

Proposed Trade Bank for British Empire

Recommendations of British Board of Trade for Establishment of Large Financial Institutions to Assist Trade Within the Empire and to Foster British Trade Throughout the World.

Important recommendations for the furtherance of British trade and for the financial assistance of British manufacturers have been recently made in a report to the British Board of Trade by the Committee on Financial Facilities for Trade. It is urged that a Trade Bank be established under Royal charter to fill the gap between the home banks and the colonial and British foreign banks and banking houses, and to develop facilities not provided by the present banking system. The report recommends that the main features of the Trade Bank should be as follows:—

(I) It should have a capital of £10,000,000. The first issue should be from £2,500,000 to £5,000,000 upon which in the first instance only a small amount should be paid up, but which should all be called up within a reasonable time. A further issue should be made afterwards, if possible, at a premium.

(II) It should not accept deposits at call or short notice.

(III) It should only open current accounts for parties who are proposing to make use of the overseas facilities which it would afford.

(IV) It should have a Foreign Exchange Department where special facilities might be afforded for dealing with bills in foreign currency.

(V) It should open a Credit Department for the issue of credits to parties at home and abroad.

(VI) It should enter into banking agency arrangements with existing Colonial or British-foreign banks, and where such arrangements were made it should undertake not to set up for a specified period its own branches or agencies. It should have power to set up branches or agencies where no British-foreign bank of importance exists.

(VII) It should inaugurate an Information Bureau.

(VIII) It should endeavor not to interfere in any business for which existing banks and banking houses now provide facilities, and it should try to promote working transactions on joint account with other banks, and should invite other banks to submit to it new transactions which, owing to length of time, magnitude, or other reasons, they are not prepared to undertake alone.

(IX) Where desirable, it should co-operate with the merchant and manufacturer and possibly accept risks upon joint account.

(X) It should become a centre for syndicate operations, availing itself of the special knowledge which it will possess through its Information Bureau.

(XI) It should receive Government assistance.

The members of the Committee were:—Lord Faringdon (Chairman), Mr. B. P. Blackett, C.B., Sir W. H. Clark, K.C.S.I., C.M.G., Mr. F. Dudley Docker, C.B., Mr. Gaspard Farrer, Mr. W. H. N. Goschen, the Right Hon. F. Huth Jackson, Mr. Walter Leaf, the Hon. A. H. Mills, Mr. J. H. Simpson, Mr. R. V. Vassar-Smith, and the Hon. R. E. Beckett. Mr. Gaspard Farrer did not sign the report.

After expressing the view of the committee that there exists to a considerable extent at the present time in this country the machinery and facilities for the finance of home trade and large overseas contracts, and for carrying through much of the business which has been done by foreign banks, the report states that our arrangements are faulty in not co-ordinating many of the facilities mentioned. It says:—

"We recognize also that the British manufacturer may be frequently in want of finance of a kind which a British Joint Stock bank with liabilities could not prudently provide, whereas the German banks in particular seem to have been able to afford special assistance at the inception of undertakings of the most varied description, and to have laid themselves out for stimulating their promotion and for carrying them through to a successful completion. We conclude, therefore, that there is ample room for an institution which, while not interfering unduly with the ordinary business done by the British Joint Stock Banks, by Colonial Banks, and by British-Foreign Banks and Banking Houses, would be able to assist British interests in a manner that is not possible under existing conditions.

"Such an institution could also take a leading part in the inception of transactions and assist in connection with the machinery of overseas business.

"The institution must be equipped with an up-to-date information department, and this will of necessity play a large part in its usefulness and financial success. This might properly be called a Bureau d'Etudes, independent of the Commercial Intelligence Branch of the Board of Trade, but in close touch therewith and under agreement entitled to all possible facilities. That such a bureau is essential has been made abundantly clear by the evidence given by witnesses we have heard and also by the evidence given before other committees. It would not necessarily deal only with schemes in which the institution proposed to take financial interests, but might be made a centre for investigation of projects on behalf of others, and a considerable revenue might be obtained thereby.

"Nearly as important as the board would be the general staff. It is fair to assume that women will in the future take a considerable share in purely clerical work, and this fact will enable the institution to take fuller advantage of the qualifications of its male staff to push its affairs in every quarter of the globe. Youths should not be engaged without a language qualification, and after a few years' training they should be sent abroad. It could probably be arranged that associated banks abroad would agree to employ at each of their principal branches one of the institution's clerks, not necessarily to remain there for an indefinite period, but to get a knowledge of the trade and characteristics of the country. Such clerks might in many cases sever their connection with the banks to which they were appointed and start in business on their own account. They would, however, probably look upon the institution as their 'Alma Mater.' Every endeavour should be made to promote esprit de corps, and where exceptional ability is developed it should be ungrudgingly rewarded. If industry is to be extended, it is essential that British products should be pushed, and manufacturers, merchants and bankers, must combine to push them. It is believed that this pushing could be assisted by the creation of a body of business young men in the way above described.

"If financial assistance is given by the Government to undertakings in connection with what are known as 'key' industries, the business should, if possible, be done through the medium of the institution.

"In the financial operations of the institution the desirability of assisting British trade and of placing with British manufacturers orders in connection with new undertakings should always be borne in mind.

We are of opinion that there are strong reasons why the bank should be formed without delay, so that preliminaries may be completed before the war is over. We believe that a bank constituted upon the above basis, with efficient management, should not only be a great boon to British trade, but should prove a commercial success."