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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

G.O. No. 261	Press / Mis.
62-63.	
Dated 23-5- 1868.	

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62-63

Not to be folded or roughly handled

Proceedings of the Madras Government, Financial Department,
23rd May 1868.

No. 62. Read the following letter from the Honorable J. C. LOCH, Chairman of a Meeting of Shareholders of the Bombay Bank, to the Chief Secretary to Government, Fort Saint George ; dated Madras, — May 1868.

I have the honor of enclosing, in triplicate, for transmission, through the Government of Madras, to the Right Honorable Her Majesty's Secretary of State for India, copy of a Memorial addressed to the Right Honorable the Governor General in Council, adopted by a Meeting of the Shareholders of the Bombay Bank, held at Messrs. Arbuthnot and Co.'s on the 8th instant, and forwarded to the Right Honorable the Governor General, in pursuance of a unanimous vote to that effect, come to by the Meeting of which I was Chairman.

2. A second Resolution was come to by the Meeting, determining to send a copy of this Memorial, through the Government of Madras, to the Right Honorable the Secretary of State ; and I have now the honor to request that this may be done at your earliest convenience.

3. It is difficult to get Shareholders to state the numbers of the shares they hold ; but I may state as a fact within my own personal knowledge that three of the signatures attached to the Memorial represent alone 500 shares in the Bombay Bank. I shall feel obliged if, in transmitting the Memorial, you will bring this to the notice of the Right Honorable the Secretary of State.

To

His Excellency the Right Honorable Sir JOHN LAWRENCE, Bart.,
Governor General of India in Council.

The humble Memorial of the undersigned Shareholders of the Bombay Bank, resident in Madras.

Sir,

When the Old Bank of Bombay had entirely lost the confidence of the public, and after the negotiations for its amalgamation with the Bengal Bank had fallen through, the Bengal Bank obtained your Excellency's sanction for sending an *Agent* to Bombay ; professedly to transact for it that business which, it was thought, it could no longer safely entrust to the Old Bombay Bank.

2. This step created no small alarm, at the time, among the Shareholders of the Old Bank, and those who were then endeavouring to start the New Bank, on the ruins of the old. We do not quarrel with the Bengal Bank for this step, so far as it was confined to *mere* Agency, and was a *bona fide* temporary measure, to be abandoned if and so soon as the New Bank should prove its fitness for resuming the business of the Bank of Bengal. The Bengal Bank may have been piqued at the failure of its negotiations for an amalgamation of the Bombay Bank with itself ; its Management may have thought, if Bombay will not have amalgamation, it shall have opposition ; but it is not necessary to impute or to seek for motives ; it had a right, in the distrust with which the Old Bombay Bank was at the time universally regarded, to protect its own interests in any manner that seemed best to it. It is thus that the Bengal Bank in its Report of the 3rd December 1867, gives its own account of the establishment of its Agency in Bombay. "The powers delegated to "the Bank's Agent are precise and well defined, *embracing only the description of business* "*formerly transacted by the Bank of Bombay, as Agents of the Bank of Bengal.* The "Directors, although entertaining no doubt, that the appointment of an Agent in Bombay under "the limitations adverted to, is a matter entirely within their own discretion and requires no "sanction or authority from Government, nevertheless did not make the appointment without "the distinct sanction of Government. This course throughout the whole procedure connected "with the establishment of the Agency, and the subsequent conduct of the business, has been "closely adhered to."

3. Assurances were asked for, and at once conceded by the Government of Bombay, the Government of India, and by the Home Government, that the object of the Bengal Bank was *purely its own Agency*, and that it would not for a moment be permitted to undertake any of the operations of a Branch Bank, as a rival to the New Bank of Bombay. On the 22nd October 1867, Mr. *Dickson*, the Manager of the Bank of Bengal, informed the Secretary of the Bombay Bank, that Mr. Hector was about to proceed to Bombay as Agent to the Bengal Bank. In his letter he rested this measure solely on the state of uncertainty which prevailed as to the date of

the Bombay Bank's liquidation. He wrote, "the state of this Bank's account in Bombay has for "some time past engaged the anxious consideration of the Directors, and as so much uncertainty "still attaches to the date on which the Bank of Bombay is to be put into liquidation, I have been "instructed to inform you that the Directors have deemed it expedient to appoint an Agent "specially for the transaction of the Bank's business in Bombay."

4. On the receipt of this letter the Directors of the Bombay Bank immediately, and on the 29th October, addressed the Government of Bombay. The letter is so important, and so fully states the injury which the establishment of an Agency of one Presidency Bank within the limits of another Presidency Bank's operations, that we crave to set it out *in extenso*.

To the Chief Secretary to Government,

Financial Department, Poona.

Sir,—I have the honor, by desire of the Directors of the Bank to forward for the information of the Right Honorable the Governor in Council the annexed copy of letter, dated 22nd instant, which they have just received from the Secretary and Treasurer to the Bank of Bengal, intimating that the Directors of that Bank have appointed an Agent to transact their business in Bombay.

2. My Directors would most respectfully state that since the establishment of the Bank of Bombay in 1840, they have acted as Agents of the Bank of Bengal in this city, and believe that this arrangement has been mutually beneficial. The reason alleged for the change now proposed is scarcely consistent with fact, for when the Shareholders of this Bank in August last resolved that the Bank should be reconstructed by the formation of a new Bank, the Directors were authorised to call a general meeting of the Shareholders to be held on the 20th November for the purpose of placing this Bank in liquidation, and nothing has since occurred to alter this arrangement. The advertisement calling the meeting for this purpose has been published in the *Government Gazette*.

3. The Directors understand from the other sources that the Directors of the Bank of Bengal object to employ the proposed New Bank of Bombay as their Agents, on the plea that the Government do not intend to take shares in it, my Directors would therefore most earnestly urge this fact upon the Right Honorable the Governor in Council, as an additional reason for the Government taking even a limited number of shares, so as to remove the only plea which the Bank of Bengal can put forward for this most extraordinary proceeding.

4. By the Charter of the Bank of Bengal, the Directors may, with the sanction of the Governor General of India in Council, form business Agencies at such places as they may deem advantageous to the interests of the Bank; but it has always been understood and tacitly acted upon, that the privilege enjoyed equally by the three Chartered Banks of Bengal, Madras, and Bank of Bombay was limited to the Presidency in which each Bank had its chief office, and that it was not consistent with the spirit of the Charters, to allow of any interference with the business of another Bank in a different Presidency, the establishment of Branch Banks in neutral territories being the only exception to this rule.

5. My Directors would respectfully request to be informed whether any communication has been received by the Right Honorable the Governor in Council from the Governor General of India in Council as to the establishment of a Branch of the Bank of Bengal in this city. It may be said that the appointment of an Agent is not the same thing as the establishment of Branch Bank; but this is a distinction without a difference, and it is difficult to say where the functions of the Agent cease, and of the Branch Bank begin.

6. It is competent for the Bank of Bengal to establish an Agent here. It is equally competent to establish one at Madras, and for the Bank of Madras to establish Agents at Calcutta and Bombay; and no reason can be given why the New Bank of Bombay should not establish Agents at Calcutta and Madras, except that such a course of unseemly competition for business between the three Presidency Banks would inevitably lead to serious loss to all connected with them.—I have, &c.

J. STUART,
Secretary and Treasurer.

Bank of Bombay, October 2nd.

5. The Right Honorable the Governor of Bombay replied on the 5th November, that he had received no intelligence respecting the Agency from your Excellency. On the same day the Secretary of the Bombay Bank addressed the Chief Secretary requesting that a telegram might be despatched to your Excellency on the subject.

6. On the 15th November the Chief Secretary of Government addressed the following communication to the Bank.

To the Secretary and Treasurer,

Bank of Bombay.

Sir,—I am directed by the Right Honorable the Governor in Council to request that you will inform the Board of Directors and the Reconstruction Committee that His Excellency the Governor has received a reply to the telegraphic message to the Governor General, which he read to the gentlemen who waited on him on Friday last.

The Right Honorable the Governor General has replied that he had no personal knowledge of the arrangements under which Mr. Hector had been deputed to Bombay as Agent of the Bank of Bengal; that the Directors of the Bank had been understood to propose to send an Agent to Bombay *only for the purpose of collecting their outstandings*, and that they had been informed that the Government of India would not object to their doing so.

His Excellency the Viceroy has also stated that no arrangement, under which the Bank of Bengal should be at liberty to establish a Branch *or Agency at Bombay for the transaction of general banking business, would receive his sanction.*

His Excellency the Governor understood you to say (at the interview referred to) that Mr. Hector had opened his office avowedly as Agent of the Bank of Bengal, dating his letters from the "Bank of Bengal;" and I am desired to request that you will be so good as to state, for the information of Government, what are the facts in this respect.—I have, &c.

M. J. Shaw Stewart.

Bombay, November 13th, 1867. *Acting Chief Secretary to Government.*

7. On the 9th December the Governor of Bombay assured the Reconstruction Committee of the Bank of Bombay, that the Secretary of State had by telegram *expressed his disapproval of the appointment of the Agent in Bombay by the Bank of Bengal.* Again on the 27th March last in reply to Mr. *Nicol's* observations, the Secretary of State declared that it was "undesirable that the Bank of Bengal should extend its operation to Bombay."

8. Looking to the past and future, this seems not only a just, but an indispensable and necessary resolution.

9. The ruin of the Old Bombay Bank is attributable, in a very great measure, to the *laches* and negligence, to put it at the lowest, of the *ex-officio* Government Directors. Had they done their duty, by bringing to the notice of their Government, at an early stage, the proceedings and operations of the Bank; it is not too much to say that its improvidence would have received an instant check; and that though serious losses might still have been encountered, the Bank's headlong career to absolute ruin, probably without a parallel in the history of banking, could not have been accomplished.

10. For the Government, therefore, under such circumstances, to permit another Bank, in which also *it is itself a large partner*, and has a heavy interest at stake, to occupy even an inch of the ground properly belonging to the Bombay Bank, would be an anomaly, and indeed an injury, which it is conceived, has only to be stated, in order to be condemned. It could never have been contemplated by Government: it is to be presumed that it will not be sanctioned or tolerated.

11. Nevertheless, the Bengal Bank Agency has been seeking to obtain a firm hold in Bombay. *It has purchased extensive premises*, belonging and contiguous to the Old Bombay Bank, for, we are told, two lakhs of Rupees; premises altogether unnecessary for, and out of proportion to the exigencies of a *mere*, and more especially, a temporary Agency. It is asserted in the public prints of Bombay, and can be proved, that already the Agency *has been entering on ordinary banking operations.* It certainly has not confined itself to that which alone your Excellency sanctioned, the "collection of outstandings." Ample proofs of the character of the

Agent's operations are in the hands of the Directors of the New Bombay Bank. These, we are informed, have already been forwarded to Government, accompanied by the Protest of the Directors; but no action has ensued. The Agency is a standing menace to the New Bank; it prevents the return of public confidence to the Bombay Bank: it largely intercepts its legitimate profits. It is exceedingly difficult to define where Agency ends, and Branch Banking begins. It has thrown down the gauntlet by the purchase of premises utterly beyond the requirements of a simple Agency and a mere temporary purpose, such as the "collection of outstandings;" it *banks*, in breach of its pledge, in contravention of the spirit of its Charter, in violation of the condition on which it was sanctioned by your Excellency, and in open defiance of the authorities by whom it was required to give that pledge.

12. By undertaking ordinary banking operations in breach of the conditions on which its establishment was permitted, the Agency has rendered itself liable to be ordered to cease.

13. The Management of the Bengal Bank may consider that they have already got the whip-hand of the New Bombay Bank; they know that time is everything to them; that the longer the Agency is suffered to exist, the more difficult will be its extirpation; they are willing to take the chance of the chapter of accidents, finally to establish a Branch; and their interest and influence at head-quarters are naturally so powerful, that they may well look to defeat such representations, protests, and complaints, as the Directors of the New Bombay Bank may officially put forward.

14. As an instance of the injurious way in which the "Agency" affects the New Bombay Bank, we may mention what we have recently heard, on good authority, that the Agency has swept into its own coffers all the profits on the monies used for the Abyssinian expedition, which, but for the presence of the Agency in Bombay, would naturally, legitimately, and necessarily have flowed into the New Bombay Bank; we learn also that this operation of the Bengal Bank, though working profitably to itself, has been effected at a positive and large loss to the public revenues.

15. It cannot be doubted that the New Bank of Bombay is now in a position to resume and take up that Agency which the Old Bank formerly did for the Bengal Bank, and which it now does for the Madras Bank, that never had an Agency in Bombay, even when the Old Bank's affairs were at their worst.

16. The Bank of Madras applied to your Excellency in Council for leave to establish an Agency in Bombay, under the same circumstances, for the same purposes, and nearly at the same time as the Bengal Bank. Permission was not given.

17. There seems then to exist no legitimate reason why the longer maintenance of the Bengal Bank Agency should not be imperatively and immediately prohibited.

18. A time may possibly come, when all the Presidency Banks may be permitted to extend their operations into each others confines, according as each may deem it best for its own interests; though even then it may be a question whether true policy shall not place a restriction on the invasion of one Presidency by other Presidency Banks. But so long as the Government connexion with all these establishments exists, we respectfully submit that it is unfit that the Government, *a partner in all three*, should be competing with the rest of the Shareholders, to their grave detriment and loss, on their respective grounds. Such a state of things was never contemplated by the Bank Charters; and specially is it hard, that such operations, or what is nearly as fatal, the fear and color of them, should be permitted to exist in Bombay, under the extraordinary circumstances which have arisen there, and the peculiar obligation under which the Government lies to the unfortunate Shareholders of the Old Bank, now seeking to recover a portion of their losses in the New, to afford them, if not favor, at least the *clearest possible stage*. For the Government to allow an opposition to be set up, in which opposition concern it is itself a heavy partner, would be but a strange and sorry fashion of fostering and assisting the infant institution of the New Bank.

19. A clear stage the Bombay Bank cannot have, so long as the Bengal Bank Agency with its extensive establishment is tolerated in the very centre of the New Bombay Bank's operations.

20. The Home Government has already acknowledged and acted on its obligation to assist the reconstruction of the New Bank by all legitimate means. Not only did it at once consent to give it the same business as had been conducted for Government by the Old Bank, but when it was found that the New Bank could not be started unless the Government became a Shareholder in it to the same extent as it was in the old, it at once, though at the eleventh hour, and very strongly disposed to withdraw from its former connection, consented to become such partner.

21. Already the Bombay *Saturday Review*, which has all along been the persistent advocate of the scheme for amalgamation, and the supporter of the Bengal Bank's interests, has thrown off all concealment as to the ultimate views and objects of the Bengal Bank. In its issue of the 18th April instant, it contains an article, in which it not only avowedly advocates the *permanent* continuance of the Bengal Bank's Agency in Bombay, but its conversion into an ordinary Branch Bank; on the principles of free trade and general competition; utterly giving the go-bye to all the previous questions which demand consideration and solution. Whether, for instance, the Agency was not sanctioned expressly as a temporary measure, "to collect outstandings," and to meet an exigency which has passed away; whether the Agency has not openly violated these conditions; whether the Government of India is not bound to give the Shareholders in the Bombay Bank their best support; regard being had to the share which the *ex-officio* Government Directors in the Old Bank had in bringing ruin upon hundreds, widows, orphans, and trustees, time-expired officers of Government, and others, who by no fault of their own, and confiding in the stability of a Government Institution, have been suddenly reduced from affluence or competence, to penury or ruin. So strengthened has the position of the Agency become by mere delay, and the boldness of its supporters, that it can now afford to sink all these considerations, and openly ask to be converted into an ordinary Branch Bank, on the principles of free-trade. Those who are seeking to recoup a portion of their losses in the Old Bank of Bombay, by embarking their fortunes in the New, are twitted with the charge of selfishness and monopoly-mongering, if they lift their voices in support of their own interests, and are told that the New Bank was started not for their sakes, but for the public: and, therefore, that if the public interests require an additional Bank, they must not complain.

22. We are not disposed to deny that the New Bank was established for the public good, but it was in a great measure started by the old Shareholders, who hoped to save their own interests legitimately, while at the same time they supplied a public want. They do not ask for any monopoly; all they ask is that there shall not be two Government Banks in one and the same Presidency. There is abundant accommodation for the public afforded by the several Banks established in Bombay, without the Bengal Bank coming in as a competitor; and if not let more come. But respectfully, yet most emphatically do we seek to point out to your Excellency, that if further competition be desirable, the Bengal Bank should not be a competitor. For the Government is a partner in that Bank as well as in the New Bombay Bank; and we submit that under such circumstances it should not set up an opposition by means of one Presidency Bank against another. Hitherto the intention of the Charters of the Presidency Banks has been preserved inviolate and intact. One Bank has not been let loose upon another; each has been confined to the limits of its own Presidency or the Native States in immediate connection with its own Presidency; and if any additional reason were required to *point* the propriety of adhering to this wholesome rule in the present instance, it is to be found in the consideration, that the Government is in fairness and justice bound to afford the old Shareholders of the Bombay Bank assistance and support, not opposition.

23. We have determined to address your Excellency direct, without approaching you through our Directors, because we know what time might be consumed in representations and protests by the New Bank Directors to the Government of Bombay, communications between the Government of Bombay and the Supreme Government, and possibly between the Supreme and the Home Government, supplemented, not unlikely, by references backward and forward, before any final determination was arrived at and declared.

24. Not that we have not every confidence in the ultimate dispensation of what justice and impartiality require and demand at your Excellency's hand; but *time* is of the essence of the

matter. No one knows this more thoroughly than the Management of the Bengal Bank. We confess we fear its interest and influence. It cannot but naturally have powerful friends and supporters about and around its own head-quarters, from the fact that many Officials of high standing, and their friends are Shareholders in the concern ; the Financial Secretary to Government is the Chairman of the Bengal Bank ; and we know that delay, which might be easily and plausibly interposed, would be the very policy that would suggest itself to the able tactitions who manage the Bengal Bank. There is every likelihood that unless the Shareholders in the Bombay Bank come forward to state their own case, and advocate their own interests, the only side that will find representatives before your Excellency, and the only interests that will be advanced, will be those of our opponents, the Bengal Bank.

We beg therefore respectfully to pray that immediate steps may be taken for removing the Bengal Bank Agency from the path of the New Bombay Bank, on the ground that the object for which it was temporarily permitted, has been accomplished, and the reasons which led to its adoption and sanction have passed away ; inasmuch as the New Bank is now so firmly and satisfactorily established, as to render it worthy of the confidence of the Bengal Bank, and quite equal to undertake safely and efficiently all the agency business of that establishment ; as well as because the Agency, by undertaking ordinary banking operations, has been guilty of a violation of the conditions under which its institution was sanctioned : because the operations of the Agency are in contravention of the spirit and intention of the Bank Charters ; because there is no need of any further Banking accommodation than that already existing in Bombay ; because the Agency was sanctioned as a temporary measure, and for a particular class of business only ; because the Shareholders in the Old Bank, ruined in a great measure by the *ex-officio* Government Directors, are entitled to the sympathy and support of Government ; because if the general principles of free-trade and open competition are of weight, they are nevertheless overridden in the present case, firstly, by the impropriety of allowing a concern, in which Government is a partner, to set up an opposition to another concern in which also it is a partner ; and secondly, because any such opposition is directly opposed to those measures of assistance and support, which, under the peculiar circumstances of the Old and New Bombay Banks, the Government is bound to afford the Bank of Bombay, or that your Excellency will afford such other measure of remedy and redress, as the premises may seem to your better judgment to render expedient and just : and your Memorialists shall ever pray, &c.

We have the honor to be
Right Honorable Sir,
Your Excellency's most obedient humble Servants,

MADRAS, *May* 1868.

PARRY & Co.
ARBUTHNOT & Co.
LECOT & Co.
E. LECOT.
A. G. JACK.
J. B. NORTON.
F. CHURCH.
J. T. FOWLER.
A. McIVER.
J. HUNTER BLAIR.
E. W. BARNETT.
R. E. MASTER.
T. W. BLAIR.
T. H. ALLAN.
J. MILLER.
G. F. WINSCOM.
BINNY & Co.
W. SCOTT ELLIOTT.
C. COLLETT.
BERESFORD ANDERSON.
J. WALDEGRAVE BRADLEY.

No. 63. ORDER THEREON, 23rd May 1868, No. 261.

Ordered that a copy of this letter, together with the copy of the Memorial received with it, be forwarded to the Secretary of State for India.

(True Extract).

Chief Secretary.

To the Honorable J. C. Loch.

Exd. T. O'Connor.

TO

HIS EXCELLENCY,
THE RIGHT HONORABLE
SIR JOHN LAWRENCE, BART.,
GOVERNOR GENERAL OF INDIA IN COUNCIL;

The humble Memorial of the undersigned shareholders of the Bombay Bank, resident in Madras.

SIR,

When the Old Bank of Bombay had entirely lost the confidence of the Public, and after the negotiations for its amalgamation with the Bengal Bank had fallen through, the Bengal Bank obtained your Excellency's sanction for sending an *Agent* to Bombay ; professedly to transact for it that business which, it was thought, it could no longer safely entrust to the Old Bombay Bank.

2. This step created no small alarm, at the time, among the Shareholders of the Old Bank, and those who were then endeavouring to start the New Bank on the ruins of the old. We do not quarrel with the Bengal Bank for this step, so far as it was confined to *mere* Agency, and was a *bonâ fide* temporary measure, to be abandoned if and so soon as the New Bank should prove its fitness for resuming the business of the Bank of Bengal. The Bengal Bank may have been piqued at the failure of its negotiations for an amalgamation of the Bombay Bank with itself; its Management may have thought, if Bombay will not have amalgamation, it shall have opposition ; but it is not necessary to impute or to seek for motives ; it had a right, in the distrust with which the Old Bombay Bank was at the time universally regarded, to protect its own interests in any manner that seemed ~~best to it.~~ *It is thus that* the Bengal Bank in its Report of the 3rd December 1867, gives its own account of the establishment of its Agency in Bombay. "The powers delegated to the Bank's Agent are precise and "well defined, *embracing only the description of business formerly transacted by the Bank of "Bombay, as Agents of the Bank of Bengal.* The Directors, although entertaining no doubt, "that the appointment of an Agent in Bombay under the limitations adverted to, is a matter "entirely within their own discretion and requires no sanction or authority from Government, "nevertheless did not make the appointment without the distinct sanction of Government. This "course throughout the whole procedure connected with the establishment of the Agency, and "the subsequent conduct of the business, has been closely adhered to."

3. Assurances were asked for, and at once conceded by the Government of Bombay, the Government of India, and by the Home Government, that the object of the Bengal Bank was *purely its own Agency*, and that it would not for a moment be permitted to undertake any of the operations of a Branch Bank, as a rival to the New Bank of Bombay. On the 22nd October 1867, Mr. *Dickson*, the Manager of the Bank of Bengal, informed the Secretary of the Bombay Bank, that Mr. Hector was about to proceed to Bombay as Agent to the Bengal Bank. In his letter he rested this measure solely on the state of uncertainty which prevailed as to the date of the Bombay Bank's liquidation. He wrote, "the state of this Bank's "account in Bombay has for some time past engaged the anxious consideration of the Directors, "and as so much uncertainty still attaches to the date on which the Bank of Bombay is to be put "into liquidation, I have been instructed to inform you that the Directors have deemed it expe-"dient to appoint an Agent specially for the transaction of the Bank's business in Bombay."

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TO THE CHIEF SECRETARY TO GOVERNMENT,
Financial Department, Poona.

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22nd instant, which they have just received from the Secretary and Treasurer to the Bank of Bengal, intimating that the Directors of that Bank have appointed an Agent to transact their business in Bombay.

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4. By the Charter of the Bank of Bengal, the Directors may, with the sanction of the Governor General of India in Council, form business Agencies at such places as they may deem advantageous to the interests of the Bank; but it has always been understood and tacitly acted upon, that the privilege enjoyed equally by the three Chartered Banks of Bengal, Madras, and Bank of Bombay was limited to the Presidency in which each Bank had its chief office, and that it was not consistent with the spirit of the Charters, to allow of any interference with the business of another Bank in a different Presidency, the establishment of Branch Banks in neutral territories being the only exception to this rule.

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J. STUART,
Secretary and Treasurer.

BANK OF BOMBAY, October 2nd.

5. The Right Honorable the Governor of Bombay replied on the 5th November, that he had received no intelligence respecting the Agency from your Excellency. On the same day the Secretary of the Bombay Bank addressed the Chief Secretary requesting that a telegram might be despatched to your Excellency on the subject.

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TO THE SECRETARY AND TREASURER,
Bank of Bombay.

SIR,—I am directed by the Right Hon'ble the Governor in Council, to request that you will inform the Board of Directors and the Reconstruction Committee that His Excellency the Governor has received a reply to the telegraphic message to the Governor-General, which he read to the gentlemen who waited on him on Friday last.

The Right Hon'ble the Governor-General has replied that he had no personal knowledge of the arrangements under which Mr. Hector had been deputed to Bombay as agent of the Bank of Bengal; that the Directors of the Bank had been understood to propose to send an agent to Bombay *only for the purpose of collecting their outstandings* and that they had been informed that the Government of India would not object to their doing so.

His Excellency the Viceroy has also stated that no arrangement, under which the Bank of Bengal should be at liberty to establish a branch *or agency at Bombay for the transaction of general banking business, would receive his sanction.*

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M. J. SHAW STEWART.
Acting Chief Secretary to Government.

Bombay, November 13th, 1867.

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9. The ruin of the old Bombay Bank is attributable, in a very great measure, to the *laches* and negligence, to put it at the lowest, of the *ex-officio* Government Directors. Had they done their duty, by bringing to the notice of their Government, at an early stage, the proceedings and operations of the Bank; it is not too much to say that its improvidence would have received an instant check; and that though serious losses might still have been encountered, the Bank's headlong career to absolute ruin, probably without a parallel in the history of banking, could not have been accomplished.

10. For the Government, therefore, under such circumstances, to permit another Bank, in which also *it is itself a large partner*, and has a heavy interest at stake, to occupy even an inch of the ground properly belonging to the Bombay Bank, would be an anomaly, and indeed an injury, which it is conceived, has only to be stated, in order to be condemned. It could never have been contemplated by Government: it is to be presumed that it will not be sanctioned or tolerated.

11. Nevertheless, the Bengal Bank Agency has been seeking to obtain a firm hold in Bombay. *It has purchased extensive premises*, belonging and contiguous to the Old Bombay Bank, for, we are told, two lakhs of rupees; premises altogether unnecessary for, and out of proportion to the exigencies of a *mere*, and more especially, a temporary Agency. It is asserted in the public Prints of Bombay, and can be proved, that already the Agency *has been entering on ordinary banking operations*. It certainly has not confined itself to that which alone your Excellency sanctioned, the "collection of outstandings." Ample proofs of the character of the Agent's operations are in the hands of the Directors of the New Bombay Bank. These, we are informed, have already been forwarded to Government, accompanied by the Protest of the Directors; but no action has ensued. The Agency is a standing menace to the New Bank; it prevents he return of public confidence to the Bombay Bank: it largely intercepts its legitimate profits. It is exceedingly difficult to define where Agency ends, and Branch Banking begins. It has thrown down the gauntlet by the purchase of premises utterly beyond the requirements of a simple Agency and a mere temporary purpose, such as the "collection of outstandings"; it *banks*, in breach of its pledge, in contravention of the spirit of its Charter, in violation of the condition on which it was sanctioned by your Excellency, and in open defiance of the authorities by whom it was required to give that pledge.

12. By undertaking ordinary banking operations in breach of the conditions on which its establishment was permitted, the Agency has rendered itself liable to be ordered to cease.

13. The Management of the Bengal Bank may consider that they have already got the whip-hand of the New Bombay Bank; they know that time is everything to them; that the longer the Agency is suffered to exist, the more difficult will be its extirpation; they are willing to take the chance of the chapter of accidents, finally to establish a Branch; and their interest and influence at head-quarters are naturally so powerful, that they may well look to defeat such representations, protests, and complaints, as the Directors of the New Bombay Bank may officially put forward.

14. As an instance of the injurious way in which the "Agency" affects the New Bombay Bank, we may mention what we have recently heard, on good authority, that the Agency has swept into its own coffers all the profits on the monies used for the Abyssinian expedition, which, but for the presence of the Agency in Bombay, would naturally, legitimately, and necessarily have flowed into to the New Bombay Bank; we learn also that this operation of the Bengal Bank, though working profitably to itself, has been effected at a positive and large loss to the public revenues.

15. It cannot be doubted that the New Bank of Bombay is now in a position to resume and take up that Agency which the old Bank formerly did for the Bengal Bank, and which it now does for the Madras Bank, that never had an Agency in Bombay, even when the Old Bank's affairs were at their worst.

16. The Bank of Madras applied to your Excellency in Council for leave to establish an Agency in Bombay, under the same circumstances, for the same purposes, and nearly at the same time as the Bengal Bank. Permission was not given.

17. There seems then to exist no legitimate reason why the longer maintenance of the Bengal Bank Agency should not be imperatively and immediately prohibited.

18. A time may possibly come, when all the Presidency Banks may be permitted to extend their operations into each others confines, according as each may deem it best for its own interests; though even then it may be a question whether true policy shall not place a restriction on the invasion of one Presidency by other Presidency Banks. But so long as the Government connexion with all these establishments exists, we respectfully submit that it is unfit that the Government, *a partner in all three*, should be competing with the rest of the Shareholders, to their grave detriment and loss, on their respective grounds. Such a state of things was never contemplated by the Bank Charters; and specially is it hard, that such operations, or what is nearly as fatal, the fear and colour of them, should be permitted to exist in Bombay, under the extraordinary circumstances which have arisen there, and the peculiar obligation under which the Government lies to the unfortunate Shareholders of the old Bank, now seeking to recover a portion of their losses in the New, to afford them, if not favour, at least the *clearest possible stage*. For the Government to allow an opposition to be set up, in which opposition concern it is itself a heavy Partner, would be but a strange and sorry fashion of fostering and assisting the infant institution of the New Bank

19. A clear stage the Bombay Bank cannot have, so long as the Bengal Bank Agency with its extensive Establishment is tolerated in the very centre of the New Bombay Bank's operations.

20. The Home Government has already acknowledged and acted on its obligation to assist the reconstruction of the New Bank by all legitimate means. Not only did it at once consent to give it the same business as had been conducted for Government by the old Bank, but when it was found that the New Bank could not be started unless the Government became a shareholder in it to the same extent as it was in the old, it at once, though at the eleventh hour, and very strongly disposed to withdraw from its former connexion, consented to become such partner.

21. Already the Bombay *Saturday Review*, which has all along been the persistent advocate of the scheme for amalgamation, and the supporter of the Bengal Bank's interests, has thrown off all concealment as to the ultimate views and objects of the Bengal Bank. In its Issue of the 18th April instant, it contains an Article, in which it not only avowedly advocates the *permanent* continuance of the Bengal Bank's Agency in Bombay, but its conversion into an ordinary Branch Bank; on the principles of free trade and general competition; utterly giving the go-bye to all the previons questions which demand consideration and solution. Whether, for instance, the Agency was not sanctioned expressly as a temporary measure, "to collect outstandings," and to meet an exigency which has passed away; whether the Agency has not openly violated these conditions; whether the Government of India is not bound to give the shareholders in the Bombay Bank their best support; regard being had to the share which the *ex-officio* Government Directors in the Old Bank had in bringing ruin upon hundreds, widows, orphans, and trusties, time-expired officers of Government, and others, who by no fault of their own, and confiding in the stability of a Government Institution, have been suddenly reduced from affluence or competence, to penury or ruin. So strengthened has the position of the Agency become by mere delay, and the boldness of its supporters, that it can now afford to sink all these considerations, and openly ask to be converted into an ordinary Branch Bank, on the principles of free-trade. Those who are seeking to recoup a portion of their losses in the Old Bank of Bombay, by embarking their forstunes in the New, are twitted with the charge of selfishness and monopoly-mongering, if they lift their voices in support of their own interests, and are told that the New Bank was started not for their sakes, but for the public: and therefore, that if the public interests require an additional Bank, they must not complain.

22. We are not disposed to deny that the New Bank was established for the public good, but it was in a great measure started by the old Shareholders, who hoped to save their own interests legitimately, while at the same time they supplied a public want. They do not ask for any monopoly; all they ask is that there shall not be two Government Banks in one and the

same Presidency. There is abundant accommodation for the Public afforded by the several Banks established in Bombay, without the Bengal Bank coming in as a competitor; and if not let more come. But respectfully, yet most emphatically do we seek to point out to your Excellency, that if further competition be desirable, the Bengal Bank should not be a competitor. For the Government is a partner in that Bank as well as in the New Bombay Bank; and we submit that under such circumstances it should not set up an opposition by means of one Presidency Bank against another. Hitherto the intention of the Charters of the Presidency Banks has been preserved inviolate and intact. One Bank has not been let loose upon another; each has been confined to the limits of its own Presidency or the Native States in immediate connexion with its own Presidency; and if any additional reason were required to *point* the propriety of adhering to this wholesome rule in the present instance, it is to be found in the consideration, that the Government is in fairness and justice bound to afford the old Shareholders of the Bombay Bank assistance and support, not opposition.

23. We have determined to address your Excellency direct, without approaching you through our Directors, because we know what time might be consumed in representations and protests by the New Bank Directors to the Government of Bombay, communications between the Government of Bombay and the Supreme Government, and possibly between the Supreme and the Home Government, supplemented, not unlikely, by references backward and forward, before any final determination was arrived at and declared.

24. Not that we have not every confidence in the ultimate dispensation of what justice and impartiality require and demand at your Excellency's hands; but *time* is of the essence of the matter. No one knows this more thoroughly than the Management of the Bengal Bank. We confess we fear its interest and influence. It cannot but naturally have powerful friends and supporters about and around its own head-quarters, from the fact that many Officials of high standing, and their friends are Shareholders in the concern; the Financial Secretary to Government is the Chairman of the Bengal Bank; and we know that delay, which might be easily and plausibly interposed, would be the very policy that would suggest itself to the able tactitions who manage the Bengal Bank. There is every likelihood that unless the shareholders in the Bombay Bank come forward to state their own case, and advocate their own interests, the only side that will find representatives before your Excellency, and the only interests that will be advanced, will be those of our opponents, the Bengal Bank.

We beg therefore respectfully to pray that immediate steps may be taken for removing the Bengal Bank Ageney from the path of the New Bombay Bank, on the ground that the object for which it was temporarily permitted, has been accomplished, and the reasons which led to its adoption and sanction have passed away; inasmuch as the New Bank is now so firmly and satisfactorily established, as to render it worthy of the confidence of the Bengal Bank, and quite equal to undertake safely and efficiently all the agency business of that Establishment; as well as because the Agency, by undertaking ordinary banking operations, has been guilty of a violation of the conditions under which its institution was sanctioned: because the operations of the Agency are in contravention of the spirit and intention of the Bank Charters; because there is no need of any further Banking accommodation than that already existing in Bombay; because the Agency was sanctioned as a temporary measure, and for a particular class of business only; because the shareholders in the old Bank, ruined in a great measure by the *ex-officio* Government Directors are entitled to the sympathy and support of Government; because if the general principles of free-trade and open competition are of weight, they are nevertheless overriden in the present case, firstly, by the impropriety of allowing a concern, in which Government is a partner, to set up an opposition to another concern in which also it is a partner; and secondly, because any such opposition is directly opposed to those measures of assistance and support, which under the peculiar circumstances of the old and new Bombay Banks, the Government is bound to afford the Bank Bombay, or that your Excellency will afford such other measure of remedy and redress, as the premises may seem to your better judgment to render expedient and just: and your Memorialists shall ever pray, &c.

We have the honour to be,

Right Hon'ble Sir,

Your Excellency's most obedient humble Servants.

MADRAS,
May 1868.

PARRY & Co.
ARBUTHNOT & Co.

Lecot & Co.
E. Lecot.
A. G. Jack.
J. B. Norton
F. Church.
J. T. Fowler.
A. McIver.
J. Hunter Blair.
E. W. Barnett.
R. E. Master.
T. W. Blair.
T. H. Allan.
J. Miller.
G. F. Winscom.
Binny & Co.
W. Scott Elliott.
C. Collett.
Beresford Anderson.
J. Paldgrave Bradle

Rec'd Letter to England
25th May No. 11 of 1865.

284

Rec'd Bom: 23rd May 18
Ans. 1st Dec 62.

137

From

The Honorable J. C. Loch

Chairman of a Meeting

of Shareholders of the Bombay Bank

To

The Honorable R. S. Ellis. C. B

Chief Secretary to Govt.

Fort St George

Sir

I have the honor of enclosing in triplicate for transmission through the Government of Madras to the Right Honble Her Majesty's Secretary of State for India, copy of a Memorial addressed to the Right Honorable the Governor General in council, adopted by a Meeting of the Shareholders of the Bombay Bank, held at Messrs Arbuthnot and Company, on the 8th instant, and forwarded to the Right Honble the Governor General, in pursuance of a unanimous vote to that effect, come to by the meeting of which

which I was Chairman.

2 A Second Resolution was come to by the Meeting, determining to send a Copy of this Memorial, through the Government of Madras, to the Right Honorable the Secretary of State; and I have now the honor to request that this may be done at your earliest convenience

3. It is difficult to get Shareholders to state the numbers of the Shares they hold; but I may state as a fact within my own personal knowledge that three of the signatures attached to the Memorial represent alone 500 Shares in the Bombay Bank. I shall feel obliged if in transmitting the memorial, you will bring this to the notice of the Right Honble Secretary of State

I have the honor to be
Sir
Your most obedient Servant
John C. Loch
Chairman

Madras
2nd May 1868

23d May 1868 R=261-

Ordered that a copy of this Letter, together with the Copy of the Memorial received with it, be forwarded to the Secy of State for India.

Wt Knibbs I.C. Loch.

62. 63.

Wt Knibbs I.C. Loch.

Forwarded for favorable consideration to Colonel Pritchard Gold Commissioner Peace River

Wt Knibbs I.C. Loch.