1870, c. xi.

²34 Vict., 1871, c. v.

of the American plan. As the charters of most of the banks were soon to expire, and as the basis on which they were to be renewed was so vital a matter, alike for the banks and for the economic future of the new Dominion, strong interest was aroused in the discussion of the issues raised by Mr. King. Incidentally, the critical conditions of the period revealed for the first time the practical need for frequent and intimate conferences between the leading bankers to discuss the problems of currency, banking and finance which were continually facing the country. Numerous meetings were held, not only of those who represented common interests, but also of those who represented different and conflicting interests, and who held opposite views as to the best general policy for the country. After local conferences, a general meeting of bankers, held at Ottawa in April, 1868, reached the conclusion that the abolition of the note issues of the banks would be disastrous at least to those of Ontario and ought to be prevented. It was considered advisable, however, that as the bank charters came up for extension, they should be amended so as to offer greater security for note-holders and depositors, and to guard against failure. The Government assured the delegates to this meeting that no legislation would be introduced on the subject until the bankers of the country had been heard before a special committee.

A searching analysis of recent bank failures indicated that one desirable change was an improved system of returns which would afford the public a more accurate knowledge of the obligations and resources of the banks. Post-mortem examinations of the affairs of the defunct banks showed, however, that the difficulties and dangers of the Canadian system were not due to excessive note issues, nor to questions connected with the amount of the deposits or of the discounts, but almost entirely to the character of the larger credits, and to the nature of the security, especially the personal security, behind them. As usual, much was said of the restraining value of public opinion, yet obviously the only opinion of any real service in

checking defective banking must be the very limited volume of opinion of bankers themselves, or of those who had made a special study of banking experience. The belated recognition of these essential facts led to the conclusion that to prevent irresponsible and reckless banking would require much more than tabulated returns and throttling restrictions. It would require, in fact, some organization within the profession itself to check effectively careless or fraudulent practices on the part of individual bankers, but it was many years before steps to provide such an organization were taken. Finally, in 1890, as will be seen hereafter, the benefits derived from frequent consultations among the leading bankers of the day led to the formation of the "Canadian Bankers Association" which, as a result partly of the influence naturally exerted by such a body of trained bankers and partly of the powers conferred upon it by statutory enactment, has been able to place a great measure of restraint on unsound practices.

Before introducing the next measure dealing with currency and banking, the Government, as it had promised, invited the opinions of the bankers. The *questionnaire* circulated for this purpose revealed the bias of the Government towards a state monopoly of note issues, but it elicited a majority of replies antagonistic to any interference with the issues of the banks. Nevertheless, the Government, under the leadership of the new Finance Minister, the Hon. John Rose, decided once more to introduce a measure for assimilating the Canadian banking system, more particularly as regards the note issue, to that of the United States. Accordingly, early in the session of 1869, Mr. Rose brought forward his new banking and currency measure, and the contest between the opposing forces was renewed with increasing vigour, this time extending throughout the whole Dominion. The division was not on political but on territorial and commercial lines, and many of those who usually supported or opposed the Government found themselves in the opposite political camp. Its friends were of the opinion that the new measure would pass the Commons

if the Government really insisted upon it, but its fate in the Senate was considered more doubtful, as under the efficient leadership of such men as Senator McMaster, president of the young but rapidly rising Canadian Bank of Commerce, the members of the Upper House were not so likely to fall into line, should the Government force it to a vote. During the previous year, 1868, the Senate had appointed a committee to obtain evidence on the subject from a variety of sources, and the report of this committee severely condemned any interference on the part of the Government with the note issues of the banks. While the other sections of the Dominion were divided in their opinion, the opposition from Ontario proved so strong and so united that the Government in the end withdrew its resolutions, promising to allow another year for a more thorough discussion of the subject. Shortly afterwards, Mr. Rose in his turn abandoned the task of determining the fate of the Canadian banking system, and Sir Francis Hincks, opportunely returning to Canada on a visit, was persuaded to come to the rescue of the Government by taking the post of Minister of Finance. At this time also, Mr. King retired from the presidency of the Bank of Montreal. Although Sir Francis Hincks was known to favour the principle of an exclusive government note issue, he had not been required to commit himself in the controversies which had previously raged, and determined to bring forward only such banking measures as would meet the wishes of the majority of the banks. He therefore entered into negotiations with the leaders of banking opinion in all parts of the Dominion.

Early in the session of 1870 he presented his resolutions to Parliament. His thorough familiarity with the essential principles of banking and currency caused his views and arguments to command respect. Moreover, he adopted a very conciliatory attitude, and kept in touch with the most influential representatives of the banks. He thus managed to pilot his measures safely through Parliament with a minimum of opposition, and at the close of the session they

emerged in the shape of two Acts which effected an acceptable compromise between the opposing views and did no violence to well-established banking practice. The first Act dealt with Dominion notes, the second with banks and banking.

The first measure¹ amended an Act of 1868,² which, although entitled "An Act to enable Banks in any part of Canada to issue Notes of the Dominion instead of issuing Notes of their own," not only accomplished that purpose, but also recited and adopted the chief provisions of the Provincial Notes Act of 1866,³ and declared the notes of the province of Canada to be now Dominion notes.⁴ The first seven sections, that is, those providing for the surrender by the banks of their note issues, were repealed, except in so far as related to an existing arrangement with the Bank of Montreal made under the provisions of those sections, and the Act of 1870 then went on to increase the amount of Dominion notes which might be issued, from \$5,000,000⁵ to \$9,000,000, subject to certain conditions. Up to five million dollars they were to be secured by Dominion debentures and specie, the latter to amount to at least twenty per cent. of the issue. Between five million and nine million dollars there was to be a minimum

¹33 Vict., 1870, c. x.

²31 Vict., 1868, c. xlvi.

³See page 435.

⁴The declaration in this statute (31 Vict., 1868, c. xlvi) that the notes of the former province of Canada should "be held to be the notes of the Dominion of Canada" raises the question as to why the notes of the provinces of New Brunswick and Nova Scotia, which are likewise redeemed by the Dominion, are also not mentioned in it. The answer would appear to be that these notes, as well as those of the province of Canada, were assumed by the Dominion under the provisions of section 111 of the British North America Act (30-31 Vict. c. iii), which reads as follows: "Canada shall be liable for the debts and liabilities of each province existing at the Union." The purpose of the statute of 1868 was to enable the Dominion to reissue the notes of the province of Canada, while those of the other provinces were withdrawn from circulation as they were presented.

⁵There had been authority under the Acts of 1866 and 1868 to issue up to \$8,000,000 of Dominion (or Provincial) notes, but the additional \$3,000,000 could be issued to banks only in exchange for the surrender of their note issues. The \$9,000,000 authorized by the Act of 1870 was not subject to any such restriction.

specie reserve of twenty five per cent., which might fall temporarily to fifteen per cent. Issues above nine million dollars might be made if wholly covered by specie. Provision was made, as in the Act of 1868, for the issue and redemption of Dominion notes either through branch offices of the Receiver-General's Department, or through banks, at Montreal, Toronto, Halifax and St. John. Monthly statements were to be published in the *Canada Gazette* showing the amount of Dominion notes outstanding on the last day of each month, and the specie and debentures held for their redemption. The termination, at its expiry, of the special arrangement with the Bank of Montreal appointing it the exclusive agent of the Government for the issue and redemption of the provincial notes gave general satisfaction to the other banks, which were now rendered eligible for a share of the government business.

The second measure, "An Act respecting Banks and Banking,"¹ chartered until 1881 the banks which might come under its provisions, and laid down certain general principles and regulations that were to apply to all new banks and to be incorporated in all existing charters, when amended. The regulations dealing with the capital stock placed the minimum for a new bank at \$200,000 *bona fide* paid up before commencing business, and required at least twenty per cent. of the subscribed capital to be paid up in each year thereafter. As a result of the Dominion note legislation the minimum denomination of bank-notes was increased from \$1 to \$4, thus giving to the Dominion Government a monopoly of \$1 and \$2 notes. Another clause due to the same influence specified that as nearly as possible one-half, but never less than one-third, of the cash reserves of a bank should be held in Dominion notes. Sir Francis Hincks argued very convincingly and successfully against the futility of fixing a minimum for the reserves to be held by the banks. In consideration of the provisions favouring its own note issue, the Government exempted the banks working

¹33 Vict., 1870, c. xi.

under the provisions of the Act from the tax on note circulation. Each bank was bound to receive its own notes at par at all its branches, but need only redeem them in specie or Dominion notes at the head office and at any other place where it chose to make them payable. Dividends were limited to eight per cent. per annum until such time as a reserve fund equal to twenty per cent. of the paid-up capital should have been accumulated, but it was unlawful to pay any dividend or bonus that would impair the paid-up capital. Any bank suspending payment of its liabilities in specie or Dominion notes for ninety days forfeited its charter, except for the purpose of enabling it to be wound up. The double liability of the shareholders came into force six months after the date of suspension, even if all the assets of the bank had not been realized. The older methods of voting at shareholders' meetings were greatly simplified by a clause allowing a shareholder one vote for each share he had held for three months before the time of voting. Details incidental to the management of the affairs of the banks, such as the number and qualifications of the directors and their remuneration, were left to be regulated by the shareholders at their meetings. As is necessary in a general Act there was more flexibility in the regulations than it had been customary to permit in the charters of individual banks.

The monthly returns to be made to the Government, which were intended for publication, were very considerably amplified, chiefly by an increase in the number of headings. Thus, instead of the deposits being classified as interest-bearing and non-interest-bearing, they were classified as payable on demand and after notice, government deposits of both classes being also shown separately. Balances due to or from other banks were divided into two classes, to distinguish banks in Canada from those not in Canada. Five headings were provided to take the place of "Notes and Bills Discounted." These were: Loans to the Government, Loans, discounts and advances on current account to corporations, Notes and bills discounted and current, Notes and bills discounted, overdue

and not specially secured, and Notes and bills discounted, overdue and secured.

To judge by the returns from the banks as published in the *Canada Gazette*, none of them operated under the provisions of this Act, although provision was made in it for their obtaining, on application to the Governor-General, extensions of their charters to which its provisions would apply. The form of the returns appearing in the *Canada Gazette* does not change until July, 1871, when the later Act of 1871, to be referred to hereafter, came into force. It would therefore appear that the extension for two years of the Act of 1867 already mentioned,¹ contained in section 9, was considered as extending for a similar period the charters of the banks working under it, which otherwise expired on May 12, 1870, the last day of the Parliamentary session of 1870. This minimizes the importance of the Act of 1870, but the fact that its provisions were incorporated with little change in the Act of the following year makes it necessary to refer to it.

The whole of the law relating to banking underwent a more thorough revision during 1871, when the Acts of 1867 and 1870 were replaced by a general Act,² the first to be in operation for a term of approximately ten years, or until July 1, 1881. It was thus that the custom of decennial revisions was introduced, which has been maintained ever since, although extensions for one year have twice been enacted without revision, and in some special cases amendments have been made during the term.

The Act of 1871 embodied the fundamental principles of the charters of the first Bank of the United States and of the Bank of Montreal, and all the more important provisions included in subsequent charters, but made certain changes intended to adapt the banking system to the growing economic requirements of the new Dominion. The sections were grouped according to subject; there were, for example, groups of sections

¹31 Vict., 1867, c. xi, and see page 439.

²34 Vict., 1871, c.v.

entitled "general regulations," "internal regulations," "powers and obligations of the bank," and so on. The preamble stated that "it is desirable that the provisions relating to the incorporation of banks, and the laws relating to banking, should be embraced, as far as practicable, in one general Act." The provisions relating to the incorporation of banks were more particularly those in the Act of 1870, and "the laws relating to banking," in so far as they dealt with the "powers and obligations of the bank," were taken almost unchanged from the Act of 1867. There were, however, many regulations, particularly those in the group headed "internal regulations," which although almost universally in force, had hitherto not been embodied in any general law, but formed part of the individual charters of the existing banks. There were also some special clauses necessitated by peculiar provisions of the charters of individual banks. For the first time the regulations applying to new banks and new stock issues and the general powers granted to banks were contained in one Act.

The principal changes from the Act of 1870 were that the minimum amount of capital required before commencing business was placed at \$100,000 paid up, and \$500,000 subscribed, instead of \$200,000 paid up. An additional \$100,000, making \$200,000 in all, had to be paid up within two years after commencing business. The requirement that at least twenty per cent. should be paid up in each year was repealed. The following slight changes were made in the form of the monthly returns: Cheques on other banks were included with their notes, and "Loans to the Government" now specifically included loans to the Governments of the various provinces. The new form of return was first used in July, 1871, the form prescribed in 1870 having, as already mentioned, never gone into force.¹ In consideration of the

¹The form of these returns was again amended and amplified by an Act of 1873 (36 Vict., c. xlii) which went into force in July, 1873. Dominion and Provincial Government deposits were distinguished in the amended classification, and headings were introduced to show loans made against the security of the capital stock of any other bank and those made against the security of bonds or debentures.

concessions made in accepting the provisions for a government note circulation, the banks working under the Act were exempted not only from the tax on note circulation, as under the Act of 1870, but also from the obligation to hold any portion of their capital in the form of government debentures. Instead of the individual banks being left to apply to the Governor-General for an extension of their charters, the new Act brought all the banks mentioned in a schedule attached to it under its provisions as from the end of the session of Parliament held in 1872, that is, from June 14, 1872. Certain clauses, however, particularly those dealing with the powers of the banks and the penalties for any breach of the provisions of the Act, went into force on July 1, 1871.

The sections of the Act dealing with internal regulations, especially such part of them as had to do with the subscription, payment and transfer of shares, and the election and powers of directors, were such as were up to this time usually incorporated in individual charters. The powers conferred upon the banks by the Act of 1867 were continued and amplified. The older legislation with respect to bills of lading and warehouse and other receipts¹ was repeated in the main, but with some important differences. Such documents might be acquired by the bank as collateral security, not only as in the past "for the due payment of any bill of exchange or note discounted by such bank in the regular course of its banking business," but also "for any debt which may become due to the bank under any credit opened or liability incurred by the bank for or on behalf of the holder or owner of such bill of lading, specification or receipt, or for any other debt to become due to the bank." Previously such security might be acquired only at the time when the debt to the bank was negotiated or contracted, but it now became lawful to take it by virtue of an understanding entered into at such time that it would be transferred, and the relative bill, note or debt might be renewed or the time extended without affecting

¹See pages 420 to 423.

the security. As a result of the increasing variety of the industries of Canada and of the products entering into its trade and commerce, the list of persons from whom security could be taken in the manner prescribed by the Act, and the list of goods, wares and merchandise which were available for such security, tended constantly to increase, and led to corresponding amendment of the law. Thus the list in the Act of 1871 was extended to include a "curer or packer of pork or dealer in wool," and in the case of the curing or packing of pork it was enacted that a receipt for hogs should apply to the pork made from such hogs. In the following year, by 35 Vict., 1872, c. viii, the provisions of the sections under consideration were again extended to "cereal grains in process of being converted into malt or flour, and to malt and maltsters, and also to hogs when converted into bacon and hams."

The schedule to the Act contained the names of nineteen banks and included all those in the provinces of Ontario and Quebec then making returns to the Government, except the Bank of British North America and La Banque du Peuple, for both of which special provision was made by certain sections of the Act. In Nova Scotia the Merchants Bank of Halifax, the Bank of Nova Scotia, and the Bank of Yarmouth were included, but not the People's Bank of Halifax or the Union Bank of Halifax. None of the New Brunswick banks, the Bank of New Brunswick, the St. Stephen's Bank, and the People's Bank of New Brunswick, were included.

The general Bank Act of 1880¹ continued the charters of the banks for another ten years, but did not make many important changes in the banking system. Sir Leonard Tilley² was the Finance Minister of the day, and at a conference

¹43 Vict., 1880, c. xxii.

²Sir Samuel Leonard Tilley (1818-96) was a native of Gagetown, N.B. After entering public life, he became Provincial Secretary of New Brunswick. He was a delegate to both the Charlottetown and Quebec conferences on the subject of the confederation of the Dominion of Canada. He was Minister of Customs of the Dominion 1867-73, Minister of Finance in 1873 and again in 1878-85, and Lieutenant-Governor of New Brunswick 1873-78 and again 1885-93.

with the bankers in Ottawa on March 18, 1880, indicated that the Government desired that any new legislation on the subject of banking should provide further safeguards for the currency, and that an additional part of the profit on the note circulation should inure to the country as represented by the Government. At a subsequent meeting held by the bankers, on motion of Mr. George Hague, general manager of the Merchants Bank of Canada, it was decided to suggest to the Minister that the notes of the banks should constitute a first charge on the assets of the issuing bank in the event of winding up or insolvency, and also that the lowest denomination to be issued by any bank should be five dollars. The bankers were unwilling to concede the principle that the Government should share in the profit to be derived from the note circulation, being of the opinion that the country derived a large incidental profit therefrom in the shape of lower rates of interest, but made their proposals in an endeavour to harmonize the views of the Government with their own in such a way as to cause the least possible disturbance to the commercial interests of the country. They further stated their desire for a renewal of the charters for a period longer than ten years, on account of the inexpediency of frequent changes in the legislation affecting banking. At a meeting held the following day the Minister of Finance mentioned some further points in connection with the proposed measure regarding which he desired to learn the views of the bankers. The most important of these were the question of government inspection of banks, the advisability of permitting loans to be made on the security of bank and other stocks,¹ and the duration of proxies. The bankers suggested that the English practice of requiring the shareholders to appoint auditors at their annual meetings should be adopted, that the banks should have power to lend on all stocks and bonds except bank stocks, and that the duration of

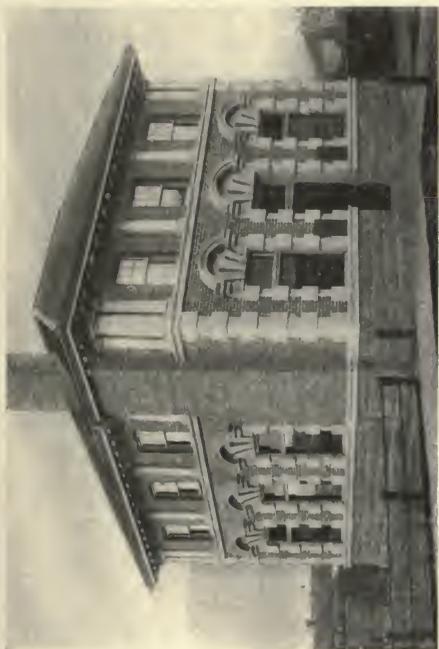
¹The power to lend on bank stocks had been taken away by an Act passed the previous year (42 Vict., 1879, c. xlv.), which amended the Bank Act of 1871 in this respect and also provided for the numbering of bank shares hereafter referred to.



VERNON, B.C.



PENTICTON, B.C.



KAMLOOPS, B.C.



NELSON, B.C.

proxies should be limited to three years. They also asked for the repeal of a law passed the previous year¹ requiring all bank shares to be numbered. This had been passed with a view to preventing speculation in bank stocks, but had proved a hindrance to legitimate business, while at the same time it failed to accomplish its intention. Almost all these suggestions were adopted, although no action was taken in the direction of extending the term of the charters or of providing for the compulsory appointment of auditors.

The new Act increased the minimum percentage of Dominion notes to be held in the reserves of the banks from one-third of the whole to forty per cent. A number of additional headings were introduced into the monthly returns. On the liabilities side there were three new subdivisions, one for deposits held as security for the due execution of Dominion Government contracts and for insurance companies, and the other two distinguishing loans from and deposits made by other banks in Canada, secured or unsecured, from amounts "due to other banks in Canada." A similar elaboration of the corresponding heading was made on the assets side of the return. This was an attempt to distinguish between a loan from another bank, or a deposit voluntarily made by one bank with another, and the balances due by one bank to another as a result of the daily exchanges; but as the resulting liabilities do not differ in character, the attempt was dropped in 1913. Other changes in the assets were the dividing of government debentures and stock, so as to show the securities issued by the Dominion Government separately from those of other Governments. Advances to municipal corporations were distinguished from those to other corporations. A heading was raised for overdue debts, *other than notes and bills discounted*, not specially secured. This was an endeavour to distinguish debts of a more or less permanently overdue character from items only casually overdue, but as the heading was worded so that its intention could be easily evaded it

¹42 Vict., 1879, c. xlv.

was dropped in 1890. Mortgages and real estate other than bank premises were separated from each other. At the foot of the return were given in the form of memoranda the average amounts during the month of the liabilities of directors and their firms, and of specie and of Dominion notes held. The returns bore the additional signature of the chief accountant as being the officer primarily responsible for their preparation. These changes came into effect in July, 1880. The Minister of Finance was also empowered to call for special returns, whenever necessary in his judgment, in order to disclose the condition of a bank.

The Act also contained a broader definition of the phrase, "goods, wares and merchandise," as used in the pledge sections. This was extended so as specifically to include saw-logs, petroleum, crude oil, "and other articles of commerce." The terms, bill of lading and warehouse receipt, were defined as including the various forms of receipts, specifications, acknowledgments and certificates heretofore mentioned in the Act, a change which made for brevity and clearness. The list of persons authorized to borrow from a bank on the security of their own goods by issuing a warehouse receipt was enlarged to include a saw-miller, manufacturer of timber, curer or packer of meat, tanner, or purchaser of agricultural products. The right of a bank to acquire and hold any warehouse receipt or bill of lading as collateral security was confined to the case of security "for the payment of any debt incurred in its favour in the course of its banking business." Provision was made for the exchange of a bill of lading for a warehouse receipt covering the same goods, and vice versa. Bank stocks were specially excepted from the list of securities on which a bank might lend. The improper assumption or use of the title of "bank" was made a misdemeanour and thereby became punishable by imprisonment. Bank-notes were made a first charge on the assets of the issuing bank, and the power to issue notes for \$4 was taken away, the minimum being now placed at \$5. The denominations of bank-notes were further

restricted to multiples of \$5, in order to prevent the use of notes for such sums as \$6 and \$7, which had been issued by certain banks in order to overcome any disadvantage arising from the monopoly of issuing notes for sums smaller than \$4 given to the Government in 1870. The duration of a proxy to vote at meetings of shareholders was fixed at three years. The old free banking Act of 1850, as it survived in the Consolidated Statutes, was formally repealed;¹ its practical effect had ceased long before. Any person receiving a payment from a bank might on request obtain up to fifty dollars in Dominion notes of \$1 or \$2.

During the decade preceding 1880 the limit placed upon the issue of Dominion notes, covered only partly by a specie reserve, had been increased from nine to twelve million dollars, with the proviso that a specie reserve of not less than fifty per cent. should be held against issues over nine million dollars.² In 1880 the Minister of Finance proposed a further extension to twenty millions with a reserve of at least fifteen per cent. in gold, ten per cent. in gold and securities of the Dominion of Canada guaranteed by the British Government, and seventy-five per cent. in Dominion of Canada debentures.³ This measure became law.

By an Act passed in 1883⁴ heavy penalties were imposed for an over-issue of note circulation. The amount of small Dominion notes which might be legally demanded by any person receiving a payment was increased from fifty to sixty dollars, and notes of the denomination of \$4 were included in the provision. The banks were called on to supply in their monthly returns information as to the amount of their Rest or

¹It had already been partially repealed by the Provincial Note Act of 1866 (29-30 Vict. c. x).

²By 38 Vict., 1875, c. v.

³43 Vict., 1880, c. xiii. The reserve requirements previously in force were one hundred per cent. in *specie* against issues over twelve millions; fifty per cent. in *specie* against issues over nine and up to twelve millions; and twenty per cent. in *specie* against issues below nine millions, the balance of the total issue to be covered by debentures of the Dominion of Canada.

⁴46 Vict., 1883, c. xx.

reserve fund and the rate per cent. of the last dividend declared by them. In 1888 the list of persons authorized to issue a warehouse receipt for their own goods, and pledge it to a bank as security for advances, was again enlarged to include a distiller.¹

The first important revision of the general Bank Act of 1871 was undertaken in 1890, after twenty years of experience had demonstrated its general capacity to meet the expanding requirements of the country, as well as its more serious defects. Many of the sections were rearranged, and a large number of minor amendments were made, giving satisfaction to both the banks and the business community, and rendering the Act at once more efficient and more intelligible. In most of these details the public manifested little or no interest. Other and more radical proposals, however, had been the subject of considerable popular agitation and discussion, which were reflected in the press and in Parliament; but public opinion is not the safest of guides in matters of a technical or professional nature, and even in the case of acknowledged evils, popular remedies are apt not only to be ineffective but also to divert attention from the real remedy.

Among the defects of the banking system which had been revealed were the following: First, the imperfect currency of the bank-note issues, which constituted, apart from small Dominion notes and coin for change-making purposes, almost the whole of the circulating medium of the country. While the notes were by law receivable at par by all branches of the issuing bank, they were not necessarily accepted at par by other banks, especially in the case of the notes of the smaller banks when presented at a considerable distance from the head office. This was an increasing inconvenience owing to the expanding inter-provincial trade of the country. Some of the larger banks had already arranged for the acceptance of their notes at par in all the provinces of Canada, but many others had not. Secondly, difficulties had resulted from the

¹By 51 Vict., 1888, c. xxvii.

delay in the redemption of the notes which took place between the date of the suspension of a bank and the time when its assets were ultimately realized. Thirdly, associated with the foregoing evil was a growing uneasiness in the public mind as to the soundness of individual banks. Public confidence had been considerably shaken as the result of certain disastrous bank failures between Confederation and 1889, for not only had the official bank returns given little or no indication of the actual condition of these banks, but subsequent investigation had revealed the most disquieting evidences of incompetence and even fraud on the part of the management. These conditions had caused a growing demand for more stringent measures to safeguard the public interest.

The most talked-of remedy to meet the first two of these defects was the adoption of the American system for securing the note issues. It was argued that if all the note issues of the banks were based upon public securities deposited with the Dominion Treasury, the bank-note currency would become a truly national one. If to this were added the requirement that the banks should hold in reserve a very considerable fixed percentage of their total liabilities in ready money, that is, in specie and Dominion notes, not only the ultimate but the immediate redemption of the notes would be guaranteed, while the other liabilities of the banks would be relatively more secure. Some advocated the adoption of both these features of the American system, while others considered that the fixing of a sufficiently high minimum of cash reserves would, with the double liability of the shareholders, provide the safeguard necessary. To remedy the third defect, in addition to the above requirements, a compulsory independent audit of the bank's books was suggested.

In view of the many expressions of public opinion in favour of these proposals, it was only natural that they should be adopted by the Minister of Finance when he came to prepare for the revision of the Bank Act in 1890. In the main he was supported in this by the executive of the Bank of Montreal.

When this attitude became known to the general body of Canadian bankers, mutual consultations took place, which resulted in a general conference at Montreal on January 11, 1890, attended by representatives of almost all the banks. At this conference strong protests were made against certain of the radical changes which were understood to be under consideration, and it was arranged that a deputation should wait on the Minister of Finance to learn the exact nature of his proposals and to present their side of the case.

A thoroughly representative delegation met the Minister of Finance on January 25. In reply to the request for information as to the changes which the Government proposed to make in the Bank Act, the Minister declined to commit himself or the Cabinet to a definite statement, but intimated that he would be pleased to have the views of the bankers. He mentioned, however, a number of points which had apparently been engaging his attention: First, the advisability of making the operation of the Bank Act permanent, instead of leaving it subject to a decennial revision; secondly, the best means for insuring the currency of all bank-notes at par throughout the Dominion; thirdly, the question as to whether the note issues of the banks were already sufficiently secured to guarantee their circulation at par, even in the case of the suspension or winding up of the issuing bank; fourthly, the wisdom of placing further restrictions on the maximum note issue of the banks so as to narrow the margin between the authorized and the actual note issue; fifthly, whether there should be prescribed a minimum reserve of specie and Dominion notes bearing a fixed proportion to the liabilities of the banks; and sixthly, whether any further precautions should be taken in connection with the establishment of new banks. The Minister suggested that the consideration of minor details might be left until the bill came down.

Most of the matters alluded to by the Minister of Finance had already been considered by the bankers, and certain members of the delegation had been specially selected to deal

with them. To Mr. B. E. Walker, of The Canadian Bank of Commerce, had been assigned the task of dealing with the questions affecting the note issues, and the proposal that the banks should be required to hold a fixed minimum of cash reserves. As the Minister of Finance had apparently made up his mind quite strongly in opposition to the general opinion of the bankers, and adhered to his views with much tenacity, these matters had to be gone into very thoroughly, both with the Minister and afterwards before the Prime Minister and the whole Cabinet. Mr. Walker pointed out that the idea of a fixed reserve and of a note circulation based upon government bonds, and therefore in practice limited in amount, had been obtained from the National Bank system of the United States, the characteristics of which were entirely determined by the financial conditions brought about by the Civil War in the United States. These conditions, however, were very different from the normal state of affairs in a country such as Canada, where the bank-note currency had been developed in conformity with the economic requirements of the country, and therefore responded to the variations in business activity. He demonstrated from the experience of the United States how ill-adapted the American system had become to the business requirements even of that country. The rigidity of the system prevented the automatic expansion and contraction of the note issue to meet the seasonal fluctuations in the demand for currency, and the practical result was a rise in interest rates at certain seasons of the year, which imposed a penalty on legitimate business. At other times the anxiety to find employment for a currency very costly to maintain in idleness, led through the central reserve system to its concentration in the larger centres, where it found employment at comparatively low rates in speculative dealings, from which it could not always be readily withdrawn without precipitating, or at least aggravating, crises in the money market. Most of these difficulties were avoided under the Canadian system, because the notes held in the head

offices of the banks and in their numerous branches did not become money until issued, and remained so only while in circulation, and to this feature both their efficiency and their economy were due. As Mr. Walker pointed out, if the head offices of the banks had to provide reserves for all the notes in possession of the branches, whether they had gone into circulation or not, branch banking with all its convenience to the trade of the country would be rendered impossible. As was pointed out by another member of the delegation, a fixed reserve being entirely useless for the purpose of redeeming notes, the banks must still hold their usual reserves in addition to this fixed amount. Thus, if the fixed reserve were placed at twenty per cent. of the note issue, the banks would require to keep reserves of at least thirty per cent.

In dealing with the other part of his subject, that is, the security of the note issues and particularly the steps necessary to ensure their circulation at par under all conditions and in any part of the country, Mr. Walker submitted to the Minister of Finance a plan which had met with the general approval of the bankers. The Act of 1880 had made the notes of a bank a first charge upon its assets in the event of failure. The bankers now proposed that this statutory charge should be strengthened by giving the notes precedence even over the priority claimed by the Crown under the common law for any debt owing to the Government.¹ Experience had indicated that the ultimate redemption of the notes in full was reasonably certain, even under the existing prior lien. The bankers therefore suggested the establishment of a fund to which all the banks would contribute, and the whole of which would be held by the Government for the purpose of redeeming on presentation the notes of any bank which might suspend payment and not be

¹This right of priority had been invoked by the Crown in the case of two banks which failed during the decade which preceded 1890; successfully in the case of the Maritime Bank of the Dominion of Canada in 1887, and unsuccessfully in the case of the Exchange Bank of Canada in 1888. The head office of the latter bank was in Montreal and the common law priority of the Crown did not exist in the civil law of Quebec. Breckenridge, *The Canadian Banking System*, pages 308 and 309.

able to make immediate provision for the redemption of its notes. As an additional precaution to maintain the notes of a bank at par after its suspension, it was proposed that they should bear interest at six per cent. per annum from the date of suspension until the date fixed by the liquidator for their redemption. This was intended for the encouragement and protection of the banks in accepting from the public the notes of any one of their number which might have fallen into difficulties, and to do away with the operations of speculators, who had in the past mulcted the unfortunate holders in such cases. The proposed fund was to be known as the "Circulation Security Fund," but when it came to be incorporated into the Bank Act its name was changed to "The Bank Circulation Redemption Fund." Provision was made for additional assessments in case of need, and for recouping the fund from the assets of a suspended bank for any payments made on its behalf. The original idea was that all the banks should contribute within a period of ten years to the extent of from two and a half to five per cent. of their average annual note circulation. As the exact extent of the Government's claim to priority was not free from doubt, and according to a decision of the courts in the case of the Exchange Bank had no legal existence under the law of the province of Quebec, the Government finally accepted the proposal of the bankers, and the amount due by a bank to the Dominion Government was made a second charge on its assets in the event of insolvency, and those due to the Provincial Governments a third charge. In return, the banks became mutually responsible for each other's note circulation. As an additional condition of assuming this responsibility, the bankers desired the enactment of stricter regulations governing the incorporation of new banks, so as to ensure good faith on the part of those applying for charters. The circulation of the notes at par in all parts of Canada was brought about by requiring the establishment of a redemption agency in the commercial centre of each province.

Another important contribution towards the improvement

of the Bank Act was made by Mr. Z. A. Lash on behalf of the Bankers' Section of the Toronto Board of Trade. He reviewed the manner in which the Act had from time to time enlarged the list of agricultural and other products, on the security of which, either as raw materials or as finished goods, the banks were allowed to make advances in order to facilitate their production, manufacturing or marketing. Much of this financing, however, was made possible only by a clumsy, indirect, and largely fictitious extension of the meaning of the term, "warehouse receipt." He advocated therefore that the banks should be given a general authorization to assist in financing the production and manufacturing of natural products, without individual articles being specified, and that if it was necessary for any good reasons to except a particular article it should be specially mentioned. These suggestions were largely embodied in the revised Act.

There was general and in the end successful objection to the reduction of the existing limit of the authorized note issue below the amount of the paid-up capital.

At a subsequent conference between the Minister of Finance and the representatives of the banks held on February 11 and 12, the Minister expressed his own views more freely. Dealing with the more important matters referred to above, he stated that he concurred with the bankers in their suggestion for securing the circulation at par throughout the Dominion of the notes of the various banks, and he indicated that each bank would be required to make provision to this end. As to the question of the general security for note circulation, he was prepared to accept in principle the proposal of the bankers for the establishment of a redemption fund. He outlined certain amendments which he considered necessary in the details of the scheme, and in all but one of these the bankers signified their willingness to concur. Exception was taken to his refusal to allow the notes of a suspended bank to bear interest at six per cent., and the bankers again strongly urged that this was necessary to speed up the process of liquidation

and to be fair to those individual banks which, owing to local or other conditions, might be obliged to take over an exceptional amount of such notes. In the end the bankers carried their point. At this interview only a few of the bankers raised any particular objection to a system of independent audit, as proposed by the Minister. But when the particular form of audit introduced into the bill came up later for discussion, there developed such general objections to it on the ground of its inquisitorial character, on the one hand, and its futility for securing the object sought, on the other, that the proposal was abandoned.

In spite of the strong arguments of Mr. Walker, supported by the representatives of almost all the leading banks, except the Bank of Montreal, the Minister still adhered to the requirement of a fixed reserve in specie and Dominion notes to the extent of ten per cent. of the liabilities of each bank. The attitude of the Bank of Montreal was attributed to two facts: first, that it was the chief agency of the Government in making and receiving payments and therefore inclined to be complacent towards the proposals of the Minister of Finance; and secondly, that as the government bank, it held on deposit without interest an average government balance about equal to ten per cent. of its total liabilities, and would therefore be virtually unaffected by the proposed legislation. Complaint was also made that the Bank of Montreal had held aloof from the conferences of the bankers among themselves and from their interviews with the Minister of Finance, and that this had prevented the other banks from meeting the arguments which it might offer in defence of its position.

Finding that it was impossible to modify the views of the Minister of Finance on the subject of a fixed reserve, the bankers appealed to the Prime Minister and the Cabinet. They were granted a hearing on February 22, when Mr. Walker, supported by Messrs. Hague, of the Merchants Bank of Canada, and Fyshe, of the Bank of Nova Scotia, reviewed the whole subject very fully. He demonstrated the futility of a

fixed reserve as a guarantee that a bank was able to meet its liabilities, much less that it was sound in its banking practice, and the evil effect that it would have in greatly reducing the capacity of the Canadian banks to assist the industry and commerce of the country. Indeed, it would actually jeopardize the financial stability of the banks, since it would tend to aggravate temporary financial difficulties by rendering speculative much of the stable business of the country. In the end the representations of the bankers prevailed; hence, when the bill was finally brought down, it contained no reference to a fixed reserve. The details of the measure were carefully considered by the representatives of the banks, the Bank of Montreal co-operating with the others as soon as the question of general policy was settled.

The principal changes made in the Bank Act of 1890, as finally enacted, may now be recapitulated as briefly as possible. The amount of paid-up capital required before a new bank could commence business was increased from \$100,000 to \$250,000, and a time limit of one year from the date of the charter was set for securing the necessary capital and complying with the other legal preliminaries to commencing business. Provision was made for reducing the capital stock of a bank in case of need. The notes of a bank were made the first charge upon its assets in case of insolvency, the amount due to the Government of Canada a second charge, and the amount due to the Governments of any of the provinces a third charge. The establishment of the Bank Circulation Redemption Fund has been referred to already.¹ Each bank was called upon to contribute to this fund to the extent of five per cent. of its average circulation, to be paid in two annual instalments of two and one-half per cent., and provision was made for subsequent annual adjustments. The fund is held by the Minister of Finance and bears interest at three per cent. per annum. Each bank had also to make provision for the redemption and payment of its notes in a designated city in

¹See page 459.

each province. Curiously enough, the provision authorizing the signing of notes by machinery, which dated back to the old days of individual charters, but which was seldom, if ever, availed of, was amended to require one signature to be in the actual handwriting of the person authorized to sign. Scarcely had another decade run its course, when the growth of the business of Canada, and the consequent increase in the demand for notes, caused this seemingly unimportant restriction to bear with constantly increasing weight on the larger banks,¹ and it was done away with in 1913.

Before dealing with the changes introduced into the "pledge" sections of the Act in 1890, it will be well to indicate briefly their importance to the commerce and industry of Canada. From early days the successful marketing of certain of the most important natural products of Canada, notably grain and timber, has called for the employment at certain seasons of much larger sums of money than could be profitably utilized as capital throughout the year. This would be an ideal field for bank advances, were it not for the fact that experience has shown that the amount of money required is beyond that which can prudently be lent on the basis of the amount of capital usually employed in such kinds of business, unless definite and tangible security is forthcoming. Were the customer forced to capitalize his business sufficiently to entitle him, according to the accepted standards of prudence in such matters, to the accommodation he requires, a large part of his capital would lie more or less idle during part of the year, and it is obvious that the result of this must tend to increase the margin of profit on the business which he does in order that his capital may earn enough to justify its being employed in this manner; in other words, he will be forced to pay less for the natural products, such as grain and standing timber, which he buys. In the case of grain the farmer, in the case of timber the country as a whole, as represented by the Government, would be the loser. The banks found that, when

¹See page 547.

they made advances in dependence upon the good faith of the customer alone, some subsequent creditor would frequently come along and seize those assets of the customer which were vital to the repayment of the advances. It is, of course, open to the banker to ask for an endorser, or he may, if permitted by law, take some form of mortgage or pledge of his customer's goods or other property. In the earliest days of banking in Canada it will be found that an endorser's name was always taken. Experience, however, taught the banks that accommodation of that kind was almost invariably reciprocal. However good the name of the endorser might appear at the time of making the loan, it was almost invariably found, when trouble came, that he in turn had borrowed from another bank on the name of the friend for whom he had endorsed. On the other hand a Canadian bank is prohibited from lending on mortgage or on the security of goods except as authorized by the Bank Act. Subject to certain conditions a bank may lend against a bill of lading or warehouse receipt, but in the case of grain and lumber these forms of security do not meet the practical requirements of trade. Nor would the removal of the prohibition against lending on the security of a chattel mortgage meet the case. Such a mortgage is an equally impracticable form of security, and in addition, it is not comparable in simplicity or economy of expense to the customer with the form of pledge authorized by section 88 of the Bank Act.¹ On many occasions when the capital of a customer is small, the ability to take this simple form of security has turned the scale in his favour, and has enabled a bank to make advances which otherwise it would not have been justified in doing. Probably no classes in

¹If it be argued that a bank takes no greater risk than the wholesaler does in selling to his customers, and that it should be content with the same security, namely, the general credit of its customer, it must be remembered that the wholesaler aims to make a profit on each transaction which often amounts to from 15 to 20 per cent., while the bank earns only 6 or 7 per cent. *per annum* gross, the mere interest value of the money. The wholesaler is therefore in a very much better position to recoup himself for the losses he sustains.

the community are so interested in the maintenance of the powers given to the banks by these sections of the Bank Act as are the farmers and the wage-earners. The farmer's ability to turn his grain crops into cash is largely dependent upon the ability of the grain buyer and the flour miller to borrow from the banks to an extent to which their capital does not entitle them without the safeguards provided by these sections of the Act. Without these provisions the men engaged in these industries must buy their raw materials largely on credit, giving the farmer grain tickets redeemable only when the grain represented thereby, or the resulting flour, has been sold and paid for, or else stored in a public warehouse, and a negotiable receipt issued for it. The men in the woods would likewise be dependent for the payment of their wages in cash on the sale of the lumber which was the product of their labour in the woods and mills. The interest of the banks in this matter coincides with that of the farmers and the wage-earners, but is comparatively of small moment.

The arguments of Mr. Z. A. Lash on behalf of the Bankers' Section of the Toronto Board of Trade, in connection with the changes in the "pledge" sections of the Act, have already been mentioned. The new clauses were drafted under his keen eye and embodied the results of his ripe knowledge of law and banking. The fictitious extension of the term, "warehouse receipt" was abolished, and such a document, to furnish valid security, had in future to be issued by a person having the goods actually in his possession as bailee in good faith and not as owner. The powers of a bank to lend money against the security of goods, wares and merchandise, in place of being confined to a limited and illogical list of persons engaged in certain kinds of business, were extended to include all those engaged in wholesale manufacturing and all wholesale dealers in agricultural and certain other products, and a simple form for taking the security was provided by the Act.

In addition to the returns already made by the banks,

they were required to send to the Minister of Finance annual lists of unclaimed balances and of dividends unpaid for over five years. It was expressly enacted that the liability of a bank for the payment of deposits or dividends should continue indefinitely, notwithstanding the statute of limitations or any other law relating to the prescription of debt; and in pursuance of this, provision was made, in the event of winding up, for the transfer to the Government of Canada, after a certain lapse of time, of a bank's liability for notes issued, deposits and dividends. A bank is prohibited from charging any discount or commission for cashing an official cheque of the Government of Canada, whether drawn on itself or on another bank. The changes made in the monthly returns to the Government were in the direction of simplicity and consistency rather than of added complexity. The number of headings was reduced by the omission of some of those which were least important from the point of view of revealing the condition of the affairs of a bank. Thus the subdivisions of current loans other than those to the Dominion and Provincial Governments were abolished. A new item of information called for was the greatest amount of notes in circulation at any time during the month. This was a corollary of the penalties for over-issue.

During this revision the value of constant and close co-operation between the representatives of the various banks, the need for which, as already mentioned,¹ had been felt as early as 1868, was so clearly demonstrated, that steps were shortly afterwards taken to form a permanent organization of the banks under the name of the "Canadian Bankers' Association." Ten years later, in 1900, this Association was incorporated by Parliament, and given power to establish and, subject to the approval of the Dominion Treasury Board, to regulate the operations of clearing-houses. In the revision of the Bank Act which took place during the same year, the Government took a new and far-reaching departure when it

¹See pages 116 and 441.



STRATHROY, ONT.



STRATFORD, ONT.



ST. THOMAS, ONT.



BARRIE, ONT.

conferred on the Association certain important additional statutory rights and duties. These were the appointment of a curator to take charge of the affairs of any bank which might suspend payment, and the supervision of the printing, distribution and destruction of the note issues of the banks. In this manner the influence which the Association had already exercised for the improvement and safeguarding of the Canadian banking system was officially recognized, and this recognition and the informal but powerful prestige of its expert opinion have enabled it to exercise a control over the banks altogether beyond the range of its official duties. The experiment of conferring upon it definite legislative powers to deal with certain banking matters proved so successful, that later legislation, as will be seen hereafter, enlarged their scope. The apparent elimination, within the past twenty years, of many objectionable practices on the part of individual banks must be attributed largely to the influence wielded by this important body and by the men who have been most prominent in its councils.

Apart from the additional powers thus conferred upon the Canadian Bankers' Association, the amendments made to the Bank Act by the revision of 1900¹ were not of much importance. Provision was made for the carrying out of an agreement for amalgamation between two banks. The rate of interest payable on the notes of a suspended bank was reduced from six to five per cent. per annum. A new return containing a list of all drafts or bills of exchange unpaid for five years was required. Some slight changes were made in the headings of the monthly returns, the most important of which served to distinguish the deposits and loans of the banks inside Canada from those outside Canada. Some amendments were made to the pledge sections, one granting the power to lend upon the security of standing timber and the right or license to cut and remove it, and the others principally facilitating the practical working of powers already granted. The products of the

¹63-64 Vict., 1900, c. xxvi.

quarry were added to the list of those mentioned in these sections.

By an amendment to the Bank Act passed in 1905¹ the limit of ten placed upon the number of directors of a bank was removed. The rapid growth of the Canadian banks had made this change desirable. It will be recalled that at the time of the revision of 1890 the Minister of Finance had proposed to reduce the limit of authorized note issue below the amount of paid-up capital, because of the wide margin that existed between the actual and the authorized amount of note issue.² Eleven years later, conditions in this respect had greatly changed and vindicated the action of the bankers in 1890 in opposing the Minister's views. Commencing about 1901, the growth in the volume of business in Canada caused the note circulation at certain seasons of the year to be with difficulty kept within the statutory limit. The expedients to which the banks, and The Canadian Bank of Commerce in particular, were forced, in order not to violate the law in this respect, have been referred to on several occasions in this volume.³ The first relief from this difficult situation was obtained in 1908, when to meet the need for a temporary increase of the note issue during the season of moving the crops, each bank was authorized during the months of October, November, December and January to issue notes in excess of paid-up capital to the extent of fifteen per cent. of its combined unimpaired paid-up capital and reserve fund.⁴ These excess issues are subject, while they are outstanding, to the payment of interest to the Dominion Government at a rate to be fixed by the Governor in Council, with a maximum of five per cent. per annum.⁵

The revision of 1900 had extended the charters of the various banks until July 1, 1911. As the Government was not prepared to take up the revision of the Bank Act during the

¹4-5 Edward VII, 1905, c. iv.

²See page 456.

³See chapter IV.

⁴By 7-8 Edward VII, 1908, c. vii.

⁵The maximum rate of five per cent. has always been charged on these note issues.

session of 1911, an Act was passed extending the charters for one year,¹ and this procedure was again adopted in 1912.² The period during which excess circulation might be issued had been found to be too short, and the Act of 1912 extended it so as to include the two months of September and February. No further change has been made in this respect, and the present limits are from September 1 to February 28.

The last thorough revision of the Bank Act took place in 1913,³ and reflects the highly developed condition to which Canadian trade and industry had by this time attained. While following the established principles of the Canadian system, this Act continued its historical development on sound constructive lines. There is need to refer only to the more important changes which were found expedient in order to make the system a more efficient servant of the economic interests of the country.

The interpretation clauses are elaborated more fully than in previous Acts. The details to be furnished in the monthly bank statements, especially in the case of the liabilities, are not so numerous as in some of the former Acts. The classification of the assets is made to depend upon the character of the investments of the bank and the directions in which its credits are extended. "Bills payable" and "Acceptances under letters of credit" are two new headings giving information not hitherto afforded, both being in some degree the outcome of the opening of branches outside Canada, particularly in Great Britain, and of the great growth of Canadian commerce and banking during recent years. The continued discussion of the problem of an adequate audit of the books of the banks, so as to prevent the development of objectionable practices, led finally to the framing of requirements for a shareholders' audit, under the supervision of the Canadian Bankers' Association and of the Minister of Finance. The Association, subject to the approval

¹1-2 Geo. V, 1911, c. iv.

²2 Geo. V, 1912, c. v.

³3-4 Geo. V, 1913, c. ix.

of the Minister of Finance, is called upon to prepare an annual list of not fewer than forty persons competent to act as auditors. From this list the shareholders have to select one or more auditors to inspect the books of the bank. The Act confers adequate authority on the auditors to make the necessary inspection, and prescribes the nature of the information to be given in their report, which is to be submitted at the annual meeting of the shareholders. The Minister of Finance may appoint auditors when the shareholders of a bank omit to do so, and may also call for special reports. In response to the prolonged demand for direct assistance to farmers, as distinguished from dealers in farm products, the banks were authorized to lend money to a farmer upon the security of the threshed grain grown upon his farm.¹

An interesting provision of the Act, dating back to 1899, and enlarged in 1904,² allows a Canadian bank to issue notes for circulation in any British possession other than Canada, unless prohibited by local law. These notes may be issued in pounds or dollars, but they may not be re-issued in Canada. An important new provision was the establishment of the "central gold reserves" to enable the banks at any period of the year to increase their note issues beyond the statutory limit of unimpaired paid-up capital. The fund is in charge of four trustees, three appointed by the Canadian Bankers' Association and the fourth by the Minister of Finance, and the Association is empowered to make regulations and by-laws for its custody and management. Deposits in the reserves consist of current gold coin or Dominion notes, and may be made or withdrawn at any time, provided in the case of withdrawals that the balance at the credit of the withdrawing bank is not reduced below the amount of its excess note issues then outstanding.

¹A further step in the same direction was taken in 1916, when an amending Act (6-7 Geo. V, c. x.) was passed, authorizing a bank to lend money to a farmer or to any person engaged in the raising of live stock upon the security of his stock, and prescribing the form of the security and the powers given over it in the event of non-payment of the loan.

²See 62-63 Vict., 1899, c. xiv., and 4 Edward VII, 1904, c. iii.



COBALT, ONT.



CANORA, SASK.



ELBOW, SASK.

It is not necessary to attempt to set forth here the temporary but more or less revolutionary legislation affecting banking and currency enacted at the outbreak of the Great War. How far the trade and financial conditions produced by the war may prove to be of a temporary nature, or how far they may be permanent, cannot be determined at present. In any case the Act of 1913, passed just before the outbreak of the war, was a very thorough revision of the banking law of the country. As may be learned from the history of the development of the leading features of the Canadian banking system as traced in this chapter, the present Bank Act embodies the results of a century of evolution rather than of revolution.

APPENDICES
TO
VOLUME II.

APPENDIX I.

DAWSON BRANCH.

MEMORANDUM AS TO MOVEMENT OF STAFF AND SUPPLIES, AND LIST OF REQUIREMENTS (ISSUED 1898).

1. Supplies going in by Dyea will be shipped from Toronto as soon after April 1 as possible. Two members of the staff will accompany the shipment, and get everything forward over the pass to Lake Bennett. The remaining members of the staff will leave Toronto about May 1, and join the advance party about May 14 at Lake Bennett.

2. Of the supplies, clothing, etc., required by the members of the staff, the items in the list herewith marked "A" should be shipped with the advance goods about April 1. Everything should be sent to the Stationery Department to be prepared for shipment.

The items in list "B" will be taken by the staff as their personal baggage and accompany them during the trip to Lake Bennett, where they will join the advance party.

The items on the list marked "C" will be shipped in with the first consignment to St. Michael. They should be sent to the Stationery Department to be packed and forwarded.

The lists indicate which of the articles the officers should select for themselves and which will be ordered forthwith by the bank.

3. Supplies to go in by steamer by St. Michael will leave *Seattle* about June 10. Goods should be in the hands of the Stationery Department, Toronto, towards the latter part of May, say May 20.

A. *Supplies and clothing required by staff, to be sent with advance shipment (for each member).*

1. 2 suits of light underclothing for hot weather (when the thermometer reaches 80 to 90).
2. 4 flannel shirts.
3. 3 pairs stockings.
4. 1 pair slippers.
5. 1 pair stout laced boots.
(The above articles will probably not be required until arrival at Dawson City and should be packed separately.)
6. 1 sweater.
7. 1 pair long rubber boots.
8. 1 sleeping robe of fur.
9. 1 rubber blanket.
10. Supply of mosquito netting.

The last four items—Nos. 7 to 10—will be ordered by the bank. The members of the staff should advise the Stationery Department of the size of boot usually worn by them.

B. *Supplies required by staff, to be taken with them either in use or as baggage (for each member).*

11. 1 ordinary tweed suit, to be worn from Toronto to Dyea.
12. 1 stout suit, to be used from Dyea in.
(All clothing should be made of closely-woven woollen material.)
13. 1 suit of overalls.
14. 1 good pair of ordinary wearing boots.
15. 1 waterproof overcoat.
16. 2 suits of warm underclothing, closely woven.
17. 2 flannel shirts.
18. 3 pairs of stockings.
19. 1 revolver and ammunition.
20. 1 large pocket knife (supplied by the Stationery Department).
21. Towels and soap.
22. Brushes, combs, etc.
23. Small case containing needles, thread, scissors, buttons, etc.

C. *List of clothing, etc., for each member of the staff, to be sent in via St. Michael in July, and to serve until the shipment via river in July, 1899.*

(The articles should be sent to the Stationery Department about the middle of May.)

2 good suits, with a pair of knickerbockers, in addition, for each.

2 dozen pairs good woollen stockings.

6 pairs German stockings.

1 extra pair long rubber boots.

1 extra pair stout leather boots.

Moccasins (as many pairs as possible, at least 6 pairs each).

An extra sweater.

2 or 3 white shirts and some collars.

Fur coat (Coon).

Fur cap.

3 pairs closely knit wool mittens.

2 pairs Arctic overshoes.

1 overcoat (heavy).

1 overcoat (light).

6 flannel shirts with collars.

2 suits warm underclothing.

Neckties.

Supply of towels, soap, etc. Brushes, combs, etc.

Any additional articles for comfort that each may desire.

APPENDIX II.

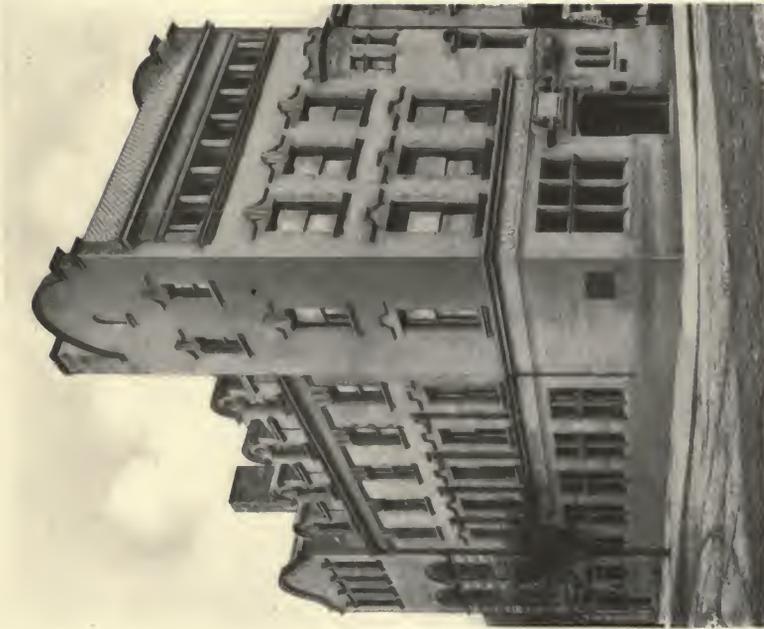
YUKON GOLD PRODUCTION.

The following tables give, first, the annual output of gold from the Yukon and the amount of royalty collected, commencing with the fiscal year 1897-98, and second, the shipments of gold from the Yukon made by The Canadian Bank of Commerce. The figures in the first table have been supplied by the Department of the Interior.

Fiscal Year	Gold Production	Royalty Collected
1897-1898.....\$	3,072,773 20	\$ 273,292 82
1898-1899.....	7,582,283 02	588,262 37
1899-1900.....	9,809,464 64	730,771 99
1900-1901.....	9,162,082 79	592,660 98
1901-1902.....	9,566,340 52	331,436 79
1902-1903.....	12,113,015 34	302,893 48
1903-1904.....	10,790,663 12	272,217 96
1904-1905.....	8,222,053 91	206,760 87
1905-1906.....	6,540,007 09	163,963 25
1906-1907.....	3,304,791 05	82,622 42
1907-1908.....	2,820,161 60	70,504 65
1908-1909.....	3,260,282 80	81,507 07
1909-1910.....	3,594,251 20	89,844 10
1910-1911.....	4,126,727 60	103,168 19
1911-1912.....	4,024,236 75	100,606 29
1912-1913.....	5,018,411 85	125,460 52
1913-1914.....	5,301,507 60	132,537 69
1914-1915.....	4,649,634 40	116,241 04
1915-1916.....	4,458,278 00	111,457 19
1916-1917.....	3,960,206 99	99,007 92
Totals.....	\$121,377,173 47	\$4,575,217 59



TORONTO, ONT.
Market Branch.



TORONTO, ONT.
Bloor and Yonge Branch.

YUKON GOLD PRODUCTION

479

Year	Amount Shipped by Bank
1898.....	\$ 2,323,120
1899.....	3,860,764
1900.....	5,875,479
1901.....	6,893,063
1902.....	5,309,094
1903.....	4,808,617
1904.....	5,682,226
1905.....	3,907,932
1906.....	2,642,990
1907.....	1,224,703
1908.....	1,468,724
1909.....	1,007,293
1910.....	555,290
1911.....	692,470
1912.....	205,675
1913.....	109,746
1914.....	51,655
1915.....	105,691
1916.....	110,901
1917.....	108,338
	\$46,943,771

APPENDIX III.

MARINE INSURANCE DURING THE GREAT WAR.

MEMORANDUM REGARDING THE MARINE AND WAR RISK INSURANCE PLAN OF THE BRITISH GOVERNMENT.

(Drawn up by Mr. J. W. Flavelle¹ in August, 1914)

Neither Lloyds nor any of the marine insurance companies at any time issue policies covering war risks upon the hulls of ships, but do issue policies covering war risk upon the cargoes contained in the hulls. Because such war risks on hulls cannot be written, there have grown up among shipowners powerful mutual syndicates and it is from these that insurance against war risks has been secured for many years. When the British Government, therefore, was considering the whole problem, it entered into conference, and afterwards into a working arrangement, with these powerful mutual organizations as far as insurance upon hulls is concerned.

The arrangements as completed are:

1. The Government and the mutual syndicates assume war risk and issue a policy covering ships' hulls, the Government being responsible for eighty per cent. and the mutual association for twenty per cent., the premium being divided between the two bodies *pro rata* to the insurance. I do not know whose policy issues upon the hulls, but the Government's responsibility for eighty per cent. is assured.

2. The Government assumes the full underwriting of the cargoes, and the Government's policy is issued covering the insurance.

3. Under the arrangement the maximum rate is fixed at five guineas per cent. and the minimum rate at one guinea per cent., as far as cargoes are concerned. What the rate is on the

¹Now Sir Joseph Flavelle, Bart.

MARINE INSURANCE DURING THE GREAT WAR 481

hull I do not know. The rate is a flat one, the same from and to every port in the world where the Government offices will assume the risk. The underlying fact is not one of underwriting, but one which will keep ships moving—therefore the flat rate. The committee in charge had determination of the rate between the maximum and minimum as above.

As a matter of practice, observe that inasmuch as the war insurance can only be secured from the combined Government and syndicate, as above indicated, shipowners will not move their vessels except when they can secure such insurance. This was the position last week when for a period of forty-eight hours Government insurance was withheld upon the hulls, as well as cargoes, from ports north of Philadelphia. During this time it was possible to underwrite with Lloyds, or any other first-rate maritime company, war risks upon the cargoes of vessels in ports to sail forthwith. But this was really useless precaution, as the ships would not sail until the shipping companies could secure insurance upon the hull. In this connection note that the Government's withdrawal of insurance from any port for any length of time, or the re-establishment of the insurance by the Government later, applies simultaneously to hulls and cargoes, and therefore when a vessel sails it means that the hull can be insured and that merchants at the same time can effect Government insurance of the cargoes.

At the moment the rate upon the cargo is four guineas per cent. Please note that the Government insurance is only applicable to ships flying the British flag and of a certain standard, the standard to be determined from time to time by the committee which has charge of the whole matter. Insurance ought to be secured through a reputable firm of brokers, who will keep fully in touch with the conditions which may from time to time be established by the committee governing the business.

You are probably aware that the Government has two objects to secure by the insurance.

1. The movement of food products from all ports to this country.¹ To do this they recognize they must give owners and merchants confidence that their loss can be defined by the amount of premium for war risk which they would have to pay upon the hull and upon the cargo. To lend added security it was determined that the maximum rate would not be more than five guineas per cent., and that to protect the Government the minimum rate should not be less than one guinea per cent.

2. The other object was to insure transportation for manufactured products from Great Britain, thus enabling manufacturers to continue giving employment to their work-people, and thereby measurably limiting the extent of the distress which will be occasioned because of the war.

¹This memorandum was drawn up in England.



TORONTO, ONT.
Yonge and Queen Branch.



TORONTO, ONT
Spadina and College Branch.

APPENDIX IV.

THE BANK PREMISES DEPARTMENT AND ITS BUILDINGS.

The task of providing with suitable premises and up-to-date equipment a modern Canadian bank possessing hundreds of offices and agencies in all parts of Canada, were it suddenly thrust upon any individual, would indeed be a Herculean one. It would be a great feat, if accomplished within the span of an ordinary lifetime. In the early days the customer sought the bank, and this simplified the problem of providing premises. With the development of the country and of banking came an increase of competition, and the demand that the convenience and comfort of customers should receive fuller consideration. The banking office as a mere adjunct to the manager's residence gave way to one centrally located as regards the business community of the town, and equipped with safeguards against theft, burglary and fire. Iron safes gave place to those of steel, key locks were replaced by combination ones, vaults were lined with steel, and finally to these precautions were added the time-lock, that most effective barrier to any unauthorized intruder save the expert cracksman. Later on, as the demand arose for such conveniences, the safety deposit box provided a place of safe-keeping for customers' valuables. The result is that many branches, even in comparatively small towns, now have premises and equipment that in early days would have been considered elaborate even for a head office. At the present time (1918) The Canadian Bank of Commerce owns 576 safes, 420 time-locks and 17,787 safety deposit boxes.

The policy of The Canadian Bank of Commerce at first was to rent premises except in the larger cities; only the head office and a few of the branches, for instance, Chatham, Sarnia and Ottawa, were housed in buildings owned by the

bank. The principal reason for this was that land and buildings, particularly those suitable for occupation by a bank, could not be considered as desirable assets for a young institution, because they cannot readily be rendered available to meet its liabilities. In addition, all the offices of the bank, except those in Montreal and New York, were at this period confined to Ontario, and a building erected about this time in an Ontario town was in danger of being left stranded by the shifting of business to a new local centre. Many of the buildings which the bank did own had come into its hands as a result of seemingly inevitable circumstances, or of an opportunity to make a favourable purchase which could hardly be passed by. As an instance may be cited the Hamilton office, which was acquired as a result of the purchase of the business of the Gore Bank in 1869. The building had been used for many years as the head office of the latter bank, and has ever since housed the branch of The Canadian Bank of Commerce in Hamilton. As a rule, however, the policy of renting premises was carefully adhered to in all the smaller places, in spite of certain drawbacks, which became more noticeable as time went on. The long lease necessary to ensure a reasonable rental often prevented an advantageous change in location as a town grew and its business centre shifted, while a short one meant undesirable changes, or almost invariably, a heavy increase in rent as the business of the branch developed. It also became more and more necessary, as competition increased and the bank grew, to ensure that the bank's premises should present an attractive appearance, and this required the expenditure of considerable sums of money for which the bank could have little assurance of reaping an adequate return. There followed an attempt to solve the problem by arranging with local customers or capitalists to erect buildings for its occupation from plans either prepared by its own architects or approved by them. These buildings proved highly satisfactory in every respect, save that the bank was still a tenant, and the improvements

which it might make at its own expense benefited the owner more than itself.

The need for a change in policy was pressed very forcibly on the management when the opening of branches in the West came to be considered. In that new country premises of any kind were not to be rented; the demand for accommodation far exceeded the supply, and in addition to an office for the bank, provision must be made for housing the staff. Towns were springing up in a night, and if the bank was to live up to its ideals of national service it must not refuse to provide the banking facilities so strongly in demand. When the decision was reached to open a branch in what is now the capital of one of the western provinces, a wealthy local firm undertook to erect a building and to lease it to the bank. In answer to the bank's enquiry how much money they were prepared to spend upon the building, the firm replied that it was a matter of indifference to them, but that they would expect a return of eight per cent. per annum on the capital invested. The bank had at that time a very vague idea as to the number of branches that it would be necessary to open, but it was apparent that such a rental charge would prove an impossible handicap to its operations at the outset, and would be certain to increase as leases fell in. The probability was that the bank's success, if success could be achieved under such conditions, would redound almost entirely to the profit of its landlords in the form of higher rentals as values increased.

At first glance the only alternative policy seemed to be an investment in premises to an extent which would have been unwise for an institution anxious to keep its funds available for the development of Canada. On enquiry, however, it was found that bonds issued against property from which a steady income was derived by way of rentals would find a ready market. At this period such bonds, maturing in fifteen or twenty years, could be sold on about a $4\frac{1}{2}$ per cent. interest basis, so that rents fixed at from five to seven per cent. of the

cost of the buildings would provide not only for the interest payments, but also for a sufficient sinking fund to retire the principal at maturity. If such a method could be adapted to the circumstances of the bank, the latter would be enabled to keep its overhead expenses in the matter of rentals at a satisfactory level. The stock of a holding company formed to meet the bank's requirements, to purchase sites chosen by it and to erect such buildings as its business required, would prove an attractive investment for outsiders, but it was deemed wise to confine the ownership to the bank itself. In this way not only would any financial benefit be retained, but the operations of the company could be controlled to the best advantage; and the experience gained from the buildings erected in accordance with the bank's own designs satisfied the management that the course proposed would prove practicable and satisfactory. The plan seemed eminently desirable, but there was the one objection that the bank would surely be criticised for practically placing a mortgage on its premises. It was felt however, that mere criticism should not be allowed to stand in the way of what seemed in every way in its best interests when all the circumstances were known.

Accordingly the Dominion Realty Company, Limited, was formed in 1903, and incorporated under the Dominion of Canada Companies' Act with a capital of \$500,000. The capital has since been increased from time to time, until it stands at \$5,000,000 authorized, of which \$3,150,300 had been issued up to November 30, 1918. Licenses to transact business were obtained in all the provinces of Canada, and work was commenced without delay.

It was decided that the bank's investment in the shares of the Company should be written off each year and that the total should be carried on its books at the merely nominal figure of \$1, in order that no criticism might attach to any item in the assets column of the bank's balance sheets. As bonds are issued to the extent of only half the cost of the property included in the relative mortgage, and the stock issued to the



TORONTO, ONT.
Bloor and Lippincott Branch.



TORONTO, ONT.
Danforth and Broadview Branch.

bank for the balance is written off, the practical result is to carry the buildings at half their cost. Some years later it was decided to follow a similar policy in respect of those buildings which for one reason or another are carried in Bank Premises Account. In 1910 the general manager, Mr. Alexander Laird, addressing the shareholders at the annual meeting, stated that the directors proposed, after certain large buildings then in hand were completed, "that the bank's investment in Premises Account shall be carried at a figure not exceeding fifty per cent. of their value."

The first properties purchased by the Dominion Realty Company, Limited, were those on which the following buildings now stand: Spadina and College, Toronto; Orangeville, Ont.; Sydney, N.S.; Edmonton, Alta.; Portage la Prairie, Man., and Kamloops, B.C. In 1904 there were added Ayr, Blenheim, Cayuga and Seaforth, all in Ontario; Innisfail, Alta.; Middleton, N.S.; and St. John, N.B., and the erection of buildings was commenced at all the places mentioned except Sydney. All of them were buildings of substantial masonry, with the exception of Innisfail, which was constructed of British Columbia fir. The future of the newer places in the West was as yet too uncertain to warrant the erection of permanent buildings, and in such a trial was made of the so-called portable buildings, manufactured by various mills and shipped in sections. The buildings shipped to San Francisco after the great earthquake and fire of 1906, with the idea that they might be useful there, were of this character.¹ These were the prototype of the well-known pedimented and pilastered buildings occupied by so many of the branches in the West, of which the type is that erected at Carman, Man.,² from designs by Messrs. Darling and Pearson, of Toronto.

The first buildings erected by the Dominion Realty Company were completed in 1905, and in the following year the first issue of its bonds, running for fifteen years, was sold

¹See plate 48, facing page 290.

²See plate 65, facing page 470. The Canora building is of the Carman type.

on a 4½ per cent. basis. The rate is, of course, governed by market conditions at the time of sale, and the Company has had to face the great advance in rates of interest which took place during the war. The last issue of its bonds was sold on a six per cent. basis, and matures in twenty years. All the bonds are held by outside corporations and other interests in no way connected with the bank.

At first the Company's buildings were planned by various architects, and a superintendent of construction was employed to see that the necessary plans were forthcoming, tenders obtained and the resulting contracts carried out. As the demand for buildings increased, not only owing to the expansion of the bank's business, but also because of the excellent results of the new policy of erecting premises, this was found unsatisfactory, and in January, 1910, it was decided to add to the Company's staff an architect who would devote his whole attention to the bank's buildings and their special requirements. In this way it was hoped also to secure a harmonious architectural result that would stamp the buildings of The Canadian Bank of Commerce wherever erected. The Company was fortunate in securing the services of Mr. V. D. Horsburgh, F.R.I.B.A., of Edinburgh, who has since that time designed all its buildings. A corps of building inspectors was trained, so that the Company is in a position, if circumstances warrant, to erect a building with its own staff, secure in the knowledge that plans and specifications will be complied with and the best of workmanship obtained. Many buildings have thus been erected at a lower cost than could be obtained by tender. The fact that the services of an architect and of a staff of trained draughtsmen and inspectors are available to the bank, has also been of great benefit to it in connection with the repair and alteration of existing buildings. The amount saved in architectural fees alone has so far been sufficient to meet all the expenses of the Company's management.

Up to 1912 all the work connected with the selection of sites, the passing of plans, the supply of equipment and the supervision of alterations, repairs and renovations of the bank's premises, was performed by officers of the inspection department, but in that year, in order to enable that department to give its whole attention to matters properly pertaining to banking, it was decided to establish a bank premises department, the supervisor of which would be responsible to the general management for the administration of the affairs of the Dominion Realty Company, Limited, and of all the properties belonging to it and to the bank.

The results of the new policy have proved even more satisfactory than was expected by those responsible for it, and there can now be no question as to its wisdom. Great care has been exercised in the choice of sites and the erection of buildings, and notwithstanding the shifting of business caused by such changes as the opening of new branch lines of railway, it has been found necessary to move only six of the portable buildings. When the amalgamation of the Eastern Townships Bank occurred, the Dominion Realty Company took over such of its properties as continued to be occupied by branches of the bank, paying for them in cash the value at which they stood on the books of the Eastern Townships Bank. An appraisal made in 1914 showed an appreciation of thirty-one per cent. in the value of the properties owned by the Company. At the beginning of 1918 it owned 219 buildings occupied by the bank, as well as many sites for branches which still occupied rented premises or had not yet been opened. Allowing for all bonds outstanding, the bank and the Dominion Realty Company together held on November 30, 1917, land and buildings valued at \$14,249,553, which is represented in the bank's statement of that date by an item of \$5,090,075.

The volume of the Company's operations since its commencement is given in the following table:

HISTORY OF THE BANK

Year	Buildings completed	Cost	Year	Buildings completed	Cost
1905	4	\$ 57,138	Forward	124	\$2,238,905
1906	23	462,555	1913	23	603,465
1907	14	165,482	1914	21	453,506
1908	27	583,345	1915	6	229,254
1909	8	152,217	1916	13	489,185
1910	18	283,636	1917	4	130,782
1911	19	280,216	1918	3	37,915
1912	11	254,316	Total	194	\$4,183,012
	<u>124</u>	<u>\$2,238,905</u>		<u>194</u>	<u>\$4,183,012</u>

In the designing of the bank's buildings the practical considerations, namely, efficiency in the transaction of business, the comfort and well-being of the staff, and the convenience of the customers have been given the first place. While the outside design has been varied as far as compatible with the uniformity of their purpose, none of them have been high office buildings, and the architectural character of the surrounding buildings and of the neighbourhood has been given consideration in determining the class of building to be constructed on each site. The consistent application of these principles, notwithstanding the fact that the buildings are the work of a number of architects working independently, has resulted in their having a character all their own, which identifies them with the bank. The buildings erected by the bank are not the product of passing fashion. While modern in spirit and diverse in every legitimate respect, they are founded both in general design and in detail on those classical traditions which never fail to command respect. Much care and thought have also been given to translating the elementary facts of the interior design into terms of architectural symmetry.

The designer of a bank building is not handicapped by the contradictory requirements which, in the case of many important commercial buildings, call for wide shop windows in the lowest storey of a massive stone structure. In contrast

with these, a bank building has the main characteristics of a dwelling, and thus the architect is free to conform to the proportions worked out in an uncommercial age as natural to a building both constructed of stone and intended for human habitation, proportions which remain the practical and aesthetic standard for all structures where the requirements of trade or manufacturing do not dictate otherwise. It is evident that the banks of Canada have taken the lead in establishing the classical traditions of architecture in the newly settled districts of this country, and in this The Canadian Bank of Commerce has done its full share. The criticism frequently directed against the management of the Canadian banks that they erect buildings of needlessly monumental character for their branches is one which will not bear close examination. The charge appears to be based largely upon the columnar treatment of façades. While a bank does not require windows of as ample proportions as those needed by shops or even factories, it does require large windows and this tends to make the street front a series of piers rather than a flat wall surface. For this reason, and as a practical and economical element of the design, the architects have in many cases provided the necessary support for the masonry by a series of columns or pilasters, and a comparison of the cost has disclosed the fact that these buildings compare favourably with flat-walled buildings of the same period. The sacrifice of space incidental to the conventional columnar design may be admitted, and the full utilization of valuable or restricted sites has led the architects of The Canadian Bank of Commerce in many cases to seek the desired result by different means, as may be seen in such buildings as Windsor, Chatham, and First Street West, Calgary.¹ Economy of space is, however, even more a matter of the arrangement of the floor plan than of exterior design. As a result of the great number of buildings erected, the bank has naturally worked out a number of types in which such

¹See plates 52, 5 and 55, facing pages 318, 18 and 354.

matters as the relation of the area covered by the building to the accommodation afforded at the counter, and that of the space allotted to the public to the extent of the counter front, have been calculated with great precision. This is notably the case in a numerous group of small buildings, such as Ayer's Cliff and Briercrest.¹ The simple red brick exteriors of many of the bank's permanent buildings, such as Blenheim and Moose Jaw² among the earlier examples, and Transcona and Fairview among the later ones, prove that costly materials are not necessary to give grace and dignity. When the surroundings rendered the use of brick inadvisable, the desired result has been obtained by means of inexpensive materials, such as artificial stone or unglazed terra cotta. The Spadina and College building in Toronto,³ the London, Ont., office and other buildings of the same type are notable examples of the former material; while Fort William, Kingston and Belleville illustrate the use of terra cotta.⁴

No one can travel to any extent over the prairie provinces without becoming familiar with the typical frame buildings erected by The Canadian Bank of Commerce, such as those at Elbow, Canora, Humboldt and Radville.⁵ During the early years of this century, when the settlement of the prairies was actively under way, the bank was forced to erect numbers of these buildings every year. This was accomplished by the adoption of a type of sectional construction, the parts of the building being prepared and fitted together at mills on the Pacific Coast, and shipped complete to their destination, where the building could then be erected with a maximum of speed and a minimum of labour on a masonry foundation prepared beforehand for its reception. There was much planning to be

¹See plate 61, facing page 418. The Souris building is of the same type as Briercrest.

²See plates 60 and 54, facing pages 402 and 398.

³See plate 67, facing page 483.

⁴See plates 42 and 43, facing pages 258 and 262.

⁵See plates 65 and 11, facing pages 470 and 86. The Humboldt building is of the same type as that at Cobalt.

done, and several experimental buildings were erected, before the bank felt justified in proceeding with a considerable number at one time. They have, however, justified themselves, having proved durable beyond all expectation, commodious, popular and creditable in architectural effect. The pilastered and pedimented example illustrated by Canora, and the broad and massive effect of the design illustrated by Radville are particularly satisfying in their effect, and dominate their surroundings to the proper degree, without seeming out of harmony with them.

The buildings belonging to the bank in eastern Canada and in the larger cities and towns in the West are necessarily permanent structures, and range, according to the importance of their location, from buildings of the simplest and most ordinary brick and timber work to those of the highest standard of fire-proof construction. Unlike the frame buildings, they are usually designed individually to meet the requirements of the business of the branch and the topographical conditions of each site. In contrast with the ample lots available at comparatively low cost in the new prairie settlements, which rendered possible the erection of detached buildings designed to be lighted from all four sides, the sites in these cases often consist of restricted areas of costly land, sometimes irregular in shape and usually more or less surrounded by other buildings. Among the earliest of these buildings was the group represented by Blenheim, Ayr and Fernie,¹ where by such simple means as rusticated courses of ordinary brick, and wooden cornices, a type of design was produced in keeping with its purpose and yet not too formal for the surroundings. A branch in a comparatively small town may transact a large business and therefore require a large building, but while the building may dominate its surroundings to a reasonable extent, and lead architecturally, it ought not to be designed on lines so formal as to be a detriment to its more modest neighbours. A graceful series of brick buildings of this character includes Woodstock,

¹See plate 60, facing page 402.

Moose Jaw and Saskatoon,¹ where comparatively narrow corner sites have resulted in buildings of the portico or pedimented type of design. The same type has been developed in stone on a larger scale in such places as Halifax and Walkerville.² In sharp contrast with these, the wider corner sites in Port Arthur, St. John, N.B.,³ and Brandon, have produced a design almost square in plan, but possessing in its columnar treatment a character all its own. The bank has, however, been far from insisting on corner sites, as will at once be recognized when the Montreal and Winnipeg buildings are recalled.⁴ Many of the best façades have been those of buildings on interior sites. New Westminster, Vernon and Regina⁵ are examples of such buildings designed to suit their environment.

Among the bank's buildings in Toronto worthy of mention as being well adapted to the needs of a city branch are Spadina and College, Yonge and Queen, and Danforth and Broadview.⁶ Queen East, Earls court, and Bloor and Lippincott⁷ are pleasing buildings which, among other good qualities, harmonize well with their surroundings. The plans of the bank's buildings have frequently been controlled by the elementary fact that in the case of a corner site in a town or city, where light is available only from the two sides flanked by the streets, a corner entrance cannot be arranged without placing the staff on the dark side of the banking room, or arranging a circuitous and wasteful approach to the public space. Corner entrances are, however, frequently necessary, and in such cases the architects have aimed to solve the problem by making the corner in one sense the front of the building, and by treating the diagonal line of the lot running from the street

¹See plates 34 and 54, facing pages 214 and 338.

²See plates 59 and 52, facing pages 386 and 318.

³See plates 42 and 59, facing pages 258 and 386.

⁴See plates 36 and 32, facing pages 226 and 206.

⁵See plates 56, 63 and 15, facing pages 370, 450 and 110.

⁶See plates 67 and 68, facing pages 483 and 486.

⁷See plates 69 and 68, facing pages 494 and 486.



TORONTO, ONT.
West Toronto Branch.



TORONTO, ONT.
Queen East Branch.



TORONTO, ONT.
Earls court Branch.



TORONTO, ONT.
Wychwood Branch.

corner as the central line of the building. This is notably the case at Windsor, where by the expedient of treating the interior as an octagon, with concentric octagonal counters, the public space is placed in the centre and the staff has the benefit of all the light available. The same principle was adopted at Danforth and Broadview under different conditions, and a triangular lot was thus used without any waste. The portico at Nanaimo¹ was also the result of seeking to utilize in a natural and practical manner the narrow end of a gore-shaped site facing the end of the principal street. The large stone building in Quebec² contains the germ of the diagonal-axis design in the arrangement of its corner entrance. As, however, the site was of ample size and lighted from all sides, the problem encountered in Windsor and at Danforth and Broadview did not occur. While in other recent buildings of this type the corner entrance is flanked by equal fronts, this is not the case at Quebec, where two street fronts of markedly unequal length have been given a sense of balance by the design of the building itself.

The policy of the bank in designing its largest buildings with a view to meeting only its own requirements has been amply justified by the results. It was in this way that the granite columnation of its building on St. James Street, Montreal,³ was made possible. In the absence of provision for more than a few office rooms for the bank's own use on the upper floors, the massive composition could be carried out in its full simplicity and impressiveness. The banking hall is equally successful in its loftiness and fine proportions and in the effect of every detail. The leading features of the design of the Winnipeg building⁴ are similar to those of Montreal, but it differs in many important particulars which are mainly the result of an effort to combine the requirements

¹See plate 57, facing page 374.

²See plate 16, facing page 114.

³See plate 36, facing page 226.

⁴See plate 32, facing page 206.

of architectural symmetry and those of the department of the superintendent of central western branches, and to meet the special conditions of western business. The Vancouver building¹ is of a type different from those in Montreal and Winnipeg, and occupies a corner site, which gives it a wide extent of façade. It is acknowledged to be a beautiful building. The simplicity of the means by which these results have been achieved is worthy of note. The outside walls of the largest buildings have been constructed of Canadian granite, while in the smaller ones the materials are stone, terra cotta and brick, in combinations varying according to the circumstances of each case. The interiors likewise exhibit the same restraint. It was early found that the use of marble, save on an elaborate and monumental scale and when accompanied by many formal accessories in the way of furnishings, produced a cold and uncongenial effect, and that a furnished and habitable atmosphere could more easily be produced by the proper treatment of hardwoods and by colour decoration. In most of the finest buildings owned by the bank, marble is confined to the floor of the public space, and bronze is used only for the tellers' wickets.

The present head office building,² which is the work of an older generation of architects, has many merits of its own, and few defects. The exterior, although the detail is more elaborate than the best architectural talent would now employ, is in many respects creditable and excellent. The interior makes no pretensions to be more than a practical office building, but is economically arranged, of excellent construction and has served the bank well. As stated in the body of this work,³ the adjoining buildings have been acquired by the bank and plans have been formed for the erection on the enlarged site of a new and commodious head office building, which is badly needed. The carrying out of these plans was deferred

¹See plate 18, facing page 134.

²See plate 14, facing page 102.

³See pages 256 and 351.

by the outbreak of the war, and the increase in the cost of building which has since taken place has not abated sufficiently to allow the bank to proceed with the work.

The interior arrangements of the two archives buildings owned by the bank¹ are believed to be unique. They were erected some years ago, when the proper custody of the old records of the bank, and the destruction under proper precautions of those which need not be preserved, became a problem calling for solution. They are constructed on the simplest warehouse lines without a particle of combustible material from the foundations to the roof.² The unusual purpose of the buildings is expressed in the design, but might well puzzle the uninformed observer. While plainly of the nature of warehouses, and constructed of the same materials as their commercial neighbours, they are just as plainly not commercial in the factory or warehouse sense, and the same quality of design pervades them as is expressed in the branch buildings.

¹See plate 70, facing page 498.

²For a description of the interior arrangements see Appendix V.

APPENDIX V.

THE ARCHIVES DEPARTMENT.

Until 1903 the documents on file at the head office of the bank were preserved in about thirty wooden pigeon-holes in the vault opening into the old board-room, now the office of the general manager. The old books and vouchers of the head office and branches were stored in a comparatively small vault on the second floor, where now only a few of the head office records can be accommodated for a limited number of years before being removed to make way for others. About this time the head office building was extended towards the rear and the present board-room was erected. Underneath it there was built a large vault for the storage of old records, which was for many years the largest vault in the city of Toronto. During 1903 a stack of steel files was installed in the vault on the third floor, and the work of transferring the documents from the wooden pigeon-holes to these files, and of making a card index of their contents, was begun. These were the humble beginnings of what has since become the Archives Department of the bank, with two large buildings devoted solely to its use, one in Toronto and another in Vancouver,¹ and a third in contemplation, to be erected in Winnipeg.

To most people the idea that the care of the records of a bank constitutes a serious problem for the management will come as a surprise; yet a moment's reflection will show that the work of a bank consists largely of making records of the transactions of each day, and that a small army of men is employed all day long in filling large books and forms of all descriptions with such records. The quantity of paper thus used is enormous, amounting in the course of a year to many

¹See plate 70, facing this page.



TORONTO, ONT.
Archives Building.



VANCOUVER, B.C.
Archives Building.

tons. What makes the preservation of these records a matter of vital importance to a Canadian bank is that by statutory enactment it cannot plead the statute of limitations, or any law relating to prescription, as a bar to the payment of deposits or dividends, even though they may be unclaimed for many years. On the contrary, the liability to pay the rightful claimant remains in force forever. Every bank in Canada is therefore compelled to do an immense amount of book-keeping in connection with a number of sums, usually trifling, which their owners have never taken the trouble to claim. These have to be carried forward over and over again in the current books of the bank, or the record of them preserved in such a way that they can be easily located at any time. In addition, the banks must preserve indefinitely the records of all payments of deposits or dividends, in order that they may, if necessary, be in a position to disprove mistaken or dishonest claims to moneys already paid, which may at any time become the subject of suits at law. There is also a third class of records which is kept for the benefit of a bank's customers and of the community in general. Frequently a bank is requested to look up transactions of many years past. Was such and such a draft ever cashed, and if so, by whom and when? What was done with the proceeds? Or occasionally a dispute will arise as to the amount due on an old mortgage; the record of one payment is perhaps missing. The mortgagor claims to have bought a draft for the amount from such and such a bank about a certain date. What became of the draft? These are typical instances of the enquiries which are frequently made. Only a thoroughly systematic filing of old records will make the answers to such questions available after a number of years have elapsed, yet a correct answer may be of great moment to the enquirer.

Apart from the question of the expense involved, it would be almost a physical impossibility to find sufficient space to preserve all the records of a bank, so that the desired result can be obtained only by a careful classification, which takes

into consideration the importance of the record from both the legal and the practical point of view. Such a classification was compiled many years ago by experienced officers of the bank with the assistance of the late Z. A. Lash, K.C., the bank's chief legal adviser, and with some slight modifications is still in use. There are five classes, kept for varying periods, ranging from a year to in perpetuity.

When the question of getting rid of time-expired records arises, a bank is faced with still another problem of a legal character. Its records are of a confidential nature, and therefore it cannot proceed to sell its old books and vouchers as so much waste paper. Provision must be made for their destruction, or at least for the obliteration of the records they contain; this is another item of expense.

During the summer of 1905 the decision was reached to make ampler provision for the care of the library and records of the head office, which up till then had been merely a subordinate part of the work of the secretary's staff. Search was made for a suitable man, and Mr. Henry O. E. Asman, B.A., received the appointment of librarian and archivist, and has held this position ever since. This was a period of rapid growth, and the office space provided, ample at first, proved in the course of a year or two to be fully utilized. Two or three years after Mr. Asman's appointment it was decided to place in his charge the old records of the branches as well as of the head office. At first the duties of the position centred more in the library than in the archives. When once a satisfactory system of classification and record had been applied to the comparatively small number of documents then in hand, there was little to do but to await and care for the natural increase. A good deal of attention was, however, given to the library, which was enlarged and rendered more available as a circulating library for the members of the staff throughout the service. The need had been felt for some place in the head office where enquiries about matters of general information, not necessarily connected with banking, could be answered,

and this need Mr. Asman has met admirably. In later years the reputation of the department in this respect has grown until many enquiries are received from outside sources, sent here by public libraries or other public bodies of a similar character, and it may fairly be said that rarely is the information asked for unavailable.

It has been stated that this period of the bank's history was one of rapid growth; it was also that during which the principal amalgamations with other banks occurred. The Bank of British Columbia had been taken over in 1901, the Halifax Banking Company in 1903, and the Merchants Bank of Prince Edward Island in 1906. The Eastern Townships Bank was to follow in 1912. It was the period of the opening up of the West, and the number of the bank's branches and the volume of its business increased very rapidly. All this was soon reflected in the increased quantity of old records to be cared for, and the problem of providing space for the future began to press for a solution. The basement of the head office building had already been filled almost to the ceiling with boxes of old vouchers, and the basements of two of the larger city branches were next requisitioned, but the relief thus gained was only temporary. Besides it had become increasingly difficult to obtain access to a voucher, when required, or to find space for the sorting and preparation for destruction of time-expired records. At that time all such records were carted away to a paper-mill on the outskirts of the city, where they were either destroyed by fire or made into pulp under the supervision of officers of the bank. It had been found impracticable to permit the sorting and destruction to be done at the branches, partly because of the lack of suitable facilities and partly because of the impossibility of maintaining the same system throughout the service.

The decision was finally reached about 1912 that the erection of a building for storage purposes, equipped with the necessary facilities and situated in a part of the city where land was less valuable than in the business centre, was a step

which had to be taken. The planning of a suitable structure presented a somewhat novel problem, for as far as could be discovered, no building intended for such a purpose was in existence. Finally, after many discussions between the archivist and the bank's architect, a fireproof building was designed, which has proved eminently suitable for its purpose.

The archives building in Toronto¹ is sixty-five feet wide by fifty feet deep, and five stories high. The main floor is supported by massive steel girders encased in concrete. Entrance is gained by a short flight of steps leading to a platform of convenient height for unloading the heavy boxes from the lorries which transport them from the railway. The ground floor is devoted to the storage of boxes of vouchers, and such part of it as can be spared is used as a working space in which the boxes are opened on arrival from the branches, and the contents examined and checked. The boxes are then marked on the end with an indication of their contents, and stored in tiers with passageways between for convenience of access. For this reason, as well as for the convenience of handling, it has been necessary to insist that the branches shall use boxes of a standard size for packing and shipping purposes. In one corner of the main floor, on the right of the entrance, there is a small office for the use of the archivist. The basement is used as additional space for the storing of boxes of vouchers, but is otherwise devoted to the work of destroying those books and vouchers which are considered to have outlived their usefulness. Space is required in which to collect and prepare these for destruction before passing them through the shredding machine, and for the temporary storage of the resulting bales of shredded paper. In one corner of the basement is the room containing the electrical shredding machine and its powerful motor. Adjoining this room is another, known as the baling room, into which the shredded paper is discharged and where it is later compressed into bales. The whole of the building above the main floor, comprising three

¹See plate 70, facing page 498.



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stories, except that portion occupied by the staircase and elevator, is devoted to the storage of old books. The space is filled with book-stacks, the shelves of which are constructed of iron piping, and divided into compartments. There are twelve rows of shelving, one above the other, and altogether this part of the building contains 2,200 compartments, which are assigned to the branches in proportion to the probable contribution of each to the records. To reach the upper rows of shelves, two steel floors have been installed, which complete the five stories in the building, and give easy access to any part of the metal book-stacks. The iron piping of which the shelving is constructed is at once light and strong. This form of construction prevents the accumulation of dust on the shelves and permits the free circulation of air, without which the books would soon become musty. Any dust that accumulates on the books is removed periodically by a powerful vacuum cleaner. These precautions keep the air of the vault fresh and wholesome, an important consideration for those who are constantly working in the building. The various floors are connected by an elevator, so that the lifting of boxes or books is reduced to a minimum.

In preparation for the process of destruction the vouchers are rapidly but carefully examined, and all pins, brass fasteners and rubber bands are removed. The covers of books have also to be taken off, and then books and vouchers are thrown into large boxes. When a sufficient quantity is ready, the boxes are taken into the cutting room, in which is installed a "Williams Shredder" operated by a forty horse-power electric motor, working at 1400 revolutions a minute. The cutting part of the shredding machine consists of a series of movable steel hammer-like knives, pivoted loosely and arranged spirally on a revolving shaft, and working against a long knife in the base of the machine. To prevent the paper from clogging the machine, there is an exhaust fan at the end of the shaft, which draws the cut paper through the machine and delivers it through a pipe to a "cyclone receiver" in an adjoining room.

The shreds of paper flying round and round in this receiver gradually fall to the floor of the receiving room, while the dust escapes through a shaft leading to the top of the building. It is an interesting experience to watch the shredding machine go into action. As the power is gradually turned on, the heavy shaft begins slowly to revolve. The separate clicking of the hammers can be heard distinctly at first, but as the shaft gathers way, these sounds are blended into one confused roar, the note of which gradually rises until the power is fully turned on and full speed attained, when the sound becomes a steady deafening note of extremely high pitch.

When the first handfuls of paper are thrown into the jaws of the machine the visitor is usually somewhat startled by the loud report which follows, and by the rapidity with which the leaves break into a miniature snowstorm. This soon disappears under the influence of the fan, and in a moment or two, through a window in the air-tight door which connects the shredding room with the receiving or baling room, the paper can be seen falling to the ground under the receiver. After the shredding machine has been at work for about half an hour the floor of the baling room is covered to the depth of two or three feet with small pieces of paper. The speed at which the machine revolves is so great that it takes nearly five minutes after the power is turned off for the shaft to return to rest, accompanied by the same noisy clattering of the knives with which it began to move.

When the dust has settled in the baling room, the process of baling may begin. The baling machine also is driven by electricity, and consists of a large hopper in which a platen is moved up and down by two parallel pairs of cross-arms. The compression is so great that the hopper has to be filled from twelve to fifteen times in making each bale. The loose mass of shredded paper is gradually compressed into a solid bale, weighing about 350 pounds, and measuring thirty-two inches long, twenty-one inches deep and eighteen inches wide. The weight of the bale varies according to the nature of the paper,

heavy paper, curiously enough, making a lighter bale, as it is not so easily compressed. Before the bale is released from the press, its sides are protected by old book covers and it is wired together. When the pressure is released, the expansion of the paper tightens the wires and keeps the bales in good condition for shipment. The paper is then disposed of to dealers in such material.

When the archives building was first opened in 1913 it was thought that ample space had been provided for the requirements of many years, but so rapid has been the growth of the bank that it is already overcrowded, and an extension is needed.¹ In 1915 a building along similar lines was erected in Vancouver for the requirements of branches on the Pacific Coast.² When the building in Winnipeg, already mentioned, has been erected, it is hoped that the equipment thus provided will be adequate for a number of years. On account of the cost of transportation it is not practicable, even if it were desirable, to collect all the bank's records in one place.

¹This extension has now been completed; it consists of eight floors, each 85 feet by 50 feet, practically all of which is available for storage purposes. The total floor space is now about 46,000 square feet, as against 16,000 square feet in the original building.

²See plate 70, facing page 498.

APPENDIX VI.

THE STATIONERY DEPARTMENT.

For some years after the inception of the bank the branches were few in number, and their orders for stationery were sent in to the head office and placed by the latter with local stationers or bookbinders, who subsequently shipped the goods direct to the branches. Then, as the bank grew and more branches were opened, it was found advisable to keep on hand a small supply of the various books and forms in general use, and these were kept in a stationery cupboard at head office. Later a stationery room was provided, where the stock on hand could be stored under the supervision of a senior officer, usually the stock transfer clerk. As the orders from the branches came in, they were made up and the packing and shipping looked after by one of the bank messengers as a part of his regular duties.

After a few more years the growth of the bank and the continued extension of its system of branches led the general management to the decision that it would be both wise and economical to establish a regular stationery department under the supervision of a practical stationer. This decision was carried into effect in 1891, shortly after the removal of the bank to its present head office building. All the books and forms used by the branches were carefully revised at that time, and numbers were given to the various standard forms. A small printing plant was installed, which in addition to printing many of the forms used by the branches, was used also to print from type the head office circulars to the branches, which had in the past been prepared on a duplicating machine. The first printed circular was issued on June 5, 1891, and the improvement in appearance and legibility was very marked.

The opening of a branch in Dawson City in 1898, followed as it was, shortly afterwards, by other branches in the northern gold-fields of the Yukon and Alaska, entailed a considerable addition to the regular work of the stationery department. During the first two years all the fur coats, boots, and other articles of personal apparel required by the members of the staff stationed in that inhospitable climate, were purchased and shipped north by the department. There were also many new forms and books to be prepared for use in connection with the business, at that time quite novel to the bank, of purchasing, assaying, or accepting for safe-keeping, deposits of gold dust and nuggets. The initial supply of stationery for Dawson had to be put up in water-tight tin cases of a size and weight suitable for packing over the mountain passes and along the water routes leading to the new northern branches.

During the extensive alterations made to the head office building in 1899-1900, a one-storey annex was erected on the street level at the corner of Melinda and Jordan Streets to provide quarters for the rapidly growing stationery department. The much-needed relief from the congested quarters on the top floor of the main building, which the department had occupied for some years, came not a moment too soon, for the additional work entailed by the amalgamation of the Bank of British Columbia in 1901, the opening of many branches in the western provinces in the years which followed, and the amalgamation of the Halifax Banking Company in 1903 soon taxed to the uttermost the space which had been provided even in the new premises. When the amalgamation of the Eastern Townships Bank came in 1912 and nearly one hundred new offices were added to the already long list of the bank's branches, it was found that the space occupied by the department in the head office building was altogether inadequate to handle the increasing volume of supplies required by the branches. The old quarters were given over entirely to the printing presses and the work connected with them, and the remainder of the stationery department was removed to

very much larger and more commodious premises on Charlotte Street, which were used for the storage of books, stationery and other supplies, and for the work of packing and shipping them to the branches. Here the department remained until October, 1916, when it removed to its present quarters in the premises adjoining the main head office building of the bank.

Some idea of the demands made upon the department to meet the requirements of the bank and its branches will be gained from the following statistics. During 1918 about 1800 packing cases and 600 cardboard cartons were required to hold the books and stationery shipped to the branches. A staff of twenty-two men was needed to handle the work of the department, twelve being employed in the printing department. In the latter, six printing presses were continuously at work, with an average total of 180,000 impressions per week. The stock of books, forms and sundry items of stationery kept on hand at all times, was valued at approximately \$125,000, and the department occupied altogether about 10,000 square feet of floor space.

APPENDIX VII.

OFFICERS' GUARANTEE FUND.

One of the first matters that engaged the attention of the Board of Directors after the formation of the bank was the question of guaranteeing the fidelity of its officers, as required by the provisions of the charter.¹ On May 14, 1867, the day before the opening of the bank for ordinary business, the cashier was instructed to obtain fidelity bonds from all its officers.

At that period it was customary for a bank to obtain bonds of guarantee for the fidelity of its officers from their relatives or friends, the names of the persons offered as sureties being approved by the Board of Directors. In a few cases, municipal debentures, a bank's stock, or similar negotiable securities were accepted in place of personal sureties. About the time when The Canadian Bank of Commerce began business the first companies to transact fidelity insurance in Canada appear to have entered the field, and the bonds furnished by them were offered from time to time. At first such bonds were looked on askance and preference was given to personal securities, presumably because it was considered that the limited liability of the companies issuing fidelity bonds did not provide the same security as the unlimited liability of the personal surety. This prejudice disappeared very rapidly, because it was found that death or misfortune frequently overtook the individual and affected the value of his bond, while in most cases the corporate bond was strengthened as time went on by the growth in size and strength of the issuing company, as its business became better established.

On September 24, 1867, a list was submitted to the Board of Directors of those who had furnished security in the form

¹22 Vict., 1858, c. cxxxi, s. 15.

of guarantee policies issued by the European Assurance Society. The list is interesting, in that it presumably gives the names of the original members of the staff of the bank. It was as follows:

Greer, A.....	\$10,000
Barwick, H. C.....	12,000
Strathy, H. S.....	8,000
Sampson, W. A.....	6,000
Scadding, H. S.....	6,000
Boswell, W. G.....	6,000
Fitzgerald, W.....	4,000
Bolster, L.....	2,000
Plummer, J. H.....	3,000
McDonald, H. F.....	3,000
LePan, L. A.....	3,000
Curtis, E. G.....	3,000
Fuller, William.....	3,000
Blackwell, J.....	2,000

The charter required that the cashier should furnish bonds for \$20,000, and this Mr. Greer made up by a private bond for \$10,000.

While the guarantee policies of the European Assurance Society were thus accepted by the bank at the outset, for some years subsequently personal securities appear to have been more commonly taken. Then the policies of the Citizens' Guarantee Company and the Canada Guarantee Company appear in the list of those acceptable to the Board. For a time some doubt appears to have been felt as to whether the premiums on bonds issued by companies should be paid by the insured or by the bank. Accordingly, on April 14, 1869, the Board resolved that those officers who were unable in future to furnish satisfactory personal sureties, and who were in consequence obliged to apply to the guarantee companies, should pay the premiums themselves. Later, on April 15, 1871, the Board again ruled that one-third of the premiums on guarantee bonds, "being the difference in cost



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between conditional and unconditional bonds," should thereafter be paid by the bank.

By 1875 the pendulum had swung so far in favour of corporate bonds as opposed to personal sureties, that the Board on May 19 in that year accepted a proposal from the Canada Guarantee Company to the effect that, "provided the company obtains the whole guarantee business of the bank, they will in future transact it at the under-mentioned rates:

For the first three years.....	1%
For the fourth and fifth years.....	$\frac{3}{4}$ of 1%
and thereafter.....	$\frac{1}{2}$ of 1%

these rates to be retroactive in regard to officers whose fidelity has heretofore been guaranteed by the company. In the event, however, of the company being at any time called upon to pay to the bank losses to the extent of eighty per cent. of the total premiums received from its officers, the charge for guarantee will then recommence at one per cent., with the sliding scale just quoted." After this arrangement was made, the Board began to look with disfavour on personal surety bonds, and in several instances refused to allow them to be substituted for the guarantee of the Canada Guarantee Company.

It would seem, however, that the arrangement only applied to future business, for in June, 1877, the fidelity bonds held by the bank on behalf of its staff amounted to \$886,000, distributed as follows:

Canada Guarantee Company.....	\$527,500
Citizens' Guarantee Company.....	128,000
Private bonds.....	<u>230,500</u>
	\$886,000

About this time (1877) a number of the senior members of the staff had become imbued with the idea that the bank had reached the stage when a system of internal mutual guarantees was both feasible and desirable. The by-laws of the bank had from the beginning provided for the establishment of such a fund, the numbers of the staff had increased

to the point where a considerable sum was paid out annually in premiums, and experience had shown that the risk of loss was small. Under existing arrangements whereby the bank paid one-third of the cost of unconditional bonds, its expenditure annually for the purpose was about \$2,200, and would be \$3,000 if it was decided to refuse private sureties. It was evident that the bonding companies had found the business profitable, and that they were building up a large business of this kind on the basis of very moderate reserves. Taking past experience as a guide, it was plain that by the establishment of a guarantee fund a considerable sum could be saved to the members of the staff, and at the same time a satisfactory reserve could be built up in a few years without imposing any additional burden on the bank. It was also hoped that eventually this reserve would grow to such a size that its surplus might form the nucleus of a fund to provide for the needs of old and disabled officers of the bank. Much stress was laid upon the safeguard provided by the community of interest between the staff and the bank in such a fund. It was proposed to make the members liable for additional contributions in the event of the fund proving insufficient to meet its liabilities, and thus to enlist the co-operation of all members in maintaining a supervision over the conduct of other members of the staff.

On September 19, 1877, the matter was first brought to the attention of the Board and was referred for further consideration to a committee consisting of the president (the Hon. William McMaster), Messrs. Stayner, Barnhart and the general manager (Mr. Anderson). On the same day a memorandum was sent out to all the agents and managers of the bank, giving particulars and explanations of the proposal and inviting suggestions in regard to it. The plan proposed was much more complicated at the outset than it was when finally adopted. The fund was to be placed in the hands of two trustees appointed annually, one to be nominated by the Board of Directors and the other elected by the members.

The trustees were to be assisted in the management of the fund by an "Advisory Board," consisting of three directors or officers of the bank. Each trustee was to nominate one member of the Advisory Board, and the two members thus chosen were to select the third. The members of the staff were to be liable for three kinds of contributions, termed Ordinary, Special and Guaranteed payments. The Ordinary contributions were to consist of five annual payments, amounting in all to seven-eighths per cent. on the amount for which each officer was bonded. The Special contributions were not to exceed one-quarter per cent. in any one year, and were to be called for only if the fund were depleted by losses below a certain fixed minimum, of \$30,000 during the first five years of its existence, and \$35,000 after that period, or three per cent. on the amount of bonds current. The Guaranteed payments were to be called for only if the other two classes of contributions proved insufficient to maintain the fund at the minimum, and were to be repaid as soon as the fund would permit. These last-mentioned payments were to be provided by each officer guaranteeing his proportion (based upon the amount of his bonds) of the sum of \$15,000. In addition the bank was to pay \$15,000 into the fund, to take the place of the annual contribution of \$2,200 then being made towards premiums. The basis of the scheme was that every officer should give his personal bond to the bank and that the fund should guarantee these bonds.

The memorandum issued by the head office at this time stated that it had been the aim to make the risks of the fund fall equally upon the bank and the members, and to reduce the ordinary premiums to the lowest point possible. The premiums were stated to be lower than in any other scheme then known. It was not probable that the Guaranteed payments would ever be required and it was hoped that even the Special contributions would not be needed. In every respect the fund was to be independent, controlled equally by the officers and the bank. It was expected that

losses would be minimized "under a system whereby a fraud committed by an officer is virtually a fraud against his fellow officers, and whereby every officer becomes bound in honour to stop, or make known, any irregularities likely to result in loss."

The original proposal made by the officers of the bank had been that the payments should be one-eighth per cent. per annum permanently in place of the one-half per cent. which they had been accustomed to pay, but the Board of Directors thought that the accumulation would be too slow on this basis. In the scheme which was finally adopted the payments were placed at one-half per cent., but it was anticipated that they would be called for during five years only.

On September 26, 1877, the committee appointed to consider the scheme reported to the Board that they approved of it, but on further discussion it was referred back to them with instructions to report again without unnecessary delay. Another director, Mr. William Elliot, was added to the personnel of the committee. This committee made its report on August 21, 1878, and the draft it submitted was approved by the Board, which ordered the general manager to have the matter put in regular legal shape forthwith. The printed draft of the proposed regulations was submitted at the meeting held the following week, and the Board ordered that it should go into effect on October 1, then approaching.

The scheme thus finally adopted provided that every officer should give security for an amount to be fixed from time to time by the directors. the minimum being placed at \$1,500, and that the salary of each officer guaranteed by the fund should on October 1, 1878, and on each succeeding October 1, be reduced by one-half per cent. on the amount for which he was for the time being guaranteed. Provision was made for the collection of assessments on increased guarantees, and the extent of the liability of the fund was limited to the amount for which the defaulting officer was for the time being required to find security. The bank undertook to contribute \$2,500



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per annum for five years and to allow interest on the balance at credit of the fund at six per cent. per annum. The fund was expressly stated to belong solely to the bank and its administration was vested in the Board of Directors. Provision was made for additional assessments, not to exceed one-sixth of one per cent. per annum, should the fund prove insufficient to meet losses. Officers who were not directly responsible for any default, but had contributed to it by neglect or failure, might be penalized by an additional assessment of not more than one per cent. in any one year, to be applied upon the loss. A yearly account of the fund was to be circulated among the contributors. Finally, after the sum of \$40,000 had been reached, which was expected within five years, no further deductions were to be made from the salaries of the original contributors, except in the event of loss, but officers joining after the fund had been started were to contribute for five years on the sum for which they were bonded from time to time.

The regulations of the fund came before the Board again on September 11, when a few changes of an explanatory nature were made in them. They were carefully and wisely drawn, and save for the elimination of those clauses which were fulfilled by the establishment of the fund, they have endured to the present day almost unchanged save for some revision of the wording, and are as suitable to present-day conditions as to those existing when the fund was established. In 1910 the rate of interest to be allowed upon the balance at credit of the fund was made subject to the discretion of the Board of Directors, and was reduced from six per cent. per annum to five per cent. In the previous year, as a matter of accommodation to the members of the staff, a change had been made from annual to quarterly assessments, but the clerical work involved was found too burdensome, and on June 28, 1912, the Board authorized a return to the practice of annual assessments, which were recommenced in the following October.

The fund was successful from its establishment, the

losses during the earlier years being as a rule trivial in amount. By the end of the fifth year, when the contributions of the bank ceased, it amounted to over \$41,000. The next year the first large loss occurred, which prevented any increase during that year. It was succeeded by a series of years almost entirely free from losses, and in 1894, when the plan for the establishment of a Pension Fund reached fruition, it became possible to transfer the handsome sum of \$100,000 from the Officers' Guarantee Fund as the nucleus of the new fund. Eleven years later, when the workings of the new Pension Fund had been actuarially examined and it proved necessary to provide somewhat more generously for its obligations than had been anticipated at the outset, a considerable sum was found to be available each year from the Guarantee Fund. Notwithstanding this, the older fund has grown and prospered and it is confidently hoped that it will continue to aid in the work of providing additional benefits for old and disabled members of the staff and their families. Although the fund is entirely under the control of the Board of Directors of the bank, it has never been regarded as the private property of the bank, but any surplus in it has been looked upon as a trust to be administered for the benefit of the staff.

At the outset of the fund one of the auditors was supposed to represent the bank and the other the members of the staff. The distinction was only a nominal one and has been lost sight of in later years.

APPENDIX VIII.

THE PENSION FUND.

It is generally recognized that the rate of return on an investment depends largely on the assurance with which the investor can depend upon receiving that which is due to him, both capital and income, at the stated time; in other words, the safer the investment, the lower the return. The same principle applies to occupations. Those occupations, the income from which is a fixed sum, payable at stated intervals, and not directly dependent upon the success and activity of the business from which it is derived, return a lower rate of remuneration to those engaged in them than do others which are more hazardous. The salaried employee of a government or large corporation is unlikely, therefore, to earn as much on the average as the professional man or proprietor of a business. He finds part of his reward in the certainty with which he can depend upon receiving his stipulated income. The difference between the rates of remuneration in two such occupations will tend to approximate to the value placed upon this certainty by the average man, after he has taken into account the difficulty of changing from one occupation to another. Somewhat for this reason, however, the average salaried man finds more difficulty in providing against adversity or old age, or for those dependent on him, than does the individual engaged in such other employment; and hence has arisen the idea of a pension, devised to assist him to make such provision. His interest in the matter is obvious; that of his employer is scarcely less so. It enables the employer to reduce the turnover of his staff, thus lessening the expense of training new employees, and at the same time aids him in retaining the services of his older and well-trained employees. In addition, the existence

of a pension scheme doubtless tends to increase efficiency by removing cause for worry and thus adding to contentment.

Very early in the history of The Canadian Bank of Commerce the establishment of a pension scheme was mooted among those members of its staff most deeply interested in the success of the bank. The desirability of establishing such a fund was brought to the attention of the general manager as early as 1885 by one of the senior managers, the late Mr. William Smith. In describing the establishment of the Officers' Guarantee Fund, reference has been made to the hope then latent in the breasts of those who advocated that step, that it would some day pave the way for the larger and more important scheme. Many years were to elapse before the way seemed clear, but in November, 1891, the Board of Directors approved the proposal that the management of the bank should enter into correspondence with Mr. Archibald Hewat, F.F.A., F.S.S., F.I.A., actuary of the Edinburgh Life Assurance Company, Edinburgh, Scotland, with a view to evolving some plan for the establishment of a pension fund. Mr. Hewat had been recommended for this purpose by the authorities of the Bank of Scotland, the British correspondent of The Canadian Bank of Commerce.

No time was lost in commencing the correspondence, but the task of devising a feasible and reasonably satisfactory scheme proved more difficult than anticipated, and it was not until May, 1894, or three and a half years later, that the fund was established. The reason for the delay will be familiar to all who have studied the subject. The available funds are always limited in amount, while the benefits which it is desired to confer, even when reduced to what is seemingly the lowest possible limit, are found to require much larger sums than can readily be made available. The uninitiated layman is apt to conclude that the actuary is ultra-conservative, and to be willing to proceed on a basis which the latter considers unsound, satisfied that the experience of the particular fund in which he is interested will prove conclusively that the actuary



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is wrong. Sometimes he may be, but unfortunately the error is more likely to be on the other side, and the result a deficit.

Some interesting figures regarding the staff of the bank and its growth are given in this early correspondence with the actuary. At the end of 1891 it numbered 322, having increased from 190 in 1877. The increase had been steady, except during the period from 1884 to 1886, during which a reduction took place. The average age of the members of the staff in November, 1891, was 28.29 and the number of officers between the ages of twenty and thirty was 150. The average salary was \$974, and there were only six officers in the service receiving salaries in excess of \$4,000. These figures are given as indicating the extraordinary change which has taken place in living conditions in Canada in a little over a quarter of a century. They also point to some of the difficulties which have been encountered in the effort to maintain the Pension Fund on a satisfactory actuarial footing.

The original plan fixed the maximum pension at \$2,500, and contemplated a contribution from the bank of the very modest sum, in the light of later years, of \$5,000 per annum. It is obvious that in this case coming events did not cast their shadows before. The Guarantee Fund accumulations were relied on largely to cover the cost of admitting the older officers of the bank to the privileges of the Pension Fund.

One of the benefits thought desirable, but which it was not found possible to provide, was the payment to the representatives of any officer at his death, whether on active service or on the retired list, of a gratuity equal to one year's pension. It was also proposed, after the death of an officer, to extend part of his pension to his widow or minor children, but it was not until 1910 that provision could be made for this. It was hoped to make retirement possible at the age of fifty-five, but the actuary strongly pressed sixty-five as the earliest practicable age for which the desired benefits could be arranged. Ultimately a compromise was reached, fixing the age at sixty, with

provision that in the case of the older officers retirement should not take place until sixty-five. During the late summer of 1892 the general manager visited Scotland and discussed the whole question personally with Mr. Hewat. In June, 1893, the matter was brought before the shareholders at the annual meeting, and authority was obtained for the establishment of a pension fund and for an annual contribution of \$10,000 from the bank. The assistant general manager, Mr. Plummer, stated at the meeting, that while the management would have liked very much to make provision for pensions to the widows and orphans of officers, they saw clearly that the fund could not support such a burden at the outset and survive, and that any such provision must be deferred to some future time.

The proposal to establish a pension fund was announced to the branches in a circular dated November 2, 1893, but the plan did not come into operation until June 1, 1894. The principal provisions were:

1. Contributions were to commence at the age of twenty-five, and to be at the rate of three per cent. of the officer's salary. Each officer over twenty-five years of age and under thirty-six on June 1, 1894, was to pay one-half per cent. additional during twice the number of years that his age exceeded twenty-five, and each officer over thirty-six years of age one per cent. additional during as many years as his age exceeded twenty-five. These additional contributions were to cease at the end of the term of years mentioned, or on the granting of a pension before that date.

2. Retirement might take place at the age of sixty, unless the officer should arrange to continue in active service, but he could retire at an earlier age if incapacitated.

3. The rate of pension was to be one-fiftieth of the salary at the date of retirement for each full year of service after reaching the age of twenty-one; the maximum pension to be \$2,800 per annum, and the maximum amount of salary on which contributions were to be collected to be

\$4,000 per annum. No officer could become eligible for a pension until he had completed ten years' service.

As originally announced the maximum pension was \$2,500, but when the rules were finally settled and promulgated, this had been increased to \$2,800. Officers over the age of fifty on June 1, 1894, the date on which the fund started, were not permitted to retire, unless incapacitated, until they reached the age of sixty-five. Other officers had the option of retiring at sixty, or of remaining in active service until they reached the age of sixty-five. Almost the whole of the active staff was admitted at the outset by resolution of the Board of Directors, but on September 27, 1895, it was announced that thereafter all officers must pass a medical examination before being admitted at the age of twenty-five, and that if they were unable to pass they would probably be obliged to hand in their resignations. The calculations of the actuary had been made on a five per cent. interest basis, and it was arranged that the moneys of the fund should at first remain on deposit with the bank and bear interest at this rate. It was contemplated that later on, when the fund had grown to larger proportions, this arrangement would be terminated and possibly a distinct corporation formed to hold and administer it. At the outset the bank's contributions were estimated to provide forty-one per cent. of the fund, transfers from the Guarantee Fund thirty-two per cent. and payments from officers twenty-seven per cent., so that it seemed quite proper that full control should be vested in the bank. Great care had been taken to provide a scientific basis for the fund, to ensure its being able to carry out its undertakings. So many similar funds in other institutions had proved unequal to the task of meeting their obligations, that in justice to all concerned this was insisted on as of vital importance.

On the amalgamation of the Bank of British Columbia in January, 1901, and of the Halifax Banking Company in May, 1903, the members of the staff of these banks were admitted

to the Pension Fund of The Canadian Bank of Commerce, and for the purposes of the fund were entitled to count service in the bank to which they had belonged as service in The Canadian Bank of Commerce. To provide for this a sum of \$75,000 in the former case, and of \$40,000 in the latter case, was transferred to the fund, and the annual contribution from the bank was increased in 1901 from \$10,000 to \$15,000 per annum.

At the expiration of the first ten years of its history, in May, 1904, the first actuarial examination of the position of the fund was made. As interest rates were then quite low, it seemed advisable to consider placing the fund on a four per cent. basis, and the first valuations were made accordingly. The result at once disclosed the impossibility of making such a change, as even on a five per cent. basis the fund had been going behind, principally because of the fixed character of the bank's annual contribution, which did not increase with the growth in the number of members of the fund and in its consequent liabilities. To a certain extent also, insufficient provision had been made for the staff of the Bank of British Columbia and of the Halifax Banking Company on their admission. The number of contributors had grown from 163 at the commencement in 1894, to 237 as on May 31, 1903, while the contribution from the bank had not been increased at all until 1901, and even then to an insufficient extent.

Under these circumstances it was considered advisable, without waiting for the final report of the actuary, to suspend at once the operation of the rule which permitted the return of one-half an officer's contributions, without interest, on his leaving the service in good standing. This step was taken on October 3, 1904. It was felt that as the fund had been established with a view to benefiting the men who remained in the bank's service, and as it was unable to do all that was contemplated, those men who left the bank's service voluntarily, usually to better themselves, could not reasonably complain.

This first actuarial examination was begun by Mr. Archibald Hewat of Edinburgh, who had, as already stated, drawn up the plan for the establishment of the fund, but the difficulty of dealing with the matter satisfactorily and expeditiously by the slow and laborious plan of correspondence across the ocean became increasingly evident. In the summer of 1904 the secretary of the bank visited Edinburgh in order to discuss the position of the fund with Mr. Hewat, but just as soon as this had been made clear, it was decided to discuss with an actuary in Canada the steps to be taken to put it on a proper basis for the future, and the provision to be made for the additional benefits which it was desired to arrange. Accordingly, Mr. Thomas Bradshaw, F.I.A., F.A.S.A., actuary of the Imperial Life Assurance Company of Toronto, was consulted. Under Mr. Bradshaw's guidance, arrangements were made to increase the maximum pension from \$2,800 to \$3,500, and the amount of salary in respect of which contributions were payable, from \$4,000 to \$5,000. The amount of the pension was hereafter to be based on the average salary for the ten years preceding the date of retirement, instead of on the salary at that date. The age for retirement was placed at sixty, unless the Board of Directors should, with the concurrence of the officer concerned, consent to retain him in the service after that age. The financial problem was solved by the bank agreeing to become responsible for a special annual contribution of \$17,580 for thirty-five years, as well as for an annual contribution of \$55 for every member of the fund, as on November 30, whether contributor or pensioner. The yearly sum paid by the bank out of profits was at once increased to \$25,000, the balance necessary to make up the amount agreed on being taken from the Guarantee Fund. Provision was also made in the revised Constitution and Rules promulgated April 18, 1905, for placing the fund and its investments in the hands of trustees, but no appointment for this purpose was made until June 23, 1908, on which date the trust deed was finally approved by the Board of Directors and the first trustees

were appointed. On the same date another revision of the Constitution and Rules was adopted, as the result of the work of a committee appointed for the purpose by the Board of Directors in January, 1907. No radical change was made in the rules, but they were carefully revised and amplified in the light of experience. Provision was made for dealing with certain questions which had arisen since the commencement, and which had not been covered by the original rules.

In the interval the growth of the fund had rendered the custom of collecting assessments from members of the staff semi-monthly very irksome, because of the immense number of entries for very small amounts, and on March 28, 1906, it was decided that contributions should thereafter be collected monthly, on the fifteenth of each month. In February, 1907, a further step in the same direction was taken by making the contributions payable quarterly in advance, commencing on March 10, 1907, the first quarterly payment under this rule to cover the period from March 1 to May 31.

The first trustees appointed by the Board of Directors were Messrs. B. E. Walker (now Sir Edmund Walker) Alexander Laird, John Aird (now Sir John Aird), H. H. Morris and Massey Morris. Messrs. Laird and M. Morris have since died, and were succeeded by Messrs. H. V. F. Jones and D. A. Cameron, respectively. The powers of the trustees are limited to investing the moneys belonging to the fund and looking after the securities representing these moneys. They have no power or discretion with respect to the disposition of the moneys, the granting of pensions or other allowances, or the making of payments; such matters are governed by regulations established by the Board of Directors of the bank, who deal also with any new questions which arise.

At the end of 1909 it was decided that another effort should be made to increase the benefits conferred by the Pension Fund, and particularly to provide pensions for the widows and minor children of deceased officers. First of all, it was necessary to ascertain the actuarial position of the fund, as

the result of its experience during the five years which had elapsed since the previous examination was made. This was the more necessary as certain problems of considerable complexity had arisen during the previous examination, and it was felt wise to ascertain what light experience had thrown on them. Mr. Thomas Bradshaw was again requested to undertake the examination and his report showed that the fund was in a solvent condition and had indeed an apparent surplus, although he pointed out that the period of time which had elapsed was too short to enable a decision to be reached as to whether this was real or merely the result of unusually favourable experience.

In the meantime, at the annual meeting held in January, 1910, steps had been taken to secure the approval of the shareholders for the establishment of a widows' and orphans' fund, and a grant of \$20,000 per annum from the profits of the bank was authorized for the purpose.

The number of officers contributing to the Pension Fund had grown to 460 by the end of November, 1909, and the number of pensioners was nine, the annual amount payable to them being \$15,156. It was now proposed to grant to the widow of a deceased officer a pension not exceeding one-half the amount to which her husband would have been entitled at the time of his death; this pension to cease in the case of her remarrying, and to be subject to a graded reduction of rate in the case of a considerable difference in age between husband and wife. After the death of both parents a pension of similar amount was to be provided for the orphan children, until the youngest should reach the age of eighteen.

As a means of procuring the necessary funds it was proposed to abolish the existing Widows' and Orphans' Fund and Life Insurance Scheme. The former fund, a very small one, had been started in October, 1895, by a donation from Mrs. B. Ross McConkey (whose husband had been manager of the Guelph branch), to be used by the Board of Directors

as they might think best. They appropriated it as the nucleus of a Widows' and Orphans' Fund, and during the intervening years by the accretion of interest, surpluses from the Officers' Life Insurance Scheme and certain other small sums which became available from time to time, this fund had grown to about \$6,000. The Officers' Life Insurance Scheme had been put into operation in May, 1894, at the same time as the Pension Fund. The benefit provided was \$1,000, payable on the death of any officer in the service. When a death took place, an assessment was made at the rate of \$4 for each officer receiving a salary of \$1,000 or over, \$3 for each officer receiving over \$500 but under \$1,000, and \$2 for those in receipt of smaller salaries. The scheme was intended to embrace the whole staff in active service, except such as had not been admitted to the Pension Fund, but some opposition to it developing among the junior officers who had just entered the bank, arrangements were made to exempt them, if desired, for one year from the date of the confirmation of their appointments. A few years later this period of exemption was extended to two or three years, as the officer might desire, and finally in April, 1905, the Insurance Scheme was made to apply only to officers in receipt of a salary of \$300 or over, the usual commencing salary at that time being \$250 for junior officers away from home, and \$200 for those at home. As the staff of the bank grew in number, so did the amount produced by these assessments, so that by 1904 each assessment produced about \$2,000 in place of \$1,000 as at the beginning. In this way the nucleus of a permanent fund was formed, and the following year, partly because of the occurrence of several deaths within a short space of time, and the consequent necessity for making assessments at short intervals, it had been decided in future to make the assessments quarterly.

Accordingly, in 1910, when it became evident that an increase in the rate of assessment would be necessary to provide funds for the pensions of widows and orphans, it was felt that, if the assessment for the Life Insurance Scheme were



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abolished, an increase from three to four per cent. in the payments to the Pension Fund would not prove unduly burdensome to the staff. In addition, the capital accumulations in both the Widows' and Orphans' Fund and Life Insurance Scheme would be made available for the same purpose. The only objection would be that the Pension Fund, although admirably adapted to the needs of the married man, or of the officer who lived to enjoy his pension, offered no return in the case of the single man who died before reaching the pension age, notwithstanding the fact that he might have contributed a considerable sum to it. This was remedied by providing a life insurance benefit for an unmarried officer, graduated according to length of service, to commence at \$100 as soon as his appointment was confirmed and to increase at the rate of \$50 a year with every additional year's service or portion thereof, until the limit of \$1,000 was reached. As this gave every junior officer, regardless of his age, a financial interest in the fund from the date of the confirmation of his appointment, it was decided that he should contribute to it between the ages of twenty-one and twenty-five at the rate of two per cent. per annum. This, it was estimated, would provide for the additional liability.

In addition to the arrangements for an increased income for the fund, the Board of Directors authorized the transfer of a considerable sum from other funds under their control, and in this way it proved possible to cancel nineteen of the special yearly payments which the bank had undertaken to make as a result of the actuarial examination of 1903-04, leaving only eight to be made in future years.

The result of the actuary's calculations showed that after all these plans had been carried out it would be necessary for the bank to contribute an additional sum of \$26.45 yearly for each member of the fund, in respect of the additional pension benefits, making a total annual grant from the bank of \$81.45 for each member. This was agreed to and at the next annual meeting, held in January, 1911, these arrangements were

confirmed by the shareholders. The late Mr. Lash outlined to the meeting the steps which had been taken to carry out the authorization of the shareholders as given the previous year for the establishment of pensions for the widows and orphans of deceased officers, and the shareholders adopted a resolution authorizing the directors to contribute up to \$100 per annum for each member of the fund out of the bank's surplus profits. This generous action has thus rendered possible the establishment of the Pension Fund of The Canadian Bank of Commerce on a most excellent basis, as regards both the comprehensiveness of the benefits which it provides and its soundness from an actuarial point of view. The new pension plan came into force on November 25, 1910, on which date the Board of Directors adopted a revised Constitution and Rules. This was the result of a careful revision of the old rules to give effect to the changes outlined above, but otherwise did not embody any new features. The revised rules have remained in force down to the time at which this history closes.¹

Up till 1913 the assessments to the Pension Fund were simply collected and credited by the branches. The great growth of recent years in the business of the bank, and consequently in the number of the staff, finally made this method very unsatisfactory, and in April, 1913, it was decided to issue advice from the head office of the amount to be paid by each officer. It is now the practice to have the amounts of the

¹The fund was again actuarially examined as at the end of November, 1919, and it was found that the changed conditions brought about largely by the war had caused it to go behind. Of these the most important was undoubtedly the abnormal increase in salaries connected with the rise in the cost of living during the war. The bank contributed generously to make up the deficiency, which was in large measure due to the fact that its contributions had been based upon the salary scale in force during the five years preceding 1910. For the future the contributions of the staff were increased from four per cent. to five per cent. of annual salary, and the bank undertook to contribute an equal amount in place of the fixed sum for each member it had contributed in the past. Arrangements were made to increase the maximum pension from \$3,500 to \$5,000, and the limit of salary on which contributions are made was therefore raised from \$5,000 to \$8,000. As the contributions of the bank and the staff both now bear a definite relation to the pensions to be provided, it would seem that the fund should be in a position to meet all eventualities.

quarterly assessments computed by the staff of the secretary to the pension fund trustees, and in this way the necessity for adjusting errors is largely obviated.

During the war a large number of officers who took up military service were given leave of absence, and were thus enabled to preserve their connection with the Pension Fund and its benefits. In November, 1917, finding that owing to the difficulty of remitting and other reasons, many were allowing their contributions to get into arrears, the Board of Directors generously ordered the payment of the contributions of any who should fall behind, leaving it to them to refund the amount later on, and thus preserving them as members in good standing.

On November 30, 1918, the audited statement of the fund showed that it amounted to \$3,103,676.68, invested as follows:

Mortgages	\$1,291,981 70
Dominion and Provincial Government securities	453,483 38
Canadian municipal securities	970,249 97
Other bonds and stocks	155,178 08
Cash in bank	292,783 55
	<u>\$3,103,676 68</u>

The total income of the fund for the twelve months ending November 30, 1918, was \$336,950.70, made up as follows:

Officers' contributions	\$82,014 51
Income from investments	152,248 19
Transferred from Guarantee Fund	17,688 00
Bank's contribution	85,000 00
	<u>\$336,950 70</u>

The pensions paid during the same period amounted to \$95,330.77 and the life insurance benefits to \$6,350. There were sundry expenses of management charged to the fund amounting to \$377.75. The number of pensioners as at November 30, 1918, was sixty-five.

APPENDIX IX.

THE BRANCH CLEARINGS SYSTEM.

One of the problems created by the extension of branch banking in a country of such vast distances as Canada has been the devising of a satisfactory method of adjusting the accounts of the various branches with each other. The need for this has been felt the more because of the statutory requirements of the monthly returns to the Government. It is true that in other countries, Great Britain in particular, the banks have large numbers of branches, but as these are not so far apart, advice of inter-branch entries can easily reach a central point within a day or two at most, whereas in this country weeks may elapse before similar advices can be received from branches in outlying districts. As a result the number of entries which must perforce be outstanding at the end of each month, when the government returns are compiled, is necessarily very large, and it is the difficulty of dealing with these incomplete transactions that creates the problem. When the customer of a bank in Halifax, N.S., deposits with his bank a cheque or other item payable in the Yukon, or some other outpost of civilization which the mails may not reach more often than once a week, it does not occur to him that his bank has to make a monthly return to the Government showing the position of its affairs, and that for this purpose it has to include such items under certain headings set out in the Bank Act, long before it knows whether or not they have reached their destination and been paid. A modern bank has at all times thousands of such incomplete transactions on its books, and in order to avoid errors and protect itself, must dispose of them as rapidly as possible.

When a bank is small, this is not a difficult matter. In



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the earliest days of The Canadian Bank of Commerce every branch kept a direct account with every other branch, and the Toronto office was called the head office. At the end of 1868, all the branches, except Toronto, closed their accounts with other branches and transferred the balances to the Head Office Account. A transcript of the entries in this account, showing among other necessary particulars the names of the branches debited or credited, was sent to Toronto. The Toronto branch continued to keep direct accounts with all the branches, so at Toronto the entries in these transcripts were journalized and posted, and the position of each branch as regards all other branches was thus ascertained. The system was somewhat complicated by the fact that owing to the depreciation in United States currency it was for about ten years considered necessary to keep separate accounts with head office for all items payable in United States currency. These Currency Accounts, as they were called, were opened about April, 1869, and carried on until the end of December, 1878, when they were merged in the general Head Office Account.

The practice of passing all entries for other branches through a single Head Office Account saved a certain amount of labour and expense at the branches, and tended to decrease the time during which entries were outstanding. On the other hand it involved a great deal of work at Toronto, which was entirely of an unproductive character and increased very rapidly as the business of the bank grew. An attempt was made at an early date to facilitate this work by instructing the branches to send to Toronto prompt advice of all entries originating at their own offices in a return called "Advice and Remittance List," leaving other entries to appear later in a more leisurely manner in the transcript of the Head Office Account, which now passed by the name of "Head Office Account Current." This enabled the journalizing and posting at Toronto to be done more expeditiously, but it was found that the branches experienced much difficulty in

distinguishing between items which belonged to the one return and those which belonged to the other. To correct this, a detailed list of entries which belonged to each was issued, to which additions were made from time to time as new problems arose. In the absence of a sufficient knowledge of banking, the junior officers, among whose duties were usually the writing of these returns, found it impossible to grasp the principles underlying these regulations, and came to the conclusion that they were purely arbitrary. The older officers of the bank still retain a vivid recollection of the bewilderment of a new junior clerk when it first fell to his lot to write the Advice and Remittance List, and of the many errors that were constantly made, bringing down upon the staff the censure of head office.

Thus the matter stood when the head office was made a separate organization from the Toronto branch, on September 15, 1875. Thereafter the branch returns were addressed to and dealt with by the head office itself, the Toronto office occupying a relationship to the head office similar to that of any other branch.

As the intention of the Advice and Remittance List was to provide the head office with prompt advice of the entries originating at each branch, a circular was issued on August 10, 1879, asking to have it sent in daily. The Head Office Account Current was sent in at least twice a week, or daily by the larger offices.

As illustrating the immense amount of repetition of clerical labour that was for many years thought necessary in order to ensure accuracy and convenience of reference in the bank's records and accounts, it may be mentioned that a circular was issued to the branches on January 14, 1880, stating that it would thereafter be unnecessary to post from the cash-book and journal into the general ledgers of the branches, or into a special book kept for the purpose, all the details of the items debited and credited in the Head Office Account. It was also discovered that much time and labour could be saved at head

office by the device of checking the entries in the Head Office Account Current returns of the branches from the corresponding entries in the Advice and Remittance Lists. This released for other duties a number of clerks who for many years had been obliged to devote their time to filling huge journals with these entries and posting the results in the branch ledgers at head office.

As soon as the bank ceased to be confined almost entirely to Ontario, the limitations of the existing system became evident. As its business grew, the number of entries between branches increased rapidly, and as soon as branches were opened in distant places, such as the Yukon, Vancouver, and Seattle, a considerable length of time must necessarily elapse before entries made by these branches could be responded to by a branch in the east, and vice versa. Thus the cross-checking in the department of the chief accountant at head office, on which also the whole burden of the detection of errors fell, was increased enormously, and at the same time the adjustment of the accounts became very cumbersome owing to the large number of items outstanding for a considerable length of time. When the Bank of British Columbia was taken over at the beginning of 1901, these difficulties became still worse. Its branches were mostly on the Pacific Coast, and the unfamiliarity of the officers of that bank with the intricacies of the Advice and Remittance List added to the number of errors that were made.¹

The next attempt to devise improved methods was made on the date when this amalgamation took place. Commencing January 1, 1901,² the same method was adopted for drafts as was already in use in the case of the bank money orders of

¹From March 15, 1901, all entries between the London, Eng., office and branches in Canada not keeping direct accounts with that office were made through the Montreal branch.

²See Head Office circular dated December 18, 1900. As the information given in these appendices is intended in many cases for the use of officers of the bank, reference is made at times to instructions and other particulars which naturally have no interest for the general reader.

the Canadian Bankers' Association. When the latter were first issued in 1898¹ arrangements had been made to return all paid money orders to the issuing branch in the same manner as a cheque on another branch. Such items were listed on a slip known as a Cash Item List, or later on as a Cheque List, so that one entry only was necessary for the total amount of the list. After payment, drafts were now no longer debited, as before, in Head Office Account to the issuing branch, and this change removed a large number of entries from that account. A year later, on February 1, 1902, a radical change in the old system was announced, to go into effect on March 1 following. A new account to be called Cash Items Account was to be opened in the general ledger of each branch, and to this account all items which had in the past been charged to another branch through the Head Office Account were to be debited, while awaiting advice of payment. This advice of payment was termed an "At Credit slip." All items for credit of another branch were to be entered on an "At Credit slip" by the crediting branch, and at the end of the day this slip was to be totalled and despatched to the branch interested, to be used by it in turn as a debit to the branch issuing it. The details of every slip were recorded in the cash-book of the crediting branch, or a clear carbon copy might be retained among the vouchers, but only the totals were extended and debited to head office and entered in the Head Office Advice List. When these changes had come into effect, apart from the few entries intended for the head office itself, the Advice and Remittance List contained merely the totals of the "At Credit slips" sent to and received from other branches. The only particulars required were the name of the branch and the amount of the "At Credit slip," and in the case of "At Credit slips" received the date of the voucher. Thus the same voucher was used by a crediting branch as an advice of an amount credited to another branch and by the receiving branch as a debit to the crediting branch. As far as possible only one credit slip was

¹See Head Office circular dated September 17, 1898.



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to be used for each branch on any one day, so that the number of entries in the head office returns was vastly reduced and the possibility of errors minimized. "At Credit slips" were to be debited without change or to be returned to the sending branch, and all errors in them were adjusted by the branches interested according to certain rules devised for the purpose.

On April 5, 1902, the announcement was made that commencing on May 1 following, the Head Office Account in the books of the branches, and the Advice and Remittance List, would be abolished. Instead a "Branch Clearings" Account was to be opened, and all entries for the head office or other branches passed through that account. A daily copy of the entries in this account was to be sent to the chief accountant in place of the two old returns. At the branches little alteration in procedure was made by this change, which was one of name only as far as their books were concerned.

One of the weaknesses of the new system was the method of handling paid drafts and money orders, and this became increasingly evident as the business of this character grew in volume. Enquiry showed that the sum expended in postage for the return of these cancelled vouchers was well worth saving, in addition to which the number of entries in the books could be materially reduced by a change of system. Accordingly on March 14, 1905, instructions were issued that all drafts¹ and money orders issued on and after March 27 next, were to be credited in one total each day to head office through the Branch Clearings Account, a list of them to accompany the relative Branch Clearings statement. The same procedure was to be followed with paid drafts and money orders, and to save labour new registers were devised for recording all such items in duplicate, the original being sent to head office and the duplicate retained at the branch.² A

¹Drafts on New York were included, but not those on London, Eng.; the latter were debited and credited through the Montreal Branch Account, except in the case of the larger branches which kept direct accounts with London.

²On May 5, 1905, instructions were given that at the end of that month each branch before closing its books was to enter in the new register all old drafts or money orders outstanding in Drafts or Money Orders Issued Accounts.

similar book was adopted at the same time¹ for the Branch Clearings Account, doing away with the necessity of making a daily transcript of the entries. On October 16, steps were taken to separate drafts from money orders in the branch returns, so that separate accounts might be kept for these items in the chief accountant's books, thus facilitating the adjustment of the accounts. The necessity for this change was largely the result of the close attention which had been given for some months previously to increasing the volume of the bank's money order business. The rule was laid down at the same time that all drafts paid at a branch other than that on which they were drawn must be forwarded as cash items to the branch drawn on.

As will have been learned by a perusal of this history, the bank grew rapidly during the early years of the twentieth century, and notwithstanding the separation of drafts from money orders, the increase in the number of branches and in the volume of business made the management of the accounts through which these items were passed a very onerous matter for the head office. It was clear that the system of centralizing entries for these items in one large clearing account for the whole bank was not capable of coping with the growth of the bank, and had already become very cumbersome. The Drafts and Money Orders Issued Accounts were most difficult to balance and the labour involved was excessive. Accordingly a circular of November 16, 1908, announced that the bank had decided to revert to the old system of decentralizing these entries. All drafts or money orders issued on and after December 1, 1908, were to be credited in the books of the branches to "Drafts Issued" and "Money Orders" Accounts, and the paid items were to be returned to the issuing branch.

A few years later the difficulties of centralization began to make themselves apparent in connection with the workings of Branch Clearings Account, as was evidenced by an occurrence in February, 1911. In order to avoid the laborious task

¹See Head Office circular dated March 21, 1905.

of rechecking at head office all the branch entries of the previous November to find a difference which had escaped detection, the branches were asked to recheck their own entries, and the error was located in this way. In November, 1912, an effort was made to reduce the number of entries in Branch Clearings Account by designating the principal city in each province as a provincial clearing centre, to which paid drafts and small cheques for branches in the province might be sent to be reforwarded to the branch for which they were intended. It was hoped, that by thus combining a number of items, postage and labour would be saved and the number of entries in Branch Clearings Account reduced.

In the following year another step was taken in a somewhat similar direction, partly to eliminate certain classes of entries more rapidly from Branch Clearings Account and thus reduce the number of outstanding items, and partly to enable the balance of this account to be more accurately analyzed for the monthly returns to the Government. On and after December 16, 1912,¹ all cheque lists were to be debited and credited by the branches direct to Branch Clearings Account, instead of, as in the past, being debited to Cash Items Account to await an At Credit slip from the branch to which the list was sent. Under the old system a cheque list sent by Vancouver to Halifax would be outstanding in the Vancouver Cash Items Account until the Halifax At Credit slip advising its payment was received by Vancouver, and the amount did not disappear from the bank's books as an outstanding item, until the Vancouver entry made from the Halifax At Credit slip reached head office. The process would occupy about twenty-four days. Under the new system the entry would disappear from the bank's books in about half that time, or as soon as the Vancouver cheque list reached Halifax and the Halifax entry crediting it reached head office. The change therefore reduced the outstanding items of this character by about one-half, and relieved the branches of a certain amount of clerical labour in

¹See Head Office circular No. 1899, dated December 3, 1912.

writing At Credit slips and in marking off items in Cash Items Account.

As soon as it was ascertained that this change was working satisfactorily, the plan of making entries directly through Branch Clearings Account was extended to other classes of items. First of all, cheque lists for correspondents in the United States keeping accounts with the head office, were included;¹ on and after May 15, 1913,² settlement drafts in favour of other banks drawn on Toronto were added to the list; on July 15, 1913, money parcels despatched to other branches;³ and on September 1, 1913, settlement drafts in favour of other banks drawn on Montreal.⁴ Finally, on April 3, 1914, instructions were given to debit cheque lists sent to correspondents in the United States keeping accounts with branches of the bank, to the branch at which the account was kept.

These changes, while decidedly advantageous from the point of view of reducing the number of outstanding items in the books of the bank, thus facilitating the compilation of the monthly statements for the Government, increased the volume of entries passing through Branch Clearings Account and tended to cause a recurrence of the old difficulty experienced in balancing that account. After the matter had been given much study it was decided to try the experiment of reorganizing the Branch Clearings system by districts corresponding with those into which the bank was already divided for administrative purposes. The idea at the basis of this division was that by far the larger proportion of the entries which each branch had for others would be for those in the same geographical district, and that by eliminating these from the general Branch Clearings Account and segregating them in corresponding district accounts, not only would the rapidity with which the

¹See Head Office special circulars of December 3 and 6, 1912, and No. 2006, dated February 21, 1913.

²See Head Office circular No. 2090, dated April 25, 1913.

³See Head Office circular No. 2146, dated June 27, 1913.

⁴See Head Office circular No. 2194, dated August 1, 1913.

entries were cleared be increased, but the volume of entries passing through any one account would be decreased to the point where it could quite easily be handled.

Accordingly, it was announced that on June 1, 1914,¹ three new subsidiary branch clearings districts would be created, with a clearing department in each. The new districts were as follows:

British Columbia:—To include all branches in the province of British Columbia and on the western coast of the United States, the clearing office to be at Vancouver.

Central West:—To include branches in the provinces of Manitoba, Saskatchewan and Alberta, except Grouard, Lake Saskatoon and Peace River Crossing, the clearing office to be at Winnipeg.

Maritime Provinces:—To include branches in the provinces of New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, the clearing office to be at Halifax.

Every branch in these three districts was instructed to open a new account in its general ledger, termed District Branch Clearings Account, and to pass through this all entries for other branches in its own district. Entries for branches outside the home district were to be passed through the old Branch Clearings Account as formerly.

The arrangements thus outlined, it will be observed, did not affect branches in Ontario, Quebec and the Yukon, the three larger foreign offices, London, New York and Mexico, or the branches specifically excepted above.² These continued to pass all entries through one Branch Clearings Account, as formerly, this being now denominated General Branch Clearings Account. Instructions were also given that in future all settlement drafts in favour of banks should be credited or

¹See Head Office circular No. 2497, dated May 8, 1914.

²Steps had already been taken on August 1, 1913, to have all cheques drawn on Dawson and Whitehorse cleared through the Vancouver branch, and cheques on Grouard, Lake Saskatoon and Peace River Crossing, through the Edmonton branch.

debited through the proper Branch Clearings Account, instead of only those drawn on Toronto and Montreal as heretofore. After a trial of the new plan, the system was further extended on September 15, 1914, by the establishment of a Quebec Branch Clearings district with its clearing office at Montreal.¹

In the early years of the bank, while the Advice and Remittance List and the Account Current system of dealing with branch entries was still in force, the custom had grown up of abbreviating the names of the branches in these returns to save time and space. After a time, in order to prevent confusion between branches having similar names, lists of authorized abbreviations were issued, and revised or added to as need required. This served all purposes for many years, until the number of branches increased and several were opened which bore names that either duplicated, or resembled very closely, those in other provinces. The plan was then adopted of designating each branch by a transit number, following a system widely in use in the United States. Under this plan, each bank in Canada is allotted a number, which forms the first part of the transit number, the second part consisting of the number allotted to the particular town in which the branch is situated. Thus the number 10-7 designates the main branch of The Canadian Bank of Commerce in the city of Quebec, 10 being the number allotted to the bank, and 7 that allotted to the city of Quebec. This combination number appears on all rubber stamps bearing the name of the branch and is used on its letter-heads, cheque-forms and other vouchers, indeed, wherever the name of the branch appears. The system is known as the "numerical transit system," and the branch number as its "transit number." In order to avoid waste, steps had been taken by the bank in August, 1912, to bring this system of transit numbers gradually into force as new rubber stamps were made and new stationery printed. On March 1, 1915,² the old names of the branches

¹See Head Office special circulars September 4 and 9, 1914.

²See Head Office circular No. 2769, dated February 26, 1915.

were dropped from the Branch Clearings returns and the transit numbers substituted for them, the entries being arranged in numerical instead of alphabetical order.

The final step in the development of the Branch Clearings system was taken on May 15, 1915,¹ when each branch of the bank was instructed to pass all its entries through one Branch Clearings Account, that of the district. The General Branch Clearings Account was closed by those branches which had kept such an account, and the balance was transferred to the district account. The entries for branches in other districts, which had hitherto been passed through the general account, were in future to be relayed by the district clearing office, to the clearing office of the district for which they were intended. This did away with a multitude of branch returns forwarded to the head office, some containing scarcely more than a single entry, and simplified the system very much from the point of view of the branches. Some changes were made at the same time in the districts, and in the handling of the business of certain individual branches. The Branch Clearings districts for Quebec and the Maritime Provinces were combined, the Halifax clearing office being closed on May 15. Thereafter the districts were as follows:

British Columbia:—All branches in British Columbia and on the Pacific Coast of the United States, cleared through Vancouver.

Central West:—All branches in Manitoba, Saskatchewan and Alberta (except those in the Peace River District, namely, Peace River Crossing, Grouard and Lake Saskatoon) and Rainy River, Fort Frances, Port Arthur and Fort William, in Ontario, cleared through Winnipeg.

Ontario:—All branches in Ontario, except those mentioned in the preceding paragraph as clearing through Winnipeg, cleared through head office, Toronto.

¹See Head Office circular No. 2812, dated April 30, 1915.

Quebec and Maritime:—All branches in Quebec, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland, cleared through Montreal.

Branches in the Yukon were thereafter to keep direct accounts with Vancouver, and all entries between them and other branches were to be made through Vancouver. Similarly branches in the Peace River District were to keep accounts with Edmonton, and all entries between them and other branches were to be passed through Edmonton. Branches in these two districts were thus entirely excluded from any direct connection with the Branch Clearings system.

This latest development of the system is working very satisfactorily, and the principle underlying it would seem to provide for almost indefinite expansion in the future, should the bank's business require it. Doubtless some of the details may yet require modification,¹ but this will be a comparatively easy task.

¹Up to the present time (February, 1922) these have consisted almost entirely in the inclusion of some branches and the exclusion of others, as the means of communication improved or were found insufficient.



NOTES OF THE CANADIAN BANK OF COMMERCE
(See Appendix X.)

APPENDIX X.

NOTE ISSUES.

The first issue of The Canadian Bank of Commerce was engraved by the British American Bank Note Company, and was dated May 1, 1867. It consisted of notes of the denominations of \$1, \$2, \$5 and \$10, which bore the engraved signature of the Hon. William McMaster as president. The face of the note was printed in black, with the denomination in figures, or in both words and figures, in an underlying green tint. The design on the back is altogether in green, the lettering appearing as white on a green background. The serial number is printed in blue and some notes are surcharged with the name of the issuing branch in blue.¹

On May 12, 1870, the first general Bank Act of the Dominion of Canada received the Royal assent. Section 4 of this Act² provided that no bank obtaining a charter under the new Act should issue any note for a less sum than \$4, and that the existing banks should, after the charter came into force, call in and redeem as soon as practicable all such notes then outstanding. Accordingly, arrangements were at once made to issue a \$4 note to replace the old ones and twos, and at the same time a \$50 note was added to the issue.³ The new notes bear date July 1, 1870, and are similar in design, and in all other particulars recorded above, to the notes of the first issue. Only twelve of these \$50 notes are now outstanding. The \$4 notes remained in use for ten years, or until the revision of the Bank Act in 1880, when the power to issue notes for smaller sums than \$5 was withdrawn from the banks.

¹See plates 71 and 72, facing pages 502 and 510.

²33 Vict., 1870, c. 11.

³See plates 71 and 72, facing pages 502 and 510.

In the following year, 1871, the \$5 and \$10 notes were also changed, the portrait of Queen Victoria with the lathe-work panels at each end of the five, and the Royal arms of Great Britain on the ten, being apparently all that was retained of the old face designs, the rest, including the green tint-plate, being re-engraved with the same general effect but many minor differences. As the province of Canada had ceased to exist two months after the date of the first issue, May 1, 1867, the legend "Province of Canada" at the foot of the face of the note, in the centre, was now replaced by the figures of the capital of the bank, and these were apparently revised from time to time as the capital was increased. The backs of both notes remained unchanged, save for the omission of the imprint of the bank-note company. These new \$5 and \$10 notes are dated May 1, 1871.¹

After a few years a dangerous counterfeit of the \$5 note of May 1, 1871, appeared, bearing the signature of E. J. Smith as cashier. This signature is heavily printed and appears to the naked eye almost as though affixed by a rubber stamp, whereas on the genuine notes the signatures are written. The engraving of the head of Queen Victoria on the counterfeit is coarse, and the head is turned slightly more to the right than in the genuine note. The specimens of the forgery in the bank's collection all bear the plate letter C and the serial numbers are in the neighbourhood of 231270.

As a result of the appearance of this counterfeit, the bank in 1879 issued a \$5 note of a new design, bearing, in a rectangular frame with a curved indentation in each corner, a vignetted portrait of its president, the Hon. William McMaster. In general appearance and colour this note resembled previous issues, and it was dated January 1, 1879. In 1881 the frame of Mr. McMaster's portrait was changed to an oval, but in all other particulars, including the date, the note remained unchanged.²

¹See plates 72 and 74, facing pages 510 and 518.

²See plate 78, facing page 514.

Some years later a counterfeit of the \$10 note of May 1, 1871, made its appearance. Although regarded as dangerous, the counterfeit may be readily recognized by the number of lines in the shading under the words "Ten Dollars" in the lower half of the centre face of the note. In the genuine note there are only four lines, while in the counterfeit there are five. In addition there is a distinct opening between the bases of the letter "A" in the word "DOLLARS" in the genuine, which is lacking in the counterfeit. The shading under the title "Bank of Commerce" appears under a magnifying glass to consist of sharp distinct lines in the genuine note, while in the counterfeit these lines are blurred. The engraving of the counterfeit, particularly of the lion's head, is coarser than that of the genuine note, and the green of the back is of a distinctly lighter shade.

In 1887 a new \$10 note was issued,¹ made as all previous issues had been, by the British American Bank Note Company. The signature and portrait of the new president, Mr. Henry W. Darling, now appeared on the notes for the first time. As in previous issues the design on the face of the note was printed in black, with the denomination in an underlying green tint, and the design on the back in green with white lettering. The distinctive feature of the new issue was a green tint formed by fine curved lines covering almost the whole of the face of the note. Scarcely had these notes gone into circulation when it was found that the green face tint blurred very badly, and it was considered necessary to withdraw the issue. Accordingly arrangements were made with the American Bank Note Company to design and execute a new issue embodying all the best methods of protection against counterfeiting which were known at the time.

The new issue consisted of \$5, \$10, \$20 and \$100 notes, dated January 2, 1888. In 1893 a \$50 note was added, bearing the date July 3, 1893. The early notes of this issue bear the engraved signature of Henry W. Darling, president.

¹See plate 74, facing page 518.

The Hon. George A. Cox became president in 1890, and his signature therefore appears on all notes bearing dates from 1892 to 1906. In 1906 a new series of these notes was issued, numbered in blue instead of in red, as the previous notes of this issue had been. The first blue-numbered notes are dated January 2, 1906. In 1907, Mr. B. E. Walker, now Sir Edmund Walker, became president in the place of the Hon. George A. Cox, and his signature appears on all notes dated January 8, 1907, and later. In addition to the changes recorded above, the capital of the bank was increased from time to time and the amount was corrected in the notes, the dates of the latter being changed at the same time. A few of the earlier notes of this issue bear a surcharge "Yukon" or "Dawson" in various colours. These notes are those forwarded to branches of the bank in the Yukon district without a countersignature, this being affixed at the issuing branch. The notes were surcharged in this manner as a precautionary measure in the event of loss in transit.

The design on the face of all notes of this issue¹ is printed in black, that on the back in colour. The main feature of the designs on the backs is an engraving of the head office building of the bank erected in 1889. The colour tints appearing on the notes are given below:

- Fives —Face. An orange tint underlies the greater part, with the figure "5" in brown in the centre and a brown tint under the signatures. Back, reddish brown.
- Tens —Face. A yellow tint on each side of the central design, with a pink tint under the signatures, and under the words, "Ten Dollars," which appear in the upper part of the note. The word "Ten" in the yellow tint appears under each signature over the pink of the signature panel. Back, blue.
- Twenties —Face. The underlying tints are orange and green. The signature panel is engraved in black, with the words "Twenty Dollars" in an underlying green tint. Back, red.
- Fifties —Face. A yellow underlying tint, with a black one over it in the signature panel and a light brown tint around the borders of the note. Back, dark brown.
- Hundreds—Face. Orange and blue tints, with blue in the signature panel. Back, dark green.

¹See plates 75 and 76, facing pages 526 and 530.



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PLATE NO. 79.

On only one occasion has a counterfeit appeared of any note of this issue. Three specimens of a crude photo-engraving of the \$10 note, coloured by hand, were put into circulation in Hamilton some years ago, but no more copies have been seen. The yellow tint on the face of the note was of a much deeper shade than that on the genuine note, and the rest of the counterfeit was so crude that it could not deceive anyone accustomed to handling Canadian paper currency.

The Bank Act of 1871¹ provided that the signatures on bank-notes or bills might be impressed by machinery. In the earlier days the custom was to write by hand both signatures on bank-notes, but gradually as the volume of the note circulation increased this was found burdensome, and it came to be usual to engrave the signature of the president and to write only the countersignature. At the revision of the Bank Act in 1890 the law was changed to conform with what had become the general practice, and thereafter it was obligatory that at least one signature on each note should be in the actual handwriting of the person authorized to sign. The makers of this change did not foresee the great growth so soon to take place in Canada and the consequent expansion of the note circulation.

Ten or twelve years later the work of signing the notes of The Canadian Bank of Commerce had become sufficiently heavy to call for the constant employment of one man at this most monotonous occupation. Then a multiple-signing machine was adopted, by the use of which one man could work four pens and thus sign a whole sheet of notes (four on a sheet) at once. Even this proved insufficient to cope with the demand, which was increased by the continued expansion of the bank during the years that followed; while the consequent strain upon the staff made it a difficult matter to obtain men for such work. Steps were finally taken to bring the situation to the attention of the Government, and it was suggested that when the Bank Act came up for revision the requirement that one

¹34 Vic., 1871, c.v., s. 56.

signature must be written should be dropped. These representations were evidently successful, as the revision of 1913 sanctioned the affixing of both signatures by machinery, but provided that where this was done "at least one name to each note or bill, together with a distinguishing device and number, shall be impressed or engraved under the authority of the bank after the notes are received by the bank from the engraver and printer." The Board of Directors of The Canadian Bank of Commerce at once took action under this permission, and on August 29, 1913, ordered that the caduceus and the number "12"¹ should be adopted as the "distinguishing device and number" for this purpose, to be impressed in a suitable place on each note bearing only printed signatures. The number "12" was adopted because it had been chosen to represent the bank for the purposes of the numerical transit system when that system was first brought into use by the bank, "12" being the number at that time allotted to The Canadian Bank of Commerce in the monthly statements of the chartered banks of Canada, published in the *Canada Gazette*. Steps were taken to safeguard the notes throughout the operation of printing, which is performed on a special press erected inside a locked enclosure on the bank's own premises. Since these arrangements were made, all notes have been signed by machinery, and the "distinguishing device and number" appear on all notes dated May 1, 1912, bearing the following numbers:

Fives.....	676001 and upwards.
Tens.....	468001 " "
Twenties.....	107501 " "
Fifties.....	015001 " "
Hundreds.....	008501 " "

On July 24, 1918, a new series of \$5 and \$10 notes was put into circulation. This date was selected as being the fiftieth anniversary of the day on which the president, Sir Edmund Walker, had entered the service of the bank. Some years before, the bank had decided, if possible, to secure a series of

¹Since changed to "10."

notes which would be different from anything produced in America up to that time. It was felt that portraits, sketches of buildings and similar devices were less appropriate as distinguishing features of bank-notes than symbolic designs which would be suitable for all time to come. It has also been the custom on this continent to construct bank-notes piece by piece out of various standard designs, such as vignettes, sections of lathe-work, and so on. The resulting note can seldom be a consistent artistic whole, for it is constructed out of several distinct efforts, not always well connected. The Canadian Bank of Commerce desired that the whole design of each of the new notes should be the result of a single artistic effort, and that these designs should be its own property. To secure an artist capable of creating such designs was a difficult matter, and as the number of skilled engravers competent to engrave them is also very limited and the work on each note requires about a year's time, several years elapsed before the first notes were ready. The \$20 note was issued during 1919 and it is hoped that the other denominations, \$50 and \$100, will soon follow.

The main feature of the face design of the \$5 note¹ is a central group consisting of Mercury holding the caduceus in his right hand, supported on the left by a goddess representing Architecture and on the right by another goddess representing Invention, who holds in her hands the model of a flying machine. The note is surrounded by a frame of immortelles, fruits and vines, in the four corners of which appear the numerals representing the denomination.² The name of the bank is inserted in the top part of the frame, and the wording of the note occupies the blank space to the left of the central group. On each side of this group the greater part of the white space is occupied by a protective multicolour tint, known as a Major tint, after the name of the inventor; this consists principally

¹See plate 77, facing page 534.

²This feature is common to all the notes of this issue except the fifty, in which the numerals are inserted only in the two upper corners. Variety is gained by using both Roman and Arabic numerals and by changing the order in which these are used.

of a combination of fine curved lines in four colours. The tint first used proving to be too delicate for practical purposes, one of stronger colouring has been substituted for it in all \$5 notes bearing the serial number 505,501, and upwards.

The face of the \$10 note¹ is a vast pastoral landscape, the centre of which is omitted for the purpose of containing the name of the bank and the wording of the note. At the left-hand end is the figure of Juno with a bull, and at her feet Ceres offering grain and other fruits of the earth. A series of undulating hills stretches across the foot of the note and in the lower right-hand corner is the figure of a young man tending a flock of goats. The word Ten appears in the centre of the upper border in addition to the numerals in the four corners. The centre of the note contains a Major multicolour tint, underlying the lettering, made somewhat larger than the tints in the \$5 note on account of the size of the space which it occupies.

The face design of the \$20 note² is a seascape, of which the centre is omitted, as in the \$10, \$50 and \$100 notes of this issue. At the left-hand end is the figure of Neptune grasping a trident in his left hand and holding the rudder of a boat under his right arm. He is seated upon rocks, the base of which is washed by the sea. In the lower part of the note, to the right of the centre is a group of sea-maidens; at the extreme right-hand end is the figure of Mercury with the caduceus, and at his right a maiden holding a fishing net in her hands. The name of the bank appears along the top border against a background of sky and flying sea-gulls. The space in the centre of the note is occupied by the usual wording over the Major tint in the centre.

The face of the \$50³ note is a scene symbolical of the industries. On the left a youthful Vulcan is forging his thunder bolts on an anvil and behind him two other figures are engaged

¹See plate 79, facing page 546.

²See plate 80, facing this page.

³See plate 81, facing page 558.



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(See Appendix X.)

in the handling of machinery. A pavement of flag-stones stretches across the lower part of the note, and at the right-hand end two Herculean youths stand surrounded by the symbols of science and industry. The youth in the foreground carries a heavy pulley slung over his left shoulder and another in his right hand. The open central space is occupied by the name of the bank and the necessary wording, with the usual Major tint. The denomination, 50, in large black Arabic numerals, appears at each end of this tint, as well as in the upper corners of the note.

The face of the \$100 note¹ is symbolical of the difficulties overcome by the pioneer in the uninhabited parts of the earth in the pursuit of fame and wealth. The most prominent figure is that of the sturdy pioneer and explorer at the extreme right of the note. The difficulties that lie before him are symbolized in the borders of the note by rocky wastes, snow-capped mountains and pathless forests. Beyond these and in the foreground of the note, somewhat to the left of the centre, is a group of three goddesses, one of whom holds before her the winged figure of Victory and another the cornucopia, or horn of plenty. The artist's palette on the knee of the first of these two goddesses, the chemical retort in the hands of the third, the brawny figure at the left-hand end grasping the tools of manufacturing industry, and Mercury, the god of commerce, in the rear, all symbolize the means by which the pioneer may overcome the difficulties which face him and win the fame and plenty offered to him. In the centre of the upper border appears the Union Jack in an oval frame, and at the four corners the Arabic numerals showing the denomination, the lower two on low pilasters surmounted by globes, emblematic of architectural design.

The backs of all the notes of the series² consist of a central group of Mercury and Ceres holding the British crown over the seal of the bank, the whole included in a frame of immortelles

¹See plate 82, facing page 562.

²See plate 78, facing page 542.

and other symbolic objects. The denominations appear in large Arabic numerals on each side of the central group and in words on a panel at its base.

Apart from the protective Major tints, there is no colour on the face of these notes; they are printed in black on a white ground.¹ The Major tints on these notes consist of a pattern of curved lines having in the centre the caduceus, or a reproduction of the seal of the bank surmounted by the Union Jack and the British crown. There are four colours in each tint in varying proportions and combinations. The backs of the notes are printed in colour. The back of the five is olive green; and that of the ten, blue; that of the twenty will be orange; and of the fifty, chocolate brown. No decision has yet been reached as to the colour of the hundred. The numbering of the fives, tens and twenties is in blue.

¹Since this was written the experiment has been tried of placing a green overall tint on the face of the five dollar note. It is hoped that this may improve its wearing qualities. The notes bearing this tint are numbered in red instead of blue.

APPENDIX XI.
DIRECTORS AND PRINCIPAL OFFICERS.

PRESIDENTS.

From		To
April 18, 1867	The Hon. William McMaster.....	July 13, 1886
July 13, 1886	Henry W. Darling.....	June 17, 1890
June 17, 1890	The Hon. George Albertus Cox.....	Jany. 8, 1907
Jany. 8, 1907	Sir Edmund Walker, C.V.O., LL.D., D.C.L.....	

VICE-PRESIDENTS.

From		To
April 18, 1867	Henry Stark Howland.....	July 14, 1874
July 14, 1874	Robert Wilkes, M.P.....	July 11, 1876
July 11, 1876	The Hon. Adam Hope.....	July 8, 1879
July 8, 1879	William Elliot.....	July 12, 1887
July 12, 1887	The Hon. George Albertus Cox.....	June 17, 1890
June 17, 1890	John Irvine Davidson.....	May 12, 1896
May 12, 1896	Robert Kilgour.....	Jany. 11, 1910
Jany. 11, 1910	Zebulun Aiton Lash, K.C., LL.D..... ¹	

DIRECTORS.

From		To
April 18, 1867	The Hon. William McMaster.....	² Sept. 22, 1887
April 18, 1867	William Alexander.....	June 28, 1871
April 18, 1867	Henry Stark Howland.....	July 14, 1874
April 18, 1867	John Macdonald, M.P.P.....	May 7, 1867
April 18, 1867	William Elliot.....	July 12, 1887
April 18, 1867	John Taylor.....	² May 13, 1871
April 18, 1867	T. Sutherland Stayner.....	July 12, 1887
May 7, 1867	James Austin.....	July 12, 1870
July 12, 1870	Thomas Clark Street, M.P.....	² Sept. 6, 1872
May 18, 1871	George Taylor.....	² May 17, 1894
July 11, 1871	Frederick W. Cumberland, M.P.P.....	July 10, 1877
July 11, 1871	Robert Wilkes, M.P.....	Oct. 18, 1876
Nov. 20, 1872	James Michie.....	² Jany. 16, 1883
July 14, 1874	Noah Barnhart.....	² Sept. 18, 1883
July 14, 1874	The Hon. Adam Hope.....	² Aug. 7, 1882
Oct. 18, 1876	John J. Arnton.....	July 10, 1883
July 10, 1877	Arthur R. McMaster.....	² July 8, 1881

¹Mr. Z. A. Lash died January 24, 1920. There are now two vice-presidents, Sir John Aird and the Right Hon. Sir Thomas White, K.C.M.G.

²Died in office.



HISTORY OF THE BANK

Sept. 19, 1882	John Waldie.....	July 13, 1886
April 3, 1883	The Hon. Samuel Casey Wood.....	July 19, 1887
July 10, 1883	James Crathern.....	¹ June 1, 1910
July 8, 1884	William B. Hamilton.....	¹ June 19, 1906
July 13, 1886	Henry W. Darling.....	June 17, 1890
July 13, 1886	The Hon. George Albertus Cox.....	¹ Jany. 16, 1914
July 13, 1886	John Irvine Davidson.....	May 12, 1896
July 12, 1887	William Gooderham.....	¹ Sept. 12, 1889
July 12, 1887	Matthew Leggat.....	¹ Jany. 2, 1910
Jany. 28, 1890	John Hoskin, K.C., LL.D., D.C.L.....	²
June 17, 1890	Robert Kilgour.....	Jany. 9, 1912
June 16, 1896	Sir Joseph Wesley Flavelle, Bart., LL.D.....	
June 19, 1900	Walter Edward Hart Massey.....	¹ Oct. 28, 1901
June 19, 1900	Abner Kingman.....	
Jany. 14, 1902	The Hon. Sir Lyman Melvin Jones.....	¹ April 15, 1917
Jany. 14, 1902	Frederic Nicholls.....	Jany. 7, 1910
Jany. 9, 1906	Harry Dorman Warren.....	¹ March 5, 1909
Jany. 9, 1906	Sir Edmund Walker, C.V.O., LL.D., D.C.L.....	
July 17, 1906	The Hon. William Cameron Edwards.....	³
Jany. 8, 1907	Zebulun Aiton Lash, K.C., LL.D.....	⁴
Jany. 8, 1907	Edward Rogers Wood.....	
May 11, 1909	Sir John Morison Gibson, K.C.M.G., K.C., LL.D..	
Jany. 11, 1910	Robert Stuart.....	
Jany. 11, 1910	William McMaster.....	Oct. 17, 1913
July 8, 1910	George Frederick Galt.....	
Jany. 9, 1912	Alexander Laird.....	¹ Nov. 29, 1915
Feb. 23, 1912	William Farwell, D.C.L.....	¹ Oct. 13, 1918
Feb. 23, 1912	Gardner Stevens.....	¹ Jany. 10, 1916
Feb. 23, 1912	Alfred C. Flumerfelt.....	
Feb. 23, 1912	The Hon. George Green Foster, K.C.....	
Feb. 23, 1912	Charles W. Colby, Ph.D., LL.D.....	
Jany. 14, 1913	George William Allan, K.C.....	
Jany. 14, 1913	Henry Jones Fuller.....	
Jany. 14, 1913	Frank Percy Jones.....	
Jany. 11, 1916	Herbert Coplin Cox.....	
June 15, 1917	Charles Newton Candee.....	
Nov. 1, 1918	James Simpson Mitchell.....	⁵
Jany. 14, 1919	Thomas Findley.....	⁶
Jany. 14, 1919	William Watson Hutchison.....	
Jany. 14, 1919	Hugh Russell Silver.....	

¹Died in office.

²Died in office October 6, 1921.

³Died in office September 17, 1921.

⁴Died in office January 24, 1920.

⁵Died in office April 7, 1920.

⁶Died in office December 19, 1921.

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GENERAL MANAGERS.

From		To
April 18, 1867	Archibald Greer (Cashier).....	Oct. 29, 1867
Nov. 5, 1867	R. J. Dallas (Cashier).....	Sept. 2, 1869
Sept. 29, 1869	Henry Seaton Strathy (Cashier).....	Dec. 31, 1872
Dec. 31, 1872	Walter Nicol Anderson (Cashier) ¹	Oct. 20, 1886
Oct. 20, 1886	Byron Edmund Walker.....	Jany. 15, 1907
Jany. 15, 1907	Alexander Laird.....	Sept. 17, 1915
Sept. 17, 1915	Sir John Aird.....	

ASSISTANT GENERAL MANAGERS.

From		To
Nov. 16, 1880	John Colborne Kemp ²	Nov. 12, 1886
Nov. 12, 1886	James Henry Plummer.....	Jany. 15, 1903
Feb. 3, 1903	Alexander Laird.....	Jany. 15, 1907
April 28, 1911	John Aird.....	Sept. 17, 1915
Sept. 17, 1915	Henry Victor Franklin Jones.....	

¹Title changed to general manager, December 24, 1873.

²Mr. Kemp had held the title of assistant cashier from November 24, 1871, to December 24, 1873.

APPENDIX XII.

CHRONOLOGICAL LIST OF BRANCHES.

May	15, 1867	Toronto, Ont.
May	25, 1867	St. Catharines, Ont.
May	26, 1867	London, Ont.
June	8, 1867	Barrie, Ont.
Jany.	2, 1868	Guelph, Ont.
Jany.	8, 1868	Hamilton, Ont.
April	20, 1868	Strathroy, Ont. Sub-agency to London.
March	15, 1869	Woodstock, Ont. ¹
May	15, 1869	Simcoe, Ont. ¹
Jany.	3, 1870	Galt, Ont.
June	27, 1870	Goderich, Ont.
July	5, 1870	Peterboro, Ont.
July	27, 1870	Orangeville, Ont.
Sept.	6, 1870	Montreal, P.Q.
Sept.	12, 1870	Sarnia, Ont.
April	20, 1871	Dundas, Ont.
Aug.	14, 1871	Collingwood, Ont.
Nov.	21, 1871	Chatham, Ont.
March	25, 1872	Brantford, Ont.
May	13, 1872	New York, N.Y.
Oct.	21, 1872	Trenton, Ont. Closed May 1, 1878.
Feb.	6, 1873	Thorold, Ont. Sub-agency to St. Catharines. Made a branch Sept. 1, 1876; closed May 31, 1897. Reopened October 14, 1916.
March	2, 1874	Lucan, Ont. Agency of London. Made a branch Sept. 1, 1876; closed August 31, 1883, and business transferred to branch then opened in Parkhill.
April	27, 1874	Ottawa, Ont.
July	17, 1874	Windsor, Ont.
Aug.	24, 1874	Cayuga, Ont. Closed May 15, 1878. Reopened February 11, 1890.
May	10, 1875	Paisley, Ont. Closed June 1, 1877, and business transferred to Walkerton branch.
May	10, 1875	Chicago, Ill. ² Closed April 30, 1886.
Dec.	11, 1876	Stratford, Ont.

¹The business of the Gore Bank was taken over at Woodstock and Simcoe.

²From July 21, 1897, to December 31, 1900, the bank was represented by a resident agent in Chicago; the position was filled first by Mr. H. B. Walker, and later by Mr. A. Kains.

CHRONOLOGICAL LIST OF BRANCHES 557

Jan'y.	6, 1877	Walkerton, Ont.	
May	17, 1877	Dunnville, Ont.	
Feb.	7, 1878	Belleville, Ont.	
June	3, 1878	Paris, Ont.	
Dec.	20, 1878	Seaforth, Ont.	
June	2, 1879	Norwich, Ont. ¹	Closed Sept. 1, 1887.
June	2, 1879	Berlin, Ont. ¹	Name changed to Kitchener, August 30, 1916.
April	4, 1881	Port Hope, Ont.....	Closed December 30, 1882.
May	25, 1881	Durham, Ont.....	Closed June 30, 1883.
Sept.	27, 1881	Ayr, Ont.....	Opened as an agency; made a branch December 11, 1901.
Sept.	1, 1883	Parkhill, Ont.	
May	25, 1886	Jarvis, Ont.....	Opened as an agency and carried on in conjunction with the Cayuga branch from December 15, 1888. Closed December 1, 1895, and business transferred to Cayuga branch.
Aug.	2, 1886	Blenheim, Ont.....	Sub-agency to Chatham; made a branch December 15, 1888.
Nov.	19, 1887	North Toronto, (Toronto, Ont.).....	Name changed to Bloor and Yonge, January 27, 1903.
Nov.	25, 1887	East Toronto, (Toronto, Ont.)	Name changed to Broadview and Queen, February 9, 1898, and again to Queen East, February 28, 1906.
Nov.	28, 1887	North-West Toronto, (Toronto, Ont.).....	Name changed to Spadina and College, January 27, 1903.
April	11, 1889	Sault Ste. Marie, Ont.	
Oct.	8, 1889	Waterloo, Ont.	
Oct.	8, 1889	Yonge and College, (Toronto, Ont.)	
June	2, 1890	Queen West, (Toronto, Ont.).....	Name changed to Queen and Bathurst, January 27, 1903.
July	2, 1890	Walkerville, Ont.	
Nov.	25, 1890	Parliament Street, (Toronto, Ont.)	
Jany.	18, 1892	Chaboillez Square, (Montreal, P.Q.).....	Closed April 30, 1898, and business transferred to Montreal branch.
Feb.	15, 1892	St. Lawrence, (Montreal, P.Q.).....	Closed May 1, 1896, and business transferred to Montreal branch.

¹The business of the Consolidated Bank was taken over at Berlin and Norwich.

HISTORY OF THE BANK

Feb.	15, 1892	Ailsa Craig, Ont.....	Closed December 1, 1895, and business transferred to Parkhill branch.
April	11, 1892	St. Lawrence Market, (Toronto, Ont.).....	Name changed to Market, January 27, 1903.
Feb.	20, 1893	Toronto Junction, Ont...	Name changed to West Toronto, April 24, 1908.
May	1, 1893	Winnipeg, Man.	
May	16, 1894	Waterford, Ont.....	Closed May 1, 1897, and business transferred to Simcoe branch.
Sept.	22, 1896	New Orleans, La.....	This agency was open only during the winter months of each year, and was finally closed on December 31, 1900.
Jany.	28, 1898	Dresden, Ont.	
June	15, 1898	Dawson City, Yukon. ¹	
July	6, 1898	Port Perry, Ont.	
Aug.	25, 1898	Cranbrook, B.C.	
Sept.	14, 1898	Fernie, B.C.	
Sept.	15, 1898	Vancouver, B.C.	
Nov.	2, 1898	Greenwood, B.C.	
Dec.	30, 1898	Skagway, Alaska.....	Opened as an agency; made a branch June 27, 1902. Closed September 30, 1910, and business transferred to Whitehorse branch.
April	4, 1899	Atlin, B.C.....	Closed April 15, 1907, and business transferred to Skagway branch.
July	31, 1899	Fort Frances, Ont.	
Oct.	24, 1899	Fort Steele, B.C.....	Closed December 27, 1900, and business transferred to Cranbrook branch.
April	10, 1900	Closeleigh, Yukon.....	Name changed to Whitehorse, April 18, 1900.
April	24, 1900	Seattle, Wash.	
Jany.	2, 1901	London, Eng. ²	
Jany.	2, 1901	Kamloops, B.C. ²	
Jany.	2, 1901	Nanaimo, B.C. ²	
Jany.	2, 1901	Nelson, B.C. ²	
Jany.	2, 1901	New Westminster, B.C. ²	
Jany.	2, 1901	Portland, Ore. ²	
Jany.	2, 1901	Rossland, B.C. ²	Closed January 15, 1902, and business transferred to Bank of Montreal, Rossland.
Jany.	2, 1901	San Francisco, Cal. ²	
Jany.	2, 1901	Sandon, B.C. ²	Closed June, 1903. Collections transferred to Bank of Montreal, New Denver.
Jany.	2, 1901	Victoria, B.C. ²	

¹A second office was operated down town in Dawson City for about two years.

²Taken over from the Bank of British Columbia.



PLATE No. 81.

NOTES OF THE CANADIAN BANK OF COMMERCE
(See Appendix X.)

CHRONOLOGICAL LIST OF BRANCHES

July	24, 1902	Medicine Hat, Alta.
Aug.	4, 1902	Treherne, Man.
Aug.	30, 1902	Warton, Ont.
Sept.	11, 1902	Carman, Man.
Sept.	15, 1902	Moosomin, Assa. (now Sask.)
Sept.	15, 1902	Neepawa, Man.
Sept.	22, 1902	Ladysmith, B.C.
Sept.	23, 1902	Elgin, Man.
Oct.	13, 1902	Calgary, Alta.
Oct.	20, 1902	Edmonton, Alta.
Nov.	13, 1902	Swan River, Man.
Nov.	19, 1902	Dauphin, Man.
Nov.	22, 1902	Grandview, Man.
Dec.	2, 1902	Gilbert Plains, Man.
Jany.	26, 1903	Sydney, N.S.
Feb.	12, 1903	Innisfail, Alta.
Feb.	17, 1903	Ponoka, Alta.
March	2, 1903	Portage la Prairie, Man.
May	13, 1903	North Winnipeg, (Winnipeg, Man.)
May	16, 1903	Regina, Assa. (now Sask.)
June	1, 1903	Amherst, N.S. ¹
June	1, 1903	Antigonish, N.S. ¹
June	1, 1903	Barrington, N.S. ¹
June	1, 1903	Bridgewater, N.S. ¹
June	1, 1903	Canning, N.S. ¹Closed January 13, 1906, and business transferred to Bank of Nova Scotia, Canning.
June	1, 1903	Halifax, N.S. ¹
June	1, 1903	Lockeport, N.S. ¹Closed September 30, 1903.
June	1, 1903	Lunenburg, N.S. ¹Closed October 31, 1906, and business transferred to Bank of Montreal. Re-opened December 5, 1918.
June	1, 1903	Middleton, N.S. ¹
June	1, 1903	New Glasgow, N.S. ¹
June	1, 1903	Parrsboro, N.S. ¹
June	1, 1903	Sackville, N.B. ¹Closed January 13, 1906, and business transferred to Bank of Nova Scotia, Sackville.
June	1, 1903	St. John, N.B. ¹
June	1, 1903	Shelburne, N.S. ¹
June	1, 1903	Springhill, N.S. ¹
June	1, 1903	Truro, N.S. ¹

¹Taken over from the Halifax Banking Company.

June	1, 1903	Windsor, N.S. ¹	
June	11, 1903	Elkhorn, Man.	
June	22, 1903	East Vancouver, (Vancouver, B.C.)	
July	13, 1903	Red Deer, Alta.	
Oct.	3, 1903	Rainy River, Ont.	
Nov.	2, 1903	Prince Albert, N.W.T. (now Sask.) ²	
Jany.	12, 1904	Moosejaw, Assa. (now Sask.)	
Jany.	19, 1904	Notre Dame Street (Winnipeg, Man.) . . .	Name changed to Ross Avenue, January 17, 1905. Closed May, 1908, and business transferred to Alexander Ave. branch.
Feb.	1, 1904	Portage Avenue (Winnipeg, Man.)	
June	10, 1904	Lloydminster, Sask.	
Oct.	12, 1904	Nanton, Alta.	
Dec.	6, 1904	Claresholm, Alta.	
Feb.	1, 1905	Melfort, Sask.	
March	27, 1905	Macleod, Alta.	
March	28, 1905	Lethbridge, Alta.	
May	1, 1905	Port Arthur, Ont.	
May	4, 1905	Penticton, B.C.	
June	12, 1905	Louise Bridge (Winnipeg, Man.) . . .	Name changed to Elmwood, March 5, 1907.
June	14, 1905	Saskatoon, Sask.	
June	17, 1905	High River, Alta.	
June	27, 1905	South Vancouver, (Vancouver, B.C.) . . .	Name changed to Fairview, November 1, 1909.
July	17, 1905	Princeton, B.C.	
Aug.	8, 1905	Pincher Creek, Alta.	
Aug.	9, 1905	Cobalt, Ont.	
Aug.	23, 1905	North Battleford, Sask.	
Sept	11, 1905	Vegreville, Alta.	
Sept.	14, 1905	Brandon, Man.	
Oct.	19, 1905	Kinistino, Sask.	Closed February 29, 1908, and business transferred to Melfort branch.

¹Taken over from the Halifax Banking Company.

²On February 9, 1914, the business of the Prince Albert branch was transferred to a new site, and the office at the old site was thereafter carried on as the River Street, Prince Albert, branch. The River Street, Prince Albert, branch was closed August 15, 1914, and the business transferred to the Prince Albert branch.

CHRONOLOGICAL LIST OF BRANCHES 561

Oct.	30, 1905	Vermilion, Alta.	
Nov.	15, 1905	Yellowgrass, Sask.	
Dec.	7, 1905	Bank and Somerset Streets (Ottawa, Ont.)	Name changed to Bank Street, January 24, 1907.
Dec.	7, 1905	Parry Sound, Ont.	
Dec.	21, 1905	Fort Rouge, (Winnipeg, Man.)	
Jany.	15, 1906	Strathcona, Alta. ¹ (Now part of Edmon- ton)	
Jany.	15, 1906	Wetaskiwin, Alta. ¹	
Jany.	22, 1906	Blake Street (Winnipeg, Man.)	
Jany.	22, 1906	Parkdale (Toronto, Ont.)	
Feb.	5, 1906	Yonge and Queen (Toronto, Ont.)	
Feb.	12, 1906	Langham, Sask.	
Feb.	21, 1906	Leavings, Alta.	Name changed to Granum, October 16, 1907.
Feb.	22, 1906	Radisson, Sask.	
Feb.	22, 1906	Stavely, Alta.	
March	2, 1906	Humboldt, Sask.	
March	6, 1906	WestEnd (Montreal, P.Q.)	Name changed to St. Catherine and Met- calfe, March 15, 1912.
March	25, 1906	Gleichen, Alta.	
April	5, 1906	Canora, Sask.	
April	5, 1906	Vonda, Sask.	
April	17, 1906	Crossfield, Alta.	
April	18, 1906	Latchford, Ont.	Closed August 31, 1911, and business transferred to Cobalt branch.
April	20, 1906	Wingham, Ont. ²	
May	14, 1906	Weyburn, Sask.	
May	25, 1906	Quebec, P.Q.	
June	1, 1906	Alberton, P.E.I. ³	
June	1, 1906	Charlottetown, P.E.I. ³	
June	1, 1906	Montague, P.E.I. ³	
June	1, 1906	Souris, P.E.I. ³	
June	1, 1906	Summerside, P.E.I. ³	
June	18, 1906	Alexander Avenue, (Winnipeg, Man.)	

¹The business of the Bank of Nova Scotia was taken over at these places, in exchange for the business of the branches of The Canadian Bank of Commerce at Canning, N.S., and Sackville, N.B.

²The private banking business of Mr. A. E. Smith was taken over at Wingham.

³Taken over from the Merchants Bank of Prince Edward Island.

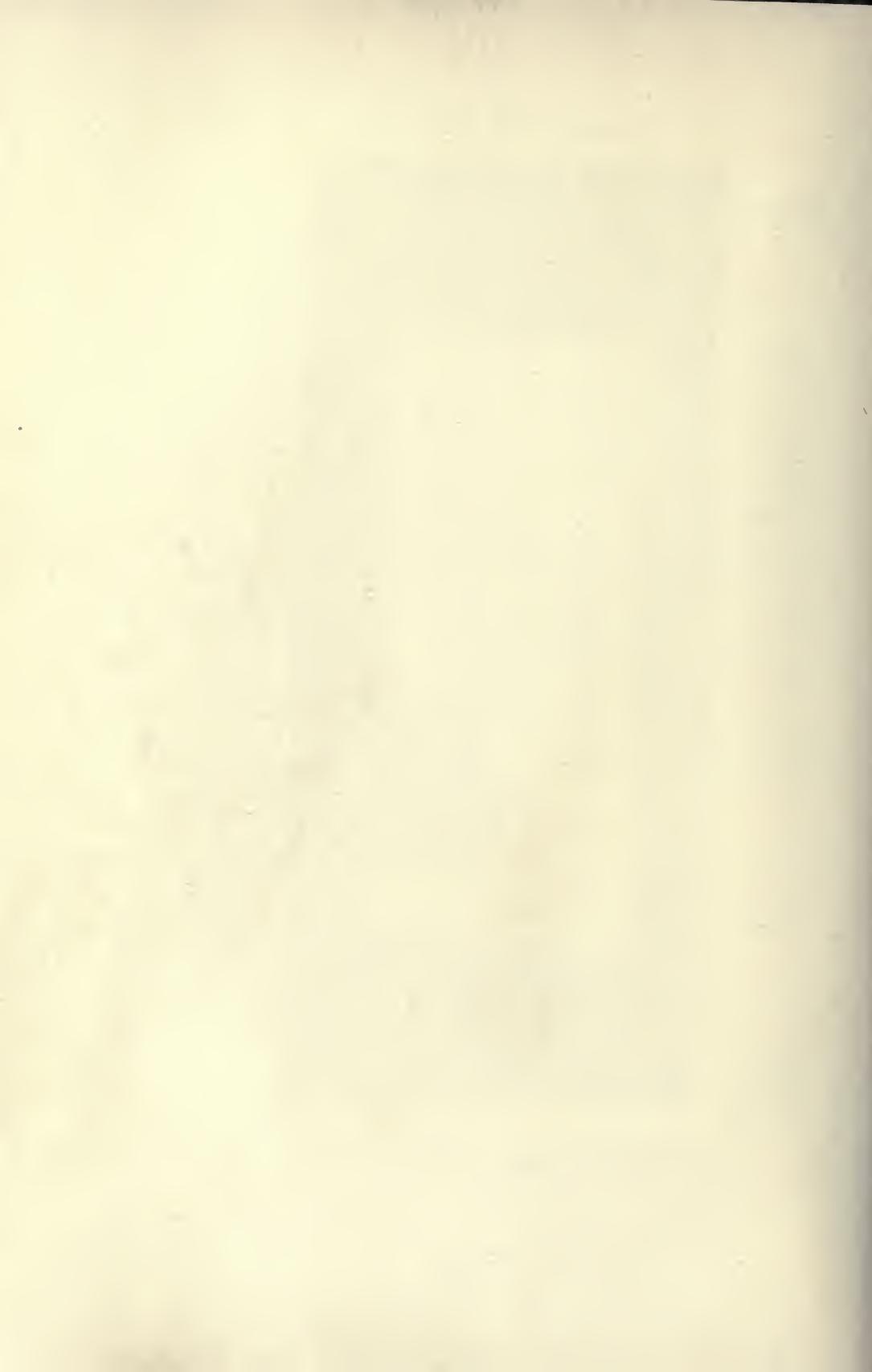
HISTORY OF THE BANK

July	4, 1906	Norwood, (Winnipeg, Man.)	Closed May 19, 1908, and business transferred to Winnipeg branch.
Aug.	14, 1906	Kamsack, Sask.	
Sept.	4, 1906	Van Ness and Eddy, (San Francisco, Cal.)	Closed June 1, 1909.
Sept.	22, 1906	Lashburn, Sask.	
Oct.	15, 1906	Lindsay, Ont.	
Oct.	16, 1906	Kingston, Ont.	
Oct.	17, 1906	Fort William, Ont.	
Oct.	27, 1906	Stony Plain, Alta.	
Nov.	22, 1906	Bawlf, Alta.	
Nov.	24, 1906	Watson, Sask.	
Nov.	30, 1906	Wadena, Sask.	
Dec.	3, 1906	DeLorimier, P.Q.	Closed March 1, 1909, and business transferred to Montreal branch.
Dec.	4, 1906	Innisfree, Alta.	
Jany.	25, 1907	Kenville, Man.	Sub-agency of Swan River. Closed January, 1908, and business transferred to Swan River branch.
Feb.	1, 1907	Prince Rupert, B.C.	
Feb.	6, 1907	Durban, Man.	Closed July 31, 1911, and business transferred to Swan River branch.
Feb.	20, 1907	Mission City, B.C.	
March	20, 1907	Hardisty, Alta.	
April	12, 1907	Drinkwater, Sask.	
May	11, 1907	Lanigan, Sask.	Closed August 1, 1917, and business transferred to Union Bank of Canada.
July	30, 1907	Creston, B.C.	
Sept.	25, 1907	Nokomis, Sask.	
Jany.	18, 1908	Exeter, Ont. ¹	
Jany.	18, 1908	Theford, Ont. ¹	
March	9, 1908	Crediton, Ont.	
March	30, 1908	Park Drive, (Vancouver, B.C.)	Name changed to Commercial Drive, January 17, 1913.
July	15, 1908	Forest, Ont.	
July	27, 1908	Melville, Sask.	
Aug.	27, 1908	Rivers, Man.	
Aug.	31, 1908	Watrous, Sask.	
Sept.	14, 1908	Delisle, Sask.	
Oct.	3, 1908	Outlook, Sask.	Closed March 15, 1916, and business transferred to Bank of Montreal, Outlook.
Oct.	10, 1908	Tugaske, Sask.	
Oct.	19, 1908	Elbow, Sask.	

¹The business of the Sovereign Bank of Canada was taken over here.



NOTES OF THE CANADIAN BANK OF COMMERCE
(See Appendix X.)



CHRONOLOGICAL LIST OF BRANCHES 563

Oct.	26, 1908	Revelstoke, B.C.	
Nov.	18, 1908	Monarch, Alta.....	Closed December 15, 1915, and business transferred to Lethbridge branch.
Dec.	14, 1908	Provost, Alta.	
Feb.	8, 1909	Gowganda, Ont.....	Closed April 8, 1914, and business transferred to Cobalt branch.
Feb.	9, 1909	Elk Lake, Ont.....	Closed October 29, 1910. Deposits and collections transferred to Imperial Bank, Elk Lake, other business to the Cobalt branch.
March	11, 1909	Warner, Alta.	
March	18, 1909	Herbert, Sask.	
March	26, 1909	Camlachie, Ont.....	Sub-agency of Forest.
April	7, 1909	Hawarden, Sask.	
April	21, 1909	South Calgary, (Calgary, Alta.).....	Name changed to First Street West, January 31, 1913.
April	26, 1909	College and Dovercourt, (Toronto, Ont.)	
April	26, 1909	East Calgary, (Calgary, Alta.)	
April	28, 1909	Carmanagay, Alta.	
June	1, 1909	Nakusp, B.C.	
July	17, 1909	Shellbrook, Sask.	
July	27, 1909	Broderick, Sask.	
Aug.	2, 1909	Milestone, Sask.	
Aug.	9, 1909	Wilcox, Sask.	
Sept.	14, 1909	Gerrard and Pape, (Toronto, Ont.)	
Sept.	17, 1909	Olds, Alta.	
Sept.	20, 1909	Strathmore, Alta.....	Closed April 30, 1916, and business transferred to Union Bank of Canada, and to the Gleichen branch.
Oct.	29, 1909	Elfros, Sask.	
Nov.	15, 1909	Virden, Man.	
Nov.	15, 1909	Yorkton, Sask.	
Dec.	15, 1909	Milk River, Alta.	
Jany.	24, 1910	Cleaverville, Alta.	Name changed to Champion, September 30, 1910.
Feb.	2, 1910	Kindersley, Sask.	
Feb.	7, 1910	Mount Pleasant, (Vancouver, B.C.)	
March	3, 1910	Bassano, Alta.	
March	3, 1910	North Victoria, (Victoria, B.C.)	
March	11, 1910	South Hill, B.C.	
March	11, 1910	Morse, Sask.	

March	15, 1910	Swift Current, Sask.	
April	9, 1910	New Dayton, Alta.....	Closed September 15, 1914, and business transferred to Warner branch.
April	16, 1910	Stewart, B.C.....	Closed December 14, 1912, and business transferred to Prince Rupert branch.
Aug.	22, 1910	Mexico City, Mex.	
Oct.	1, 1910	Marcelin, Sask.	
Oct.	15, 1910	Bounty, Sask.....	Closed October 1, 1912, and business transferred to Union Bank of Canada, Bounty.
Oct.	22, 1910	Kerrobert, Sask.	
Oct.	25, 1910	Transcona, Man.	
Oct.	26, 1910	Kitscoty, Alta.	
Nov.	4, 1910	Lougheed, Alta.	
Nov.	4, 1910	Cumberland, B.C.	
Dec.	1, 1910	The Pas, N.W.T. (now Man.)	
Dec.	3, 1910	Nutana, Sask.	
Dec.	6, 1910	Porcupine, Ont.....	Closed September 30, 1911, and business transferred to South Porcupine branch.
Dec.	8, 1910	Stowe, Sask.....	Name changed to Brooking, January 3, 1911. Closed November 30, 1911, and business transferred to Radville branch.
Dec.	19, 1910	Lamerton, Alta.....	Name changed to Mirror, October 10, 1911. Closed October 31, 1915, and business transferred to Ponoka branch.
Dec.	27, 1910	Chilliwack, B.C.	
Jany.	3, 1911	Bloor and Dufferin (Toronto, Ont.)	
Jany.	7, 1911	Salmon Arm, B.C.	
Feb.	16, 1911	South Porcupine, Ont....	Closed June 15, 1916, and business transferred to Timmins branch.
April	3, 1911	Willow Bunch, Sask.	
April	11, 1911	Bengough, Sask.	
April	17, 1911	Biggar, Sask.	
April	25, 1911	Kelowna, B.C.	
April	25, 1911	Tilley, Alta. ¹	Closed June 30, 1914, and business transferred to Medicine Hat branch.
May	8, 1911	Cudworth, Sask.	
May	8, 1911	Vernon, B.C.	
June	15, 1911	Golden, B.C.	
June	19, 1911	Radville, Sask.	
June	21, 1911	Duncan, B.C.	
July	22, 1911	Edam, Sask.	

¹Tilley was operated from August 11, 1911, as a sub-office of Medicine Hat. It was closed for the winter on December 12, 1911, and re-opened May 4, 1912.

CHRONOLOGICAL LIST OF BRANCHES 565

Aug.	7, 1911	Beaver Lodge, Alta.....	Name changed to Lake Saskatoon, September 27, 1912.
Oct.	2, 1911	Grouard, Alta.....	Closed July 31, 1915, and business transferred to Edmonton branch.
Oct.	11, 1911	Mount Royal, (Calgary, Alta.).....	Closed November 1, 1918, and business transferred to First Street West, Calgary, branch.
Oct.	13, 1911	Briercrest, Sask.	
Oct.	24, 1911	West Side (Saskatoon, Sask.)...	Closed December 31, 1914, and business transferred to Saskatoon branch.
Dec.	16, 1911	Powell Street (Vancouver, B.C.)	
Feb.	26, 1912	North Vancouver, B.C.	
Feb.	28, 1912	Danforth and Broadview, (Toronto, Ont.)	
March	1, 1912	Acton Vale, P.Q. ¹	
March	1, 1912	Ayer's Cliff, P.Q. ¹	
March	1, 1912	Bedford, P.Q. ¹	
March	1, 1912	Beebe, P.Q. ¹	
March	1, 1912	Beloeil Station, P.Q. ¹	Made a sub-agency of Beloeil, September 6, 1912. Closed June 6, 1913.
March	1, 1912	Bishop's Crossing, P.Q. ¹ ..	Made a sub-agency of East Angus, April 15, 1914; branch, December 13, 1916.
March	1, 1912	Black Lake, P.Q. ¹	Closed June 7, 1915, and business transferred to Thetford Mines branch.
March	1, 1912	Coaticook, P.Q. ¹	
March	1, 1912	Coleman, Alta. ¹	
March	1, 1912	Cookshire, P.Q. ¹	
March	1, 1912	Cowansville, P.Q. ¹	
March	1, 1912	Danville, P.Q. ¹	
March	1, 1912	Eastman, P.Q. ¹	Made a sub-agency of Magog, June 1, 1918.
March	1, 1912	Farnham, P.Q. ¹	
March	1, 1912	Frelighsburg, P.Q. ¹	
March	1, 1912	Granby, P.Q. ¹	
March	1, 1912	Grand Forks, B.C. ¹	
March	1, 1912	Hemmingford, P.Q. ¹	
March	1, 1912	Huntingdon, P.Q. ¹	
March	1, 1912	Joliette, P.Q. ¹	
March	1, 1912	Knowlton, P.Q. ¹	
March	1, 1912	Lennoxville, P.Q. ¹	
March	1, 1912	Magog, P.Q. ¹	
March	1, 1912	Mansonville, P.Q. ¹	

¹Taken over from the Eastern Townships Bank.

March 1, 1912	Marbleton, P.Q. ¹	
March 1, 1912	Marieville, P.Q. ¹	
March 1, 1912	Megantic, P.Q. ¹	
March 1, 1912	Victoria Square, (Montreal, P.Q.) ¹	Closed April 20, 1912, and business transferred to Montreal branch.
March 1, 1912	East End, (Montreal, P.Q.) ¹	Name changed to St. Catherine and City Hall, June 21, 1912.
March 1, 1912	St. Catherine and Crescent (Montreal, P.Q.) ¹	Name changed to Crescent and St. Catherine, March 15, 1912.
March 1, 1912	North Hatley, P.Q. ¹	
March 1, 1912	Ormstown, P.Q. ¹	
March 1, 1912	Phoenix, B.C. ¹	
March 1, 1912	Pointe aux Trembles, P.Q. ¹	
March 1, 1912	Richmond, P.Q. ¹	
March 1, 1912	Rimouski, P.Q. ¹	
March 1, 1912	Rock Island, P.Q. ¹	
March 1, 1912	St. Felix de Valois, P.Q. ¹	
March 1, 1912	St. Ferdinand d'Halifax, P.Q. ¹	
March 1, 1912	St. Gabriel de Brandon, P.Q. ¹	
March 1, 1912	St. George Beauce, P.Q. ¹	
March 1, 1912	St. Hyacinthe, P.Q. ¹	
March 1, 1912	St. Johns, P.Q. ¹	
March 1, 1912	St. Joseph de Beauce, P.Q. ¹	
March 1, 1912	St. Remi, P.Q. ¹	Closed March 31, 1916, and business transferred to La Banque d'Hochelega.
March 1, 1912	Scotstown, P.Q. ¹	
March 1, 1912	Sherbrooke, P.Q. ¹	
March 1, 1912	Wellington Street, (Sherbrooke, P.Q.) ¹	
March 1, 1912	Summerland, B.C. ¹	Closed May 15, 1916, and business transferred to Penticton branch.
March 1, 1912	Sutton, P.Q. ¹	
March 1, 1912	Taber, Alta. ¹	
March 1, 1912	Thetford Mines, P.Q. ¹	
March 1, 1912	Valcourt, P.Q. ¹	
March 1, 1912	Hastings and Cambie, (Vancouver, B.C.) ¹	
March 1, 1912	Kitsilano (Vancouver, B.C.) ¹	
March 1, 1912	Waterloo, P.Q. ¹	

¹Taken over from the Eastern Townships Bank.

CHRONOLOGICAL LIST OF BRANCHES 567

March 1, 1912	Waterville, P.Q. ¹	
March 1, 1912	West Shefford, P.Q. ¹	
March 1, 1912	Windsor Mills, P.Q. ¹	... Name changed to Windsor, July 14, 1914.
March 1, 1912	Main Street, (Winnipeg, Man.) ¹	... Closed December 14, 1912, and business transferred to Winnipeg branch.
March 1, 1912	Asbestos, P.Q. ¹	... Sub-agency of Danville. Made a branch, October 1, 1913.
March 1, 1912	Beloil, P.Q. ¹	... Sub-agency of Beloil Station. Made a branch, September 6, 1912.
March 1, 1912	Bic, P.Q. ¹	... Sub-agency of Rimouski. Made a branch, June 1, 1914; again a sub-agency of Rimouski, June 10, 1916. Closed September 1, 1917, and business transferred to Rimouski branch.
March 1, 1912	Brome, P.Q. ¹	... Sub-agency of Knowlton.
March 1, 1912	Bromptonville, P.Q. ¹	... Sub-agency of Sherbrooke. Closed June 30, 1914, and business transferred to Sherbrooke and Wellington Street, Sherbrooke, branches.
March 1, 1912	Chambly (Basin), P.Q. ¹	... Sub-agency of Marieville. Made a branch, May 19, 1913; again a sub-agency of Marieville, May 14, 1915.
March 1, 1912	Clarenceville, P.Q. ¹	... Sub-agency of St. Johns. Made a branch, May 9, 1913.
March 1, 1912	Dixville, P.Q. ¹	... Sub-agency of Coaticook.
March 1, 1912	Dunham, P.Q. ¹	... Sub-agency of Cowansville. Made a branch, January 3, 1913.
March 1, 1912	East Angus, P.Q. ¹	... Sub-agency of Bishop's Crossing. Made a branch, May 14, 1912.
March 1, 1912	East Hatley, P.Q. ¹	... Sub-agency of Ayer's Cliff.
March 1, 1912	Foster, P.Q. ¹	... Sub-agency of Knowlton. Closed March 31, 1914, and business transferred to Knowlton branch.
March 1, 1912	Henryville, P.Q. ¹	... Sub-agency of St. Johns. Closed April 2, 1913.
March 1, 1912	Howick, P.Q. ¹	... Sub-agency of Ormstown. Made a branch, December 2, 1912.
March 1, 1912	Iberville, P.Q. ¹	... Sub-agency of St. Johns. Made a branch, February 11, 1913; again a sub-agency of St. Johns, September 20, 1915.
March 1, 1912	Keremeos, B.C. ¹	... Sub-agency of Princeton. Made a branch, April 2, 1912.
March 1, 1912	Lacolle, P.Q. ¹	... Sub-agency of St. Johns. Made a branch, May 9, 1913.

¹Taken over from the Eastern Townships Bank.

HISTORY OF THE BANK

March 1, 1912	Lawrenceville, P.Q. ¹	Sub-agency of Eastman. Closed June 21, 1913, and business transferred to Eastman branch.
March 1, 1912	Midway, B.C. ¹	Sub-agency of Grand Forks. Closed April 1, 1912.
March 1, 1912	Naramata, B.C. ¹	Sub-agency of Summerland. Closed September 15, 1913, and business transferred to Summerland branch.
March 1, 1912	Philipsburg, P.Q. ¹	Sub-agency of Bedford.
March 1, 1912	Roxton Falls, P.Q. ¹	Sub-agency of Acton Vale. Made a branch, November 3, 1913.
March 1, 1912	St. Armand Station, P.Q. ¹	Sub-agency of Bedford.
March 1, 1912	St. Chrysostome, P.Q. ¹	Sub-agency of Ormstown. Made a branch, December 2, 1912.
March 1, 1912	St. Constant, P.Q. ¹	Sub-agency of St. Remi. Closed July 23, 1912, and business transferred to St. Remi.
March 1, 1912	Ste. Elizabeth, P.Q. ¹	Sub-agency of Joliette. Made a branch, October 7, 1912. Closed July 5, 1913, and business transferred to Joliette branch.
March 1, 1912	St. Philippe de la Prairie, P.Q. ¹	Sub-agency of St. Johns. Closed April 1, 1913.
March 1, 1912	St. Sebastien, P.Q. ¹	Sub-agency of St. Johns. Closed April 2, 1913.
March 1, 1912	Stanbridge East, P.Q. ¹	Sub-agency of Bedford. Made a branch, November 3, 1913.
March 1, 1912	Stanstead, P.Q. ¹	Sub-agency of Rock Island. Closed May 8, 1918, and business transferred to Rock Island branch.
March 1, 1912	Sweetsburg, P.Q. ¹	Sub-agency to Cowansville. Closed October 14, 1913, and business transferred to Cowansville branch.
March 1, 1912	Thetford Mines West, P.Q. ¹	Sub-agency of Thetford Mines.
March 1, 1912	Uppertown, (Sherbrooke, P.Q.) ¹	Sub-agency of Sherbrooke. Made a branch, October 29, 1913.
March 1, 1912	Upton, P.Q. ¹	Sub-agency of St Hyacinthe. Closed December 31, 1912.
March 1, 1912	Weedon, P.Q. ¹	Sub-agency of Marbleton. Made a branch, October 1, 1912.

¹Taken over from the Eastern Townships Bank.

CHRONOLOGICAL LIST OF BRANCHES 569

March 5, 1912	Athabasca Landing, Alta.	Name changed to Athabasca, April 28, 1914. Closed April 30, 1917, and business transferred to Strathcona branch.
March 8, 1912	Port Colborne, Ont.	
March 12, 1912	St. Thomas, Ont.	
March 25, 1912	Blaine Lake, Sask.	
April 16, 1912	Brockville, Ont.	
May 13, 1912	Maisonneuve, (Montreal, P.Q.)	
May 15, 1912	Ingersoll, Ont.	
May 27, 1912	Tillsonburg, Ont.	
May 30, 1912	Earlscourt, (Toronto, Ont.)	
June 5, 1912	Port Stanley, Ont.....	Closed March 1, 1916, and business transferred to St. Thomas branch.
June 21, 1912	Sudbury, Ont.	
June 25, 1912	St. John's, Nfld.	
July 8, 1912	Rock Creek, B.C.....	Closed April 15, 1916, and business transferred to Greenwood branch.
July 30, 1912	Cornwall, Ont.	
Aug. 5, 1912	Nicolet, P.Q.....	Closed April 29, 1915, and business transferred to La Banque Nationale, Nicolet.
Aug. 12, 1912	Prince Arthur and Park, (Montreal, P.Q.)	
Aug. 26, 1912	West End (Sault Ste. Marie, Ont.)	
Sept. 3, 1912	Hanna, Alta.	
Oct. 8, 1912	Laird, Sask.....	Closed December 15, 1915, and business transferred to Langham branch.
Oct. 16, 1912	Smith Falls, Ont.	
Oct. 19, 1912	Niagara Falls, Ont.	
Oct. 24, 1912	Vulcan, Alta.	
Nov. 2, 1912	Three Rivers, P.Q.	
Nov. 2, 1912	Fraserville, P.Q.....	Closed April 30, 1914, and business transferred to Bank of Montreal, Fraser-ville.
Nov. 6, 1912	Fredericton, N.B.	
Nov. 11, 1912	Oak Bay Avenue, (Victoria, B.C.)	
Nov. 18, 1912	Youngstown, Alta.	
Dec. 2, 1912	Campbellton, N.B.	
Dec. 5, 1912	Moncton, N.B.	
Dec. 16, 1912	Port McNicoll, Ont.....	Closed November 30, 1915, and business transferred to Quebec Bank, Port McNicoll.

Dec.	28, 1912	Pandora and Cook, (Victoria, B.C.)	Closed June 30, 1915, and business transferred to Victoria branch.
Jany.	23, 1913	Kelvin Street (Winnipeg, Man.)	
Jany.	29, 1913	Courtenay, B.C.	
March	11, 1913	Comox, B.C.	Sub-agency of Cumberland. Closed December 29, 1914, and business transferred to Cumberland.
March	27, 1913	Peace River Crossing, Alta.	Name changed to Peace River, May 23, 1916.
April	2, 1913	Parksville, B.C.	
May	15, 1913	Uppertown (Quebec, P.Q.)	
May	30, 1913	Readlyn, Sask.	Closed June 15, 1915, and business transferred to Weyburn Security Bank, Readlyn.
May	31, 1913	Monitor, Alta.	
June	1, 1913	Schumacher, Ont. ¹	Sub-agency of South Porcupine until June 15, 1916, and then of Timmins. Made a branch, March 7, 1917.
June	4, 1913	Sharp, Sask.	Name changed to Wiseton, August 8, 1913.
June	5, 1913	Kincaid, Sask.	
June	12, 1913	Highland, Alta.	Name changed to Delia, January 5, 1916.
June	18, 1913	West St. John, (St. John, N.B.)	Closed September 5, 1914, and business transferred to St. John branch.
July	23, 1913	Oshawa, Ont.	
Sept.	9, 1913	Shaunavon, Sask.	
Oct.	21, 1913	Retlaw, Alta.	
Dec.	1, 1913	St. Denis and Duluth, (Montreal, P.Q.)	Closed April 15, 1916, and business transferred to Montreal branch.
Dec.	10, 1913	Bath, N.B.	Closed December 1, 1914, and business transferred to Bank of Nova Scotia.
Dec.	10, 1913	Bristol, N.B.	Closed December 1, 1914, and business transferred to Bank of Nova Scotia.
Jany.	12, 1914	Central Butte, Sask.	
March	12, 1914	Compton, P.Q.	Sub-agency of Coaticook. Made a branch, December 13, 1916.
March	23, 1914	Chicoutimi, P.Q.	Closed March 16, 1915, and business transferred to Molsons Bank, Chicoutimi.
April	6, 1914	Madoc, Ont.	

¹Approximate date.

CHRONOLOGICAL LIST OF BRANCHES 571

April	11, 1914	St. Louis, Sask.	Name changed to Gilroy, May 8, 1914. Closed August 31, 1916, and business transferred to branch then opened at Riverhurst.
April	15, 1914	Alma Road, (Vancouver, B.C.)	Closed March 31, 1915, and business transferred to Kitsilano, Vancouver, branch.
April	24, 1914	Hafford, Sask.	
April	27, 1914	Bloor and Lippincott, (Toronto, Ont.)	
May	6, 1914	Admiral, Sask.	
May	18, 1914	Rockyford, Alta.	
July	6, 1914	Yonge and Eglinton (Toronto, Ont.)	Closed February 29, 1916, and business transferred to Dominion Bank, Eglinton Avenue, Toronto, branch.
July	27, 1914	Page and Queenston, (St. Catharines, Ont.)	
July	27, 1914	Grimsby, Ont.	
March	11, 1915	Wychwood, (Toronto, Ont.)	
May	3, 1915	Hantsport, N.S.	Sub-agency of Windsor, N.S.
May	28, 1915	Emo, Ont.	
Nov.	24, 1915	Ford, Ont.	
Jany.	5, 1916	Timmins, Ont.	
May	29, 1916	Turtleford, Sask.	
June	14, 1916	Glen Sutton, P.Q.	Sub-agency of Mansonville.
July	19, 1916	Drummondville, P.Q.	
Aug.	1, 1916	Belgrave, Ont.	Sub-agency of Wingham.
Aug.	24, 1916	Speers, Sask.	Sub-agency of Hafford.
Aug.	31, 1916	Riverhurst, Sask. ¹	
Sept.	22, 1916	Manyberries, Alta.	
Oct.	2, 1916	Pouce Coupé, B.C.	
Nov.	28, 1916	Birch Hills, Sask.	Sub-agency of Prince Albert. Made a branch, April 25, 1917.
Dec.	1, 1916	Richard, Sask.	Sub-agency of North Battleford.
Jany.	18, 1917	Willow Brook, Sask.	
March	1, 1917	Balmy Beach, (Toronto, Ont.)	
March	1, 1917	Cobble Hill, B.C.	Sub-agency of Duncan.
March	1, 1917	La Have, N.S.	
May	1, 1917	By Ward Market, (Ottawa, Ont.)	

¹The business of the Gilroy branch was transferred to Riverhurst when the latter was opened.

HISTORY OF THE BANK

May	14, 1917	Eckville, Alta.
May	25, 1917	Port Greville, N.S.....Sub-agency of Parrsboro.
May	25, 1917	Cadogan, Alta.....Sub-agency of Provost. Made a branch, December 12, 1917.
May	26, 1917	Tramping Lake, Sask....Sub-agency of Kerobert. Made a branch, November 7, 1917.
June	1, 1917	Hamilton Road, (London, Ont.)
Nov.	21, 1918	Amherstburg, Ont.
Nov.	25, 1918	Rosebud Creek, Alta.
Nov.	26, 1918	Weston, Ont.
Nov.	27, 1918	Parkland, Alta.
Nov.	29, 1918	Sifton, Man.
Nov.	30, 1918	Ochre River, Man.....Sub-agency of Dauphin.
Nov.	30, 1918	Teulon, Man.
Nov.	30, 1918	Laporte, Sask.
Nov.	30, 1918	Elstow, Sask.....Sub-agency of Saskatoon.
Dec.	2, 1918	Devon, N.B..
Dec.	2, 1918	Arborg, Man.
Dec.	2, 1918	Wroxton, Sask.
Dec.	2, 1918	Star City, Sask.
Dec.	3, 1918	Walton, Ont.
Dec.	4, 1918	St. Norbert, Man.
Dec.	4, 1918	Norquay, Sask.
Dec.	5, 1918	Headingly, Man.
Dec.	6, 1918	Irricana, Alta.
Dec.	7, 1918	Vawn, Sask.
Dec.	7, 1918	Marshall, Sask.
Dec.	9, 1918	Kingston, N.S.....Sub-agency of Middleton.
Dec.	11, 1918	Beamsville, Ont.
Dec.	12, 1918	Empress, Alta.
Dec.	14, 1918	Bluevale, Ont.....Sub-agency of Wingham.
Dec.	18, 1918	Dashwood, Ont.
Dec.	18, 1918	Drumheller, Alta.
Dec.	19, 1918	Bass River, N.S.
Dec.	21, 1918	Hyas, Sask.
Dec.	23, 1918	Leslie, Sask.....Sub-agency of Elfros.
Dec.	24, 1918	Basswood, Man.
Dec.	30, 1918	Pathlow, Sask.
Dec.	30, 1918	St. Brieux, Sask.
Dec.	31, 1918	Ituna, Sask.

APPENDIX XIII. STATISTICS.

Year	Capital Paid-Up	Reserve Fund	Dividend Rate	Profits	DEPOSITS		
					Bearing Interest	Not bearing Interest	Total
1868	916,359	40,000	8	97,783			1,302,480
1869	1,408,875	100,000	8	141,236			2,064,650
1870	2,036,765	250,000	8	336,536			3,442,423
1871	3,193,375	600,000	8	572,130	2,905,896	1,767,307	4,673,204
1872	4,748,334	1,000,000	8	765,513			6,157,159
1873	5,875,273	1,500,000	8	969,159			6,073,103
1874	6,000,000	1,800,000	9	833,573			7,409,174
1875	6,000,000	1,900,000	10	742,067			7,816,088
1876	6,000,000	1,900,000	8	653,933	5,740,693	1,573,429	7,314,122
1877	6,000,000	1,900,000	8	453,920	6,231,587	1,351,632	7,583,219
1878	6,000,000	1,400,000	8	541,550	6,689,416	1,373,105	8,062,522
1879	6,000,000	1,400,000	8	576,426	7,983,771	1,818,361	9,802,132
1880	6,000,000	1,400,000	8	631,875	9,317,380	1,789,247	11,106,628
1881	6,000,000	1,400,000	8	652,333	9,996,361	2,759,118	12,755,480
1882	6,000,000	1,650,000	8	758,965	12,859,354	2,712,569	15,671,924
1883	6,000,000	1,900,000	8	774,362	11,407,707	2,327,069	13,734,776
1884	6,000,000	2,000,000	8	635,919	9,679,913	1,855,160	11,535,074
1885	6,000,000	2,100,000	8	630,721	8,579,931	1,850,128	10,430,659
1886	6,000,000	1,600,000	7	557,636	8,856,434	2,094,891	10,951,325
1887	6,000,000	500,000	7	606,714	7,896,194	2,088,845	9,985,040
1888	6,000,000	600,000	7	507,612	8,769,595	2,239,960	11,009,556
1889	6,000,000	700,000	7	538,113	9,321,709	2,768,164	12,089,873
1890	6,000,000	800,000	7	524,062	9,720,985	2,772,898	12,493,883
1891	6,000,000	900,000	7	514,431	12,319,977	2,851,451	15,171,429
1892	6,000,000	1,000,000	7	529,642	14,276,464	2,723,720	17,000,184
1893	6,000,000	1,100,000	7	536,511	15,164,372	2,801,827	17,966,200
1894	6,000,000	1,200,000	7	528,095	14,913,611	2,656,624	17,570,236
1895	6,000,000	1,200,000	7	441,028	14,767,209	2,869,280	17,636,489
1896	6,000,000	1,000,000	7	466,623	14,868,674	3,343,744	18,212,418
1897	6,000,000	1,000,000	7	445,730	16,328,571	3,026,385	19,354,957
1898	6,000,000	1,000,000	7	477,456	19,798,152	3,490,953	23,289,106
1899	6,000,000	1,000,000	7	542,802	22,634,446	5,091,916	27,726,363
1900	6,000,000	1,250,000	7	766,582	24,193,343	5,486,925	29,680,269
1901 ²	8,000,000	2,000,000	7	854,323	35,804,766	12,199,832	48,004,599
1901 ³	8,000,000	2,000,000	7	477,595	36,704,765	14,974,600	51,679,365
1902	8,000,000	2,500,000	7	1,028,509	37,944,396	15,978,891	53,923,237
1903	8,700,000	3,000,000	7	1,004,217	45,459,894	17,323,760	62,783,655
1904	8,700,000	3,500,000	7	1,124,973	52,455,931	18,003,420	70,459,351
1905	10,000,000	4,500,000	7	1,376,167	54,947,802	19,425,688	74,373,490
1906	10,000,000	5,000,000	7	1,741,125	64,525,637	22,626,899	87,152,536
1907	10,000,000	5,000,000	8	1,752,349	66,089,786	20,951,271	87,041,057
1908	10,000,000	6,000,000	8	1,627,332	72,806,666	22,231,129	95,037,796
1909	10,000,000	6,000,000	8	1,510,695	89,192,438	31,294,540	120,486,978
1910	10,000,000	7,000,000	9	1,838,065	92,352,500	34,481,063	126,834,253
1911	11,697,275	9,757,820	10	2,305,409	104,677,701	41,288,032	145,965,734
1912	15,000,000	12,500,000	10+1	2,811,806	139,030,648	58,586,313	197,617,462
1913	15,000,000	13,500,000	10+2	2,992,951	140,015,509	52,798,205	192,813,715
1914	15,000,000	13,500,000	10+2	2,668,233	139,818,297	41,690,512	181,508,809
1915	15,000,000	13,500,000	10+2	2,352,035	141,558,233	52,964,795	194,523,078
1916	15,000,000	13,500,000	10+2	2,439,415	167,412,079	62,484,072	229,896,152
1917	15,000,000	13,500,000	10+2	2,637,555	189,967,251	86,458,403	276,425,654
1918	15,000,000	15,000,000	10+2	2,850,318	202,148,245	151,010,570	353,158,816

Year	Circulation	Specie and Dominion Notes ⁴	Balances due from other Banks	Bonds and Stocks	Bank Premises	Total Assets
1868	702,388	785,017	45,781	92,500	40,421	2,997,081
1869	1,045,236	972,501	37,581	143,246	51,594	4,679,529
1870	1,974,244	1,262,148	918,523	242,854	88,271	7,844,681
1871	2,359,213	1,528,870	40,208	323,240	114,439	11,018,645
1872	2,516,742	1,267,538	1,139,645	250,000	154,062	14,947,142
1873	2,519,884	1,659,710	511,795	250,000	162,747	16,657,555
1874	2,223,250	2,382,086	389,216	250,000	185,808	18,259,864
1875	1,659,903	1,568,354	756,379	250,000	208,885	18,300,081
1876	1,569,218	1,596,442	1,604,788	250,000	222,221	17,988,649
1877	1,365,828	1,502,139	2,186,792	493,178	235,167	17,707,194
1878	1,573,902	1,718,306	1,947,204	493,178	237,253	17,989,977
1879	1,736,792	1,911,097	1,225,127	855,658	255,782	27,495,273
1880	2,100,210	1,746,365	4,247,978	752,213	269,960	20,153,711
1881	2,685,332	1,941,159	4,012,160	827,213	279,376	23,950,851
1882	3,333,155	2,163,591	3,046,298	822,213	264,070	27,495,273
1883	3,167,317	1,962,271	2,072,272	977,213	267,170	26,044,518
1884	2,554,773	1,714,000	1,698,364	944,013	283,228	23,030,396
1885	2,461,950	1,427,345	1,765,180	941,574	234,516	22,190,206
1886	2,308,963	1,943,890	1,815,237	941,574	290,132	21,930,086
1887	2,390,732	1,324,779	983,058	866,524	257,631	19,574,094
1888	2,117,681	1,178,472	1,316,491	1,085,199	344,917	20,699,023
1889	2,406,618	1,215,538	1,131,198	1,048,831	483,152	23,038,441
1890	2,458,803	1,142,447	1,267,909	1,145,994	603,582	22,596,520
1891	2,525,065	1,131,611	963,221	1,371,157	641,843	25,360,677
1892	2,623,844	1,142,264	3,071,270	1,555,585	659,078	27,263,545
1893	2,708,167	1,088,069	2,530,878	2,097,196	704,496	28,912,387
1894	2,370,925	1,129,147	1,876,072	2,248,795	732,506	28,182,010
1895	2,280,880	1,445,105	2,703,242	2,643,193	738,057	28,403,274
1896	2,358,058	1,261,583	2,958,260	3,220,605	747,312	28,596,160
1897	2,550,203	1,325,047	4,627,286	4,100,894	756,071	29,566,611
1898	3,030,428	1,309,036	4,514,825	7,444,102	754,401	34,256,103
1899	3,368,420	1,534,165	3,527,346	6,598,690	797,705	39,682,786
1900	4,191,693	3,651,069	1,257,113	6,310,285	861,918	42,822,799
1901 ²	5,446,773	3,296,577	1,222,902	10,367,229	1,000,000	67,553,578
1901 ³	7,266,266	2,999,974	2,180,244	9,401,700	1,000,000	70,616,383
1902	7,368,042	3,149,921	3,052,940	7,483,326	1,000,000	72,825,632
1903	7,880,547	5,931,306	4,341,842	6,958,076	1,000,000	83,341,889
1904	7,680,947	8,102,018	8,009,123	7,313,648	1,000,000	91,055,798
1905	8,738,670	8,269,116	3,557,458	5,711,102	1,000,000	98,375,597
1906	9,199,204	9,976,465	2,499,666	6,201,456	1,300,000	113,545,960
1907	9,235,769	11,053,419	2,939,305	4,874,681	1,412,935	113,683,538
1908	9,640,845	13,087,342	9,953,798	4,673,390	1,727,444	122,338,214
1909	10,327,415	16,475,913	7,821,679	7,194,886	2,000,000	148,998,432
1910	10,222,953	18,643,323	8,754,506	8,924,266	2,276,395	157,053,015
1911	12,004,649	25,829,694	6,989,230	11,541,092	3,142,487	182,389,983
1912	16,422,864	27,454,965	6,829,535	14,362,116	4,423,993	246,571,289
1913	15,642,923	30,415,656	6,906,775	23,957,818	4,281,481	260,030,720
1914	14,942,557	30,337,215	5,799,885	21,191,247	4,686,991	245,364,398
1915	16,397,907	39,901,993	6,319,866	13,256,013	4,739,623	250,421,840
1916	19,259,347	46,291,005	7,203,187	27,875,334	4,839,457	288,427,579
1917	23,995,244	54,652,247	8,496,103	55,884,015	5,090,075	344,375,232
1918	31,583,694	61,971,163	8,267,288	72,067,541	5,344,500	440,310,703

Year	Notes and Bills Discounted ^d	Loans, Discounts or Advances on Current Account to Corporations	Advances on Bonds and Stocks	Notes and Bills Discounted Overdue and not specially secured ^e	Overdue debts Secured ^f	Total Loans ✓
1868	1,894,294					1,894,294
1869	3,329,111					3,329,111
1870	5,132,380					5,132,380
1871	8,522,300					8,522,300
1872	11,521,668	63,564		36,608	14,059	11,635,895
1873	12,976,394	351,113		55,162	13,683	13,396,358
1874	13,128,131	819,996	391,800	87,952	72,805	14,500,687
1875	13,959,387	520,624	413,072	137,418	61,434	15,091,937
1876	12,085,189	603,064	841,767	220,899	52,437	13,803,359
1877	11,544,293	153,398	766,840	187,770	226,528	12,878,830
1878	11,476,910	586,390	761,625	92,172	156,870	13,073,969
1879	14,198,491	759,680	267,711	147,760	107,427	15,481,072
1880	13,455,546			204,969	223,398	13,883,914
1881	15,908,945			213,984	133,944	16,256,873
1882	20,400,622			94,578	108,540	20,603,741
1883	19,869,394		Call and	144,448	131,166	20,145,008
1884	17,420,995	Time Loans	Short Loans	98,461	306,027	17,825,485
1885	16,739,972	on Stocks	on Stocks	73,178	335,188	17,148,339
1886	16,200,027	and Bonds	and Bonds ⁷	57,114	156,093	16,413,235
1887	14,264,228	525,563	591,388	26,781	149,040	15,557,002
1888	14,789,426	469,862	568,463	45,653	153,984	16,027,390
1889	15,987,973	1,486,592	816,772	76,022	45,900	18,413,261
1890	16,086,903	494,149	868,102	57,119	80,764	17,587,038
1891	17,508,511	1,336,487	1,294,962	59,395	54,851	20,254,208
1892	16,784,297	810,779	1,948,930		110,705	19,654,713
1893	19,382,738	892,912	942,060		143,227	21,360,938
1894	18,275,150	1,003,295	1,822,856		123,045	21,224,348
1895	16,317,833	980,617	2,088,496		249,041	19,635,988
1896	15,803,183	921,424	2,297,539		191,605	19,213,754
1897	14,486,491	696,137	2,222,984		192,903	17,598,516
1898	15,131,578	910,476	2,651,532		161,002	18,854,590
1899	20,173,151	1,224,909	3,489,248		198,224	25,025,533
1900	24,437,142	1,644,532	3,286,196		113,899	29,431,770
1901 ²	41,555,151		7,295,451		200,064	49,050,667
1901 ³	43,081,354		8,691,429		269,843	52,042,628
1902	46,990,539		7,247,389		330,264	54,568,193
1903	50,584,275		9,908,590		353,474	60,846,340
1904	51,458,163	Loans to	10,460,092	Call and	305,293	62,223,549
1905	64,303,041	other Banks	11,252,325	Short Loans	101,327	75,656,695
1906	79,303,228	in Canada,	9,001,395	in United	125,812	83,430,435
1907	76,073,271	secured	12,695,557	States ⁸	109,867	88,878,696
1908	68,694,649	1,061,252	7,314,181	10,622,703	143,648	87,836,434
1909	80,342,096	774,798	6,724,495	21,065,630	129,853	109,036,872
1910	91,242,440	686,621	7,500,385	11,541,842	187,893	111,159,183
1911	110,999,611		6,604,716	8,420,602	293,240	126,318,170
1912	163,753,559		8,779,459	9,003,590	487,738	182,024,348
1913	154,576,889		9,610,550	16,154,303	487,554	180,829,353
1914	142,588,076		8,926,859	18,750,526	733,826	170,999,290
1915	140,920,866		12,847,521	18,534,329	508,515	172,811,233
1916	150,242,549		14,725,133	21,141,335	230,738	186,339,756
1917	164,668,158		13,460,862	20,076,903	237,796	198,443,721
1918	217,289,935		13,843,130	28,018,919	103,320	259,255,306

NOTES TO STATISTICAL TABLES.

¹Includes premium on new stock issued.

²As on May 31.

³As on November 30.

⁴Includes "Gold Bullion" from 1900 to 1913, and "Deposit in Central Gold Reserve" from 1915 on.

⁵From 1872 to 1879 this heading is "Notes and Bills Discounted and Current"; from 1880 to 1883 "Loans and Bills Discounted"; from 1884 to 1886, "Loans, Discounts and Advances on Current Account"; and from 1887 on, "Other Current Loans and Discounts."

⁶From 1892 on, the fourth and fifth columns on this page are combined under the heading "Overdue Debts;" the figures are given in column five.

⁷From 1892 to 1900 this heading is "Call Loans on Stocks and Bonds"; in 1901-2, "Call and Short Loans on Stocks and Bonds"; from 1903 to 1907, "Call and Short Loans"; from 1908 to 1912 the column includes "Call and Short Loans *in Canada*" only; from 1913 on the heading is "Call and Short Loans in Canada on Bonds, Debentures and Stocks"; and commencing 1914 "Short Loans" are defined as "not exceeding thirty days."

⁸From 1913 on this heading is "Call and Short Loans elsewhere."

The figures in this appendix are taken from the annual statements of The Canadian Bank of Commerce. From 1868 to 1878 they are made up as on June 30 in each year; from 1879 to 1887 on varying dates in the last week of June; from 1888 to 1901 on May 31; and from 1901 to 1918 on November 30. Two sets of figures are given for 1901, namely, as on May 31 and November 30.

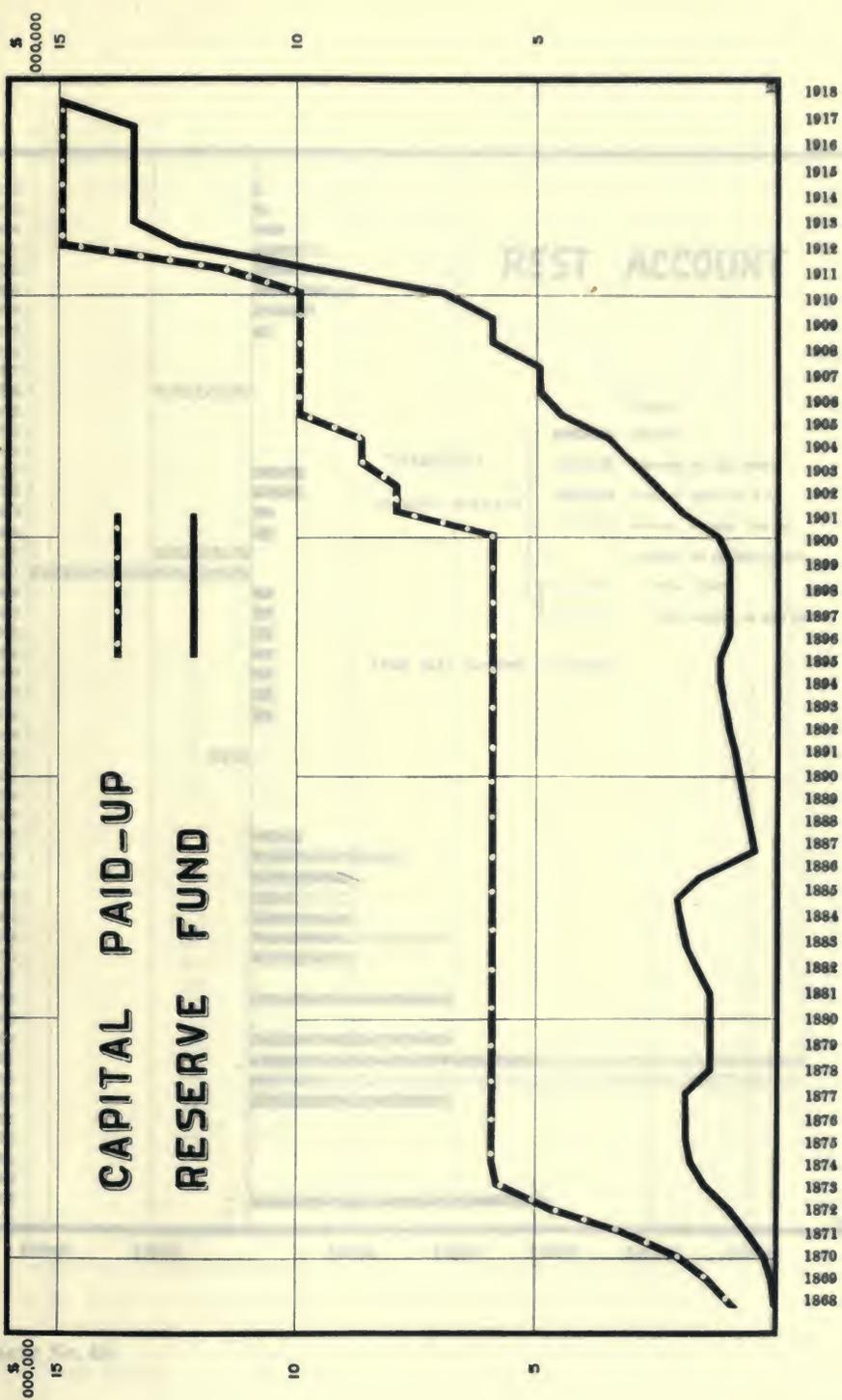
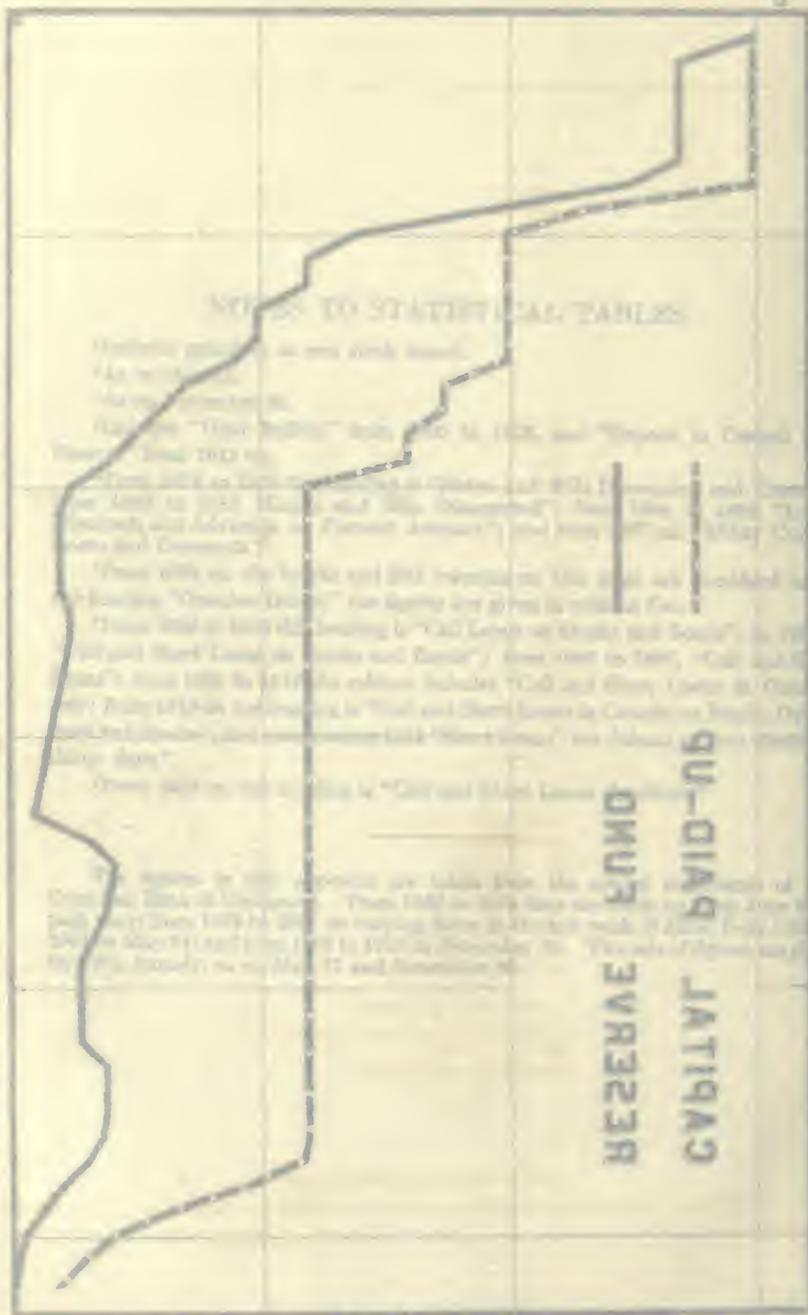


PLATE No. 84.

1954
1953
1952
1951
1950
1949
1948
1947
1946
1945
1944
1943
1942
1941
1940
1939
1938
1937
1936
1935
1934
1933
1932
1931
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1929
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1926
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1923
1922
1921
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1919
1918
1917
1916
1915
1914
1913
1912
1911
1910
1909
1908
1907
1906
1905
1904
1903
1902
1901
1900



RESERVE FUND
CIVILIAN JATIPAC
69-0149
0807

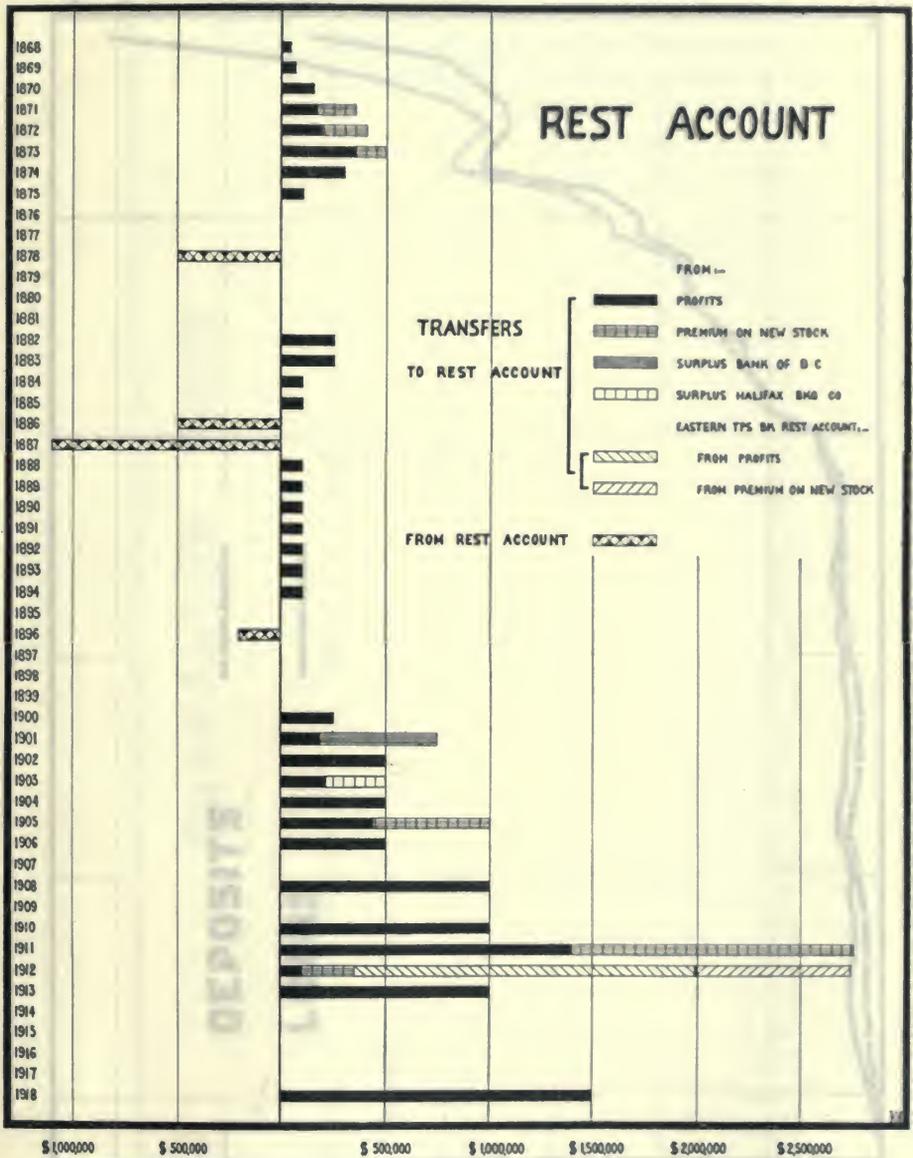
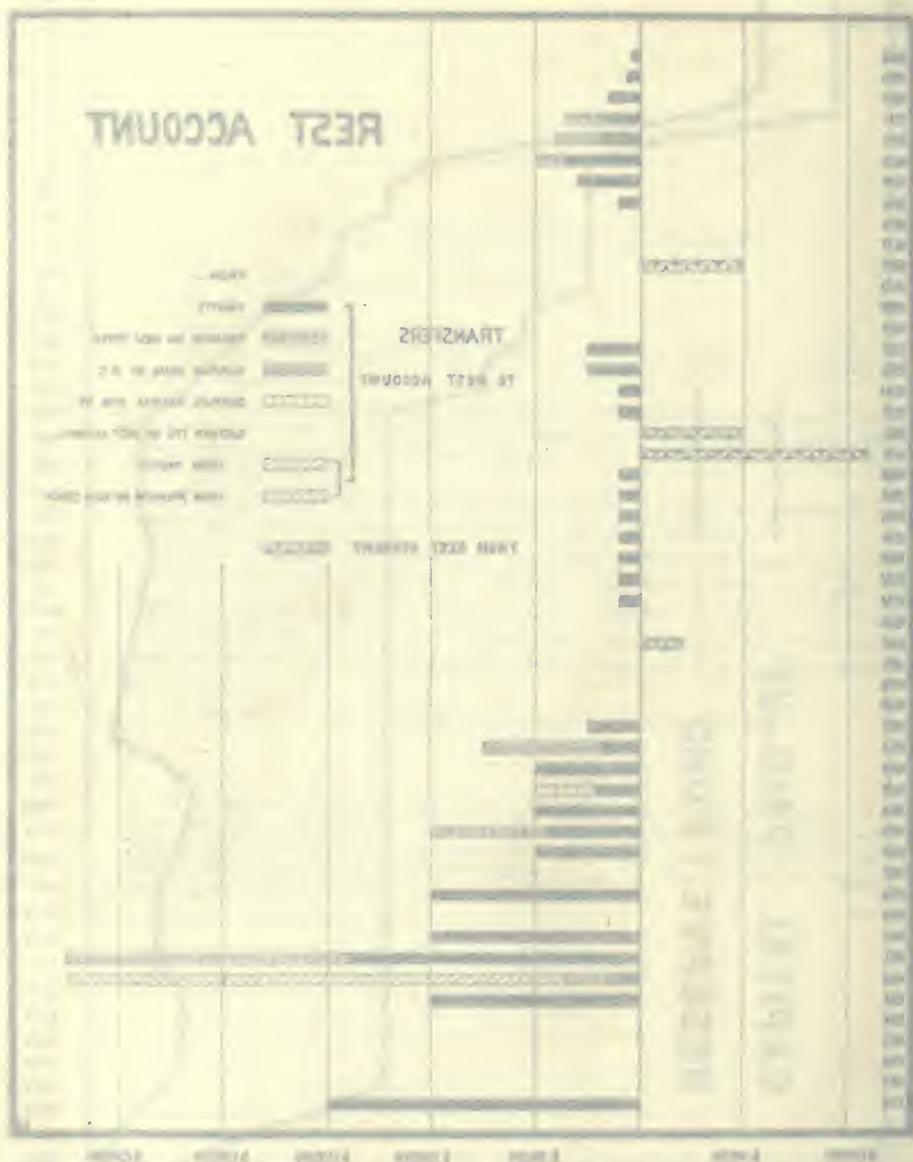


PLATE No. 85.

(Scale 1/2 in = \$100,000)



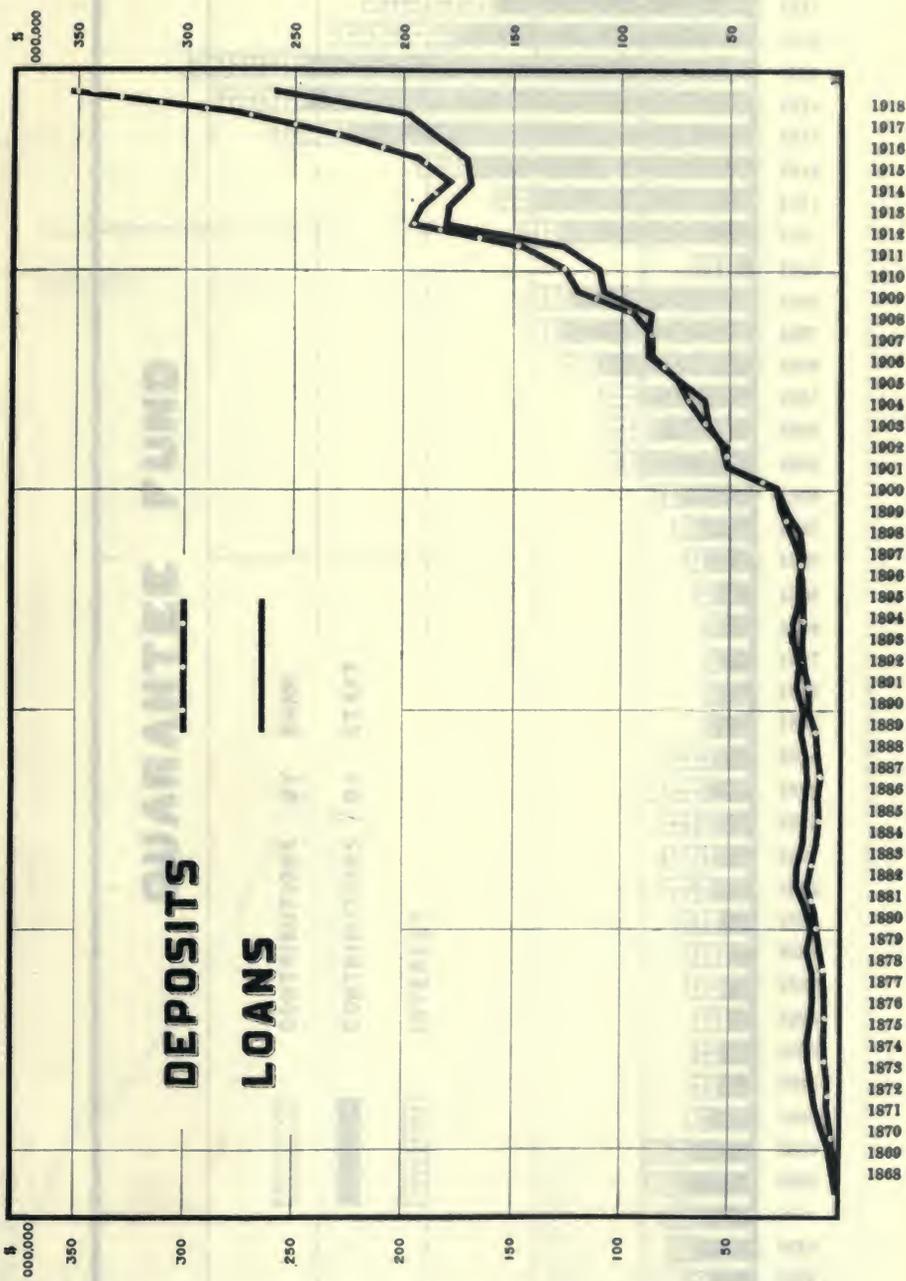
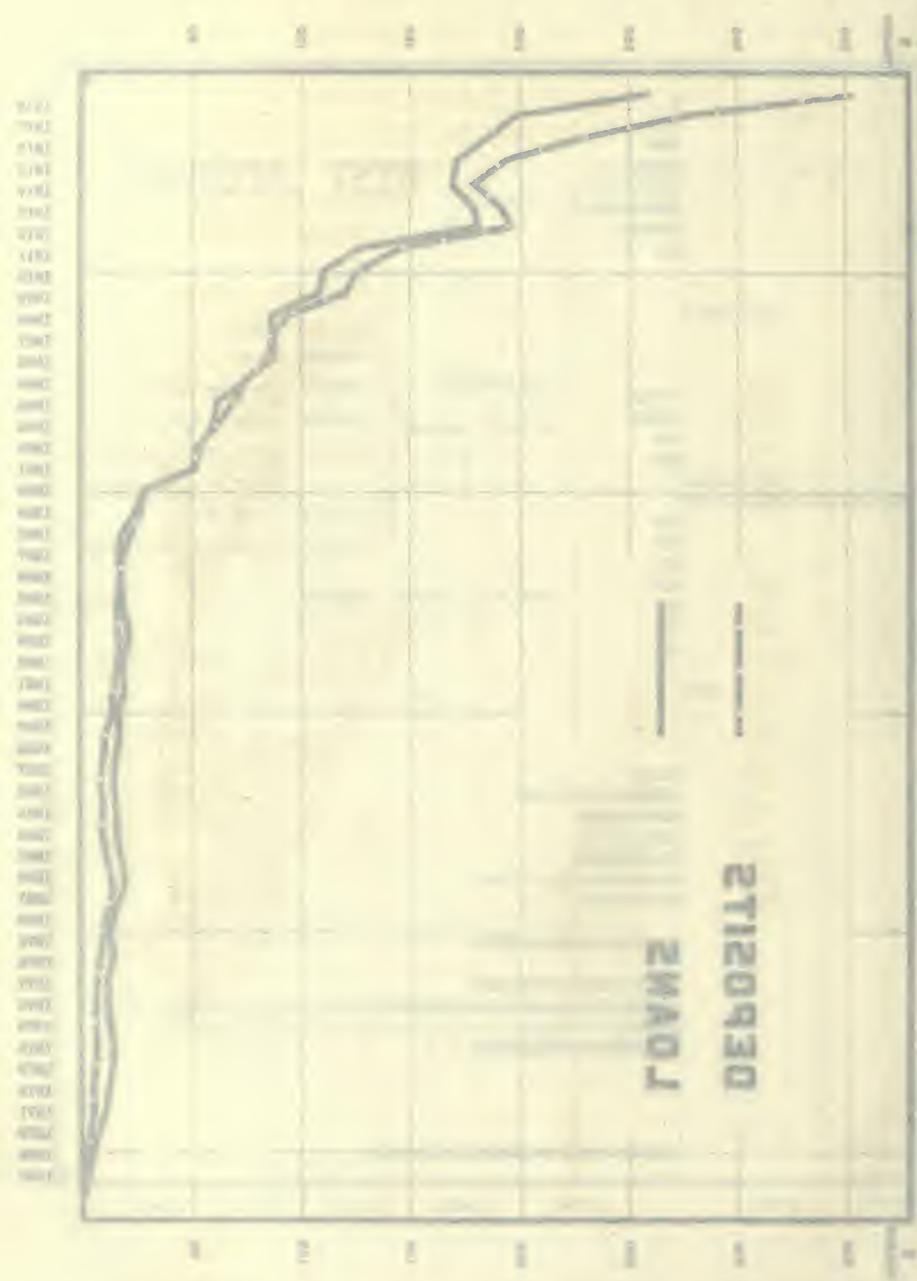
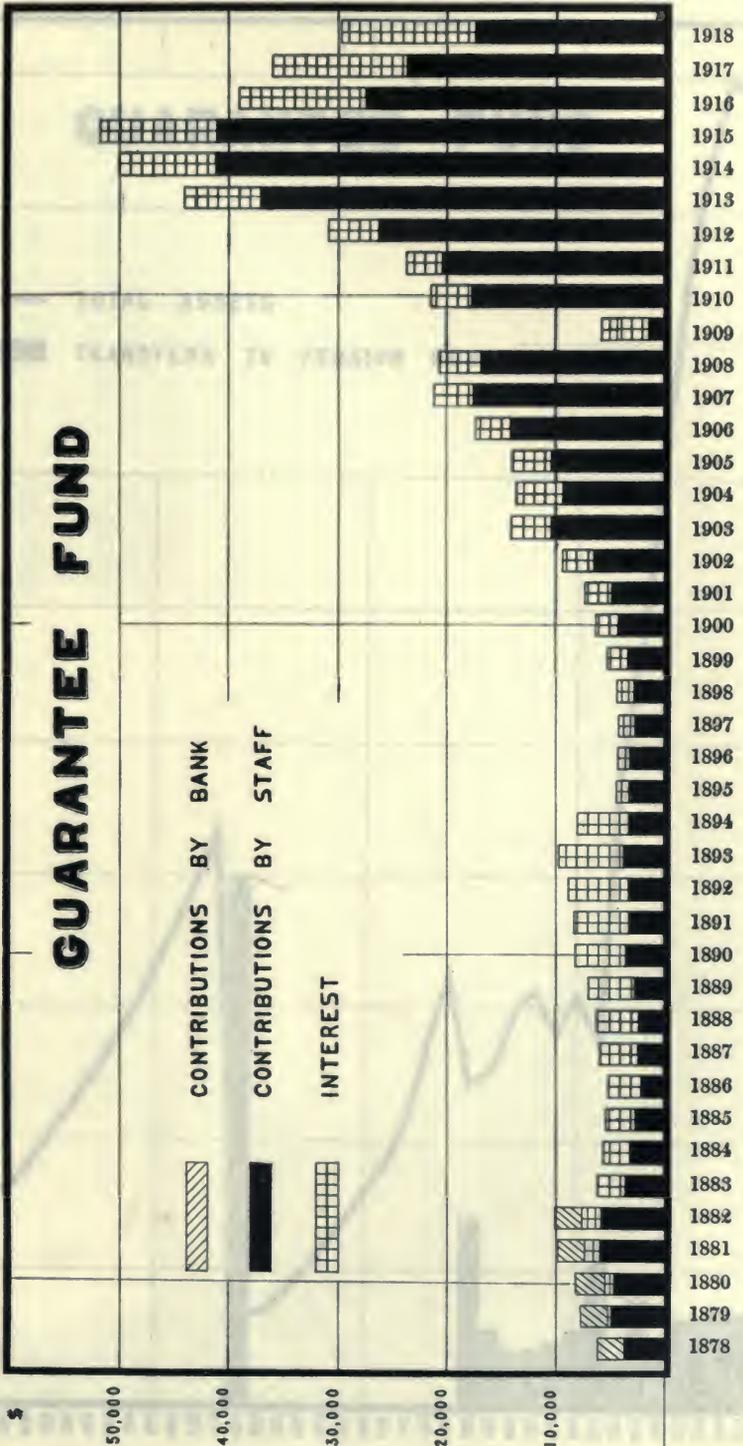


PLATE No. 86.

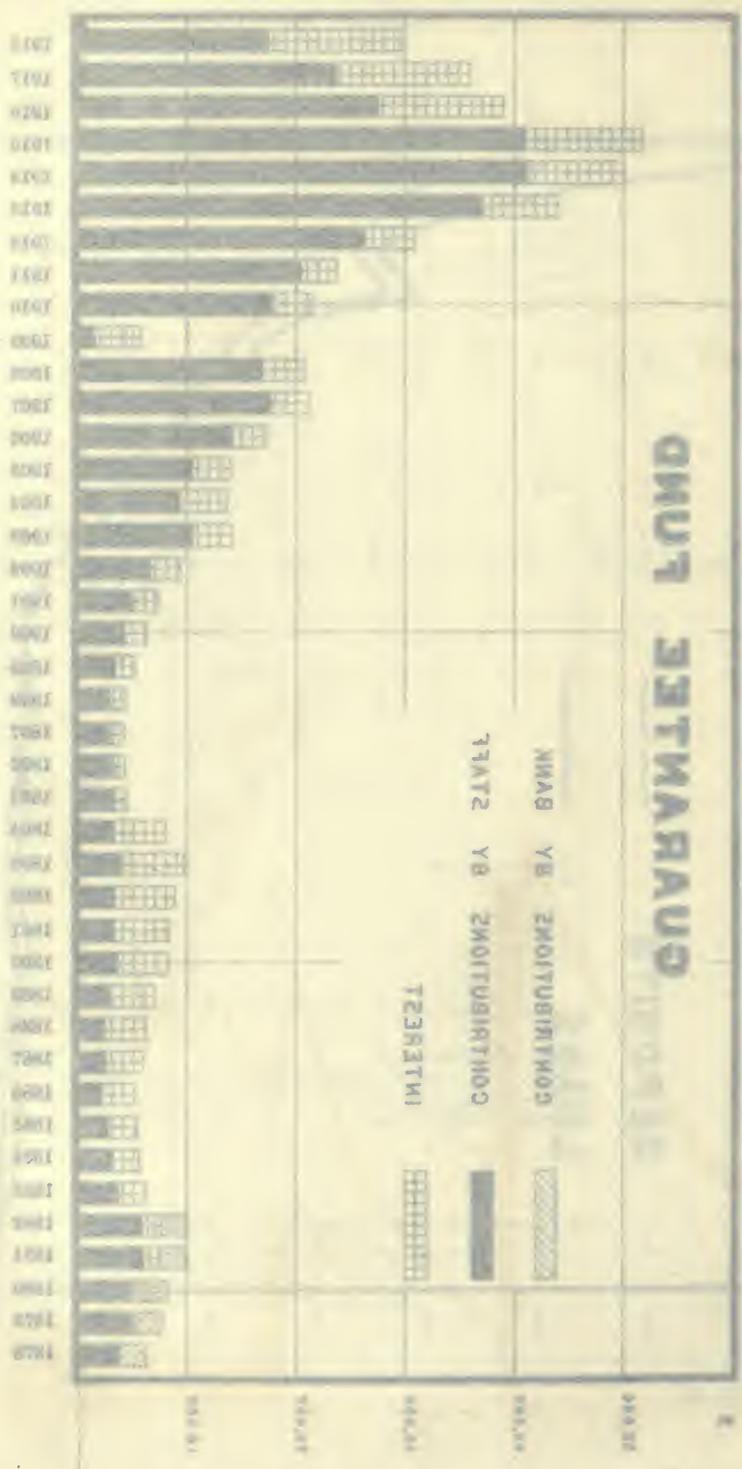


ST120930
ST20930

GUARANTEE FUND



СОВЕТСКИЙ СОЮЗ



GUARANTEE FUND

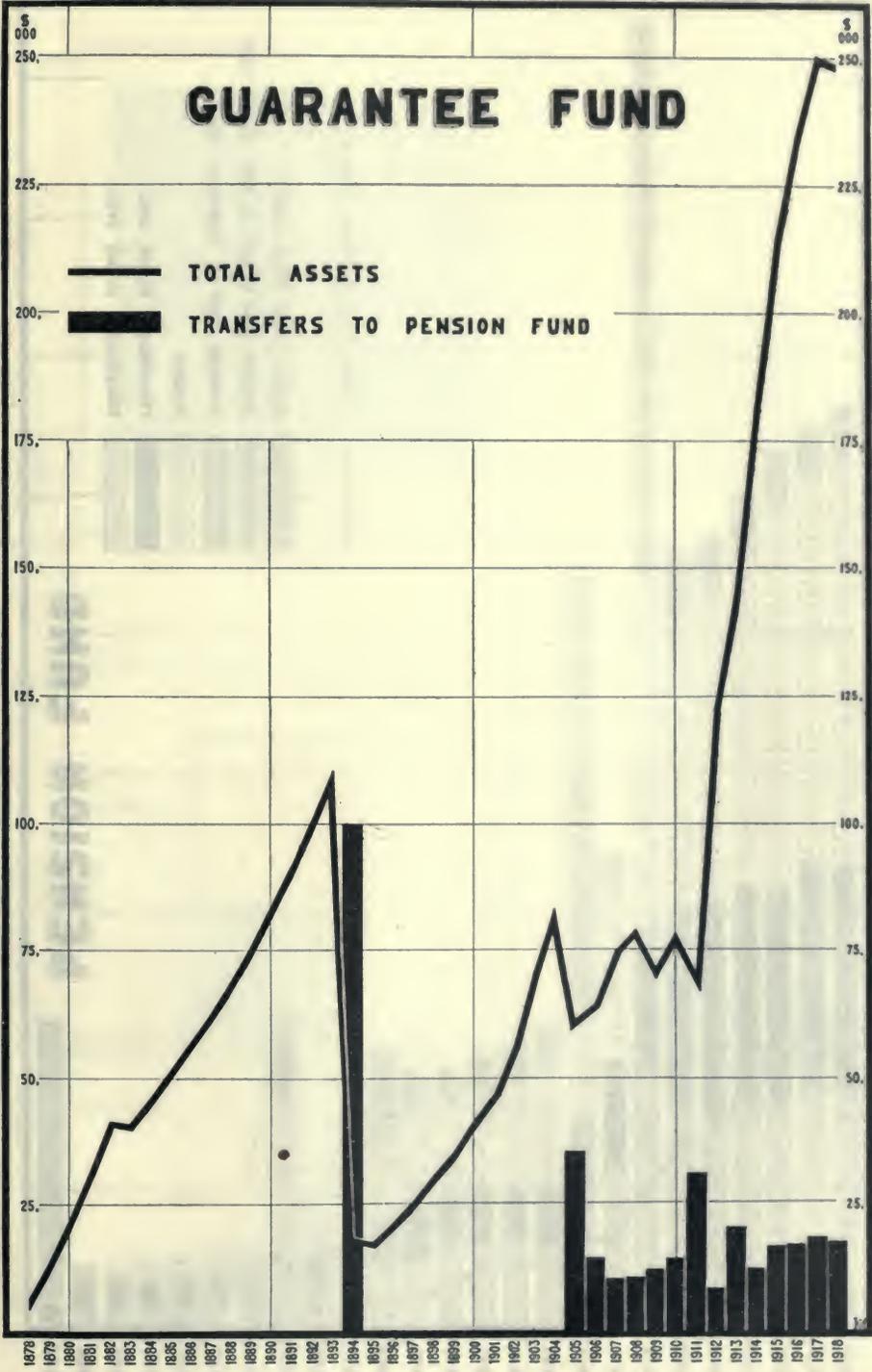
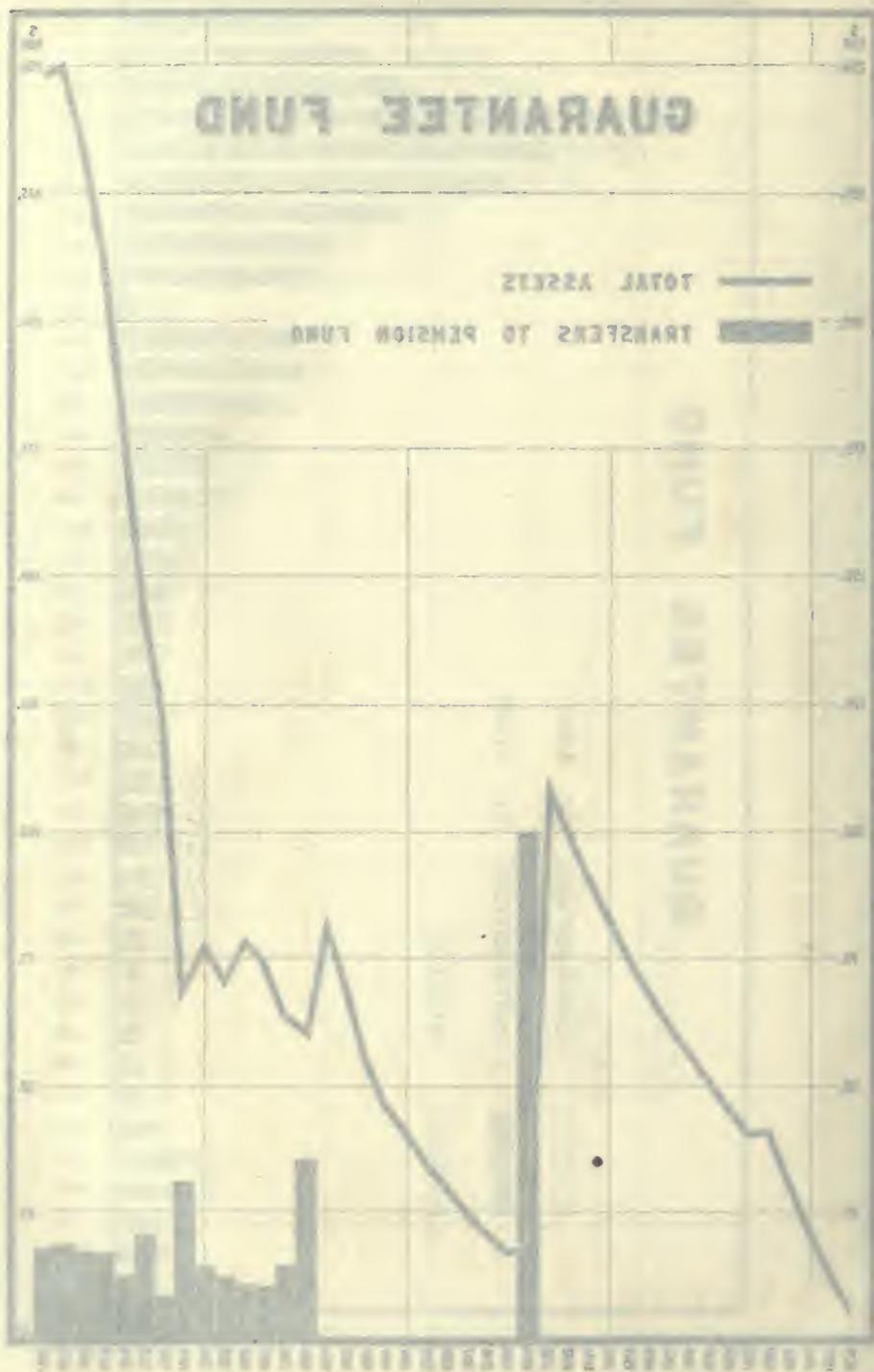


PLATE No. 88.

GUARANTEE FUND



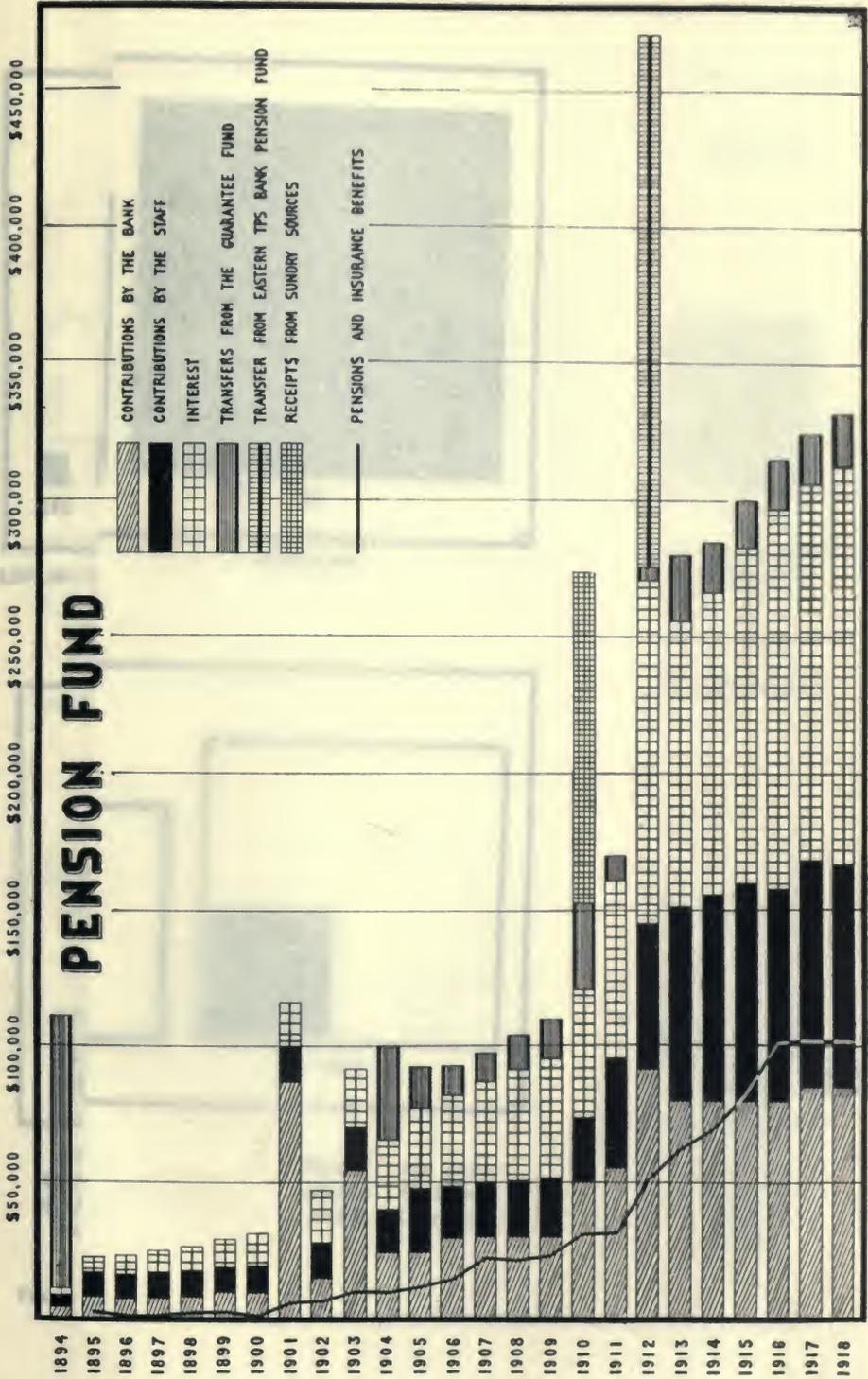
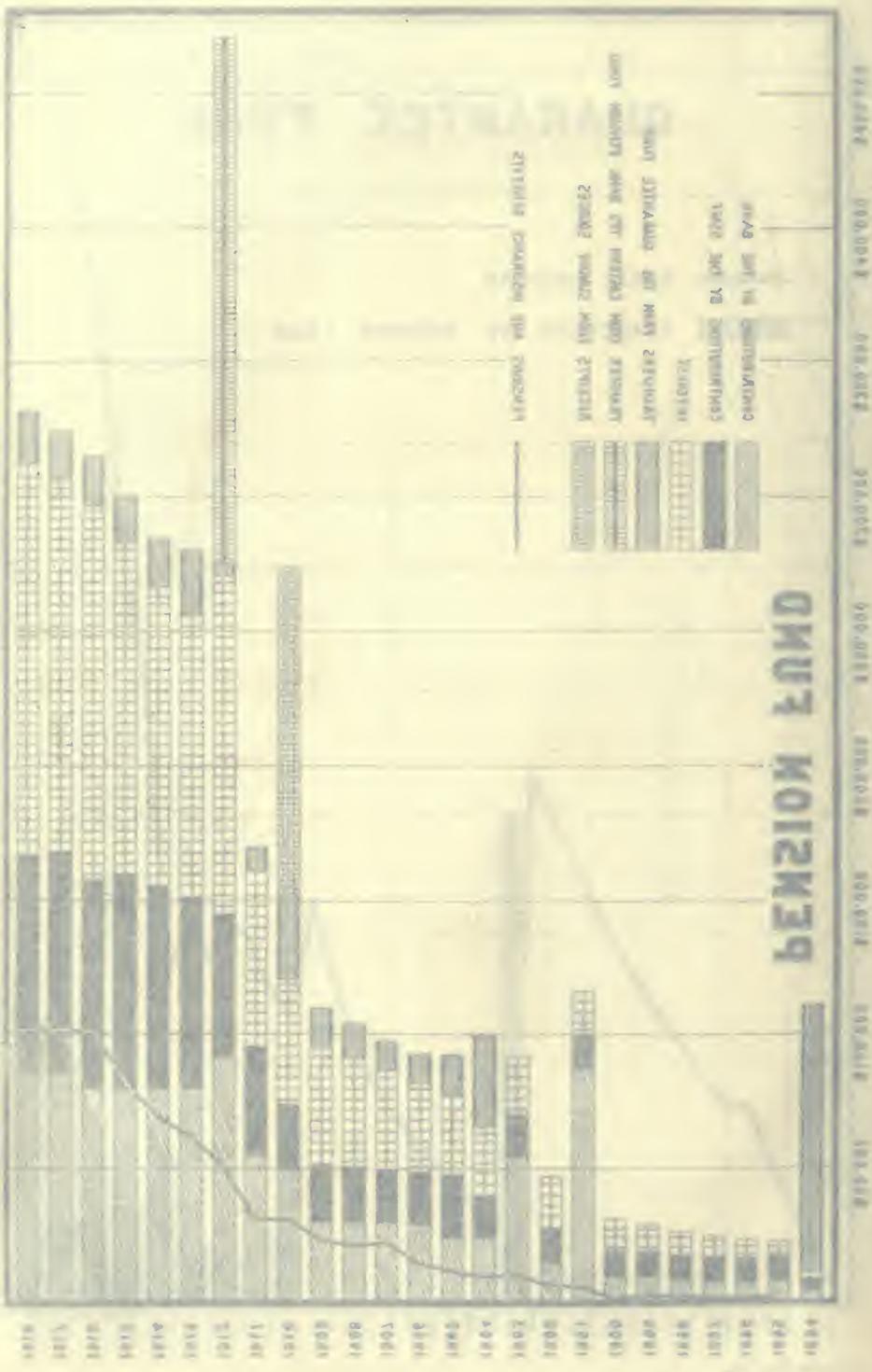
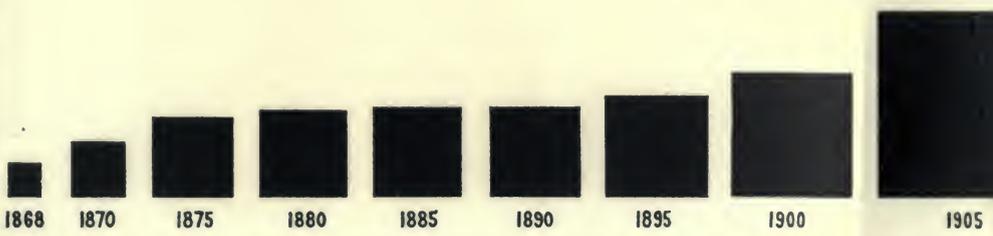


PLATE No. 89.



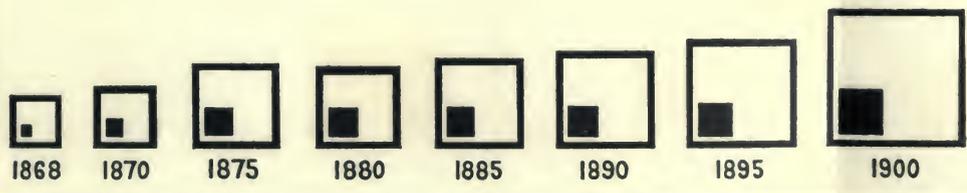
PENSION FUND

TOTAL



\$2,997,081 7,844,681 18,300,081 21,435,711 22,109,206 22,596,520 28,408,274 42,822,799 98,375,500

 THE CANADIAN BANK OF COMMERCE
 ALL CANADIAN CHARTERED BANKS

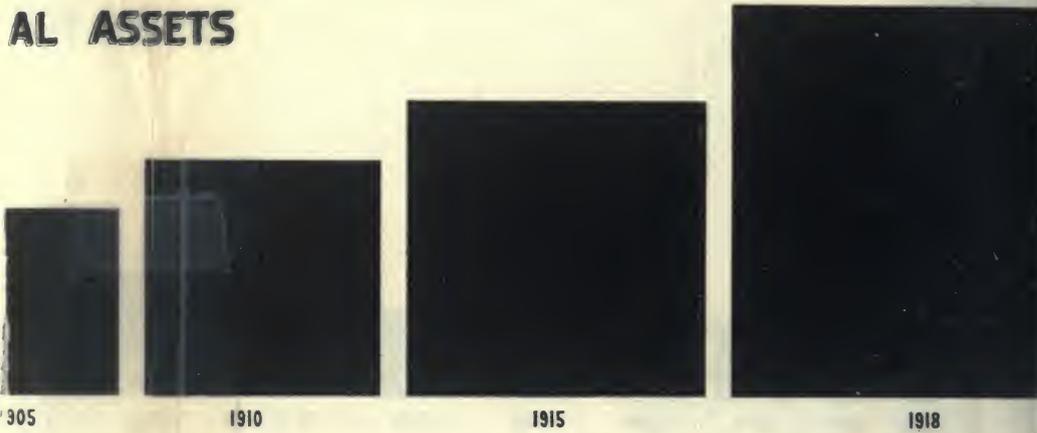


(000 omitted)

\$75,784	102,147	184,441	181,741	217,265	250,162	311,288	500,007
\$ 2,997	7,845	18,300	21,436	22,109	22,597	28,408	42,822
4.1%	7.7%	9.9%	11.7%	10.2%	9%	9.1%	10.4%

PLATE No. 90.

AL ASSETS



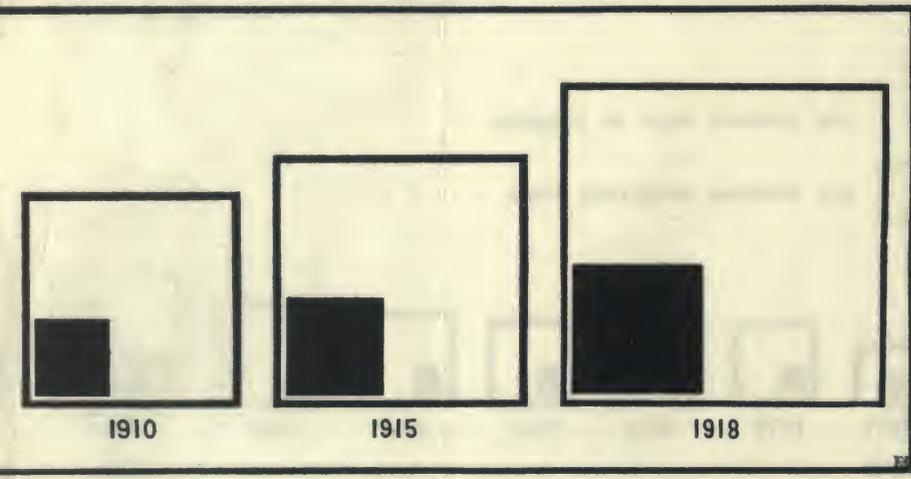
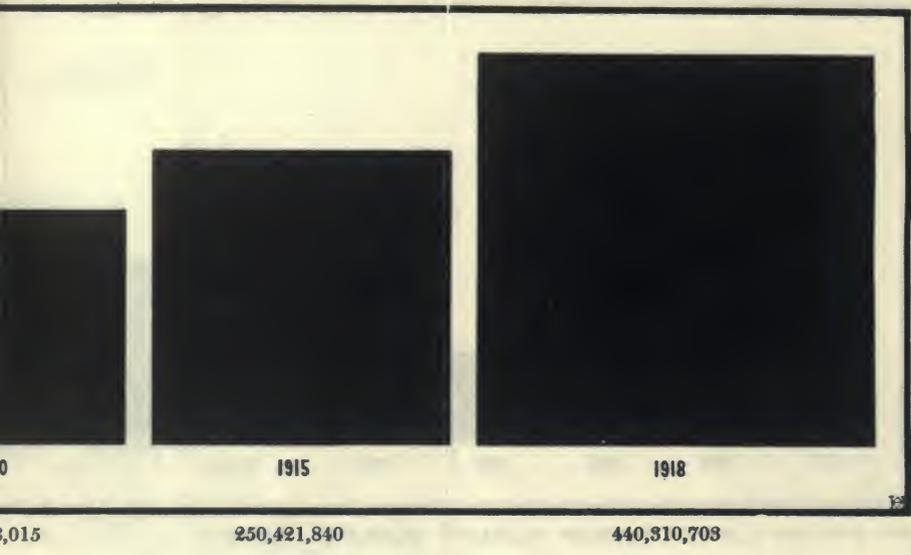
75,597 157,053,015 250,421,840 440,310,703



817,149	1,253,801	1,702,194	2,783,641
98,373	157,053	250,422	440,310
12%	12.5%	14.7%	15.8%



BANKS
MERCE
MERCE

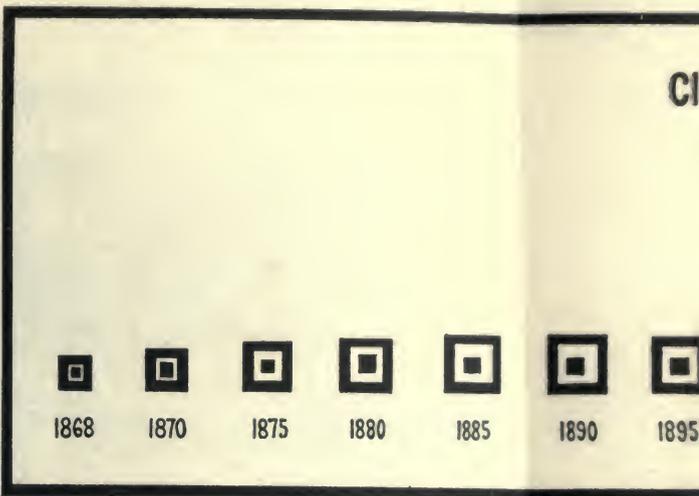


1,253,801
157,053
12.5%

1,702,194
250,422
14.7%

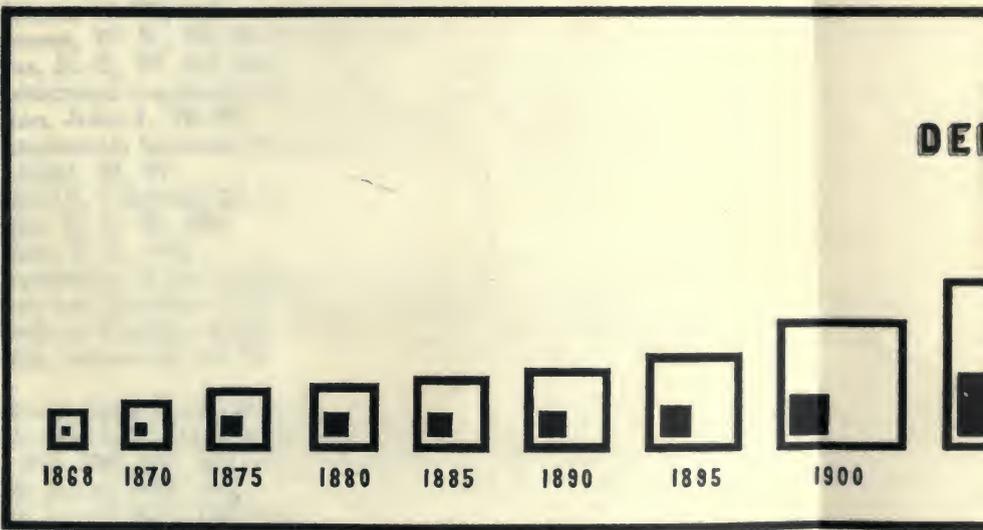
2,783,641 ALL BANKS
440,310 COMMERCE
15.8% COMMERCE

Economic Influence of
 Agricultural Activities
 1868
 1870
 1875
 1880
 1885
 1890
 1895
 1900
 1905
 1910
 1915
 1920
 1925
 1930
 1935
 1940
 1945
 1950
 1955
 1960
 1965
 1970
 1975
 1980
 1985
 1990
 1995
 2000
 2005
 2010
 2015
 2020
 2025
 2030
 2035
 2040
 2045
 2050
 2055
 2060
 2065
 2070
 2075
 2080
 2085
 2090
 2095
 2100



(000 omitted)

\$10,421	18,905	24,122	27,746	33,703	36,345	34,...
\$1,092	2,319	1,916	3,284	2,875	2,923	2,9...
10.48%	12.27%	7.94%	11.84%	8.53%	8.04%	8.62%

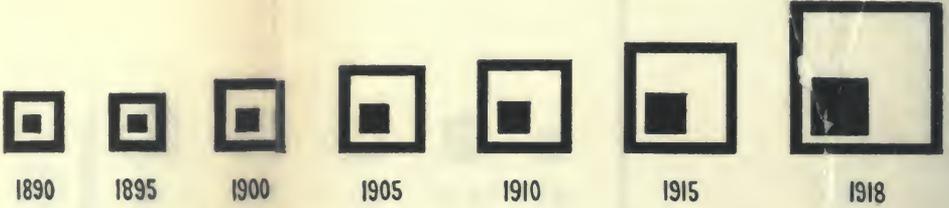


(000 omitted)

\$31,753	50,767	75,034	84,819	104,657	132,959	188,530	320,788
\$ 1,302	3,442	7,816	11,107	10,430	12,494	17,636	29,680
4.1%	6.8%	10.4%	13.1%	10%	9.4%	9.4%	9.3%

PLATE No. 91.

CIRCULATION



36,345
2,923
8.04%

34,363
2,961
8.62%

51,947
5,073
9.77%

72,593
8,799
12.04%

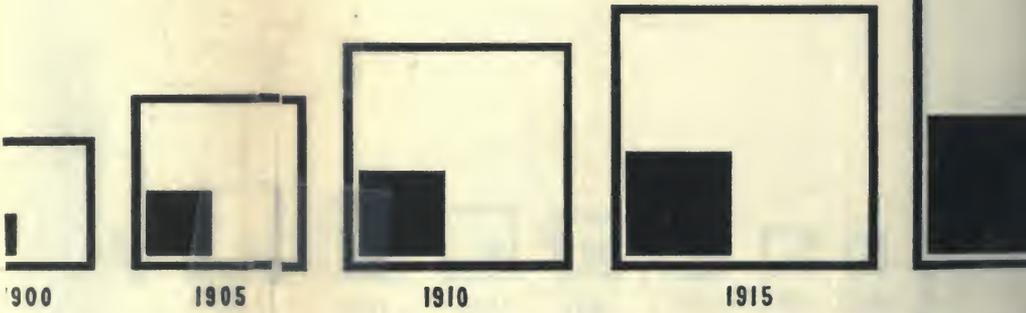
90,166
10,223
11.34%

124,154
16,398
13.21%

234,983
31,584
13.44%

ALL BANK
COMMERC
COMMERC

DEPOSITS



20,788
29,680
9.3%

566,205
74,373
13.1%

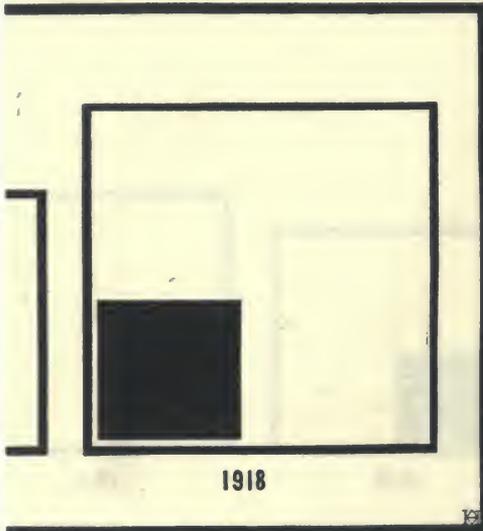
943,255
126,834
13.4%

1,488,985
194,523
15.1%





234,983 ALL BANKS
 31,584 COMMERCE
 13.44% COMMERCE



2,234,253 ALL BANKS
 353,158 COMMERCE
 15.8% COMMERCE

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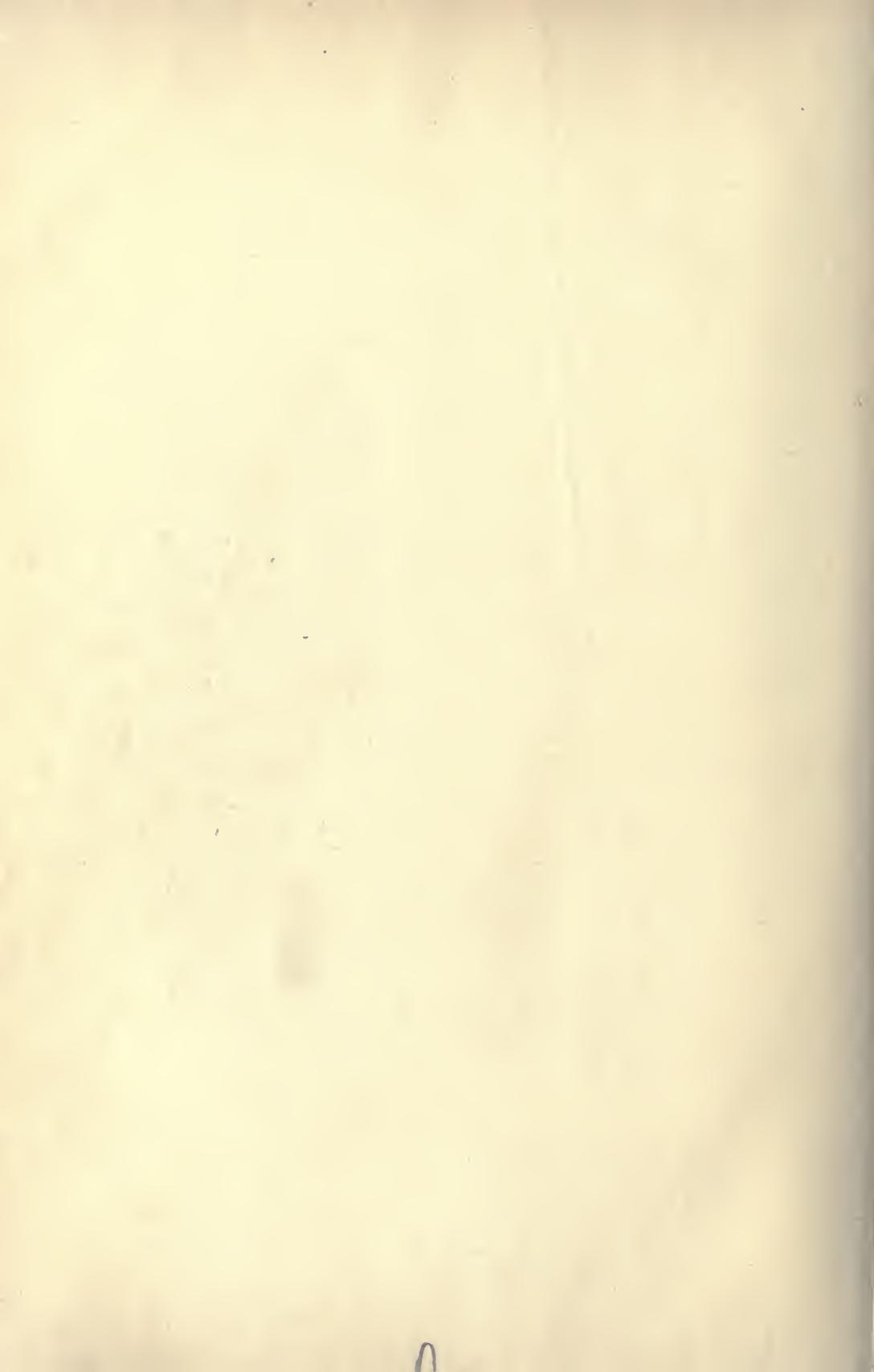
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