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**COLONY AND PROTECTORATE OF KENYA.**



**CURRENCY.**

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**Report of the Committee appointed on the  
10th February in accordance with the  
Motion of Legislative Council**

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1921

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## SUB-COMMITTEE'S REPORT.

**Report of the Sub-Committee appointed on the  
15th February to obtain information for the  
Committee on Currency.**

The names of the Members of the Sub-Committee are as follows:—

The Hon. F. W. MAJON, C.M.G., I.S.O., Commissioner of Customs and  
Currency Officer.

R. W. PLAYFAIR, Esq., Manager, National Bank of India, Nairobi.

F. G. THOMAS, Esq., Manager, National Bank of South Africa, Nairobi.

P. HARRY, Esq., (co-opted), Manager, Standard Bank of South Africa,  
Nairobi.

The Hon. H. H. RUSKIN, Acting Treasurer, *Chairman*.

The terms of reference were:—

"To obtain all the information available as to currency in stock and in circulation, practicability of converting notes by surcharge or otherwise; whether the quantity of one rupee and florin notes in stock is sufficient to redeem all rupee coins if the notes are surcharged "One Shilling."

"To what extent the present and new subsidiary coinage could continue to be used; whether 100 cents, &c., could be manufactured for one shilling; and whether suitable notes could be printed locally or elsewhere than in England."

The Sub-Committee have been working almost continuously since their appointment and have conducted their enquiries under great pressure; to this must be attributed any shortcomings or omissions in this Report.

In preparing the information required the Sub-Committee have borne in mind the views expressed in General Committee on the 15th instant and the main objects in view, i.e.

(i) Prevention of the smuggling of Rupees by redeeming and then demonetizing or freeing the Rupee, thus removing the temptation to smuggle.

(ii) Introduction of Shillings and cents of a Shilling.

No difficulty presents itself in regard to notes of a higher denomination than Re 1 or Fl. 1. Those at present in use could continue current as representing double the number of shillings than their face value shows in Rupees or Florins until they can be replaced by the new notes now being printed which bear values in both pounds and florins.

In searching for some coin or note that could be used as a Shilling for the time being the Committee first considered the present 50 cent piece and find that the quantity in stock and on order is quite inadequate for the redemption of rupees. Moreover they are stamped 50 cents and it is difficult to have 100 cents to the Shilling if possible.

None of the new Shillings have yet been received but it is understood that they are marked One Shilling or Fifty Cents and they would therefore be unquitable even if available.

It is understood that it is desired that the Shilling of 100 cents should in size be midway between the existing rupee and the half rupee, neither of the coins mentioned above meets this requirement.

In considering the possibility of using existing florin and rupee notes as shilling notes as a temporary expedient, the Committee had two suggestions before them:—

(i) To heavily surcharge "One Shilling" all the one Rupee and one Florin notes of the E. A. Currency Board.

(ii) To punch a hole in, or cut a corner off these notes and use them as shilling notes without surcharge.

It is impossible to estimate the number of rupee coins now in circulation and Uganda. The Committee learn that there have been imported into this country by the Rupee since they first commenced to operate here, 750,000,000 rupees, but they are of opinion that a very much smaller number will be presented for redemption and that although two one-shilling notes would be required to redeem one rupee, two lots of notes would suffice to ensure their redemption, and the total stock of 152 lots would meet all requirements. Much of the redemption could be done by the higher denomination rupee notes, to be exchanged later for higher denomination pound notes.

present them for redemption and subsequently repay the natives with Cents of a shilling instead of Cents of a florin.

The Sub-Committee are unable to offer any information on the new subsidiary coinage which is being minted as none has yet been received in the Colony. As, however, it is based on the form the same difficulties as those mentioned above in regard to the existing subsidiary coinage would, no doubt, be experienced.

The question of printing shilling notes locally or elsewhere than in England has been considered, and the Sub-Committee fear that it would be extremely difficult to prepare a note that would offer reasonable protection against forgery. The Government and Railway have no suitable paper, and the notes could not be signed by the E. A. Currency Board.

The difficulty as to signing notes would appear in regard to manufacture at any place other than England.

The Committee are informed that all Indian notes are made in England—no doubt for very good reasons.

It is thought that even if a satisfactory note could be produced here, the E. A. Currency Board would strongly object.

The E. A. Currency Board were wired to on Monday last for information as to whether two fifty Cent pieces, four 25 Cent, ten 10 Cent, twenty 5 Cent, or one hundred 1 Cent pieces could be produced and landed in East Africa for the price of one shilling. No reply has yet been received but the Sub-Committee feel sure, having regard to the prices paid in 1919, that this could now be done.

It appears to the Committee that two practicable alternatives, only, present themselves. The first is to wait until new shilling notes, or new shilling coins larger than the half rupee, (preferably the latter) in either case having 100 Cents to the shilling, can be produced before making any change, this, however, would not meet the first object of preventing the smuggling of rupees, which is a matter of urgency and importance. The second alternative is to redeem rupees at once with the florin notes in stock, one florin note for one rupee, and wait until the new shilling notes or shillings can be produced before taking any further steps. This, like the first alternative, offers no immediate prospect of meeting the second object of introducing shillings and cents of a shilling, but would meet the first object of removing as early as possible the temptation to smuggle.

In case the second alternative be decided upon the Sub-Committee investigated the method that would be necessary. They suggest that redemption during one month for all Europeans and Indians would be necessary, the banks giving a declaration of their holdings on the last day and calling for redemption as soon thereafter as possible. District officers should, however, have discretion to redeem for a longer period from natives in cases in which they are satisfied that the rupees to be redeemed are the property of the native, and that he could not reasonably be expected to apply for redemption earlier; six months is suggested.

The reason for the extension in the case of natives is that if, say, Kavirondo natives are working in the Thika district under contract and hear that their rupees are to be redeemed, and if not redeemed within a certain time will fall largely in value, they will all leave their work and return to their homes to redeem their buried savings. If, however, the District Officers assure them that their rupees will be redeemed whenever they wish to their contract they will be content to wait.

It will be necessary in the first instance for District Officers to inform the Treasurer of what they think their initial and subsequent requirements in notes will be. The Treasurer would inform the Currency Officer of what his own and the District Officers' requirements would probably be and the Currency Officer would arrange to supply the notes in advance of the date upon which redemption is to commence.

Arrangements for transporting specie to the nearest Bank would also have to be made in advance.

In concluding their Report, the Sub-Committee wish to mention one point with which they are not competent to deal, but which may largely affect the views of the Currency Board in London on any proposals that may be put forward. This is the loss that will be entailed by scrapping the bulk of the new coins and notes which have been or are being manufactured. In the Appendix hereto annexed will be found particulars of the currency in circulation and in stock. A good deal more is now being manufactured.

Nairobi,

February 17th, 1921.

H. H. RUSHTON, Chairman.  
F. W. MAJOR.  
R. W. PLAYFAIR.  
F. G. THOMAS.  
P. BARNET.

## REPORT OF THE CURRENCY COMMITTEE, 1921.

1. The terms of reference of the Currency Committee were defined by the Legislative Council on February 10th, 1921, in the terms of the following Motion:—

That this Honourable Council resolves that the Pledge of the Secretary of State gazetted on the 31st March, 1920, must stand good and that a Committee be appointed to devise ways and means of introducing such currency on a sterling basis, at the earliest possible date, as will make the shilling or a coin of similar low denomination the standard coin. The Committee for this purpose to consist of:—

- 1. Producers.
- 2. Bankers.
- 3. European Merchants.
- 4. Representatives of the Indian Community.
- 5. Chartered Accountants.
- The Attorney General.
- The Chief Native Commissioner.
- Hon. F. W. Major.
- H.M.'s Trade Commissioner in East Africa.
- The Treasurer as Chairman.

2. The Committee was accordingly composed of the following gentlemen:—

*Producers:—*

- Major J. Grant.
- Hon. Sir N. McMillan.
- Sir F. I. Sprott.
- Major C. Taylor.
- Mr. J. J. Toogood.
- Mr. F. O. B. Wilson.

*Bankers:—*

- Mr. B. W. Playfair.
- Mr. F. G. Thomas.

*European Merchants:—*

- Mr. F. H. Clarke.
- Mr. V. M. Newland.

*Chartered Accountants:—*

- Mr. E. B. Gill.

*Indian Representatives:—*

- Mr. A. M. Jeevanjee.
- Mr. B. S. Varma.

- Hon. R. W. Lyall Grant (Attorney General).
- Hon. Col. O. F. Watkins (Ag. Chief Native Commissioner).
- Hon. F. W. Major (Commissioner of Customs and Currency).
- Col. Franklin (H.M.'s Trade Commissioner in East Africa).
- Hon. H. H. Hushon (Acting Treasurer), *Chairman*.

3. The Committee held a preliminary meeting at Government House, Nairobi, on Tuesday, February 15th, Messrs. Toogood and Clarke being absent.

Certain matters were at that meeting referred to a Sub-Committee for elucidation. The terms of reference, constitution, and report of that Sub-Committee are attached hereto and form an integral part of this report.

The Sub-Committee reported to the Committee at a meeting held at Government House on Thursday, February 17th. Mr. Clarke was absent from this Meeting.

4. The recommendations of the Committee are set out in para. 5 hereof in the form of resolutions.

(1) Resolution No. 1, proposed by Mr. Playfair, seconded by Mr. Thomas, was carried by 11 votes to 5, the dissentients being Sir N. McMillan, Sir F. Sprott, and Messrs. Toogood, Jeevanjee and Varma. Mr. Major refrained from voting.

The dissentients, save Mr. Major were in favour of the adoption of an amending Motion proposed by Mr. Toogood and lost by 11 votes to 6 to the effect: "That no change should take place in the currency of the country until we are in a position to change over to pounds, shillings and pence or pence."

In reply to questions, the Hon. F. W. Major stated that even with the increased preventive measures recently introduced by the Customs Department grave danger existed of dhows laden with rupees from Zanzibar successfully entering one of the many remote creeks on the long coast line of Kenya Colony and Tanganyika Territory.

(2) Resolution No. 2, proposed by Mr. Thomas, seconded by Mr. Newland, was carried *nemine contradicente*.

In this connection it was held that the words "standard coin" in the terms of Reference were loosely used and should not be taken as meaning "standard" in a sterling basis, necessarily be interpreted as meaning that the shilling as a coin of similar law should be issued by the standard coin of a standard legal tender.

Resolution No. 2 was passed with the intention that the sovereign, when it resumes its normal relations with the pound sterling, should be introduced as the standard coin and that in the meantime notes in the denomination of pounds should take its place as is the case in England at the present time. The Committee feel strongly that no coin of the size of the rupee or florin should be used until such a coin has ceased to be regarded as the common medium of payment, and they consider that five years is the minimum period necessary for this purpose.

The words "other than gold" which appear towards the end of the resolution were inserted so as not to debar at any time the circulation of half sovereigns.

It is considered that as the English shilling with a value of 12 pence is approximately the same size as the half rupee, having a pre-war value of 6 pence, the new East African Shilling in size be midway between the half rupee and the rupee.

(3) Resolution No. 3, proposed by Mr. Thomas, seconded by Col. Watkins, was carried by 15 votes to 2. Messrs. Loyal Grant and Teagrod supporting an amendment "That pence and half-pence be adopted as parts of a shilling."

With the exception of the two dissentients the Committee consider that as the native mind is accustomed to the cent as one hundredth part of the wage unit it would be a great mistake to introduce pence, half pence, and farthings in place of 10, 5 and 1 cent pieces; moreover the existing coins of these denominations could continue to be used after demonetization.

(4) Resolution No. 4, proposed by Col. Watkins, seconded by Mr. Loyal Grant, was carried by 16 votes to 2, the dissentients being Messrs. Jovanovic and Varna.

In the course of debate on this Resolution emphasis was laid on the impracticability of retaining the rupee in East Africa as a value different from the florin for the following reasons:—

(a) The Committee is convinced that circulation of the rupee in East Africa at a value other than that of a florin would result in wholesale cheating of natives. While the low value of the rupee would be insisted on in all transactions entailing payment by natives, there would undoubtedly be a tendency to place a high value on the coin in making payments to illiterate natives who would not, in consequence, obtain the full value of monies due to them. Confusion would also arise in connection with the native Hut and Poll Tax.

(b) It is impossible to tell what further fluctuations in the value of the rupee will occur when trade revives. The retention of the rupee in circulation must therefore involve a large measure of uncertainty and it might be found impossible to maintain any Government controlled rate of exchange in the event of a rise in the sterling exchange value of the rupee. Maintenance of a low rate would, in any such case, lead to export of the coin which would therefore go out of circulation and the ultimate result would be the same as that now recommended by the Committee as an immediate measure.

The dissentients from this Resolution frankly state that they vote against it because they are opposed to any change from a rupee basis to a sterling basis. The Committee is otherwise unanimous that it is best that, when redeemed, the rupee should disappear from East Africa as early as possible.

(5) Resolution No. 5, proposed by Mr. Thomas, seconded by Mr. Gill, was carried by 8 votes to 2.

This Resolution was proposed by a Bank Manager and seconded by the senior partner of the same firm of Chartered Accountants in East Africa; it also received the strong support of the Chairman (Aging Treasurer).

Stress was laid on the fact that practically the whole of the administrative clerical work in East Africa, both of the Government and of private firms, is done by poorly educated natives, British Indians and Goans who all their lives have been accustomed to a decimal system. Amongst such subdivisions are Station Masters, Booking Clerks, Steamer Clerks, etc., throughout the length of the railway and passenger services.

It is held that to depart from the decimal system, except either by keeping accounts in £, Sh., C., or by introducing pence, half pence, and farthings, is unnecessary, would produce no benefit, but would lead to confusion for a long time. The system proposed by the Committee would in all essentials be similar to that in use in most continental countries, shillings taking the place of Francs, Marks, etc.

The change over from Rupees (or Florins) and cents to Shillings and cents of a shilling would be extremely simple as it would merely be necessary on the date of the change to multiply all book balances by 2.

(6) Resolution No. 6, proposed by Mr. Playfair, seconded by Mr. Thomas, was carried with one dissentient.

5. The Resolutions of the Committee were as follows:—

1. In view of the apparent impossibility as represented in the report of the Sub-Committee, of obtaining Shillings and Cents at once, that the second alternative proposed by the Sub-Committee, with the conditions attached thereto, be adopted with a view to preventing smuggling.

(The alternative referred to and conditions attached are as follows:— Redeem rupees at once with the florin notes in stock and wait until new shillings or shilling notes can be procured before taking any further steps. Restriction of holdings of Europeans and Indians to be during one month only. District Officers to have discretion to redeem from natives for six months in cases in which they are satisfied that the rupees are the property of the native and that he could not reasonably be expected to apply for redemption earlier. This extension in the case of natives is necessary to prevent dislocation of labour.)

2. That the sovereign be the standard coin; that local sterling notes be legalised to take the place of sovereigns which are temporarily difficult to obtain; that as soon as possible an East African Shilling of the value of 1/20th of a Pound be introduced and be the coin of general circulation and that no subsidiary coin, other than gold, of denomination higher than one shilling should be allowed for five years.

3. That cents be adopted as 1/100th part of a shilling so soon as existing cents have been demonetised.

4. That the Indian rupee coin be removed from the country as soon after redemption as the Currency Board can arrange.

5. That the Government be recommended to keep their accounts in Shillings and Cents with a view to preserving the decimal system and that Mercantile Houses be encouraged to follow the same procedure.

6. That shillings be legal tender to the extent of 100, i.e., £5.

6. A telegram from Major Grogan to Lord Delamere was read to the Committee requesting support to a scheme for permitting the Indian rupee to circulate at its exchange value as alternative tender with the florin. The Chairman ruled that the scheme outlined, which directly does away with the guarantee given by the Secretary of State for the Colonies on March 31st, 1920, could not be considered by the Committee, and that moreover the Committee had already found the other objections to such a scheme set forth in para 4 (4) of this report. Mr. Major announced his intention of submitting a minority report to the effect that it was impossible to carry on unless the terms of that pledge were broken. This minority report is appended hereto.

H. H. RUSHTON, Chairman,

G. B. SANDFORD, Secretary.

Nairobi.

21st February, 1921.

As a rider to the above report the following Resolution was carried *nemine contradicente*—

"That this Committee recommends to Government the appointment of a Commission to enquire into and report on any question of reparation that may be involved by the stabilization of the Rupee by the Secretary of State for the Colonies and the subsequent conversion to sterling currency."

The Chairman ruled that the Motion was out of order, but in face of strong pressure eventually agreed that if a majority desired that the Motion be put he would, if it were carried, add it to the report in the form of a rider. A majority voted in favour of this procedure and the Motion was then carried as stated *nemine contradicente*.

H. H. RUSHTON, Chairman,

G. B. SANDFORD, Secretary.

Nairobi.

21st February, 1921.



## MINORITY REPORT.

Nairobi.

18th February, 1921.

The Hon. The Acting Colonial Secretary,

The Secretariat,

Nairobi.

Sir,

As Members of the Committee appointed by the Legislative Council to devise ways and means of introducing new currency on a sterling basis under the following resolution:

"That this Honourable Council resolves that the Pledge of the Secretary of State, gazetted March 31st, 1920, must stand good, and that a Committee be appointed to devise ways and means of introducing such currency on a sterling basis at the earliest possible date as will make the shilling or coin of similar denomination the standard coin. The Committee for this purpose to consist of:—

- 6 Producers.
- 2 Bankers.
- 2 European Merchants.
- 2 Representatives of the Indian Community.
- 1 Chartered Accountant.
- The Attorney General.
- The Chief Native Commissioner.
- The Hon. F. W. Major.
- H. M. Trade Commissioner.
- The Treasurer as Chairman.

We beg to state that in the course of our efforts to carry out the wishes of the Council it became evident that there was no direct way of doing so on account of the lack of the proposed shilling.

The relief to the Producer, which we consider one of the main points at issue, is thus indefinitely postponed.

Under the circumstances we are unable to accept the resolutions passed by the Committee as anything but an unsatisfactory and ineffective solution of an impossible position created by the stabilising of the rupee at 2/- and the pledge that such stabilisation was fixed and permanent. We are thus forced to the view that the only solution is to rescind the pledge and revert to rupee currency.

We have the honour to be, Sir,

Your obedient servants,

(Sgd.) F. W. MAJOR.

NORTHRUP McMILLAN

J. J. TOOGOOD.