

LIFE & WELLBEING HISTORY



Tagliaferro-owned ships berthed at Odessa in the Black Sea.



A 10 scudi bank note issued by the Banco di Malta in 1812.



An Anglo-Maltese Bank note to the value of 50 scudi.

It happened this month

Malta's first bank



JOSEPH F. GRIMA

Nowadays, banks and the services they provide in Malta are taken for granted but this has not always been the case. For, although banks and bankers had existed for centuries in other countries, it was not until the advent of British rule that the first institution of this kind was established in the Maltese islands.

Therefore, relatively speaking, banking in Malta has a rather short history. In fact, it was exactly on June 20, 1809, that a small group of British merchants opened in Malta what was called the Anglo Maltese Bank.



La Costanza, one of the ships owned by the Tagliaferro family, constructed at Malta in 1822. PHOTO COURTESY OF THE WICKMAN MARITIME COLLECTION

Pre-1809

During the rule of the Knights of St John, the Treasury – known as *il comun tesoro* – carried out the Order's financial transactions through the fiscal section of the Chancery and the overseas receivers – or *ricevitori* – whose services were sometimes availed of by Maltese merchants. Some functions carried out by the Treasury, such as deciding the rate of exchange with other currencies, may be described as banking decisions. But the Treasury's set-up was certainly not that of a real bank. There also existed a number of private money-lenders, pawn shops and usurers.

However, there were a couple of institutions, such as the Monte di Pietà and the Massa Frumentaria, that did perform a few aspects of banking. The former had been set up in 1598 to help suppress usury, at the time dominated by Jewish operators, and to lend money against a pawned object. After the French despoiled it of its assets, valued at 443,484 scudi in 1798, the Monte di Pietà was re-established by the British in 1800 through the advance of £4,000 from the local Treasury.

The Massa Frumentaria borrowed money from the public to finance the purchase and the stocking of grain and other essential commodities. In 1805, deposits in the Massa amounted to over 3,207,000 scudi.

But the modern concept of banking was not really present in these institutions, and such ideas only came to the fore with the advent of

British rule. The British used Malta as a military base and the local economic performance depended on the British need of the island as a fortress.

The first years of the 19th century were marked by war between Britain and France, locked together in a military and economic duel. In 1806 and 1807, French Emperor Napoleon I issued decrees that aimed to force Europe to boycott British trade in an attempt to ruin the British economy. Britain retaliated by blockading hostile harbours; this could be carried out due to the strength of the Royal Navy. All this resulted in changes in the volume and the routing of merchandise.

Malta's strategic position in the Mediterranean enabled it to become one of the new main trade centres and, as a result, entrepôt trade developed tremendously on the island. New markets opened up to the local merchants, many British merchants and traders came to Malta and opened up businesses or branches, and convoy protection was provided.

In 1809, Civil Commissioner Rear-Admiral Sir Alexander J. Ball was empowered to grant licences to any vessel willing to export or import goods, provided two-thirds of the cargo leaving Malta was of British Empire origin and one-third of the crew was British. Therefore, foreign ships had to seek a British licence if they desired to continue unin-

dered trading during the war period, and Malta was one such licence-issuing centre. For the Maltese islands, this was an economic boom at its highest.

First bank

One has to take note of this background of prosperity to fully understand the need for a modern bank on the island. It was, in fact, this economic boom that induced a number of British merchants, on June 20, 1809, to establish the Anglo-Maltese Bank, which was first housed on the ground floor of the University of Malta in St Paul Street, Valletta, and placed at the disposal of the business community by Sir Alexander Ball. They were the so-called 'commercial rooms', also known as *le stanze*. Although the bank was established through the initiative of private businessmen, it had the support of the local and the British governments.

The new bank opened with a capital of one million (1,000,000) scudi, made up of 200 shares of 5,000 scudi each. A quarter of this amount was paid up and the rest was on call at the discretion of the directors. No one could own more than five shares but each share entitled the holder to one vote in the bank's general meetings.

A president and nine directors were elected annually to run the bank. This



Lieutenant-General Sir Thomas Maitland, first Governor and Commander-in-Chief of Malta (1813-24). His appointment coincided with an outbreak of the plague that ended an economic boom in Malta.

institution could issue bills payable at sight and bills of exchange but the bank's credit policy was of a short- to medium-term nature. Books were balanced every six months and dividends were distributed annually. The contract of association was renewable every three months.

Split

However, a sort of split arose between the British and the Maltese merchants at the 'commercial rooms', resulting with the locals forming an independent group. The result of this break was the formation of another bank, the Banco di Malta, sometimes also called the Banco Maltese, which was established on May 12, 1812.

"Maltese economic prosperity did not outlast the war due to an outbreak of the plague. All shipping to and from Malta came to an abrupt end and the local government faced bankruptcy"



Rear-Admiral Sir Alexander J. Ball, Civil Commissioner of Malta 1803-09. He supported the establishment of Malta's first bank.

Its structure resembled that of the Anglo-Maltese Bank but it mainly accommodated the needs of Maltese merchants. As was to be expected, the older bank started to cater mainly for British merchants.

The two banks were established because of the needs generated by the boom resulting from the wars. Peace could have brought about the necessity to dissolve them since circumstances might have tailed off. They therefore provided for dissolution within six months after the signing of a peace treaty and they would then decide whether to continue with banking activities or carry out the necessary changes to the terms of association.

Both these joint stock banks issued promissory notes, which was the first paper currency used in Malta. These notes were not recognised by government and were not guaranteed by the shareholders but, nevertheless, they were widely accepted. Their denominations were 5, 10, 20, 30, 40, 50, 100, 200, 250, 300, 500 and 1,000 scudi.

One has here to note that 1812 also witnessed the establishment of a third bank in Malta. This was a private bank, B. Tagliaferro e Figli, situated in Valletta's St John Street, founded by Biagio Tagliaferro (1777-1862).

The Tagliaferro family, prominent as ship-chandlers, and dealers in real estate and grain, had interests in Malta and abroad. The Tagliaferro family introduced merchant banking locally and financed long-term projects that the other two banks could not support. This bank also constructed its own ships.

Depression

In 1813, Britain signalled its firm intention to retain the Maltese islands as part of its far-



Biagio Tagliaferro, founder of Malta's third bank in 1812. This bank introduced merchant banking in Malta.

flung empire, and Lieutenant-General Sir Thomas Maitland was sent to Malta to serve as its first Governor and Commander-in-Chief. (Between 1800 and 1813, Malta had been governed by Civil Commissioners.)

Unfortunately, Maltese economic prosperity did not outlast the war due to an outbreak of the plague that same year. All shipping to and from Malta came to an abrupt end and the local government faced bankruptcy. Moreover, the war soon ended in 1814 and the islands lost a sizeable part of military traffic.

The imposition of heavy taxation and high customs dues to replenish a near-bankrupt Treasury continued to stagnate trade and commerce even further.

This depression had its effects on the local banks as well. With the decline of the number of shareholders, the banks were forced to lower the value of their shares by 50 per cent and to halve the number of notes in circulation. However, contrary to what one would expect, both banks decided not to wind up business. The following years were difficult, but the banks persevered, and matter improved somewhat in the 1840s.

By this time, the number of banks in Malta had increased to six due to the establishment, in the 1830s, of the Government Savings Bank, James Bell & Co Ltd, who were bankers to the Services, and Joseph Scicluna et Fils. From its 1809 beginning, banking in Malta was by now well-established.

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The entrance to the University of Malta in St Paul Street, Valletta. The first bank in Malta was situated on the ground floor of this building in what were known as the 'commercial rooms'.