

1911

EAST AFR. PROT.
UGANDA

C O
31684

31684

W. & A. G. Co.
Cust.

Date

Curancy Com.

29 Sept.

Last previous Paper

B
3119

In the resp. question of removal of Head office
of Curancy Comms from Mombasa to Nairobi.
Explains suggestion that matter be referred to
Comtee.

Mr Read,

I have discussed this question with Mr Bowring
but he is no more able to give a clear lead in con-
versation than in this letter. He evidently wants to
have his mind made up for him. I see nothing for it but
to consult the Banks in the first instance, and I submit
a draft for this purpose.

HAB.
A.P.P. 4 Oct.

at once

J.R.

4/5

To Mr. Read, 29 Sept. 1911
Ans. - 9/10/11 - 20 Oct 1911
Copy sent for P.S. on 10 Dec 1911

Subsequent Paper

East Africa,
Currency.]

20

5 High Street,
Eastbourne.

September 29th, 1911.

C O
31684
REC^d
PROF 30 SEP 11

C.V.

Sir,

405

B.
5/11/11

With reference to my letter of the 23rd inst. on the subject of the proposed removal of the head office of the Currency Commission of the East Africa and Uganda Protectorate from Mombasa to Nairobi, I have the honour to state that the matter in my opinion requires reconsideration for the following reasons.

2. The chief factor which led to the recommendation in favour of the change was the difficulty of exercising an efficient control at Mombasa after the removal of the headquarters of the Government to Nairobi had taken place. Not only was the Treasurer, (the one permanent member of the Currency Board) stationed at Nairobi, but difficulty was felt by the staff of the remaining

The Under Secretary of State
Colonial Office

Downing Street
S.W.

East Africa,
Currency.]

5 Hyde Garden,
Eastbourne.

September 29th, 1911.



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remaining two Commissioners, required under the Order in Council, owing to the small number of union officials remaining at Mombasa and the fact that the majority of those whose headquarters did remain there were by the nature of their appointments frequently absent from their posts on inspection duty.

3. When the removal of the Head Currency Office was recommended, the fact that Mombasa was the principal port of the Protectorate and the transit port for practically the whole of the lands of British East Africa and Uganda, as well as for a considerable portion of that of German East Africa and the Congo Free State, was not overlooked. It was felt that every possible facility for changing notes for specie should be afforded at the Coast.

4. It was therefore suggested that a branch Currency Office should be maintained at Mombasa when the Currency Board could endeavour to exchange notes as required by the Public, although there would be no legal obligation on them to do so.

5. At the time that these recommendations were made the National Bank of India was

port. of the East Africa Protectorate.

and the only bank carrying on business in the two Protectorates. This bank had branches both at Nairobi and Mombasa and branches, under an agreement, the whole of the banking business of the East Africa Protectorate. It had been the only medium of communication between the Currency Commissioners and the Public generally. No notes had either been issued or redeemed except through the National Bank of India. It was therefore thought that as the whole of the Coast Revenue, including nearly the whole of the Customs duties, was in the first instance paid into the Mombasa branch of the bank, pending transfer to the main Government bank account at Nairobi, an arrangement could easily have been come to whereby a portion of the Revenue could be diverted in the form of a fixed impost to the Currency Commission for the purpose of maintaining a branch Currency Office at Mombasa.

6. These, however, the proposed change could be effected

affected, a second bank
The Standard Bank of
South Africa, had
opened branches in East
Africa. In my opinion
this new faith in the
financial operations of the
community will render the
maintenance of a branch
Currency Office more
difficult. It will no
longer be possible to consider
the interests of the Government
bank only. There appears
to me to be a very
distinct danger of constant
friction between the
Currency Commissioners and
the two banks in connection
with the non-obligatory
exchange of notes and cash
at the branch office. It
might easily and would
almost inevitably frequently
occur that the operations
of one bank might make
it impossible for the
Commissioners to grant
similar facilities to the
other bank immediately
afterwards.

7. If the branch currency
office had been opened
before the advent of the
Standard Bank, it would
appear that the Commissioners
would have been perfectly
justified in admitting the
prior claims of the National
Bank

Bank of India, but it
appears to me open to
objection to coin-
new considering a
preference to one of two ⁴⁰⁷
banks already carrying
on business.

8. I am therefore of the
opinion that it would
be wiser to abandon all
idea of maintaining a
branch Currency Office
and to consider merely
whether in the altered
circumstances the Head
Office of the Currency
Board should be moved
from Mombasa to Nairobi.
9. From the point of view
of Government control there
is no doubt whatever that
Nairobi is the more
suitable centre for the
Currency Office, but the
claims of the public
also require consideration.
For this purpose I would
suggest that the Head
Office of the two Banks
in London be consulted
and that, should they
make out a strong case
for retaining the Head
Currency Office at Mombasa,
the whole question be care-
fully reconsidered. Unless

The arguments in favour of
Mombasa are very strong
indeed, I consider that the
move to Nairobi should
take place.

10. In suggesting in my
previous letter that this
matter might be referred
to the Committee which
was about to consider
other Currency problems
I thought that perhaps
information would be
available on the position
in India and note-
issuing colonies. I am
convinced whether in
other note-issuing British
possessions the position has
ever arisen that the
headquarters of the Government
is far removed from the
principal seaports and
trade centres or, if so,
whether the notes are issued
from headquarters or not,
and whether branch currency
note offices are maintained.

11. It would of course be
permissible to have two distinct
"series" of notes redeemable
respectively at Nairobi
and Mombasa, but I
would not advocate the
adoption of this system in
East Africa and Uganda
where the natives who

are beginning to use
the lower value notes
would certainly fail to
grasp the relative
exchange value of notes
from the two centres⁴⁰⁸
in the outdistricts.

I have the honour to be,
Sir,
Your most obedient
servant
C. C. Bowring

5 Hyde Gardens,
Earl's Court.

October 26th, 1911.

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Dear Buller

Yes, I see that
the wording of your
letter to the Board
concerning the
safeguards the
function. I was probably
making too much of the
difference between an
"issue" and a "reissue".

The notes are redeemable
at the place they are
issued from. I am
not sure that notes handed out at

The Kambara Road
would be paved to.

When I wrote to
Partinon I
forgot to refer to and
I suppose I had forgotten
that we had proposed
to receive notes at
the bank.

Yours sincerely,
J. C. H. H. H.

DRAFT.

Downing Street,

6 October, 1911.

THE CHAIRMAN

THE STANDARD BANK OF SOUTH AFRICA, LIMITED.

THE CHAIRMAN,

THE INTERNATIONAL BANK OF INDIA, LIMITED.

MINUTE.

Mr. Butler 4 Oct.

Sir,

Mr. Head 4
Mr. Fiddes.
Mr. Just.
Sir C. Lucas.

I am directed by Mr Secretary

Harcourt to inform you that the question

has arisen as to the location of the

Head Office of the Currency Board in the East Africa Protectorate.

Sir J. Anderson
Lord Lucas.
Mr. Harcourt.

2. It was decided early in the

present year that the Head Office of the

Board should be transferred from Mombasa

to Nairobi, but that a Branch Office

should be maintained at Mombasa at which

currency notes might be issued and

redeemed at the convenience of the Gov-

ernment, no obligation, however, resting upon

Copy for 723. Dno 15 Dec 2918

*(1) Recd. 3298 + 3410
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11/10/11*

(3)

for coupon

upon the Government to issue or redeem
notes except at the Head Office ^{at} of Nairobi.
An Order in Council was passed providing
for the proposed ^{change} ~~arrangement~~ but it has not
yet been brought into effect. Circumstances
^{as a result} have arisen which make it desirable to re-
consider the question. It is now suggested
that there should be only one office and Mr
Harcourt would be glad to be furnished with
your opinion, supported by reasons in as
great detail as practicable, on the question
whether that office should be situated at
Lombasa or Nairobi.

3. A letter in similar terms has been
addressed to the ~~International Bank of India~~
Standard Bank of South Africa.

I am, etc.,

KJR