

686

No.

All Letters to be addressed and  
Remittances made payable to  
"THE ORIENTAL BANK CORPORATION"

Oriental Bank Corporation.

Yokohama 1<sup>st</sup> Feby 1871

To their Excellencies  
The Ministers of Finance to  
The Japanese Government  
Gentlemen.

I have the honor to inform  
you that Mr. Cargill returned from  
London by the last American steamer,  
and by his request I send you the  
annexed copy of a communication  
from our Directors advising the final  
settlement with Mr. Lay.

We request that you will  
favor us with the views of the Government  
regarding the loan, whether or not it  
is their wish to tender a return of the  
same to the Bondholders, and if any  
further borrowing is contemplated for  
Railway purposes.

Mr. Cargill will be happy  
to

to confer with yourself or with such  
officers as you may appoint for the  
purpose either in Yokohama or Yedo  
as you may prefer.

I have the honor to be

Gentlemen

Your obedient Servant

Joseph Russell

Agent

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Extract from Head Office Letter of  
8<sup>th</sup> December 1870 to Mr. Baring.

I have now the pleasure to advise you for the information of the Imperial Government that after considerable trouble, we have at last succeeded in effecting a settlement with Mr. Lay and his partners Messrs. Erlanger & Co of London & Paris, respecting the Japanese Loan.

The chief difficulty we experienced in arriving at this settlement arose from the complications into which the whole matter had fallen, between Mr. Lay and those who assisted him in floating the Loan: and to whom he had more or less committed the Japanese Government by assignment of his contracts.

Whatever may be the views held regarding Mr. Lay's proceedings in connection with the Loan, there can be no doubt that other parties had entered into arrangements with him in good faith: to whom in the opinion of disinterested persons, fair <sup>consideration</sup> ~~compensation~~ was due under the circumstances, and inasmuch as it was our duty to protect the credit and good name of the Imperial Government, it became necessary to effect an adjustment on equitable terms, such as would leave no excuse for charging the Government with a disregard of ~~the~~ obligations, or with such a treatment of its creditors and of those who had served it, as might prejudice any of its future financial operations in Europe.

We experienced much satisfaction therefore in being able to close the matter by a payment of only £70,000. (Seventy thousand Pounds) which includes the money expended in raising the Loan, the Discount and Interest paid to the several subscribers, and Mess<sup>rs</sup> Schröder's commission for placing it on the market: as well as all legal and other incidental charges, Stamp duty, Printing & Advertising.

The Government are thus relieved from all their Contracts with Mr. Lay other than those deposited at the Bank of England on behalf of the Bondholders, which ~~form~~ <sup>(form)</sup> the title to the Loan; the management of which is now vested in the Corporation.

We congratulate the Government on having by so moderate a payment, and in a quiet manner disposed of engagements which if maintained were eminently calculated to cause trouble and embarrassment. Even in a pecuniary point of view the extinction of the large deferred claim for such a comparatively small sum of money is a highly advantageous arrangement.

The primary object of the Government being thus happily attained, we have delayed (pending a reference to Japan) acting on the instructions to repay the Loan, which apart from the adverse circumstances surrounding it, was raised on terms not unfavourable to the Government. In this delay as you are aware our own judgment is supported by the advice of the Japanese Government's Solicitors, a copy of whose letter is enclosed

(A): and also by the opinion of Mr. Wörge whom we had the pleasure to consult.

The various Pros and Cons which bear on this question of repayment are so well known to you, and have been so fully discussed that we need not enter upon them here.

Please bring the matter in its various bearings before the Imperial Government, and let us have an early intimation of their opinion. In the meantime we will have prepared, and have sent to you, the scheme of a new Loan, so that if desired one may be brought out at the most favourable time. We may remark here that if the Government seek to pay off the Customs Loan after the 1<sup>st</sup> Feb<sup>y</sup> when a payment of interest has been made the repayment must be <sup>made</sup> at 100, or rather we should say the repayment must be offered at £100, as of course it can only be repaid with the consent of the Bondholders.

We enclose a memorandum B showing approximately how the amount paid to settle with Mr. Lay and his Partners was arrived at also the original Contract with Mr. Lay of the 14<sup>th</sup> and 22<sup>nd</sup> Dec<sup>r</sup> 1864, and we also enclose a receipt for the £70,000 and a full discharge signed by Mr. Lay and Mess<sup>rs</sup> Erlanger & Co.

The Original ~~papers~~ <sup>contracts</sup> are forwarded via Southampton, Mess<sup>rs</sup> Murray & Rutledge retaining notarial copies of them. The Imperial Edicts of 14<sup>th</sup> and 28<sup>th</sup> December 1864 which constitute the title to the Loan

are with the Great Seal of State deposited  
in the Bank of England

Enclosure A

11 Birchin Lane London E.C.  
Nov: 9<sup>th</sup> 1870

Dear Sir,

Japanese Loan

On considering all the circumstances we  
think that it is a prudent resolution on the  
part of the Directors, and in the best interests  
of the Japanese Government that you should  
pay £70,000 to settle all claims of Mr. Lay,  
Messrs Erlanger & Co and Messrs Schröder,  
without litigation, arbitration or publication.  
But if that sum is paid and accepted  
we are decidedly of opinion that the Loan  
must not be returned or offered to be returned  
to the public, unless and until the terms  
of the settlement with Messrs Lay & Co  
are reported to Japan, and the Govern-  
ment thereafter decide to return the  
money.

Our own view as to repayment of the Loan  
is that this was a means only for adoption  
to gain an end, namely the removal of Lay,  
and if that end is gained by other means  
the Government had much better keep the  
money and would prefer to do so.

They would not recognize any expediency  
in paying £70,000 to settle, and then returning  
£1,000,000 to the public, and still leaving to  
find £100,000 for the Railway commitments

We remain &c

(Signed) Murray & Hutcheon

Enclosure BMemorandum

Basis of Compromise between the Oriental Bank Corporation on behalf of the Government of Japan & Mr. A. N. Lay and his Associates, in the matter of the Imperial Customs Loan

I Money actually expended	
Difference between £98 and £100. on One Million Sterling paid by Mr. Lay to the Imperial Government.	20,000 -
Interest in lieu of Dividend from May to August as per Prospectus, paid to subscribers	12,500 -
Agency Commission on the issue of One Million at 1 per cent paid to Messrs. Selwode & Co.	10,000 -
Brokerage paid	2,500 -
Stamp duty on Bonds 2½% on £100	1,250 -
Legal charges, Printing & Advertising, say	3,500 -
II Compensation in lieu of 3 per cent per annum for 12 years on the amount of loan outstanding = £225,000	20,250 -
	<u>£40,000 -</u>

London  
9<sup>th</sup> November 1870

Favoured by the Saitancho Authorities.

To ~~the~~ their Excellencies  
The Ministers of Finance to  
The Japanese Government  
Yedo.





青尾

大蔵御下