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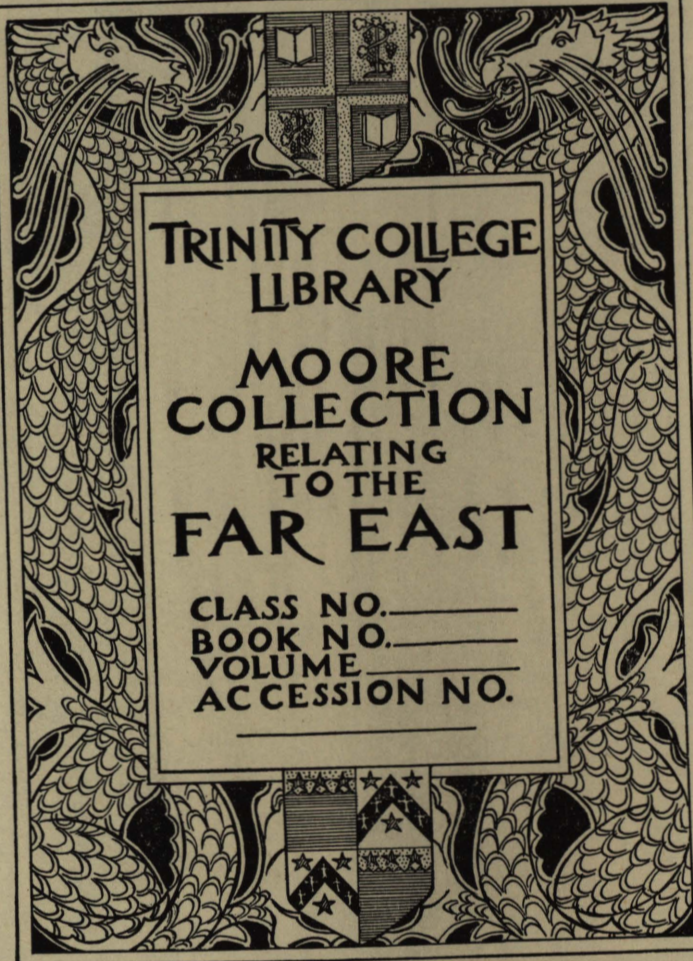


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NOTES
ON THE
CHINESE GOVERNMENT
BANK.

大清銀行

BY
JULES GORY,
Chinese Customs.



PEKING, MAY 1908.

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NOTES ON THE TA-CH'ING BANK.

(Hu Pu Bank).

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HISTORY

Origin of the Bank.—Memorials, Officers appointed.—
Opening of the Bank.—Branch-offices.—Competition
successfully opposed.—Attitude of the Shansi banks.

Origin of the Bank.

The so much vaunted Chinese science of banking was an old, decrepit system with one redeeming feature—transfer of capital by credit—which, being nothing more than a natural consequence of the Chinese spirit of solidarity, had clumsily gone on for centuries without showing the least sign of improvement,

Very little did Chinese bankers of the old time concern themselves about the life-distributing function of capital : healthy circulation or putrid stagnancy, no matter, as long as sufficient spoil remained in their clutches. True, they understood the use of credit documents, but not the use of credit, which was sometimes lavishly distributed, and then suddenly withdrawn when most needed : in time of stringency the famous Shansi bankers disappear ; instead of facing the storm which they have often brought about by their own ignorance, they take their belongings and go, thus aggravating the situation and precipitating the ruin of less cunning ones.

As to Currency, it was very simple : One national coin, the copper cash, issued without any method by the Government, and which, immediately on entering the circulation, became the property, the tool, of a special class of banks, the cash shops. Under penalty of death, the smelting of the Sovereign's coin was forbidden, but helping the circulation with the

addition of falsified coins was a slight offence, if an offence at all. The official cash was sometimes ridiculously above its nominal value, sometimes much below, while the false cash had hardly any value at all. Good and bad, they all went pell-mell on one string: under these conditions the cash shops could not help making deductions for quality, weight, cost of stringing, etc., and thousands of so-called banks were thriving with a capital hardly exceeding that of a boot-black in Western lands.

Silver coins were being struck now and then at some of the Provincial mints, but their use was limited to the immediate neighbourhood of Treaty ports and they were practically unknown in the country at large.

Such was the situation when, by the Mackay Treaty of September 1902, China agreed to take the necessary steps to provide for a uniform national coinage. In this anticipation, high officials, headed by H. E. Na Tung (since president of several Ministries, Grand Secretary, etc.) had already been sent to Japan to study the principles of foreign currency. They came back with wonderful tales of the Japanese banking system and strongly advocated the establishment of a Chinese Central Bank to issue the new coin and regulate its circulation. Thus originated the Ta Ch'ing Bank.

**Memorial of the 28th. Day. 1st. Moon, 30th.
Year of Kuang Hsü.**

In a memorial presented by the Council of Finance (Ts'ai Cheng ch'u) and the Board of Revenue (Hu Pu) on the 14th. March 1904, was made the first proposal to establish a Central National Bank

under the control of the Hu Pu ; its principal object would be to aid in the circulation of the new currency, doing away with brokers, etc., in the issue of coins. It would also be a connecting link between the numerous private banks and cash shops, and might be made use of by the Government in distributing its surplus or tiding over possible deficits.

This was approved by the Throne.

**Memorial and Regulations
of the 3rd. Moon, 30th. Year.**

Regulations were immediately prepared by the Hu Pu and submitted to the Throne a few weeks later (3rd. moon). The memorial which enclosed them stated again the necessity of establishing the Bank at once ; branch offices should be opened in all the Provinces as soon as sufficient Chinese assistance could be secured ; Foreigners were precluded from the beginning as being too expensive and too much inclined to grasp power.

The possibility of giving the Bank, at some future date, a monopoly of note issue was hinted ; but, as the memorialists said, misunderstandings had always existed in China between officials and merchants, and the mismanagement of previous Government notes had made the people suspicious. For these reasons it was not recommendable for the present to stop the private issue of notes, but an effort would be made to restore confidence in view of the future.

Difficulties were foreseen : the Bank must establish uniformity of coinage ; this would deprive money sharks of a long-enjoyed control and interfere with the principal source of revenue of certain officials ; Foreign banks in China would be jealous of their new rival ;

opposition and false criticism might be expected from different quarters, and attempts would be made to spoil the good name of the Bank.

Officers Appointed.

A senior Secretary of the Board of Revenue, Chang Yün-yen (張允言), and a second class Secretary, Jui Feng, (瑞豐), who both had accompanied H. E. Na Tung on his tour to Japan, were nominated as Governor and Deputy Governor of the Bank. An expectant Sub-chancellor of the Grand-Secretariat, Hsü Shih-ch'ang (徐世昌, since Viceroy of Manchuria), and a member of the Ministry of Commerce, Shao Ying (紹英) were appointed official Supervisors.

Memorial and Additional Regulations of 22nd. day, 7th. M., 31st. year, K. H.

In August 1905 the Hu Pu reported the Bank ready to open, and the Imperial sanction was requested to devote 500,000 Taels of official funds to start with.

Opening of the Bank.

The Peking head office was opened on the 27. September 1905, with Chang Yün-yen and Jui Feng (1) as Governor and Deputy Governor. Later, Ch'en Wen-ch'üan (陳文泉) a Cantonese, and Chou Ming-ch'iu (周鳴球) a Kiangsu man, were appointed manager and sub-manager. Both had had considerable experience already, the first as a compradore of the Hongkong and Shanghai Bank in Hongkong and later as the head of the Customs Bank in Tientsin, the latter in connection for several years with native banks in Shanghai.

(1) Replaced now by Ch'en Chin-t'ao (陳錦濤)

The following branch offices were successively opened:

PLACE	DATE OF OPENING.	SUPERITENDANT.	MANAGER.
TIENTSIN. (Chihli)	October 1905.	Hsi Lien. (錫 廉)	Ni Ssu-hung. (倪 思 兪)
SHANGHAI. (Kiangsu)	Do.	Li Ta-chün. (1) (鈞 大 黎) Secretary, Board of Revenue.	Chiao Fa-yü. (焦 發 昱)
HANKOW (Hupeh)	October 1906.	Chia Hung-pin. (1) (賈 鴻 賓) Secretary, Board of Revenue.	Wang Wen-kuang. (王 文 光)
CH'INAN. (Shantung)	January 1907.	Chu Chan-k'o. (朱 占 科) Prefect.	Huang T'ung-nien. (黃 桐 年)
KALGAN. (Chihli)	Do.	Wang Chien. (王 鑒)	Ni Wen-yu. (倪 文 鈺)
MOUKDEN (Manchuria)	March 1907.	Pao Ju. (保 如) Sec. Board of Civil Office.	Chang Chao-wen. (張 昭 文)
NEWCHWANG (Manchuria)	Do.	Wang I. (2) (王 伊) Secretary Board of Revenue.	Kuan Kuo-jung. (關 國 榮)
URGA. (Mongolia)	October 1907.	Ku Ju-vung. (谷 如 壙) Secretary, Board of Revenue.	Wang Ping-chün. (王 秉 鈞)
CHUNGKING. (Szechuen)	April 1908.	Liu Yü-t'ai. (劉 宇 泰) Reader of the Han Lin.	Yeh Chao-tun (葉 昭 敦)

1) Since June 1907. (2) Superseded in February 1908.

Three sub-offices are also in activity : *Paoting* (Chihli), *Chou Ts'un* (Shantung), and *Antung* (Manchuria), besides a number of places where the Bank is represented by native banks.

The opening of more branch offices is under consideration and will probably take place in 1908. They are :

Canton (Kuangtung).	Kirin (Manchuria).
Nanking (Kiangsu)	T'aiyüan (Shansi)
Foochow (Fuhkien).	Nanch'ang (Kiangsi).
Hangchow (Chehkiang)	Ch'angsha (Hunan).
K'aifeng (Honan).	

Competition Successfully Opposed.

As soon as the Bank was known to be a profitable undertaking, a great boom set in in the banking business. Every Board, every Province, wanted its own establishment: Banks of Commerce, Banks of Industry, Banks of Railways, Savings' Banks, the air was ringing with Banks

In May 1906, the Ministry of Commerce (Shang Pu) began the movement with a memorial to the Throne, saying that in China, as capital was scattered, it was difficult to gather the large amounts necessary to perform extensive public works; the Bank of the Hu Pu was properly nothing more than a bank of issue and, according to the example set by foreign countries, a Commercial and Industrial Bank should be established, which would be under the control of the Ministry of Commerce. The capital proposed was \$ 10,000,000, to be subscribed in halves by the said Ministry and by the public.

To this the Board of Revenue strongly objected.

It is true, they said, that in foreign countries the Central Bank is more especially charged with the administration of the Currency, issue of banknotes, transfer of public funds, etc., and that, besides the Central Bank, there are General, Industrial, and Savings' Banks; but these have to submit to laws which place them under the control of the Ministry of Finance of the country. In China, laws on the subject have not yet been promulgated, and until they are, it is dangerous to let any bank be established independently of the Board of Revenue.

This argument was approved by the Throne and the Ministry of Commerce had to wait; as also did the others, who were ready to imitate the first petitioners if they had been successful.

At last the long-expected Banking Law was promulgated on the 17 th. February 1908. A few days later, the 3 rd. March, the Ministry of Communications (Yu Ch'uan Pu) opened the « General Bank of Communications » (交通銀行) whose principal business will consist in handling railway funds. One or two at least of the other Boards will probably imitate the Yu Ch'uan Pu before long.

Attitude of the Shansi Bankers.

Strange to say, there is no apparent opposition from the powerful Shansi Bankers. The advent of the Ta Ch'ing Bank has damaged to no small extent their old monopoly of remittances and other transactions for the account of the Government, and, as their young rival is continually developing and opening new branches in all directions, the day is not far off when the Shansi Banks will have nothing more to do with Government money. Still they seem unconcerned and, with the

exception of a few local quarrels, no struggle has taken place. The Shansi Bankers as a body are quiet, and one may wonder... Is it resignation before the ineluctable?... or Bismarck's grin before the Paris Commune?...

ORGANIZATION.

General.— Capital.— Administration and Management.— Official Control.— Shareholders; their rights, meetings, etc.— Reserves.— Profits; how distributed, etc.

General.

The original name was «Hu Pu Yin-hang» (戶部銀行), or Bank of the Board of Revenue, and is now «Ta Ch'ing Yin-hang» (大清銀行), Bank of the Great Ch'ing Dynasty, meaning simply the Bank of the State.

The association is declared to be a Joint Stock Limited Company to function for twenty years; later this was changed to thirty years, to count from the date of opening, 27 th. September 1905.

The original regulations were framed and published before they had been well matured. They were based on, or rather copied from the Japanese banking laws. Since then, the rules and statutes of all the principal Banks of issue in Europe have been translated by the Chinese legations abroad and sent to Peking. Much good is found in them; I am told for instance by an officer of the Bank that the laws and decrees concerning the Bank of France are particularly appreciated (but this may be meant simply as a compliment to my nationality). This explains why changes occur now and then which have not been published and are slightly at

variance with the original regulations. Also, unforeseen circumstances have brought other alterations; in the distribution of profits for instance, no provision was made for the business managers; it had to be done later when business managers were added to the staff as being an essential condition of success.

The dissolution of the association will take place should the Ministry of Finance or the representatives of the shareholders find that losses have been incurred amounting to one half of the capital. The balance of assets must then be divided between the shareholders to the pro rata of their shares. (Regulations of 1904).

Capital.

The capital was originally 4,000,000 k'u p'ing Taels, divided in 40,000 shares of 100 Taels each; one half was subscribed by the State, and the other half offered to the public, Foreigners excepted. 25 Taels per share were to be called immediately and the balance later as required.

In the beginning some difficulty was experienced in floating the private issue, and official funds had first to be drawn upon. An Imperial Edict of August 1905 sanctioned the advance by the Board of Revenue of 500,000 Taels, representing the first call of $\frac{1}{4}$ on the State's shares.

Still the commercial class viewed the new scheme with suspicion; they would neither invest their money in, or enter into business transactions with the Bank. As soon as those in charge realized the threatening danger of a general boycott, they called in the assistance of a few merchants of high standing, mostly private bankers, giving them a title somewhat equivalent to that

of «business managers». Under the new arrangement the officials were to exercise simply a general control and abstain from interfering with the details of the work.

The business managers, well paid and treated with consideration, smoothed the way between the two antagonist classes, mandarins and merchants. In the summer of 1906, private subscribers began to come forward, and by the beginning of 1907 the total number of shares had been applied for.

A first instalment of 50 Taels was immediately called on the private shares, and another of 25 Taels on the State's shares, which brought the paid-up capital to TWO MILLION k'u p'ing Taels. This sum proved sufficient until the beginning of 1908, when increase of business and prosperity made an increase of capital necessary; consequently the final instalment of 2,000,000 Taels was called this year, in March, and the shares are now entirely paid. Besides, a new issue of 60,000 shares was decided upon, again equally divided between the State and the public. This will make the total capital TEN MILLION K'U P'ING TAELS.

The new shares are offered at par to the original shareholders, at the rate of 1 1/2 new to each original one. As these are nearly twice above par value, no trouble is anticipated in floating the new issue.

Administration and Management.

According to the original regulations of the Bank, and to the banking law of 1908, the board of direction of the Ta Ch'ing Bank is composed of:

(a) *A Governor* (1) (正監督)

(1) Formerly called 總辦

(q) *A Deputy Governor* (1) (副監督)

both appointed by the Emperor, on the recommendation of the Ministry of Finance, for a term of five years. They belong to the official class. No salary is allowed them at present, but they are entitled to a certain share in the annual profits.

(c) *Four Directors* (理事)

elected at the General Meeting among shareholders owning 100 shares at least. Their appointment must be confirmed by the Ministry of Finance. They hold their office for a term of four years and may be re-elected (2).

The Board of Direction meet several times a month for the transaction of current business. They appoint the managers and other subordinates, decide as to their contracts, bonds, salaries, etc., and frame regulations for the routine work of the Bank.

Besides the Board of Direction, there are :

Three Inspectors (監事)

elected at the General Meeting among shareholders possessing forty shares at least. No confirmation of their appointment by the Ministry of Finance is necessary. Their term of office is for three years and they may also be re-elected (3).

Two Official Supervisors (監理官)

appointed by the Emperor on the recommendation of the Ministry of Finance. They have a right of

(1) Formerly called 副總辦

(2) The first election took place at the General Meeting of May 1908; there had been neither Directors nor Inspectors before.

(3) According to the regulations of 1904, decisions taken by the Board of Directors must, before they may become operative, be endorsed by the Body of Inspectors.

investigation anywhere and at any time, and may be present at all meetings, either of the shareholders or Board of Direction.

All the above named officials,—Governor and Deputy, Directors, Inspectors and Official Supervisors—, should meet once a month.

Branch Offices are each under the administration and management of

A Superintendant (總辦)

appointed by the Emperor on the recommendation of the Bank, for a term of five years after which he may be re-appointed. Superintendants are usually chosen among the Secretaries of the Ministry of Finance, and are always of the official class.

A Manager (經理)

appointed by the Board of Direction and reported to the Ministry of Finance. He has to sign a contract and a bond and to deposit a money security. He is a subordinate of the Superintendant, but nevertheless, and for technical reasons, in full charge of the work. He is, of course, a merchant by class. The managers are well paid; besides a monthly salary they receive 20 % of the profits of their office and probably other perquisites.

Some offices have also a sub-manager. (協理).

Official Control.

The Bank is under the protection of the State. (Regulations of 1904).

This protection, and control, is thus exercised through the Ministry of Finance :

1. On Headquarters : (a) Appointment of the Go-

vernor, Deputy Governor and Official Supervisors, and power to send at any time other officials for investigation into the affairs of the Bank ; (b) Right to confirm or reject the Directors elected by the shareholders ; (c) Inspection of a quarterly balance sheet.

2. On branch offices : Appointment of the Superintendants.

It has been of-ten said that a bank which would not be absolutely independent from official interference was bound to fail in its object,—that private capital would not come were a high Government official on the Board of Direction,—more still, that the one essential condition of success would be the admixture of foreign management with power at least equal to Chinese management, this being the only means of ensuring perfect independence from undue official interference.

On the contrary we find that the only officers entirely independent are the three Inspectors.

It may be a little early to predict the future of the Bank under these conditions ; at any rate the ill-omened prophets have failed so far in their prediction : the Bank, almost entirely under official control, and without a shadow of foreign assistance, has already secured a fair amount of private capital, as much as it wants at present, and this fact alone bids well for the future.

As to undue official interference, the following little episode, taken from original correspondence published in the native press of Shanghai, is instructive :

During the famine of 1906-07, the Liang-Kiang Viceroy, in need of funds for the relief of his starving population, had sent a taot'ai to the Shanghai branch of the Ta Ch'ing Bank with the object of negotiating

a loan of 400,000 Taels ; the total was to be refunded within three years, and the security offered by the Viceroy was, besides his official seal, a certain revenue of the salt tax. It was also hinted that the Shanghai Customs would go as joint security in case the salt tax should be insufficient. Negotiations were taken up on this basis, but broke off as soon as the Bank discovered that the Customs revenue could not be pledged by the provincial authorities, and the loan was refused. Bitter articles were then circulated in the native press, accusing the Bank of cold indifference to the misery of the starving people and insulting distrust towards the Nation's high officials. However the Bank maintained a firm stand and refused to be influenced either by public opinion or by the official capacity of the would-be borrower.

Shareholders ; Their Rights, Meetings, etc.

The fundamental principle of the association is perfect equality of treatment for all shareholders, whether officials or private individuals. The State may not withdraw its capital before the dissolution of the society, neither shall it borrow it from the Bank ; if such an attempt is made the Bank has the right to oppose it for the sake of general interests. (Regulations of 1904).

No sale or transfer of shares can be effected without the sanction of the Board of Direction. This means naturally that any intending shareholder whose influence would be considered contrary to the Bank's policy may be rejected. Foreigners are excluded.

A general meeting is held once a year in Peking, in the spring ; all the shareholders may take part, on

the condition that they have been duly registered for at least one month before the meeting.

One half of the shareholders, representing at the minimum one half of the total shares, and one half of the headquarters' high officers, form a quorum.

The Governor of the Bank or, in his absence, the Deputy Governor, is chairman of the meeting. If both are absent a chairman is elected from amongst the shareholders. In case of equality of votes, the chairman's vote is casting.

The system of distribution of votes is complicated :
From 1 to 10 shares, 1 vote per share.

— 11 to 100 — , 1 vote per 10 shares in excess of the first 10.

— 101 shares and upwards, 1 vote per each 20 shares in excess of the first 100.

Thus, the owner of 10 shares has 10 votes.

from 11 to 20 shares 11 votes.

from 181 to 200 shares 24 votes, and so on.

Voting by proxy is allowed.

The General Meeting transacts the following business (1):

1. Elects the Directors and Inspectors.
2. Proposes fines or dismissal, in the case of any member of the staff guilty of negligence etc.; the final decision is taken by the Ministry of Finance.
3. Inspects the accounts etc., and in case of discrepancy either in the accounts or in the application of the statutes, may depute a commission of three shareholders to have a detailed inquiry.

(1) Two General Meetings have so far taken place, on the 2nd. June 1907 and 3rd, May, 1908.

4. Makes suggestions regarding any changes in the capital ; the final decision is taken by the Ministry of Finance.

Extraordinary meetings of the shareholders may be convened at any time at the request of, either all the Inspectors, or at least 50 shareholders representing a minimum of one tenth of the total shares. All the questions usually coming before the General Meeting may be put to the extraordinary meeting, on the condition that they have been notified to the Bank three days in advance.

Reserves.

On the half yearly settlement of accounts, after deduction of the fixed dividend and of all current expenses, one tenth at least of the clear profits goes to the reserve. (Regulations of 1904).

For the first working period extending from September 1905 to the 12th. February 1907, K. P. Tael 36,100.350 were put to the reserve ; and for the second period ending 1st. February 1908, K. P. Tael 80,233.330.

Profits ; How Distributed, etc.

The accounts are balanced half yearly and a fixed dividend of 6 % per annum is paid to the capital, providing the profits made allow it.

After deduction of the dividend, salaries and other current expenses, the balance of profits should be thus divided :

1/10th. to the reserve.

1/10th. to the Bank's officers as a gratuity.

8/10ths. to the shareholders as a bonus. (1)

(1) Regulations of 1904. This had to be altered when business managers were engaged ; they receive 2 tenths of the profits.

The profits for the first period extending from the 27th. September 1905 to the 12th. February 1907, were, after deduction of the 6% dividend : (1)

	1st. 1/2 year ending 24.1.06.	2nd. 1/2 year et.d. 19.8.06	3rd. 1/2 year end.12.2.07	Total.
PEKING	Kp.T.20,778,000	48 407,544	87,591,210	156,776,754
TIENTSIN.	10,834,850	27,487,040	50 831,510	89,153,400
SHANGHAI.	7,759,352	26 431,286	95,747,183	129 937,821
HANKOW.			10,118,117	10,118,117
TOTAL: K.P.Tls.39,72,202	102,325,870	244,288,020	385,986,092	

A first deduction was made of moneys spent on land, buildings, etc., for offices Tls. 15,501,940
 Carried to the following year's acc. — 20,333,788
 Placed to reserve : — 36,100,350

Tls. 71,936,078

This left a net balance of 314,050.014 Taels apportioned as follows :

2/10ths. to the managers and staff of the different offices (as per contract) Tls. 62,810.014
 1/10th. to the Superintendants and to certain members of the headquarters' staff : Tls. 31,405.010
 7/10ths. to shareholders, in proportion to the date of issue of shares : Tls. 219,834.990

314,050.014

(1) General Meeting of 1907; report to shareholders.

A memorial of the Ministry of Finance dated the 17. August 1907 further gives the following information :

Profits allotted to the State's shares :

Interest at 6 %	Tls.	49,866.670
Bonus :	—	<u>194,110.885</u>
Total :	—	<u><u>243,977.555</u></u>

If Tls, 49,866.670 represent 6 %, on a certain capital for, roughly, a year's working, a simple calculation shows that the total remuneration of the State' shares, i.e. 243,977.555 Taels is 29.35 %, a very fair profit for a beginning, even in China (1).

The profits for the second year, 1907, were announced at the General Meeting of the 3rd. Mai 1908. They are nearly double the profits of 1906 :

(1) The total dividend paid to the capital, official and private is not given, but may be approximately arrived at :

Total bonus :	Tls.	219.884
Bonus to official shares :		<u>194,110</u>

The difference 25,724.

is evidently the bonus on private shares.

The bonus as well as the dividend having been calculated from the time of issue of the shares, the same proportion exists between bonus and dividend in both cases, official and private :

Dividend paid to the official shares : 49,866.

Therefore $\frac{194.110}{25,724} = \frac{49,866}{x}$

or (in round numbers) $x = \frac{25 \times 49}{194} = \frac{6,314}{194}$ Taels as di-

vidend to private shareholders, and $49,866 \div 6,314 = 56,180$ Taels as total dividend paid.

	Profits in 1906.	Profits in 1907.	Increase in 1907.
PEKING.	Tls. 156, 776.754	Tls. 303.043.190	Tls. 146, 266.436
TIENTSIN.	89, 153.400	186, 859.030	97, 705.630
SHANGHAI.	129, 937.821	(2) 285, 123.740	155, 185.919
HANKOW.	10, 118.117	57, 415.410	47, 297.293
CHINAN.	—	37, 021.240	37, 021.240
KALGAN.	—	13, 130.760	13, 130.760
MOUKDEN.	—	18, 870.510	18, 870.510
TOTAL :	Tls. 385, 986.092	901, 463.880	515, 477.788

The Urga and Chungking offices being newly opened, their accounts were not submitted to the meeting.

Newchwang's profits were sunk in losses incurred on the occasion of a big Chinese failure in which the Bank was involved. This cost the local Superintendent and Manager their official heads.

The distribution of profits for this year was similar to that of 1906, the only interesting feature being the foundation of a second reserve for the equalization of dividends, with Tls. 28,800.450. The dividend and bonus to shareholders totalled again 30 %. Tls. 96,956.640 were } carried over to profit account, and Tls. 80,233.330 to the Reserve.

(2) Including a balance of Tls. 20,338.788 reported from 1906

WORKING.

Issue of coins and reform of the Currency.— Issue of notes.— Transfer of funds.— Deposits.— Loans.— Savings' Bank.— Patriotic subscription.

Issue of Coins and Reform of the Currency.

The original «raison d'être» of the Bank, the motive which, after the Mackay treaty, sent high Chinese officials abroad and attracted Foreign economists of mark to China,— the Reform of the Currency,— though occupying now a second place only in the cares of the Bank, has not been entirely lost sight of.

In the summer and autumn of 1907 the famous «Tang-shih ti Ta-ch'ien» (當十的大錢) were bought back by the Government to be melted and transformed into new copper cents. The Ta Ch'ing Bank was in charge of the operation, bought the Ta-ch'ien by weight and made, it is said, a fair profit for itself. However Peking is now rid of this good old coin of which one was worth two, tried to represent ten, and was called twenty (1).

(1) They had been issued as representing ten cash, but soon depreciated to 2 cash.— The convention of always multiplying by 10 and saying or writing 1000 when 100 was meant, was evidently introduced by money dealers with the object of making their dark ways still more obscure to the public; this is a simple case, but the system is often applied in a different shape in more difficult combinations, and to those who wish to study this typical sort of Chinese puzzles, the regulations of the bankers' guilds in the different cities will offer a splendid field.

The Governor of the Bank estimated at three million Taels' worth the amount of Ta-ch'ien in circulation in Peking. They were bought at the rate of 180 Taels (weight) of coins for 1 Tael of silver.

In the Capital the issue of copper coins is now under the management of a sub-department of the Bank, a cash shop called the «Fu T'ung Yin-hao» (阜通銀號), established for that purpose sometime in 1906. The coins are sent by the Tientsin mint to the Tu Chih pu and then handed over to the «Fu T'ung» which issues them through its two offices to the other cash shops and general public. The daily issue is said to average about 20,000 cents, but this is difficult to ascertain.

The «Fu T'ung» does also a general exchange business in notes and silver; it takes its daily rates in the ordinary way at the «Ch'ien-shih» or meeting of money dealers, and deducts a fixed commission of 7 per mill either way, buying or selling.

Reforming the currency, especially the lower copper currency, is no small undertaking and those in charge well know that a front attack by the Bank on the many obstacles that block the way would mean the Bank's own ruin. I will not attempt to enumerate here the kind of obstacles, but a typical example is interesting:

The over issue of copper cents had depreciated their value by 30 or 40%; prices had raised in proportion and in Peking the people were dissatisfied. A kind hearted Edict of the 14th. February 1908 suddenly ordered the Ministry of Finance to devote 500,000 Taels to the relief of the Peking money market; copper coins were to be bought back until they had appreciated again to a certain standard; the importation of outside coins to the Capital was forbidden.

From the beginning of the year until the 14th. February the market price had ranged between 193 and 199 copper cents to the silver tael, and on the 14th. it reached 200. As might have been expected (and was expected by well informed speculators), the morning after the Edict it had suddenly fallen to 187, then to 165 on the 16th., 163 on the 17th., and it remained thereabout while the 500,000 Taels were being spent to keep it down.

At the same time, exchange in Peking being 160 or 165, in Tientsin and Paoting it was ranging from 190 to 200, with only a small fall of 3 or 4 % within a few days after the Edict. When one thinks of the short distance and easy communications between these places and Peking, one may realize what sort of repression must have been necessary to prevent the Tientsin merchant, peddler, clerk or labourer, from buying cents in Tientsin and selling them in Peking, thereby making in a few hours a profit of 10 to 20 %. However severe the prevention, this traffic could not be absolutely stopped: here a cartload of flour was found to contain several thousand «tiao»; somewhere else a railway employé was arrested for carrying a few hundred cents; the police were on the alert, and a shopkeeper, by simply taking his receipts of the day to the next cash shop was risking his property and even his liberty (1).

The Ta Ch'ing Bank does not directly interfere with this state of affairs, but is gathering strength in other directions which will enable it to gradually grapple with these difficulties.

(1) By Imperial Edict of the 29th. March 1908 the coining of copper cents is stopped in all the Mints of the Empire. At the end of April the rate of exchange in Peking is about 155 cents per Tael.

The Bank is also in charge of the issue of silver coins. In Peking and Tientsin it does this directly on behalf of the Tientsin mint, following the market rate. There is nothing of special interest in the transaction.

In the beginning it had been intended to establish in Peking a smelting house (Lu Fang) as a dependency of the Bank, but the idea has been given up and the silver ingots of the Bank, when they require re-melting, are handed to some of the many «Lu Fang» already in existence.

Issue of notes.

The Bank issues notes of three kinds:

1. Silver notes, (銀票, Yin P'iao) of 28 denominations from 1 to 1000 Taels.
2. Dollar notes, (鈔票, Ch'ao P'iao), of three denominations only, \$ 1, 5, and 10.
3. Cash notes, (錢票, Ch'ien P'iao), or rather copper cent notes, of 2, 3, 4, 5, and 10 «tiao».

Notes are issued by the Peking, Tientsin, Hankow, Ch'inan, Moukden, and (probably) Urga offices. In other places, owing to local customs, or perhaps to unpleasant memories connected with previous paper money, they are not easily accepted by the people, but as the fame and credit of the Bank is rapidly extending, good progress is being made in this respect. Dollar notes are now currently used in Manchuria and even in far Mongolia. There is at times a wish in certain quarters to rush things and issue dollar notes everywhere with the object of ousting foreign notes; not so much for pecuniary profit, but rather as a matter of national dignity and faces. However, thanks to the cool headed men now at the helm, a more cautious policy has prevailed so far and offices do not issue notes before there is a fair chance of their being welcome.

In branch offices where the issue of notes is authorized, it is done by the office itself, not by the Headquarters ; but each office redeems at sight the notes of all the others. In this case there is necessarily a certain discount which varies with the distances, the cost of transportation of species, and other influences. Hankow notes for instance, are often presented for cash payment in Peking, and the discount is $1/2\%$. Moreover, Hankow Tael notes would have to be converted from Hankow Taels into Peking Taels at the market rate, and this is certainly a source of profits. For Shanghai notes (if there were any), the discount would probably be 1% , and for Chungking notes a good deal more.

It is difficult to know the exact quantity of notes in circulation ; but a statement of the Bank on the 12th. February 1907 gives the liabilities on account of : Capital, Deposits, Accumulated profits, Patriotic Fund, and Note issue, as (in round number) : Tls. 23,800,000.00
If we deduct the known liabilities :

Capital	Tls. 2,000,000.	
Deposits, about	20,000,000.	
Profits, about	400,000.	
Patriotic Fund, about	400,000.	22,800,000.00

the difference Tls. 1,000,000.00
represents the unknown liability, and we may consider as pretty certain that in February 1907 the notes in circulation did not exceed one million Taels, and were probably less.

In Peking the notes are readily accepted by the Hongkong and Shanghai Bank and others. When a Foreign bank holds a certain quantity of them, say 2

or 3000 Taels' worth, it sends them, not to the Ta Ch'ing Bank for redemption in silver, but to some smelting house (Lu Fang), with which the foreign bank has an account, to be entered to its credit; this saves trouble and, perhaps, does away with the risk of loss by differences in the quality of silver.

Cash notes are not issued directly by the Ta Ch'ing Bank but by the Fu T'ung; they are favorably considered by the public. The amount in circulation is not known, but as there is a number of competing establishments in every part of the city, some with a very good credit, the official issue is evidently limited.

In this respect again the Metropolis was in a sad plight: not only did the hundreds of cash shops issue notes without any restriction, but also the thousands of grain shops, tobacco shops, oil shops, and many others, some with hardly any capital beyond that necessary to pay the printer. Needless to say, forged notes were almost as common as genuine ones and it was every one's business not to be caught. Although the notes were supposed to represent coin payable at sight, they had their own rate of exchange, distinct from the rate for coins and with differences, sometimes, of 1 or 2 % above, or 7 or 8 % below. If they were accepted by some shop other than the issuer, this, of course, did not go without a heavy discount.

There again the Ta Ch'ing Bank has to be careful in fighting the abuses; a sudden cleaning up would cause a revolution, but gradual steps are taken: at its instigation the following rules received the Imperial sanction on the 11th. March 1908:

1. None but banks, or cash shops, will be allowed to issue notes.

2. A system of joint guarantee is instituted by which cash shops are formed in groups of four, each member of a group being responsible for the three others.

3. Cash amounting to 90 % of the note issue is to be kept in reserve. Below the proportion of 80 %, a fine equal to ten times the amount short will be inflicted. Issuing shops which have no cash at all will be treated as ordinary thieves.

Forgery of the Ta Ch'ing bank notes has naturally been attempted; the repression is severe. In one instance a gang of forgers were arrested in Tientsin. The leader, convicted of having imitated the seal of the Bank and stamped notes with it, was sentenced to strangulation; and two others to penal servitude for life.

Transfer of Funds.

The Bank has early turned its attention to the transfer of Government funds. It is a known fact that this has been for centuries a source of abuses on the part of private banks: if money has to be remitted from, say, Canton to Peking, a certain quantity of silver, of weight and fineness unperfectly known in Peking, is handed in Canton to some native bank through which, after a good deal of delay, it reaches destination. And as there is no reliable standard of weight, no possibility of comparing exactly what has been paid in Canton with what is received in the Capital, there are many complaints of shortness. The same is true as regards the purity of silver, and still more so. Sometime ago a certain southern Viceroy, disgusted with the numerous banking « squeezes » to which he had to submit, secretly sent a deputy **WITH A SCALE AND WEIGHTS** to Peking to await the arrival of remittances made in the presence

of the diputy himself, and see how much had been lost « by wear » on the way.

The Ta Ch'ing Bank has reformed to a great extent this state of affairs, at least at places where it is established. Millions pass annually through the Shanghai, Tientsin, Hankow, Ch'inan offices, in some cases without the charge of any commission, for instance when the money is to stay in the Bank as a deposit.

Drafts on any of the larger cities of China may be bought at the Bank, which issues them on its own offices if such exist ; otherwise it gets the order filled by some other native establishment.

Some transactions take place between the Ta Ch'ing and Foreign Banks or other firms but they are limited and will necessarily be so as long as China's banking and commercial legislation is not more complete. Questions of non payment, protests of drafts, etc., occur sometimes and can only be settled by long and laborious negotiations between the Chinese officials and the Consuls of the Foreigners concerned.

Deposits.

We may safely say that official diposits are the principal source of profits, the real backbone of the Bank.

This department has shown since the beginning a very regular increase ; the total amounts, (including private deposits), as stated in official reports and memorials, were, in round numbers :

January 1906. K.P. Taels 7,000,000.

August — — 11,000,000.

February 1907. — 20,000,000. (1)

I am told that over 90 % of these are puplic funds,

(1) Verbal information from an officer of the Bank gives the total deposits at the end of 1907 to be over 30 million Taels.

and it is quite likely as, in China where interest runs high, private individuals would hardly consider sufficient the comparatively low interest allowed. It is said also that no interest is paid on 50 % at least of the Government's deposits in exchange for certain facilities or work done free of charge by the Bank.

Where do these funds come from, what departments or Ministries? What proportion of them is current account, and what is fixed deposit? So many questions which may not be answered at present. Funds for the payment of certain foreign loans, etc., lie for some time in the Bank before maturity;— certain Government establishments have there their current account, such is the Shanghai Arsenal with, in 1906, over a million Taels to its credit;— Customs receipts in certain places are there deposited, awaiting remittance;— Some of the Ministries in Peking have at least part of their funds in the Bank, principally, of course, the Ministry of Finance with over three million Taels of fixed deposits.

The Bank is endeavouring to develop this branch of its business but a good deal of opposition comes from the Provinces, where official funds may be deposited in private banks at higher rates of interest; and this interest is not necessarily reported to the Central Government, but is more likely to go towards meeting local expenditure.

The yearly rates of interest allowed by the Bank are :

On current account	2 ^o / ₅ .
On 6 months' deposit	5 ^o / ₁₀ .
On 12 " "	6 ^o / ₁₀ .

Loans.

As regards security for loans, the Bank is rather inclined to be on the safe side, even when dealing

with officials of very high rank; the case already referred to with the powerful Viceroy of a rich Province, is an exemple.

Loans may be granted on :

1. Personal security, without the pledge of any specified property. Such loans are often made to merchants of first class standing; they rarely exceed a term of three months, but may usually be renewed.

2. Merchandise security, mostly piece goods, or shares, such as « China Merchants »; (but not on the Bank' sown shares).

3. Mortgage security. These seem to be frequently granted to new railway companies, sometimes for as long as 5 years, and at the low rate of 6 % per annum. Patriotism certainly underlies these last named loans. Some business is also done in private mortgages, but the Bank does not care for it as the value of land is too uncertain and difficult to realize.

An advance, or loan, of 4,500,000 Taels was made in 1907 for the Whangpoo Conservancy works at Shanghai; — the same year another two million Taels (now repaid) were advanced for the relief of the Newchwang market in time of panic (1); — different amounts are invested in the Shanghai-Nanking, Peking-Kalgan, Tientsin-P'uk'ow, and other railways.

The banking law just promulgated (February 1908). though allowing the Bank to buy only such property as it requires for its own use, does not forbid, or even put stringent restrictions, on, mortgage loans, and this in the future might become a weak point: with an increased amount of notes in circulation, or of

(1) Compare with the action of Shansi bankers on similar occasions.

private deposits, the possibility of lending on mortgage at, say 10 %, capital which costs next to nothing, would be a strong temptation, and one might forget that mortgage money is tied up, whereas the Bank's liability on notes or current accounts is repayable at sight. But no doubt the Authorities must be given time to consider these questions in details. For the present, considering the principal source of deposits and the small quantity of notes issued, the Bank's policy is sound.

Savings' Bank Department,

On the proposal of the Ministry of Finance the creation of a Savings' bank department has just received the Imperial sanction (4 th. May 1908).

This department is to be started with a capital of 100,000 K'u p'ing Taels, under the direction of an officer detached from the Ta Ch'ing Bank.

Patriotic Subscription (Kuo Min Chüan)

At the end of 1905 a public subscriptions was originated for the purpose of paying off the Foreign indemnities ; patriotism was then at its height, and wonderful hopes were entertained as to the possibility of getting rid within a very short time of foreign claims. Similar attempts have failed elsewhere, and China was also to find out that, for a sentiment, men more readily sacrifice their lives than their money ; the first patriotic impulse soon died out and the monthly subscription dwindled next to nothing. In May 1908 the total amounts to some 413,000 Taels, which is far short of the 400 odd millions wanted.

On the recommendation of the Ministry of Finance an Imperial Edict has now closed the subscription, and the Bank is ordered to refund the subscribers if they wish it.

CONCLUSIONS.

The policy of the Bank is progress and patriotism. Not the sort of progress often met with which consists in wearing a foreign cap and blowing the smoke of a foreign cigar into your neighbour's face; and not the patriotism of fiery speeches or contract breaking. The Bank's progressive ideas are exhibited by an intense desire to learn; they have made a study of all the similar establishments in Europe and America, and one may be astonished at the rapidity with which they have grasped the new science; complicated questions relating to exchange, reserves, ready convertibility of assets, etc., are well understood and discussed with intelligence.

Another sure sign of progress is their call for criticism; as one of the managers said: «We are dissatisfied with the shareholders because they never show dissatisfaction; they content themselves with a good dividend and never take the trouble to criticise our methods or offer any suggestions».

The Bank's patriotic spirit is fairly well illustrated by the following declaration of the Chairman at the first General Meeting: «Our object is not simply to pay rich dividends to the State or to private individuals; what we want most is to strengthen the State's credit and the Nation's commercial health».

This sort of patriotism is quite consistent with an attitude of genuine friendliness towards Foreigners, as I have had occasion to personally experience.

Whatever may have been the suspicion entertained by the people, especially the merchants, at the beginning,

public opinion is now very much in favour of the new institution, and chats on the subject with merchants elicited generally a great deal of enthusiasm and pride on their part about their own Chinese Bank on Foreign lines.

That the Bank is not doing yet a very large amount of private business, is not necessarily a sign of distrust, but the Chinese are slow and it will take them some little time to part with old custom and adopt new ways; the system of documentary drafts, for instance, which is being introduced, is acknowledged by them as affording unknown facilities, but they object to it on the ground of some deep and complicated question of «face» which is difficult to remove, and for that reason Shanghai is the only place where the system has taken at all so far.

The shares of the Bank (50 Taels paid up) have ranged for the last few months between 95 and 105 Taels.

And lastly, how would the Ta Ch'ing Bank compare with others as regards fair dealing and trustworthiness? If an opinion may be allowed, I would say that, bearing in mind personal observation with three leading establishments of different nationalities (in one case inside observation), I consider that the Ta Ch'ing Bank is certainly, at present, up to the high standard of honesty set up by its seniors, the Foreign institutions.

PEKING, MAY 1908.



APPEND

TO THE « NOTES ON THE TA-CH'ING BANK »

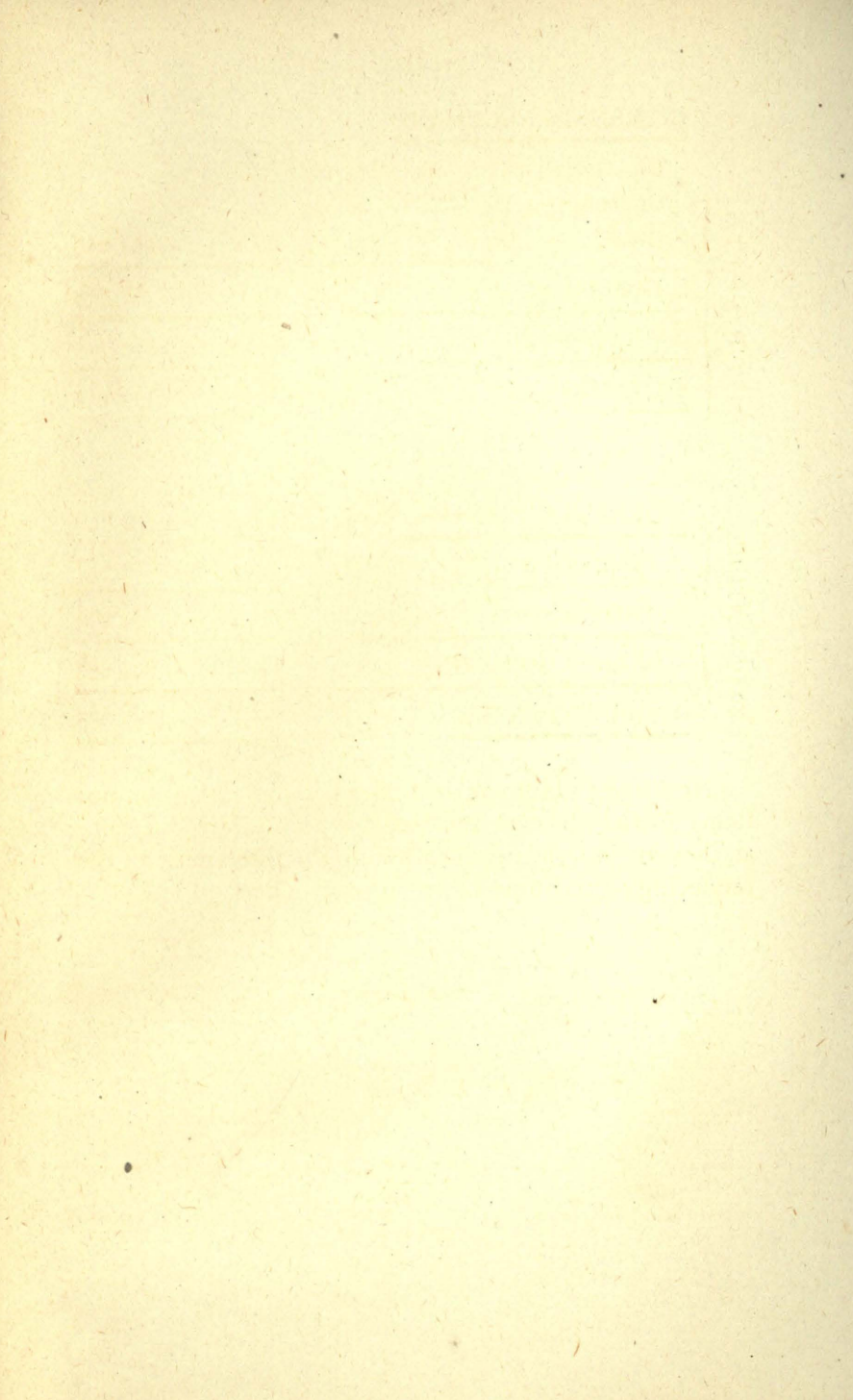
When the above were written I was fortunate enough to receive communication of a long and complicated document, a sort of balance sheet at the end of the Chinese year, (1st. February 1908) from which I extract the following figures :

ASSETS	<u>CASH ON HAND</u> (Peking and branch offices)	
	In the Bank :	Tls. 1,691,476.824
	In other banks,	
	« Lu Fang », etc.	<u>Tls. 2,250,024.006</u> Tls : 3,941,500.830
	<u>LOANS.</u>	<u>Tls : 21,078,108.764</u>
	<u>MORTGAGES :</u>	<u>Tls : 10,985,443.981</u>
	<u>CURRENT ACCOUNTS DEBTOR :</u>	<u>Tls : 908,099.276</u>
	<u>BILLS :</u>	
	Documentary :	Tls. 488,646.761
	Others :	<u>873,681.148</u> Tls : 1,362,327.909
<u>REAL PROPERTY :</u>	<u>Tls : 296,982.698</u>	
LIABILITIES	<u>CAPITAL :</u>	<u>Tls : 2,000,000.000</u>
	<u>CURRENT ACCOUNTS CREDITOR :</u>	<u>Tls : 10,166,695.628</u>
	<u>FIXED DEPOSITS :</u>	<u>Tls : 23,138,016.915</u>
	<u>BANK NOTES :</u>	<u>Tls : 2,961,524.154</u>
	<u>DRAFTS :</u>	<u>Tls : 597,988.507</u>

<u>INTERESTS RECEIVED.</u>	
P R O F I T S.	On loans Tls: 1,345,142,803
	On mortgages Tls: 597,656.352
	Other Tls: 274,105.385
	<u>Tls: 2.216,904.540</u>
	<u>COMMISSION ON DRAFTS :</u> Tls: 144,242.438
<u>GAIN BY EXCHANGE :</u> Tls: 82.375.001	
<u>SUNDRIES :</u> Tls: 33.345.734	
<u>WORKING EXPENSES :</u> Tls: 212.182.000	
E X P E N D I T U R E.	<u>INTEREST PAID :</u> Tls: 1,321,152.517
	<u>COMMISSION ON DRAFTS :</u> Tls: 9,325.000
	<u>SUNDRY AMORIZEMENTS :</u> Tls: 37,901.883
	<u>OTHER EXPENSES :</u> Tls: 3,163.385

(No attempt is made to find a balance ; some minor items of the Chinese text are purposely left out here as they are not quite clear owing to differences in the rendering of accounts by the branch offices.)





Photomount
Pamphlet
Binder
Gaylord Bros.
Makers
Syracuse, N. Y.
PAT. JAN 21, 1908

