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**Alexander Allan Shand and Parr's Bank:
Roles as a director from 1909 to 1918**

Eiji Hotori¹

ABSTRACT

In this article, I use documents obtained from the NatWest Group archives to examine the work of Alexander Shand as a director of Parr's Bank during the period 1909–1918. A Scottish banker, Alexander Shand was recruited by the Japanese government early in his career to instruct Japanese bureaucrats on the establishment of a modern banking system. Following a conflict with the Japanese government in 1877, Shand returned to the United Kingdom, where he used his connections within the British bankers' network to obtain a position with Alliance Bank, commencing in 1878. In 1892, Alliance Bank merged with Parr's Bank, and Shand was eventually appointed to the board in 1909, where he remained until Parr's Bank merged with Westminster Bank in 1918. Shand was not only keen to maintain discipline regarding insider lending, but also played an important role in underwriting bonds issued in Japan and China. In addition, Shand dealt with difficult issues related to the bank's participation in bailout plans and tax-related matters. This article confirms Shand's industrious and conservative attitude as a director of a British bank, as well as his sound management principles in the early 20th century.

Keywords: financial history; UK–Japan relationship; British bank

JEL codes: N23, N83, N93

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1. Introduction

1.1 Motivation and previous research

Following the Meiji Restoration of 1868, Japan began to modernize its economy by introducing Western systems. In an effort to accelerate this process, the Meiji government recruited numerous advisers such as professors, engineers, and bankers from abroad. These foreigners were called *O-yatoi Gaikokujin* (Umetani 1968), and as is well-known, more than 50% of them came from the United Kingdom (UK). In this article, I focus on Alexander Allan Shand (1844–1930), a Scottish banker who is regarded as a key figure in the modernization of the Japanese banking system.

Recruited by the Meiji government in 1872, Shand played an important role in the establishment of a modern banking system in Japan. Specifically, he is renowned for the introduction of the double-entry bookkeeping system and British principles of prudence in banking. After the termination of Shand's contract in 1877, the Meiji government never hired a foreign advisor. Thus, Alexander Shand was a unique foreigner to Japan's financial history.

Despite the important role he played in Japan's financial history, Shand has attracted the interest of few British and Japanese researchers to date. Tsuchiya (1966) examined Shand's life, mainly focusing on his stay in Japan and the introduction of a modern banking system, while Nishikawa (1971) examined the introduction of the double-entry bookkeeping system to Japan. However, these studies were based on Japanese sources, and Kita (1984) was the first to examine British documents held at the University of Aberdeen in an effort to examine Shand's life and career. A British study by Checkland (1989) examined Shand's role in syndicating loans to the Japanese government from British

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and American investors. However, much of Shand's life, in particular his activities as a banker, remains unexamined.

1.2 Research questions

In this article, I focus on Shand's role as a director of Parr's Bank during the period 1909–1918 in an attempt to answer the following questions: what was Shand's role at Parr's Bank? To what extent did Shand participate in the bank's management? To which bank committees was Shand assigned? How often did Shand attend board meetings and various committee meetings? Was Shand only recruited for his expertise in Asian financial business, or for broader daily operations? I address these questions by examining the minutes of the weekly directors' meetings that were obtained from the NatWest Group archives.

I focus on three main topics. First, I explore Shand's overall role as a British banker. As is well-known, Shand significantly enhanced Parr's Bank's profitability by actively facilitating the issuance of foreign bonds by the Japanese government to British and American investors. This relationship with Japan was believed to have prompted Shand's rapid promotion to the board. Although this is an important element of Shand as a banker, Shand's activities as a bank director other than his involvement in foreign bonds require examination in an effort to reveal Shand's overall influence. Second, I examine the reasons for Shand's rapid promotion. After returning to the UK from Japan, Shand commenced work with Alliance Bank in 1877, and after Alliance Bank merged with Parr's Bank in 1892, Shand advanced rapidly in Parr's Bank, eventually being appointed to the board in 1909. This raises the following questions: who recruited Shand to Alliance Bank? Why did a Scottish banker enjoy rapid promotion in an English bank? Was there anyone behind his promotion? Thus, not only Shand's activities as a banker but also his personal relationships require examination. Third, I examine Shand's banking principles. It is unclear which principles Shand endeavored to introduce to Japan

during his period as a government adviser, and thus I examine studies on British principles of banking prudence at that time in an effort to obtain clarification.

1.3 Summary and results

The rest of this paper is organized as follows. Section 2 presents an overview of Shand's banking career from his commencement as a bank clerk through his time as an adviser to the Japanese government, his return to British banking, his time as general manager of Parr's Bank, and finally his membership of the board of Parr's Bank. Section 3 presents a review of Shand's work as an adviser to the Japanese government. Section 4 outlines the trajectory of Parr's Bank from its creation in 1865 to its merger with Westminster Bank in 1918. Section 5, which is the main part of this article, presents an analysis of documents detailing the roles played by Shand as a director of Parr's Bank. Section 6 concludes.

In relation to the research questions above, the findings of this paper are as follows. As a director of Parr's Bank from 1909 to 1918, Shand occupied important board positions – permanent member of both the Daily Rota Committee and the Branch Visiting Committee. Furthermore, Shand attended almost all meetings, and was a more frequent attendee than Deputy Chairman. Shand handled a range of problems, including insider loans, the bailout of Yorkshire Penny Bank, the underwriting of bonds issued in Asia, and general matters such as taxation. Apparently, Shand's expertise in Asian financial business was nothing more than a trigger in his career as a bank director.

2. Overview of Shand's life

2.1 From birth to bank clerk

Alexander Allan Shand's life can be divided into four stages. The first stage is from 1844 to 1863, from his birth through his early years. Shand was born in Aberdeen, Scotland, where his father's relatives operated a ship dealership for Alexander Hall and Sons. Kita (1984: 12–13) reported that

Shand thoroughly admired William E. Gladstone and enjoyed reading John S. Mill's masterpiece *On Liberty*. Shand received his initial training at a Scottish bank and then entered the service of a colonial bank, the Chartered Mercantile Bank of India, London and China. This heralded the beginning of a long relationship between Shand and Asia (specifically Japan and China).

2.2 Days in Japan

The second stage is from 1864 to 1877. Shand arrived in Yokohama in 1864 as acting manager of a sub-branch of the Chartered Mercantile Bank of India, London and China. Following the Meiji Restoration of 1868, the Japanese government recognized the need to modernize its economy, and in an effort to create a modern banking system, Shand was recruited by the Meiji government in 1872. As Secretary of the Ministry of Finance, Shand oversaw Japan's introduction of modern banking systems including double-entry bookkeeping and the principles of banking prudence. In addition, Shand directed the first official on-site examination of the First National Bank of Tokyo and demonstrated the process of bank supervision to Japanese bureaucrats (Hotori, Wendschlag, and Giddey 2022: 53–55).

Initially, there were only four national banks as a result of Japan's strict financial regulations. To facilitate the entry of merchants (and former samurais) into the banking industry, the Meiji government issued a revision of the National Bank Decree in 1876 that focused on deregulation. Shand strongly opposed this deregulation, expressing concern at the prospect of increased speculation by banks, and refused to compromise his principles in relation to the Japanese government's policy. The "fiscal difficulty" resulting from the Seinan War in 1877 (the last civil war in Japan) provided the Japanese government with a convenient excuse for the termination of Shand's contract. Although Shand was free to work with private Japanese organizations, no offers were forthcoming, and thus Shand had no choice but to return to the UK.

2.3 Banker of Alliance Bank

The third stage is from 1878 to 1892. Soon after his return to the UK, Shand entered the service of Alliance Bank of London and Liverpool Ltd. Alliance Bank probably expected Shand's career and experience in Japan to enable them to profit from engaging in UK–Asia business transactions, which were steadily expanding. Although Shand's precise role in Alliance Bank was unclear, he played an important role in the bank's Asian business. For example, Yokohama Specie Bank, which was founded in 1880 in Japan, formed its first international relationship with Alliance Bank based on Shand's advice (Kita 1984: 14–15). In 1892, Alliance Bank merged with Parr's Bank, and Shand's rapid rise commenced.

2.4 Banker/Director of Parr's Bank

The fourth stage is from 1893 to 1918. In 1893 Shand was appointed manager of the Lombard Street branch of Parr's Bank,¹ and in 1902 he was appointed manager of their head office (Tsuchiya 1966: 120). As is well-known, Shand provided great support to Japanese solicitor Korekiyo Takahashi, who was a deputy governor of the Bank of Japan at that time (and later became Minister of Finance), helping to obtain loans for the Japanese government during the Russo–Japanese War of 1904–1905.² Shand was appointed to the board of Parr's Bank in 1909, and served as a director until Parr's Bank was acquired by London County and Westminster Bank in 1918.

3. Shand as an adviser to the Japanese government

3.1 Financial system during the Edo period

During the Edo period (1603–1868), thousands of financial merchants (*Ryogae*) existed in Japan.

¹ “The sub-committee recommend the transfer of Mr. A. Allan Shand to be manager of Lombard St. Branch with a salary of £1,000...” Directors' Meeting Minute Book of Parr's Bank Ltd., 26 January 1893, NatWest Group Archives PAB/1/4, pp. 33–34.

² Shand introduced Takahashi to British and American bankers (Takahashi 1936: 186–208).

However, the function of *Ryogae* differed from that of modern banks in that *Ryogae* did not take current/term/savings deposits and did not require collateral (e.g., real estate) for loans.

Originally, the main function of *Ryogae* was to exchange money. During the Edo period, there were three major cities: Edo (now Tokyo), Osaka, and Kyoto. Edo, in eastern Japan, was the political center because Shogun Tokugawa and many shogunal vassals lived there. In addition, every feudal lord had been obliged to alternate between living in Edo and living in his own feudal domain in alternate years (*Sankin-Kotai*) under the Laws for the Military Houses of 1635. Many merchants were attracted to Edo in search of business opportunities, and by the early 18th century, the population exceeded one million, transforming Edo into the highest consuming city in Japan. Osaka, in western Japan, was the commercial center and home to the largest rice market, Dojima. During the Edo period, every farmer was required to pay a farm tax, which was payable in rice sold by feudal lords at Dojima. Notably, gold coins were the main currency in Edo, while silver was used in Osaka and Kyoto.³

These different means of payment in eastern and western Japan presented significant business opportunities for *Ryogae*, who facilitated the exchange of gold coins and silver to enable money to be transferred between Edo and Osaka/Kyoto. Tokugawa provided a charter for limited numbers of wealthy *Ryogae* such as Mitsui (Edo) and Sumitomo (Osaka). These merchants were known as *Hon Ryogae* and *Jyu-nin Ryogae*, and were able to earn commissions on currency exchanges and money transfers. In return for this privilege, *Ryogae* were required to lend large sums to feudal lords. These loans were unsecured, and thus interest rates were generally quite high (10–20%). *Ryogae* remained a feudalistic system, and the high interest rates discouraged the levels of investment required for industrialization.

³ Paper money (*Hansatsu*) was less preferred for transactions because of the likelihood of a loss of value.

3.2 Shand's advice for Japanese bankers

Alexander Shand was recruited by the Meiji government in 1872 as Secretary of the Ministry of Finance and became deeply involved in the creation of a modern banking system in Japan. He wrote a textbook, *On Banking*, which provided a summary of British banking principles for Japanese bureaucrats.

The first principle was that loans should be secured with safe, stable, negotiable, and valuable collateral. In addition, bank managers should be careful about the duration gap (i.e., the relative timing of cash inflows and cash outflows). They should always estimate the timing of withdrawals, and long-term loans should be limited to the total amount of term deposits.⁴ The second principle was that investing in government bonds would provide considerable advantages for bank management, and thus despite the lower interest rates offered by government bonds, significant holdings should be encouraged (Shand 1877: 184–187). The third principle was that current deposit accounts should be encouraged, because the provision of overdrafts to customers (particularly small merchants) was conducive to economic growth.

Notably, Shand recommended the two forms of Scottish banking, the conservative Edinburgh approach and the more speculative Glasgow approach.⁵ However, Japanese bankers found it difficult to simultaneously adopt both approaches. In particular, they were concerned about the practice of providing overdrafts, given that they were unsecured. For example, Eiichi Shibusawa (1840–1931), the chair of the First National Bank of Tokyo (Dai-ichi Bank), expressed his concern about the provision of overdraft services during a question-and-answer session regarding the bank examination that was directed by Shand:⁶

Shand: Overdraft services were not favored by Shibusawa. His opinion was that overdrafts were

⁴ Short-term, fully secured lending was a fundamental principle of British banking (Ross 1998: 2).

⁵ For more on the history of Scottish banking, see Checkland (1975) and Munn (1988).

⁶ Waseda University Archives (Tokyo): Okuma Shigenobu Kankei Monjo; Microfilm A1126-2, Supplemental Examiner's Report of the First National Bank of Tokyo, 7 May 1875.

inherently high risk because they were unsecured. I think that Shibusawa was too conservative.

In my view, overdrafts are not dangerous at all. In addition, a bank should encourage customers to buy its bank stocks...

Shibusawa: I am planning to hold a regular meeting with merchants in the Dai-ichi Bank building.

This will enable the merchants to understand modern banking practices, and then the custom of the overdraft will prevail among Japanese merchants...

However, the practice of providing overdraft services was not accepted by Japanese bankers. In 1949, Seihin Ikeda (1867–1950), the Deputy Chair of Mitsui Bank, expressed regret regarding the attitude of Mitsui Bank toward overdrafts (Ikeda 1949: 99–100):

Obama:⁷ Mitsui Bank was reluctant to open current accounts...

Ikeda: Mitsui Bank was too selective regarding customers wanting to open current accounts. When

I think back, we regret being too conservative. We should have been more optimistic regarding overdrafts because they would have enabled considerable profits by increasing the number of bank customers.

Obama: What was the attitude of American bankers regarding overdrafts?

Ikeda: Current accounts were popular among British banks and American banks, and they had large numbers of current accounts. For example, Midland Bank had more than 1.5 million current accounts in London alone.

It is noteworthy that Japanese bankers recognized the importance of overdrafts, although they maintained a conservative attitude to providing overdraft services. Shand's legacy was that Japanese bankers adopted many of the fundamental principles he introduced during his tenure (1872–1877). Specifically, the principle of fully secured lending was thoroughly adopted by almost all bankers, and became known as *Yu-Tanpo-Gensoku*. The practice of providing overdrafts was eventually adopted in

⁷ Toshie Obama (1889–1972) was a famous Nikkei newspaper journalist.

Japan, although customers were required to provide collateral in advance. Thus, instead of obtaining overdrafts, small companies tended to obtain accommodation loans for their short-term financing requirements.

4. Brief history of Parr's Bank

4.1 Establishment and development

(1) Parr's Bank

Parr's Bank was founded in Warrington (13 miles west of Manchester) in 1865 (Gregory 1936: 10–109, 291–302). Parr & Co., which was colloquially known as the Warrington Bank, was located in Lancashire and Cheshire, having been founded in the 18th century by Joseph Parr (a sugar boiler), Thomas Lyon (a brewer), and Walter Kerfoot (an attorney). In 1865, the firm became a joint-stock company trading as Parr's Banking Company Limited with paid-up capital of £100,000. Thomas Parr, the son of Joseph Parr, was chairman of the board of directors from 1865 until his death in 1870, and Joseph Charlton Parr, the third son of Thomas Parr, was chairman from 1875 until 1895. In 1896, following the acquisition of the Consolidated Bank, the bank's name reverted to Parr's Bank. In 1898 Cecil Francis Parr, the seventh son of Thomas Parr, was appointed chairman, a position he held until the bank's acquisition by London County and Westminster Bank in 1918.⁸ Located in the Midlands, with branches in Manchester and Liverpool, Parr's Bank's main customers operated in the cotton, coal, engineering, and chemical industries.

From 1865, and particularly in the 1890s, Parr's Bank acquired several financial institutions operating in adjacent areas, resulting in the expansion of both the bank's size and its area of operation. In 1891, Parr's Bank acquired Fuller, Banbury, Nix & Co., thereby gaining a seat on the London

⁸ Following the acquisition by London County and Westminster Bank in 1918, Cecil Parr was a director until 1928.

Bankers' Clearing House.⁹ By 1910, the overall number of branches of Parr's Bank had increased to 250, and by 1911, the number of London branches had increased to 37. The bank's balance sheet also rapidly expanded. Outstanding loans¹⁰ increased from £4.2 million in 1890 to £26.1 million in 1910, while outstanding deposits increased from £6.3 million to £38.7 million during the same period. Regarding deposits, the most significant events in Parr's Bank's growth were the acquisitions of Alliance Bank, Consolidated Bank, and Stuckey's Banking Company. The purchase of Alliance Bank on 31 December 1891 was also important for Alexander Shand.

(2) Alliance Bank and recruitment of Shand

Alliance Bank (originally Alliance Bank of London & Liverpool Ltd) was founded in 1862 with premises in both London and Liverpool. The directors included six men from Liverpool and three from London, including two directors of the Chartered Mercantile Bank of India and China.¹¹ In 1864, a branch was opened in Manchester and the bank's name was changed to "Alliance Bank Limited". At that time, outstanding loans and deposits were £6 million and £6.5 million, respectively, which were considerable amounts for a country bank. However, the bank incurred losses of at least £128,000 in 1864, and in May 1866 there was a run on the branches. In an effort to rebuild Alliance Bank, not only was the Southwark branch sold, but branches in Liverpool and Manchester were also transferred to various local banks. By 1871, Alliance Bank's paid-up capital had fallen to approximately £800,000.

Subsequently, Alliance Bank's main operations shifted to London, which proved to be a successful strategy. By 1877, a Scottish merchant, Hugh Brown Muir, who was engaged in the Indian tea-trading

⁹ Edward Winkelmann Nix was deputy chairman of Parr's Bank from 1898 to 1907, and Edward Banbury was an important member of the board of Parr's Bank from 1898 to 1918 (and of the Westminster Bank board until 1933). This confirms the importance of this merger to Parr's Bank.

¹⁰ Here, "loans" refers to the total amount of advances, discounts, and acceptances.

¹¹ George Palmer Robinson (later the Bombay agent for Chartered Mercantile Bank) and Thomas Stenhouse (who had Liverpool business connections) were directors of Alliance Bank from its establishment until 1865 and 1867, respectively (Muirhead 1996: 172–173, 336–337).

business as a partner of Finlay Muir & Co. was a director of Alliance Bank.¹² George Palmer Robinson was acquainted with Muir through Alliance Bank and their Indian business interests and introduced his former subordinate Alexander Shand (Robinson was a director of Chartered Mercantile Bank of India and China from 1859 to 1865, while Shand was acting manager of a sub-branch of the bank in 1865) to Muir, who presumably recommended that the bank should recruit Shand following his resignation from his Japanese government role in 1877. In 1878, Shand was recruited by Alliance Bank and worked on their international banking business, which the bank was increasingly focusing on. Between 1881 and 1891, outstanding deposits increased from £2.6 million to £4.6 million, and by the time of the bank's amalgamation with Parr's Bank in 1892, Alliance Bank operated 12 branches in London and had built a considerable London business operation (Gregory 1936: 43–50). This amalgamation was beneficial for both banks' shareholders: Alliance Bank's "earning power was not nearly so great as that of Parr's Banking Company," and "The Alliance could offer Parr's a wide London connection, while Parr's could give the Alliance a satisfactory provincial connection."¹³

4.2 General managers

The rapid growth of Parr's Bank created the need for a highly talented general manager, and thus John Dun, "a great general manager" (Gregory 1936: 97–104), was recruited from the Bank of Scotland as the first general manager of Parr's Bank in 1865, the year of its launch as a joint-stock bank. Dun held this position from 1865 until 1902, and then served as a director from 1902 until his death in 1909. Dun was born in Edinburgh, and in 1850 commenced his career with the Bank of Scotland, where he rapidly advanced. Dun played an active role in banking matters as a member of the committee of the English Country Bankers' Association. Notably, Dun was a leading advocate for the publication of balance sheets, limited liability, and the right to issue notes free of regulation. In addition, Dun adopted

¹² *The Bankers' Magazine: Journal of the Money Market, and Railway Digest*, 37: 686, August 1877.

¹³ *The Bankers' Insurance Managers' and Agents' Magazine*, 54: 69–70, July 1892.

a relatively aggressive attitude to Parr's Bank's business, which resulted in the expansion of both its size and area of operation during his tenure.

When Dun was appointed as a director of Parr's Bank in 1902, Robert Walter Whalley was appointed to replace him as general manager. Like Dun, Whalley pursued a strategy of expansion during his tenure from 1902 to 1916.¹⁴ When Whalley was appointed deputy chairman of Parr's Bank in 1916, John Stewart, who had been deputy general manager since 1911, was appointed as general manager, a position he held until the amalgamation with London County and Westminster Bank in 1918.¹⁵

In summary, Parr's Bank was stewarded by three talented general managers who all pursued a strategy of expansion, enabling the bank to achieve significant growth.

4.3 Amalgamation with Westminster Bank

Following the outbreak of World War I in 1914, the banking business (i.e., loans, investments, and deposits) expanded rapidly, but staff numbers fell, with approximately one-third (1,100 out of 3,250) of London County and Westminster Bank (hereinafter Westminster Bank) staff entering military service. The branch at Finsbury Pavement, which was opened in 1916, was Westminster Bank's last domestic branch to open during the war (Gregory 1936: 10–13). In addition, competition among the “Big Five” had been escalating, with Barclays Bank absorbing several banks in the Midlands and London during 1916–1917, presenting tough competition for Westminster Bank in the Midlands area. This influenced Westminster Bank's decision to amalgamate with Parr's Bank, which had a strong presence in both the Midlands and London. The chairman of Westminster Bank, Walter Leaf, pointed to the possible threat of the three big German banks (Deutsche Bank, Dresdner Bank, and Disconto-

¹⁴ NatWest Group Archives (Edinburgh): Directors' Meeting Minute Book of Parr's Bank Ltd. (hereinafter, Directors' Meeting of Parr's Bank), 1899–1918, PAB/1/4–8.

¹⁵ Robert Hugh Tennant, deputy chairman of Parr's Bank from 1916 to 1918, was another notable banker. Following the amalgamation with Westminster Bank, Tennant was appointed deputy chairman of Westminster Bank in 1918, and, in 1927 was appointed chairman, a position he held until 1930.

Gesellschaft) collaborating following World War I. In addition, there were potential financial and commercial interests in Germany after the war.¹⁶

For Parr's Bank, the suggestion of an amalgamation with Westminster Bank held appeal. At an extraordinary general meeting of shareholders, Parr's Bank's chairman Cecil Parr emphasized three key points.¹⁷ First, amalgamation would deliver a 10% premium on paid-up capital to existing shareholders of Parr's Bank. Second, there were only 13 duplicated branches outside London out of a total of 560 branches, and thus almost all staff would be retained, with customers gaining access to a larger financial network. Third, the name "Parr's" would be included in the new name of the amalgamated bank.

Thus, in February 1918 it was announced that Parr's Bank had amalgamated with Westminster Bank,¹⁸ with the amalgamation confirmed in March 1918, when the new name, London County Westminster and Parr's Bank Ltd, was announced.¹⁹

Based on the directors' meeting minute book, Alexander Shand was not involved in this amalgamation, with three Parr's Bank directors, Tennant, Banbury, and Dickinson, undertaking most of the work related to the amalgamation. Shand retired following the amalgamation, having already reached the age of 70. The final meeting of the Parr's Bank board was held on 21 March 1918, but Shand was absent. The directors' meeting minute book²⁰ noted that the aforementioned three directors of Parr's Bank were appointed to consider "the attendance and organization of the directors' business" of the new bank.

¹⁶ *The Bankers' Insurance Managers' and Agents' Magazine*, 105: 511, April 1918.

¹⁷ *The Bankers' Insurance Managers' and Agents' Magazine*, 105: 564–567, April 1918.

¹⁸ *The Bankers' Magazine (New York)*, 97: 392, February 1918. An official letter to the shareholders was sent on 8 February 1918 to inform them of the conditions of this amalgamation. Directors' Meeting of Parr's Bank, 7 February 1918, PAB/1/7, p. 2162.

¹⁹ In 1923 the name was abbreviated to "Westminster Bank Ltd."

²⁰ Directors' Meeting of Parr's Bank, 21 March 1918, PAB/1/7, p. 2171. Shand's final attendance at a board meeting was on 14 March 1918 (PAB/1/7, p. 2169).

5. Shand as a member of the board of Parr's Bank

5.1 Alexander Shand and Japanese business

(1) Promotion to director

Having experienced conflict with the Japanese government in 1877, Alexander Shand had no choice but to return to the UK. In 1878, Shand was recruited by Alliance Bank with the aim of bolstering their international business operations, in particular their UK–Asia business (see Subsection 4.1 (2) for further details). Following the acquisition of Alliance Bank by Parr's Bank in 1892, Shand raced up the promotion ladder in Parr's Bank. In 1893, he was appointed manager of the Lombard Street branch, in 1902 he was promoted to manager of the bank's head office, and in 1909 he was appointed to the board. Shand's successful support for the syndication of Japanese loans no doubt resulted in significant profits for Parr's Bank, and the directors' meeting minute book noted that Shand was awarded a £1,000 bonus on six occasions.²¹

The outbreak of the Russo–Japanese War in February 1904 made it necessary for the Japanese government to obtain finance for the war effort. The Deputy Governor of the Bank of Japan, Korekiyo Takahashi, was sent to London to raise money through the sale of Japanese government bonds. Takahashi approached Alexander Shand (and John Dun) to help him find the investors and financiers that he needed, whereupon Shand introduced him to Jacob Schiff, from Kuhn Loeb Co. in the US, and other prominent financiers. The minutes of the board meeting on 5 May 1904 noted that “with the approval of the Chairman, the Deputy Chairman, Mr. Dun, and Mr. Fraser, negotiations had taken place with the Japanese Government for the issue of a loan of £10,000,000 Sterling (£5,000,000 to be taken in America) in conjunction with the Hong Kong & Shanghai Banking Corporation, and the Yokohama Specie Bank, the whole of which is to be underwritten.”²² Furthermore, the minutes of the

²¹ Directors' meetings on 23 June 1904, 29 December 1904, 30 March 1905, 20 July 1905, 7 December 1905, and 14 March 1907. In addition, the general manager, John Dun, was awarded a £5,000 bonus (30 March 1905) and three £2,000 bonuses (20 July 1905, 7 December 1905, and 14 March 1907) in recognition of his “exceptional service” in connection with the issuance of the Japanese loans.

²² Directors' Meeting of Parr's Bank, 5 May 1904, PAB/1/4, p. 889.

board meeting on 10 November 1904 reported the issuance of a £12,000,000 loan to the Japanese government. As with the initial loan, half was raised in New York and the other half in London, with Parr's Bank underwriting to the extent of £150,000.²³ Both loans were issued at an interest rate of 6%.

In 1905, the Japanese government issued a greater amount of bonds overseas. The minutes of the board meeting on 30 March 1905 reported the issuance of a £30,000,000 loan to the Japanese government at an interest rate of 4.5%. Once again, half was raised in New York and the other half in London, with Parr's Bank underwriting to the extent of £200,000.²⁴ The Japanese government issued another £30,000,000 of bonds at 4.5% in July 1905, with £10,000,000 subscribed in each of New York, London, and Germany, and Parr's Bank again underwriting to the extent of £200,000.²⁵

Thus, Parr's Bank participated in four issues of Japanese government bonds during the Russo-Japanese War, and although the total amount they underwrote was not particularly large, it would have been a profitable exercise. Shand's role in locating suitable investors and financiers was quite important.

The war ended in September 1905, but the Japanese government did not receive any financial reparation. Thus, it endeavored to convert the abovementioned bonds to lower-interest-rate bonds. Parr's Bank was involved in this exercise. The minutes of the board meeting on 23 November 1905 reported the issuance of a £50,000,000 loan at 4%, half of which was for the purpose of converting the existing 6% loan. Of this £25,000,000, £12,000,000 was placed with Messrs. de Rothschild Frères in Paris, £6,500,000 was placed in London, £3,250,000 in New York, and £3,250,000 in Germany. Eventually, Parr's Bank underwrote these loans to the extent of £200,000.²⁶ In 1907, the Japanese government issued another £23,000,000 of bonds at 5%, with Parr's Bank underwriting to the extent

²³ Directors' Meeting of Parr's Bank, 10 November 1904, PAB/1/4, p. 930.

²⁴ Directors' Meeting of Parr's Bank, 30 March 1905, PAB/1/4, pp. 966–967.

²⁵ Directors' Meeting of Parr's Bank, 13 July 1905, PAB/1/5, p. 988.

²⁶ Directors' Meeting of Parr's Bank, 23 November and 30 November 1905, PAB/1/5, pp. 1019–1020.

of £200,000.²⁷

As is evident from the above analysis, Parr's Bank earned a positive reputation in the international market, as well as some healthy profits through the issuance of bonds by the Japanese government, with Shand's role proving invaluable, and at the board meeting on 21 January 1909, Shand was unanimously elected as a director of Parr's Bank to fill the vacancy caused by the death of Sir Ewen Cameron,²⁸ a position he held until the amalgamation with Westminster Bank in March 1918.

(2) Shand and Japanese business after 1909

After Shand was appointed as a director, Parr's Bank was involved in six further Japanese bond issues between 1909 and 1918. Table 1 lists these six issues, including the role of Parr's Bank.

As can be seen from Table 1, Parr's Bank acted as an underwriter and/or an agent, but despite the importance of these roles, these issues were probably not particularly profitable for Parr's Bank. The issue of £6,000,000 worth of bonds by the South Manchurian Railway provides an example (see Material 1 below).

The amount (up to £96,000) of underwriting by Parr's Bank was much smaller than in its previous transactions with the Japanese government. Parr's Bank's involvement in terms of the amount of underwriting was also relatively small in the other transactions. In addition, it should be noted that Parr's Bank grew from £1,709,000 in paid-up capital and £30,783,000 in deposits in 1905 to £2,205,000 in paid-up capital and £38,656,000 in deposits in 1910 (Gregory 1936: 322–323). Furthermore, the death of the “great general manager” John Dun on 21 February 1909 increased Shand's responsibility in relation to the bank's daily operations.²⁹ In response to changes in the

²⁷ Directors' Meeting of Parr's Bank, 28 February and 7 March 1907, PAB/1/5, pp. 1126–1128.

²⁸ Directors' Meeting of Parr's Bank, 21 January 1909, PAB/1/5, p. 1291. Like Shand, Cameron started his career as a banker in Aberdeen, Scotland. Cameron was a director of Parr's Bank from 1905 to 1908.

²⁹ Directors' Meeting of Parr's Bank, 25 February 1909, PAB/1/5, p. 1300. No successor to Dun was appointed, probably because three new directors (Gooden, Badcock, and Batten) from Stuckey's Bank (a prominent bank in the west of England) were appointed following Parr's Bank's recent acquisition of

environment, Shand's main role appeared to shift from Japanese affairs to other business and operations.

Table 1. *Parr's Bank and Japanese Bond Issues (1909–1918)*

Dates	Details of Japanese bonds	Parr's Bank's roles
22 Jul 1909	5% Sterling Bonds of the Industrial Bank of Japan for £2,000,000	Countersign for identification (with HSBC and YSB)
16 Sep 1909	5% Sterling Bonds of the City of Osaka for £3,084,940	Do.
23 Sep 1909	5% Sterling Bonds of the City of Yokohama for £716,500	Do.
12 Mar 1910	4% Japanese Government Conversion Loan of £11,000,000 of 95	Underwrite the whole of the loan with HSBC and YSB
5 Jan 1911	4.5% Sterling Bonds of the South Manchurian Railway for £6,000,000	Underwrite £96,000 (the whole of the loan underwritten by with HSBC and YSB)
22 Feb 1912	5% Bonds of the City of Tokyo for the issue in London of £3,715,000 (part of an issue of £9,195,000 of 98)	Underwrite £20,000 (the whole of the loan underwritten by with HSBC and YSB)

Source: Directors' Meeting Minute Book of Parr's Bank Ltd., PAB/1/5–6.

Note: HSBC: Hongkong & Shanghai Banking Corporation; YSB: Yokohama Specie Bank Ltd.

Material 1. 5 January 1911, Directors' Meeting of Parr's Bank (PAB/1/5, p. 1470, underlining by the author)

The General Manager reported that Parr's Bank Ltd., Hongkong & Shanghai Banking Corporation, and the Yokohama Specie Bank Ltd., acting as agents for the Industrial Bank of Japan Ltd., had arranged for an issue of £6,000,000 4.5% Sterling Bonds of the South Manchurian Railway Co.& Ltd. at 98, the principal and interest being guaranteed by the Japanese Government.

The whole of the loan had been underwritten, Parr's Bank participating in the underwriting to the extent of £96,000.

Stuckey's Bank. Directors' Meeting of Parr's Bank, 2 December 1909, PAB/1/5, p. 1367.

This was approved.

5.2 Roles as a director

(1) Board positions

As a director of Parr's Bank and the successor to Cameron (and *de facto* successor to Dun), Shand worked industriously during his tenure from 1909 to 1918. Table 2 lists Shand's various roles on the board of Parr's Bank. Notably, Shand occupied numerous important board positions. During the period 1909–1918, Shand was a permanent member of both the Daily Rota Committee and the Branch Visiting Committee. In addition, Shand was a member of the General Committee and the Salaries Committee in most years.

Table 2. *Shand's Membership of Parr's Bank's Committees (1909–1918)*

Year	No. of Directors	Daily Rota	General	Premises	Branch Visit	Salaries
1909	16	○ 8	○ 4	× 3	○ 8	× 6
1910	17	○ 9	× 4	○ 4	○ 7	○ 9
1911	15	○ 8	× 4	○ 4	○ 6	○ 8
1912	17	○ 7	○ 5	× 3	○ 7	○ 9
1913	17	○ 8	○ 5	× 3	○ 7	○ 6
1914	17	○ 9	○ 6	× 4	○ 8	○ 6
1915	17	○ 9	○ 5	× 4	○ 8	○ 6
1916	17	○ 9	○ 5	× 4	○ 8	○ 7
1917	13	○ 8	○ 3	× 4	○ 8	○ 6
1918	15	○ 8	× 3	○ 4	○ 7	○ 6

Source: Directors' Meeting Minute Book of Parr's Bank Ltd., 1909–1918, PAB/1/5–8.

Note: The figures indicate the numbers of committee members. Circles indicate that Shand was a member of the committee, while crosses indicate otherwise.

(2) Attendance frequency of board meetings

Table 3 shows the frequency of absence of the key directors from the weekly directors' meetings of Parr's Bank (which were regularly held on Thursdays). In 1909, 1913, and 1917, Shand attended

almost all meetings, and was a more frequent attendee than Deputy Chairman Fraser. Shand's industriousness was unique, considering that he was originally from the acquired Alliance Bank. Another Scotsman, Hugh B. Muir (who was a director from 1892 until 1914) was also originally from the Alliance Bank, but was absent from meetings 2–3 times more frequently than Shand.

Robert E. Dickinson, who was originally with Stuckey's Bank, which enjoyed a high reputation in the west of England, attended meetings with the same frequency as Shand. Stuckey's Bank was authorized to issue £356,000 worth of banknotes, the largest circulation of any English bank besides the Bank of England. Thus, the absorption of Stuckey's Bank in 1909 meant that Parr's Bank became one of the most influential banks in England (Gregory 1936: 89–97).

Table 3. *Frequency of Absence of Key Directors from Weekly Board Meetings (1909, 1913, and 1917)*

Names of major Directors	1909	1913	1917
Parr (Chairman)	11	13	5
Fraser (Deputy Chairman)	8	12	—
Tennant (Deputy Chairman)	—	—	1
Banbury (member of committees - rota, etc.)	11	8	7
Dickinson (member of committees - rota, etc.)	4	3	2
Eckersley (not member of committees)	41	40	39
Muir (member of committees - rota, etc.)	13	6	—
Shand (member of committees - rota, etc.)	4	3	2

Source: Directors' Meeting Minute Book of Parr's Bank Ltd., 1909–1918, PAB/1/5–8.

Note: Fraser resigned as deputy chairman in 1915 and was replaced by Whalley (previously general manager and director), who died in 1916 and was replaced by Tennant (previously a director of an acquired bank).

Nathaniel F. Eckersley, who was from the Wigan Old Bank (Woodcock, Sons & Eckersley), which was purchased by Parr's Bank in 1874, appeared to be a nominal director, only attending one weekly meeting each month, and was not a member of any committees, as Parr's Bank did not tend to appoint former directors of acquired banks to key roles (Gregory 1936: 35, 294).

5.3 Activities as a director

(1) Dealing with problem loans

The directors' meeting minute book of Parr's Bank reveals that Shand was involved with loan and investment affairs, as well as important *ad hoc* affairs.

Shand was appointed to a committee handling problem loans in conjunction with the general manager. Table 4 presents the ratios of bad and doubtful debts for Parr's Bank during the period 1909–1918. Although the ratios were not particularly high, they were the strict responsibility of this committee. A loan to R. Neill & Sons Manchester proved to be a serious problem. Following amalgamation with Consolidated Bank (Manchester and London) in 1896, Robert Neill was appointed a director of Parr's Bank. In late January 1911, a £175,000 loan to Neill was considered by the “B Committee,” including Shand (see Material 2). This loan was a typical case of insider lending.

Material 2. 31 January 1911, B Committee Meeting Minute Books of Parr's Bank Ltd. (PAB/2/17, pp. 278–279)

The following accounts were considered in London on 30 January 1911 by Mr. Chairman, Mr. Fraser and Mr. Shand, and on the following day a Committee consisting of the Chairman and Mr. Shand, together with the General Manager, met at the Manchester office.

Robert Neill & Sons Limit for Overdraft £170,000

Robert Neill Loan [sic]³⁰ £5,000

...

It was decided that a provision from the Bad & Doubtful Debt Fund of £100,000 should be set aside against the accounts of Robert Neill Limit £5,000 and R Neill & Sons Limit £170,000.

The minutes note that the securities against the loan were carefully reconsidered, and it was suggested that “rents and dividends from Robert Neill's private estate” should be placed in a separate account.

³⁰ This should be written correctly as “Limit.”

At the board meeting on 2 February 1911, it was reported that the loan had been found to be inadequately supported by collateral (see Material 3 below).

Table 4. *Ratio of Bad & Doubtful Debts for Parr's Bank (1909–1917)*

	Bad & Doubtful Debts	Bills Discounted, Loans and Advances	Ratio (%)
1909	19,601	20,646,741	0.09
1910	44,508	21,979,248	0.20
1911	32,292	22,267,917	0.15
1912	21,695	24,367,611	0.09
1913	19,574	24,355,332	0.08
1914	52,114	26,764,416	0.19
1915	53,193	24,091,468	0.22
1916	34,587	23,513,891	0.15
1917	57,909	24,171,449	0.24

Source: Directors' Meeting Minute Book of Parr's Bank Ltd., 1909–1918, PAB/1/5–8.

Note: Figures under "Bills Discounted, Loans and Advances to Customers" are after the deduction of provisions for all bad and doubtful debts and contingencies.

Material 3. 2 February 1911, Directors' Meeting of Parr's Bank (PAB/1/5, p. 1481, underlining by the author)

Robert Neill & Sons – Manchester – Limit for Overdraft £170,000

Robert Neill Loan a/c " " £5,000

Estimated Value of Securities Held £56,365

It having been discovered that the means of the partners of the above firm were not nearly so large as had been represented to the Bank, the accounts were considered in London on 30th Jan. 1911 by a Committee consisted of the Chairman, the Deputy Chairman, and Mr. Shand, and in Manchester on 31st January by the Chairman and Mr. Shand together with the General Manager.

As it was ascertained that considerable funds would accrue to the firm by the completion of contracts in hand, it was ultimately decided to continue the present total accommodation – no

excesses to the allowed – and to take as further cover:

(1) A second charge on a warehouse and the firm’s premises together said to be worth ... £81,000 but subject to a mortgage for ... £50,000

(2) Charges over all monies due or to become due under contracts.

The accommodation to be taken as to £80,000 in the name of Robert Neill by the transfer of £75,000 to the firm’s account. The limit of the firm being correspondingly reduced to £95,000.

It was arranged that the accounts should be specially reviewed every three months.

It can be seen that Parr’s Bank took three actions regarding this problem loan: (a) obtaining more collateral to secure the loan, (b) reducing the overdraft limit, and (c) forcing Neill to retire (“Robert Neill retired from the Board in February last”³¹ 1911). At the board meeting on 19 October 1911, default of the loan of £80,000 to R. Neill & Sons was reported.³² This series of strict measures in response to problem insider lending provides a good example of the conservative approach of Parr’s Bank. The minutes of the board meetings indicate that problem loans were reported almost every week, and Shand dealt with many of them.

(2) Participation in the Yorkshire Penny Bank bailout

In 1911 Parr’s Bank participated in a bailout of Yorkshire Penny Bank. In August 1911 (despite it being the holiday season), Shand was required to decide whether Parr’s Bank would participate in the rescue scheme. Yorkshire Penny Bank, which had been established by Edward Akroyd in 1859, was based in Leeds, West Yorkshire, and had expanded rapidly in terms of the number of depositors, deposits, and branches over the ensuing 50 years to the point where by 1911, it had 615,000 depositors and £18.2 million on deposit. However, an external Midland Bank investigation revealed a deficit of £600,000 in the Yorkshire Penny Bank’s reserve account. It was apparent that the bank was paying

³¹ “Report of the Directors”, Directors’ Meeting of Parr’s Bank, 11 January 1912, PAB/1/6, p. 1567.

³² Directors’ Meeting of Parr’s Bank, 19 October 1911, PAB/1/6, p. 1544.

more in interest to its depositors than it was receiving from its investments. The chairman of the Midland Bank, Edward Holden, arranged a discussion with Lord Cunliffe (Governor of the Bank of England), which resulted in a rescue package involving 11 of the major commercial banks for the purpose of maintaining confidence in the English banking system (Larson et al. 2010: 122–130). To discuss the bailout plan, Fraser (the deputy chairman of Parr’s Bank) called a special meeting of the board on a Tuesday (rather than the customary Thursday), but because it was the holiday season, only four board members, including Shand, attended (see Material 4).

Material 4. 1 August 1911, Directors’ Meeting of Parr’s Bank (PAB/1/6, p. 1528, underlining by the author)

Mr. Fraser reported that he had been called to a meeting yesterday at the Bank of England, when the Governors stated that in view of the position of Yorkshire Penny Bank, a scheme of subscription and guarantee on the following lines was proposed by the Bank of England:

“That the Subscribers shall bear any loss shown by the existing assets up to the sum of £600,000 which is equal to 30 per cent of the amount of their individual subscriptions: that thereafter the guarantee to a fund of not less than £1,000,000 shall meet any further deficiency equal to a sum of 30 per cent upon the amount of their individual guarantees: and that should there be any subsequent loss, subscribers and guarantors shall bear the loss equally. The liability of the guarantors to extend for a period of five years from the present time.”

It was explained that the banks locally interested were to be the subscribers referred to above, and that the banks not locally interested (including Parr’s Bank) were now asked by the Bank of England to become guarantors.

This request by the Bank of England was not attractive to Parr’s Bank, whose tentative reply to the Bank of England stated that “the question of the suggested guarantee must be postponed until the usual meeting of Thursday next.” Although Parr’s Bank was reluctant to participate in the rescue plan, 11

members of the board (excluding the chairman) finally decided to participate in the scheme (up to the guarantee of £100,000) at the meeting on 3 August 1911. Four members, including Shand, who were present at the meeting on 1 August 1911 decided that “it was reluctantly agreed to join in the guarantee to the extent of £100,000.”³³

Following this decision, the bank’s A Committee, including Shand, carefully examined the conditions of the guarantee and confirmed that the amount of the bank’s obligation should be reduced to £89,286.³⁴ Shand then wrote a letter (see Material 5) to the Governor of the Bank of England.

Material 5. 17 August 1911, A Committee Meeting Minute Books of Parr’s Bank Ltd. (PAB/2/19, p. 194)

Dear Sir,

Yorkshire Penny Bank, Guarantee by Parr’s Bank for £89,286

On behalf of this bank, the above guarantee has been signed and is enclosed herewith. It is understood that this guarantee will not be operative until all the other guarantees have been put in.

As the valuation under which any claim might be made is to follow the lines of the method adopted in the valuation of 31st July 1911, we think that a statement of the basis of that valuation should be lodged at the Bank of England together with the valuation itself referred to in the guarantee.

Yours faithfully,

(Signed) A. Allan Shand.

The intended duration of this rescue scheme was five years, but it did not end in 1916 because of the outbreak of World War I in 1914. At the directors’ meeting of Parr’s Bank on 16 March 1916,³⁵ 12

³³ Directors’ Meeting Minute Book of Parr’s Bank Ltd., 3 August 1911, PAB/1/6, p. 1527.

³⁴ A Committee Meeting Minute Books of Parr’s Bank Ltd., 17 August 1911, PAB/2/19, p. 193.

³⁵ Directors’ Meeting of Parr’s Bank, 16 March 1916, PAB/1/6, pp. 1961–1962.

members of the board, including Shand, confirmed that “any such enlargement of the surety obligation would not operate disadvantageously.” Eventually, the scheme was extended until 1921, while the obligation of Parr’s Bank was not raised.

Thus, Parr’s Bank participated in the bailout of Yorkshire Penny Bank because if the bank had failed, its large number of depositors would have initiated a catastrophic bank run. Parr’s Bank’s participation and Shand’s leadership role in facilitating that participation proved invaluable to the British banking industry.

(3) Investment business

a. Chinese government

As is well known, the 1911 Revolution (Xinhai Revolution) ended Imperial China, and the Republic of China was established on 1 January 1912. Parr’s Bank was able to participate in the Chinese government’s bond placements with British major banks, largely because of Shand’s involvement. At the board meeting on 15 May 1913, 13 members, including Shand, agreed to participate in the issuance of a loan to the Chinese government of £25,000,000 at 5%, of which £7,416,680 was to be issued in the UK, with Parr’s Bank underwriting £700,000.³⁶

b. British government

Parr’s Bank, and in particular Shand, supported the British government in various ways during World War I. For example, Shand was mainly responsible for handling the conversion of Parr’s Bank’s investment in war loans. The second War Loan at a 4.5% rate of interest matured in 1945, although it was redeemable after 1925. For Parr’s Bank, this conversion meant that redemption of the War Loan was to occur 20 years later than the original 3.5% War Loan (Wormell 2000: 97–123).

³⁶ Directors’ Meeting of Parr’s Bank, 3 May 1913, PAB/1/6, p. 1690. It was also noted that “arrangements could be made whereby this liability could be reduced to £200,000.”

At the board meeting on 21 October 1915, the question of the conversion of Parr's Bank's 3.5% War Loan into a 4.5% War Loan was considered by 12 directors, including Shand. The minutes reveal that "the general opinion expressed was in favor of the conversion being made, but the final decision was left in the hands of the Chairman, the Deputy Chairman, Mr. Fraser, Mr. Shand, and the Joint General Managers" (underlining by the author).³⁷ Hence, Shand clearly played a prominent role in the decision-making.

In addition, Parr's Bank participated in several foreign loans on behalf of the British government. At the board meeting on 4 November 1915, 11 directors, including Shand, agreed that Parr's Bank would participate to the extent of £700,000 in a scheme providing £10,000,000 in credit to banks in New York, guaranteed by the British government.³⁸

It is evident that Shand was heavily involved in decision-making regarding Parr's Bank's investments. However, probably because of his age (he was now over 70), Shand was not appointed to the newly created Investment and Finance Committee on 1 June 1916.³⁹

(4) Taxation affairs

Shand's final significant task as a director of Parr's Bank was to review the practice of paying income tax imposed on staff salaries in 1917. Shand, along with five other directors, was appointed to a committee to consider this awkward subject.⁴⁰ The committee's agenda was how to pay the income tax and super tax (additional income tax for high earners) imposed on staff members without reducing their remuneration in an effort to limit the bank's liability. Up until then, Parr's Bank had paid all income tax and super tax on behalf of its staff. As a result of the outbreak of World War I, the British

³⁷ "Bank's Investment – 3.5% War Loan", Directors' Meeting of Parr's Bank, 21 October 1915, PAB/1/6, p. 1919.

³⁸ "American Exchange," Directors' Meeting of Parr's Bank, 4 November 1915, PAB/1/6, p. 1923. (underlining by the author).

³⁹ Directors' Meeting of Parr's Bank, 1 June 1916, PAB/1/6, p. 1981.

⁴⁰ Directors' Meeting of Parr's Bank, 22 March 1917, PAB/1/7, p. 2074.

income tax rate soared from 3s 6d in 1£ to 5s in 1£ in 1916 and individual exemptions were reduced, resulting in increased liability on the part of the bank. At the directors' meeting on 29 March 1917, the results of the committee's work were reported "after an exhaustive examination of the facts."

Three proposals were presented, with the preferred one being "The company to pay income tax up to 3s in the £ (i.e., the whole tax at present in force on earned incomes up to £1500 per annum). To compensate those who receive above that sum either by way of bonus or addition to salary, bringing their remuneration to the salary at present paid, plus income tax now in force on such salary... As this course of action would only necessitate making the necessary adjustments in the case of four officials and would in their opinion have been an eminently just solution of the problem submitted to them."⁴¹ Although the proposal did not receive any support from the general manager prior to the meeting, it was "adopted and confirmed" at the board meeting on 31 May 1917.⁴²

Thus, Shand was able to resolve this complex taxation issue, suggesting that he was also talented at handling general matters.

6. Concluding remarks

Following his arrival in Yokohama in 1864 as acting manager of a sub-branch of the Chartered Mercantile Bank of India, London and China, Shand worked to establish a strong UK–Japan relationship. As an adviser to the Japanese government, Shand introduced British principles of prudence in relation to banking, and the principle of fully secured lending was eventually adopted by almost all Japanese bankers. In return for this knowledge transfers, Shand obtained a network with Japanese officials and bankers as well as the information about financial markets in Asia. When Shand returned to the UK in 1877, he contacted his former boss at the Chartered Mercantile Bank of India, London and China, George Palmer Robinson, who was one of the founders of Alliance Bank.

⁴¹ Directors' Meeting of Parr's Bank, 22 March 1917, PAB/1/7, pp. 2075–2077.

⁴² Directors' Meeting of Parr's Bank, 31 May 1917, PAB/1/7, p. 2092.

Robinson introduced Shand to Hugh Brown Muir, who was a director of Alliance Bank, which duly recruited Shand with a view to developing its UK–Asia relationship.

After the acquisition of Alliance Bank by Parr’s Bank in 1892, Shand advanced rapidly, and his successful support for the syndication of loans to the Japanese government generated considerable profits for Parr’s Bank. Following Ewen Cameron’s death in 1908, Shand was appointed to the board of Parr’s Bank in 1909. The bank’s “great general manager” John Dun died in 1909, but no one was appointed to replace him, and thus Shand was forced to handle a wide range of problems, including insider loans, the bailout of Yorkshire Penny Bank, the underwriting of bonds issued in Asia, and general matters such as taxation.

The documents obtained from the NatWest Group archives make it clear that Shand was seldom absent from board meetings during the period 1909–1918, and that he handled these tasks admirably. Thus, this article confirms Shand’s industrious and conservative attitude as a director of a British bank, as well as his practice of sound management in the early 20th century in the UK.

Shand’s life in Japan illustrates how knowledge transfers occurred from a developed country to a developing country in financial system. Simultaneously, his life depicts how a foreign person was incentivized other than by high remuneration from a medium- to long-term perspective through the knowledge transferring business or project. In addition, Shand’s rapid rise in a British bank was influenced by the UK’s transformation from the “workshop of the world” to the “gentlemanly capitalism” in the second half of the 19th century, and the shift of Shand’s role as a bank director from Asian financial business to daily operations suggests the decline of the “Pax Britannica” in the early 20th century. For further research, a similar case (e.g., in India or in China) should be explored to compare with the Shand’s case.

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