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National Bank  
of India Ltd.

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1919

10 Dec.

*currency*

Last previous Paper.

*9566s*

*Submit observations & proposals*

*See on 11/12*

Next subsequent Paper.

*9673s*

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*National Bank of India Limited*  
 26, Bishopsgate, E.C. 2  
*London* 15th December 1919

Accounts to be addressed to and  
 cheques to be made payable to  
 NATIONAL BANK OF INDIA LTD.  
 Registered Office  
 1, MARK LANE, LONDON.

The Under Secretary of State  
 Colonial Office,

S W 1

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Sir,

With reference to the Conference at the Colonial Office on the evening of the 12th inst when the question of a change in the East African Currency was discussed, and in continuation of our letter of 1st inst, we now desire to address you further on the subject. We shall probably within the next few days along with the other Banks interested in East Africa put our views before you more fully but our object in writing to you now is to clear up any misapprehension you may have as regards the statements made in our letter of 1st inst. In that communication we claimed that the Scheme as outlined in Sir Herbert Read's letter of 15th November must be abandoned as it would involve enormous losses to all those who like ourselves had brought from India British India Rupees (the Standard Coin of the Protectorate) and lent them in the Country.

We gathered from a remark which you made that you had some doubt as to whether the loss could be an actual loss seeing that many of these Rupees had been laid down in the Protectorate when the exchange value of the Rupee was 1s.4d. We endeavoured to explain to you that the loss would be an actual one - not a mere loss of profit or

anticipated profit but a loss from a Scheme which would in effect result in confiscation of part of the Bank's funds in the Protectorate.

We of course do not believe for a moment that those responsible for the Scheme realised what the result would be if their proposals were brought into force. Nor do we believe that the Settlers who have taken a prominent part in urging Government to take action had any idea what their agitation would lead to. We do however think that the interests of the whole Community have not been properly considered. Had they been so we are confident that the proposals as they now stand would never have been put forward.

As we have above stated we endeavoured at the Meeting to clear up any doubt which you may have as to the actuality of the loss we and others would be faced with but we are not quite sure that we made the position sufficiently clear to you and the object of the present letter is to endeavour to remove any doubt that may still remain in your mind as to the real position.

The Standard Coin of the Protectorate is the British India Rupee and can only be obtained in India. Currency and Capital had to be introduced for the development of the Country and in the early period of the history of the Protectorate very considerable shipments of Rupees were sent by us from India. Latterly owing to the fact that imports from India largely exceed exports to India and also to the fact that there are at present very considerable amounts of Indian Rupees in East Africa the import of Silver Rupees has not been necessary and could readily be laid down from India by ordinary trade channels without having to import specie.

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themselves. Practically all of them are indebted to the Banks and no development of the Country could have taken place unless Banks and others had provided funds from India. There is now a large amount of Capital in East Africa provided from India which ultimately will have to be returned there and which under existing conditions could be returned without loss but would of course necessitate calling in of advances by Banks. But if it is proposed to demonetize the Indian Rupee on the lines laid down in Sir Herbert Read's letter of 15th Novr and substitute therefor a paper Rupee and thereafter a debased metal Rupee of the nominal exchange value of 1s.4d and possibly an intrinsic value of about 1s.0d and at the same time prohibit shipment of British India Rupees to India how is the creditor in India to receive payment from his East African debtor? Settlement could only be effected by remittance to London through the Currency Boards which your Scheme proposes to establish at exchange of 1s.4d per Rupee and thereafter from London to India through the Indian Council at current rate which is at present on the basis of 2s.4d. The net result would be a loss of 1s.0d for every Rupee returned to India. Take a concrete case: A Bank or Merchant has to return £1,00,000 to Bombay. For the sum of £1,00,000 in East Africa a transfer on the Colonial Office London would be obtained for the equivalent at exchange of 1s.4d, say £6,600-13-4. With the latter sum a draft on India would be purchased at exchange of 1s.4d yielding the remitter only Rs7,142-13-9 in India. This remittance would still leave the East African debtor Rs2,857 2-3 short of liquidating his debt of Rs1,00,000 to his creditor in India.

As the amounts so to be returned to India are very large you must readily see how enormous the loss would be to all those who by introducing <sup>work and</sup> Capital from India have contributed to the development of the Country. It would be equivalent to confiscation of about half their Capital.

We trust that we have now made it quite clear to you that the losses referred to in our letter of 1st inst. are real and would be so heavy as to be disastrous to the Country. We feel confident that when the position is thoroughly understood by you the proposals for a change will not be proceeded with.

I am, Sir,

Your obedient Servant,

*H. Williams*  
General Manager