

The Chartered Bank of India, Australia and China

Editor's Note: The following account is taken almost verbatim from a booklet published by the Chartered Bank last year entitled, "The Service of the Chartered Bank of India, Australia and China". We believe the pamphlet worthy of reproduction because in many ways the story of the "Chartered Bank" is also the story of the other great commercial banks of the world. We believe that these international banks have a deal of downright romance in their history—involved as it is with epochmaking events—and we hope that the reader, after perusing the story follows, will agree. Official of the Bank, although they have from time to time secured the amendment of the Charter "in order that the Bank might render a more complete service to its clients", have never seen fit to do anything about changing the Bank's official name. The name is still "The Chartered Bank of India, Australia and China", although actually there are important branches in the East Indies, the Malay States, Japan and the Philippines, among other places, while, on the hand, the bank never had a branch in Australia.

The vast increase in British overseas trade and the rapid consolidation of imperial power which occurred during the first half of the XIXth century called into existence a number of banks specially organized and equipped to finance commerce with the East. Hitherto, trade with India had been financed mainly by the so-called "Agency Houses" vaguely associated with the East India Company. The Company, jealous of its prerogatives, brought to bear its vast political influence in an attempt to frustrate those who sought to provide India with modern banking facilities. So serious was the opposition of "John Company" that the founders of The Chartered Bank of India, Australia and China contemplated, for a time, the abandonment of their scheme. Eventually Her Majesty's Government, to the satisfaction of whom it had been proved that the Agency Houses were no longer qualified to finance the growing trade with the East, set aside the objections of the Company and proceeded to incorporate The Chartered Bank of India, Australia and China under Imperial Charter. The incorporation of the Bank was completed on December 29th, 1853.

Of the few British overseas banks which were granted Royal Charters in the early days of joint stock banking only two remain in existence as originally incorporated. It is therefore not surprising that the name of The Chartered Bank of India, Australia and China should have been abbreviated unofficially to "The Chartered Bank," by which name it is known equally well to those whose business takes them into the City of London and to the humblest inhabitants of the lands beyond Suez.

The increasing scale of financial operations has led to the amalgamation and re-incorporation of many of the older Imperial Banks. The Directors and Managers of The Chartered Bank of India, Australia and China take pride in the fact that, during the 83 years of its existence, this now venerable institution has preserved its Royal Charter, its original name, its original form and, above all, that it has risen to its present position in the world of finance in complete independence. The Chartered Bank is the senior British banking institution in the East, where it is recognized as the standard-bearer of the British financial tradition. On several occasions it has been found necessary to amend the terms of the Bank's Charter, which is in many ways strictly definitive, in order that the Bank might render a more complete service to its clients. Successive Governments have readily acquiesced in the required changes. In many of the countries of the East the organization of the Bank has provided a model for infant banking industries.

Among those who petitioned the Crown for the grant of a Royal Charter of Incorporation to the Bank

were James Wilson (a former Finance Member of the Viceroy's Council and subsequently the founder of "The Economist" newspaper), shipowners, East India merchants in London and the Provinces, and several Members of Parliament. The petitioners expressed themselves as "desirous to establish a bank in London for the purpose of carrying on banking business in India and Australia and the other British possessions eastward of the Cape, and in China and the Eastern Archipelago."

Reference has already made to the obstructionist tactics pursued by the East India Company during the process of incorporation. Even after the Charter had been granted there were still many difficulties for the founders of the Bank to overcome before business could be begun. It was not until 1857, the year of the Indian Mutiny and a time of serious economic dislocation, that the Bank was able to send a staff to India for the opening of branches. With the proclamation of Queen Victoria as Empress of India and the reform of the Indian Government which followed the pacification of the country, the East India Company's administrative system disappeared and with it the remaining obstacles to the free development of the Bank's business. Within a few years branches had been established at Bombay, Calcutta, Singapore, Hong Kong and Shanghai and authority had been obtained for the Bank to issue notes in the Eastern colonies which had not formerly been under the government of the East India Company. This authority was subsequently extended to include Singapore and certain Treaty Ports in China.



The bank's head office in London

The foundations of the Bank's Reserve Fund, which now amounts to £3,000,000, were laid as early as 1861 and although the Bank's profit-earning capacity increased rapidly, the Directors of those days wisely refused to recommend the payment of large dividends. This prudent disposition of its resources enabled the Bank easily to withstand the shocks which brought to ruin other financial institutions during the recurrent economic crises of the latter half of the XIXth century.

During the early 'sixties branches were opened at Rangoon in Burma, Batavia in Java, Karachi on the north-west coast of India, and Hankow on the Yangtze River. At this time there was a boom in the cotton export trade of India and China, due to the cessation of shipments from the United States, as a result of the Civil War. The return to normal conditions in 1866 brought disastrous consequences to less prudently managed Eastern banks.

An account of the development of The Chartered Bank of India, Australia and China becomes inevitably a cross-section of world history. In 1870, for example,

the Directors were compelled to instruct their managers abroad to restrict their operations to avoid the risk of loss arising out of the world-wide economic disturbance that had been caused by the outbreak of the Franco-Prussian War.

In 1870 there began a steady fall in the market price of silver, which extended over a period of nearly thirty years, and provoked one of the most serious economic crises in history. The strength and stability of The Chartered Bank during that cycle may be judged from the fact that in 1891 the Bank joined in the guarantee given by the bank of England in connection with the affairs of Baring Brothers and Company. The Oriental Bank Corporation, the largest of the Bank's contemporaries, failed in 1884 and after reconstruction as the New Oriental Bank Corporation again suspended payment in 1893.

The crisis had disastrous repercussions in Australia and several of the banks operating there found themselves in a position of extreme difficulty. At a meeting of the proprietors of The Chartered Bank held in 1893, the Chairman remarked, "Inquiries having lately been made as to whether we have branches in Australia, I will therefore take the opportunity of stating that, although our Charter gives us the necessary powers, we have never had any branches there." When the Bank was in course of formation an influential body of opinion in Australia raised objection, for purely nationalistic reasons, to the establishment in Australia and New Zealand of banks incorporated in England. In deference to this sentiment The Chartered Bank has never concerned itself with Anglo-Australian banking, but, by entering into appropriate reciprocal arrangements with the purely Australasian banks, it has participated to a constantly increasing extent

in the financing of trade between the Commonwealth and the East.

The war between China and Japan in 1895 had the effect of enhancing the commercial importance of Tientsin in North China and the Bank opened a branch there in 1896. At this time Li Hung-chang, the great Viceroy of Chihli, was at the height of his power and influence at the Court of the Empress Dowager. When, in 1900, the Boxer insurgents laid siege to Tientsin the Bank's branch was put into a state of defence, and in common with the rest of the city suffered considerable damage from shell-fire.

The Shanghai branch, opened while the Taiping Rebellion was in progress, has prospered through stirring times. Its doors remained open during the Boxer Rising in 1900, the Revolution in 1911 and the second Revolution in 1927. Business went on, though perhaps not quite as usual, during the civil disturbances in 1925 and the fighting at Chapei in 1932. Since 1915 the Bank has maintained a branch at Peking (now called Peiping), the former capital of China. After the Great War the Bank demonstrated its confidence in the New China by rebuilding its offices at Shanghai and Tientsin and by reopening the branch at Tsingtao.

The Bank commenced business in Japan as early as 1880, when a branch was opened at Yokohama. The rapid rise of Japan as a great mercantile nation, under the enlightened rule of the Meiji Emperor, led to the opening of a branch at Kobe in 1895. In the great earthquake and fire at Yokohama in 1923, the Bank's manager there was killed at his post and the bank building utterly destroyed. Japanese courage and energy have by now removed every trace of that catastrophe and the Yokohama branch of the Bank is housed in a handsome new building. New premises for

the Bank are under construction at Kobe.

With the opening of a branch at Bangkok in 1894, Siam became an important sphere of the Bank's operations. Another branch has since been opened at Tongkah-Bhuket, the centre of the Siamese tin-mining industry. In 1923 The Chartered Bank, in collaboration with the National Provincial Bank Ltd., was entrusted by the Royal Siamese Government with the flotation of a loan on the London Money Market.

Between the turn of the century and the outbreak of the Great War branches were opened at Saigon and Haiphong in French Indo-China, and additions were made to the up-country branches in India and British Malaya. Furthermore the Bank, during this period, improved its organization for financing overseas trade by the establishment of offices in New York and Hamburg.

By 1907 the volume of the Bank's business had outgrown the Head Office premises, which were then situated in Hatton Court, off Threadneedle Street. A new freehold site was acquired in Bishopsgate and the present Head Office was opened in 1909. To make room for the new building it became necessary to demolish Crosby Hall, built in the XVth century. The Directors of the Bank, anxious to avoid the extinction of this historic building, made arrangements for the careful preservation of the fabric and for its reconstruction at Chelsea, where it is now used as a hostel for the women students of London University.

The Chartered Bank rendered valuable service to the Allied cause during the Great War by facilitating the shipment from the East of the vast quantities of raw material required to sustain the greatly expanded munitions industry. Of the Bank's British staff, 199 men—a very large proportion—served in the armed forces of the Crown. Thirty-six of these gave their lives. It is impossible, within the compass of the present sketch, to describe the services towards the prosecution of the war rendered individually by the Bank's officials in England and abroad.

After the War, branches were opened at Kuching in Sarawak and Harbin in North Manchuria.

A branch was opened at Manila in 1875, when the Philippine Islands still formed part of the Empire of Spain. One of the Bank's officials acted as correspondent of *The Times* at the naval engagement in Manila Bay during the Spanish-American War. Today, in addition to the Manila branch, the Bank has offices in the Islands at Cebu, Iloilo and Zamboanga.

The Philippine staff includes C. E. Stewart, Agent; A. J. McIntosh, Sug-agent; L. T. Watty, Sub-agent; R. Ralston, Accountant; and J. MacLennan, L. W. Dixon, W. Watson, J. A. Hamilton and A. M. Crichton, sub-accountants—all of the Manila office; W. G. Hollyer, Sub-agent at Cebu, and W. G. M. Anderson and F. C. Mudie, sub-accountants at Cebu, and G. Dodds, sub-agent at Iloilo.

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The Manila office of the Chartered Bank now occupies the first storey of the new S. J. Wilson building on Juan Luna. The premises are imposing, and compare favorably with offices of the Chartered Bank anywhere else in the world.

New National . . .

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next year have a value of P112,000,000, a value of P150,000,000 in 1960. Aquatic products have a value of P102,000,000 next year, a value of P144,000,000 in 1960. Mineral products have a value next year of P75,000,000, a value of P320,000,000 in 1960. Keep it in mind that all these values are tentative; the valuation of minerals no doubt anticipates a rapidly expanding gold production together with expanding production of base metals led by iron.

Coal is a possibility among the minerals. Iron exports hinge materially on Japan's keeping hold of iron ore regions of China, since Japan is the sole buyer of Philippine iron ore.

Chairman Roxas approves the textile mill founded by the National Development Corporation. It can turn out cotton yarns, and might make cotton staples such as crude muslins not competing decisively with textiles from the United States. We gather that Chairman Roxas would not oppose a temporary customs duty giving such an industry reasonable protection, but that existing duties may be high enough for that; on the other hand, he would look askance at outright and permanent protection, eliminating a necessity for the highest efficiency. Similarly, he approves the Development company's fish cannery at Guagua, Bulacan. In connection with cotton milling and spinning, he thinks it possible that farmers might grow such cotton as the mill requires.

Diversification of crops and common-sense subsistence farming are projects very much to the fore in Chairman Roxas's studies. For this reason, the religious estates engage his attention.

First plans were for the Commonwealth to buy the religious estates and parcel them out to tenants at prices paid slowly, in annual installments. This was changed in the Assembly, at President Quezon's suggestion. There is now authority from the Assembly to lease the estates for 25 years, with option to purchase at an agreed price. Influence of Chairman Roxas is visible here, in that he thinks that what the estates most lack is experienced management and a degree of cooperation among the tenants. He finds that rice employs the land less than 4 months in the year, he hopes to introduce other crops during the remaining 8 months, through cooperation.

Management is the first concern relative to the estates. Next comes credit to tenants such as a planter gets, say at 5% or 6%. Cooperative warehousing is associated with this, there is no reason why the estates should not have common stor-

age places, and rice stored as paddy at such places is a sound basis of credit. Chairman Roxas hopes that cooperation will prove practical to the point where a family will handle 10 hectares, instead of some 2-1/2 hectares as a present, and with the larger tract, better farmed, will really gain a decent living. If good plowing can be introduced, for instance, a power plow can be bought cooperatively that single farmers can not afford; and if a tenant is indisposed at the season for plowing, still his plowing can be done for him and he can be charged with it if the fault is his. It is much the same with threshing, a threshing rig may be cooperatively owned and kept up at a charge of 1% of the crop, a saving of 6%.

A rice mill adequate to the uses of an estate is another step, that the tenants shall have the bran as well as the lowest milling cost. The bran should be useful for poultry and swine, and a crop of corn to fatten both hogs and chickens might fit into the seasons, on some of the land at least, while a cooperative dairy, the milk from carabao cows used on the estate, is not wholly out of the question. All this hinges on the resourcefulness of the management. Through the agency of the National Economic Council, the Commonwealth is out to discover first rate men to be in charge of such projects.

Without capable men, the projects are visionary; with capable men they are entirely practical.

But if land that has been employing four families falls to one family only, the three families displaced present a problem.

To this problem the rich public lands of Mindanao are the adequate answer. Chairman Roxas has his keen eye on them. It is his idea that Mindanao can be settled with subsistence farmers, but not haphazardly. The effort must be cooperative,

with direction given it by the Commonwealth. Communities must be founded, rather than individual farms; and in much the same way as a discouraged estate on Luzon is revived, through credit to tenants and by means of cooperation among them in tasks and undertakings individually impracticable, cooperatively feasible, immigrant communities will be settled in Mindanao. All of which enters into the anticipated increase of value year by year of agricultural production. One plan integrates with another. Beyond is the anticipated growth of population, with everything heading up to 1960, under the MacMurray commission plan, when the country goes on a basis entirely independent of the United States.

Plain sailing for the Roxas commission can not of course be expected, unforeseen difficulties are bound to appear. But there is surely little to criticize in the conservatism with which Chairman Roxas begins his work, and the common sense with which he tries to inform the commission's judgment. It is favorable that the population grows rapidly. The commission puts it at 15 million now, and 20 million in 1960. We still wager that a correct census will make it 20 million now, or very near that, and that the steady gain of approximately 2% a year will add 8 million during the next 20 years. This means that domestic markets will be increasingly significant in the country's commerce, while production for overseas markets may also rise, and that additional plans for domestic manufacture for domestic needs will become feasible.

The scope of the National Economic Council's interest embraces all public works, such for example as new road systems in Mindanao. Chairman Roxas speaks of economic roads. These he opposes to highways merely connecting one

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