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TIGHTLY BOUND FOR ALL WORDS TO BE
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any pleasure. It is really wonderful to
see a coin of the kind of the a cheap
produce in process, and the paper is
made for the selling to the State and
the gross profit is a cost of the silver content
on Rs 15 is about 7/8, whereas the profit on
207 is nearly 11/2. It is that the Rs 10
will work on a very small margin of
profit than the Rs 10. But in regard
to the paper, there is no change of
policy any.

[I have left the 3rd schedule of the
O. i. (The Treat have to thank the
weight & form of the new paper. Obviously
there and correspond with the Indian con-
Further the Treat have stamped on the
O. i. (Some of these peculiar ideas as to
the function of gold. In this matter they are
50 years behind the best modern thought.
But when the will add to the cost of the
scheme there is certainly actual pecuniary
in it and some wide enlightened features
may be set apart.

I may specially refer to two points of
detail, though they are not in the main text.

I have not written to you since I left London
 and have not received the dear response
 to the matter, not after I have
 written you for many practical
 reasons. I have been very busy
 since I left London.

I have written to the end of the year
 and I hope to have the report
 of the committee to send to the
 House of Commons as soon as possible after the war
 and the Commission Paper will have to be
 submitted as legal tender in the
 matter I mean. The paper will
 probably have to be examined
 reasonable terms and I should
 be glad to accept it as a
 contribution to the total
 circulation of the paper.

13.3.16

W. R. R.

I have spoken to the Board. We are
 looking forward to the start of
 the new year.

CONFIDENTIAL No. 163

17th November 1913.

Sir,

I regret the delay that has taken place in replying to your Confidential despatch of the 10th of October, 1912, on the subject of the draft Currency Order-in-Council, such delay has been to a great extent unavoidable; but I now have the honour to forward herewith copy of a Joint Memorandum drawn up by the Chief Secretary and Treasurer in whose recommendations and suggestions I concur, together with a short Memorandum by Mr Bowring who as Officer Administering the Government conducted correspondence with you on the subject of our currency system during 1912.

2. As instructed in the last paragraph of your despatch under reply, I, in the presence of the Treasurer, verbally discussed the matter with Sir Frederick Jackson and subsequently forwarded to him a copy of the Joint Memorandum enclosed herewith. I have since received a communication from Uganda, copy of which also

Joint Memorandum
 15.6.13.

From Uganda
 19.8.13

Memo. by Chief
 Secretary. 11.10.13

THE RIGHT HONOURABLE

FRANK BURNETT, Esq., M.P.,
 SECRETARY OF STATE FOR THE COLONIES,
 DOWNING STREET, LONDON, S.W.

1871

I enclose, in which commendence is expressed in the observations contained in the Joint Memorandum. You will observe that in the communication from Uganda it is presumed that the new coinage will bear the inscription "East Africa and Uganda Protectorates"; to this I have made no reply, but I assume that the proposed new rupee will bear an inscription similar to that on the subsidiary silver and nickel coinage. I have no other suggestions to make regarding the design of the new East Africa and Uganda Rupee to which reference is made in paragraph 3 of your Confidential Despatch of January 19th, 1912.

Lucas
41142
11

3. I consider it is most important that, in the event of the new rupee being introduced, the recommendations of the Chief Secretary and Treasurer in paragraph 21 of their Joint Memorandum should be carried out. The officer to be selected as Secretary should, if possible, have had some experience in currency matters, and it is probable that a suitable person might be obtained from the office of the Crown Agents Department.

4. Although the need will not arise in the immediate future, I may be permitted to suggest that steps be taken with a view to arrangements being made as to the redemption in Gold in London by the Indian Government of Indian Rupees returned to India and which have been replaced by the new Rupee.

5. These are investments in England only

Detail

behalf of the Note Guarantees Fund to the nominal value of 251,532, and there was sold to the amount of 222,000 in the hands of the various Commissioners on the 30th of October, 1913; it would perhaps be advisable to retain the gold here and to gradually sell investments for the purchase of silver for the new rupee.

6. The new Currency Office at Bombay will be completed, it is hoped, by March or April next at the latest. The present accommodation in the Treasury Building there is so inadequate that the completion and readiness for occupation of the new building should be awaited before any shipments of the new rupee are made. I gather, however, that, as it will be some months before the Order-in-Council can be put in operation, the contingency of any of the new rupees being shipped before next April is remote.

u.9
263075

7. I would also take this opportunity to acknowledge the receipt of your despatch No. 652 of the 13th of August, 1913, covering a copy of a letter dated 31st of July, 1913, from the General Manager of the National Bank of India. From this letter it would appear that the General Manager anticipates that we shall exchange the new rupees for currency notes; this will not be so, but we will give current coin for notes. All new rupees will be issued in first instance only against gold (either locally or paid in England, and I would refer to clauses 11 and 22 of the draft Order-in-Council on these points.

to the minimum of remittances, touched

(2). I would refer to my remarks in the preceding paragraph above of this despatch observing however that the Mombasa Managers of the Banks have now suggested a higher minimum than was proposed at the meeting held at Mombasa on the 18th of June last.

The ratio of gold to silver, point (A), is one that I consider deserves consideration, and the Chief Secretary and Treasurer in paragraph 10 of their joint Memorandum suggest the omission of the second paragraph of Sub-section 2 of Section 15 of the draft Order-in-Council.

The question of redemption of notes, the fifth point, mentioned in the Joint letter from the Mombasa Bank Managers, is one in which practical experience of the working of the new Currency Order is necessary.

I do not anticipate any difficulty arising, though with the large development of cotton growing, in Uganda the periodical reflux and influx of notes and coins will require careful watching, but so long as the difference between the cash in hands of the Currency Commissioners and the total value of notes in circulation is kept by Government in the local bank balance it would always be possible to control the drain of coins beyond a certain point.

9. As there may be some matters of detail on which further information is required I would mention that the Treasurer, Mr. Salloway, will probably be in England in April next. It may also be your wish that the selection of the Secretary

to the Currency Commissioners be deferred till
Mr Smallwood's arrival in England.

I have the honour to be,

Sir,

Your humble & obedient servant,

H. Colman, Secy, &c.

GOVERNOR

St. Albans N.

Aug 12

My dear Cousin

Mr Anderson's Memoir
has interested me much, & may
perhaps in letting me see it
(I am glad).

My information as to West African
money was only derived from the
papers and I saw at Mr. Sturges and
with.

I know well the Royal African
Company's authority on questions of
local currency, and I have no
hesitation to put my antiquated
views against his authority.

+ his recent knowledge

I need not therefore take up
your time. I admit the force
of the argument for the
local market, though I think
a counter argument can be
drawn from the fact, and
probably not to be valued of the
the proposed arrangement answered
himself.

I gathered from the papers
at the Board that the wish (possibly
only a local one) was for English
Colonies that is introduction of
British goods, specie and
the introduction of the British
that would be better in view

that the Government could supply
is rather the English India
see good with an allied
introduction of a separate
market.

I am entrusted to be one of the
necessary trade with Europe. The
American is that trade with
South Africa is an yet
nothing.

Perhaps to you many years of
British S. Africa continues to
European & East African trade
with Europe develops, the Indian
relations may become negligible
for the time being
G. B. S. J.

and Wally is mistaken in thinking that the
 suggestion of Mr. Sturton as the currency for
 East Africa is a local idea. The former support
 has come from his successors at the Treasury.
 The Rupee was introduced there by the Indian
 traders who were there long before the Euro-
 pean, who is now however far more impor-
 tant than the Indian.

The currency gold theory has nothing
 to do with the question. That applies only
 to places with a mutual retail trade or
 places where in the absence of banks there is
 a wasteful & repeated transfer of currency
 in settlement of mutual obligations.

Our proposal to substitute a local paper
 has been forced upon us by the policy of
 the Bank & others who have perpetually
 endeavoured by an abuse of the Govt's
 power to force the Govt to bear the cost of
 importing silver from India, and maintain
 that it is the duty of the Govt to do so.

Our reply is very well. We will maintain
 an adequate supply of currency, but will
 do so by establishing our own. That is
 no question of profit, but of meeting
 the demands & needs of the public in

We the most parsimoniously effecting
ways and in a way which will give the
least the power as well as the responsibility
of maintaining the parity of the currency
it has secured.

Gold is a much more economical
medium for settling differences both
between India or Europe than the Rupee,
and we propose to keep a large pro-
portion of our currency (silver & notes)
reserves in gold part in London &
part in E. A.

There is no comparison between
Mauritius & E. A. Twenty per cent
of the population of Mauritius is Indian,
& than fourths of its trade is with
India. In E. A. the Indian population
is insignificant compared with the native
population, while the bulk
of the trade is with Europe. In E. A.
we have a common currency, & so far
as the gold theory is concerned there is absolutely
no reason why we should not have there
the right that the natives have got accustomed
to the rupee, and we propose to give
them a rupee based on gold, and

convertible into gold at the fixed rate of
150 to the Sovereign when there is
need for External payments.

It is true that the Hong Kong Mint which
was a subsidiary incident of his policy of
a Gold Standard was a failure. But
the 1000 Dollar triumph and has been
for many years the most common
coin in the East.

Ch. 121

ENCLOSURE No. 1
in Departmental Order No. 17-11-11/8

610
4355
26-19-11

Observation on the East Africa and Uganda (Currency)
Order 1912.

1. In the previous Currency Order in Council reference is made to His Majesty's jurisdiction within the East Africa and Uganda Protectorates. Should not this wording be maintained instead of "within East Africa and Uganda" as in the draft Order?

2(1) 20/11/11

2. We recommend that the provision whereby the Treasurer of the East Africa Protectorate is an ex-officio Member of the Currency Board be deleted and that all three Commissioners be nominated by the Governor. This recommendation has nothing to do with the proposed change in the currency system but has been under consideration for sometime, for the reason that the Treasurer's headquarters are at Nairobi, whereas the Head Office of the Board is at Mombasa. The effect of this arrangement is that the Treasurer is hardly ever able to attend the meetings of the Board, is unable to keep one of these files of the string book and is generally out of touch with the Board's daily transactions. This has led to a certain amount of misunderstanding in the past. The Treasurer has been obliged to take certain steps as Treasurer which have apparently clashed with the recommendations of the Mombasa Commissioners and this has once or twice created the impression that the Commissioners at Nairobi have

When

be able to act independently of the two Commissioners at least in matters concerning the day-to-day rate issue. The treasurer would naturally be consulted on any important questions raised by the Currency Commissioners and there would not appear to be anything in their normal duties as prescribed in the Order in Council which would make it imperative for the treasurer to be one of their number.

3. The question of the situation of the Head Office of the Currency Board has formed the subject of separate correspondence and it has been decided that Mombasa shall continue to be the headquarters. "Nairobi" therefore should be "Mombasa". To avoid possible future amending Orders in Council would it not be advisable, instead of referring to specific centres where branch offices may be established by order of the Secretary of State, to make a general provision for the establishment of branch offices at such places as the Secretary of State may direct in either Protectorate?

4. The two Mombasa Commissioners have asked that a definite ruling may be given as to their responsibility and right to offer advice on matters of policy relating to the currency of the Protectorate. Formerly they were consulted on such matters as the proportion of gold and silver which should make up the coin circulation, the use of the reserve fund and the measures to be taken for receiving an adequate supply of silver for local circulation. Their normal duties bring them into contact with requirements of the Bank and the commercial

community generally and for that reason and at their request it is submitted for consideration whether a section should be added to part one of the Order defining more particularly the scope of their duties and appointing them an advisory board on all matters affecting currency. We can however to record our opinion that such a course would be neither desirable or politic. It is nevertheless obviously desirable that as senior officers as possible shall undertake the responsibilities of Currency Commissioners, where these responsibilities however interfere very seriously with the usual departmental duties and they should, we think, receive some remuneration.

16n 2(2)

5. We recommend that the audited abstract of the accounts be published in the Gazette of both Protectorates. As the notes are legal tender in Uganda we consider that the accounts should be published there also. When the original Currency Order was promulgated there was one gazette for the two Protectorates, hence allusion to the gazette was sufficient.

16n 10

6. We suggest a new sub-section 10(1) to be the same as Section 12 of the 1925 Order in Council, omitting however the words "therein" or "unlawful" and the words "and the title in the Proclamation of the 15th of March 1907 to form a new schedule VI.

16n 1(1)

7. We suggest the following denominations for notes: -
 one and a half of a pound (1 1/2 -/-)

- Two-thirds of a pound (Fr. 10/-)
- One pound (Fr. 15/-)
- One and one-third pounds (Fr. 20/-)
- Three and one-third pounds (Fr. 50/-)
- Five pounds (Fr. 75/-)
- Six and two-third pound (Fr. 100/-)
- and any multiples of six and two-third pounds.

17(2)

This clearly refers to the amount of notes of each denomination which may be struck off, since the amount of notes in circulation or in stock could not be fixed (although of course the permissible maximum could). As the sub-section stands each indent for new notes would require the special sanction of the Secretary of State as the execution thereof would alter the amount previously fixed. Would it not be as well to allow some latitude viz: for the maximum notes which might be in existence to be approved from time to time by the Secretary of State, the Currency Board indenting within that maximum as it became necessary? If this modification were made it would also be necessary to make it clear that the sub-section referred to notes struck off and not to notes in circulation or in stock. We could suggest the substitution of the sub-section as this:

(2) The maximum amount of notes of each denomination to be in existence whether in stock, transit or circulation shall be such as may be fixed from time to time by the Currency Board with the approval of the Secretary of State.

We suggest Currency Notes should

- (1) bear the note serial numbers in all four corners;
- (2) the Arabic and Assiatic equivalents be omitted to make room for equivalent description in English;
- (3) the figure in sterling and the equivalent value should both be inserted or both left out.

9. Provision will not be necessary now that it has been decided to retain Mombasa as the Headquarters of the Currency Board.

10. We suggest the omission of the second paragraph of subsection 2 of Section 16 laying down the proportion of gold to silver. This would perhaps have been advisable if the sovereign had not been made the standard coin, but it appears to us there should be no discrimination against the gold standard coin.

11. We would point out that the present authorized fixed proportion is half, and if two-thirds is to be the fixed proportion under the new Order in Council it will need that the present gold coin portion must be increased to the two-thirds.

12. There is one point here and an important one which appears somewhat doubtful. This section allows the purchase of silver for purpose of minting into British East Africa rupees or subsidiary silver coins; but no mention is made of subsidiary coins other than silver, i.e. copper, bronze or other metal; yet in Section 31 (1) the profits of minting British East Africa rupees and subsidiary coins shall be paid into the gold standard

reserve fund. It is intended to provide for the purchase of the necessary material for making subsidiary coins other than silver. It looks as if all subsidiary coins, other than silver, should be treated, as now, in a special Coinage account, although the words in 21(7)(a) raised a doubt as to whether this is the intention.

13. There appears no reason why the abstracts should be for monthly periods ending on the 10th day of the month. They should be for each calendar month. We believe the reason for fixing on the 10th day in the original Order in Council to have been that it was represented the Commissioner might want a few days in which to make up their accounts, the intention being that accounts for any calendar month should be completed by the 10th day of the following month. We therefore recommend that this subsection be amended

- (1) by substituting "not later than" for "on" in the first line,
- (2) by deleting the words "or if that day... next day".

Also that 20(1)(a) be amended by substituting for "on the said day" the words "on the last day of the preceding month". We consider the abstracts should be furnished in the Gazette as both Protection

14. We suggest at the end of this subsection the deletion of the words "and the interest accruing on the investment of the gold standard coinage fund to be carried to the general Reserve of the Protectorate".

on 21(6)

15. We suggest the omission of the sub-paragraph.

on 23(1)

16. We consider it would be advisable to retain the bracketted passage.

17. We would observe that although in the C.O. Despatch Confidential of 10th October 1912 it is stated in paragraph 4 that the East African rupees would be issued and redeemed for, and in gold locally at par, yet in the Draft Order in Council no provision is specifically made dealing with such exchange.

18. The remedy for weight (? five thousandths) and for fineness (? two thousandths) in the Third Schedule have not been inserted.

19. In accordance with the telegraphic sanction given by the Secretary of State, the draft Order in Council was referred to the Managers of the National Bank of India and of the Standard Bank of South Africa.

The former stated he had no objections whatever to the provisions of the draft Order in Council, and was of opinion that it was a perfectly fair one for the Bank and Government.

The Manager of the Standard Bank only offered the suggestion that the notes should be multiples of pounds and that the following should be the denominations:

- ten shillings
- one pound
- five pounds
- ten pounds
- twenty pounds

He also pointed out that the proposal does away with notes of value above 100 rupees, the Currency Board, and he suggested that the prohibition (vide Section 21 (2)) should be in any case, one to one or even one to one and a half, or 200.

20. The Chamber of Commerce of Bombay and Mombasa also had copies of the draft Order-in-Council together with an explanatory memorandum. The Nairobi Chamber replied that they "approved" the proposed new Currency Order-in-Council together with the memorandum as a whole, with the addition of a note of the value of 100/-.

No written reply has been so far received from the Mombasa Chamber of Commerce; but the Treasurer attended an informal meeting of that body on the 12th July 1952 at Mombasa. There were representatives of both Banks, and also of the leading commercial houses. The Inspector of the National Bank of India, Mr. Nicholl, was also present.

The questions raised on the subject of the changes in the currency system as proposed in the draft Order-in-Council were:-

- (1) as to the ability to maintain the 20/- value of the B.E.A. rupee;
- (2) the acceptance of sovereigns minted in Australia;
- (3) did the Government intend to alter the present system of drawing currency in 100/- and 50/- notes;
- (4) the advisability of having a 10/- note;
- (5) the necessity, especially from the point of view of both Banks, of having a minimum amount of remittance.

As to (1) the Treasurer pointed out that the

gold value of the rupee would be maintained and maintained by the ordinary and usual methods as laid down in the Order in Council which amply provided for the maintenance of the gold value of the rupee.

(2) The Treasurer replied that so long as the Australian sovereigns were not below legal weight and had not been defaced they would of course be accepted.

(3) The Treasurer stated that he did not think Government would make any change in the present system, pointing out that in many parts of the East Indies where the currency was British yet Government accounts were kept in dollars and cents.

(4) The omission of the 15 Rupee note in the memorandum sent to the Chamber was unintentional; and the Treasurer stated that the proposal for such a note would be included and was, as a matter of fact, already so in the draft Order in Council.

(5) While quite realizing the Bank's point as to their wish that a minimum for remittances should be prescribed the Treasurer gave it as his personal opinion that such a course would be injudicious, and, moreover, that in actual practice he did not believe that the ordinary citizen, outside the Bank and commercial houses, would take advantage of the provision. Both Banks however laid great stress on it, and suggested that the minimum should be at least 25,000. The Treasurer informed the meeting that the matter would be laid before Government, but that personally he did not support it.

21. As to the general practical working of the Order in Council we do not consider the existing machinery suitable for an efficient carrying out of its provisions.

At present the Secretary to the Currency Commissioners is the Treasury Officer who has the ordinary duties of his Office to perform. It is obvious that the work connected with the new rupee, returning Indian rupees to India and the ordinary transactions with sorting returned notes (a very heavy item now) will be, with the keeping of the books, quite sufficient to employ a Secretary continuously: we therefore suggest that a permanent Secretary to the Currency Commissioners be appointed on a salary equivalent to that of an Assistant Treasurer viz: £280 by £15 to £400 with usual house allowance or quarters. The appointment should be pensionable.

We would further suggest that the Currency Department be shown in the Estimates and that it should be as follows:-

Personal Emoluments		
Remuneration to Currency Commissioners (2 @ £50)	£100	
Secretary to the Currency Commissioners £280 by £15 to £400	£250	150
House Allowance	£ 60	
Clark (III Grade B, 195 to 234, £50 per month)	£100	£500
Other Charges	£ 80	
Provision (of Secretary)		
Total		£550

The actual expenditure each year should be audited

included by Chapter II, to the Note Guarantee Fund, and should be excluded from the half and half principle.

22. A new Currency Office is about to be constructed which will give ample room for the specie transactions which under existing circumstances of accommodation in the Treasury Building at Bombay is impossible. It is hoped that it will be completed by February 1914.

[Handwritten Signature]

Chief Secretary

[Handwritten Signature]

Treasurer.

15 August 1913

adjusted by charging it to the Note Guarantee Fund, and should be excluded from the half and half principle.

A new Currency Office is about to be constructed which will give ample room for the specie transactions which under existing circumstances of accommodation in the Treasury Building at Mombasa is impossible. It is hoped that it will be completed by February 1914.

[Signature]
Chief Secretary

[Signature]
Clerk

15 August 1913

DA PROTECTORATE

Government House,

Uganda

19th September, 1913.

CONFIDENTIAL

Sir,

I have the honour to acknowledge the receipt of your despatch, Confidential, of the 15th August, 1913, and to inform you that I concur in the observations of the Chief Secretary and Treasurer of the British East Africa Protectorate regarding the draft East Africa and Uganda (Currency) Order, 1912, embodied in their joint memorandum of the 15th August, 1913.

2. It is presumed that the new coinage will bear the inscription "East Africa and Uganda Protectorates".

3. I desire to express my regret at the unavoidable delay in replying to your despatch.

I have, etc.,

Sd. S. B. JARVIS
for Governor.

Excellency the Governor,
East Africa Protectorate,
Nairobi.

Your Excellency,

C.O. Confidential despatch of October 10th, 1912, deals with a number of Currency despatches addressed to me by the Secretary of State during 1912 when I was temporarily administering the Government. I feel that further remarks are expected from me in connection with Currency questions on which I expressed my views in my Memo. of March 13th, 1912.

Encl -
208357/12

2. I should like to refer to paragraph 55 of my Memo and I readily admit that my reasoning on this very complicated question may have been at fault. I have no wish to dwell further on any of the objections which occurred to me when I considered the draft Order, but I feel, nevertheless, bound to state that I adhere to the opinion recorded in paragraph 54 of my Memo.

3. With reference to paragraph 2 of the Confidential C.O. despatch of October 10th, 1912, it is fact that I had not previously fully understood the grounds on which the change in our Currency system had been proposed. A matter of detail, in connection with the operations of the Currency Commissioners acting under the old Order-in-Council had been referred to the C.O. and the very much more important question of altering our whole Currency system had arisen out of this without any apparent necessity for its consideration.

4. On receipt of the despatch referred to,

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I hesitated for the first time for reasons which had prompted the Secretary of State to decide upon the change and I should like to make it clear that if I had done so earlier, I should have approached the subject in the first instance from a different standpoint. In the Memo. on the draft Order-in-Council prepared jointly with the Treasurer, I have accordingly taken the general principle as accepted and have dealt merely with details. We have attempted to draw attention to any improvements which in our opinion could be effected in the Order-in-Council before it is promulgated while maintaining in full the wishes and intentions of the Secretary of State.

4. There is, however, one matter of principle to which reference is made in paragraph 3 of the C.O. despatch to which I would respectfully invite attention. It is stated that any discrimination against one form of legal tender in Government transactions is objectionable besides causing inconvenience in practice. It appears to me that the limit to the proportion of gold which under Section 16 (2) of the draft Order may be held by the Currency Commissioners, might very possibly effect such discrimination for the reason that a tenderer of gold would not be able to obtain currency notes from the Commissioners if the gold held by the latter happened to be at the prescribed maximum proportion of the specie reserves, whereas a tenderer of silver would not

in a more fortunate position.

Sd. C.C. BOWRING.
Chief Secretary.

November 24th. 1913.

MOMBASA.

25th August 1913.

The Secretary,

Mombasa Chamber of Commerce
& Agriculture.

Mombasa.

Dear Sir,

Proposed alteration in Currency of
British East Africa and Uganda.

In accordance with the request of your Chamber we beg to report that the following are in our opinion the most important points arising in connection with the Government proposals as regards the contemplated change in the Currency System of the two Provinces:-

- (1) Whether the Government proposed to keep their accounts in Sterling or in Rupee Currency.

It would only lead to confusion if accounts were to be kept in Sterling and the present system of keeping them in Rupees should therefore be continued. We understand however that Government intend to keep to the present system and the matter need not therefore be discussed.

- (2) Denomination of Notes.

These should be of the same denomination in Rupees as are issued at present, with perhaps additional notes of Rs.15 and Rs.75 respectively, although it is improbable that the latter would circulate much.

(3)

(3) Sterling Transfers

It is our opinion that a minimum amount should be fixed for these and it is suggested that no individual application under Rs. 500/10,000 be considered.

(4) Ratio of Gold to Silver against Notes.

We consider it will scarcely be possible for Government to fix any definite proportion such as is suggested. The question is one that can only be decided after the proposed new scheme has been in operation for sometime and in the light of the experience thereby gained.

Various other points also crop up in this connection. Imports of goods exceed in value the amount of those exported, while later on interest on Government sterling borrowings will have to be met in connection with Public Works, such as Railway and Harbour extensions, and the opening up of roads throughout both Provinces. The latter will be payable in Gold and likewise Gold will be required to adjust the balance of trade.

With an adverse balance of trade Gold will therefore leave the country as a natural result, and it remains to be seen whether Government will be able to maintain a strong Gold position under the circumstances. There may not however be any appreciable drain on Gold so long as Indian Rupees are available for

(3) Redemption of Notes.

As the trade of the two Provinces is carried on almost exclusively in Rupees, it is of the utmost importance that holders of Currency Notes shall have the facility at all times of receiving Rupees in exchange for Currency Notes when required.

Under the Ordinance Currency Notes are to be payable in current coin, i.e. legal tender money, which means that Government have the option of redeeming Notes in Sovereigns.

The Rupee has been, and is likely to continue to be the real circulating medium in these Provinces and it is most essential that Government should maintain an ample supply of silver to enable them to meet all demands arising from Trade requirements for silver Rupees.

The uncertainty of obtaining Rupees in exchange for Currency Notes has been one of the drawbacks under the present Currency arrangements and with a change in contemplation it is highly desirable that this be remedied and that the Currency Department should always be in a position to issue silver Rupees in exchange for Notes tendered.

We are etc.,

Sd/- PATTERSON
E. HARRY

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We are etc.,

Sd/- PATTERSON

F. BARRY

Mombasa.

22nd August 1913.

The Secretary,

Mombasa Chamber of Commerce & Agriculture,
Mombasa.

Dear Sir,

Currency Regulations in East Africa.

In view of the Government's proposal to alter the existing currency regulations in this territory whereby the British sovereign is to be recognised as the Standard Coin in the two Protectorates, I beg to point out that I consider it would be very advantageous if the change were made so as to adopt the coinage of the United Kingdom in its entirety, and should be glad if your Chamber could see its way to recommend that course.

I would suggest the following coinage and note issue:-

<u>GOLD COIN.</u>	Sovereign.	2l.
	Half Sovereign.	10/-.
<u>SILVER COIN.</u>	Four shilling piece	} 5/- or 4/-
	Five shilling piece.	
	Flerin.	2/-.
	Shilling.	1/-.
	Fourpenny piece.	1d.
<u>COPPER COIN.</u>	Penny.	1d.
	Half Penny.	1d.
	Farthing.	1d.
	Half Farthing.	1d.

The

The fourpenny piece is suggested to render the change easier for the Indian and Native inhabitants, who are accustomed to a rupee currency. It will readily be seen that this coin will make any combination to give the equivalent of rupees. Thus, 4 fourpenny pieces would equal one rupee. Half a farthing, as the lowest coin, should be small enough for ordinary requirements, particularly as the cost of living tends to increase in British East Africa.

One great advantage in adopting the coinage of the United Kingdom would be the freedom from responsibility for the upkeep of the metal currency. This would devolve upon the Royal Mint, who would also, (no doubt,) lay down silver and copper coin at Mombasa free of charge.

As regards the Note issue, this of course would be in sterling, commencing say at 10/- and rising in denominations considered suitable to 25 etc.

The wider aspect of the question should not be overlooked, viz. the desirability of British Territories in Africa adhering to the coinage of the United Kingdom, thus facilitating trade relations. The desire which has possessed certain of the British Dominions to have a distinct subsidiary coin is based entirely on sentiment, the resulting profit immediately accruing from such limited coinages being safely commensurate in the long run with the responsibility involved and the cost of upkeep.

The difficulty of getting the natives accustomed to the change is, I think, exaggerated and could undoubtedly,

undoubtedly be overdone, as evidenced by the case of Nyasaland, where rupee coinage was changed into British Sterling and the Natives have become quite used to it.

I am also firmly of the opinion that such a change would tend to cheapen life in East Africa; not only could silver and copper coin be imported free of cost or nearly so, instead of at a premium of at least 25, but also, I believe, people would become accustomed to make the shilling, in many cases, take the place of the rupee.

I am, etc.,

Sd. P. BARRY

On Thursday, 28th September, a Committee met to consider the Treasurer's proposals for meeting the difficulty which has arisen in connection with the currency note issue of the East Africa Protectorate.

The Committee consisted of Mr. Rees, Mr. Collins, and Mr. Butler from the Colonial Office, Mr. Abraham (India Office), Mr. Jorring (Chief Secretary, East Africa Protectorate) and Mr. Major (Chief of Customs, East Africa Protectorate), Mr. Parkinson acted as Secretary.

In a letter to the Treasury dated the 8th July, the Secretary of State mentioned the possible solutions of the difficulty and recommended the adoption of the following:

(1) That a limit should be fixed to the amount of the coin portion of the Total Reserve fund that may be kept in gold, and that, when that limit is reached, the Currency Commissioners should refuse to accept gold in payment for notes.

(2) That the Commissioners should only receive and issue notes hereafter in the Protectorate in exchange for standard coins, i.e. rupees, but at the same time should be empowered to issue notes against gold deposited with the Crown Agents for the Colonies in London at a discount sufficient to cover the cost of importing the equivalent in rupees from India.

The Treasurer's letter of the 25th of August made certain counter proposals involving much wider

issues than those actually contemplated in the Colonial Office letter. These proposals were:

(1) That steps should be taken to encourage the circulation of the rupee (or of notes covered by gold) and at the same time to recognize the use of rupees by the imposition of a limit of legal tender on the rupee, say 5 rupees.

(2) That a special rupee should be coined at the Royal Mint for circulation in East Africa concurrently with the Indian rupee, thus securing an adequate supply of rupees to meet the growing trade of the Protectorate and to enable the Protectorate Government to issue the Government of India rupee for the purpose of the issue of the subsidiary coinage of the Protectorate in the rupee.

The Committee discussed these proposals from various points of view, and arrived at the following conclusions:-

(1) As the rupee has been legal tender to an unlimited extent in the past, it is most undesirable now to limit the legal tender of this coin. Such a procedure would tend to produce distrust and dissatisfaction among the natives and Indians who have become habituated to the use of the coin without restriction. From the point of view of the small farmer, who may dispose of parts of his produce for small sums in rupees, it would be a real hardship for him to find that he could not dispose of his accumulation of rupees for such purposes, say, of discharging some considerable debt.

debt, because the Government had imposed a limit of lower tender on the coin. It would, moreover, be a hardship on the Government to have to receive rupees in a large number of small sums and then find itself unable to dispose of this stock conveniently because of the limitation. In this connection it is stated that every year the Government receives from natives about 1 1/2 million of rupees in small sums in payment of hut-tax.

In the absence of pressing grounds for so drastic a change, the Committee felt that it is not wise to interfere with the established coin of a country, as it is impossible to foresee where such interference will lead.

The argument has been used in similar connections, that, although a legal limit may be imposed, the users of coin will ignore it until they find it convenient to accept it, and that therefore no hardship would be involved. But it would clearly not be the case that the whole community would simultaneously agree to observe or to ignore the legal limit, so that hardship would certainly result in particular instances. In any case the Committee felt that a proposal of this kind should be discussed on the assumption that the limit will be effective.

(2) As to a local East African rupee the Committee agreed that there is no great difficulty in the proposal, and that it would possibly have the advantage of rendering the East Africa Protectorate independent.

Independent of another country, viz., India, in respect of the appreciation or depreciation of its currency. On the other hand, it might not be so easy for the Administration of the East Africa Protectorate to maintain its local rupee at par as it is for the Indian Government to maintain the Indian rupee at par; and even the Indian Government, on one occasion, since the rupee was raised to ls. 4d. had to make considerable efforts to prevent it from falling temporarily below that value when trade conditions were unfavourable. It is therefore scarcely worth while to run such risks as are entailed by a local over valued currency unless there are cogent reasons to urge in its support.

It should also be remembered that the concurrent circulation of the Indian and East Africa rupees might conceivably result, sooner or later, in a disparity between their values, a state of affairs which it is obviously very undesirable to bring about.

(3) The point was made by the Treasury that the profit on the issue of a local subsidiary coinage (viz. the East African rupee of limited legal tender) would accrue to the Protectorate Government instead of to the Government of India. But the Committee would observe that, as the Treasury have in effect maintained in the past with regard to British subsidiary coin, and as the Indian Government have held in connection with the Indian rupee, there would be no profit available for ordinary purposes as any profit on British coin is set aside and held as a guarantee fund for the purpose of maintaining

the cost of
the gold
the rupee
the gold
the rupee

maintaining the coins at their nominal value.

The Committee being thus adverse to the Treasury proposals, it remained to consider how best to meet the difficulty out of which the correspondence arose.

In Ceylon the Currency Commissioners are empowered to refuse to issue notes in exchange for gold, when the amount of gold in hand reaches a certain figure; at the same time the arrangement is reciprocal, for the Ceylon Government does not in such a contingency require gold to be accepted when they redeem the notes.

The Committee were of opinion that the best course would be that first mentioned in the Colonial Office letter of the 6th of July, viz. that a definite limit should be fixed to the amount of the coin portion of the Note Guarantee fund that may be kept in gold, and that, when that limit is reached, the Currency Commissioners should refuse to accept gold in payment for notes. In this connection, Mr. Abraham observed that he considered that the Currency Commissioners already have power under the Order in Council of 1905 to refuse to accept gold in payment for notes.

The feeling of the Committee with regard to the proposal actually recommended in the Colonial Office letter of the 6th of July was that the Currency Commissioners should not demand any amount of gold for notes issued, but that this would be too markedly inconsistent with the position of the sovereign as lender under the Order in Council and that, if this alternative was

adopted, it would be better to declare outright that the sovereign is no longer legal tender. This alternative is also open to another objection. It would mark a complete severance of the currency note issue from the establishment of the sovereign as the effective standard of value, and would make it impossible for the Currency Commissioners to do anything, as desired by the Treasury, to encourage the circulation of gold. Under the alternative system they would be able, by raising from time to time the maximum amount of the Coin Guarantee Fund to be held in gold, to keep pace with any increased tendency towards the use of gold, and, by having gold available on demand for the redemption of notes, to co-operate in the establishment of an effective gold standard. The Committee considered either of the Colonial Office alternatives preferred to the Treasury proposals, but if either of those alternatives were to be adopted, they would suggest, as the next best course, that a compromise should be made with the Treasury to the effect that an East African rupee should be minted, but that this rupee should be un-

limited legal tender, and that any "profit" should be held as a guaranteed fund.

(89.) LIONEL ABRAHAM
 E. S. COLLINS
 E. G. POWELL
 F. J. MAJOR
 H. G. A. DUNN

20th October, 1914.

the sovereign
 not remain the
 standard of value
 unless the
 Government of
 East Africa
 meet at 1/40.
 A.S.C.

It is, in my
 opinion, undesirable
 to encourage
 the circulation
 of gold.
 A.S.C.

an East African
 rupee is coined, the
 rupee should be
 a different
 standard of value
 from that of the
 East African rupee, so
 that there may be
 no risk as
 a result of the one
 being mistaken
 for the other in
 any transactions.