

1852.

VICTORIA.

R E P O R T

FROM THE

Select Committee

ON

THE BANK OF NEW SOUTH WALES ACT
AMENDMENT BILL,

TOGETHER WITH

THE PROCEEDINGS OF THE COMMITTEE,

AND

Minutes of Evidence.

Melbourne :

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1852.

5. BANK OF NEW SOUTH WALES ACT AMENDMENT BILL.

Mr. Miller moved, pursuant to notice, That he have leave to bring in a Bill, intituled, "A Bill to amend an Act, intituled, 'An Act to incorporate the Proprietors of a certain Banking Company, called the Bank of New South Wales, and for other purposes therein mentioned.'"

Question—put and passed.

Ordered—That the mover and seconder do bring in the Bill.

Mr. Miller, having produced a Certificate that the sum of £25 had been paid into the hands of the Colonial Treasurer, for the public uses of the Colony, presented the Bill intituled, "A Bill to amend an Act intituled, 'An Act to incorporate the Proprietors of a certain Banking Company, called the Bank of New South Wales,' and for other purposes therein mentioned;" and moved, pursuant to notice, that such Bill be now read a first time.

Question—put and passed.

Bill read a first time.

Mr. Miller then moved, pursuant to contingent notice, That this Bill be referred to a Select Committee, to consist of Mr. Westgarth, Mr. Splatt, Dr. Thomson, Mr. Pohlman, and the mover.

Mr. Murphy then moved as an amendment, That after the name of "Mr. Pohlman" be inserted the words "Mr. Strachan."

Question—That the words proposed to be inserted be so inserted—put and passed.

Question—That this Bill be referred to a Select Committee, to consist of Mr. Westgarth, Mr. Splatt, Dr. Thomson, Mr. Pohlman, Mr. Strachan, and the mover—put and passed.

R E P O R T.

THE Select Committee to whom "The Bank of New South Wales Act Amendment Bill" was referred, have taken evidence, and have agreed that the Preamble stand part of the Bill.

The Committee have also considered the several Clauses of the Bill, and have agreed to the several amendments set forth in the Copy of the Bill annexed hereto.

(Signed) HENRY MILLER,
Chairman.

PROCEEDINGS OF THE COMMITTEE.

Wednesday, August 4th, 1852.

MEMBERS PRESENT :

Mr. Pohlman, Mr. Miller, Mr. Splatt.

Mr. Miller called to the chair.

Case opened by Mr. Duerdin.

Mr. Vallack examined.

Question—That the Preamble stand part of the Bill—carried.

Adjourned to the 11th instant.

Wednesday, August 11th, 1852.

MEMBERS PRESENT :

Mr. Splatt, Dr. Thomson.

Adjourned until Wednesday, 1st of September, at 12 o'clock.

Wednesday, September 1st, 1852.

MEMBERS PRESENT :

Mr. Miller in the chair.

Dr. Thomson, Mr. Westgarth.

Question—That Clause I. stand part of the Bill—proposed and carried,

Question—That "6th and" be inserted in the placitum—put and carried.

Question—That "and part of 6th" be omitted from placitum—put and carried.

Question—That Clause II. be omitted—put and carried.

Question—That the following be inserted as Clause II. :—" All promissory notes (which by the said recited Act the said Corporation are authorized to make, issue, and circulate) shall bear date at the city, town, or place at and from which the same respectively shall be made and issued, and that the same respectively, when issued in the said Colony of Victoria, shall

“ in all cases be payable in specie, on demand, at the place of date, and at the principal Banking Establishments of the said Corporation in the said City of Melbourne; and the total amount of the promissory notes payable on demand, issued and in circulation within the said Colony of Victoria, shall not at any one time exceed the amount of the coin, bullion, and public securities which shall for the time being be held by the said Corporation within the said Colony”—proposed.

Question—That the following words be added to Clause II. above proposed :—“ Nor shall the proportions of coin be less than one-fourth part of the amount of the coin, bullion, and public securities so held by the said Corporation within the said Colony”—put and carried.

Clause as amended carried.

Question—That in Clause III. the following words be inserted in the tenth line, after the word “ contracted,” “ within the said Colony of Victoria”—put and carried.

Clause as amended carried.

Question—That in Clause IV. the following words be inserted in the twenty-third line, after the word “ same,” “ when melted down into ingots”—put and carried.

Clause as amended carried.

Clause V.—carried without amendment.

MINUTES OF EVIDENCE.

WEDNESDAY, AUGUST 4, 1852.

MEMBERS PRESENT.—Mr. Miller, Mr. Pohlman, and Mr. Splatt.

MR. MILLER called to the Chair.

Charles Salmon Vallack, Esq., called in, and examined.

1. *Examined by Mr. Duerdin, Solicitor for the Petitioners for the Bill.*—Q. You are Manager of the Melbourne Branch of the Bank of New South Wales? A. I am. C. S. Vallack, Esq.
August 4, 1852.
2. Q. When was your Branch established? A. In March or February of last year; it was in March, 1851.
3. Q. This was before the separation of Victoria from New South Wales? A. Yes, before the separation of the two Colonies.
4. Q. Has this Branch been in existence up to the present time? A. It has.
5. Q. Are you aware of the nature of the sixth and fourteenth Clauses of your Act of Incorporation? A. I am.
6. By the sixth Clause, I believe the issue of notes is restricted to the amount of the capital stock of the Company paid up? A. It is.
7. Q. Has this been found to operate prejudicially to the business of the bank, as well as to the interests of the public? A. It has, for when the circulation is up to the full amount of the Stock of the Company, we are obliged to create new capital, in order to meet the demands of the public; or else, in consequence of the restriction on our circulation of notes we are driven to the expedient of issuing gold coin in payment of demands.
8. Q. Do you find that this restriction operates injuriously to the interests of the bank, as regards the extension of its business, and the convenience of its customers? A. Yes, because we cannot give notes to our customers when they are applied for. We are now obliged to go to other banks, and give sovereigns in exchange for their notes, or else to give our customers the gold, to exchange for the notes of other banks. In either way it injures our business considerably.
9. Q. Then, as a means of circulation, you find that your customers prefer notes to sovereigns? A. They do.
10. Q. Is there any great transmission of Cash from Melbourne into the country? A. Yes, very large amounts are forwarded; I know of as much as twenty and thirty thousand pounds being sent by the escort.
11. Q. And what do you consider to be the most convenient form of making these transmissions? A. By notes of course, because of the greater security they afford to the holder, in cases of robbery; where the numbers are taken they can be stopped or traced.
12. Q. Then notes offer more security for transmission than gold does? A. They do.
13. Q. Would the effects of the proposed alteration then as regards the public, be beneficial rather than otherwise? A. They would.
14. If your branch were at liberty to extend its circulation of notes, you think it would tend not only to the advantage of the bank, but to the advantage of the public? A. I do; because we could then give our own notes, instead of getting those of other banks, or in place of the gold we now issue. At present we cannot supply our customers with notes.
15. Q. In their orders to you, do not your customers object to taking gold in lieu of bank notes? A. Yes, this is frequently the case. We are often unable to supply notes, and often offend our customers by tendering gold.
16. Q. Have you ever had the occasion to buy the notes of other banks? A. Yes, I have had occasion to pay for notes; I have frequently offered sovereigns for them, and could not get them.
17. Q. Do you find a class of persons amongst your customers, who are led, in consequence of receiving their payments in gold, into a habit of hoarding? A. Yes. There are many who have told me that they would bury their sovereigns, as that was a sure means of keeping them in safe custody.
18. Q. And you believe that what they told you they carried out? A. I do; and they thus inflict an injury on the public by interfering with the currency of the country, and by the withdrawal of specie from its natural course of circulation.
19. Q. To what extent do you think it would be safe, that the circulation of notes should be extended? A. I think it would be quite safe if extended to three times the amount of the capital; and in this opinion I take as a guide the precedent of other banks where this limit is fixed. This system has been found to work most satisfactorily in Scotland.
20. Q. Do you happen to know what limit is placed on the issue of notes by the Bank of Australasia? A. To three times the amount of their paid up capital; and I believe also that the liability of the shareholders is at the same time restricted to the amount of their paid up capital.

21. Q. That bank, I believe, is carried on under a Royal Charter? A. Yes, it is a Royal Corporation. It has just six times the amount of privilege that our bank enjoys; first by the limit of the liability to the amount of the share, and next by being allowed a circulation of three times the amount of their capital, instead of being restricted to an equal amount as we are.

22. Q. Do you know if there is any limit to the issue of the notes of the Union Bank? A. No, their issue is unlimited, as those of all Joint Stock Banks are, that are not incorporated.

23. Q. Do you think that the permission to issue notes only to the amount that may be covered by the coin and public securities of the Company would prove injurious? A. On the contrary, it would be most beneficial, if only the principle of protection is looked at. Where the basis of the currency is metal, there can be no fictitious capital which is very likely to be the case with any other basis.

24. Q. Has the present restriction had the effect of causing your Bank to increase its capital here to such an extent as to hamper the means of the main branch in Sydney? A. It has.

25. Q. And this is a permanent increase, merely to meet a temporary difficulty? A. It is; and to meet a difficulty, that cannot last.

26. Q. Do you find it difficult to obtain sovereigns? A. No, we are bound to find either sovereigns or silver.

27. Q. You import them I presume from Sydney? A. Yes, and from London.

28. Q. Does this confer any additional advantage on your Bank? A. No, not in the least. Parties holding our notes have a right to demand specie in payment for them; this provision is enforced in our Charter.

29. Q. The fourteenth section of your Act of Incorporation precludes you from taking the amounts received into the Bank as ordinary deposits with the account of your Assets, would it make any difference in your business, or cause any disadvantage to the public, to extend the provisions of this section? A. If it is not done, the result will be that the extraordinary demand that has been so suddenly made on the currency of the country, will fetter banking operations so much, that it will be impossible to carry them out.

30. Q. Unless the exceptions in this clause are extended, you think banking operations cannot be carried on? A. It will be impossible to do so, or else every incorporated bank must violate its Charter.

31. Q. Especially when you find that the limit is inconvenient and unnecessarily restrictive to the public themselves? A. Yes, for the reasons I have before stated.

32. Q. Do you happen to know, whether the banks recently established at home, are on a more extended principle as regards the issue of notes? A. Yes. The Oriental Bank, has the privilege of issuing notes to the amount of three times their specie held; and this within the last eighteen months. They have the same limit to the liability that we have.

33. Q. Are you aware whether, if such an extension of the issue of notes were given to your bank, it would act detrimentally to the public? A. On the contrary, I think its operation would be most beneficial.

34. *By the Chairman.*—Q. Have you had much experience in banking? A. I have.

35. Q. During how many years? A. During the last fifteen years.

36. Q. In this Colony? A. No. I was connected for five years with banks at home; during the last ten years, I have had an interest in banks here.

37. Q. Allow me to hand you a work by Robert Montgomery Martin, entitled Statistics of the Colonies of Great Britain, and let me draw your attention to the Charter of Incorporation of the Bank of Australasia. Will you be good enough to read the two passages that are underlined? A. I will. The one is, "And it was by the said Indenture declared, that every proprietor of the said co-partnership, his, or her heirs, executors or administrators, as between him, her, and them, and all or any of the other proprietors of the said copartnership, and their respective heirs, executors, and administrators should be answerable for or in respect of the calls, debts, losses, and demands, of or upon the said copartnership, in proportion to his or her share and interest for the time being, in the funds or property of the copartnership and no further." The other extract is—"Provided always, and we do hereby ordain and declare, that the total amount of the debts, engagements, and liabilities of the said corporation upon or in respect of any such notes or bills as aforesaid, or otherwise shall not in any case exceed the amount of their deposits in specie, and Government notes or Government bills, or notes of the Governor and Company of the Bank of England, which may have from time to time been lodged and deposited with the said corporation, and three times the amount of the capital of the said corporation, which for the time being shall have been actually paid up."