

EAST AFRICA PROTECTORATE.
44523.

Recd 31 July 1919

Treasury.

CURRENCY.

1919

Oct. July.

Last previous Paper, Gov/ 39515

Submits scheme for introduction of new coinage and note issue with a view to bringing East African Currency into more direct relation to currency system of United Kingdom, and diminishing dependence on Indian currency system.

Sir H. Read, Mr. G. Fiddes

I have consulted the Eastern Dept. on various preliminary points.

It will be understood that the Treas. suggestion as to selling exchange is intended only to obviate the introduction of "Bradbury's" and not to obviate the necessity for a ~~change~~ change of currency. It would certainly not obviate that necessity.

The system of provision of exchange by the Currency Commissioners is provided for in the Straits Settlements Ordinance XXVII of 1908, Sections 10, 12. I understand that as regards reserve the dollars held locally are at present being debased, and that the 'gold in London' is in Treasury bills.

As regards para. 8 of the Treasury letter, Mr. Beckett tells me that the recoinage of Straits dollars in India has not yet begun, and that there is the greatest difficulty in getting subsidiary coinage for Ceylon. It is also possible that the Indian Govt. might refuse to coin debased rupees for fear of their getting

To Mr. Gov 6 August 1919
Gov Revenue 28 Sept 1919
49714
Subsequent Paper, Gov 45073
Myanta

I gave to Davis (Frank's flo)

today copy of the long

fil. to consider ~~the~~ ~~referred~~ not
seen it ~~is~~ ~~miss~~ will be
very careful.

545

acd

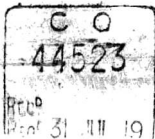
11. 9. '13

Any reply to this letter should be addressed to—
THE SECRETARY,
TREASURY,
WHITEHALL, LONDON, S.W. 1,
and the following number quoted:

TREASURY CHAMBERS

546

30 July, 1919.



29716
19.

Sir,

I have laid before the Lords Commissioners of His Majesty's Treasury Sir H. Read's letter of the 5th instant (32915/1919) relative to the currency of the East African Protectorate. In reply I am to convey to you the following answer.

My Lords are disposed to agree that the time has now come when it would be advantageous to bring East African currency into more direct relation to the currency system of this country and to diminish its dependence on the currency system of British India, particularly in view of the present high sterling value of the Indian rupee and its undesirable consequences on the exchange position of East Africa.

It does not, however, appear to Them that in order to achieve this object it is either necessary or desirable to make British currency notes legal tender in East Africa.

The essential requirement is to provide a ready means of currency which will have a stable exchange value with British sterling. While this can to some extent be

Under Secretary of State,
Colonial Office.

secured

secured by the power to export or import sterling paper, a more expeditious and accurate means of exchange is available in the form of telegraphic transfers operating on a currency fund held in each of the two countries concerned. What they would therefore suggest to Viscount Balfour as more advantageous both to this country and East Africa would be that arrangements should be made for the sale of exchange through the Protectorate Currency Board either from East Africa to London or London to East Africa, that be desirable.

The Protectorate Government would have to be asked to offer to sell local currency against payment in sterling in London, and to accumulate liquid funds in London, to provide for the payment of counter remittances and the payment of local currency in East Africa. It might be necessary for the Currency Board of East Africa to appoint an agency in London to act on their behalf at the end; and possibly the Crown Agents for the Colonies would undertake this. Such a system would provide East Africa with a variable sterling exchange standard.

It would, however, it is desired to retain a...
 ...rupee as the equivalent of 10/-, and to sell...
 ...on that basis the essential preliminary

to such an exchange scheme is the establishment in East Africa of a local currency which could be successfully maintained at 15 Rupees to the £. a rate clearly no longer applicable to the Indian Rupee. In Their Lordships' opinion therefore the first step must be to replace the Indian Rupee and in particular the local subsidiary coins based on the Indian Rupee by new coinage.

My Lords understand the present subsidiary coinage of East Africa (50 and 25 cent pieces) to have the same standard weight as the corresponding Indian coins of 1/2 and 1/4 Annas of 1800. At present prices of silver, such a standard could not be maintained in circulation as the equivalent of the half and quarter rupee (the rupee being £1.14) owing to the danger of melting; and it will therefore be necessary to reduce those coins either in weight or size or in fineness. If My Lords assume Viscount Milner thinks undoubtable is after the war a 10% loss of East African silver reduction must be made in the fineness and My Lords would suggest that the reduction should be to fineness 800. If Viscount Milner can give generally a...

amount of new coins which will be required They will consult the authorities of the Royal Mint further with regard to the technical details of the new coinage and also on the point whether the Royal Mint or the Mint Birmingham can undertake such coinage, at an early date.

It will also be necessary to take steps to replace the Indian one rupee note now current in East Africa by a Protectorate one rupee note, and it will probably be convenient to have a 25 rupee note as the equivalent of the £. sterling. The manufacture of these notes shall be put in hand at once.

When the new coins and notes are available for issue, the export of Indian notes and rupees from East Africa should be prohibited with a view to facilitating local circulation, and this prohibition will require to be kept in force until the demonetisation is complete and the Indian Currency has been called in. It may be necessary to offer to receive such currency at the rate of 1.00 rupee to the rupee, as proposed in the letter under reply and possibly the Indian Government would be willing, if the Indian rupees were held to them, to undertake the supply of new local rupees of required denominations for East Africa.

It is clear that there will be an interval

during which East Africa will have to rely for the one rupee upon the local one rupee note only, such notes being temporarily inconvertible pending the provision of the new rupee coins, but My Lords understand that Viscount Milner is prepared to face this contingency.

The German rupees in German East Africa can no doubt ultimately be dealt with on the same lines as Indian Rupees:

In order to carry out the scheme outlined above it will of course be necessary to make alterations in the orders in Council governing East African currency and it would be convenient if in his reply Viscount Milner would indicate the measures which he thinks necessary for this purpose. My Lords would only add, at the present stage, that it is very essential that until the new currency is available and the scheme can be put in force complete necessity should be preserved with regard to the measures under contemplation.

No overt steps should be taken, unless there are signs of substantial export of Indian Rupees (which at present rates might be highly profitable) either through importation of gold from America or the East

or for other causes, in which case it might be necessary to impose an export prohibition earlier than is contemplated above.

I am,

Sir,

Your obedient servant,

John Ralphy

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Private Telegram from the Secretary of State for the Colonies
to the Governor of the East Africa Protectorate.

(Sent 11.10 a.m. 6th August, 1919)

6th August Secret.

Your telegram of 26th June. No. 509 Currency. I am
considering, after discussion with Crown and Treasury following
arrangements to secure stable exchange on sterling basis which
must be reported as absolutely secret.

I. Preliminary stage. Rupee must be declared by
order in Council value 100 East Africa Protectorate, Uganda,
Kenya and German East Africa. Local one rupee notes must be
introduced and circulation of ordinary currency notes including
new 10 rupee note must be increased to replace Indian currency
which would go out of circulation. Exportation of

Indian rupees and one rupee notes must be forbidden under heavy
penalty but arrangements must be made to be given at
equivalent of 100 in local paper subject to alteration with
notice if there is a fall in Indian exchange. Present

subsidiary silver currency in East Africa Protectorate must
must be replaced by 5 cents, 20 cents pieces approximately
present weight but lower fineness by 1000 parts of silver.

Unbranded still more they may be lower in intrinsic than
token value. Same currency must be introduced in Kenya
German East Africa. In German East Africa German rupee must
be declared to be equivalent to new 100 rupee, export must
be forbidden but no steps taken to withdraw from circulation
until new currency available there when they could also be
bought up at a premium if necessary.

Make arrangements early at the end of Aug for selling
exchange

change through branch of Protectorate Currency Board
 Protectorates offering to sell local currency locally against
 amount of sterling in London and funds being accumulated
 to provide for payment of counter remittances against
 amount of local currency locally.

As soon as possible East African rupee of reduced
 value must be minted. The Government of India might
 do this in India but it is necessary that there
 be a distinctive design in order that there may be
 no confusion between Indian rupee and any debased East
 African rupee which might be exported to India.

Question of the introduction of actual sterling
 money must be postponed but interim arrangements proposed
 would simplify matters. I am most reluctant to make any
 proposals until I am satisfied by Governments concerned that
 arrangements can be applied satisfactorily without injustice
 especially to natives, and this telegram should be communicated
 by you to other Governments concerned impressing its secret
 nature upon them and asking them to telegraph their views to
 the Commission underlying proposals is that change of
 rupee value will not seriously affect local purchasing value
 of rupee. Native will clearly not receive more rupees in
 value and it is of importance that he should be able to buy
 essentially as much with rupees received. Careful attention
 should be paid to this aspect of matter in replies from
 the Governments. Number of 50 cent 25 cent pieces
 required by each Government to be stated.

MILNER

12th August, 1919.

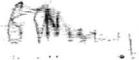
Dear Bottomley,

Treasury Letter 29716/19 of 30th July on
East African Coinage.

We suggested for the new coins a fineness of 650. This was pretty safe from melting at the then prices of silver, but silver is so jumpy (now 58d. and going up) that it may be worth considering whether 600 (the fineness adopted in 1918 for the Straits Dollar and $\frac{1}{2}$ Dollar 34036/19), or ^{for coins under the Rupee} even 550, the new fineness of Ceylon Coins subsidiary to the Rupee, might not be preferable. The East Africa 50 and 25 cents are of the same weight as those of Ceylon.

Apart from melting, in order to avoid keeping separate working balances, a standard already in use, such as 600 or 550, has its advantages.

Yours sincerely,



W. A. S. 12-8-19