

# ONTARIO BANK LIQUIDATION: ITS INTERESTING COURSE.

It is now about six months since the financial community was startled at the news that the Ontario Bank was in trouble. In the middle of October, the Bank of Montreal took hold, and commenced to liquidate the business. It will be interesting to study the course of that liquidation, as it shows some valuable lessons.

The deposits were taken over, at once, by the Bank of Montreal, so they disappeared from the statement of the 31st October. The circulation has been redeemed gradually, presumably as it was presented. Redemption was as follows:—

## OUTSTANDING NOTE CIRCULATION.

30th Sep. ....	\$1,351,402	31st Dec. ....	\$317,091
30th Oct. ....	1,102,449	31st Jan. ....	230,766
30th Nov. ....	479,939	28th Feb. ....	198,011

There is an idea generally held, that, the chartered banks make very large profits through the destruction of their notes, while outstanding, by fire or otherwise. The theory has been aired in Parliament on more than one occasion, while the Bank Act was being debated. The Ontario was one of the older banks; it had been issuing and redeeming its notes for many years, and, if there is truly a great quantity of bank notes annually destroyed without being presented for redemption, the circumstance should find some reflection in the statistics of the liquidation. One might expect that after the notes had almost ceased to come in, there would remain a considerable balance outstanding, according to the books. But, in 5 months from the 30th September when the circulation was at its maximum, over five-sixths of the total had been redeemed. Redemption has been effected as follows:—

In October, \$248,953; in November, \$622,510; in December, \$162,848; in January, \$86,325; in February, \$32,755.

The probability is that for several months yet the notes will come in daily, and afterwards that they will straggle in by ones and twos for perhaps a year.

Turning to the assets, let us see which proved to be the most quickly available. Specie and legals, notes and cheques of other banks, deposits in other banks, at home, in England, and in New York, were immediately taken over by the liquidating bank. The items were cash and its equivalent. The Dominion and Provincial government bonds and Canadian municipal, etc., bonds, also were sold or taken over at once, thus proving their availability. Canadian call loans too were liquidated without difficulty or delay. Of call loans elsewhere, the Ontario had none. But "railway and other bonds" have proved sluggish in the realization. At the end of September, they amounted to \$917,503; October, \$906,087; November, \$894,307; December, \$733,609; January, \$614,254; February, \$614,254. Clearly these were not well selected else there had not been this delay. After five months barely a third disposed of. This

serves to draw attention to the fact that a bank can, if it wishes to run its affairs that way, buy and hold under the head of "railway and other bonds" securities that are not as readily available even as good mercantile loans and discounts.

But the most important item among the assets is that of "current loans in Canada." At the end of August these stood at \$13,725,227. But, when the curator came to issue the statement for 30th September, he was obliged to write off some one and a half millions because a large part of the losses through stock speculations had been carried as current loans. Therefore, the September statement showed \$12,237,691. To follow the course of the liquidation of the loans and discounts, it is necessary to take also into account the changes in overdue bills, for as the current bills matured, they were some of them paid or renewed for short date, and others put into "Post Due Bills." The record is:

	Current Loans	Overdue Bills	Total
1906	Canada		
30th Sep. . . . .	\$12,287,691	\$ 23,242	\$12,310,933
31st Oct. . . . .	8,612,132	530,191	9,142,323
30th Nov. . . . .	5,618,955	1,171,303	6,790,258
31st Dec. . . . .	4,463,453	1,276,472	5,739,925
1907			
31st Jan. . . . .	3,256,215	1,574,639	4,830,854
28th Feb. . . . .	2,365,716	1,771,759	4,137,475

The discounts have run off in the following manner:—

In October ....	\$3,168,610	In January ....	\$909,071
" November . . .	2,352,065	" February .. .	693,379
" December . . .	1,050,333		

The first two months saw a general scramble for the Ontario's good business. The banks competed eagerly in taking over the best customers. The disposition of the business is now practically all settled, and the whole of the discounts held at the date of suspension must have matured once at least. The liquidation is getting down appreciably nearer to the dregs. The overdues have increased each month till, at the end of February, they were not very much less than the amount of the current paper. Evidently, the time is approaching when the curator will have to choose between going ahead with a tediously dragging liquidation, or of selling the remaining assets *en bloc* to the highest bidder.

To the Ontario's stockholders, the most interesting part of the liquidation is the indicated surplus, of assets over liabilities. That has run as follows:—

	Surplus	Stock to which applicable	Per cent.
1906			
30th Sep. . . . .	\$648,036	\$1,500,000	43
31st Oct. . . . .	385,464	1,500,000	26
30th Nov. . . . .	388,115	1,500,000	26
31st Dec. . . . .	568,311	1,500,000	38
1907			
31st Jan. . . . .	550,717	1,500,000	37
28th Feb. . . . .	547,834	1,500,000	36

These last figures are, of course, subject to modification. The Government return does not say anything about such things as profits accrued, but not due or collected, and about other adjusting entries.