

E. AFRICA
51610

51610
Recd
Regd 28 OCT 16

Treasury
1916

Rate of interest on advances

12 Sept.

It appears that interest on advances made between 13th Nov 15 & 31st March 16, will be at 5% & that same terms will be charged for advances made bet 1st April 16 and 13 July 16, but that for advances made since 14 July 16 5 3/4% will be charged if possible to conform at later date

See previous Paper
S. 24

Registered for record

CA have been told that they should reflect the new rate in their summary of rates on the T. & A. advances

Nyasaland in repayment of S. A. advances.

Nyasaland who have just had £ 50,000 for their own war expenses, have also had a copy of the letter.

Uganda & E.A.P. are not yet affected

Partly recd.

30 of 10/16

Mr. Butler.

I attach for record a copy of the latest Treasury letter (242677) about these advances, with some notes as to its effect on our Protectorates.

Put by
Copy of 10/16 to CA
Copy of 10/16 to be sent to Uganda & E.A.P.

See subsequent Paper

little complication as far as regards arrangements
in the period 13.11.15 to 13.7.16, where
the arrangements depend both on the
(part but unascertained) extent to which
5% Exchange Bonds have been converted
into War Loans & on the extent to which
they are converted into future loan.

See below

There is a good deal of variety in
the Treasury letter as between "15 Feb.
1917" with reference "16 Feb." & "16 Feb.
with reference" but it will be for the C.A.
to work out the details.

Kindly send

19.7.17

The suggestion of conversion of 5% Exchange
bonds into 1917 War Loan is taken at
60%.

Note above
re-arranged
as to order
alteration

Treasury letter no. 21273/17 of July 25th

Treas/37374/17 Jones

W.C.A. 93.8.17

Mr. Butler etc.

When the Bond paper - 37374/17 came
to me I noticed that the C.A. had
not been informed ^{of the Bond paper} of the new arrangements

ascertained from Mr. Willis, of
the Accounts Dept. that they

had not been informed at all, and
that the info would be required
when they got the Treasury claim⁶⁷
(which might come in at any moment)
for interest for the bank quarter

Best
Gent. in
Frye

Other banks than the E. African
are concerned, but I have not yet
succeeded in recovering the Don's
papers with a view to general action
& I understand on the E. Afr. papers
also, to our three borrowing parties
(E.A.P. Uganda & Nyasaland) are
all affected by the charges, I
further that they should have
copies of

6.11.17

13/11/17

31.8.17

at me

51610

Rec^d
Treasury 280616

12th September, 1916.

Sir,

676

I am directed by the Lords Commissioners of His Majesty's Treasury to state for the information of Mr Secretary Bonar Law that they have had under consideration the rate of interest to be charged in respect of advances made to the self-governing Dominions since the 31st March last.

In respect of advances made between November 13th 1915 and the 31st March 1916, as stated in Treasury letter 9487/16 of the 13th of April last, the rate of interest was fixed by their Lordships (subject to reconsideration in respect of conversions into future loans) at 5 per cent. with a capital obligation of war, those being the terms upon which money was raised by the issue of Exchequer Bonds.

Since the 1st April 1916 an increasing proportion of the sums required to carry on the public service has been borrowed by the issue of short term securities, principally Treasury Bills but for the period 1st April to the 13th July inclusive it is possible for their Lordships to treat the advances to the Dominions as continuing to be made out of the proceeds of Exchequer Bonds. These advances will then carry the same terms as advances made between 13th November 1915 and 31st March 1916.

But

But since the 14th July when, following the increase in the Bank rate of July 13th, the selling rates for Treasury Bills at the Bank of England were raised, the proportion of money raised by the issue of Treasury Bills has very substantially exceeded the proportion raised by the sale of Exchequer Bonds and the average cost to their Lordships of raising money by the sale of securities at the Bank of England has since July 14th been not less than 5.8 per cent.

In these circumstances their Lordships find themselves constrained to advise that the rate of interest to be charged in respect of advances made to the Dominions since the 1st July 1917 inclusive shall be fixed temporarily at 5½ per cent so long as present conditions continue, on the understanding that the rate of interest will be revised and the terms of capital repayment will be fixed so soon as the present arrangements for raising money by short term securities are replaced by some more permanent form of loan.

Their Lordships will be obliged if the Secretary of State will communicate in the above sense as soon as may be with the Governments of the Dominions.

I am, Sir,

(3D.) JOHN BRADBURY.

DEPUTY SECRETARY OF STATE,
 COLONIAL OFFICE.

Treasury Advances to East Africa Protectorate.

673

Capital liability & interest as from 16 Feb. 1917.

East Africa Protectorate.

Cash advance £107,000, being the unsecured balance of £232,000 advanced in March 1915 (Treasury/14820/15 9 years).

(1) As to 20%, or £21,400.

Capital liability, £100 per £95 cash £22,526-6-4

Interest per annum, at 3½% 788-2-5

(2) As to 80%, or £85,600

Capital liability, £105-5-3 per £99 cash £91,014-9-0

Interest (at 5%) per annum 4,650-14-1

Cash advance £70,000, Sept. 1915. (Treasury/39444/15 6 years)

Capital liability, £105-5-3 per £99 cash £21,265-5-8

Interest per annum at 5% 1,063-5-2

Cash advance £15,000, 1916 (Treasury/9859/16 4 years)

(1) As to 40%, or £6,000

Capital liability, £100 per £95 cash £15,789-7-6

Interest per annum at 5% 789-4-10

(2) As to 60%, or £9,000

Capital liability, per £10,000-0-0

Interest per annum at 5% 500-0-0

Cash advance £25,000 March 1916 (Treasury 10744/15 11 years)

(1) As to 20%, or £5,000

Capital liability, £100 per £95 cash £5,263-3-2

Interest per annum at 3½% 184-4-3

(2) As to 80%, or £20,000

Capital liability, £105-5-3 per £99 cash £21,265-5-0

Interest per annum at 5% 1,063-5-2

Cash advance £18,600 Sept. 1915 (Treasury/41067/15 11 years)

Capital liability, £105-5-3 per £99 cash £19,771-11-0

Interest per annum at 5% 985-14-1

Nyasaland
Continued.

III. Cash Advances £20,000 Dec. 1915. (Trans/58064/15 Nyas)

15,000 Jan. 1916 (Trans/4260/16 Nyas)

21,000 April 1916 (Trans/18732/16 Nyas)

£56,000.

(1) @ 60%, or £33,600.

Capital liability ^{at 105.5% per £100 cash} £33,600 x 105.5% = £35,368

Interest thereon at 5% 1768.8

* (2) @ 540%, or £22,400.

Capital liability, par £22,400

Interest thereon at 5% 1120

IV. Cash Advances for 1916 Oct. 1916. (Trans/50718/16 Nyas)

Capital liability £22,400 x 105% cash = £23,520

Interest thereon at 5% 1120

Notes

Cover marks are subject to visits of conversion
future loans.

In all cases interest is calculated on the Capital liab.

The advances under Nyasaland are not with-
held in repayment of these advances, as they
are only nominally a Nyasaland matter and do
not affect the ordinary finances of the Protectorate.

Copy

*Recd
24/6/17 Done*

J. C. [Signature]

5160
679

Treasury Chambers.

14764
17

10 May 1917.

Sir,

I am directed by the Lords Commissioners of His Majesty's Treasury to advise the Treasury Letters of the 18th April 1916 (2897/16) and 24th April 1916 (2897/16) relative to the rate of interest to be charge in respect of advances made by their Lordships to the self governing Dominions and to request you to inform us separately Long what it is, in their Lordships' opinion, desirable now to be considered in the adjustments required in view of the issue of the recent War Loans. As Mr Long is aware, the terms fixed as regards certain of these advances have hitherto been provisional or subject to adjustment in the light of the terms on which short period borrowings might be converted into long term borrowings or of the extent to which certain conversion options might be exercised.

The advances which are affected by the issue of the new War Loan fall into the following categories:-

- (1) Advances now represented by 4% obligations in the form of book debt.

(2)

The Under Secretary of State,
Colonial Office.

(2) Advances made between 13th November 1915 and 13th July 1916 inclusive which were treated as being made out of the proceeds of 5% Exchequer Bonds.

(3) Advances made from 14th July 1916 onwards which have been treated for the time being as provided out of the sale of short dated securities generally.

In considering the readjustment now required it appears to Their Lordships that the 4% War Loan 1929-42 must be treated as having been raised at the same cost to the British Exchequer as the 5% War Loan 1929-47 and that the capital obligation of the Dominions should be assessed by reference to the terms and conditions on which the 4% War Loan was issued.

Their Lordships accordingly propose that the categories of advances mentioned above should be dealt with as follows:-

(a) The whole of the obligations of the Dominions in category (1) i.e. the balance of indebtedness now in the form of book debt carrying interest at 4% per annum, (after excluding all that portion of the 4% obligations which has at the request of Their Lordships been converted into 4% Bonds issued by the borrowing Dominions to this Board, in respect of which it was agreed that no subsequent adjustment should be made) should be converted as from the 18th February 1917 inclusive (the date when the subscription lists to the new

War Loan closed) into obligations carrying interest at 5% per annum at the rate of £105.5.3. of the new 5% obligations for each £100 of the 4½% obligation. (As the whole of the 4½ per cent loan except about 2 per cent was converted, it seems scarcely worth while to make any adjustment in this case in respect of the unconverted portion, more particularly as a much larger proportion of the original 4½ per cent indebtedness of the Dominions is through the Bond arrangement already stereotyped on the 4½ per cent basis).

(b) As regards the second category, the proposal of Their Lordships is that the obligations now representing the advances of 13th November 1915 and 13th July 1916 should be converted into 5% obligations on the same terms as stated in the previous paragraph in the proportion borne by the amount of 5% Exchequer Bonds converted into 5% War Loan to the total amount of 5% Exchequer Bonds in respect of which the conversion option was exercisable.

The remainder of the advances in this category will continue to be treated as having been financed by the issue of 5% Exchequer Bonds at par subject to possible adjustment hereafter in the event of the conversion of the remainder of the Imperial 5% Exchequer Bonds now outstanding.

(c) The following considerations are relative to the third category mentioned above:-

The issue of 5% Imperial Exchequer Bonds

was

was discontinued after the 30th December and the issue of Treasury Bills was suspended after the 31st January. From this epoch, say for convenience 31st December, Their Lordships ceased to raise money by the issue of short-dated securities to which a rate of interest of 5½% is appropriate and from the 1st January till the 15th February the requirements of the public service were financed by temporary borrowings at the rate of 5%. On 16th February the subscription lists of the new War Loan closed.

The 3rd category then falls into 3 subdivisions in regard to which Their Lordships' proposals are as follows:-

(1) Advances made from 14th July 1916 to 31st December inclusive.

In these cases, interest will be payable up to 15th February inclusive at 5½% (the rate fixed by Treasury Letter B3907, 16 of 15th September last) on the cash advanced from the date of each advance. As from the 16th February the capital obligation in respect of the cash advanced will become a 5% obligation i.e. it will be £100 for each £95 of cash advanced and interest will be payable as from that date at 5% upon the capital obligation so calculated.

(2) Advances made from 1st January 1917 to 15th February 1917 inclusive.

In these cases interest will be payable up to 15th February inclusive at the rate of 5% on the cash advanced from the date of the advance and

as from

as from 16th February the advances will be converted into 5% obligations as in the immediately preceding paragraph.

(3) Advances made from 16th February 1917 to 31st March 1917 inclusive. In respect of these there will be set up, as from the date of each advance 5% obligations in the form of book debt at the rate of £100 for each £25 each advanced bearing interest at 5% on the capital so calculated.

My Lords regard the 31st March 1917 as marking the point at which money raised by the issue of the 5% War Loan ceased to be available for the purpose of making advances to the Commissions inasmuch as the proceeds of the issue were exhausted at that date. In respect of the liability of the Treasury in respect of the short term Treasury bills still unredeemed. For advances on or after the 1st April 1917, therefore, until further notice My Lords propose that the provisional rate of interest at 5% per annum, the capital liability being taken at par, these terms will be subject to adjustment in the light of future funding operations.

The exact figures relating to the conversion of 4½% War Loans and 5% Exchequer Bonds are not yet finally ascertained. My Lords would however be obliged if My Lords would lay the above proposals, which will in Their judgment secure that the terms charged to the borrowers are those on which His Majesty's Government itself has borrowed for the prosecution

prosecution of the war, before the Governments of the various Dominions concerned for their consideration and concurrence.

For convenience a table is appended summarising the proposals contained in this letter.

I am, etc.

(Signed) JOHN BRADBURY.

TABLE summarising Proposals in Treasury Letter
 14764/17 dated 24th May, 1917.

A. No change as regards Book Debt carrying interest at 3½%, or 4½% obligations originally set up as Book Debt in respect of which 4½% Bonds have been issued to the Treasury.

B. In respect of Obligations in the form of Book Debt carrying interest at 4½% and not converted into Dominion 4½% Bonds the capital liability to be £105.5.3. for each £100 of the 4½% capital obligation. The interest to be 25 per annum on each £100 of capital so re-calculated. This change to take effect as from 16th February 1917 up to which date inclusive interest will be payable at 4½% being the capital obligation as it stood before re-calculation.

C. In respect of advances made in the period from 15th November 1915 to 15th July 1916 inclusive out of the proceeds of 5% Exchequer Bonds, a portion to be converted as in B, such portion being fixed according to the ratio borne by the amount of 5% Exchequer Bonds in respect of which options of conversion into the 5% War Loan were exercised to the total amount of 5% Exchequer Bonds in respect of which such options were exercisable. This change will take effect as from the 16th February 1917 up to which date inclusive interest will be payable

at 5% on the amount of cash actually advanced for the whole of such advances. As from 16th February 1917 interest will be payable at 5% on the amount of advances not converted the capital liability remaining at par, subject, however, to possible re-adjustment in the event of the conversion options still attached to unconverted 5% Exchequer Bonds being exercised at some future date.

D. (1) Advances made in the period from 14th July 1916 to 31st December 1916 inclusive to carry interest at 5 $\frac{1}{2}$ % per annum up to 16th February 1917 inclusive on which date they will be converted into obligations on the basis of a capital liability of £100 for each £95 cash advanced, interest will be payable at 5% per annum on the amount of the capital liability so re-calculated.

(2) Advances made in the period from 1st January 1917 to 15th February 1917 inclusive to carry interest at 5% per annum up to the 16th February 1917 inclusive and then to be converted as in D (1).

(3) Advances made in the period from 16th February 1917 to 31st March 1917 inclusive to be converted into 5% obligations on the same basis as in D (1) as from the date of the advances in each case.

E. Advances made in the period from 1st April 1917 onwards pending further notice to be treated as being provided out of short term borrowing at the rate of 5% per annum, the capital being provisionally reckoned at par and interest at 5% per annum, subject to possible re-adjustment in the light of future funding operations.

at 5% on the amount of cash actually advanced for the whole of such advances. As from 16th February 1917 interest will be payable at 5% on the amount of advances not converted the capital liability remaining at par, subject, however, to possible re-adjustment in the event of the conversion options still attached to unconverted 5% Exchequer Bonds being exercised at some future date.

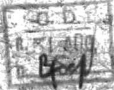
D. (1) Advances made in the period from 14th July 1916 to 31st December 1916 inclusive to carry interest at 5 $\frac{1}{2}$ % per annum up to 16th February 1917 inclusive on which date they will be converted into 5% obligations on the basis of a capital liability of £100 for each £95 cash advanced, interest payable at 5% per annum on the amount of the capital liability so re-calculated.

(2) Advances made in the period from 1st January 1917 to 15th February 1917 inclusive to carry interest at 5% per annum up to the 16th February 1917 inclusive and then to be converted as in D (1).

(3) Advances made in the period from 16th February 1917 to 31st March 1917 inclusive to be converted into 5% obligations on the same basis as in D (1) as from the date of the advances in each case.

E. Advances made in the period from 1st April 1917 onwards pending further notice to be treated as being provided out of short term borrowing at the rate of 5% per annum, the capital being provisionally reckoned at par and interest at 5% per annum, subject to possible re-adjustment in the light of future funding operations.

Jan / 51610 / 6



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5 September

August 1917

Gentlemen,

I am v. to transmit

to you, for your info and guidance, the accompanying copy of a letter from the Treasury, with its enclosure, showing

The changes in the rate of interest and capital liability in respect of advances to Dominion Colonies, & Protectorates, which have been made as a result of the issue of War Loans in 1917.

2. With regard to (b) in the Treasury letter (head C in ...)

DRAFT.

To C. A. for the (ols)

MINUTE.

Mr. Bostonley 30/8/17

Mr. Butler 31/8/17

Mr. Grindle.

Mr. Lambert.

Mr. Read.

Mr. G. Fades.

Mr. St. Ma Mand.

Mr. Long.

Copy to [illegible] / [illegible] / [illegible]

As a matter
of fact
10/9/17

Copy of the ...
to ...
...

Table), a further letter
has ~~been~~ been received
stating that the
proportion of 5%
Exchange Bonds
converted into War Loan
will be taken to be 60
per cent. of the total
amount of 5% Exchange
Bonds in respect of which
the option of conversion
was exercisable. You
will observe that the
balance, 40 per cent., still
carries the right of conversion
into future Loan.

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