

TO THE READER

Studying economic history gives a reason to look at the direction taken by preceding generations, and to gauge the traditions formed in your country. All this allows you to be better oriented in the present and not to get lost in the future. The experience of any leading bank is informative, since it familiarizes contemporaries with dramatic events that reflect make or break moments in our country's life; the intricacies of our economic history. The pages of this book are also filled with examples of applying original financial and economic instruments that are ready for practical use in the present day. The unique history of Mosnarbank can undoubtedly teach us much. It pays to remember that 60 years ago, that very bank came up with, and was the first to begin using the Eurodollar.

The Moscow Narodny Bank is the oldest Russian commercial bank of all. The Savings Bank of the Russian Federation (Sberbank), with all due respect, was only created in 1988 from the Gostrudsberkassa system, which was not connected to the Sberbank of the Russian Empire. At the same time, it is difficult to name another bank that has established itself on three separate occasions without losing its name. The first time this happened in 1911, when the Moscow Narodny Bank first came into existence as the central bank of Russian cooperatives. After the 1917 revolution it wasn't nationalized as was the case with all other commercial banks, but became a cooperative branch of the National Bank. However the representatives of Russian cooperatives registered it a second time in London, in October 1919, as the Moscow Narodny Bank Ltd. The first board meeting was held 31 October at 4.30 pm. Then it became the central bank in the system of soviet (Russian) foreign banks. And thirdly, an international bank was created in this day and age.

Yes, the history of the Moscow Narodny Bank is unique; having accumulated vast social capital, it has proven that success is possible under entirely different circumstances, and economic forms. One of the fundamental elements of social capital is trust. Indeed, the level of trust that Moscow Narodny Bank has enjoyed, has always been huge. For almost the entirety of its history it was considered to be a high-class creditor and the most exigent of partners trusted in its guarantees. Is this not the best trait of a credit institution?!

Moreover the Moscow Narodny Bank was always interested in Russia's real economy; it was always in the centre of the most important processes taking place in our state. Before the revolution, when half of the country was associated with cooperatives, Mosnarbank, as already stated, was the central bank of Russian cooperatives. During Soviet times, Mosnarbank was at the forefront of technical upgrading and modernization of the Soviet Union's national economy. To this day, the Moscow Narodny Bank has become a bank that develops Russia's international cooperation. Despite all the perturbations, Moscow Narodny Bank has remained as it is. It is easy to see the continuity between such seemingly different banks. Readers can easily ascertain this for themselves.

History and contemporaneity; two equally significant and interconnected layers in any community's development. Without knowing the laws and stages of the first, it's doubtful that the second can have a comprehensive existence. That is why the publication of a book dedicated to over a century of history of the unique Moscow Narodny Bank is quite a remarkable event.

Different people have worked in the bank at different times: Russians, the English, Arabs, Singaporeans, the Chinese, Cypriots... They had their own plans and tasks, methods of resolving them, their victories which were attained by daily, sometimes at first glance, inconspicuous effort. Preserving their stories and experiences is an important task for us.

We hope that introspective readers will be able to feel the inner tension that went hand in hand with global changes in the banking system and in the country itself; the development process of the oldest commercial bank in Russia.

In conclusion we would like to thank:

The Director General of ANO "Economic Annals" Nikolai Krotov, for creating this book with the hope of continuing our fruitful cooperation;

All the heroes in the book that agreed to the bank's history being brought up;

The President of the Interstate bank Igor Suvorov, who for many years was at the head of the Moscow Narodny Bank, for his help in editing the English version of the book;

Khalid Al-Roushd.
Author and TV-presenter;
veteran of the Bank of Singapore,
Maria Ho (Singapore),
for her useful advice.

FROM THE AUTHOR

Moscow Narodny Bank has a unique history, in which it has proven time and again that it is possible to adapt and thrive under all manner of conditions and economic systems, accumulating immense social capital along the way.

One of the principal elements of social capital is trust. And the level of trust in Moscow Narodny Bank has always been immense. Throughout practically its entire history it has maintained a reputation as a first-class borrower, and its guarantees have commanded the trust of partners of the highest calibre. One could hardly ask more of a credit institution!

Moscow Narodny Bank always had Russia's real economy as its main focus. Placing itself at the centre of critical developments in our country's history. Before the revolution, when half the country was involved in cooperative enterprises, Mosnarbank served as central bank to the Russian cooperative movement. In the Soviet era, Mosnarbank was at the forefront of the retooling and modernisation of the Soviet economy. Now, the new Moscow Narodny Bank is developing into a major bank with a mission to develop Russia's international partnerships.

There is no doubt that Mosnarbank's history has a lot to teach us.

I hope that thoughtful readers will get a sense of the inner tensions that accompanied global changes in the banking system, and indeed in the country itself, and the evolutionary processes which our nation's oldest bank went through. I, like many readers, did not work at the bank myself, which means that I can look upon events with detachment, though certainly not with indifference — especially as I have found all the characters I have met in the course of preparing this book to be immensely likeable people.

The book could not have seen the light of day without the financial and organisational support given to me by Evrofinance-Mosnarbank OJSC. I would like to express my profound gratitude to the bank's President/Board Chairman, Vladimir Mikhailovich Stolyarenko, and the Chief Executive Director and First Deputy President/Board Chairman, Ilya Konstantinovich Lomakin, for their assistance.

I would also like to thank the First Deputy President/Board Chairman of VTB, Vasily Nikolayevich Titov, and the President of Interstate Bank, Igor Georgievich Souvorov, for their assistance in gathering materials about MNB's London history, and to Maria Ho for her help with the Singapore history.

Separate thanks go my partners and fellow-enthusiasts who helped to piece together the economic history of Russia: Alexander Vladimirovich Bugrov from Moscow, Alexander Leonidovich Vychugzhanin from Tyumen, Vladimir Sergeyevich Okolotin from Ivanovo and Svetlana Alexandrovna Urazova from Rostov-on-Don.

I would also like to thank those people who helped me prepare and publish this work:

my partner in the writing of 'An Economic Chronicle of Russia', Oleg Vasilievich Nikulshin;

my young, but highly professional and admirably patient associate, Denis Vasilievich Kovalyov;

my colleagues: the general director of the *Mezhdunarodnyie Otnosheniya* Publishing House, Boris Petrovich Likhachov, and his deputies, Andrei Anatolievich Kovalkov and Svetlana Yuryevna Sapronova.

Writing this book required me to turn to press materials from years gone by. Provided in electronic form by the *public.ru* Internet library — for which my thanks go to that organisation's team, general director Oleg Alexandrovich Vlades and deputy general director Inna Petrovna Mayorova.

A great many highly interesting documents devoted to the period of MNB's creation were provided for my perusal at the Russian State Economic Archive and in the library of the Russian Finance Ministry. For this I am indebtedness to certain exceedingly kind and dedicated professionals, whose love for what they do shines through: the library director, Irina Alexeyevna Skorikova, the archive director, Elena Alexandrovna Tyurina, the deputy archive director, Sergei Ivanovich Dyogtev, and the manager of the financial planning authority and statistics archive, Tatyana Stanislavovna Poshivalova.

Thanks to all those who look indulgently upon my overreaching ambition. I am happy to report that their number is growing.

Finally, special thanks go to all the heroes of this book and of past and future books.

Nikolai Krotov

CONTENTS

To the Reader _____	3
From the Author _____	5

CHAPTER 1

MOSCOW NARODNY BANK AS THE CENTRAL BANK OF THE RUSSIAN COOPERATIVE MOVEMENT

The History of the Creation of Moscow Narodny Bank.	
The Opening of the London Branch _____	7
The First All-Russian Cooperative Congress _____	10
The First Chairman of Moscow Narodny Bank — Vladimir Alexandrovich Perelyoshin _____	15
The First World War, the Cooperative Movement and Moscow Narodny Bank _____	18
Development of Moscow Narodny Bank's Regional Network _____	20
Regional Branches _____	22
Rostov-on-Don _____	22
Perm _____	23
Saratov _____	25
The International Activities of Moscow Narodny Bank _____	25
Moscow Narodny Bank Between Revolutions _____	27
Moscow Narodny Bank During the October Revolution _____	32
The Nationalisation of Moscow Narodny Bank _____	36
The Rout of Old Cooperation _____	40
Epilogue to Chapter 1 _____	44

Leonid Borisovich Krasin _____	45
Document references _____	50

CHAPTER 2
ENTITIES CLOSELY CONNECTED WITH THE HISTORY
OF MOSCOW NARODNY BANK

Vsekobank _____	51
The Cooperative Transit Bank _____	56
Dalbank _____	59
The Far Eastern Republic _____	59
Monetary Reform _____	60
The History of Dalbank _____	63
The Chinese Eastern Railway (CER) _____	65
Dalbank in China _____	66
Alexander Mikhailovich Krasnoshchokov _____	71
The Shanghai Branch of Moscow Narodny Bank _____	76

CHAPTER 3
MOSCOW NARODNY BANK LTD.
EARLY HISTORY OF THE BANK'S FOUNDATION AND DEVELOPMENT

The Activities of Moscow Narodny Bank in London in 1919–1924 _____	83
The Return of Moscow Narodny Bank _____	92
Agreement Signed by Representatives of the All-Russian Cooperative Bank and Moscow Narodny Bank Limited (in London) on the Procedure for the Transfer to Vsekobank of the Assets of the Former Moscow Narodny Bank _____	98
Moscow Narodny Bank in the Years of the Global Crisis and the First Soviet Five-Year Plans _____	100
Moscow Narodny Bank _____	102
ARCOS Limited — the Cousin of Moscow Narodny Bank _____	105
The Second World War and the Resumption of Activities of Soviet Banks Abroad _____	118
Increased Activity in the Post-War Period _____	120
Moscow Narodny Bank as the Founder of the Eurodollar _____	125
Document references _____	131

CHAPTER 4
DEVELOPMENT AND CRISIS

The 1960s — The Golden Age of Moscow Narodny Bank _____	133
Trade Finance _____	138
Municipal Bond Investments _____	144
Relations with Great Britain _____	146
Moscow Narodny Bank's Bill Programmes _____	154
Andrei Ilyich Dubonosov (1900–1978) _____	157
Leisure Time of the Soviet Staff _____	160
Improvements in Mechanised Accounting at Moscow Narodny Bank _____	163
A History of the Beirut Branch of Moscow Narodny Bank	
The Opening of the Branch and Commencement of Activity _____	166
Problems Arise. Closure of the Branch _____	174
Wartime Telegrams _____	188
Report on the Activities of the Beirut Branch of Moscow Narodny Bank in the First Half of 1985 ² _____	193
Relocation to Cyprus _____	197
The 1970s — a Period of Steady Growth	
for Moscow Narodny Bank _____	200
Currency Operations _____	205
Credit Policy _____	207
Activities in the Securities Market _____	211
Trade Unions: A School of Communism? _____	215
The Evolution of Moscow Narodny Bank's Staff _____	222
Pay Levels at Moscow Narodny Bank _____	229
A History of the Singapore Branch of Moscow	
Narodny Bank _____	231
The Lead-Up to the Opening of the Branch _____	232
The Branch on the Rise _____	239
The Crisis _____	246
The Judicial Inquiry _____	249
The Mosbert Holding. Amos Dawe _____	255
Sifting Through the Wreckage _____	260

Eddie Wong _____	270
Lessons from the Crisis _____	272
The Canada Office — Moscow Narodny Bank North America _____	273
The Cuban Affair _____	275
Regarding Moscow Narodny Bank’s Frozen Assets _____	277
The 1980s: A Difficult Period of Change _____	279
Procurement of Funds for the Soviet Union _____	283
Dealings with Socialist Countries _____	284
Financing of Trade with Britain and Other Countries _____	288
Financing of Imports to the USSR _____	289
Currency Operations _____	290
Credit Activities _____	292
Investment Activity of Moscow Narodny Bank in the Perestroika Era (1986–1989) _____	298
The Armenian Earthquake _____	320
The Juno Anglo-Soviet Space Mission _____	321
The Late 1980s. Momentous Changes _____	336
The Singapore Branch of MNB in the 1980s _____	342
Crisis at the End of 1991 _____	343
The Singapore Branch of MNB in the 1990s _____	362
The China Office _____	373
Development of Moscow Narodny Bank London During the 1990s _____	375
Document references _____	382

CHAPTER 5

MOSNARBANK’S NEW LIFE. MERGER WITH EVROFINANCE

The Moscow Office and Subsidiary _____	385
Merger _____	395
Party Gold _____	397
Moscow Narodny Bank’s Share Capital Through the Years _____	402
Regarding the transfer of shares in Moscow Narodny Bank to the Central Bank of Russia _____	411
The Share Capital of Moscow Narodny Bank (March 1946) _____	413

The Share Capital of Moscow Narodny Bank (in 1965) _____	413
Document references _____	419

APPENDIX
THE STORY OF THE LENA GOLD MINES
AND THE LENA GOLDFIELDS COMPANY
AND MOSCOW NARODNY BANK'S ROLE IN IT

The Lena Gold Mines _____	421
Lena Goldfields _____	426
'We will bring grief to the whole bourgeoisie...' _____	427
Document references _____	442
Directors of Moscow Narodny Bank Ltd _____	443
Senior Officers of the Singapore Branch of Moscow Narodny Bank _____	444
The Beirut, Lebanon Branch of Moscow Narodny Bank _____	444
Персоналии??? _____	445