

BANK NOTES DESTROYED IN CIRCULATION.

One of the notions or opinions firmly held by the general public is that the banks make vast profits through the destruction of their notes while in circulation. It is thought that a considerable amount of bank notes are each year destroyed in fires, lost in marine disasters and in other ways, and that the banks which issued such notes benefit to a great extent from the accidents or disasters referred to. It will be interesting to study the record of the circulation of the various banks that have passed out of the active sphere in the past few years, with the view to discovering what proportion of the outstanding notes remained unredeemed after a reasonable period of liquidation. The Sovereign is the most important of these banks. Its business was partitioned in January, 1908. At the end of December, 1907, it reported notes outstanding to the amount of \$1,988,565. As this bank still appears in the monthly bank report it is possible to trace the redemption of its circulation for nearly four years. Following is the record:—

SOVEREIGN BANK OF CANADA.

Dec., 1907	\$1,988,565	Apr., 1909	\$82,685
Jan. 1908	1,195,570	May "	78,935
Feb. "	686,790	June "	74,125
Mar. "	443,150	July "	70,600
Apr. "	326,395	Aug. "	68,005
May "	260,710	Sept. "	65,865
June "	209,425	Oct. "	63,445
July "	176,890	Nov. "	61,055
Aug. "	155,085	Dec. "	58,540
Sept. "	139,130	Mar. 1910	53,275
Oct. "	124,420	June "	48,910
Nov. "	113,280	Sept. "	45,095
Dec. "	104,025	Dec. "	42,135
Jan. 1909	96,190	Mar. 1911	40,055
Feb. "	92,055	June "	37,815
Mar. "	86,695	Sept. "	35,890

Thus in the fourth year since the bank ceased active business its notes have been coming in at an average rate of about \$700 per month, and the total amount outstanding has been reduced to \$35,890. In this small balance there is not much room for profit through destruction of notes. But the Sovereign was not an old bank. Let us take the Ontario and see what its figures have to tell. This bank failed in October, 1906.

ONTARIO BANK.

Sept., 1906	\$1,351,402	Sept., 1907	\$ 96,336
Oct. "	1,102,449	Oct. "	90,521
Nov. "	479,939	Nov. "	133,771
Dec. "	317,091	Dec. "	130,434
Jan. 1907	230,766	Jan. 1908	126,534
Feb. "	198,011	Feb. "	123,129
Mar. "	169,381	Mar. "	120,724
Apr. "	146,701	Apr. "	119,265
May "	128,656	May "	117,505
June "	118,706	June "	115,710
July "	110,226	July "	114,370
Aug. "	102,806	Aug. "	112,215

The Ontario disappeared from the bank statement in September, 1908. The circulation was then still coming in at the rate of, say \$1,500 per month. It will be noticed that in November, 1907, an increase of about \$43,000 occurred. While the bank was a going concern the management had arbitrarily marked off \$50,000 from the amount of notes in circula-

tion, assuming that that amount had been destroyed; and they had credited profit and loss account with the same amount. The curator of the bank reversed this entry in November, 1907. He debited profit and loss account with \$50,000, and restored that amount to the bank's liability for its note circulation. To get the true figures of the circulation this amount—\$50,000—should be added to the figures shown each month from September, 1906, to October, 1907, both months inclusive.

The next bank to consider is the Farmers. The failure occurred in December, 1910. Following is the record of circulation:

FARMERS BANK OF CANADA.

Dec., 1910	\$537,605	May, 1911	\$534,050
Jan. 1911	536,550	June "	443,500
Mar. "	534,050	July "	442,835
Apr. "	534,050	Aug. "	442,835

In this case the liquidation of the notes is waiting on the liquidator of the bank. The banks have apparently redeemed them from the hands of the general public and they are holding them pending the liquidator's announcement of readiness to redeem.

Then comes the Banque de St. Hyacinthe, which failed in June, 1908; its record is as follows:

BANQUE DE ST. HYACINTHE.

June 1908	\$246,810	Mar., 1909	\$21,975
July "	162,530	Apr. "	19,765
Aug. "	141,725	May "	17,530
Sept. "	54,465	June "	15,980
Oct. "	43,565	July "	14,610
Nov. "	35,885	Aug. "	13,375
Dec. "	28,535	Sept. "	13,000
Jan. 1909	25,995	Oct. "	12,530
Feb. "	23,295	Nov. "	11,825

And the Banque de St. Jean which failed in April, 1908.

BANQUE DE ST. JEAN.

Apr. 1908	\$219,334	Nov. 1908	\$14,174
May "	211,354	Dec. "	10,659
June "	211,209	Jan. 1909	10,359
July "	211,179	Feb. "	9,064
Aug. "	23,029	Mar. "	8,614
Sept. "	15,979	Apr. "	8,389
Oct. "	14,239	May "	7,894

In this latter case, also the banks which redeemed the circulation from the hands of the public apparently had to wait several months before the liquidator was ready to pay the notes.

In the case of another failure—that of the St. Stephen's Bank, the bank disappeared from the monthly return the next month after that in which the failure was announced.

It will be seen from these figures that there is not much room for excessive profits through destruction of notes. The Ontario was a bank that had been in business for a moderately long period; and it is safe to say that according to the bank's books at the present time the outstanding circulation would not be greater than \$80,000 or \$90,000.

Last month the Canadian banks opened 23 branch offices and closed seven, making a total of 2,628 branches.