THE CAPE BANK ACT OF 1891*

Brian Kantor

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* I should like to express my great indebtedness to Mr James A. Henry who most generously allowed me access to his own notes on the early correspondence of the Standard Bank. Moreover, Mr Henry was most helpfully prepared to assist in the interpretation of the correspondence and to share his intimate knowledge of the early history of the Standard Bank. This assistance has been invaluable to the study though of course Mr Henry can bear no responsibility for the weaknesses of it. Reference to the Henry notes are by year and page number (e.g. SBH/1890/901/).

Use has been made of the substantial John X. Merriman collection of the South African Library in Cape Town. Reference to these papers are by year and folio number (e.g. MP/1890/5/). Reference is also made to the records of the Cape Town Chamber of Commerce held in the Cape Archives. These consist mainly of press cuttings, unfortunately not all of which are indentified by source. Particular use has been made of a file of press cuttings collected by the Chamber on the bank failures of 1890 and their aftermath (CC/100).

The standard work of reference on the early history of South African banking is still E.H.D. Arndt's "Banking and Currency Development in South Africa 1652-1927", Juta and Co. Ltd., Cape Town and Johannesburg 1928. James A. Henry's "The First 100 years of the Standard Bank", Oxford University Press, London 1963 was also most useful.

The Cape Bank Act of 1891[1] followed closely upon the failures of three important colonial banks, the Union Bank, the Cape of Good Hope Bank and the Paarl Bank. They were described as colonial banks because they were banking enterprizes established by local businessmen and farmers. The Cape of Good Hope Bank, founded in 1837, was the first of the privately owned, indigineous banks and became by far the largest of what was by the 1860's a numerous group[2].

The so-called imperial banks were usually much more substantial than their colonial rivals. They were limited liability banks established with capital raised in the London capital market for the purpose of overseas banking. The first of such banks at the Cape was the London and South African Bank which opened in Cape Town in 1861, followed shortly afterwards by the Standard Bank of South Africa Ltd. in 1862[3].

Many of the colonial banks were absorbed into the branch banking networks of the imperial banks. Others, like the banks mentioned, had failed and still others had simply given up for want of profitable business. Most of the failures were caused by the inability of individual and often badly under capitalized banks to sustain losses incurred by bad debts rather than being part of the repercussions of liquidity crises. This was largely true of the failures of 1890. Pressures on the banks from depositors came after news of the banks' weakness had been leaked rather than being the cause of such weakness.

The Standard Bank was from its establishment the most important of the banking institutions operating at the Cape. It functioned as a bankers' bank and occasionally as a lender of last resort. Such assistance by way of rediscounting the small eligible part of its bill portfolio was provided for the Union Bank[4]. The Union Bank however was beyond redemption and simply overwhelmed by bad debts. A very large part of the bank's loans were on account of one bankrupt borrower, the then notorious

W.A. Lippert[5]. These loans were made against the nominal security of gold mining shares. The complete collapse of the gold share market and the inability to recover debts secured by gold share portfolios were also the major proximate cause of the failure of the Cape of Good Hope and Paarl Banks.

The case of the Cape of Good Hope Bank is somewhat more complicated. Despite the substantial losses the bank sustained, the impression is given that a better handling of the situation by the directors could have seen the bank through the crisis. This is a view shared by some contemporary observers[6]. There is no evidence that the bank was subject to any unsustainable pressure of withdrawals. When it closed its doors the bank in fact held some £300,000 cash against note liabilities of £113,262 current deposits amounts of £569,558 and fixed deposits of £1,343,723[7]. What was required and not forthcoming was a show of determination by the directors to gain the necessary support of the shareholders still responsible for large unpaid portions of share capital. Cecil Rhodes in fact canvassed the Standard Bank on the prospect of a joint rescue operation by the Bank and the De Beers Company which came to nothing, perhaps because it came too late[8].

All the creditors of the Union and Cape of Good Hope Bank werepaid in full out of the value of the banks 'assets' realized in a gradual liquidation. Most of the pressure of the banks' collapse was felt not so much by depositors but by share holders responsible for unpaid proportions of share capital called up by the liquidators. The unfortunate shareholders of the Cape of Good Hope Bank were finally repaid a sizable proportion of their additional contributions[9].

The Standard Bank appeared to suffer no crisis of confidence in its creditworthiness. The local general manager of the bank was surprised at the absence of any such pressure and claimed that most of the deposits of the failed banks had found their way to the Standard[10]. Some reluctance to accept the notes of other banks including those of the then main imperial rival to the Standard Bank, the Bank of Africa, was reported. The Bank of Natal, a colonial bank also operating in the Transvaal, experienced something of a run which apparently was relieved by a Natal Government loan of £200,000[11].

The intentions of the Cape Bank Act were at once both narrower and wider than have usually been presumed[12]. Narrower in the sense that the regulatory provisions of the Act could not directly contribute very much towards banking stability and wider because the Act was directed mainly at forcing the banks to help finance Cape Government expenditure. The reason why the Act could do very little directly to assist the stability of Cape banking was that the asset reserve requirements of the Act referred only to note liabilities. By 1891 the note liability of the Cape banks were already small in relation to their deposit liabilities. This was particularly true of the Union Bank and to somewhat lesser extent also true of the Cape of Good Hope Bank[13].

Both the logic and the desirability of also providing for depositors was recognised by the architect of the Act, the Cape Treasurer, John X. Merriman. In moving the second reading of the bill in the Cape Assembly, Merriman explained that:

> "he had not dealt with the question as to whether it was possible to provide security for the public by making the banks give a certain amount of security, such as holding a statutory amount of cash to cover deposits (but) ... he did not wish to touch on this question at the present time ..."

Merriman went on to remark that "the man the government really had to protect was chiefly the depositor" and that measures taken in Canada and Australia had the effect of "... penalising the depositor in favour of the note holder"[14].

This neglect of depositors despite the strong supposition in their favour may provide some indirect evidence in support of F.W. Fetter's contention that deposit control was not part of the financial orthodoxy of the period.(15) Had it been so, proposals to that effect might well have been included. Bank depositors as well as note holders were served by the disclosure provisions of the Act. As Merriman put it it was designed:

> "... to allow the public as far as possible to be placed in possession of the facts in connection with the institutions to which they entrust their money ..."(16).

It was recognised at the Cape that the superseded Bank Statements Act of 1865, introduced primarily to impose a duty on bank notes, had largely failed to provide useful information upon which judgements about the state of the banks could be made. This was mainly because the earlier act had been confined to seeking disclosure of a bank's business in the Cape which may not have respresented an important part of its total operations. The Act of 1891 attempted to gain a fuller picture of the activities of those banks that dealt at the Cape. All banks were required to submit and publish a quarterly schedule of their assets and liabilities in the colony. Banks were also required to submit a schedule of assets and liabilities held elsewhere in Africa and also to publish accounts submitted to shareholders. The banks were required to disclose the amount of loans made to directors(17). Loans provided by the colonial banks for their directors had too often in the past been influenced by personal considerations and made without due regard for banking prudence and accordingly often proved a grave source of weakness to them. Criticism of this sort was levelled by the liquidators of the Cape of Good Hope Bank (18). There were two main reasons why the Act focussed on securing the note issues of the Cape Banks. The first reason was an essentially practical one. By so securing the notes it was thought that the demand for bank notes and so their use would be encouraged.

A greater circulation would serve the needs of traders and merchants for a convenient medium of exchange. The traders as a result of the uncertainties felt about the banking system had found their business discouraged through an insufficiency of a suitable medium of exchange[19]. Secondly, and the major attraction of the Act for the government, was that it secured the note issue in such a way as to oblige the banks to support the loan issues of the Cape government. The bank's note issues were secured by equivalent bank holdings of Cape government securities.

The bank notes were printed at the cost of the Cape Treasury and were exchanged for Cape government securities of equivalent nominal value and held in trust by the Treasury. In the event of the insolvency of any bank, the holders of the insolvent bank's notes had a first claim against the realized value of securities held for that bank. Thereafter, if necessary, note holders could exercise a prior claim over other bank creditors against other assets of the bank[20].

As has been mentioned, the Cape Treasurer, Merriman, was the prime mover of the new bank act. He introduced the bill to the Cape Parliament as following the American practice and indeed Merriman himself largely drafted the Bill with the United States Bank Act of 1863 before him[21]. The American Act required the banks to support government loan issues at least to the extent of their note issues. While the principle was the same the state of Cape Government finance and credit in 1891 was in no way similar to that of the United States during the Civil War. The Cape Act was not, moreover, introduced during any financial emergency. Aside from appearing to do something about the regulation of banking, the Act was more fundamentally part of the aim of Merriman and others concerned with Cape finance to reduce the reliance of the Cape on the London capital market. Two other measures taken in this connection were the establishment of a Cape Post Office Savings Bank in 1883 and the local issue of Treasury Bills. Despite such efforts the dependence of the Cape on the London market remained very heavy[22].

It is nevertheless of importance to note that in the aftermath of the Baring crisis and the financial difficulties of some of the Australian states the state of the London capital market in 1891 and 1892 was not especially favourable to the raising of long term capital. For this reason the demand for Cape securities expected to be created by the passing of the Act came to appear particularly helpful to Treasury officials during the course of 1891[23]. The Cape however had gone successfully to the market in 1890 and early in 1891 and raised approximately a million pounds on each occasion[24].

Merriman told the Cape Parliament explicitly that the Bank Act

> " ... interested the monetary institutions of the country in the debt of the country and that that ought to be an interest which would help to keep up the credit of the country ..." (25).

Some interested contemporary observers, including its principal financial official, the Cape Agent General in London, Sir Charles Mills, had difficulty in understanding this purpose of the Act[26]. It would be fair to say that the promoters of the Act made no attempt to disguise its intentions. It may also be fair to suggest that they did not object to being thought of as doing rather more about the banks than they were in reality doing.

When the Bank Act Bill was in its committee stage in the Cape Legislative Assembly, a Mr Pearson moved an amendment to the effect that the Cape Treasurer should accept Cape government securities, Natal Securities, gold or consols either in London, Cape Town or Port Elizabeth, as security for the bank's note issues. Merriman in reply said the House had nothing to do with Natal or anybody else. They must try and guard their own institutions and their own people[27]. He went on to say that the

Pearson amendment would tend to defeat the purpose of the Bill. Merriman however was prepared to amend the Bill and accept Cape Government Treasury bills as security for up to one fifth of the notes issued. One member of the assembly, Mr Wiener, who was also president of the Cape Town Chamber of Commerce, said in parliament that "there was no mystery about the bill ... it was intended to serve the government..."(28).

Cecil Rhodes, then Prime Minister, had previously argued against sending the bill to a selett committee as this would have unnecessarily delayed its effects. Rhodes told the house "... that some important financial arrangements of the government were contingent upon the passing of the bill. If the bill passed the principal banks proposed taking up Government stock which would obviate the necessity of the government going into the market for raising loans."(29).

The question of controlling the note issues of banks was controversial in Britain at the time. It was therefore not surprising that the Cape Governor reserved his assent for the Act and sent it on to London. George Goshen then Chancellor of the Exchequer, had in fact previously noticed an article in the Pall Mall Gazette on the Cape Bill and had referred to the Cape Agent General in London for further details(30).

The British authorities also seemed to miss the main point. A despatch from the Secretary for Colonies criticised the Act on two main counts. Firstly, it permitted the issue of notes up to the full value of the securities deposited and secondly, the Act required no statutory reserve of specie.

Merriman replied that as far as securing the notes the Cape Treasury would have a preferent lien on the assets of any bank "for any difference between the value of the notes and the realised value of the securities" and further that the note issues were limited to the paid up capital and reserves of any bank. He furthermore mentioned that the statutory reserve requirements applied only to deposits in the United States and "... It would be travelling beyond my scope to point out the obvious difficulties which occur in keeping up a statutory reserve of specie liable to be operated on by depositors as well as noteholders."(31) This last statement would seem to confirm that Merriman assumed implicitly that the whole question of control over deposits was out of court.

The Bank Act, by doing something about the banks, had the additional effect of defusing the campaign for a national bank at the Cape. This campaign emanated mainly from Afrikaner circles in Paarl not coincidentally hard hit by the collapse of the Paarl Bank. The Rhodes administration which came to power in 1890 relied on the support in parliament of the Afrikaner Bond and so demands of this nature were not something the government could entirely ignore(32).

Merriman viewed the prospect of government paper currency with 'horror' as he wrote to an earlier proponent of it. For as he continued "unless the teaching of experience are wrong it will become so inflated under the requirements of a weak and needy government that it will here as elsewhere impoverish the country and lead to much misery." Merriman was not against a convertible government note issue in principle but as he saw it "... the great danger would be in irresistible temptation to turn the convertible into inconvertible and so be thankfully hailed by all the oppressed debtors..."(33).

The alternative prospect of a national bank or generally unsympathetic legislation were good reasons why the Standard Bank, mainly in the person of their general manager at the Cape, Mr Lewis Michell, were happy to give Merriman the assistance he sought in framing the Act. This assistance was acknowledged in the House as a recommendation for the Bill (34). Merriman in a letter to Michell mentioned the dangers of a national bank being "foist upon the colony ... or at any rate a national issue of notes". Merriman went on to say that "... Personally I view both expedients with the greatest alarm and the more so because there is a good deal to be said for luck, if you could eliminate the political factor, but you cannot, and therefore I consider that National Banking will be a prelude to national bankruptcy"(35).

Merriman attempted to meet the Banks on a number of criticisms they made of his earlier drafts. In its final form the banks showed themselves, with good reason, well pleased with the Act. In principle the interest of the government and the banks in encouraging the issue of notes was mutually compatible and helps explain the cooperation between them. Representatives of both imperial banks consulted, the Standard Bank and the Bank of Africa, argued separately that the 3½% the government proposed to offer a government bonds held as security for notes was too low to encourage their issue given the direct and the opportunity costs of doing so(36).

Michell suggested that the "marginal profit", taking into account the costs of issue, was "unattractive"(37). The government attempted to meet these objections and to make issuing notes, given the rate of interest and the capital and reserve limitation on the issues, attractive for the banks. This, for example, was why the Cape Treasury met the costs of printing the notes for the banks. In addition, following the bankers' representations, the bank note duty was reduced from 1½% to 1%. Furthermore, bank notes were made legal tender and convertible into gold only at the Cape head office of the issuing banks(38). This of course reduced the need for the banks to keep gold coin at outlying branches.

The Government instructed its own officials to accept and use the bank notes in preference to gold. Extracts from a treasury circular to civil commissioners, chief and resident magistrates reads as follows: -

> "While inviting your particular attention to the many beneficial provisions of Act No. 6 of 1891, which introduces a system of guaranteed legal tender Bank Notes, to provide against any possible loss to the public, I am directed to inform you that the Government looks to its officers to render the fullest co-operation in bringing such Bank Notes into circulation ...
>
> (To) ... establish confidence of the public in the convertibility into gold of all Legal Tender notes ...all taxes and moneys due to government being accepted as far as possible in such Bank Notes ... all payments ... by public officers be effected as far as convenient by means of Legal Tender Notes, while gold specie should be used for remittances.
>
> ... Care need however be taken to return for circulation as much silver and bronze coin as possible so that the public may not be inconvenienced ..." (39).

Early estimates by the <u>Cape Times</u> of the effects of the banking reform put the likely circulation as high as £3 million. Michell believed this an exaggeration but thought himself in term of a circulation of about £1½ million (40). Merriman and Mills were looking to a note issue of between £800,000 and £ 1 million in their estimates of borrowing requirements for 1891 (41). In fact the actual circulation of notes must have proved something of a disappointment though no expression of this was found. After a slow start, apparently caused by delays in the supply of new notes (42), the note circulation rose slowly from £490,000 at the end of 1891 to £845,000 in 1898. During the war the circulation naturally rose and reached a peak of £1,583,000 in 1902. Thereafter it decreased to a level of £1,155,000 at the end of 1903 and by 1908 outstanding notes in circulation amounted to some £928,000.

It is possible that the commercial banks' contentions that the 3½% return on bank notes was not sufficiently attractive had something to do with the lower than expected circulation. It is more probable that the preference of money holders for bank deposits rather than bank notes is the main explanation. The banks' demand deposit liabilities in the Cape rose, by no means steadily or continuously, from the level of £3,194,000 at the end of 1891 and reached a peak in the same year as did bank notes of £1,135,800 in 1902 and thereafter fell in a similar way to the level of £6,045,000 by 1908(43). These figures for notes and demand deposits no doubt indicate the stimulatory effect on economic activity of the Anglo-Boer war, a very sharp post-war contraction and the rather subdued conditions thereafter.

While the Bank Act largely represented Merriman's handiwork the inspiration for it probably came from the Cape Town Chamber of Commerce and particularly its president, Ludwig Wiener. In his annual report to the Chamber in May 1890, Wiener argued that the Acts which restricted the issue of bank notes to denominations of £4 and above should be repealed. He thought the consequent increase in the issue of notes "would be a benefit to the public, to the banks and, to the revenue of the country ...". He also remarked that greater protection to the note holder would have to be given and he suggested following the example of the South Australian Bank Note Security Act where, in the event of liquidation, bank note liabilities were made a first charge on the general assets of the bank. Wiener organised a petition from the Chamber to the government to put this point of view (44).

At the September 1890 monthly meeting of the Cape Chamber, Wiener reported that " ... he had received intimation from up-country districts that owing to the unfortunate bank stoppages ... a great many farmers would not take bank notes on any account. They would accept nothing but gold for their produce, and the Chamber knew that meant a restricted trade and general inconvenience ..." Wiener remarked to the meeting that he knew of two government systems that were used to protect the note issue of banks, the Australian system or the American one based on government bonds(45).

The sequestration procedures of the Cape Bank Act of 1891 had no occasion to be applied before the Act was in turn superseded in 1921 by the Union of South Africa Reserve Bank Act. Given the scope of the Act as has been indicated above it would be incorrect to infer that the Act itself was mainly responsible for the subsequent banking stability and not merely coincidental with it.

The explanation for the subsequent banking stability is very largely to be found elsewhere. The main reason was probably the relative stability of the economy after 1891. There were no more shocks for a poor and predominantly agriculturally based economy of the large order of the diamond and gold discoveries and the bursts of speculative fervour associated with them. It is scarce wonder that change of this order produced instability to which the banking system was especially vulnerable. Gradually the diamond and the gold mining industries after 1891 took on a better established and more permanent character. Knowledge of the industry was gained and the banks especially, as a result of their own experience, evolved a safe and conservative relationship with it. For the Standard Bank this meant a devotion to the orthodox principles of British banking and almost a total unwillingness to be responsible for any of the permanent capital requirements of gold mining companies. Bank managers were constantly enjoined, not always successfully, by London Office, the local general managers and the bank's inspectors to lend for a short term, self liquidating purposes only. The banks' policy towards financing share speculation was naturally also conservative. Bank managers were expected to advance only a small proportion of the nominal value of any shares deposited as security for personal loans(46).

Lewis Michell had determined the Standard Bank's policy after an early trip to the gold fields where he had been appalled by some of the financing techniques used by the promoters and financiers of prospective gold mines to raise their initial working capital. Not surprisingly by no means all of these schemes were well intentioned. Later Michell made a distinction between proven and unproved mines. It was thought appropriate for the bank to provide temporary facilities for proven mining companies(47). One effect of the Standard Bank's policy must have been to encourage the group system of South African mining. The group came to act essentially as an investment banker to mining companies under its wing.

It is appropriate to have sympathy for those banks and bankers who unluckily caught diamond and gold mining fever. The necessity to remain detached from new developments is not easily achieved. Furthermore too much detachment or too heavy a hand from remote head offices can easily mean that opportunities would pass them by. This was the fate of the first of the Imperial Banks in South Africa, the London and South Africa Bank, which, unlike the Standard Bank, stood aloof from early developments on the diamond fields(48). Successful banks in a changing world by definition must strike the appropriate balance between traditional caution and profitable experimentation.

One of the effects of the failure of the local banks must also have been to increase the costs of entry into the South African banking industry, in particular of locally financed banking institutions. New banks, if they were to attract deposits, would have had to be able to show some substantial resources of their own. Again, such resources were unlikely to be found in South Africa.

Despite the high degree of concentration of the South African banking industry by 1891 there was banking competition and such competition took a variety of forms, including explicit interest rate competition for deposits and for foreign exchange business. Attempts to cartelize the industry appeared to have succeeded only after 1905. The main competition for the Standard Bank after 1891 came from the newly established African Banking Corporation, an imperial bank, and the southward expansion of the chartered bank of the South African Republic, the National Bank of South African Republic. Competition came also from the Natal Bank and the Bank of Africa.

The banking industry in South African later came to be even more highly concentrated. The National Bank took over the Bank of Africa and Natal Bank in 1911 and was itself later absorbed into Barclays Bank D.C. & O. while the Standard Bank absorbed the African Banking Corporation in 1919.

In short summary therefore, the Cape Bank Act of 1891 was rather less of a forerunner of subsequent legislation and rather more an early experiment in the capturing of a demand for government securities, a practice so extensively applied by the South African authorities today.

Clearly therefore, the view now so strongly held in official South African financial circles, that financial institutions should support government credit irrespective of the rate of return offered has a long history. This is not the place to argue the merits of such a view or the effects of its implementation.

NOTES.

1. Act No. 6, 1891
"To consolidate and amend the law relating to Banking and to secure and regulate the circulation of Bank Notes". Hereafter referred to as 'the Act'.

2. See Arndt (op.cit.) especially Chap. IV

3. See Henry (op.cit.) and Arndt Chap. V

4. SBH/1890/845

Standard Bank Head Office criticised the local officers of the bank for assisting the Union Bank. The local general manager replied that: " ... inasmuch as we are now recognized throughout South Africa as the bankers' bankers and our refusal to accept the position would have immensely strengthened the hands of various influential parties who are crying out for a government bank ..."

5. Lippert was a nephew of mining magnate, Alfred Beit, and was closely involved in the management of Beit's affairs. On his own account he speculated very heavily and unsuccessfully in gold mining shares. His bankruptcy brought down the Union Bank but before that he had forged Beit's signature on some Bills of Exchange to the value of £150,000 in order to extend his credit at the bank. It was for this crime that he was convicted after having been sensationally apprehended by a Cape detective in Philladelphia.
See CC 100 Cape Archives

6. See letter in Cape Times, 13.2.91. CC 104 Cape Archives

7. CC 100 Cape Archives

8. SBH/1890/840

The Bank agreed to put up £150,000 against approved securities if the De Beers Company was prepared to do the same.

9. The Standard Bank was appointed to liquidate the assets of the Cape of Good Hope Bank. The Standard Bank immediately made a loan available to the liquidators to enable them to make an advance payment to creditors of some five shillings in the pound and shortly afterwards a further five shillings was paid to the creditors. By August 1895 the assets of the Cape of Good Hope Bank realized some £2,105,750 including £352,776 called from share holders. The share holders of the Union Bank were called upon to contribute £185 per their share of unpaid capital. Not all share holders could do so and the liquidators were empowered to effect compromise payments from share holders in the defaulting banks. Those share holders who paid up in full were subsequently refunded £65.16.9.

10. SBH/1890/843

11. SBH/1890/843 and SBH/1890/793

12. cf . Arndt p.415, 448-450 and P. Lewsen: John X. Merriman, Dictionary of South Africa Biography

13. The Union Bank upon liquidation had only some £7,740 of notes outstanding. Deposit liabilities were £ 254,147 repayable on demand and £440,321 fixed. CC 100

Schedule of Selected Liabilities of Cape Banks

£ '000

Year	Notes	Demand Deposits	Time Deposits	Total
1891	490	3194	2352	6036
1892	590	3042	2377	6009
1893	615	2738	2487	5840
1894	585	2939	3107	6631
1895	612	4539	3377	8528
1896	762	5292	2921	8975
1897	835	4830	2709	8374
1898	845	4408	2732	7985
1899	1120	7358	3581	12059
1900	1362	9202	4667	15231
1901	1467	10023	5047	16537
1902	1583	11358	5519	18460
1903	1155	6847	4712	12714
1904	1057	7291	4399	12747
1905	1059	7103	4522	12684
1906	1104	6374	5257	12735
1907	914	6064	5303	12281
1908	928	6045	4232	11205

Source: Cape Statistical Gazettes.

14. Cape Hansard 1891 pp. 67 and 68.

15. Frank Whitson Fetter, Development of British Monetary Orthodoxy 1797-1875, Harvard University Press, Mass., 1965, pp.144, 224, 249-250.

cf. L.S. Presnell: Gold Reserves, Banking Reserves and the Banking Crisis of 1890 in C.R. Whittlesey and J.S.G. Wilson (eds.) Essays in Money and Banking in Honour of R.S. Sayers. Oxford, Clarendon Press, 1968

16. Cape Hansard 1891

17. See section 17 and Schedule B of the Act

18. CC 100 Cape Archives

19. See below the accounts of the meetings of the Cape Town Chamber of Commerce in 1890.

20. Sections 41-42 of the Act

21. The Correspondence of John X. Merriman, Phyllis Lewsen (ed.) The Van Riebeeck Society, Cape Town, Vol. 2 p.29

22. See Brian Kantor: Cape Colonial Finance, unpublished paper.

23. See Mills to Merriman 20.2.1891. MP/1891/61

24. See Kantor (op.cit.)

25. Cape Hansard 1891

26. Mills to Merriman, 13.3.1891. MP/1891/

27. Cape Hansard 1891 p.61

28. Cape Hansard 1891

29. Cape Hansard 1891 p.23

30. Mills to Merriman, 20.2.1891. MP/1891/

31. Memo on despatch from Secretary for Colonies dated 8.10.1891 MP/1891/305

32. See Merriman to Sir Charles Mills, Jan.21, 1891. Lewsen Vol.2 p. 33-34.

33. Merriman to Ashburnham. MP/1888/70

34. Cape Hansard 1891 p. 678

35. Merriman to Mitchell, 25.11.1890. MP/1890/146

36. Bank of Africa to Merriman, 19.3.1891. MP/1891/68

20. H.S.B./1890/853
This discussion of the role of the overseas banks has been greatly assisted by access to James A. Henry's notes on the correspondence of the Standard Bank. I should like to express my gratitude to Mr. Henry for this facility. Reference to these notes are by year and page number. For example as above.

See also J.A. Henry, The First Hundred Years of the Standard Bank, Oxford University Press, 1963.

21. H.S.B./1891/887

22. See B. Kantor 1971 (op cit) pp. 63-65.

23. H.S.B./1891/892

24. H.S.B./1898/1136

25. H.S.B./1904/1902

26. The first parliamentary attempt to have Colonial Stocks included within the category of stocks approved for colonial status was made in the liability of Trustees Bill of 1888. The clause that might have included certain strictly defined categories of colonial stocks was omitted from the Trustee Act. The Amended Trustee Act of 1893 specifically excluded stock issued in terms of the Colonial Stocks Act of 1877. This was after the Chancellor had appointed a departmental committee to consider the 'Question of the investment of trust funds in colonial inscribed stocks'.

See C.6278 1891 B.P.P. Vol. 56 1890-91

A.R. Hall (op cit) p.57-88 and A.S.H Baster, A Note on the Colonial Stock Acts and Dominion Borrowing. Economic History Vol. II pp. 602-8.

Hall following Baster suggests that by the time colonial stock were given official Trust Status this had become a fait accompli.

See An Act to Amend the Colonial Stock Acts 1877 and 1892 and the Trustee Act 1893. Chapter 62, 1900.