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BANKING IN A NEW WORLD

THE BEGINNINGS OF ANZ BANK

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For its first twenty-nine years Australia had no bank. The British settlement of Australia began in 1788, but Australia's first bank, the Bank of New South Wales, did not open until 1817.

Australia was founded as a self-supporting penal colony and monetary arrangements were *ad hoc*. A local currency of small private promissory notes grew up in conjunction with the circulation of Government Store receipts. This led to a dual monetary standard in which 'currency' came to mean "money of purely local acceptability" and 'sterling' meant "any form of money ... equal in value and acceptability to bills on the Treasury".¹

Colonel Lachlan Macquarie, the colony's fifth governor² attempted to reform the monetary system. His first acts included attempts to solve the shortage of 'specie' by proclaiming fixed values for the various types of coins that came into the colony. England, at Macquarie's request, also exported dollars from India to Australia and instructions were given to the Governor to take steps to prevent their re-export. This was done by converting the silver coins to 'holey' dollars and creating a locally over-valued currency. The holey dollar was given a face value of five shillings and the "dump" or central piece, fifteen pence or one shilling and threepence. (The 'holey' dollar was, of course, not a new idea as it had already been used with coinage in the Caribbean.³)

In April 1810, four months after he arrived in Australia, Macquarie

proposed to the Government in England, the formation of "The New South Wales Loan Bank" based on the bank at the Cape of Good Hope. In 1812 the government refused his proposal. Macquarie accepted this refusal but was still convinced of the need for a bank in the colony.⁴ In 1816 he acted again, this time "convening a meeting of the magistrates, principal merchants and gentlemen of Sydney ... at which my favourite measure of a bank was brought forward."⁵ Macquarie issued a 'charter' for seven years to the directors of the new bank (which was later disallowed by the British Government) and on 8 April 1817 the Bank of New South Wales opened for business.⁶ After a number of restructurings and acquisitions the bank emerged in 1982 as Westpac Banking Corporation under which name it still trades as one of Australia's "big four" banks.

With the colony changing from convict to free-market, S J Butlin (Australia's major writer on the colonial monetary system) saw three main groups of events affecting the monetary system:

- the introduction of the Spanish dollar as legal tender in 1822;
- British legislation setting a sterling standard in 1825 thus effectively creating the Australian pound; and
- the multiplication of the banks from 1824.⁷

Ten banks were formed by the end of the decade and all faced hard times following the financial crisis of 1826 and a prolonged depression from 1828 to 1830.

By the end of 1840 over 40 banks had been proposed for Australia and 28 had actually started operation.

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Australia & New Zealand Banking Group Limited began trading on 1st October 1970 and is the result of a number of significant mergers. Its Anglo-Australian origins go back through some fourteen banks. Since it was formed it has become the beneficiary of five other banking companies, one with a background of building societies well into the nineteenth century. Another, Grindlays Bank, brings in a rich legacy as an Anglo-Indian bank begun in the late 1820s. But, it is the Anglo-Australian business I will talk about.

ANZ's first major forebear, the Bank of Australasia, was formed in 1833 but efforts to establish it can be traced to 1832 when the Sydney papers carried circumstantial reports on plans for a "Bank and Whaling Company on the Scotch principle."⁸ The whaling idea was abandoned and the plan developed into a *Royal Bank of Australasia and South Africa*. The company would operate under a Royal charter sought from the British Treasury in May 1833, which would limit the liability of shareholders to twice the amount of their shareholding.

The Treasury had laid down new rules relating to applications for colonial banking charters on 1 April 1833, following a succession of earlier initiatives relating to joint stock companies. A minute relating to the Australasia's petition said:

*As this is the first application for a charter for a colonial banking company ... [since the rules were laid down] the conditions now established will serve as a guide to the future.*⁹

At the first annual meeting of the Bank's shareholders held in June 1835, the chairman, John Studholme Brownrigg, gave a lengthy description of the processes of establishing the Bank.¹⁰ While waiting for the charter to issue the Bank issued its prospectus, issued shares, prepared the Deed of Settlement and recruited some staff.

With the receipt of the Charter, the directors were able to start business and they dispatched their staff to Australia on 10th July 1835. Offices were opened in Sydney and Hobart in December, and in Launceston in January 1836 following the acquisition of the business of the Cornwall Bank which had begun in Launceston in May 1828. Sydney was designated as the head office.

Meanwhile, on 7th July 1837 a resolution was taken in London to form The Union Bank of Australasia. The name was changed to The Union Bank of Australia after complaints from the Bank of Australasia about the similarity of name. The prospectus was authorised for insertion in seven of the London daily papers¹¹ but according to Butlin this was unnecessary as all shares were taken up without the publicity. Unlike the Bank of Australasia, the Union Bank was a joint-stock company with unlimited liability, and it traded as a joint-stock company until it registered under the English companies act in 1880.

By its title, the Union Bank indicated its intention "to facilitate the junction with some of the existing banks" in Australia. In fact only one was available. The Tamar Bank was founded in Launceston on 1st January 1835 but was shaken by a conflict with the Bank of Australasia and accordingly sought a merger with the new Union Bank. The only other potential merger candidate was the Derwent Bank in Hobart

who invited negotiations but no records remain to evidence the discussion.

The Union Bank's entry into Melbourne was by absorption of the Derwent Bank's agency. The Derwent had opened in Melbourne in February 1838 but was not soundly based. When the Commercial Banking Company of Sydney opened an agency in Melbourne in June, and knowing that the Bank of Australasia was also to open, the Derwent happily shed its agency to the Union Bank.

The Bank of Australasia opened in Melbourne at the direct request of the Governor of New South Wales, Sir George Gipps. The bank shipped its equipment, notes and specie, two bulldogs and an armed guard to Melbourne on the government's cutter. Their premises were a cottage of four rooms; two for banking and two for living. The staff slept with the cash chest between their beds and the dogs had the run of the yard at night. By 1841, despite competition from the Union Bank, the business was almost as big as at Sydney and the Superintendent suggested that the head-office be moved there from the northern city. It was not until nearly ten years after the gold discoveries, when it was clear that Melbourne had eclipsed Sydney as the financial capital of the colonies, that the head office was moved. The Union Bank also moved its head office from Sydney to Melbourne in the early sixties.

George Fife Angas played a major role in the founding of the Union Bank. But Angas was also heavily involved in the Bank of South Australia and as a consequence the Union Bank agreed not to trade in South Australia.

South Australia was a 'company settlement' founded under ideas similar to those of Edward Gibbon Wakefield. Angas promoted the South Australian Company that acquired the responsibility for settling migrants as well as its normal trading activities. To augment its services the company opened a banking department in 1837 under the control of Edmund Stephens. During his passage across the Indian Ocean from South Africa, Stephens had had a tent made by the ship's sail maker from canvas bought in Cape Town. This tent, 27 feet by 14 feet (about 8.25 x 4.25 metres) was pitched on the beach and used as a bank, the manager's residence, and a church on Sundays. Stephens had brought materials for a house but they stayed on the beach because in early, un-surveyed Adelaide, the cost of carting them the nine kilometres to the town was too expensive. Banking began as soon as the tent was pitched and it was some months before the bank was moved to Adelaide.

The growth of the banking department was rapid and by 1842 the bank was split off from the South Australian Company as a separate business - The South Australian Banking Company. The bank reaped the benefit of expansion caused by the discoveries of copper in South Australia in the 1840s. Fifty years later, when it had overtraded in a later, great Australian economic boom, the bank was on the verge of collapse and offered itself to the Union Bank. The Union took it over in 1892.

Gold discoveries had various effects on ANZ's predecessors; in two cases it created them: the London Chartered Bank of Australia and the English, Scottish and Australian

Chartered Bank were both floated in 1852. Prospectuses for these banks do not survive in the Bank's archive but an article in the Bankers' Magazine for 1853¹² described the motives of one "to be buying gold at £3.4 an ounce and selling in London at £4" and the other of benefiting generally from the large banking profits to be made as evidenced by the large dividends of existing banks. The article decried the potential profits to be made from gold which were seen as having disappeared with the rise in the gold buying price, and went on to declare that the high dividends were the result of accident through the banks being fortunate to buy gold at cheap prices early on. Nevertheless, the Australian banks went on to become major gold purchasers and shippers.

Both the ES&A Bank and the London bank established head offices in Sydney but like their two Anglo rivals they too migrated south to Melbourne. Ironically the London Bank moved its head office back to Sydney in 1919 just before it was bought by the ES&A.

The ES&A Bank found it difficult to secure premises in either Melbourne or Sydney in 1853. Rents and land prices were escalating particularly in Melbourne because of the gold fever. Jackson, the general manager, opened a small office in Sydney to allow him to plan the bank and then rented a building in George Street where he opened the first branch in October. In Melbourne, he opened the branch in temporary premises but finally secured a respectable office in Elizabeth Street. In 1854, he was discussing with his directors the problems of living in Melbourne. It had not yet become the elegant city that was to appear in the 1860s. In

1854 Melbourne, Jackson said, "the managers of public institutions in Melbourne live out of town ... the town is in summer so sultry and dusty, and in winter so impassable from dirt and bog, that it is commonly regarded as unfit for residence."¹³

The Bank of Australasia opened only four goldfields branches and eight agencies¹⁴ between the gold discoveries and 1860, indicating wariness about the permanency of the goldfields. The Union Bank had opened six goldfields branches out of the twenty four it operated by 1860¹⁵ while the London Bank had ten.¹⁶ The ES&A Bank was quick to open branches but shied away from the goldfields with only one branch opened at Castlemaine in 1863 but closed the following year.

These four Anglo-Australian banks provided the basis for today's bank by merging at separate times. As we have seen, the Union Bank took over the Bank of South Australia in 1892. The ES&A acquired the London Bank in 1921. In 1951 the Union and Bank of Australasia merged to form Australia & New Zealand Bank Limited and this bank merged with the ES&A to form the present company.

The records of these banks, some largely complete, some very deficient, are in the archive of ANZ Bank. The archival records of the nineteenth century Australian banks account for about 20% of ANZ's 1,600 metres of records. They comprise minute books, correspondence, statistical returns, personnel records, building plans and photographs. The archive as a whole also holds modern storage mediums such as film, audio-visual tapes and CD ROM.

Because of the nature of the banks in ANZ's pedigree we hold a unique record of Australian banking. The Anglo-Australian banks, with their boards and management based in London, required extensive correspondence and statistical returns to control their business. The correspondence, written weekly and monthly between London and Australia contains an amazing detail of both banks and the economy in which they operated. The completeness of the record also contributes to an important though under-utilised historical record of national importance to the country. Vivid descriptions of early Australia are held in the records as for example this description of the temporary 'town' of Magpie Gully in Victoria:

The workings at this place extend in a straight line for 3 or 4 miles [about 4-6 kilometres] the main Street all the way through consisting of stores, public houses, Billiard Rooms, etc packed closely together. The population (about 20,000) being principally engaged in erecting this temporary canvas town. Very few appear to be digging for gold - but a considerable number were shepherding (i.e.) sitting in holes a couple of feet deep [about 600mm] keeping possession and watching the chances of the lead running under them. These holes, if left unoccupied between the hours from 9 to 12 and 2 to 6 can be jumped by anyone, that is taken possession of to the exclusion of the former occupant. Several shafts had been sunk at the lower end of the Gully some 90 to 130 feet deep [27 to 40 metres] - and were yielding largely. The

*valley is only expected to possess one string or lead throughout, and must soon be worked out - when this bustling and stirring community must migrate to a new field. The land worked being made valueless hereafter for any purpose whatever. To add to the great danger of trusting or dealing with storekeepers at these places - a fire might sweep the whole town in a short space - and no Insurance could be effected for the protection of such property. An agency of the London Chartered Bank had been opened here and the other banks were preparing to follow.*¹⁷

And again for the now thriving inland town of Ballarat which had, in 1855 a Main Street which:

*... is a most dangerous and filthy thoroughfare with dilapidated Calico canvas and weatherboarded stores, public houses etc closely ranged on either side - at the further end on a rising ground stands the Camp etc, Court House principal Inn and some of the Banks, all miserable sheds - with the exception of the Bank of Australasia built of brick & stone and stuccoed over said to have cost £10,000. The other Banks here are The Bank of New South Wales, Bank of Victoria, London Chartered Bank, and an agency of the Oriental Bank - business was exceedingly dull and very little gold dust offering.... this field is at present almost deserted.*¹⁸

At this early period banking at the diggings was "chiefly confined to

buying gold dust and receiving deposits" and the banks were very "illiberal" in their dealings. The banks were becoming alarmed at the large amount of dust available and some were considering restrictions on purchase.¹⁹

Initially the banks relied on gold agents to do their purchasing but as the fields developed they employed their own assayers and built their own assay offices. These were attached to their goldfields branches of course (the Bank of Australasia moved one from Daisy Hill to Avoca)²⁰ but they also built them in Melbourne. When the assayer resigned from Bendigo the manager of the A'sia branch was told to remit raw gold to Melbourne until a new man could be appointed locally.²¹ The Union Bank converted an out-house at their Melbourne office to "a commodious smelting room, [and] erected, three furnaces with chimney..."²² (There are assay tools from Bendigo on display in ANZ Banking museum). By 1877 the A'sia had had only 27 melting days in the previous six months and they dispensed with the assayer's services because of a drop in yield and profitability;²³ but they still assayed until the early 1920s.²⁴

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ANZ Group Archive is one of the oldest business archives in Australia and was established in July 1951. As an in-house archive its primary purpose is to serve the Bank, but many academic historians also seek access to our records. Areas such as economic, business, local, and architectural history are researched. Genealogists are also large users of our complete runs of personnel records. Over 1,600 metres of records are housed in a standard warehouse with purpose fitted

storage with archival standard air-conditioning and security systems. Our offices are comfortable and efficient and a small conservation studio is provided for elementary work. The archive still faces all the problems associated with record keeping and, as for other archives, electronic records are our biggest challenge.

The granting of a Royal charter to the Bank of Australasia on 21st May 1835 has been seen as a convenient date out of many which may be regarded as the foundation date of ANZ. This date has been chosen because the bank was the first of the long-term banks to operate Australia wide and without the charter the bank may well have been wound up.

In 1985, to mark the sesqui-centenary (150th anniversary) of the bank, a history was published. *ANZ Bank: A History of the Australia & New Zealand Banking Group Limited and its Constituents* was commissioned by ANZ and written by a highly regarded academic historian, David Merrett formerly of Monash University. This history is a companion to, and an extension of, Professor S J Butlin's major history of the Bank published in 1961 to mark the first ten years of the merger of the Bank of Australasia and the Union Bank of Australia as Australia & New Zealand Bank Limited.

ANZ also commemorated its sesqui-centenary by opening the ANZ Banking Museum. The museum is designed as a public museum that presents information about Australian banking based on the resources of ANZ. It is one of only two banking museums in Australia (the other is in Sydney). ANZ

Banking Museum was opened by the State Governor on the Bank's foundation day in its present location but was relocated to another part of the city when the Bank took the decision to restore its fine nineteenth century bank building. The banking museum returned to its present location in 1995 after five years away.

The museum is managed by archive staff with the aid of a design consultant with whom we have a very strong relationship. Some three thousand artefacts are catalogued according to recognised museum standards. Displays draw

heavily on the Bank's archival records both for research and contents. We keep track of new techniques in museum management and presentation and have looked at introducing virtual reality displays, but like most of you we are constrained by cost - the museum is far from being a core business.

Nevertheless, ANZ Banking Museum is, I believe, an appropriate contributor to the museum community in Melbourne and a suitable complement to the adjoining complex of Gothic buildings that is now ANZ Bank's world headquarters.

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ENDNOTES

- ¹ *Foundations* p.5
- ² 1 Jan 1810 - 1 Dec 1821. *Australian Encyclopaedia* (1925), Vol 1, p.567
- ³ *Foundations* p.81
- ⁴ *Foundations* p.78
- ⁵ *Foundations* p.110
- ⁶ Holder p.18
- ⁷ *Foundations* p.8
- ⁸ *Sydney Gazette* 9 Feb 1833
- ⁹ ANZ p.25
- ¹⁰ First report to the Annual general Meeting, 1 Jun 1835. A/180/1
- ¹¹ ANZ Group Archive. U/1/1. Minutes
- ¹² 'Australian Banking Prospects', *Bankers' Magazine*, 1853
- ¹³ E/143/1 GM to Court No 80 of 21 Apr 1854 f254

- ¹⁴ A'sia branches at Ballarat, Castlemaine, Bendigo, & Beechworth. Agencies at Amherst, Chiltern, Creswick, Dunolly, Heathcote, Smythesdale, Talbot, & Yackandandah
- ¹⁵ UBA branches at Bathurst, Ballarat, Bendigo, Ararat, Maryborough, & Castlemaine
- ¹⁶ LBA branches at Ararat, Ballarat, Ballarat East, Beaufort, Beechworth, Dunolly, Inglewood, Maryborough, Stawell, & Talbot
- ¹⁷ U/102/4 Inspector to London Manager No 174 of 29 November 1855
- ¹⁸ *Ibid*
- ¹⁹ *Ibid*
- ²⁰ A/279/1 Branch letter book, Castlemaine 23 Feb 1856
- ²¹ A/191/6 Acting Superintendent to Manager, Sandhurst No 28 of 27 Aug 1859.
- ²² U/118/2 Inspector Southern Division to Secretary No 62 of 29 Jan 1859
- ²³ A/8/52 Superintendent to Manager, London No 1810 of 1 Nov 1877
- ²⁴ A/99/18 Superintendent to Manager, London Conf 768 of 28 May 1923