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EABH conference *Money in Africa*, Lisbon, 9-10 October 2017

The exit of the overseas banks from South Africa

Introduction

In 1945 there were four independent states in Africa: Egypt, Ethiopia, Liberia and South Africa. In a major decolonisation wave after 1956 some forty countries obtained the same status. While decolonisation is a very diverse phenomenon in which it is difficult to discern certain patterns, South Africa clearly followed its own path. For this paper I would like to make a distinction between external and internal decolonisation. To the outside world decolonisation has been achieved when the sovereignty of the former mother country over the colony has ended and this has become an independent state. Internal decolonisation entails the granting of full political rights to the whole population, including those who hitherto had no voting rights (mostly the black or coloured majority); here one may also speak of emancipation. In most cases internal decolonisation came, at least nominally, at the same time as external decolonisation and was often accompanied by monetary and financial decolonisation. The latter has both internal and external aspects, for example the introduction of a new currency, establishment of a central bank, nationalisation of financial institutions etc. The meaning of internal decolonisation may even be broadened by stating that this is only achieved when there is some equality between the different groups in the population, in particular between the former dominating group (often a white minority) and the other segments.[1]

In the specific case of South Africa external decolonisation preceded internal decolonisation well in advance, as a result of both the policies implemented by the white minority government and those implemented by the British colonial authorities.[2] In the 1920s already, the country obtained an independent status within the Commonwealth. Monetary and financial decolonisation occurred at about the same time with the introduction of a separate currency and the establishment of a central bank. In the 1970s a limitation of foreign influence in the financial sector followed. In the next decade the overseas banks – established in South Africa since the 1860s – withdrew altogether from the country, after they had reduced their interest at an earlier stage. Internal decolonisation can be deemed to have been achieved with the first democratic elections in 1994. In this paper the emphasis lies on the withdrawal of the overseas banks from South Africa. To understand this process fully, it is necessary to take much earlier developments preceding this step into account, not only in the banking field but also in terms of politics. So we start with a brief historical review.

South Africa: From a Dutch possession to an independent republic

Since 1652, the Cape had been governed by the Dutch East India Company (VOC), but in 1806 the area was taken over by the British.[3] Many of the white inhabitants of Dutch origin – called Boers or later on Afrikaners – disliked the British colonial government, because it was insensitive to their traditions and religious beliefs. During the Great Trek (1836-1838), they left the Cape in great numbers to settle in the interior, where they founded their own independent republics, Transvaal (1852) and Orange Free State (1854). Threatened by the original black inhabitants and opposed by the British, strong nationalistic feelings developed. These incited the Boers to revolt against the British annexation of Transvaal and in the first Boer War (1880-1881) they regained their independence. However, this situation did not last very long. The discovery of gold in Transvaal in 1886 attracted much interest from abroad. Besides the immigration of throngs of foreign labourers, British capital in particular flowed into the country to develop the gold finds. Tensions arose between the growing number of foreigners and the Boers regarding political rights. At the same time (during 'the scramble for Africa'), Great Britain initiated a more aggressive imperialistic policy aimed at including the Boer republics in the Empire. In a cruel war (1899-1902) the Boers were defeated and their territories annexed. Now all the four regions in South Africa – the Cape, Natal, Transvaal and the Orange River Colony – were under British rule. In the peace treaty of 1902, self-government was promised to the former republics, which the other two colonies had acquired earlier. After five years, this promise was already redeemed. In the ensuing elections both in Transvaal and Orange River, the Afrikaner parties of the Boers gained a majority and formed a cabinet with an old Boer general as prime minister.

The next step was the unification of the four territories, which would have considerable advantages for the internal connections and trade. In negotiations between the four areas, agreement was reached on the structure of the new state, in which the central government would have the supreme power and the four regions would become provinces. For the future of the new Union of South Africa two provisions were of utmost importance: the provisions on the franchise and on the position of the languages. In Transvaal and the Orange Free State only white male inhabitants had voting rights, in the Cape and Natal there was a limited possibility for non-whites to be enrolled as voters (though their numbers remained negligible). These stipulations were left unaltered in the Union agreement despite protests with the British government by representatives of the black majority. As a result the non-whites in South Africa would be denied the franchise for more than eighty years. Regarding the languages the Union agreement recognised both English and Dutch as the official languages of the Union. Gradually, however, the Afrikaner language (based on Dutch but with many other influences), became a symbol of Afrikaner identity. Against the background of a growing Afrikaner sentiment it replaced Dutch as an official language in 1925.

This growing influence of the Afrikaner element in the Union became visible in other fields as well. In the first decade of the Union's existence, there was rather good cooperation with the more British orientated segment of the population to build up the new state. Also on the 'native policy' similar views were held. During this period a number of laws were passed limiting the rights of the non-white population with regard to land ownership, residential areas and pass requirements. In the 1920s, a more outspoken Afrikaner nationalist became prime minister. His cabinet pursued a policy of stimulating economic development, for example by the establishment of an iron and steel industry. With the gold mining industry still dominating, the structure of the economy became more diversified. At the same time, the policy of segregation was intensified by administrative and residential separation (the reserves, later home lands). In addition, a preferential treatment for white workers in government and government-owned industries was introduced. In the international field the aim of the Afrikaner nationalists was to get more autonomy. Most of them remained resentful against the British empire, but for the time being they could live with it. The issue became more urgent with the First World War, when South Africa sided with Great Britain. In the 1920s, the South African government pressed for a more clearly defined autonomous position within the Commonwealth. At an imperial conference in 1926, the equal position of all the dominions – not only South Africa but also Australia and Canada – was clearly recognised.

The trends described above reached new heights after the Second World War. In 1948 the Afrikaner National Party won a majority in parliament (although not in the popular vote) and remained in power up to 1994. In the international field, the government brought its earlier policy of autonomy to completion by proclaiming a republic and leaving the Commonwealth. At the same time, the SA pound was replaced by the rand. This may be seen as the ultimate realisation of the old Boer ideal of an own independent state free from British influence. Domestically, the National Party strengthened its domination and intensified its policy of separate development, now labelled as apartheid, which was more ideologically based on theories of racial diversity. Territorial segregation was strictly enforced, resulting in large forced movements of black inhabitants to townships and home lands, while in the public domain a 'colour bar' was introduced. However, the implementation of this policy encountered growing resistance from the black population, starting with peaceful demonstrations that gradually became more violent. Suppression of anti-apartheid demonstrations led to riots such as in Sharpeville (1960) and Soweto (1976). In addition, protests against apartheid from the United Nations, governments and anti-apartheid organisations all over the world became louder. Over the years, the anti-apartheid organisations became more aggressive and violent in their protests, partly directed at companies established in South Africa. International boycotts were introduced in foreign trade, investments, sports and cultural life. As a result, nationally and internationally, the South African government became ever more isolated. Ultimately, the policy of apartheid proved untenable; in 1990 a radical change was announced, leading to democratic elections in 1994 and the formation of a black majority government. So, the internal decolonisation of South Africa was only achieved at that time, long after its external decolonisation. Before the exit of the overseas banks can be discussed, their entry in South Africa will first be examined..

Early banking in Southern Africa

For a large part of the nineteenth century, the Cape Colony was the most economically developed part of Southern Africa. It produced and exported wool, hides and wine. In 1857, a shipping line to Europe was opened, for which a new port in Cape Town was built. In the eastern region Port Elizabeth became an important trade centre. In and around these towns the first private banking initiatives arose. The Cape of Good Hope Bank was opened in Cape Town in 1837, followed by the South African Bank in the next year. The Eastern Province Bank was established in 1839. The 1860s in particular was a period of prosperity in the Cape and the number of local banks rose to nearly thirty. This did not go unnoticed in London financial circles. Banks operating in overseas countries, such as Australia and the West Indies, had already been established. At the same time a reform of the British company legislation made it easier to establish banks with limited liability; among these were also a number of new overseas banks. Overseas banks had a head office in London with a general management responsible for the banks' overall policy. However, the real banking activities took place abroad, mostly in the colonies but also in other territories. If they operated within the British Empire they were called 'imperial banks'.[4] This was also the case in South Africa, one of the new regions that were covered.

The first bank to be established there was the London and South African Bank, incorporated in London in 1860 and starting operations in Cape Town in the next year. Port Elizabeth was to follow suit. Merchants in that town started a local bank in 1862, but this project could not be carried through. They turned to London for assistance and this resulted in the establishment of the Standard Bank of British South Africa, opening for business in 1863.[5] It had a good start due to the establishment of several branches, the takeover of a few local banks and the merger with the London and South African Bank. At a somewhat later stage, three other imperial banks came to South Africa. The first among them, the Oriental Bank Corporation, had started its activities in India, but expanded into South Africa in 1873. It soon got into difficulties and had to be reorganised, transferring its business in South Africa to the Bank of Africa, which was launched in London in 1879. A relative latecomer was the African Banking Corporation, founded in London in 1890 and starting business a year later. In the Cape the period 1860-1890 was characterised by periodic booms and depressions, giving rise to new banking ventures, but also to many failures. Numerous local banks had to be liquidated or were taken over by one of the imperial banks. In particular, the crisis of 1890 dealt a heavy blow to the local banks.[6]

In Natal local banks could not survive, with the exception of the Natal Bank (1852). Efforts to create a London and Natal Bank also failed in the 1860s. Banking facilities were mostly rendered by branches of the imperial banks. The Orange Free State had a few local banks but these did not last long. This Boer state was not receptive for foreign banks, which were banned altogether in 1866, with only one exception later on. Its economy profited from the opening of the diamond fields around Kimberley near its western border. This also provided the opportunity to start a bank. When Great Britain annexed this area it paid an indemnity to the Free State and this was partly used to establish the National Bank of the Orange Free State in 1877. It became the bank for the state government without having any special privileges.

For some time, the South African Republic – which was the official name of Transvaal – lagged behind the other regions in Southern Africa; there was no organised currency system, there were no local banks and barter trade was not uncommon. This was partly due to the poor economic situation, partly to the conservative attitude of the Boer inhabitants. This began to change after the British occupation of Transvaal in 1877, when the Standard Bank of British South Africa opened a branch. The bank continued to do business after the republic regained its independence, although it had to change its name by deleting the word 'British'. The gold finds on the Witwatersrand in 1886 brought further changes in the banking field. From the Cape, the imperial banks set up branches in the thriving gold city of Johannesburg, followed by the Natal Bank. In addition to these institutions, three new banks were established for the specific purpose of doing business in Transvaal. The government, unhappy with the British financial dominance, looked for other ways to attract foreign capital and former contacts with the Netherlands looked promising.

In Holland, the revolt against Great Britain had stirred enormous sympathy for their kinsmen overseas. Support actions were organised on a large scale and Dutch teachers and civil servants went to South Africa to help build up the new state. The business community also became interested in what the country had to offer, all the more so when gold was discovered. In Transvaal, foreign capital was needed particularly to develop a railway system and establish a national bank. The government was prepared to give concessions for these purposes, but did not like the idea of becoming dependent on a single country, not even the Netherlands. The railway company, for example, although formally a Dutch enterprise, was partly financed by German capital. The creation of a national bank was also a cumbersome venture. Dutch financiers initiated the process, but it took ten years of wrangling before the bank was set up by a consortium of Dutch, German and English bankers in 1891. This National Bank of the South African Republic acted as banker to the government, but it had no privileges except that its bank notes were the only bank notes that were accepted by the state. Despite the lack of any other privileges, the bank managed to develop very rapidly.

A few years earlier, in 1888, a new, Amsterdam-based Dutch bank was established to engage in credit activities in and with South Africa. It was prompted by local enthusiasm for South Africa together with the prospect of fresh commercial opportunities. This company, Nederlandsche Bank voor Zuid-Afrika (Netherlands Bank for South Africa) was set up by a consortium of South African sympathisers and Amsterdam financiers.[7] The latter put their stamp on the bank, in the form of very prudent banking policies. Although the bank in Transvaal attracted local deposits, it was mainly financed by its own capital provided from Amsterdam. In the highly speculative environment of Transvaal, deposits were not a stable basis for expansion, nor was the issue of banknotes. The new bank also refrained from involvement in gold mining and from financing the gold trade. As a result, it was able to withstand the various bank crises in the last decade of the nineteenth century and to pay regular dividends up to 1899. The same was true for its mortgage banking subsidiary, which was financed by mortgage bonds issued in Holland. Besides the competition from the older banks (the imperial banks had already a number of branches), the bank did face major problems: connections with Amsterdam were slow (four weeks by boat and a week from Cape Town to Pretoria), staff were difficult to recruit, and new capital was hard to attract after the first years. As a result, expansion was slow, with just three branches opened, in addition to the main location in Pretoria. Ten years after the creation of the Netherlands Bank a second Dutch bank for South Africa was established: Transvaalsche Handelsbank (Transvaal Commercial Bank).[8] It was founded as a trading firm by two Dutchmen who had come to Transvaal in the early days of the Republic. In 1898 it was transformed into an Amsterdam-registered bank with two branches in Transvaal. The rough South African trading climate in which this bank had its roots made it more adventurous than its counterpart. The same applies to its affiliated mortgage bank, which did not declare any dividends in its first ten years of existence.

South African banking in the first half of the twentieth century

The second Anglo-Boer War and its aftermath ushered in a difficult period for all the banks. The imperial banks obviously had the advantage of being British and could resume operations after the fighting had ended. The National Bank in Transvaal came on the brink of collapse after its rapid previous expansion. It was rescued by the British authorities, but it did lose the few advantages it had. The annexation of Transvaal was particularly threatening to the Netherlands Bank, because it had always maintained good relations with the old Transvaal government. However, after the peace treaty of 1902 the bank was able to operate again without restrictions from the government. After a rapid recovery in the years immediately after the war, a severe recession started, depressing banking activity until about 1910. The small Dutch banks in particular were vulnerable and had to cope with severe losses. A capital reconstruction was ultimately required to eliminate the deficits.

The unification under British rule and the creation of the Union of South Africa in 1910 opened new opportunities for the banks. It became easier to open branches in all the regions and a start was made with the revision of the different currency systems, with the British pound becoming the basis in the whole area. The right to issue banknotes remained with the individual banks, but as these were already denominated in pounds this caused no problems, although the regulations regarding the circulation differed for the time being between the colonies. It was only during the First World War that the value of the British and South African pounds began to diverge on the foreign currency markets. In the Union, the general banking scene changed rapidly. Nearly all local banks had disappeared in the previous decade, and from 1910 there was further concentration amongst the bigger banks. In particular, the old Transvaal National Bank started an expansion drive, absorbing three other banks in the space of a few years (National Bank of the Orange River Colony in 1910, Bank of Africa in 1912 and Natal Bank in 1914). Standard Bank did not respond until 1920, when it took over African Banking Corporation. From then on, two big banks – National Bank and Standard Bank – dominated the field, the first being an indigenous institution, the second a British imperial bank. The small Dutch banks were no match for them. The following figures illustrate the relative strength of the various institutions around 1920: Standard and National had capital and reserves of £ 5.1 million and £ 4.3 million respectively. Both had more than three hundred branches throughout the Union.[9] The Netherlands Bank had twelve branches and a capital and reserves of £ 290,000. The Transvaal Commercial Bank had slightly less capital and only one office, in Johannesburg.

Clearly, the Dutch banks had little room for manoeuvre. However, they were not prepared to give up their independence, because they valued their Dutch identity highly. The Netherlands Bank's activities in particular were concentrated in the Dutch (Afrikaans) speaking population and business community, and it was afraid of losing that market if it amalgamated with one of the other banks. The bank did not have the means to expand its branch network, because for most of this period there was little scope for raising additional capital in the Netherlands. The Dutch bank was also wary of offering better conditions to clients than the big competitors, for fear of provoking potentially disastrous retaliation. Indeed, the Dutch bank welcomed the agreement on interest rates and other conditions first concluded amongst the banks in 1912 because it removed the risk of a tariff war, in which they were unlikely to prosper.[10] The bank's policy was to deliver a good service to its customers and to operate in a cautious and prudent manner. Small as it was, the Netherlands Bank was a respected institution in the Union. Its managers were active in various banking associations and in a personal capacity acted as advisors to the authorities on financial policy matters, for example during the protracted process that led to the establishment of a central bank. As early as 1912, the bank pleaded for the creation of such an institution, but it was not until the early 1920s that action was taken and the Reserve Bank was established, which took over the issue of banknotes. When this started operating in 1921 a former manager of the Netherlands Bank was appointed vice-governor.[11]

The 1920s and 1930s were turbulent years for the South African economy. After a short recovery a new depression set in, during which the National Bank got into difficulties as a result of its reckless expansion policy. Assistance from Barclays Bank in London was required to save National, which was taken over by the British bank in 1925. Barclays merged the National Bank and two banks in other territories to form Barclays DCO (Dominion, Colonial and Overseas).[12] So from then on, there were two British imperial banks dominating the field. Meanwhile, for the Transvaal Commercial Bank the situation remained precarious. Until 1920, it still had to cope with earlier losses on property and mining investments and for more than a decade it was unable to pay dividends. It ultimately lost its independence when it was taken over by the Netherlands Bank in 1925. During the 1930s the Great Depression caused renewed difficulties. In 1931, South Africa did not follow Britain when it left the gold standard, which led to a substantial deterioration of its competitive position. A large capital flight, however, forced the government to abandon the gold parity in December 1932. The consequent rise in gold prices favoured the gold mining industry in particular, but in its wake the economy as a whole started to improve and South Africa did rather well in the remaining years before the Second World War. After its merger the Netherlands Bank also fared better and up to 1939 it regularly paid dividends of four to seven percent, with the exception of 1932 when the depreciation of the South African pound caused a loss. The affiliated mortgage banks, however, did not survive the depression years and had to be liquidated.

Meanwhile, various socio-political developments occurred, which were to have important consequences for the Netherlands Bank in the long run. The bank was affected not so much by the gradual growth of the black opposition movement against the policy of 'separate development' that was introduced in those years, but by the rising tide of Afrikaner nationalism. Parallel to the struggle for political power, the Afrikaners started to organise themselves culturally and economically. The economy was still dominated by the country's English-speaking community and by British capital, and the banking industry reflected that overall picture. Because the Boers had relatively little capital, they started with small initiatives. First, a little cooperative fund was established, followed in 1918 by a trust company and an insurance company. Understandably, Barclays' entry into the market in 1925 was greeted with suspicion by the Boer community, who regarded Barclays as a foreign bank.

It took another ten years, however, before the first Afrikaner bank was founded: Volkskas.[13] The new institution started slowly, but received growing support from the Afrikaner population. The bank was followed by a finance company and an investment company. Volkskas was not a direct threat to the Netherlands Bank, but it had the potential to become a strong competitive force in the Afrikaner segment of the banking market. Furthermore, some within the bank were in favour of the local management having more independence from the Amsterdam head office. Amsterdam was not opposed to the idea and discussions about the possible incorporation of the South African business had already started before the Second World War. The rationale behind the proposal was to make the bank more flexible and more popular among the Afrikaners.

The exit of the Netherlands Bank

During the Second World War, ties between Amsterdam and the bank in South Africa (and its London branch) were cut, forcing the South African business to operate autonomously. It did rather well, albeit under a government supervisor because the head office was located in enemy territory. During the war years, Volkskas continued to grow and saw its market share increase. Those developments, together with the growing sense of Afrikaner identity, strengthened the desire for greater independence, with a separate South African company as a first step and a South African majority as the ultimate goal. In 1946, a new general manager was appointed in Amsterdam, who had worked as an assistant general manager in Pretoria for nine years. Due to his experience, he understood the South African sentiments very well and became the central figure in discussions between South Africa and Amsterdam. In principle, Amsterdam was willing to grant more autonomy to South Africa and to form a local company to which the bank's South African activities would be transferred. Efforts to realise such an autonomous arrangement in cooperation with another bank came to nothing. Volkskas was interested in a link-up, but its more extreme nationalist stance was not acceptable to the management in Amsterdam; it would only accept parties that were friendly to the Dutch. In the Netherlands, Nederlandsche Handel-Maatschappij was interested in participating in the bank or in a new venture, but the South Africans weren't happy with that idea, because it would imply a new and even more powerful foreign party assuming control. The participation of other South African institutions was also difficult to accept, since they would have their own agenda and might try to overrule Dutch wishes.

In the end, it was decided to establish a separate South African company with a Dutch majority, to be governed by a sympathetic board of directors. The next question was how large the African participation should be. The South African banking authorities demanded at least 50 percent, but this was rejected by Amsterdam. The management there was not even prepared to commit to relinquishing its majority in the future, so this question was left open. Initially, 25 percent of the capital would be made available to South African parties, on the understanding that they would be acceptable to the bank. The make-up of the board of directors was a thorny question, because many of the capable people in South Africa already had other interests. It was therefore agreed that the experienced and trusted general manager in South Africa would be chairman of the board, while the two Amsterdam managers would become members (with deputies in the Union). Of the seven board members, four would be

Dutch nationals. On this basis, the new South African company was established on 2 January 1951 and registered as a bank on 15 January. It was named Nederlandse Bank van Suid-Afrika beperk (Netherlands Bank of South Africa Ltd), the Dutch parent company retaining the old name of Nederlandsche Bank voor Zuid-Afrika. The fact that the institution in South Africa became Netherlands Bank *of* South Africa, rather than Netherlands Bank *for* South Africa may seem a small change, but it was a significant one in South African eyes. Of the share capital of £ 2 million, £ 500,000 was reserved for South Africa; the latter part was issued – and well received – in March. So the result was that the parent company in Amsterdam had a 75 percent interest in the South African bank, the rest being held domestically.[14]

It was a compromise that both sides could live with for the time being, although it had been a long and complicated process reaching it. Cooperation between the two institutions went quite well, but developments in the two countries began to diverge and it gradually became more difficult to accommodate both in a single concern. The bank in South Africa grew quickly, gaining market share by opening more branches and introducing innovative products.[15] It also expanded into neighbouring countries. It consequently needed more and more capital, which was not always easy for the parent company to provide. The latter was focused on expansion in the Netherlands, which it pursued by taking over several smaller banks and securities firms, while also taking interests abroad. This process accelerated in 1954 by a merger with Amsterdamsche Goederen-Bank (Amsterdam Commodity Bank), an institution specialising in commodity financing and the clearing of commodity futures contracts. The name of the new bank, Nederlandse Overzee Bank (Netherlands Overseas Bank, NOB), could be interpreted as indicative of a shift in interest from South Africa to other regions. The last step in this diversification and expansion process was an amalgamation with the old firm of Mees & Hope in 1969. The new name Bank Mees & Hope had no echo of the old specialisation in overseas banking. It was now a fully fledged bank in the Netherlands with affiliates in a number of other countries, both in Europe and overseas.

In the course of this process, which was stimulated by the creation of the European Economic Community in 1958, the relations with South Africa began to weaken. This was also because new managers were not acquainted with the local business. Moreover, the situation in South Africa became tenser as the policy of apartheid was continued more vigorously.The riots in Sharpeville in 1960 could be seen as a warning signal. All these elements led to a gradual reduction of the Dutch participation and ultimately to a complete separation of the South African bank from the parent company. In 1957, this was not yet the case; NOB maintained its 75 percent stake by participating in a share issue by its subsidiary. Within a few years, however, the situation had changed and it was deemed advisable for the parent-subsidiary relationship to be superseded by a more equal relationship. Therefore, NOB did not participate in a new share issue in South Africa and even sold part of its existing shareholding. As a result, its participation was reduced to 49 percent. The South African bank on the other hand acquired 12 percent of the capital of the Dutch company, with a view to participating in developments in the EEC. In 1964, NOB sold more of its participation, thus reducing its holding to 25 percent. When Bank Mees & Hope was formed in 1969, the new bank did not see holding a stake in a South African bank as consistent with its strategy and the shares were accordingly disposed of. That move was followed in 1974 by the sale of the South African participation in the Dutch institution, thus severing the last of the long lasting ties between the Netherlands and South Africa.

It should be noted that the issue of apartheid as such did not play a role, certainly not a public role, in the process of separation. In political matters the Netherlands Bank took a neutral stance, preferring a middle of the road course, although privately banking officials were critical of the apartheids regime.[16] It was mainly the growing Afrikaner movement that continued to press for greater independence; the Dutch management was willing to accommodate the South Africans' wishes because increasing separation of the banks fitted in with developments in the Netherlands. The strong inter-racial tensions in South Africa, the extreme nationalistic policy of the Union, and the growing resistance from other countries to South African policy (leading ultimately to boycotts) all date from a later period.

The second half of the twentieth century

After the end of hostilities in 1945 a completely new word began to emerge. Decolonisation of the territories so far ruled by the European powers, spread over Asia and Africa and for a long time the conflict between East and West was of overriding importance. Driven by technological innovations and faster communications, economic growth accelerated to levels not seen before, although this was interrupted by severe setbacks in the early 1970s and later on in the 1980s. During the last decades of the century, a wave of deregulation and internationalisation swept across the world. For the banking sector, all this had far reaching consequences both on an international and a national level.

Internationally, one of the consequences was that the position of the overseas banks weakened considerably.[17] Already during the Great Depression, the one-sidedness of their business – being mostly concentrated in only one country – turned out be a drawback. At the same time, the clearing banks or commercial banks began to make inroads into their sphere of activity, as seen with Barclays in South Africa. After the Second World War, the newly independent countries mostly took a hostile attitude towards foreign banks and nationalised or appropriated them, forcing the overseas banks to a re-orientation. Moreover, expansion in world trade was strongest between the industrialised countries, more so than between these countries and their former colonies. The emergence of big multi-national enterprises required banks to operate on a world scale and overseas banks were not able to make such a change on their own. This was a strong incentive to seek cooperation either with other banks of the same type or with domestic institutions. The few remaining overseas banks in Australia, for example, merged and moved their head office from London to Australia, thus becoming an Australian bank. Barclays Bank International, the former Barclays DCO, was integrated in the parent company Barclays Bank. Efforts to merge Standard Bank with the Bank of London and South America failed, after which the latter became the international division of Lloyds Bank. Standard Bank was the new name of the Standard Bank of South Africa and it merged with the Chartered Bank in 1969, which was the former Chartered Bank of India, Australia and China. The new Standard Chartered Bank set on an expansionary course in the United Kingdom and the United States, but this failed and it barely escaped a take-over by Lloyds

Bank. Nevertheless, Standard Chartered was one of the overseas banks that survived all the turmoil in the banking world and still exists today. The other one is the Hong Kong and Shanghai Banking Corporation, now HSBC. It took over banks in many parts of the world and, after a merger with Midland Bank, moved its head office from Hong Kong to London. On a much smaller scale, the Netherlands Bank for South Africa showed the same picture. It withdrew from its original field of activity and developed into a fully fledged general bank in the Netherlands, ultimately joining the group of Algemene Bank Nederland.

On a national level the changes were just as radical, including take-overs and mergers to form larger institutions, a broadening of activities beyond the traditional banking activities and increasing internationalisation, both through expansion abroad by domestic banks and the entry of foreign banks. In South Africa, mergers between existing banks did not occur because their number was already very small: Standard, Barclays, Netherlands Bank, Volkskas, and a single independent local bank (Stellenbosch District Bank). The Netherlands Bank was now the Netherlands Bank *of* South Africa (in stead of *for* South Africa), incorporated in South Africa. It changed its name into Nedbank in 1971, when the ties with the former parent company were completely severed. Nevertheless, the banking scene started to become more dynamic. In particular, Volkskas made a leap forward in the 1950s, partly as a result of the growing Afrikaner sentiment. Under the National government it received the accounts of the state and semi-governmental bodies. It opened more branches, increasing its share in total bank assets to over 10 percent and surpassing Netherlands Bank. Although Volkskas was recognised as a commercial bank and was accepted as a member of the banks' agreement on tariffs, it became a threat to the position of the existing banks. A new competitor from the Afrikaner side entered the market in 1955, Trust Bank. Not being a commercial bank, it could operate more freely and it took an aggressive stance in attracting deposits and offering new services. Later on it ventured in property finance, which ultimately brought it into difficulties.[18] Apart from these new banks, the building societies also became a rival in the financial field, particularly making inroads into the deposit business of the banks.

The established banks on their part also entered new fields of activity. The Netherlands Bank was the first with a company for medium and long term credits in 1947. It was followed by initiatives in areas such as hire purchase, the accepting business, leasing, and credit cards. Most banks started separate companies for such activities because these were less strictly regulated than the banks. In the 1970s bank holding companies were created that included these subsidiaries as well as the bank. In a later phase these holdings developed into conglomerates embracing still a wider range of financial activities.[19] The two imperial banks faced other specific problems due to their foreign ownership.

The exit of the imperial banks

One of the aims of the Afrikaner National Party that came definitively to power in 1948,was to end the dominance of foreign capital in the economy. Already during the negotiations on the incorporation of Netherlands Bank's South African business in 1950, the supervisor of banks demanded a 50 percent participation for local investors. In this particular case of a bank that had been established for a long time in the country, he eventually agreed with 25 percent for the time being. In later negotiations this remained a matter of debate. How this was judged by the authorities became evident with the congratulations the bank received from the government when in 1961 the South African share increased to 51 percent. The issue re-emerged in a broader context when a special commission made an inquiry into the fiscal and monetary policy in the early 1970s. Its report calculated that 55 percent of the deposits of the entire banking sector were held by banks owned by foreign shareholders. This not only meant an excessive concentration of financial power that restricted competition for funds, but was also considered to be a threat to the security of the country. The report appeared in a period when the international opposition against South Africa's policy of apartheid was increasing. At the same time, international capital movements were growing and the liberalisation of markets made substantial flows of money across borders much easier, which could harm the position of the country. As a result, a ceiling of 50 percent for foreign shareholdings in banking was introduced in 1973.[20]

The imperial banks had already anticipated this kind of regulation. Barclays had given its South African board more independence in 1966. It then established Barclays National Bank of South Africa in 1971 (National as a reminder of the origin of its activities in the country), which was introduced on the Johannesburg stock exchange the following year. As the parent company did not take part in several new share issues, its holding was reduced to 40.4 percent in 1985. Standard Bank followed the same line; its South African business was split off from the rest of the bank in a wholly-owned subsidiary incorporated in the country in 1962. It was quoted on the stock exchange in 1967 and the parent company gradually reduced its participation to 39 percent in 1985. So both banks complied with the new more stringent requirement of less than 50 percent in foreign hands.

Even before these measures were taken agitation abroad against banks (and other companies) operating in South Africa had increased and had become more violent. In England, Barclays Bank in particular, due to its high visibility in the streets, was a vulnerable target. It made no difference that it spoke out against apartheid. Clients, including local governments, started to withdraw their balances from the bank, whereas internationally the sanctions against South Africa were stiffened. Under these pressures, Barclays made the decision to withdraw completely from South Africa in 1986. Standard Bank, which was less a target for anti-apartheid activists, followed suit and sold its remaining participation in the South African bank in 1987. The time was not quite favourable for a disinvestment with the additional disadvantage that the proceeds had to be repatriated through the financial rand that was at a discount compared with the commercial rand (at the time South Africa had a two-tier exchange rate to protects its reserves). Nevertheless, the situation became so alarming that it was decided to leave the country. The shares in both banks were acquired by large institutional investors and industrial companies in South Africa.[21]

Meanwhile, the concentration movement continued in South African domestic banking, this time in particular around the building societies. In 1985, they were freed from restrictions that hampered their expansion and were even allowed to convert themselves into banks. They grasped the opportunities to expand rather vigorously, in some cases with disastrous results.

The withdrawal of the imperial banks and the entry of large South African financial groups as new shareholders in the former banks, provided ample opportunities for mergers and regroupings. Nedbank, which had previously amalgamated with a trust company and an accepting house, merged with the Permanent Building Society into Nedpermbank in 1988, becoming part of the Nedcor Group. New financial conglomerates arose around the other banks too. Barclays National Bank was brought into First National Bank Holdings in 1987, later known as First Rand Group. Standard Bank became part of Standard Bank Investment Corporation, Trust Bank of the Bankcorp Group. The last remaining bank, Volkskas, merged with several other institutions, including a building society, to become Amalgamated Banks of South Africa (ABSA) in 1991, which eventually acquired the troubled Bankcorp Group. In the end four financial conglomerates resulted. They all offered a broad range of financial products and had other financial groups and companies as shareholders. As a final note it may be added that Nedcor changed its name to the old designation of Nedbank Group in 2005, a far reminder of its origin from a bank in the Netherlands.

Turnabout of history

Arriving at this point one should not forget that all these movements occurred in a situation full of tensions, both with the outside world and within the own population, in particular with the blacks. While in business circles a desire arose for relaxation of the policy of apartheid and for breaking the international isolation, the government seemed adamant in pursuing its policy. Nevertheless, beneath the surface the first signs of movement appeared and in February 1990 a major change in policy was announced. This set the country on a path to democratic elections and a new constitution in 1994, after which a black majority government was formed. The earlier fears that such a government would take radical measures in the economic and financial field did not materialise. The black political organisation ANC had already abandoned its plans for nationalisation of banks and major industries, and the new government chose a prudent and conservative fiscal and monetary policy. This choice was supported by developments abroad, where the Soviet regime had fallen apart and other Marxist oriented countries were changing their attitude. In Angola, for example, the state-dominated banking sector was reorganised in 1991 to give way to independent private banks and foreign financial institutions.[22] In South Africa, monetary policy began to include a more international outlook. After recommendations of a special commission of inquiry on the monetary system (1985), monetary supervision – in line with the international trend – was changed from direct measures to a market-oriented system. Encouraging competition between financial institutions, also from abroad, was seen as part of this new monetary regime. At the same time, other forms of deregulation and internationalisation made progress everywhere and South Africa could hardly be isolated any longer. An additional reason was that it badly needed foreign capital to develop the new state and it could not permit to alienate lenders from abroad. All these elements came together in a changing attitude towards foreign banks.

A start was made with the admission of representative offices of foreign banks in 1990, followed by branches offering a full range of banking services in 1993. Quite a number of foreign banks made use of the new opportunities, with establishments coming from countries such as the United States, Germany, France, the Netherlands, and China. Finally, foreign shareholdings in South African banks appeared again, remarkable enough with Barclays Bank being the first. This bank obtained a majority holding in ABSA in 2005, thus returning to the country from which it had withdrawn nearly twenty years before. Later on, the Industrial and Commercial Bank of China acquired a twenty percent interest in the Standard group. On the other hand South African banks were now again welcomed again abroad and started activities all over the world.[23]

In conclusion, the internal decolonisation in South Africa, far from bringing a radical new banking system such as introduced in many countries after independence, gave the country the opportunity for a complete integration in the global financial system. So it would seem that the forces of liberalisation and internationalisation were stronger than the political forces in shaping the banking scene under the new regime.

Notes

[1] In South Africa there is currently much discussion on the decolonisation of the universities in the wake of the #RhodesMustFall movement.

[2] A more or less comparable situation occurred in Rhodesia, which declared itself independent in 1965, a move that was not recognised internationally. As Zimbabwe the country was decolonised internally in 1980 and at the same time it was recognised worldwide.

[3] This section is mainly based on the following literature: F.J. Pretorius (ed.), *A history of South Africa from the distant past to the present day* (Pretoria 2014); L. Thompson, *A history of South Africa* (revised and updated by L. Berat, New Haven/London 2014); N. Worden, *The Making of Modern South Africa* (Chichester 2012).

[4] A.S.J. Baster, *The Imperial Banks* (London 1929, reprint New York 1977); G. Jones (ed.), *Multinational and International Banking* (Aldershot 1992).

[5] G.T. Amphlett, *History of the Standard Bank of South Africa Ltd 1862-1913* (Glasgow 1914; J.A. Henry and H.A. Siepmann, *The First Hundred Years of Standard Bank* (London 1963).

[6] F. Stuart Jones, 'The amalgamation movement in banking in South Africa 1863-1920', in *The South African Journal of Economics*, 67.1 (March 1999), 111-156.

[7] Originally the name was Nederlandsche Bank- en Credietvereeniging voor Zuid-Afrika, which was changed in 1903. For simplicity, only the new name is used here. The history of this bank is described extensively in P.A. Geljon, *Een Nederlandse Overzeebank. Geschiedenis van de Nederlandsche Bank voor Zuid-Afrika/Nederlandse Overzee Bank 1888-1969*, (Amsterdam 2017).

[8] Originally called Tranvaalsche Bank- & Handels-Vereeniging, previously Baerveldt & Heyblom. The personal names and the word *handel* (trade) reflect its origin as a trading firm.

[9] S. Jones, *The Great Imperial Banks in South Africa* (Pretoria 1996), 182-92.

[10] G. Verhoef, 'Strategies for market monopolization: the Register of Co-operation and the 'imperial banks' in South Africa in the 1920s-1980s', in: H. Bonin and N. Valério (eds.), *Colonial and Imperial Banking History* (London and New York 2016), 85-103.

[11] G. de Kock, A history of the South African Reserve Bank (1920-52) (Pretoria 1954), 4, 17.

[12] Jones, The Great Imperial Banks, 42-50; J. Crossley and J. Blandford, The DCO Story. A history of banking in many countries (London 1975), 1-17; M. Ackrill and L. Hannah, *Barclays. The Business of Banking 1690-1996* (Cambridge 2001), 81-83.

[13] G. Verhoef, 'Afrikaner Nationalism in South African Banking: The Cases of Volkskas and Trust Bank', in S. Jones (ed.), *Financial Enterprise in South Africa since 1950* (Basingstoke/London 1992), 115-50.

[14] G. Verhoef, *Die geskiedens van Nedbank, 1945-1973* (Johannesburg 1986), 3-56; J.L.A. Pfundt, *Reports and Records of the Nederlandsche Bank- en Credietvereeniging voor Zuid-Afrika 1888-1903 and the Netherlands Bank of South Africa 1903-1950* (Johannesburg 1974, not published), 358-380; G. Verhoef, 'The Nederlandsche Bank voor Zuid-Africa becomes a South African Bank', in: *Bankhistorisches Archiv* 13 (1987), 90-110; H.W.J. Bosman, 'The Separation of Nedbank, South Africa, from the Parent Institution in the Netherlands', in: S. Jones (ed.), *Banking and Business in South Africa* (Basingstoke/London 1988), 69-79; P. Geljon & T. de Graaf, 'Dutch Banking in Overseas Territories: Different Ways of Entry and Exit', in: European Association for Banking and Financial History e.V., *Foreign Financial Institutions & National Financial Systems*, Frankfurt a.M., 2013, 251-

285; P.A. Geljon and T. de Graaf, 'Dutch colonial and imperial banking: different ways of entry and exit', in: Bonin and Valério, *Colonial and Imperial Banking History*, 63-84;

[15] G. Verhoef, 'Aspects of Nedbank's International Activities 1945-73', in: S. Jones, *Banking and Business*, 81-103.

[16] Verhoef, *Die Geskiedenis*, 662-664.

[17] G. Jones, 'Overseas Banks after the End of Empire: Challenges and Responses', in: T. de Graaf, J. Jonker and J.J. Mobron (eds.), *European Banking Overseas, 19th-20th Century* (Amsterdam 2002); G. Jones, *British Multinational Banking 1830-1990* (Oxford 1993).

[18] G. Verhoef, 'Afrikaner Nationalism in South African Banking: The Cases of Volkskas and Trust Bank', in: S. Jones (ed.), *Financial Enterprise in South Africa since 1950* (Basingstoke/London 1992), 115-153.

[19] I.Skinner and E. Osborn, 'Changes in Banking in South Africa in the 1980's', in : Jones (ed.), *Financial Enterprise*, 62-79; G. Verhoef, 'Nedbank 1945-1989: The Continental Approach to Banking to Banking in South Africa', in: Jones (ed.), *Financial Enterprise,* 80-115; G. Verhoef, 'Concentration and competition: The changing landscape of the banking sector in South Africa 1970-2007', in: *South African Journal of Economic History,* 24, nr. 2 (September 2009), 157-197.

[20] Verhoef, *Concentration*, 170-172.

[21] Skinner and Osborn, *Changes,* 62-72; Ackrill and Hannah, *Barclays*, 293-301.

[22] N. Valério and P. Tjipilica, 'From colonial and imperial banking to independent banking', in: Bonin and Valério, *Colonial and Imperial Banking*, 104-111.

[23] Verhoef, *Concentration*, 174-179.