

EAST AFR. PROT

68448 Suba

Recd
Rev
617

National Bank
India Ltd

155

1919

Currency

December

Suba - shows a C.O. proposal

previous Paper

66927

~~Mr. Bottley~~
Mr. Bottley

Please see also Mr. Davis
memo in 68905's and the letter from
the ~~Bank~~ National Bank of Africa for which
a docket is being registered.

The ~~fact~~ ^{fact} of the National Bank of
India's objection to the Scheme is that
they have brought funds from India
and advanced them to settlers; and
that they cannot agree to the
repayment of these advances in any
but the ~~local~~ ^{local} currency in which
they were made

and the other
These questions can only
be satisfactorily be dealt with by

To C. Suba and copy of 1919
National Bank
of Africa
Mr. W. H. Mercer

Subsequent Paper

68905's
Uga

by the Director and now that we
know that all the banks have
considered the scheme we are in
a position to arrange a meeting
to invite each of the 3 banks
to send a representative to discuss
the position with at a time which
will be convenient to Colonel
Amey and Sir Northey (I think
Sir Northey is also to be asked to
come).

It would doubtless be convenient
to prepare before the meeting, a
memo. showing the various questions
and objections raised by the banks
in the various letters which we have
had from them.

We may expect a further letter
from Standard Bank
N. Africa, as they now
have Mr. Woodhead's letter
(through Sir Northey)
supporting the C.O. proposals
generally. ? But we need
not wait - ? is proposed.

ALL 6.12.19

Ho 100
10/12

kind of pro
to be
consider
effect

Dr. [unclear] Prof. Fidler

~~It is recommended that the [unclear] [unclear] [unclear]~~

A point which is of great importance, and which
much weight is that the [unclear] [unclear] [unclear] to
[unclear] [unclear] [unclear] - for the [unclear] [unclear] - [unclear]
to [unclear] [unclear] of 1/4.

To [unclear] [unclear] so that a [unclear] [unclear] [unclear] may
be [unclear] for the [unclear] [unclear] [unclear]

best
8/12/19

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W. Amery
8/12/19
P. S. [unclear]

E. Amery Dept.:

Col. Amery would like the meeting arranged
for 4:30 p.m. on Friday Dec. 12th in his room at this
time.

Net
8/12/19.

ENC.

National Bank of India Limited

25, BISHOPSGATE, E.C.
London. 1st December 1919

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The Under Secretary of State
Colonial Office
S W 1

Sir,

We have the honour to refer again to your letter (No. 63514/1919) of 15th ultimo in which you addressed us on the subject of East African Currency.

In our reply to that letter we informed you on the 19th ultimo that we did not approve of the scheme as outlined by you. Our Mr Munro has since had the advantage of an interview with Sir Herbert Read and we now understand -

- (1) that the proposals do not refer to Zanzibar
- (2) that the proposals do not refer to German East Africa
- (3) that it is not proposed to redeem the existing issue of East African Currency Notes at a premium - the proposals for redemption being confined to British India Silver Rupees and British India Rs 1' Currency Notes.

We now beg to put forward our protest against the proposed Scheme on the following grounds -

- (1) That the proposals if carried into effect would involve in very serious loss those who have to return to India Rupees introduced by them into East Africa. The same remarks would apply to those who have funds to return to Zanzibar or German East Africa.
- (2) That the proposals are against the interests of and future development of the Country.

As regards No. 1 we wish to say that this Bank was the first to establish Branches in East Africa. In 1896 we opened a Branch in Mombasa - having previously opened out in Zanzibar in 1893.

In 1904 we established a Branch in Nairobi and subsequently opened at Nakuru, Kisumu, Entebbe, Kampala and Jinja. After the occupation of German East Africa Branches were opened in Darassalaam and Tanga.

From time to time as the Country developed we introduced Capital from India and from this Country. You will readily understand that in a new Country in course of development very little is forthcoming in the shape of deposits - most of the Settlers being borrowers. Funds for the development of the Country had therefore to be provided from other sources and very considerable amounts in Rupees were transferred by us from India to East Africa. The British India Rupee was the Currency of the Country and against the deposit of such Rupees Currency Notes were issued by the Protectorate. A form of such Currency Note is forwarded herewith for your kind inspection and return from which you will see that it is an unqualified promise of redemption. There could be no risk of loss in Exchange in transferring Rupees from India to East Africa. The coin is common to both Countries. The Currency Notes of the Protectorate are convertible and if Rupees are not wanted in East Africa they can be shipped back to India.

In pursuance of our policy of assisting towards the development of the Country considerable amounts of these Rupees laid down from India were advanced by us to settlers and we have now considerable outlandings with them none of which give us cause for anxiety provided advances are repaid in the existing currency. But if the Scheme which you outline is proceeded with we might be asked to accept payment in Paper Currency representing a Rupee of the declared nominal value of 1/- instead of British Indian Rupees which we had advanced of the present value of 2/2d. You will readily see how serious the loss might be

as Rupees which have been provided by our Indian Branches have eventually to be returned to them. On the basis of the present value of Indian Rupees the loss would be about 50% and as large amounts are involved it must be apparent how serious the loss would be to ourselves and to others who have contributed to the development of the Country by bringing down funds from India.

The Currency Notes which you propose to issue would be of no use for payment of indebtedness outside the Protectorate. They would have no value abroad and probably from the want of a proper metallic backing would very soon depreciate in value in the Protectorate itself.

We therefore now strongly contend that those who have transferred funds from India to East Africa must be protected from all loss involved in the return of such funds to India which would not be the case if your proposals were proceeded with.

We cannot be asked to accept payment from borrowers in any other Currency than that in which advances have been made and we fail to see how Government can legalise the discharge of a debt in any other Currency than that in which it was contracted.

Apart from any other consideration we submit that it is incumbent on the Government to see that no change in the Currency is introduced which will involve Banks and others in serious loss. The proposed scheme affords no protection to us and to others similarly placed. In our opinion it should be completely abandoned.

We have stated that we consider that the proposals if adopted would be detrimental to the interests and future development of East Africa. Prices and Wares would rise enormously and we believe that the lack of a sound metallic currency would render it impossible to finance such a Crop as the Uganda Cotton Crop. We do not believe that the natives of Uganda

would be encouraged to grow Cotton unless they were assured of being paid for it in sound coin.

Very large quantities of food stuffs and other commodities are imported from India. How are these to be paid for if the proposed Scheme were adopted? It would take at least R 150 of the currency it is proposed to create in order to purchase merchandises such as foodstuffs etc valued in India at R 100. It might cost very much more as East Africa has little or nothing to give to India in return for goods imported and the problem of how the Indian Shipper of foodstuffs is to get the proceeds of his shipments returned to him would have to be solved. It appears to us that it could only be done through London by means of the drafts which it is proposed should be sold on the Colonial Office against funds accumulated on this side from sales by the Colonial Office on the East African Treasury. But as East Africa has an adverse Balance of Trade both as regards Western and Eastern Countries we do not think there would be any fund in London available to be drawn against. Any funds accumulated from drawings on East Africa would not suffice to meet the drawings from East Africa. The funds necessary to meet the adverse balance of trade would have to be provided by the Home Government. That adverse balance, if the currency proposals which we consider unsound were adopted, would in our opinion increase.

There cannot be the slightest doubt that the proposed changes in the currency system would if adopted lead to an enormous rise in the cost of living which in our opinion would far outweigh any disadvantage from a high level of exchange. Higher prices in the consuming markets compensate the shipper for any loss due to higher exchange. This has been so as regards India which has never been more prosperous than it is at the present moment.

It has been said that the high exchange prevents capital being sent to East Africa. We do not think that is the

reason for capital being withheld. There have been rumours for many months past of the possibility of a lower exchange these rumours have been disseminated by a certain section of the East African community and it is the possibility of obtaining better terms by waiting which has led to remittances which in the ordinary course would have been made to East Africa being withheld. This is a matter of which we have had actual experience and therefore can write with certainty.

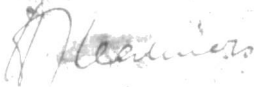
We trust that the Scheme proposed by you will be abandoned and that it will be officially notified that no change in the present East African currency is contemplated.

In any case whatever may be decided the interests of those who like ourselves have to return Rupees to India must be fully protected.

We may mention that as your letter of 15th ultimo is confidential we have not felt at liberty to exchange views with the other Banks represented in East Africa regarding the proposed Scheme.

I am, Sir

Your obedient Servant



General Manager

P.S.

If we considered that such legislation as is contemplated was likely to be brought into force it would lead to the necessity of our calling in all advances made. They are repayable on demand and forced sales would ruin the Country.

18252 THE GOVERNMENT OF THE EAST AFRICA PROTECTORATE 18252

Promises to pay the Bearer on Demand the Sum of

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10

TEN RUPEES

10

عشرة روبية

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Mombasa, 1st May 1916

FOR THE GOVERNMENT OF THE EAST AFRICA PROTECTORATE

J. P. Spie

FOR THE CURRENCY COMMISSIONERS

~~STRICTLY CONFIDENTIAL~~

68748/1939

Downing Street,

December, 1939.

Sir,

With reference to the letter from this Department of the 1st of December, I am directed to inform you that it is proposed to hold a meeting in Colonel L.S. Amery's room at the Colonial Office at 4.30 p.m. on Friday the 12th of December, to discuss the proposals for the reorganisation of the currency of East Africa.

2. It is hoped that your bank will be able to send a representative to assist at this discussion.

3. I am to take this opportunity of acknowledging the receipt of your letter of the 1st of December.

I am,

Sir,

Your obedient servant,

GENERAL MANAGER,

NATIONAL BANK OF INDIA LIMITED.

STRICTLY CONFIDENTIAL.

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68748/1919

Downing Street,

24 December, 1919.

Sir,

With reference to the letter from this Department of the 17th of December, I am directed to inform you that it is proposed to hold a meeting in Colonel L.S. Amery's room at the Colonial Office at 4.30 p.m. on Friday the 12th of December, to discuss the proposals for the reorganisation of the currency of East Africa.

It is hoped that your bank will be able to send a representative to assist at this discussion.

I am,

Sir,

Your obedient servant,

SECRETARY,

STANDARD BANK OF SOUTH AFRICA LIMITED.

CONFIDENTIAL

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68748/1919

Downing Street,

December, 1919.

Sir,

I am directed to inform you that it is proposed to hold a meeting in Colonel I. S. Avery's room at the Colonial Office at 4.30 p.m. on Friday the 12th of December, at which the proposals for the reorganisation of the currency of East Africa will be discussed with representatives of the banks concerned.

2. It is hoped that you will be able to be present at the discussion.

I am,

Sir,

Your obedient servant,

GENERAL, SIR F. NORTHEY, F.C.S., C.B.

CONFIDENTIAL.

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68748/1919

Downing Street,

December, 1919.

Sir,

I am directed to inform you that I have proposed to hold a meeting in Colonel D. S. Gregory's room at the Colonial Office at 4.30 p.m. on Friday the 12th of December, at which the proposals for the reorganisation of the currency of East Africa will be discussed with representatives of the banks concerned.

2. It is hoped that you will be able to be present at the discussion.

I am,

Sir,

Your obedient servant,

VEROER, F.C.M.G.

STRICTLY CONFIDENTIAL

68748/1919

Downing Street,

7th December, 1919

Sir,

I am directed to acknowledge the receipt of your letter of the 4th of December, and to inform you that it is proposed to hold a meeting in Colonel F.E. Avery's room at the Colonial Office at 4.30 p.m. on the Friday the 12th of December, at which the proposals for the reorganisation of the currency system of East Africa will be discussed with representatives of the banks concerned.

2. It is hoped that your bank will be able to send a representative to assist at this discussion.

I am,

Sir,

Your obedient servant,

RESERVE BANK OF SOUTH AFRICA LIMITED

M1/68748/19

I.A.P.

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Confidential.

15th Dec. 1919

DRAFT.

Gen. Sir E. Nather
K.C.M.G. C.B.

Mercer K.C.M.G.

MINUTE.

Mr. Jeffries 9.12.19

Mr. Parkinson 9.12.19

Mr. ~~...~~

Mr. Grindle

Mr. H. Lambert

Mr. H. Kapt

Mr. G. Fiddes

Col. Amery

Lord Milner

...

...

...

...

...

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...

...

...

to inform you that
it is proposed to hold
~~work~~
~~...~~
at a meeting to be
held in ^{Colonel L. S. Amery's} ~~...~~
room at the C.O. at
4.30 p.m. on Friday
the 12th of Dec, at
which the proposals
for

*to be prepared
by Mr. Jeffries
in consultation with*

M 11/68-48/19

S.A.P.

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DRAFT

Strictly Conf.

General manager
National Bank of India Ltd.
Manager Secretary
National Bank
Standard Bank of S.A. Ltd.

MINUTE.

10th Dec 1919

- Mr. Jeffries 9.12.19
- Mr. Parkinson 9.12.19
- Mr. ...
- Mr. Brindle
- Mr. Lambert
- Mr. H. Read
- Mr. G. Fiddes (66274)
- Mr. Amery
- Lord Milner

Sir,
With ref to the
letter from this Dept of

The 1st of Dec, I am

directed to inform you
that it is proposed
to hold a meeting

Colonel L.S. Amery's room
at the Colofee at 4.30 p.m. on
Friday the 12th of Dec. to
discuss the proposals for the
reorganisation of the currency of
East Africa.

2. It is hoped that your
bank will be able to send
a representative to assist at
the discussion.

Under
3. I am to take this opportunity
of acknowledging the receipt of
your letter of the 1st. of Dec.
I am a H.J.R.

To C.O.
(58748)

M/68748/19
L.A.P.

DRAFT.

Stratly Camp
10th Dec 1919

Manager
Colonial Bank of S.A. Ltd.

MINUTE.

- (69186)
- Mr. Jeffries 9.2.19.
- Mr. Parkinson 9.12.19
- Mr. Grindle
- Mr. H. Lambert.
- Mr. H. Read.
- Mr. G. Fiddes.
- Col. Amery.
- Lord Milner.

Sir, I am in acknowledgement
the receipt of your
letter of the 4th of
Dec., and to inform
you that it is proposed
to hold a meeting
of representatives of the
banks interested, at

in Colonel L.S. Amery's
room at the C.O.
at

at 4.30 p.m. on Friday the
12th of Dec, ~~to discuss~~ ^{at which} the

proposals for the reorganisation

of the currency system of East

Africa will be discussed with representatives
of the banks concerned.

2. It is hoped that your bank

will be able to send a

representative to assist at this

discussion.

Yours faithfully

H. J. R.

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4, MILLBANK,
WESTMINSTER,
LONDON, S.W. 1.
(VICTORIA 7730)

My dear Paul

I will attend
U. S. A. currency meeting
at 4.30 on the 12th
and Ezechiel will
come with me.

Yours sincerely
W. S. M. M.

The Standard Bank of South Africa Limited. 173

40 Abchurch Lane, Lombard Street

London, 10th December 1919

ADDRESSEE TO
SECRETARY

The Under Secretary of State
for the Colonies,
Downing Street, S.W.

Sir,

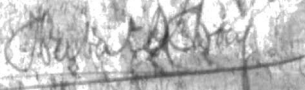
East Africa Currency proposals.

I have to advise you that Mr. Toogood's letter which Mr. Parkinson forwarded to me on the 4th instant, was considered by my Board at their meeting to-day.

My Directors consider that the course adopted by Mr. Toogood of writing a letter to me, marked Private and Confidential, and forwarding it through the Colonial Office is somewhat irregular and as at present advised they are not in agreement with the views expressed by Mr. Toogood.

I have the honour, to be, Sir,

Your obedient Servant,


Secretary.

Revised 68.748/199

11th December 1919

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I have the honour to
acknowledge the receipt of your
kind letter of the 10th
inst and to inform you that
I shall be able to attend the
meeting at 4.30 p.m. tomorrow
12 Dec 1919.

I have the honour to be,
Sir,
Your obedient servant

Edward Northey

East Africa Prot and Uganda Currency

Memo. of points raised and questions
asked in connection with the London office
of the banks operating in East Africa.

The general objection to the scheme from
the point of view of the banks appears to
be that the position of persons who have
advanced capital to others in the present
currency is not adequately safeguarded. 175

This point is particularly pressed
by the National Bank of India, who have
financed settlers with funds from India,
and point out that under the scheme as
it stands they will be obliged to accept
payment in currency in which there will
be a considerable loss in remitting to
India. The chief objection of the scheme is
if proceeded with they will have to call
in all advances.

In this connection a point that
~~the National Bank of India also were~~
must be borne in mind is that
~~the point is that they are not quite in the~~
~~same position, and it is understood that most~~
of the advances to settlers were made when the
rupee was at 1/2, and there will therefore
be no loss of ~~remittance~~ ~~payment~~ ~~to~~ ~~countries~~ with
a ~~sterling~~ ~~currency~~. ~~but~~

The National Bank of Africa, who have also referred to the question of loss or advances, have a ~~proposal~~ suggested ~~by the latter~~

~~that~~ that all deposits and advances at the local banks, whether debtor or creditor should be ~~brought up~~ converted at a premium in the same way as the Indian currency.

Other general objections put forward by the National Bank of East Africa

(A) They also suggest that the present currency might be retained pending the introduction of Sterling currency, thus doing away with the intermediate stage but this is impossible if there is to be any change in the rate of exchange.

The chief other ~~the~~ general objections put forward are -

1) That the proposed local currency notes would have no value outside East Africa and probably from the want of proper metallic backing would depreciate in value in the Trots itself.

2) That prices and wages would rise enormously.

3) That a crop such as the Uganda cotton crop could not be financed, as the natives would not be encouraged to grow cotton unless they were assured of being paid for it in sound coin.

(4) That goods purchased from India

would cost at least 60% more in the new currency than they do at present.

(5) That an unfavourable exchange as between E.A. and other countries would be created.

The questions of detail on which further information is sought are as follows:-

(1) At what premium the Indian currency will be bought up.

(We originally proposed $1\frac{5}{8}$, but with the rupee at $2\frac{1}{2}$ it will be necessary to give more)

(2) Whether in dealing with contracts made before the proposed change the new rupee will be held to be the equivalent for purposes of legal tender of the Indian rupee.

The 1905 D. in C. declares the Indian rupee the standard coin of the Trots, and in existing contracts the word rupee must therefore be construed as

as meaning the Indian rupee).

(3) How it is proposed to establish 15/100 of the exchange value of the rupee, and within what time.

(This will nominally take place on the issue of the proposed coin. Actually the stability of exchange will be secured by the operation of an Exchange Board, the Board selling local currency locally against payment of ^{sterling} ~~exchange~~ in London funds being ~~paid~~ accumulated in London to provide for counter remittances.

The National Bank of India doubt whether it will be possible to accumulate funds in view of the adverse balance of trade, which they think will increase if scheme is adopted.

The National Bank of S. A. ask whether the operations of the Exchange Board will be confined to dealings with the London office of the local banks, as they assume will be the case.

Sir W. Mercer thinks that the scheme can be worked on the lines of the U. A. Currency Board.

The question may be further simplified by if Treasury and Bank of England notes are made legal tender -

(4) Whether the existing ^{local} currency notes are to be redeemed at a premium or by the

the case of Indian notes.

(It is not proposed to do this, but the National Bank of India suggest what should be done, as they say that the notes contain a promise to pay their face value in silver and should be held equivalent to silver. As a fact the promise is to pay the sum of 50 many rupees.)

It is desired to have contracts already
existing & expiring in the next few days
discharged by payment in the next
month or so. - provision must
there be made through law.

It is suggested that the best plan is
to have the law made in such a way
as to have the law without the law whose
accounts is to be to the law.

By that banks will have advanced
papers obtained from head office of Congress
A) collecting at Central Bank or will be by
the repair of a total different basis.

While no doubt it is possible to
to provide for this - but it would be of a
unusual character & would not affect
contracts which are construed in accordance
with legal ideas of the law.

The bank would only appear to fairly
reconstruction. In the case of a
made before the law of the bank, if it is
at 15 and 10, only under the scope of the
bank's interest and the law. It is
unacceptable that the law is not a
consequence of

It is desired to have contracts already
existing & expressed in writing, properly
discharged by payment in the next
month or two, - provision must
my view be made through law.

It is suggested & in view that such a
course would mean a loss of underlings,
and it leads to cases without the fact whose
accounts to favor to making the

By: local banks will have advanced

A | papers obtained from head office of Couriers
collecting at Central Station & will be
the repair, on a totally different basis.

While no doubt it is possible to
to provide for this - ~~but~~ it would be of a most
unusual character & would not affect
contracts which are construed in accordance
with legal ideas of the law.

The bank would only appear to fairly
reconstruction. In other cases in a similar
case before the law of the state, if they were
at 15 and 20, only in the case of the
bank and in the case of the bank. It is
unreasonable to say - that it is an error of

1450.

The Standard Bank of South Africa Limited.

STRICTLY
CONFIDENTIAL

40, Abchurch Lane, Lombard Street,

ADDRESSED TO
SECRETARY

Ref. No. 68742/1919. London, 11th December 1919.

Sir Herbert J. Read, K.C.B.,
Colonial Office,
London, S.W.1.

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Sir,

I beg to acknowledge the receipt of your letter of the 10th instant, and to say that Mr. Bertram Lowndes, our Acting London Manager, will have pleasure in attending the meeting of the General Office at 4.30 p.m. on Friday the 12th instant, to discuss proposals for the reorganization of the currency of East Africa.

As one of our General Managers in South Africa - Mr. Noel Jennings - is fortunately in London, we will ask him to accompany Mr. Lowndes.

I have the honour to be,

Sir,

Your obedient Servant,

Robert G. G. G.

Secretary.

Memorandum of points raised and questions asked in correspondence with the London Offices of the banks operating in East Africa.

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The general objection to the scheme from the point of view of the banks appears to be that the position of persons who have advanced capital to others in the present currency is not adequately safeguarded.

This point is particularly pressed by the National Bank of India, who have financed settlers with funds from India and point out that under the Scheme as it stands they will be obliged to accept repayment in a currency on which there will be a considerable loss in remitting to India. They say that if the scheme is to be proceeded with they will have to call in all advances.

In this connection a point that must be borne in mind is that most of the advances to settlers were made when the rupee was at 1/4, and there will therefore be no loss except of the temporary gain caused by the present value of the rupee, if repayment is made at that rate.

The National Bank of South Africa who have also referred to the question of loss on advances, have suggested that all clients' balances at the local banks, whether debtor or creditor should be converted at a premium in the same way as the Indian currency.

They also suggest that the present currency might be retained pending the introduction of sterling currency, thus doing away with the intermediate stage; but this is impossible if there is to be any change in the

The chief other general objections put forward are:-

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(1) That the proposed local currency notes would have no value outside East Africa, and probably from the want of proper metallic backing would depreciate in value in the Protectorate itself

(2) That prices and wages would rise enormously

(3) That a crop such as the Uganda cotton crop could not be financed, as the natives would not be encouraged to grow cotton unless they were assured of being paid for it in sound coin.

(4) That goods purchased from India would cost at least 50% more in the new currency than they do at present.

(5) That an unfavourable exchange as between East Africa and other countries would be created.

The questions of detail on which fuller information is sought are as follows:-

(1) At what premium the Indian currency will be bought up.

(We originally proposed 1/6, but with the rupee at 2/2 it will be necessary to give more).

(2) Whether in dealing with contracts made before the proposed change the new rupee will be held to be the equivalent, for purposes of legal tender, of the Indian rupee.

(The 1905 Order in Council declares the Indian rupee the standard coin of the Protectorates, and in existing contracts the word "rupee" must therefore be construed as meaning the Indian rupee).

(3)

Bushe's
attached

(3) How it is proposed to establish 1/4 as the exchange value of the rupee, and within what time.

(This will nominally take place on the issue of the proposed Order-in-Council. Actually the stability of exchange will be secured by the operation of an exchange board, the Protectorates selling local currency locally against payment of sterling in London, funds being accumulated in London to provide for counter remittances.

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The National Bank of India doubt whether it will be possible so to accumulate funds, in view of the adverse balance of trade, which they think will increase if our scheme is adopted.

The National Bank of South Africa ask whether the operations of the Exchange Board will be confined to dealings with the London offices of the local banks, as they assume will be the case.

Sir W. Mercer thinks that the scheme can be worked on the lines of the West African Currency Board.

The question may be simplified if Imperial Treasury and bank of England notes are made legal tender in East Africa).

(5) whether the existing local currency notes are to be redeemed at a premium as in the case of Indian notes.

(It is not proposed to do this: but the National Bank of India urge that it should be done, as they say that the notes contain a promise to pay their face value in silver and should be held equivalent to silver, as a fact the promise is to pay "the sum of" so many rupees).

If it is desired to make contracts already existing and expressed in rupees, properly dischargeable by payment in the new token coinage - provision must in my view be made therefor by law.

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It is undoubted, I imagine, that such a course would mean a loss to undertakings with head offices without East Africa Protectorate and whose accounts basis is sterling etc.

e.g. local banks will have advanced rupees obtained from head office by conversion of sterling at current rates and will only be repaid on a totally different basis.

While no doubt it is possible by legislation to provide for this - it would be of a most unusual character, and would not affect contracts which are construed in accordance with English, Indian or other law.

B.G.B. 11/12/19.

Mr. Bushe's example vi A only applies to fairly recent transactions. In other cases an advance made before the rise of the rupee would, if repayable at 15 new rupees, only involve the sacrifice of the bank's unearned increment. There is the usual exception to this - where the advance consists of money drawn from India and repayable in India.

F.C.B. 11/12/19.

the settler was more apparent than real.

The bank representatives urged that they had advanced rupees and must be repaid in the same currency.

Colonel Bury emphasised the point that in the long run the interest of the producer is the interest of all, including the banks.

Mr. Chalmers then asked if local currency notes were to be redeemed at a premium.

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Colonel Amery said that they were not, as they were purely internal currency, with no international value. He pointed out that the object of the proposals was to cause the same position as would result from a free flow of gold coinage.

Major Leggett said that the fixing of the value of the rupee so far below its international value offered a very considerable temptation to smugglers. One of the South African representatives said that sovereigns were being smuggled out of South Africa in very large quantities.

Colonel Amery said that the temptation would not be so great in the case of a man up-country, who would doubtless prefer the Government premium to the cost and risk of exporting.

Major Leggett said that in his opinion the first result of the scheme would be the wholesale swindling of the native by Indians.

Sir E. Northey said that all this had been considered.

Sir W. Mercer observed that things would eventually right themselves, as the cheaper currency would be bound to drive out the dearer.

Mr. Chalmers then expressed the opinion that if the scheme were introduced the cost of living would go up 100 per cent.

Colonel Amery said that there would certainly be an increase so far as goods purchased from India were concerned.

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concerned; but these were limited; and in any case it must be remembered that up to now the Indian trader has had the full benefit of the exchange, owing to the greater value of his money abroad.

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Sir Edward Northey pointed out that the people to be helped were the exporters.

Mr. Chalmers asked how the people who brought rupees from India were to be safeguarded against loss.

Colonel Amery observed that the people who brought sterling into the country had not been safeguarded against their present losses.

Major Leggett said that he did not think they were losing.

Sir E. Northey said that that was not the view taken by the persons concerned.

Major Leggett said that as the rupee rose in value the selling price of an article imported from England decreased. He thought the trouble was not so much the exchange position as the lack of competition, allowing profiteering by the retailers. If the rupee were put down to $1/4$ the cost of goods would rise at once.

Mr. Chalmers said that people went to East Africa with too little money.

He suggested waiting to see what was the decision of the Indian Currency Committee now sitting.

Mr. Jennings expressed the opinion that too much attention was being paid to the planter as distinguished from the rest of the community.

Colonel Amery pointed out that many contracts &c. had been made when the rupee was lower, and were continuing at the same fixed prices, and that the burden on the producer had steadily grown with the rise of the rupee.

He recognised that it would not be possible to get back entirely to the old state of affairs, but hoped that our scheme would at any rate get half or three-quarters of the way back.

He pointed out that, while the international value of the native's wage had increased, its purchasing to him had not increased, owing to value/the interposition of the trader.

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Major Leggett then suggested as a compromise making the statutory value of the rupee 2/- instead of 1/-, which would greatly reduce the loss to the banks, and would cause much less confusion in commerce.

He mentioned the Uganda cotton crop, and stated that his own firm would have to cancel their arrangements for financing the crop if they did not know what the currency position was going to be.

Mr. Bottomley observed that the other two United Kingdom firms most interested in Uganda cotton had appealed for some relief.

Major Leggett said that the relief wanted was stabilisation. He admitted that in present circumstances natives would be offered less rupees for their cotton than they would have received before the rise, but maintained that the cost of goods purchased by the natives had already fallen.

At this point Colonel Amery invited those present to submit detailed observations in writing. He emphasised the necessity of secrecy.

Sir E. Northey pointed out that it would be a breach of confidence to take any action on what they had been told confidentially.

Sir W. Mercer then described the way in which the Currency Board would work, which appeared to interest the bank representatives very much. He thought the proposal to fix the rupee at 2/- was worthy of very careful consideration. He emphasised the necessity of securing the co-operation of the banks.

At Major Leggett's request the representative of the banks then spoke.

Mr. Cunningham said that he was in general agreement with the views which Major Leggett had expressed.

Mr.

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Mr. Chalmers said that if his bank were given time to clear up its external debts, they would not mind what was done.

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The representative of the Standard Bank said that his directors were not in agreement with the views expressed by Mr. Toogood. They thought the proposed scheme was a very dangerous experiment of which no one could forecast the result. Secrecy would be impossible, and there would be a run on the bank as soon as it leaked out that something was going to be done. A man might remit home now and re-export his money when the scheme came in, making a considerable profit. Planters were, as a matter of fact, doing well at present.

Colonel Amery mentioned that the difficulties were not confined to planters they extended also to Government works, which could not be carried on owing to the increased cost of labour.

Major Leggett said that people already knew that something was going to happen. He quoted a "Times" article on Lord Cranworth's interview with Colonel Amery, and a statement made to him by Major Grogan.

In general discussion which followed, the view was expressed by the unofficial representatives that the present position was actually to the benefit of the country, and doubt was felt whether a change was necessary.

The discussion closed at 5.55 p.m.

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Note. The currency position was discussed on the 13th of Dec. 1919 by Colonel Amery, Sir E. Northey, Sir W. Mercer, Mr. Bolton and Mr. Egechiel. It was agreed that a statement should be issued to the effect that any changes that were made would not be made for a definite time; and it was considered whether at the same time some indication of the proposed changes (e.g. the fixing of the rupee at $1/4$ ^{or} ~~and~~ $2/4$) might not be given, and the probable effects of doing so were discussed.

No decision was arrived at, and the question was ~~not~~ adjourned for further consideration.

C. J. J. 15/12/19

Notes of a discussion held in Col. Amey's room
at 4.30 p.m. on the 12th of Dec. 1919.

In the Chair - Col. Amey.

- Present.
- Sir Edward Northey
 - Sir W. H. Mercer
 - Mr. Ezechiel
 - Mr. Bottomley
 - Mr. Burke
 - Major Leggett (B.E.A. Corporation)
 - Mr. Chalmers
 - Mr. Nicoll } (National Bank of India)
 - Mr. Cunningham (" " " S. Africa)
 - Mr. Lomdes
 - Mr. Jennings } (Standard " " ")

Col. Amey first explained the object of the scheme & the reasons for its introduction. The great difficulty from the bank's point of view appeared to be the question of advances.

The representatives of the National Bank of India said that this was so, especially in their case, as they had brought rupees from India and must return them there, and that under the proposed scheme they could only do this, at a loss, through the Currency Board in London.

Col. Amey pointed out that a settler who had borrowed £1,000 from a bank when the rupee was at 1/4 now had to repay £1,600.

Major Leggett said that in practice the accounts would have been balanced at the time of the transaction, ^{so that there was a profit to the bank} and the loss would be _{was}

was more apparent than real.

The bank representatives urged that they had advanced rupees and must be repaid in the same currency.

Col. Amery emphasized the point that in the long run the interest of the producer is the interest of all, including the banks.

~~The representatives of the Bank of~~
Mr. Chalmers then asked if local currency notes were to be redeemed at a premium.

Col. Amery said that they were not, as they were purely internal currency, with no international value. He pointed out that the object of the proposals was to cause the same position as would result from a free flow of gold coinage.

Major Leggett said that the fixing of the internal value of the rupee far below its international value offered a very considerable temptation to smugglers.

One of the S. African representatives said that sovereigns were being smuggled out of S.A. in very large quantities.

Col. Amery said that the temptation would not be so great in the case of a man up-country who would doubtless prefer the Govt. premium to the cost and risk of exporting.

Major Leggett said that in his opinion,

the first result of the scheme would be the wholesale smuggling of the rupee by Indians.

Sir L. Northey said that all this had been considered.

Sir W. Mercer observed that things would eventually right themselves, and the cheaper currency would be bound to drive out the dearer.

Mr. Chalmers then expressed the opinion that if the scheme were introduced the cost of living would go up 100 per cent.

Col. Amery said that there would certainly be an increase so far as goods purchased from India were concerned; but these were limited, and in any case it must be remembered that up to now the Indian trader had had the full benefit of the exchange, owing to the greater ~~internal~~ value of his money abroad.

Sir Edward Northey pointed out that the people to be helped were the exporters.

Mr. Chalmers asked how the people who brought rupees from India were to be safeguarded against loss.

Col. Amery observed that the people who brought rupees into the country were not being safeguarded against their present losses.

Major Leggett said that he did not think they were losing.

Mr. S. N. ... said that that was not the view taken by the persons concerned.

Major Leggett said that, as the rupee rose in value, the selling price of an article imported from England decreased. He thought the trouble was not so much the exchange position as the lack of competition, allowing profiteering by the ~~middle~~ retailers. If the rupee were put down to 1/4 the cost of goods would rise at once.

Mr. Chalmers said that people went to East Africa with too little money.

He suggested waiting to see what was the decision of the Indian Currency Committee now sitting.

Mr. ... expressed the opinion that too much attention was being paid to the position as distinguished from the view of the community.

Col. Hume pointed out that many contracts had been made when the rupee was lower, and were continuing at the same fixed price, and that the burden on the producer had steadily grown with the rise of the rupee.

He recognized that it would not be possible to get back entirely to the old state of affairs, but hoped that our terms would be adjusted to get half or three quarters of the way back.

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He pointed out that, while the ~~actual~~ international value of the rupee's wage had increased, its purchasing value to him had not increased, owing to the interposition of the trader.

Major Leggett then suggested a compromise making the selling value of the rupee 1/4 instead of 1/4, which would ~~immensely~~ greatly reduce the loss to the banks and would cause much less confusion in commerce.

He mentioned the Uganda cotton crop, and stated that his own firm would have to cancel their order if they did not know what the currency position was going to be.

Mr. ... pointed out that the other two firms most interested in Uganda cotton had ~~not~~ ^{not} appealed for some relief.

Major Leggett said that the relief wanted was stabilization. He admitted that in several areas natives would be offered less rupees for their cotton than they would have received before the rise, but admitted that the cost of goods purchased by the natives had also fallen. At this point Col. Hume suggested

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servation in writing. He emphasized the necessity
of secrecy. ^{In his view} ~~He~~ pointed out that it would
be a breach of confidence for anyone to
take ^{any} action on ~~the knowledge that~~
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Mr. W. Miller then described the
way in which the Currency Board would
work, which appeared to interest them for
the representatives very much. He thought
the proposal, for all the risks at it was
worthy of very careful consideration. He emphasized
the necessity of securing the co-operation of
the banks.

Mr. Major begged to request the representation
of the banks then spoke.

Mr. Cunningham said that he was
in general agreement with the views which
Major Leggett had expressed.

Mr. Chalmer said that if his bank
~~could~~ ~~it~~ were given time to pay up its
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