Agency Houses and Exchange Banks

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The merchants who built the entrepôt described in Part A needed two kinds of institution that the port did not at first possess. They needed firms in Singapore that could act for principals in London, Glasgow, Hamburg or Calcutta, buying and selling on commission, arranging freight and insurance and keeping accounts. They also needed banks able to turn a cargo shipped from the Singapore River into money in London, or money in London into silver dollars in Singapore. The first need was met by the European agency houses, which appeared within two years of the founding of the settlement. The second was met, from 1840 onwards, by the exchange banks: British overseas banks with head offices or strong connections in London and branches strung along the trade routes of Asia.

This chapter examines both institutions and the relationship between them. It begins with the agency houses, taking Guthrie & Co. and Boustead & Co. as its principal examples, and then follows the arrival of the exchange banks, from the short-lived branch of the Union Bank of Calcutta to the Chartered Bank, the Mercantile Bank and the Hongkong and Shanghai Bank. It explains the instruments with which these banks financed trade, above all the bill of exchange and the documentary bill, which later developed into the documentary credit. It turns to

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insurance, shipping and the other services that grew up around the agency houses. It closes with the Chinese intermediaries without whom neither the houses nor the banks could have reached the Asian merchants who handled most of the trade of the port.

The subject has a direct counterpart in the Geneva volume. Geneva's nineteenth-century financial centre rested on private bankers organised as partnerships with unlimited liability, joined from the 1840s by joint-stock banks promoted by the Radical government of James Fazy.[1] Singapore's agency houses were also partnerships with unlimited liability, while its exchange banks were joint-stock institutions chartered in London. The two cities therefore combined the same two forms of enterprise, although in Singapore both forms came from outside and served a trade whose goods passed through the port itself.

Essentials

European agency houses such as Guthrie & Co. (from the early 1820s), Boustead & Co. (1828) and Behn, Meyer & Co. (1840) acted as commission agents, traders and representatives of banks, insurers and shipping lines. The first bank branch in Singapore was opened by the Union Bank of Calcutta in 1840, followed by the Oriental Bank in 1846, the Mercantile Bank in the mid-1850s and the Chartered Bank in 1859, while the Hongkong and Shanghai Bank worked through an agency from 1865 and opened its own office in 1877. The exchange banks financed trade between Asia and Europe by buying and collecting bills of exchange, usually accompanied by bills of lading and insurance documents, and by managing the risk between silver and sterling. Insurance, docks and shipping grew up around the agency houses, which in 1900 held, in the case of Guthrie & Co., agencies for six banks and five insurance companies. Chinese compradors, brokers and middlemen connected the European firms and banks with Asian merchants, who preferred their own networks of credit and turned to foreign banks mainly for remittances and short-term advances.

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Notes

1. Ressos, *Genève, place financière internationale*, partie D, chapitres II (« Radicalisme, chemins de fer et banques par actions (1846-1914) ») et III (« Les banquiers privés : un statut, une responsabilité, une culture »), citing the *Dictionnaire historique de la Suisse*, art. « Fazy, James », for the Banque de Genève (1848) and the Caisse d'escompte (1849). ↩

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