

December was sent to you
 owing to an oversight. No
 action is necessary to preserve
 the rights of officers in the
 Prot. who may be on active
 service

3. With regard to the
 enquiry for the last page of the
 Bowring's despatch I would
 observe that while the meetings
 are intended to include
 in questions ~~of~~ ~~the~~ ~~to~~ ~~non~~
 European officials, they can
 be held without the Regulations
 of the 15th May 1903

[hand]

8/2/16

EAST
 27379

27379
 Recd
 Recd 9 JUN 16

Govr's Deputy
 Writing 273
 1916
 12th May.
 2483

CURRENCY NOTE GUARANTEE FUND.

The detailed statement by Treasurer
 showing position of affairs and need for action,
 urges the Treasurer that it is more advisable
 to increase coin portion by drawing on Surplus balances
 than by realising Securities.

About 450 can. of paper is in

For Read
 When I minutes 22/04 I did not
 refer to article 17 (3) of the 1903 Act.
 (herein) which says that where there is a
 deficiency in the coin portion of the fund
 securities shall be sold "if and so far as
 necessary". It may be agreed that when
 the Prot. Govt is unable to make up
 the deficiency from its balances, as in
 this case, the sale of securities is not
 "necessary", but in any case where
 the deficiency is due to causes deemed
 to be temporary and the sale of securities
 necessary to meet a demand on the fund as a
 whole I think there are good reasons
 for not selling.

Next subsequent Report

but in Gazette of 19.4.16 annexed
shows that the securities, of which the
present value is £239,334.8.2, originally
cost the Currency Commissioners £287,233.10.3
i.e. to raise 5 lakhs by sale of securities
would involve a loss of £5,835.10.0 of
the money originally invested.

A considerable permanent depreciation
of these securities is to be expected & if
there is any great contraction in the
circulation of the notes a sale of securities
may be necessary. The loss falls ultimately
on the Post Govt, as I pointed out on 22/7/09.

With regard to the last two items of Mr.
Kemp's report, I do not think that
any immediate decision is required. Under
the present arrangements for providing funds
about 23,000 will be available from the 5 lakhs
- i.e. more than £24,000 in excess of the
deficiency of the contribution at 10 percent
and £10,000 more than the total deficiency
of the fund.

? Advise rest by despatch and say that
the advance to the Currency Board may
be allowed to remain for the present but
that the position of the fund should
be carefully watched and reported from
time to time. Add that there can be
no question of making further investments
at present.

You will notice by
my pencil notes
in the Gazette that
some of the stock
was sold a few
days before the
April.

We should also say that the securities
are not to be sold at a loss of more than 10% of the
original value.

No 5 (labels advanced) ...
... on the account ... (2424083)

6003. 24 6. 16 232

at ...
... J. R.

24/6/16

GOVERNMENT HOUSE,
NAIROBI,
BRITISH EAST AFRICA.

May 12th, 1916.

27379

REC'D
REC'D 9 JUN 16

Sir,

Yours
22/10/16
ment

With reference to my telegram of to-day's date relating to a proposal to increase the coin portion of the Currency Note Guarantee Fund by five lacs of Rupees, I have the honour to transmit herewith the accompanying detailed statement by the Treasurer showing the position of affairs at present and the need for action, in accordance with the Currency Order-in-Council of 1915.

I agree with the Treasurer that, under the present circumstances, it is more advisable to increase the coin portion by drawing on our surplus balances than by realising our securities which have greatly depreciated, but will, it is hoped, recover in time.

I have the honour to be,

Sir,

Your humble, obedient servant,

H. Conway Breyer

GOVERNOR.

THE RIGHT HONOURABLE

ANDREW BONAR LAW, P.C., M.P.,

SECRETARY OF STATE FOR THE COLONIES,

DOWNING STREET, LONDON, S. W.

27379

1. At the end of January last the coin portion of the Currency Note Guarantee Fund fell to less than half the amount of the notes in circulation, the minimum fixed by His Excellency's proclamation of the 21st of October 1914.

2. The following statement shows the amount of this deficiency on certain dates since

29th January	Rs. 55,253
10th February	74,753
17th "	1,74,753
25th "	2,24,753
19th March	1,74,753
10th April	1,30,153

3. The deficiency has arisen from a decrease in the note circulation, caused by the presentation of notes of high value in order to obtain silver to meet the present unusual demand.

4. The following table shows the average monthly circulation of currency notes since April 1914 in lacs of rupees.

	1914-15	1915-16	1916-17
April	43	68	78
May	42	72	
June	42	76	
July	42	83	
August	41	85	
September	41	86	
October	42	87	
November	49	93	
December	52	93	
January	62	91	
February	64	85	
March	65	85	

5. As the date from which the deficiency first existed is now more than 3 months ago, in accordance with section 17 (3) of the Currency Order in Council of 1905 Securities ought to be sold to make up the deficiency.

6. This deficiency may further be increased in the near future, as the Manager of the National Bank of India states that it is not improbable that he may have to present for payment more notes of high value, which form part of his cash balance. He recommends that the coin portion of the fund should be strengthened by 5 lacs of rupees.

7. The coin for the purpose is not to be had in this country. The Manager of the National Bank has offered to arrange shipment of the specie required on payment in Bombay, charging the actual cost of packing and insurance only, and I do not think we can make better arrangements. He will be able to get the benefit of free transport from the Military. These expenses are fairly chargeable to War Expenses Custom Charges, because some part of our surplus balances has been utilized to finance this account and the cost of importation has thereby been avoided in the past.

8. There are two important points to be considered before selling out securities to meet this emergency.

9. The first is the possibility of the position being restored by the extension of our note circulation to German East Africa. A temporary restoration will take place when we receive a further stock of Rs.5 and Rs.10 notes of which we have run short, but this will only last while the large bodies of troops remain

3.

remain in the country. There has been an unusual and unexpected demand for notes of this description in order to pay the South African troops, who receive Rs. 15 per man per month on the spot. A further consignment was ordered from the Crown Agents in February but we are advised that this cannot be shipped before the middle of June.

10. The second point is the fall in the price of securities. On the 31st of March last in accordance with section 20 (3) of the Currency Order in Council 1905, Rs. 141,600 was paid in to make up the deficiency caused by the depreciation of value of securities. Payment was made in silver to increase the coin portion of the fund. Since that date according to such information as is available here, which probably requires verification, the securities appear to have depreciated further to the extent of Rs. 345,125. The following statement shows how this amount of difference between the value of notes in circulation and the market value of securities added to the coin portion of the fund is arrived at.

Present value of Currency Securities.

Note Guarantee Fund.

Stock	Nominal Value.	Latest Price.	Present Value.
Transvaal 3%	256263.8.10	86	249,511.16.6
India 3½%	45641.0.0	80½	36,855. 2.5
Straits 3½%	80634.15.0	70½	56,948. 6.2
S. Nigeria 3½%	60552. 9.6	69	41,761. 4.1
Queensland 4	15098. 4.4	82½	12,418. 5.7
Jamaica 4	2969. 6.7	81	2,405. 3.1
War Loan 4½	40659.14.5	96 ¹⁵ / ₁₆	39,414.10.4

Carried forward £239,334.8.2

PAID

287,233 10 2

Note Guarantee Fund

Stock Nominal Value. Latest Price. Present Value
(Brought forward) £239,334. 8. 2

Depreciation Fund.

Transvaal 3% 8278.11.10 88 7,285. 3. 3

Straits 3 1/2% 2783. 2. 1 70 1,965.11.4

Amount of coin portion on the 10th of April 1916. 254,239.16.5

Total £ 502,824.19.2

Rs. 345,125. Shortage 25,008. 7. 6

Total amount of Currency Notes in circulation on the 10th April 1916. 525,833. 6. 8

203) 11. Although under the Currency Order in Council this deficiency should be dealt with at the time of audit it may be considered advisable to deal with it at the same time as the deficiency in the coin portion of the fund, as any payment from Protectorate Revenue to make up the former deficiency would help to make up the latter at the same time.

12. The temporary expedient of treating the 5 lace as an advance from Protectorate Revenue has been recommended because the exportation of the coin is a matter of urgency, while the method by which the cost should be met depends upon the ultimate destination of German East Africa and the advisability of selling out securities at the present time and cannot, I submit, be dealt with here on the spot.

13. The exact condition of the fund should be reported by telegram to the Secretary of State when he has received the report and is dealing with the matter. About this we shall probably receive due notification.

Sd. W. A. Kenpe

For TREASURER.

Remain in the country. There has been an unusual and unexpected demand for notes of this description in order to pay the South African troops, who receive Rs. 15 per man per month on the spot. A further consignment was ordered from the Crown Agents in February but we are advised that this cannot be shipped before the middle of June.

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S. Nigeria	3 1/2%	60552. 9.6	69	41,781. 4.1
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War Loan	4 1/2	40659.14.5	96 15/16	<u>39,414.10.4</u>

Carried forward £239,334.8.2

Bartholomew 287,233 10 3

The 5 letters advanced - paid to father
upon return on the accounts audit. (2224083)

L.C.B. 24 6.16 222

at once.

H. J. L.

26/6/16

AFRICA PROTECTORATE
No. 278.

GOVERNMENT HOUSE,
NAIROBI,
BRITISH EAST AFRICA.

27379
Rec^d
Rec^d 9 JUN 16

May 12th, 1916.

Sir,

402
22/109

Statement

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5. As the date from which the deficiency first existed is now more than 3 months ago, in accordance with section 17 (3) of the Currency Order in Council of 1905 Securities ought to be sold to make up the deficiency.

6. This deficiency may further be increased in the near future, as the Manager of the National Bank of India states that it is not improbable that he may have to present for payment more notes of high value, which form part of his cash balance. He recommends that the coin portion of the fund should be strengthened by 5 lacs of rupees.

7. The coin for the purpose is not to be had in this country. The Manager of the National Bank has offered to arrange shipment of the specie required on payment in Bombay, charging the actual cost of packing and insurance only, and I do not think we can make better arrangements. He will be able to get the benefit of free transport from the Military. These expenses are fairly chargeable to War Expenses Common Charges, because some part of our surplus balances has been utilized to finance this account and the cost of importation has thereby been avoided in the past.

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War Loan 4 1/2	40659.14.5	96 15/16	39,414.10.4
	Carried forward		239,334.8.2

B. P. Singh 287,233/10

Note Guarantee Fund

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 (Brought forward) 2239,334. 8. 2

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13. The exact condition of the fund should be reported by telegram to the Secretary of State when he has received the report and is dealing with the matter. About this we shall probably receive due notification.

Sd. W. A. Kempe

For TREASURER.

E.A.P.

No 450

Gov. Sir H. Belfield.

old hand writing

Answer also on 12800/19

29 June, 1916.

Sir,

I have 2 to ackn.

A.C. 27/6/16

M^r Bottomley 28/6/16

the receipt of your despatch
No 273 of the 12th of May,
enclosing a statement by
the Treasurer, with regard
to the position of the com-
position of the Currency Note

Encounter Fund.

(?) In my tel. of the 16th of May, I referred
of a series of five lakhs of rupees being
127 lakhs advanced to

the Currency Board from

Protective surplus balances, &c.
I consider that this arrangement may be
of which I signify my
allowed to remain until the question is
referred to the Board
to be further considered in the light of the
16th of May, may be allowed
further reference of the construction or expansion
of the note circulation, and the further
of the note circulation, and the further
of the note circulation, and the further
of the note circulation, and the further

22709/16