

1817 FIRST BANK IN AUSTRALIA

The Bank of New South Wales, Australia's first bank, opened its doors for business in Sydney's Macquarie Place on 8 April 1817. Like the *Gazette* — and many early colonial business enterprises — it had strong links with emancipated convicts. George Howe was one of fourteen foundation subscribers. The bank's offices were in the house of Mary Reibey, a remarkable Lancashire woman who, after being transported at the age of fourteen for horse stealing, became the colony's first woman business tycoon.

No provision for currency was made when the First Fleet sailed for New South Wales because the prisoners did not receive any wages. Supplies for convicts and their guards were provided from government stores and were purchased with bills drawn on the British Treasury. Wages for soldiers and other personnel were drawn on regimental agents in London.

But, as the colony expanded through internal trade, and the need to pay for services arose, it created its own local currency using barter, promissory notes, Treasury bills, and most popular of all, rum. A few English and foreign coins also circulated.

When Governor Bligh, on instructions from England, attempted to end the rum traffic, conducted to great advantage by officers of the New South Wales Corps, the result was the infamous 'Rum Rebellion' of 1808 in which he was deposed.

Even under Governor Macquarie the rum traffic continued — albeit perhaps not as brazenly — and he financed the building of a hospital in Macquarie Street by giving the contractors a monopoly to import rum for several years.

This chaotic situation obviously concerned Macquarie, and in 1816 he took the initiative of calling together merchants and officials to discuss the formation of a bank. The Governor was no doubt encouraged and influenced by his secretary, John Thomas Campbell, who had spent two years with the Bank of Ireland and apparently had also been involved in banking at the Cape of Good Hope before joining Macquarie's staff.

So it was not surprising that when the Governor granted a special charter for the incorporation of the Bank of New South Wales as a limited liability company (the first in Australia), Campbell became its first president. The bank was founded with a nominal capital of 200 shares of £100 each, £1425 being taken up by the time it opened.

One of the bank's first trading advertisements, published in the *Sydney Gazette* on 12 April 1817, announced that only on Tuesdays:

BILLS will be discounted and LOANS made, and at no other time. Persons requiring Bills discounted, or loans on Lands and Houses, will be requested to write their usual Signatures in a Book kept for that Purpose

in the Bank, to which they may have access daily during Bank Hours (Ten to Two); and those' requiring Loans are to inform the Bank Solicitor, Mr Wylde, three Days at least previous to the Application being laid before the Board, of the Nature and Extent of the Security to be offered, and also of the Amount required to be borrowed.

Some of the other rules and regulations for the conduct of the Bank of New South Wales make fascinating reading today. They stipulated:

That the Notes to be issued by the Bank shall be of the following Denominations or Values... 2s. 6d; 5s; 10s; £1; and £5; and that no Notes shall be issued of less Value than 2s. 6d. or of more than £5 Sterling.

That they the directors shall not make Loans on Mortgages of landed Property for a longer Period than twelve Months.

That Advances shall be made on Deposits of Bullion or Plate, for Terms not exceeding nine Months; and that a Note of Hand shall be given for the Sum to be advanced, in Addition to the Security by the Deposit of the said Bullion or Plate; and that no Advance on Bullion or Plate shall be made to an amount exceeding one half of their estimated Value.

That the Directors may receive Deposits of Bullion or Plate, or such Articles of Value as will not require much Room, and may be easily kept in a Place of Security; such Deposits to be restored on Demand, to the Proprietor or Proprietors.

That no Interest shall be paid on Deposits, unless by special Agreement at the time of such Deposits being made, and that the Person depositing

Money shall engage not to call for the same, or any Part of it, without giving three full Months Notice; and the Directors are not to allow MORE than Eight per Cent. to be paid on any Deposits whatever.

That the Directors shall receive Deposits of Cash, and keep running Accounts with Merchants and other Individuals; but they shall not at any Time suffer the said Accounts to be overdrawn.

That the Cashier, or any other Officer of the Bank, shall not pass Drafts to the Debits of Individuals, or pay the same, otherwise than on the Authority of the Directors for the Day; and should any Draft be paid without such Authority, the Cashier shall be dismissed forthwith, and his Salary made answerable for any Loss which may be incurred thereby.

The last clause in the regulations was certainly needed — by September 1820, a senior official of the bank had to be asked to resign.

He was the cashier, Francis Williams, a former merchant and magistrate in Van Diemen's Land, who was found to have made unauthorised advances of £2000 to various persons he apparently wanted to impress with his influence at the bank. It was obvious that Williams had not benefited personally, and he was allowed to leave quietly.

A few weeks later it was discovered that another £12 000 had vanished in the same manner.

The bank eventually recovered £4000 from three of the customers, and £6000 from those who had stood surety for Williams' fidelity. Williams was transported for fourteen years to Newcastle after being convicted of em-

bezzlement and died there in 1831, three years after being granted a ticket-of-leave which had enabled him to set up in business as a general agent.

The Bank of New South Wales did much to facilitate commerce in the early years of Australian history. By mid-century it had opened branches in Brisbane and Melbourne, but by then it faced stiff competition from the fifty banks that had been established in the interim.

The depression of the 1890s, following the collapse of the boom in land speculation, caused twenty-three banks to close their doors, some permanently. The Bank of New South Wales was among those that weathered the crisis.

The outcome was a cautious, conservative banking policy and a gradual merger of various private trading banks, which ensured that they survived the world-wide economic depression of the 1930s.

But they were to face a far greater threat to their survival at the hands of Joseph Benedict Chifley, the blacksmith's son who became Australia's twentieth Prime Minister in 1945 (see 1947 'Battle for the Banks').