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1920

PROHIBITION OF EXPORTATION OF RUPEES.

18th March

See previous Paper

The letter read from Manager of Natl Bank of India re-  
and claiming to be allowed to export rupees for 3 years  
Requests ruling.

1994

MI/1057

~~Mr. Hutchinson~~ Sir,  
Mr. Bellamy

I am sorry that this has  
been overlooked.

The special position of the Rs 10 l.  
was mentioned at the last meeting of  
the Currency Board.

It is proposed to give a <sup>50</sup> <sup>per cent</sup>  
small commission (10 per mille) on  
the <sup>total</sup> <sup>amount</sup> <sup>of</sup> <sup>the</sup> <sup>rupees</sup> <sup>exported</sup> <sup>under</sup> <sup>this</sup> <sup>rule</sup> <sup>but</sup> <sup>this</sup> <sup>is</sup> <sup>not</sup>  
by way of compensation to compensate  
the bank for the loss of interest  
to give them a large share of  
the Board's investment business  
addition to the subsidy which they  
will

Subsequent Paper  
1057

will receive an agent of the Board in F.A.P.  
and Uganda. Sir W. Hickey was going to  
talk it over with the bank authorities.

I think it will be sufficient  
to reply to Mrs. de la... that the <sup>position of the F.A.P.</sup> ~~matter~~  
is at present the subject of negotiation  
between the bank and the Currency  
Board, but that an expectation can be held out  
that the application will probably be made in...  
will probably be made in... 27

C.S. 11.5.20

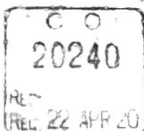
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The board was caused by  
the challenge of one of its members. The  
representative of the bank was heard but  
did not make a point of a similar claim.

As a matter of fact the fall in the  
price when my note to the bank...  
but knowing I was in the favor of  
my recognition of having a...  
particular... to Sir C. Hanning  
...  
care

J. H. H.

12/2/20

18<sup>th</sup> March, 1920.

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My Lord,

I have the pleasure to forward for Your Lordship's consideration a copy of a communication which I have received from the Manager of the National Bank of India on the subject of loss incurred by the Bank as a result of the prohibition on exportation of Rupees and the scheme which is being introduced for changing the local currency.

2. On the one hand it appears to me that the Bank may experience a considerable financial loss in making good its liabilities, as a result of these measures, if the Rupees borrowed by the local branch from India are borrowed from Depositors and not drawn from the Bank's Capital.

3. On the other hand the new Currency Scheme does not seem to contemplate giving compensation in such cases, and if this claim is admitted a number of other claims must be expected, in which it may be most difficult to draw the line between actual and potential loss, and to put any limit on the extent of the Government's liability.

RIGHT HONOURABLE  
VISCOUNT MILNER, P.C., G.C.B., G.C.M.G., &c., &c.,

SECRETARY OF STATE FOR THE COLONIES,

DOWNING STREET,

LONDON, S.W.

4. As instances of the nature of the claims which may be put forward I may mention that I have reason to believe that one of the other Banks was at one time in a similar position of having liabilities in India and met its loss thereon. There is also the case of the importer from India who sold his goods at a price based on the rate at the time of selling and paid for them by meeting a bill maturing after the delivery and sale of the goods. Again there are masses of Asiatics who have lived for many years in this country and have banked their savings here; unless these people are allowed to export their savings they will, on retiring to India, find their savings considerably depleted.

5. The question is one on which I find it difficult to make any recommendation.

I have the honour to be,  
 Your Lordship's  
 humble, obedient servant,



ACTING GOVERNOR.

National Bank of India Limited,

Nairobi, 12th February, 1920.

The Honourable,

The Chief Secretary to Government,

SIR,

With reference to the recent Legislation declaring British Treasury notes (at present worth  $13/4$ ) full legal tender for Rs. 5-50 we beg to draw your attention to the unfavourable position in which this Bank is placed by reason of this arbitrary interference with the natural course of Exchange.

The National Bank of India Ltd. has been established in this country since 1896. Until 1911 there was no other Bank in the Protectorate. We opened in Mombasa to finance the construction of the Uganda Railway, and have since then assisted very materially in the development of this country by making advances to Settlers and others. It will not be necessary to remind you of the services we rendered to Government during the war.

In order to provide funds for financing this country as above mentioned we were obliged to borrow very largely from India in Indian rupees. We wish to draw your particular attention to the fact that it makes no difference whatever what these rupees were or are worth in England or anywhere else. We have borrowed rupees in India and must eventually repay Indian rupees. Government have forbidden the export of rupees and the effect of the legislation passed on Wednesday last practically fixing the maximum Exchange at  $2/4$ , while the rate on India on London is in the neighbourhood of  $2/8$  or higher, has had the inevitable result of forcing the Exchange on India to a premium of

about 18%. This means that if the Bank could obtain repayment of their advances at once (which is impossible) they would lose 18% in repaying their advances from India.

Having been of such great service in the development of this country we claim the right to reship the rupees we shipped from India in the past for the benefit of this country.

It is evident that the sudden calling up of advances by the Banks in this Protectorate would result in the ruin of the country.

We therefore demand an undertaking from Government that within say five years this bank may be permitted to export Indian rupees to India to the extent of its borrowing from that country as on 11th February 1930 the date of the new Ordinance. We shall be pleased to exhibit our books at all branches in East Africa to the Government Auditors who can ascertain the amount due to India.

We are writing on this subject as regards its effect on this Bank only, and it is not our place at this juncture to point out the general effects of the Ordinance on this country but it must be evident to you that they are extremely serious.

If Government is unable to give the undertaking required we shall be obliged if you will refer the matter to the Secretary of State. Meanwhile we are wiring our London Office that we are demanding the right to reship in Indian rupees the amount we have borrowed from India.

I have the honour to be,

Sir,

Your obedient servant,

Sgd. R. W. PLAYFAIR.

MCACER.

Z.A.P.

Ind

14 May 1920

W

Sir

I have the honor to acknowledge the receipt of your letter of the 18th of May, regarding the proposed increase in the rate of exchange of the Indian Rupee against the Pound Sterling.

of the 18th of May, regarding the proposed increase in the rate of exchange of the Indian Rupee against the Pound Sterling.

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Bank of India anticipate owing to the provisions of the

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DRAFT.

A.S.  
no. 671  
O.A.G.

MINUTE.

- 1. Mr. J. H. ...
- 2. Mr. ...
- 3. Mr. ...
- 4. Mr. ...
- 5. Mr. ...
- 6. Mr. ...
- 7. Mr. ...
- 8. Mr. ...
- 9. Mr. ...
- 10. Mr. ...

of the 18th of May, regarding the proposed increase in the rate of exchange of the Indian Rupee against the Pound Sterling.



Bank's office in London and

F. M. L. 11  
page 4

the Currency Board; but

I am unable to hold at

it is not for a special case

any representation that the

bank's representation to the

allowed as a special case

to report upon the

of its business for

has been ~~represented~~

and so

(SIGNED) MILNER