

EAST AFR. PROT.
No. 5688

CO
5688
Recd
15 FEB 07

Office or Institution

(Subject.)

Mr. Agents

- (1) Security of Nat^l Bank of East
- (2) Disposal of current bal^{ce} of Gov^t Funds

1907

14 Feb 7

Last previous Page.

6/48795/06

Expresses their views re

Mr. Re (Minutes.)

In 1905 the salaries which will be affected by the new arrangement for local payment amounted to £70,000. The amount has increased and is likely to increase, but £80,000 is likely to be an outside figure for some years.

Family remittances, which will be paid by C.A., cannot exceed half-salary, leaving at least £40,000, and probably £50,000 or even £60,000, to be paid locally.

Taking the money-order cash at the 1905 figure of £48,000, the call on local surplus balances may therefore be taken at £12,000. Uganda is expected to absorb £37,000. In this way £50,000 of the local surplus is accounted for.

The present rate of accumulation is not stated. Apparently not more than £90,000 will have been accumulated in the 2½ years since August 1904, or £36,000 a year. Of course the rate has increased, but, for the present, there does not seem to be

Approved 22.6.07 and 187 20th. 17.
Dated (copy) of 20 March 1907.

Next subsequent Paper.

900/38003

It probably meet with no
 objection from the Board authorities.
 It regards our relations with
 Indian-East. I have no
 doubt as an arrangement
 to arrive at whereby the
 East would suit the
 Board in Benley's draft at
 a distance less far me against
 the Company. The Indian East
 enabled to remit funds for its
 return in England and back
 in the meantime. This
 agreement would be a matter
 agreed upon for Money Order
 actions

C. C. B.

12/2/17

Reply as Mr. Bowring proposes

18/2

in relation
 Some copy of the ...
 the of the ...
 with ...
 found ...
 some deep ...

H. J. R.

19/2

With best
 regards

8
 This question
 is raised on
 Mr. Linnors
 If you need
 not be dealt
 with here

much margin for deposit with the Bank after allowing for the £50,000 and a reasonably safe current balance. Much of the present balance of £70,000 will, as I mentioned on 45798, be needed for the large works now in progress.

The question whether it would be better to provide Uganda with funds or to have a deposit account with the Bank is for Mr. Bowring. He puts the latter first, but as the tendency must be (until the Protectorate is self-supporting) for balances to disappear it would seem better for temporary balances to be in the hands of the C.A., who would lend it at call at bank rate, than on deposit for a fixed period with the Bank at a lower rate of interest.

As regards paragraph 7 of the C.A.'s letter, no application would, in present circumstances, occur even if the Protectorate had to remit money home, since the Govt., equally with the official, can remit at par--sometimes, Mr. Bowring tells me, above par.

The Bank cannot object to the proposed change in the present order system. After 1902 their only profit in the matter was on the drafts sold by the Govt. by which funds were obtained for local expenditure instead of using the money order cash. There have been no such drafts since August 1904, and the Bank will lose nothing. They are more likely to object to the loss of profit on the salary drafts and Uganda's drafts, but in view of the extension of their business in recent years we need hardly consider this.

As to the question of security, the C.A. consider that the present security is enough except when the balances are unusually high, when securities might be deposited in respect of the extra amount. The R.A. do not go into the practice elsewhere, but you will notice from the agreement which I annex that the Bank of British West Africa provides security in £10,000 in respect of Gold Coast balances. This appears to

be the same as the total security given by the N.B. of India in the case of the E.A.P. 21

It will be desirable to have Mr. Bowring's views

W.C.S.
18/2

Mr. Bowring

18/2

Mr. Ellis,

I would not recommend remitting any money to the Crown Agents for the present. In the event of any special extraordinary work being sanctioned large sums would be required locally and it might even be necessary to remit money from England to Africa.

I would recommend the following disposal of our surplus local funds:-

1. Financing Uganda
2. Having the balance on fixed deposit for short periods falling due on various dates.

We cannot expect any high rate of interest in East Africa especially on deposits for short periods as there are but few local opportunities for the Bank to invest its balances.

The proposal of the Crown Agents that the Bank should be required to lodge temporary security beyond the £5000 for any especially high balances in the Nigerian market is a sound one and

A
E.A.P.

ALL COMMUNICATIONS
TO BE ADDRESSED TO THE
CROWN AGENTS FOR THE COLONIES,
THE ABOVE REFERENCE AND THE
DATE OF THIS LETTER BEING QUOTED

TEL ADD "CROWN, LONDON"

[Handwritten signature]

5688
REC'D
16 FEB 07

WHITEHALL CHAMBERS
LONDON, S.W.

14th February

ENCLOSURES

Sir,

I have the honour to acknowledge the receipt of your letter of the 12th January No. 45795/1906 requesting an expression of our views.

(i) As to the amount of security which should be furnished by the National Bank of India in respect of their dealings with the Government of the East Africa Protectorate.

(ii) As to the method of disposal of the current balance of Protectorate funds.

2. As regards the security of the Bank we gather that in the future it is not expected that the surplus revenues of the Protectorate will materially exceed the estimated requirements. It would therefore appear to be unlikely that the Government will be keeping such a large balance as £70,000 with the Bank for any considerable time.

3. In the circumstances there would appear to be no necessity to require the Bank to furnish more security than it does at present as it is not desirable as a matter of principle to impose any unnecessary burden on the financial resources of a Bank, and it must be remembered that the Bank already provides a further £5000 of security in respect of the account of the Railway.

The Under Secretary of State

cc cc cc

Colonial Office

4. It appears to us however that, at such times as the Government balances with the Bank are high, the Bank in this country might be required to deposit with us temporarily securities sufficient to cover the excess balances which could be released to the Bank upon our receiving a telegram to that effect from the Protectorate Government.

5. With regard to the suggestions made as to the disposal of the current balance we note that in the event of there being any surplus revenues in excess of the estimated requirements for the year it is proposed to use them for financing the Uganda Protectorate, adjustment being made presumably through our accounts by transfer from Uganda to East Africa of the equivalent in sterling at the par of exchange ^{s d} via $1\frac{1}{4}$.

6. This would be equivalent to remitting to us on the most favourable terms possible, and the amount so credited to the East Africa account would be used for the current requirements of the Protectorate on this side in relief of the grant in aid.

7. If however the surplus balances should in the future become so large that remittances have to be made to us either by the purchase of bills or telegraph transfers in the Protectorate or by our selling our bills on the Protectorate Government here, it would become necessary to review the question of the payments which we make to the India Office in adjustment of claims by the Government of India on the Protectorate authorized by your letter of the 16th July last No. 15036/1906 - as it might not be profitable to the Protectorate ^{to} be making payments here at

COPY OF THE
 RECORD OF THE
 OFFICE OF THE
 SECRETARY OF STATE
 FOR THE COLONIES
 LONDON

s d
1/4 when remittances to us were being made at a lower rate, but in this case consideration would also have to be given to the cost of remitting to India from East Africa.

8. The rates of interest proposed to be paid by the Bank for the fixed deposits of the Protectorate Government appear to us to be too low having regard to the high rates which no doubt rule in the Protectorate generally and also in the East, but the possibility that the Bank might find it necessary to employ most of the money in India, thus involving the cost of two remittances, must not be lost sight of.

9. As regards the moneys received by the Protectorate Post Office for money orders issued on India, I enclose copies of a correspondence which we had with the Foreign Office on the subject in the year 1902.

10. As regards the payment on the spot of the salaries of the officers of the Government, this is entirely in accordance with our views and we so wrote to the Protectorate Government when the agency work of the Protectorate first passed into our hands.

I have the honour to be, Sir

Your Obedient Servant

2 E. H. H. H.

Enclosures

- i. F.O. to C.A. 24 March 1902 and enclosures
- ii. C.A. to National Bank 24 April 1902
- iii. National Bank to C.A. 29 April 1902
- iv. C.A. to F.O. 27 June 1902
- v. F.O. to C.A. 26 September 1902 and enclosures

C. O.
5688

Foreign Office to Crown Agents.

Rec^d
Rec^d 15 FEB 07

Foreign Office,
24th March 1902.

Gentlemen,

I am directed by the Marquess of Lansdowne to request you to favour him with your observations on the enclosed copy of a despatch from His Majesty's Commission for the East Africa Protectorate respecting the sale of drafts on you to the National Bank of India in order to obtain funds to meet the current local expenditure in the Protectorate.

The Agreement with the [redacted] which is referred to by Mr Bowring is that signed by you on November 15th 1898.

I am &c.,

(Sd.) Clement Ll. Hill.

Nairobi,

February 15th 1902.

My Lord:-

I have the honour to submit herewith for Your Lordship's consideration copy of a despatch with its enclosures which I have received from the Treasurer respecting the sale of drafts on the Crown Agents to the National Bank of India in order to obtain funds to meet our current local expenditure.

As Mr Bowring points out, the present method of purchasing drafts from the local branch of the National Bank entails a considerable loss to the Protectorate.

The Marquess of Lansdowne, K.G.

the

&c. &c. &c.

the other hand, if, as proposed we sell drafts through the Protectorate Agent at Bombay, the Bank will increase its charges generally in order to recoup itself and this will probably affect trade to a very appreciable extent. It would certainly be most undesirable to discourage trade in any way, and from the purely financial point of view we might lose more on the Customs revenue than we should gain in other ways. In view of the present depressed condition of Commerce and Customs receipts, I think it would be safer to continue the temporary arrangement mentioned at the end of Mr Bowring's despatch.

I have &c.,

(Signed) C. Eliot.

Bombay,

January 30th 1902.

our No. 8/9.

Sir,

I have the honour to inform you that I have recently given my attention to the question of the sale of our Drafts on the Crown Agents to the National Bank of India at Bombay in order to obtain funds to meet our current local expenditure.

During the calendar year 1901 we sold drafts to the value of eighty nine thousand pounds at rates varying from fourteen rupees nine annas to fourteen rupees thirteen annas to the pound sterling.

We also during the year remitted to Bombay in order to meet money orders drawn in the Protectorate on India a total sum of twenty four lakhs eight thousand and one hundred and thirty rupees or one hundred and sixty thousand five hundred and forty pounds. The various drafts

Rs. 700
Rs. 14.7
Rs. 14.13

Rs. 24,08,130
160,540

Mr C. N. Eliot, K.C.M.S. C.B.

drafts for this amount we purchased from the local branch the National Bank at a commission of one eighth per cent the total commission amounting to three thousand and ten rupees or over two hundred pounds.

As the rate of selling drafts in Bombay is very much better than in Mombasa, averaging 31 annas per £1 it appeared to me that there would be a large saving on exchange if we were to sell our sterling drafts in Bombay through our agent and utilize the proceeds to meet a portion of the money orders drawn in India.

We would thus use a portion of the cash received in East Africa for money orders, to meet our current local expenses and remit the balance of the orders drawn on India.

This would be practicable, as the amount received annually for money orders in India exceeds by a very large sum the total of our annual local expenditure.

If this system had been in practice we should have saved a sum of Thirteen hundred pounds on exchange during the year 1901.

I accordingly discussed the matter with Mr Turnbull Manager of the Mombasa branch of the National Bank of India, and asked him whether the question had already been raised between the Government and the Bank, as I could find no record of any correspondence on the subject in the Treasury. He informed me that as far as he was aware it had not but said that he would communicate with Mr Hall, Manager of the Zanzibar branch of the Bank and formerly Manager at Mombasa, who would be in a better position to give the information required.

In due course Mr Hall's reply was received and Mr Turnbull thereupon addressed me in a letter, copy of which I attach.

From Mr Turnbull's letter it will be seen that

the question was raised by the late Mr Bradbridge some three years ago. As, however, no correspondence on the subject can be found either in the Treasury or in the Bank, it would appear that the matter was dealt with only in conversation and allowed to drop without any definite arrangement being arrived at.

I quite see the force of Mr Turnbull's argument that the Bank was started here at the wish of the Government and that we should therefore give it all the support we can. It is also true that the money received here for Money Orders on India is in effect only a deposit to be eventually repaid in to India. On the other hand if we can find a more economical way of meeting our Indian debits, I submit we have a perfect right to avail ourselves of it.

The question in my opinion resolves itself into whether or not we are to grant this concession to the Bank.

I am not in a position to say what profit the Bank makes out of our drafts but the loss to us during the past year was as already stated thirteen hundred pounds plus one hundred pounds (which would have been saved on the commission on the currency drafts purchased as we should only have had to purchase about ~~one~~ half of the total actually purchased if we had sold our sterling drafts in India.)

I would submit that the whole question be referred home for consideration of the Secretary of State, as it is important that the matter should be settled at once and for all.

I am able to endorse Mr Turnbull's statement that the Bank has been of the greatest assistance to us locally and has always been able to meet exceptional demands such as in the case of the recent Jubaland Expedition, the Ashanti porters, etc.

£200

The Bank makes no charge for transacting our business under the present Agreement, a copy of which I append. When the Bank first opened here, we paid them annually a commission of two hundred pounds which apparently ceased when the new agreement was drawn up in 1898. I am unable to find a copy of the original agreement nor is the Manager of the Bank able to supply me with one as he also has no copy.

In view of Mr Turnbull's statement that if the sale of our drafts in Mombasa is discontinued he would be obliged to increase his charges generally in order to cover the Bank expenses and that this action would be a serious impediment to the trade of the Protectorate, a statement with which I entirely agree, I would venture to make the following suggestion:-

That the present system of selling drafts locally be continued on the condition that the Bank will give us currency drafts on Bombay at par.

If this were agreed to we should at least save the commission on our Indian remittances which in 1901 amounted to two hundred pounds.

Mr Turnbull has consented to this arrangement until something definite has been arranged.

I have &c.

(Sd.) C.C. Bowring,
Treasurer.

National Bank of India Limited,
Mombasa,
28th January 1902.

Dear Bowring,

Referring to our recent conversation with regard to your suggestion to sell in future your sterling drafts in Bombay to provide funds there to meet your postal drawings on India, I have now heard from Mr Hall (my predecessor

predecessor here) on the subject. It appears that the question has already been brought up by the late Mr Bradbridge some three years ago, but on going thoroughly into all the circumstances of our position here, it was seen (and I hope you will agree) that opening here as we did at the request of the Foreign Office to conduct the Government Bank business it is only fair that all such business should be put through us. It must be remembered that besides keeping your account and conducting all your other banking business, we have many times met your sudden demand for large sums of cash without warning as for example in the case of the Uganda troubles, the Ashanti porters and the Ogaden expedition requirements and it cannot be expected that we should be able to do all this without any remuneration, for you must know that there is no profit to us in a petty fluctuating current account liable to be withdrawn at any moment. Remuneration we expect of course in exchange on your sterling drawings for local requirements and it seems most unfair that you should utilize your revenue from Post Office drawings for such local requirements and then employ the sterling you really require to draw for local expenditure to meet these postal drawings in India where (naturally) you can command a better rate for it.

You must know that there is as yet no trade here for the upkeep of the bank, leaving us dependant on the business given us by Government who invited us originally to come here, partly doubtless as a convenience in the matter of their finance and probably with a view to our being an assistance in developing trade as it begins to spring up in the country; but should we be deprived now of Government support it means that we could not cover our expenses without so widening our margin as to act as a serious impediment to that trade which it is so desirable

to encourage.

I think you must agree that it is only right that your sterling covering local expenditure should be negotiated by us and not sent to India to meet postal drawings; the revenue from which you meantime use for local requirements. Is your charge for Post Office orders not so based as to cover all expenses including our exchange of 1/8th per cent; which in accordance with our agreement with the Crown Agents, we have always charged for your remittances to India? Should this not be so we might agree to forego this charge for remittances when you draw sterling on condition that you should continue to give us your sterling drafts as heretofore.

Yours etc.,

(Sd.) A.C. Turnbull.

Crown Agents to the Manager National Bank of India.

Downing Street, S.W.
24th April 1902

Sir,

The Secretary of State for Foreign Affairs has communicated to us and has requested our observations upon a letter addressed by the Manager of the Madras Branch of your Bank to the Treasurer of the East Africa Protectorate dated the 28th January last, respecting Government remittance

an. 1902

2. The letter, a copy of which I enclose, was written in consequence of a proposal which was made by the Protectorate Government to utilise for local expenditure the funds received for money orders issued on India instead of continuing to remit the whole to India and selling drafts to your Bank to supply local requirements, the deficiency to meet the money orders in India being provided by selling bills there.

3. We shall be glad to be furnished with any observations you may wish to make in the matter.

4. You are no doubt aware that, as a provisional arrangement, the system of selling drafts on London locally is at present being continued and the Branch Bank at Mombasa is giving to the Government Currency drafts on Bombay at par.

I am &c.,

(Sd.) E.E. Blake.

The General Manager National Bank of India Limited to
Crown Agents.

47 Threadneedle Street, E.C.
29th April 1902.

Gentlemen,

I have to acknowledge receipt of your letter of the 24th inst. enclosing copy of a letter of the 28th January addressed by our Mombasa Manager to the Treasurer of the East Africa Protectorate.

We had a communication from our Manager about the date referred to informing us that the Treasurer proposed to sell Sterling bills in Bombay instead of locally, and he then thought it might be necessary for us to approach you on the subject and represent to you the hardship of this business being withdrawn from the Bank. We subsequently heard, however, that the matter had been arranged by our Manager agreeing to supply the Treasurer with our demand drafts on Bombay for the Protectorate requirements at par instead of at the former rate of 100 1/8 and that the Sterling bills would continue to be sold locally as heretofore.

We consider this an equitable settlement, which

removes any inducement to place the Sterling bills in Bombay, and we trust therefore that it meets with your approval.

We have only to add that we entirely concur in the views expressed in our manager's letter of the 28th January referred to above.

(Sd.) Robt. Campbell,
General Manager.

Crown Agents to Foreign Office.

27th June 1902.

East Africa Protectorate.

Referring to your letter of the 24th March last as to the sale of drafts on us by the East Africa Protectorate to the National Bank of India I have the honour to inform you that we referred the matter to the National Bank of India for any observations which they might have to offer on the subject and I enclose a copy of the reply which we have received from the Manager of the Bank.

2. There is no doubt that as the Bankers of the Government, the National Bank of India are entitled to as much consideration in the matter as can reasonably be given to them, but the Government would appear to be equally entitled to take the course which is most economical to it.

3. The situation is that the amount received by the Government for the issue of money orders on India largely exceeds the funds which are necessary to enable the Government to meet all its requirements in East Africa and obviously the most economical course would be for the Government to retain sufficient money for this purpose, to remit the balance

balance to India and to sell bills in India on us to make up the amount required to meet the money orders.

4. Assuming that the figures given by the Treasurer of the East Africa Protectorate are correct the profit made by the National Bank of India in negotiating the Government's drafts, as well as those of the Uganda Railway, would appear to be considerable and we should imagine to be largely in excess of the actual cost of keeping up the Bank at Mombasa.

5. The business in negotiating the Uganda Railway drafts is of course one which is now decreasing but the Chief Engineer will for the present be drawing fairly largely upon us for construction purposes and, for some time to come, he will have to draw to a great extent upon us to meet deficiencies in the working account. In addition to this the present state of affairs with regard to the money orders on India can only be of a temporary nature owing to the large amount of Coolie labour which is being employed on the construction of the Uganda Railway and which, when the Railway is completed and the Coolies, to a large extent, return to India or settle with their families in East Africa, will fall off almost entirely.

6. This being so it appears to us that the Government would not be acting unfairly towards the Bank by taking its own line in the matter, as, up to the present, the Bank has been getting an abnormal amount of business.

7. On the other hand the whole of the saving which the Government would make by selling its drafts in India does not necessarily represent a corresponding amount of profit to the Bank and it might even prove on enquiry that the Bank's profits on the Mombasa branch are not so large as might be expected and that the withdrawal of the Government's drafts would prove a serious loss to it.

8. If however this should be the case we are still of opinion that it would be in the interests of the Government to take the course suggested even if it should become necessary for the Government to revert during the period in which the drafts are being gold in India, to the system of paying a yearly subsidy to the Bank to prevent any loss which might be occasioned by the keeping up of the branch at Bombay.

9. We put forward these suggestions from a purely business point of view and it is for the Government of the Protectorate to advise the Secretary of State as to whether the Bank has so little business, beyond that of the Government as to give it a pretext for raising its prices to such an extent as would prove a hindrance to trade and so make it necessary to continue the present temporary arrangement, though, if our suggestion of reverting to the payment of a subsidy to the Bank were adopted during this period, we think that no trouble need be feared in that quarter.

10. The question is however one of much difficulty and we put forward our proposals with some diffidence as the interests of the Government of the Protectorate and of the Railway are not quite the same.

11. I would add that we do not understand why the Government should issue money orders without apparently making any profit out of them.

I have

(Sd.) E.A. Blake.

Foreign Office to Crown Agents.

26th September 1902.

Gentlemen,

With reference to your letter of the 27th June, I am directed by the Secretary of State for Foreign Affairs to transmit to you the accompanying copy of a

despatch from the Acting Commissioner at Mombasa
respecting the sale of Drafts on the Crown Agents for the
Colonies to the National Bank of India.

I am &c.,

(Sd.) F.A. Campbell.

Mombasa,
August 13th 1902.

My Lord,

I have the honour to transmit herewith a copy of
a report which I have received from the Treasurer, to whom
I referred your Lordship's despatch No. 296 of July 8th
on the subject of the sale by the East Africa Protectorate
of drafts on the Crown Agents to the National Bank of India.

The two letters referred to by me are the following viz:
Nos. 8/9 of January 30th and 8/96 of July 15th were
forwarded to Your Lordship in Sir Charles Eliot's No. 52
of February 15th and my No. 300 of July 15th.

I have &c.

(Sd.) F.J. Jackson.

at the Embassy of Lansdowne, K.O.
&c. &c. &c.

The Treasury, Mombasa,
12th August 1902.

Sir,

Referring to Foreign Office despatch No. 296 of
the 8th ultimo, with enclosures, on the subject of the
sale of our sterling drafts to the local branch of the
National Bank of India, I have the honour to inform you
that I have again discussed the matter with Mr Turnbull,
the local Bank Manager.

When I had the honour of raising this question

Jackson Esq, C.B. C.M.G.

&c. &c. &c.

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8. If however this should be the case we are still of opinion that it would be in the interests of the Government to take the course suggested even if it should become necessary for the Government to revert during the period in which the drafts are being sold in India, to the system of paying a yearly subsidy to the Bank to prevent any loss which might be occasioned by the keeping up of the branch at Bombay.

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No. 329

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(Sd.) F.J. Jackson.

Baroness of Lansdowne, K.G.
&c. &c. &c.

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the local Bank Manager.

When I had the honour of raising this question

F.J. Jackson Esq, C.B. C.M.G.

&c. &c. &c.

in

in January, I did not do so with the intention of discontinuing the local sale of our sterling drafts, but wished to lay the facts of the case before you, and to draw attention for a practice which, though apparently unauthorized, had been in vogue ever since the local branch of the Bank was opened and which cost the Protectorate a considerable sum of money every year.

After careful consideration of the various suggestions put forward by the Crown Agents, I have the honour to report that I would still recommend the proposal contained in my letter No. 8/9 of the 30th of January last viz: that the present system of selling drafts locally be continued on condition that the Bank will give us currency drafts on Bombay for Money Order transactions at par.

I would however, at the same time suggest that we should in no way bind ourselves to such an arrangement, but should be at liberty to discontinue it, if local circumstances were to change to such an extent that the Bank would be no longer dependent on Government business for the justification to its Shareholders in keeping the local branch open.

From the letter, addressed ^{by} to the Crown Agent to the Foreign Office, on the 27th of June last, it would appear that they recommend a return to the old system of paying a yearly subsidy to the Bank, in order to prevent any loss, which might be occasioned by the Government selling its sterling drafts in India, the inference being that the profit, made by the Bank on the purchase of Government drafts in Mombasa, does not amount to the whole of the saving that would be effected by the Government were the draft to be sold in India.

While fully agreeing with this proposal from a purely business point of view as being the most economical

for the immediate future, there are, I submit, other circumstances to be taken into consideration. Now that the question of the introduction of a local paper currency is under consideration there are prospects, as reported in my letter No. 8/96 of the 15th ult., of the difference in exchange being considerably reduced. If Turnbull informs me that an immediate reduction may be anticipated should the note issue be received by the local community as favourably as there is every reason to believe will be the case.

It is also conceivable that a return to the system of a fixed yearly subsidy, which has for some years past been discontinued, would tend to give rise to the impression that so far from improving, the circumstances of the Protectorate are retrogressing, and the shareholders of the Bank, and the public generally, might lose confidence in the resources of the Protectorate and the development of the same be consequently retarded.

I have &c.

(Ed.) S. O. Sparling.

ENCLOSURES



14th February

Sir,

I have the honour to acknowledge the receipt of your letter of the 18th January No. 45792/1906 requesting an expression of our views.

- (i) As to the amount of security which should be furnished by the National Bank of India in respect of their dealings with the Government of the East Africa Protectorate.
- (ii) As to the method of disposal of the current balance of Protectorate funds.

2. As regards the security of the Bank we gather that in the future it is not expected that the surplus revenues of the Protectorate will materially exceed the estimated requirements. It would therefore appear to be unlikely that the Government will be keeping such a large balance as £70,000 with the Bank for any considerable time.

3. In the circumstances there would appear to be no necessity to require the Bank to furnish more security than it does at present as it is not desirable as a matter of principle to impose any unnecessary burden on the financial resources of a Bank, and it must be remembered that the Bank already provides a further £5000 of security in respect of the amount of the Railway.

The Under Secretary of State

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Colonial Office

and 1/4 when remittances to us were being made at a lower rate but in this case consideration would also have to be given to the cost of remitting to India from East Africa.

8. The rate of interest proposed to be paid by the Bank for the fixed deposits of the Protectorate Government appear to us to be too low having regard to the high rates which no doubt rule in the Protectorate and also, ^{generally} in the East, but the possibility that the Bank might find it necessary to employ most of the money in India thus involving the cost of two remittances must not be lost sight of.

9. As regards the moneys received by the Protectorate Post Office for money orders issued on India, I enclose copies of a correspondence which we had with the Foreign Office on the subject in the year 1902.

10. As regards the payment on the spot of the salaries of the officers of the Government this is entirely in accordance with our demand as we wrote to the Protectorate Government when the agency work of the Protectorate first passed into our hands.

I have the honour to be, Sir

Your Obedient Servant

(sd) E. E. Blake

Enclosures

- i. F.O. to C.A. 24 March 1902 and enclosures
- ii. C.A. to National Bank 24 April 1902
- iii. National Bank to C.A. 29 April 1902
- iv. C.A. to F.O. 27 June 1902
- v. F.O. to C.A. 26 September 1902 and enclosures

CA.
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SAP

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20 March 1907

Sir, Dear

I have the honor to
acknowledge to you with
ref. to the second part of
my letter dated no. 30 of the
11th of January, 1907
accompanying copy of
correspondence with the
C.A. for The Colonies in
regard to the proposed
the local balance in the
hands of the Govt. of the
S.A.S. and the security
given by the National
Bank of India in respect of
the Protectorate account.
2. I approve of the
application of the surplus
local funds to financing
the Uganda Protectorate

DRAFT.

A.P. no. 157

Ans d 28/3/07

MINUTE

- Mr. Bodley 15/3
- Mr. Read 17/3
- Mr. Antrobus
- Mr. Cox
- Mr. Lucas
- Mr. Graham
- Sir M. O'Malley
- Mr. Cherrill
- The Earl of Elgin

17/3/07

CA 12/Jan
63715
CA 11/7/07

Copy kept in 20 Feb. 17

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We should communicate
with the best representatives
of the Bank in regard to the
adoption of the measure

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