

BANK OF LONDON
&
SOUTH AMERICA
LIMITED



A SHORT HISTORY

LONDON

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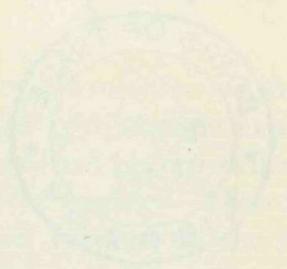


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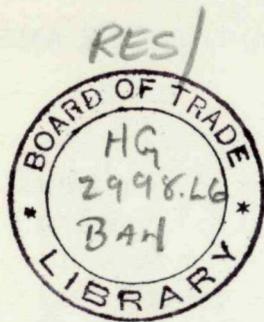
A SHORT ACCOUNT
OF THE BANK'S GROWTH IN CENTRAL
AND SOUTH AMERICA



1978

BANK OF LONDON

SOUTH AMERICA



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THE BANK OF LONDON & SOUTH AMERICA LIMITED,

today the only London bank with branches in Latin America, is a fusion of a number of banking enterprises established in different parts of the region at various dates during the past century. The beginnings of the Bank date from 1862: in the summer of that year a notice appeared in the *Banker's Magazine* in London—'An enterprise, to be called the London Buenos Ayres and River Plate Bank (Limited) with a capital of £500,000 in 5,000 shares of £100 each, and a power to increase, has been announced . . . the promoters say that they have the assurance of the representatives of these states that their respective governments would regard with favour the establishment of such an institution as a powerful means of contributing to the advancement of commercial relations with Great Britain.'

THE ARGENTINE REPUBLIC was then on the threshold of its first great period of economic expansion. Ten years earlier the dictator Rosas had been overthrown and the liberal exiles had returned to the country—Alberdi, Sarmiento, Mitre and others who looked forward to the inflow of European capital, skill and labour as the surest means of bringing

prosperity to what was then an almost empty land. A decade passed before the Republic was unified after the Battle of Pavón, when Buenos Aires and the other Provinces—which had hitherto formed a separate Confederation ruled from Paraná—accepted a common government. In the following year, Bartolomé Mitre was elected constitutional President of a united Argentine Republic and the seat of the national government was transferred to Buenos Aires. As the Founders' Meeting of the Bank in London observed, 'the re-establishment of peace in the Confederación Argentina offers a favourable opportunity for carrying into effect a project long desired, namely the extension of banking facilities through the employment of English capital in the important cities of Buenos Aires and Montevideo. . . . No more promising banking field could be found than that provided by the great cities of the Plate . . . the rapid expansion of commercial enterprises may be looked on as assured. . . .'

THE BANKERS AND MERCHANTS had not over-estimated the potentialities of the country. In 1862 there were only a few hundred square miles of cultivated land in the whole Republic and cereals were among the principal imports: exports consisted largely of wool, hides, lard and other pastoral products. The Indian frontier was only some 100 miles from the capital itself. The opening up of the pampas and the transformation of Argentina into one of the granaries of the world was the work of many military expeditions and of the railways, the banks, and the immigrants who followed them. With this capital—both human and financial—the greatness of the Argentine Republic was to be built, and the year 1862, in which both the London, Buenos Ayres and River Plate Bank and the Buenos Ayres Great Southern Railway were founded, may be said to mark the beginning of this great period of Anglo-Argentine co-operation.

ALTHOUGH the large-scale economic development of Argentina could not begin until the country had found political stability, the foundations for economic progress had been laid under Rosas with a steady increase in pastoral production that made possible an expanding export trade. In the development of sheep-farming and stock-raising British immigrants—mainly from Scotland and Ireland—played their part, while English merchants—who, it may be recalled, had shared in the foundation of the first bank in Argentina in 1822—formed a resident community on whose experience the great enterprises of the years after 1861 were able to draw. Of these one of the most remarkable was George Drabble, later the Chairman of the London and River Plate Bank, who came to Argentina from Manchester in the late 1840's in the interests of the family firm of Drabble & Bros., exporters of cotton goods. Of all the entrepreneurs in Argentina in this period, says H. S. Ferns, 'Drabble was the most conspicuous for his talent, his imagination, his knowledge of the country and his close-fisted administrative and financial ability. He played a leading rôle in the establishment of the Buenos Ayres Great Southern Railway, the London and River Plate Bank, the Buenos Aires Tramways, the Buenos Aires and Rosario Railway and the River Plate Fresh Meat Company' Drabble became Chairman of the Board in 1870 and until a few weeks before his death in 1899 attended daily to his duties in the offices of the London and River Plate Bank in Moorgate in the City.

THE LONDON, Buenos Ayres and River Plate Bank opened for business in Buenos Aires in the latter part of 1862. Among its earliest clients was Urquiza, who ten years earlier had defeated Rosas at the Battle of Caseros. 'It is only a few months in operation,' wrote the Mulhalls in the *River Plate Handbook*, the first book in English to be published in South America, 'but draws largely by each Packet and is rising in

business under the judicious direction of J. H. Green, Esq., and D. Norberto Riestra.' Green, the manager, was a merchant of long standing in Buenos Aires, while Riestra, the Resident Director, had formerly been Finance Minister of the Province of Buenos Aires. The Bank prospered immediately and within a year of beginning operations the authorized capital was raised to £1 million and a further £200,000 were subscribed at a premium. An agency in Montevideo had been opened at about the same time as the Buenos Aires branch. In 1866 the second Argentine branch was opened in Rosario, then the terminus of the Central Argentine Railway, and in the following year another branch in Córdoba, towards which the railway from Rosario was being extended.

THE LONDON AND RIVER PLATE BANK (the name to which the London, Buenos Ayres and River Plate Bank had changed in 1865) was above all a commercial bank, and a great part of its business consisted in the financing of exports and imports. It was always concerned to maintain a highly liquid position, and, unlike some other banks of the period, avoided tying up its funds in land investments and mortgages. This was a policy that assisted it to survive the periodic financial crises attendant upon the rapid economic development of the Republic, crises during which banks that had sought profits in speculation during boom periods were forced into liquidation. Though the London and River Plate Bank was essentially a commercial bank, its services were not confined to the trading community. On occasions it found the opportunity to lend its services to the Argentine Government. It also contributed much to the development of the regions where its branches were established and its old registers show the names of many industrial pioneers. When the Bank first established a branch in Mendoza in 1896 the present flourishing wine industry was in its infancy. The chief business of the Province was the

raising of cattle, many of which were fattened and driven over the Andean passes for consumption in Chile. Among the clients of the Bank in those early days were names that have since become famous in Mendoza—pioneers of the present wine industry, engineers who constructed the Transandine railway, semi-literate Italian immigrants whose descendants are now powerful industrialists, millionaires and important figures in the social and political worlds.

IT WOULD BE impossible to give here more than a brief summary of the history of the London and River Plate Bank since these early developments. The Bank may be proud of its record of stability: though progress in the early days depended much on the pace of the general economic growth of the Argentine Republic, the Bank's soundness was never in doubt. Like other banks of the period it issued for a time its own notes in several of the centres in which it was established, and it was the only bank to redeem its entire issue. Until 1871 progress was steady and sure, though the next five years were marked by many difficulties, including an epidemic, when business activities in parts of the republic practically ceased, and an unusually severe financial crisis in 1876. After 1880 the Bank's business with commercial centres on the Continent of Europe increased considerably and a branch in Paris was opened in 1885, to be followed later by branches in Lisbon and Antwerp. In 1890-91 came the Bank's severest test, which set the seal upon its reputation in the River Plate countries, with the concurrence of a political upheaval and the worst financial crisis ever experienced in Argentina. The crisis followed upon a period during which the Guaranteed National Banks, authorized in 1887, had loosed upon the country a flood of paper money. After a brief and deceptive period of prosperity a business recession became apparent in the latter part of 1889. In 1890 the July Revolution led to the fall of the

Ministry of Dr. Juárez Celman and marked the entry into Argentine politics of a new party, the *Unión Cívica*. By 1891 crisis had become catastrophe; in April of that year both the official banks, the Banco Nacional and the scarcely less important Banco de la Provincia de Buenos Aires, closed their doors and suspended payments. Among the many banks and commercial establishments that failed during this crisis was the English Bank of the River Plate, for which a 'gorgeous edifice,' wrote Mulhall in the 1892 edition of the River Plate Handbook, was then under construction opposite the London and River Plate Bank and whose offices were later to be acquired by the London Bank as its business expanded and larger premises became necessary. It has been estimated that three-quarters of the banking capital in Argentina was lost. The London and River Plate Bank was among the few banking institutions in the country that remained open, and it would be difficult to overestimate the importance of its rôle in maintaining public confidence when the financial bases of the Republic seemed all but shattered. Not only did the Bank maintain 'business as usual'; its business increased during the year and it was able to add substantially to its reserves. In 1891 it acquired the old-established bank of Carabassa & Co. (1860) and, despite strong opposition by many shareholders to the extension of its activities beyond the River Plate in times of crisis, it opened a branch in Rio de Janeiro as well as agencies in New York and Paysandú in Uruguay.

FINANCIAL and monetary reorganization and the richness of the country's natural resources enabled the development of Argentina to be resumed quickly after the setback of 1891. The voyage of *Le Frigorifique* in 1876 had shown that the export of fresh meat to Europe was possible; the first freezing plants had been built in the 1880's and exports on a large scale began in the following decade. The growth of cereal exports

was no less remarkable ; wheat exports alone, which amounted to only 21 tons in 1876, reached nearly 400,000 in 1891 and two years later exceeded one million tons ; the two million mark was passed in 1904 and a record for the years before the first World War of 3·6 million tons was set up in 1908. With the expansion of the economy of the Republic there was a rapid development of the Bank's activity in Argentina ; further branches were opened, both in the provinces and in the environs of Buenos Aires, and the Brazilian connection was strengthened by the establishment before the end of the century of branches in Pernambuco, Pará and São Paulo. While these developments were taking place in the older centres of the Bank's activity, contacts made with many flourishing firms in Chile made it expedient to have direct representation in that republic and a branch was opened in Valparaíso in 1907, to be followed later by others in Santiago and Antofagasta. In the years before the first World War there was further expansion in Argentina, Uruguay and Brazil. In 1912 the authorized capital, which had increased with development, was further enlarged to £4 millions, and an issue of 40,000 shares brought the subscribed capital to £3 millions, while reserves amounted to £2 millions.

THE WAR OF 1914-18 greatly interrupted the accustomed patterns of international trade but the Bank in these unusual and difficult circumstances continued to serve its customers on both sides of the Atlantic, contributing largely to the smooth workings of the many intricate schemes that had to be devised to meet the needs of legitimate trade in times of war. After the War, changing conditions in the financial world led to a consolidation of banking interests in London, and in 1918 an important development in the history of the London and River Plate Bank occurred when Lloyds Bank Limited, one of the oldest and most important of British banks, acquired the

greater part of its capital. The London and River Plate Bank was greatly strengthened thereby and given wide connections in Great Britain and in the countries where Lloyds Bank was represented or had affiliates. Five years later, in 1923, the London and River Plate Bank amalgamated with the London and Brazilian Bank. For many years the two banks had operated in a spirit of friendly rivalry in several of the Latin American republics, and it became clear to those responsible for their policies that co-operation would be more advantageous than competition. The London and Brazilian Bank's principal sphere of operations was in Brazil, but it had branches also in the River Plate countries, and in Portugal, Paris and New York. At the time of amalgamation the London and River Plate Bank had in Argentina a head office and five sub-branches in the capital and branches at Rosario, Mendoza, Córdoba, Tucumán, Paraná, Concordia and Bahía Blanca; thirteen branches in Brazil, three in Chile and five branches or agencies in Uruguay; in Paraguay and Colombia branches had been opened at Asunción and Bogotá by 1920 and others in Manizales, Medellín, Barranquilla and Cali followed in the next few years; outside Latin America there were branches in Paris, New York, Lisbon and Antwerp, and the Head Office in London. The new combined institution was given the name of Bank of London and South America Limited, and had an authorized capital of £4 millions, of which £3·5 millions were paid up.

THE LONDON and Brazilian Bank Limited was founded in 1862, in the same year as the London, Buenos Ayres and River Plate Bank and, just as the latter was the first foreign bank to be established in Argentina and to play an active part in the finance and trade of the River Plate, so was the London and Brazilian Bank in Brazil. The first branch was opened in Rio de Janeiro in the year of foundation; shortly afterwards branches were also established in Bahia and Pernambuco and the

Anglo-Portuguese Bank (unconnected with the present bank similarly named) was taken over with its branches in Lisbon and Oporto. In 1864 there was a severe monetary crisis in Brazil during which several private banks were forced to close their doors and after this period of depression the Bank was reorganized and strengthened in 1871. From then onwards its progress was steady and sure. A wide network of branches was established from Manaus on the Amazon, and Pará and Maranhão on the northern coast, to Pôrto Alegre, Pelotas and Rio Grande do Sul in the far south. Unshaken by subsequent economic or political crises, and surmounting the difficulties caused by the ever-present yellow fever, the London and Brazilian Bank grew with and contributed to the rapid development of the country and the expansion of its foreign trade. Branches and agencies outside Brazil and Portugal were established in Buenos Aires, Rosario, Montevideo, Paris, New York and Manchester. The capital of the Bank, which was £1 million at the time of its reorganization in 1871, was augmented several times in order to handle the increasing business and at the time of the fusion with the London and River Plate Bank was £3 millions, of which £1·5 millions were paid up, while reserves stood at £1·5 millions.

THE COMBINED STRENGTH of its two component banks enabled the Bank of London and South America to withstand the world economic crisis of 1929-32, the effects of which were nowhere more disastrous than in Latin America. As the economies of the Latin American republics and their foreign trade contracted greatly, the business of the Bank of London and South America was deeply affected, but its stability was never in doubt. Many other banks were fatally harmed by the events of these years and among them must be numbered the other great British banking enterprise in Latin America, the Anglo-South American Bank, whose fortunes at that time

were too closely involved with those of the Chilean nitrate industry, then unfortunately under process of reorganization, following the rapid development of the competing synthetic nitrogen industry. Although arrangements were made for a large part of the Anglo-South American Bank's frozen assets to be taken over in 1932 by a consortium of British banks, headed by the Bank of England, it continued to operate under a handicap in the difficult conditions of the ' thirties ' ; in 1936 it was accepted that the most satisfactory solution would be to amalgamate all British banking interests in Latin America, and it was therefore arranged that the Bank of London and South America should take over the business of the Anglo-South American Bank.

THE ORIGINS of the Anglo-South American Bank date from 1888 with the foundation of the Bank of Tarapacá and London, largely on the initiative of Colonel North—perhaps the most remarkable figure in the development of the nitrate pampas that had been won for Chile by the War of the Pacific. Colonel North came to South America to work for a Yorkshire firm of boiler-makers, and his first personal enterprise consisted in carrying fresh water by sea to the nitrate plants near Pisagua. He later acquired substantial interests in the nitrate industry itself and became an influential figure both in Chile and in London. The Bank of Tarapacá and London was originally formed to finance and develop the trade in nitrates between Chile, the United Kingdom and Europe. Its first office in Chile was established in Pisagua, and it later extended its activities to other parts of the Republic, to Santiago, Antofagasta and Concepción, and was a pioneer of banking in the far south, where its branch at Punta Arenas, on the Straits of

Magellan, was the first in the locality. From there it set up a branch at Río Gallegos in Argentine Patagonia. The course of expansion thus begun was maintained by an amalgamation in 1900 with the Anglo-Argentine Bank, established in Buenos Aires and Montevideo, when it took the name of Bank of Tarapacá and Argentina Ltd., with an authorized capital of £1.5 millions. Further expansion followed and by 1907, when the name was changed to the Anglo-South American Bank Ltd. and the capital raised to £2.5 millions, it had sixteen branches in South America and others in Hamburg and New York.

IN 1912 the London Bank of Mexico and South America, which had been established in 1864, was acquired by the 'Anglo.' The subscribed capital of the Anglo-South American Bank then amounted to £4.5 millions and the reserve fund stood at over £1.5 millions. During the first World War it was thought desirable that a British bank should have direct representation in Spain, and the Anglo-South American Bank established a branch in Barcelona in 1916, to be followed shortly by others in Madrid, Bilbao, Valencia, Vigo and Seville. A branch in Paris had been opened in 1911, and shortly after the War direct representation among the textile interests in the provinces of England was obtained with the establishment of branches in Manchester and Bradford. In 1917-18 the Anglo-South American Bank acquired a controlling interest in the Commercial Bank of Spanish America, which had developed out of a number of small banking enterprises concerned with the financing of the overseas trade of the tropical agriculture republics of Central America and was itself also a trader. The Commercial Bank was experiencing the competition of North American interests that were expanding vigorously in the area, and for its own expansion it needed to be associated with an institution commanding larger resources.

THE ANGLO-SOUTH AMERICAN BANK continued to enlarge the scope of its operations after the War and a branch was set up in Peru at Lima in 1920. In the same year a controlling interest in the British Bank of South America was bought. This bank, established in 1863 as the Brazilian and Portuguese Bank, operated chiefly in Brazil, where the Anglo-South American Bank was not represented. At about the same time other financial interests in Chile, Belgium and the U.S.A. were acquired. With its affiliated banks the Anglo-South American had become an international institution of considerable magnitude. The Anglo-South American Bank's own network of branches embraced the length of Chile from Iquique to Punta Arenas ; and it had branches in Patagonia as well as in Mendoza, Rosario, Buenos Aires, Montevideo, and elsewhere in the River Plate ; the Commercial Bank of Spanish America had branches in Guatemala, El Salvador and Nicaragua, five in Colombia, two in Venezuela, two in Ecuador and one at Iquitos on the Amazon in Eastern Peru ; the British Bank of South America had eight branches in Brazil, three in Argentina and two in Uruguay. In 1922 the Anglo-South American Bank and its affiliates had seventy-one branches and agencies in sixteen countries.

SINCE THE AMALGAMATION in 1936, when the Bank of London and South America became the sole British bank in Latin America, it has had to adjust itself to further vast changes in the world economic situation and in the conditions of international trade. In a world of inconvertible currencies and exchange controls the banker's rôle has become more complicated and is no less indispensable. Conditions in the Latin American republics themselves have also changed as industrialization and the planned economy have won general acceptance. In these circumstances the Bank of London and South America maintains its reputation for stability combined with adaptability

to changing conditions. On a personal level, experiences in Spain during the Civil War and in France during the German invasion have shown that international banking may still call, as it did during the earthquakes, epidemics and revolutions of an earlier period, for qualities other than the strictly banking virtues. The Bank of London and South America—whose branches and agencies, recently increased to sixty-five, give it direct representation in seventeen countries, twelve of them in Latin America—has grown in the past with the expansion of the economies of the Latin American republics and has itself contributed to that expansion by its encouragement of trade, stability in times of crisis, assistance to the pioneers of development and even in such humbler services as it offered to the immigrants for whom its branches stayed open late so that they might make their remittances to their families at home, and its services continue to be offered to a variety of activities and persons in the changed circumstances of today. As the Chairman has said : 'We feel that our duty is not only to our shareholders, but also to assist to the utmost of our powers in the development of the national economies of the countries in which we are established and therefore to co-operate as far as possible in their activities.'

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