

# Montreal Providence &

The Trustees of the M. P. & S. B. consider it a duty which they owe to the Depositors as well as to the Directors by whom they were appointed, to give a brief statement of the affairs of the institution, prefaced with some observations on its management before and subsequent to the suspension.

Shortly before the annual meeting in May, 1848, which had been postponed for some months, owing to delay on the part of the Actuary to furnish the necessary statements, it had come to the knowledge of several Directors that that officer had, in various particulars, been guilty of neglect of duty. Measures were at once taken to guard against such derelictions in future and the completion of the annual statement was pressed on. This having been at length obtained, the annual meeting took place in May, 1848, as above stated, and thereat it was deemed expedient to effect a change in the management by the appointment of the Hon. William Morris as President, and to adopt other means to secure a better supervision of the Actuary's conduct, and of the affairs of the Bank.

Immediately afterwards it was ascertained that the Actuary had been using the funds of the Bank for his own purposes, and further investigations brought to light for the first time, that for months and even years he had practiced a system of deception on the Directors by furnishing falsified balance sheets, by misrepresentations as to loans and securities, and by the misappropriation of monies paid through his hands. Having secured from him and those who had participated in his defalcations as much property as could be obtained, the Directors were under the painful necessity of dismissing one, who, up to a short period before, had possessed their confidence, and whose misconduct was, until then, wholly unknown to them.

As stated, the new Board after their appointment took means to secure a better and more efficient management, and there is no reason to doubt but that the Actuary's defalcations, as well as other losses, would soon have been made up from the previous and subsequent profits, had not the run and consequent suspension taken place. Indeed, had the Bank been allowed to go on as usual until the securities held by it had attained their present value, it would have ultimately paid the Depositors in full.

In investigating the causes of the Bank's failure it is necessary to keep in view, that for several years previous to the suspension, money was abundant, and all kinds of Bank Stocks and other Securities were at a high premium. The calamitous year of 1847, however, began about that time to be seriously felt, especially in Montreal, where the heaviest losses had occurred, and the previous prosperity was succeeded by a period of unprecedented calamity and depression in all kinds of property. Now it was at this time of extraordinary pressure that a sudden "run" upon the Bank withdrew deposits to the extent of £52,605: a state of things which the Directors could not possibly have foreseen, and for which they were not provided.

After an ineffectual attempt to meet the demands which were daily increasing in magnitude, in consequence of rumours of the Bank's insolvency, industriously circulated by certain debtors to it, whom the Directors had been obliged to sue—the latter were reluctantly compelled to suspend operations and come to the conclusion of winding up the Bank, rather than exhaust the available assets to the injury of those Depositors who still retained confidence in the institution.

After this the Directors proceeded to realize in the manner which seemed most judicious the assets of the Bank, and no better proof of the propriety of the course pursued can be given than the simple fact, that they have been enabled to pay 18s. in the pound, notwithstanding the unprecedented depression of all kinds of money securities and real estate in this city. Bank Stocks fell from 20 to 60 per cent below their former rates; the loss upon this species of security alone, which has been considered the best, being nearly £7000, equal to 15½ per cent upon the amount invested; so that had all the assets of the Bank been of this description, the loss would have been much greater. Real estate, in many cases, fell to less than half its former value, and, in other cases was altogether unsaleable, whilst many also, of the personal securities to the Bank became insolvent. The successful winding up of the Institution, the Trustees, however, attribute in a great measure, to the adoption of a system of transfer of mortgages to the depositors, wherever it could be done with advantage, and the consent of parties. These transfers were all made at the rate of 90 per cent,—10 per cent being reserved as the estimated amount required to meet the ultimate deficiency.

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