

## MERCHANTS' BANK.

The following extracts from the General Manager's speech, together with the by-laws, were crowded out last week:—

With regard to paying interest on deposits, it is a consummation devoutly to be wished that the Bank should obtain large deposits without interest. If it were in any way possible for such a state of things to arise we could pay more than seven or eight per cent., and the Bank of Montreal more than twelve per cent. But we might as well talk of the sky falling as to expect in this country, where money is so valuable, and where people know the value of money so well, to get large amounts on deposit without interest. We can never expect to get such a large amount as will appreciably affect the dividend for years to come. There has been too much competition among the Banks themselves, and they are paying, in my opinion, too much interest on deposits to-day. With regard to the losses in New York, a portion of these losses are exactly the same as have been made by every Bank doing business in New York. I was in New York some time ago and made special enquiries on this point. Every Bank doing business in that city has made heavy losses within the last three years. One of the most respectable Banks in that city reduced its capital in precisely the same proportion as the Merchants' is proposing to do to-day, and the Directors were not blamed for it. The stock holders knew the condition of New York and the unsatisfactory state of business there, and they adopted the views of the Directors and reduced their capital by twenty-five per cent. New York has been under a very heavy cloud of depression during the last three years, and it has been impossible for any Bank to do business there without losing money. This Bank has lost money along with its neighbors. But it is fair to add that a considerable proportion of our losses have arisen from operations in gold and American currency. The root of these operations is in transactions which must occur when the currency is depreciated as it is. Calculations have constantly to be made, and operations to be carried on—converting currency into gold or gold into currency, or carrying currency, which are legitimate transactions, and it is impossible to avoid them. But there are operations of another character which may be termed speculative to a large extent, and unfortunately that state of things has been developed in connection with the New York office. Large operations arising out of the business of the Bank in the first instance have taken place there, and have been carried on more or less for several years. These operations have sometimes shown a profit and sometimes a loss, dependent on the fluctuations of gold. If gold were at a premium of 15 or 16 per cent. now, the Directors would have had a profit to show. But gold went persistently down till it touched  $4\frac{1}{2}$  per cent., and I may say that not daring to take the risk of carrying on such operations. I determined to bring them to a close, as soon as they came under my notice. Of course, that made a loss an absolute certainty. I might have taken the option to carry on the operation, and if gold advanced a profit would be realized; but if gold were to decline there must be a further loss, and therefore I determined to cut short the operations altogether.

The Merchants' Bank has not only made losses in New York but in Montreal, and it has made losses in every part of Canada, in common with every Bank that has its Branches out through the country. I say again that nothing but infallibility could have prevented these losses. There are, however, some exceptional losses, and to these I have alluded in my Report, in

which it is stated that some of the bad debts have arisen from gross mismanagement on the part of certain officers of the Bank. I will tell you what I mean. I do not refer to the Directors, and I do not refer to the late General Manager, I refer to some of our Branch Managers. Remember that each of these 36 or 40 Branches has at its head an officer who is placed there to transact the business of the Bank, and notwithstanding the instructions which may be placed upon him and the restrictions which may be placed upon him, he must have a large amount of discretionary power confided to him. Now, while there are in every Bank a considerable number of well trained, skillful, wise and judicious men, I venture to say that every Bank has amongst its officers some who are not competent for the duties imposed upon them. The Directors appoint men whom they think well qualified for their position; but time reveals their deficiency. Now, several persons who were entrusted with the management of branches in this Bank have proved themselves incompetent. Not that the Directors were to blame; they appointed men to the best of their ability. Some old employees were promoted in the ordinary course to the management of branches. Years passed by and circumstances developed this, that the responsibility was too much for them.

The administration of a Bank like this is an exceedingly complicated and difficult matter. I candidly give it as my opinion that the administrative machinery at the Head Office has not been adequate to the enormous mass of transactions which has to be supervised at distant points. As the number of branches increased the supervising machinery was not increased in proportion. This was to save expenses, for you cannot have a supervising machinery without adding to the expense of salaries. There was a desire on the part of the management to keep down the expenses, and for that reason the administrative machinery was kept at a point that was not adequate to the grave responsibility that lay upon it. You must remember, however, that economy is incumbent upon all Directors, and they have no right to increase the expenses beyond what is necessary. The course taken by the Board was an error, but it was simply an error in judgment. It cannot be supposed that Boards of Directors would deliberately enter upon any course that would result in loss to the Bank (hear, hear). The Directors are themselves very largely interested in the Bank. In this respect the Merchants' Bank stands in a position held by few other Banks. Take, for example, the Commercial Bank, whose assets were bought by this Bank, and I think it gave too much for them, but Mr. King was competing and he was willing to give nearly as much, so that the Directors, if they erred, did so in good company. Well, in the Commercial Bank the whole interest the gentlemen on the Board had was less than \$10,000. Here you have had gentlemen on this Board who have a very large interest in the Bank, and common sense and a moment's reflection will at once satisfy any reasonable person that they have been doing their best, and that they have been actuated in everything they have done by an honest desire to promote the common interest of the shareholders. Very great mistakes have been made. This mistake of not increasing the supervising machinery was a grave one, but it was committed from an economical desire to manage the Bank with as few officers as possible. But it was a mistake, as it has led to very unfortunate results. I think now I have said all that needs to be said on this subject. If there is any question that can be properly answered by me as the General Manager I shall be glad to answer it. (Applause.)

After some further discussion the report was adopted.

The President submitted for confirmation the

following By-Law respecting the reduction of the capital stock of the Bank, which had been passed by the Board of Directors, and now adopted by the shareholders:

"That whereas it appears that the capital stock of the Bank is impaired to the extent of about 25 per centum of the paid-up capital, i.e., reducing the shares of \$100 to a present value of about \$75: It is resolved that application shall be made to the Parliament of Canada, at its next session, for authority to make such reduction in the capital account; and that for determining the form of such application, a meeting of shareholders shall be called at such date as the Directors may decide in December next.

"Also, that the earnings of the Bank from the present date be held for the purpose of paying a dividend on the capital stock, when the amount to bear such payment is determined, and authority therefor obtained."

The following by-laws were adopted:—

## BY-LAW NO. 20.

Be it enacted, That so much of By-law No. 3 as provides for the election of seven directors at each annual meeting is hereby repealed, and in place thereof it is hereby enacted, That for the management of the affairs of the Bank, the Shareholders at each annual general meeting shall elect by ballot a Board of nine Directors, and the remainder of said By-Law shall apply to the Directors to be appointed.

Mr. Andrew Allan seconded the confirmation of the By-Law. Carried.

The President—The following is a resolution, changing the day for the annual meeting:—

"Whereas, the day fixed for the annual general meeting of the Shareholders of this Bank is found to be inconvenient, and it is therefore expedient to amend the By-Law in that respect, therefore, the following By-Law is hereby enacted, namely:

## BY-LAW NO. 19.

So much of By-Law No. 1 as requires the annual general meeting of the Shareholders of the Merchants' Bank of Canada to be held on the first Monday in the month of July in every year is hereby repealed, and the said annual general meeting shall be held on the third Wednesday in the month of June in every year, and the remainder of the enactments in By Law No. 1 shall apply to the day so hereby fixed for the said meeting."

It was moved by the President, seconded and adopted—"That the above By-Law be confirmed."

The President—The only remaining business is the election of Directors. I move that Messrs. W. B. Cumming and Robert Moat be requested to act as scrutineers for the election of Directors, and that the ballot be kept open until three o'clock, unless ten minutes elapse at any time without a vote being cast.

The motion being carried, the election was proceeded with.

At 3 p.m. the scrutineers handed in the following report:—

Montreal, 3rd July, 1877.

Sir,—We declare the following gentlemen duly elected Directors this day:—

Sir Hugh Allan, Andrew Allan, Robert Anderson, William Darling, Hon. John Hamilton, Jonathan Hodgson, Damase Masson, Hector Mackenzie, John McLennan.

We are, Sir,

Your obedient servants,  
A. B. CUMMING,  
ROBT. MOAT.

To GEORGE HAGUE, Esq.,  
Merchants' Bank.