



BANK OF ENGLAND

REPORT FOR THE YEAR ENDED

28TH FEBRUARY

1949

Issued by Order of the Court of Directors, 21st July, 1949.

COURT OF DIRECTORS

FOR THE YEAR ENDED 28TH FEBRUARY, 1949.

THE RT. HON. LORD CATTO, P.C., C.B.E., GOVERNOR.

CAMERON FROMANTEEL COBBOLD, ESQ., DEPUTY GOVERNOR.

DALLAS GERALD MERCER BERNARD, ESQ.

GEORGE LEWIS FRENCH BOLTON, ESQ.

THE RT. HON. LORD BRAINTREE.

RALPH ELLIS BROOK, ESQ., O.B.E.

LAURENCE JOHN CADBURY, ESQ.

SIR PATRICK ASHLEY COOPER.

*THE RT. HON. LORD DUKESTON, C.B.E.

†GEORGE GIBSON, ESQ., C.H.

SIR CHARLES JOCELYN HAMBRO, K.B.E., M.C.

JOHN COLDBROOK HANBURY-WILLIAMS, ESQ.

THE HON. HUGH KENYON MOLESWORTH KINDERSLEY, C.B.E., M.C.

SIR OTTO ERNST NIEMEYER, G.B.E., K.C.B.

THE RT. HON. LORD PIERCY, C.B.E.

BASIL SANDERSON, ESQ.

HARRY ARTHUR SIEPMANN, ESQ.

ARTHUR GEORGE WANSBROUGH, ESQ.

* Died, 14th May, 1948.

† Resigned, 15th December, 1948.

BANK OF ENGLAND.

Report for the year ended 28th February, 1949.

The following Report summarises the operations of the Bank of England during the year ended 28th February, 1949, and certain related developments in internal and external finance.

Note Circulation and Issue Department.

The total of Notes Issued and Paid in recent years is shown in the following table:—

NOTES ISSUED, PAID AND IN CIRCULATION.									
<i>£ millions.</i>									
YEAR ENDED FEBRUARY.					1939.	1946.	1947.	1948.	1949.
Issued during the year	...	...	...	...	969	935	927	961	1,110
Paid during year	...	...	...	...	968	830	872	1,105	1,111
In circulation at end of year	...	...	...	...	478	1,322	1,377	1,233	1,232

During the year it was found possible to revert to the pre-war type of £1 and 10s. notes, but with the protective device of a metallic thread; at first the notes were printed on "unthreaded" paper in order to use up pre-war stocks. In September a new type of £5 note was introduced: the general design is unchanged and the metallic thread is retained but the thick paper, first introduced in 1945, has been dropped in favour of a thinner type giving the same appearance as earlier issues. The type of £1 and 10s. notes introduced in 1940 as a war-time expedient and the 1945 type of £5 note continue to be legal tender.

NOTES IN CIRCULATION BY DENOMINATIONS.									
<i>£ thousands.</i>									
END OF FEBRUARY.					1939.	1946.	1947.	1948.	1949.
10s.	...	...	...	...	53,338	102,290	98,996	91,171	88,854
£1	...	...	...	...	283,646	1,078,442	1,113,279	976,955	968,719
£5	...	...	...	...	38,283	61,461	83,962	97,000	107,161
£10	...	...	...	...	14,596	2,969	2,079	1,634	1,306
£20	...	...	...	...	4,436	1,423	985	755	595
£50	...	...	...	...	12,305	3,221	2,168	1,627	1,257
£100	...	...	...	...	26,518	7,428	4,810	3,414	2,558
£200	...	...	...	...	19	9	9	9	8
£500	...	...	...	...	3,654	812	493	393	344
£1,000	...	...	...	...	23,199	1,815	1,209	839	524
Over £1,000 (a)	...	...	...	...	18,455	62,200	69,030	59,585	60,560
					<u>478,449</u>	<u>1,322,070</u>	<u>1,377,020</u>	<u>1,233,382</u>	<u>1,231,886</u>

The issue of £10, £20, £50, £100, £500 and £1,000 notes was discontinued in 1943, that of £200 notes in 1928.

(a) Used by the Bank of England for internal purposes, e.g., as cover for excess Scottish and Irish note issues.

During the year all unpaid Third Series Currency Notes, *i.e.*, those notes issued by the Treasury for which the Bank became liable at the time of the amalgamation of the Treasury and Bank of England Note Issues in 1928, were written off the total of bank notes outstanding in accordance with Section 7 of the Currency and Bank Notes Act, 1928.

Fiduciary Issue.

Following upon the reduction from £1,450 million to £1,350 million which occurred towards the end of the previous period, the continued return of notes from circulation enabled the Fiduciary Issue to be reduced by a further £50 million on the 3rd March to £1,300 million. The summer holiday demand was greater than in 1947 but the high point in August at £1,288 million was again below the previous Christmas peak. The subsequent return of notes resulted in the lowest circulation figure of the year—£1,231 million on 27th October.

The highest point reached during the year, £1,296 million, followed a heavy Christmas demand and the Fiduciary Issue was temporarily raised to £1,325 million; after only a fortnight it was again reduced to £1,300 million at which figure it stood at the end of the period.

Changes in the Fiduciary Issue have been as follows during the past three years:—

DATE.	CHANGE.	TOTAL FIDUCIARY ISSUE.
10th December 1946	+ 50	1,450
7th January 1948	— 50	1,400
4th February 1948	— 50	1,350
3rd March 1948	— 50	1,300
21st December 1948	+ 25	1,325
4th January 1949	— 25	1,300

ISSUE DEPARTMENT.

£ thousands.

END OF FEBRUARY.	1948.	1949.	Change.
Notes in Circulation ...	1,233,382	1,231,886	— 1,496
Notes in Banking Department ...	116,866	68,362	— 48,504
Notes Issued ...	<u>1,350,248</u>	<u>1,300,248</u>	<u>— 50,000</u>
Government Debt ...	11,015	11,015	—
Other Government Securities ...	1,338,276	1,288,167	— 50,109
Other Securities ...	700	807	+ 107
Coin other than Gold Coin ...	9	11	+ 2
Fiduciary Issue ...	1,350,000	1,300,000	— 50,000
Gold Coin and Bullion ...	248	248	—
	<u>1,350,248</u>	<u>1,300,248</u>	<u>— 50,000</u>

Banking Department.

The assets and liabilities of the Banking Department at the beginning and end of the year were as follows:—

£ thousands.

END OF FEBRUARY	1948.	1949.	Change.
Capital	14,553	14,553	—
Rest	3,901	3,903	+ 2
Public Deposits ... 10,885	9,922	— 963	
H.M. Treasury Special Account ... —	17,605	+ 17,605	
Bankers' Deposits ... 292,711	308,810	+ 16,099	
Other Accounts ... 93,259	91,232	— 2,027	
Total Deposits	396,855	427,569	+ 30,714
	<u>415,309</u>	<u>446,025</u>	<u>+ 30,716</u>
Government Securities	256,759	322,034	+ 65,275
Discounts & Advances 10,158	23,579	+ 13,421	
Securities 31,279	28,228	— 3,051	
Other Securities	41,437	51,807	+ 10,370
Notes	116,866	68,362	— 48,504
Coin	247	3,822	+ 3,575
	<u>415,309</u>	<u>446,025</u>	<u>+ 30,716</u>

Half-yearly payments of £873,180 were made to H.M. Treasury on 5th April and 5th October, 1948, in pursuance of Section 1(4) of the Bank of England Act, 1946.

The item "H.M. Treasury Special Account" first appeared in the Bank Return for the week ended 4th August, 1948. This Account was opened under Paragraph 2 of Article IV of the Economic Co-operation Agreement of 6th July, 1948 (Cmd. 7469) to receive the sterling equivalent of United States dollars made available to the United Kingdom by the Government of the United States on a grant basis. It also receives the sterling equivalent of currencies of participating European countries paid over when the United Kingdom exercises drawing rights on such participants in terms of the Agreement for Intra-European Payments and Compensations (Cmd. 7546); the only such drawings have been in Belgian francs.

Of the amounts credited to the Treasury Special Account 5% is paid immediately to the Economic Co-operation Administration for its expenditures in the United Kingdom, in accordance with Article IV(4) of the Economic Co-operation Agreement.

The Bank's holding of government securities shown in the Bank Return includes a holding of non-interest bearing Treasury Notes corresponding to the balance standing to the credit of the Special Account.

The Bank Rate remained unchanged at 2%.

FLOATING DEBT.

The outstanding total of the Floating Debt, as given in the Exchequer Return for the date nearest to the end of February in each year, showed a decrease of £252 million, of which £8 million was in Treasury Bills, £62 million in Ways and Means Advances and £182 million in Treasury Deposit Receipts.

FLOATING DEBT OUTSTANDING.

<i>£ millions</i>	4th Mar. 1939.	2nd Mar. 1946.	1st Mar. 1947.	28th Feb. 1948.	26th Feb. 1949.
Treasury Bills	856	4,206	4,741	4,503	4,495
Ways & Means Advances:					
by Public Departments	40	446	530	493	412
by Bank of England	6	—	15	2	21
Treasury Deposit Receipts	—	1,566	1,473	1,201	1,019
	<u>902</u>	<u>6,218</u>	<u>6,759</u>	<u>6,199</u>	<u>5,947</u>

Apart from the excess of revenue over ordinary expenditure plus other expenditure "Below the Line" (net), three other factors may be mentioned which during the year caused sharp movements in the total of the Floating Debt unrelated to current Government financing. First, in the week ended 6th March, 1948, the total rose by £334 million reflecting the redemption on 1st March of the 3% Conversion Loan, 1948-53. Secondly, between 24th July and 14th August the total fell heavily (£298 million) on the realisation by India and Pakistan of funds required to meet payments to H.M. Government in the United Kingdom for defence stores and pensions (Cmd. 7472 and 7479). Thirdly, 3% Terminable Annuities were purchased by the National Debt Commissioners in December, 1948 (£50 million) with moneys held for Savings Banks Funds.

The weekly allotment of Treasury Bills by tender amounted to £170 million except on three occasions, on two of which allotments were at £180 million and on the third at £190 million. The total of applications received for Treasury Bills on 3rd December, 1948, constituted a record at £320,835,000.

WEEKLY ALLOTMENT OF TREASURY BILLS.

<i>£ millions</i>									
30 weeks ended 2nd October, 1948 ... ..	...	...	...	...	...	...	...	...	170
1 week ended 9th October, 1948 ... ..	...	...	...	...	...	...	...	...	180
1 week ended 16th October, 1948 ... ..	...	...	...	...	...	...	...	...	190
1 week ended 23rd October, 1948 ... ..	...	...	...	...	...	...	...	...	180
19 weeks ended 26th February, 1949 ... ..	...	...	...	...	...	...	...	...	170

The average rate of discount at which the Bills were allotted remained stable at about 10s.%, the highest and lowest rates being 10/6.13d.% at the tender on 11th February, 1949, and 10/1.10d.% on 5th March, 1948, respectively.

Since their introduction on the 1st July, 1940, the Treasury Deposit Receipts issued to the Banks from time to time had been of a currency of six months only. From June, 1948, in order to obtain more flexibility in their use, Deposits have been received for periods of five, six or seven months. The rate of interest remained at $5\frac{1}{8}\%$ per annum.

Other Debt managed by the Bank.

The nominal total of Stocks and Bonds managed by the Bank, which does not include amounts on the Registers of the Bank of Ireland in Dublin and Belfast, the Post Office Savings Department and the Trustee Savings Banks, showed a net increase during the year of £172 million. The following table shows the changes in recent years in the different groups of stocks. Tax Reserve Certificates and interest-free loans are not included in the figures.

DEBT MANAGED BY THE BANK.

£ millions									
END OF FEBRUARY.				1939.	1946.	1947.	1948.	1949.	
British Government:									
Stock	...	...	...	5,107	12,367	12,567	12,565	12,269	
Bearer Bonds	...	...	...	1,002	158	145	137	130	
Total	...	...	...	<u>6,109</u>	<u>12,525</u>	<u>12,712</u>	<u>12,702</u>	<u>12,399</u>	
Other Securities:									
Treasury Guaranteed	...	...	...	140	207	151	1,187	1,726	
Dominion & Colonial	...	...	...	454	126	122	138	130	
Local Authorities	...	...	...	197	173	166	166	166	
Public Boards, etc.	...	...	...	202	202	201	111	55	
Miscellaneous	...	...	...	19	16	16	16	16	
Total	...	...	...	<u>1,012</u>	<u>724</u>	<u>656</u>	<u>1,618</u>	<u>2,093</u>	
Grand Total	...	...	...	<u>7,121</u>	<u>13,249</u>	<u>13,368</u>	<u>14,320</u>	<u>14,492</u>	

The principal operations during the year in Stocks managed by the Bank are set out below.

REDEMPTIONS.

3% Conversion Loan 1948-53:									
1st March, 1948. For cash	...	...	...	...	...	...	...	...	*£301.8 million
Queensland Government 4% Inscribed Stock, 1940-50:									
16th August, 1948. For cash	...	...	...	...	...	...	...	...	£2.7 "
New Zealand Government $4\frac{1}{2}\%$ Inscribed Stock, 1948-58:									
1st October, 1948. For cash...	...	...	...	...	...	...	...	...	£12.6 "
India 3% Stock, 1948:									
5th October, 1948. For cash	...	...	...	...	...	...	...	...	£.9 "
Tanganyika Government $4\frac{1}{2}\%$ Guaranteed Stock, 1948-68:									
1st December, 1948. For cash	...	...	...	...	...	...	...	...	£2.1 "

* Refers to the total of Stock outstanding which was slightly larger than the total managed by the Bank, by the amount standing on the Bank of Ireland and other Registers.

CONVERSIONS.

Queensland Government 4% Inscribed Stock, 1940-50:	
28th May, 1948. Converted into Government of the Commonwealth of Australia	
3% Registered Stock, 1964-66	£3.2 million
Queensland Government 3¾% Inscribed Stock, 1940-60:	
18th January, 1949. Converted into Government of the Commonwealth of Australia	
3% Registered Stock, 1972-74	£1.3 "
(The Government of the Commonwealth of Australia Stocks are domiciled with the Commonwealth Bank of Australia.)	

NEW ISSUES.

British Transport 3% Guaranteed Stock, 1978-88:	
1st March, 1948. Exchange for London Transport "LA" Stock	£12.6 million
Issued subsequently in exchange for the Securities of various Transport Undertakings	£8.4 "
British Transport 3% Guaranteed Stock, 1968-73:	
1st April, 1948. Issued as compensation in respect of railway wagons	£44 "
30th November, 1948. Issued o/a compensation to Thomas Tilling Limited	£23.6 "
31st December, 1948. " " " " " " " "	£.9 "
British Electricity 3% Guaranteed Stock, 1968-73:	
1st April, 1948, and subsequently. Exchange for the Securities of various Electricity Undertakings including the following Securities which were managed by the Bank—	
Central Electricity 5 % Stock 1950-70	
" " 5 % " 1955-75	
" " 4½ % " 1951-73	
" " 4½ % " 1957-82	
" " 4 % " 1959-89	
" " 3¼ % " 1974-94	
Electricity (Civil Defence) 3% Redeemable Stock, 1955-60	
West Midlands Joint Electricity Authority 5% Stock, 1948-68	£335.3 million
British Electricity 3% Guaranteed Stock, 1948-53:	
1st April, 1948. Exchange for the North Wales Power Company Limited 3% Guaranteed Debenture Stock, 1946-53	£.6 "
North of Scotland Electricity 3% Guaranteed Stock, 1968-70:	
1st July, 1948. For cash at par	£6 million
1st October, 1948. For cash at £101%	£6 "
	£12 "
New Zealand Government 3% Stock, 1966-68:	
14th July, 1948. For cash at par	£9.4 million
1st September, 1948. In exchange for New Zealand Government 4½% Inscribed Stock, 1948-58, at par	£6.6 "
	£16 "

NEW ISSUES—continued.

Agricultural Mortgage Corporation Limited 3% Debenture Stock, 1966-69:	
16th September, 1948. For cash at £98%	£2 million
British Electricity 3% Guaranteed Stock, 1974-77:	
22nd October, 1948. For cash at £99 10s.%	£100 "
Government of Southern Rhodesia 3% Stock, 1971-73:	
24th November, 1948. For cash at par	£5 "
British European Airways 3% Guaranteed Stock, 1980-83:	
15th February, 1949. For cash at par	£6 "
British South American Airways 3% Guaranteed Stock, 1980-83:	
15th February, 1949. For cash at par	£3.5 "

In the case of British Electricity 3% Guaranteed Stock, 1968-73, the main compensation Stock issued under the provisions of the Electricity Act, 1947, accounts representing the sum of £321 million were recorded in the Bank's Register at the end of February. The corresponding figure for British Transport 3% Guaranteed Stock, 1978-88, was £691 million. The transfer to the Bank's Register of the accounts representing the balances of Stock is proceeding.

The total number of transfers registered during the year was 900,000, an increase of 206,000 or 29% on the previous year. The figure reflects the considerable market activity during the early part of the year.

London Clearing Banks.

As in previous years, the Committee of London Clearing Bankers and other representative financial organisations continued to work with the Bank of England in close and intimate co-operation.

Between 18th February, 1948, and 16th February, 1949, the deposit liabilities of the Clearing Banks again rose, by £175 million, the proportion of Current Accounts to Total Deposits being fractionally reduced.

LONDON CLEARING BANKS: DEPOSITS.

£ millions

FEBRUARY.	1939.	1946.	1947.	1948.	1949.
Current Accounts	1,212	3,078	3,603	3,700	3,810
Deposit & Other Accounts	964	1,606	1,916	1,942	2,007
Total Deposits	2,176	4,684	5,519	5,642	5,817
Balances with Other Banks, etc.	58	143	170	182	190
Net Deposits	2,118	4,541	5,349	5,460	5,627
Rate of Increase on previous year in Net Deposits		6.3%	17.8%	2.1%	3.1%

Among the asset items shown in the Monthly Statement, Cash in hand and at the Bank of England rose from £465 million to £481 million and the ratio of Cash to Total Deposits from 8.2% to 8.3%. There was a further increase both in Money at Call & Short Notice and in Bills Discounted, so that these three items amounted to 32.5% of Net Deposits in February, 1949. On the other hand Treasury Deposit Receipts stood at £989 million, February, 1949, being the first month since August, 1943, in which this item stood at less than £1,000 million. In the seven weeks between 31st December and 16th February it fell by no less than £408 million, in sympathy with the exceptionally heavy inflow of revenue.

LONDON CLEARING BANKS: PRINCIPAL ASSETS.

Percentage of Net Deposits is shown in italics.

<i>£ millions</i>									
FEBRUARY.					1939.	1946.	1947.	1948.	1949.
Cash in Hand and at Bank of England	...	...	...	...	243	483	463	465	481
					<i>11.5</i>	<i>10.6</i>	<i>8.7</i>	<i>8.5</i>	<i>8.5</i>
Money at Call and Short Notice	...	...	...	...	138	243	421	442	491
					<i>6.5</i>	<i>5.4</i>	<i>7.9</i>	<i>8.1</i>	<i>8.7</i>
Bills Discounted	...	...	...	...	212	340	659	713	860
					<i>10.0</i>	<i>7.5</i>	<i>12.3</i>	<i>13.1</i>	<i>15.3</i>
Total of above items	...	...	...	...	593	1,066	1,543	1,620	1,832
					<i>28.0</i>	<i>23.5</i>	<i>28.9</i>	<i>29.7</i>	<i>32.5</i>
Treasury Deposit Receipts	...	...	...	...	—	1,468	1,436	1,157	989
					—	<i>32.3</i>	<i>26.8</i>	<i>21.2</i>	<i>17.6</i>
Total of above items	...	...	...	...	593	2,534	2,979	2,777	2,821
					<i>28.0</i>	<i>55.8</i>	<i>55.7</i>	<i>50.9</i>	<i>50.1</i>
Investments	...	...	...	...	617	1,241	1,439	1,485	1,487
					<i>29.1</i>	<i>27.3</i>	<i>26.9</i>	<i>27.2</i>	<i>26.4</i>
Advances and Other Accounts	...	...	...	...	977	837	1,005	1,273	1,394
					<i>46.1</i>	<i>18.4</i>	<i>18.8</i>	<i>23.3</i>	<i>24.8</i>

Investments were virtually unchanged on the year, and Advances to Customers and Other Accounts rose by £121 million, as compared with £268 million and £168 million in the two preceding years. The increase was mainly shown in the first and last quarters of the year, the figure being comparatively stable during the summer months of 1948. The credit facilities provided by the Clearing Banks conformed as before with requests made by the Chancellor of the Exchequer, no new request being communicated in the course of the year under review. The quarterly classification of Advances issued by the British Bankers' Association gives an indication of the directions in which bank advances have risen: its scope differs from that of the Clearing Bankers' Monthly Statement, in that it comprises all advances made within Great Britain by all members of the Association, the classification (except for Personal & Professional) being based on the business of the borrower.

BRITISH BANKERS' ASSOCIATION: CLASSIFICATION OF ADVANCES.

<i>£ millions</i>								1949 % of Total.
	FEBRUARY.	1946.	1947.	1948.	1949.			
Coal Mining		8.9	8.5	8.4	6.6			.45
Quarrying, etc.		2.3	3.1	3.5	4.6			.31
Iron & Steel and Allied Trades		15.4	14.6	15.1	21.0			1.44
Non-ferrous metals		2.0	2.8	2.7	3.3			.23
Engineering, etc.		66.6	72.7	105.5	122.5			8.38
Shipping & Shipbuilding		10.3	10.7	18.5	16.5			1.13
Transport & Communications		9.6	13.0	13.2	18.0			1.23
Cotton		7.1	4.9	7.5	10.8			.74
Wool		4.3	9.6	13.3	14.8			1.01
Other Textiles		10.2	12.7	21.8	28.3			1.94
Leather & Rubber		4.9	6.6	9.0	10.8			.74
Chemicals		9.2	12.0	18.6	18.7			1.28
Agriculture & Fishing		66.5	80.1	101.7	126.7			8.67
Food, Drink & Tobacco		57.2	64.5	88.2	89.2			6.10
Retail Trade		62.2	88.0	131.1	153.0			10.47
Entertainment		26.7	24.5	28.8	34.5			2.36
Builders & Contractors		38.8	52.1	60.7	61.2			4.19
Building Materials		5.0	7.8	12.2	12.7			.87
Unclassifiable Industry & Trade		27.9	43.2	64.6	75.4			5.16
Local Government Authorities		78.7	78.9	86.6	94.4			6.46
Public Utilities (other than Transport)		7.3	13.5	13.9	21.4			1.46
Churches, Charities, Hospitals, etc.		10.4	14.1	18.4	9.2			.63
Stockbrokers		4.1	5.4	5.1	3.8			.26
Other Financial		73.2	88.5	103.2	117.5			8.04
Personal & Professional		239.5	295.2	355.4	386.0			26.42
Total		<u>848.3</u>	<u>1,027.0</u>	<u>1,307.0</u>	<u>1,461.2</u>			<u>100.00</u>

External Finance.

TRANSFERABILITY OF STERLING.

By 1st March, 1948, great progress had been made with the laborious adjustments required by the suspension of automatic transferability to the American Account Area in August, 1947. This entailed separate negotiations with a series of countries outside the Sterling Area, and a readaptation of the payments system throughout the Sterling Area to conform with the results of these negotiations. It did not entail a reconversion of the system to a bilateral basis. On the contrary, it was a cardinal point of policy that transferability of sterling should be maintained over as wide an area as possible, the limiting factor being the risk of a further reduction of the central reserves of the Sterling Area by way of gold settlements or of a continuing loss of dollars. Even where automatic rights of transfer had to be suspended on account of this risk, arrangements were made for transfers to and from third countries to be continued on an "administrative" basis, through the procedure whereby

application may be made to the Bank of England for permission to make a sterling transfer to a third country in respect of a specific transaction or series of transactions. In arriving at an estimate of the balance of payments in any given direction, full allowance was always made for the greatest volume of third-country transfers compatible with the avoidance, as far as possible, of a loss of gold or dollars.

The Belgian and Portuguese monetary areas had left the automatic system by the end of 1947 and were followed (temporarily) by Italy in February, 1948. Uruguay, Argentina and Brazil were excluded before the 1st June, but there had also been additions to the Transferable Account Area—Siam and U.S.S.R. followed by Poland (10th March) and Chile (30th June): Italy returned in December, 1948.

A summary of Agreements dealing with the international use of sterling which were concluded during the year ended the 28th February, 1949, is appended to this Report. Ample use was made of the arrangements for effecting particular transfers of sterling to third countries by obtaining the specific approval of the Bank of England. The aggregate amount estimated to have been transferred by countries outside the Sterling Area was £240 million in 1948, excluding all transfers to and from American Account countries. Of this total no less than £152 million was transferred by use of the special administrative facilities. In addition, merchanting transactions (under F.E. 24 facilities) and payments under the Coffee and Rubber Schemes amounted to another £40 million. The French and Netherlands monetary areas, Norway, Finland and Italy all took advantage of these facilities to an appreciable extent. Transfers by countries participating in the Organisation for European Economic Co-operation to other participating countries during 1948 amounted to £56 million.

The intention always was that sterling transfer facilities should be used only for direct current transactions. It has been found necessary to make this intention explicit in a number of Agreements, while still leaving British and foreign merchants free to initiate trade for payment throughout on a sterling basis between countries inside and outside the Sterling Area, provided that it is expressly authorised.

EUROPEAN RECOVERY PROGRAMME AND INTRA-EUROPEAN PAYMENTS AGREEMENT.

Of the \$5,055 million voted by Congress for the fifteen months to 30th June, 1949 (later reduced to the twelve months to 2nd April, 1949), the U.K. was allocated \$1,316 million by E.C.A., of which \$313 million is in the form of loan. The sterling counterpart of dollar aid received on a grant basis is credited to the Treasury Special Account at the Bank of England referred to above.

In October, 1948, the countries participating in the European Recovery Programme signed an "Agreement for Intra-European Payments and Compensations" (Cmd. 7546) providing for currency compensations and drawing rights *inter se*. Drawing rights are made available from the sterling counterpart of dollar aid. Sterling drawing rights equivalent to \$312 million—later increased to \$320 million—were established by the United Kingdom, who in turn received drawing rights from Belgium for the equivalent of \$30 million in Belgian francs.

INTERNATIONAL MONETARY FUND.

No drawings in U.S. dollars were made from the International Monetary Fund after April, 1948, by when the U.K. had drawn \$300 million in all since the Fund began operations on 1st March, 1947. The subscription of H.M. Government to the International Monetary Fund was adjusted in December, 1948, by a final payment of £6,391,000 in gold, against repayment of an equivalent amount of sterling.

U.S. AND CANADIAN CREDITS.

The final drawing of \$100 million on the \$3,750 million line of credit established by the U.S. Government in favour of H.M. Government under the Anglo-U.S. Financial Agreement of 6th December, 1945 (Cmd. 6968) was made on 1st March, 1948.

By agreement between the Canadian Government and H.M. Government, the arrangements for financing the Sterling Area deficit with Canada during the first quarter of 1948 were extended to 14th April and an additional sum of \$7 million was drawn from the Canadian Credit. By mutual agreement there were no further drawings during 1948 but, as a result of subsequent discussions, it was agreed that monthly drawings of \$10 million could be made during 1949, subject to possible review during the year in the light of Canada's own exchange position.

Court of Directors.

Lord Catto resigned from the Court on 28th February, 1949, having served the office of Governor since 18th April, 1944. He was succeeded by Mr. C. F. Cobbold, a Director since April, 1938, and Deputy Governor since September, 1945, Mr. D. G. M. Bernard, a Director since April, 1936, being appointed Deputy Governor. Both these appointments were for the statutory period of five years.

The term of office of four Directors expired at 28th February, 1949, and further vacancies had been caused by the death in May, 1948, of Lord Dukeston and the resignation in December, 1948, of Mr. George Gibson. Mr. Basil Sanderson, Sir O. E. Niemeyer and Mr. L. J. Cadbury were reappointed for periods of four, three and two years, respectively: and the Court was completed by the appointment of Mr. M. J. Babington Smith, Sir George Chester and Sir Kenneth Peppiatt for four years and of Mr. H. C. B. Mynors for one year.

Copies of this Report may be obtained from the Secretary, Bank of England.

SUMMARY OF PAYMENTS AND FINANCIAL AGREEMENTS NEGOTIATED DURING THE YEAR
ENDED 28TH FEBRUARY, 1949.

Sterling Area.

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
BURMA	12th Oct. 1948	7560	Limits net expenditure in hard currency areas during period 1st July, 1948, to 31st December, 1948.
CEYLON	30th Apr. 1948	7422	Sterling assets of Ceylon Government, Board of Commissioners of Currency and Ceylon banks transferred to No. 2 Accounts. £4 mn. released as working balance. £3½ mn. released for general purposes. Dollar expenditure limited during 1948.
INDIA	9th July 1948	7472	Financial Agreement of 14th August, 1947, extended to 30th June, 1951. No general release for year ending 30th June, 1949. Up to £40 mn. to be released in each of the two subsequent years in multiples of £5 mn. sufficient to maintain No. 1 Account at a level of £60 mn. Limits net expenditure in hard currency areas during year ending 30th June, 1949. Certain inter-Governmental settlements adjusted through No. 2 Account.
IRAQ	27th June 1948	7490	Extends Supplementary Agreement of 17th November, 1947, for 12 months. Limits hard currency expenditure during year ending 30th June, 1949.
PAKISTAN	14th July 1948	7479	Financial Agreement of 14th August, 1947, extended to 30th June, 1949. £5 mn. released for general purposes. Additional releases to a maximum of £5 mn. may be claimed up to 30th June, 1951, for external expenditure on resettlement and rehabilitation. Not less than £5 mn. to be released for general purposes in each of the years ending 30th June, 1950, and 30th June, 1951. Limits net expenditure in hard currency areas during year ending 30th June, 1949. Certain inter-Governmental settlements adjusted through No. 2 Account.

Non-Sterling Area.

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
BRAZIL	21st May 1948	7438	Trade and Payments Agreement. Prescribes purposes for which Brazilian accumulated balances may be utilised.
CHILE	24th June 1948	7497	Sterling Payments Agreement.
CZECHOSLOVAKIA	4th Nov. 1948	7585	Extend Monetary Agreement of 1st November, 1945, with exception of Article 2 (i) (a). Cancel right of National Bank of Czechoslovakia to obtain sterling against Czechoslovak Crowns.
	31st Dec. 1948/	7625	
	3rd Jan. 1949		
DENMARK	10th Nov. 1948	7592	Extends Monetary Agreement of the 16th August, 1945, to cover Faroe Islands.
FRANCE	8/19th Apr. 1948	7408	Removes Syria from the French Franc Area.
	1st June 1948	7430	Provides for sale to France of sum not exceeding £10 mn. against a forward re-purchase of like amount.
GERMANY (BIZONE)	31st Dec. 1948	7623	Prolongs Bizonal Fusion Agreement of 2nd December, 1946 (amended by Agreement of 17th December, 1947) for three months.
ITALY	26th Nov. 1948	7587	Abrogates and replaces Sterling Payments Agreement of 17th April, 1947.
NETHERLANDS	12th Mar. 1948	7381	Abrogates Supplementary Monetary Agreement of 26th February, 1947.
	11th June 1948	7487	Lays down basis for passing on to Indonesia the U.S. dollar proceeds of certain Indonesian exports through Singapore and Malaya.
	6th Sept. 1948	7531	Extends Monetary Agreement of 7th September, 1945, for one year from 7th September, 1948. Places effective "ceiling" on Netherlands' holding of sterling above which U.K. is required to pay gold for guilders at £55 mn.
NORWAY	9th July 1948	7474	Abrogates and replaces Supplementary Monetary Agreement of 27th June, 1947.

Non-Sterling Area—*continued.*

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
PERU	20th July 1948	7498	Sterling Payments Agreement.
POLAND	2nd Mar. 1948	7352	Sterling Payments Agreement.
	14th Jan. 1949	7628	Trade and Finance Agreement. Extends existing credit facilities in London and sets aside monies for settlement of financial claims.
PORTUGAL	14th Apr. 1948	7401	Extends Monetary Agreement of 16th April, 1946, for one year.
SPAIN	23rd June 1948	7449	Trade and Payments Agreement. Abrogates Supplementary Monetary Agreement of 26th June, 1947.
	15th Dec. 1948	7596	Sterling Payments Agreement. Abrogates and replaces Monetary Agreement of 28th March, 1947.
SWITZERLAND	25th Feb. 1949	7669	Extends Monetary Agreement of 12th March, 1946, for one year.

BANK OF ENGLAND.

28TH FEBRUARY, 1949.

ISSUE DEPARTMENT.

	£		£
Notes Issued:		Government Debt...	11,015,100
In Circulation	1,231,885,940	Other Government	
In Banking		Securities	1,288,166,836
Department	68,361,893	Other Securities	806,678
		Coin other than Gold	
		Coin	11,386
		Amount of	
		Fiduciary Issue	£1,300,000,000
		Gold Coin & Bullion	247,833
		(@ 172s. 3d. per oz. fine)	
	<u>£1,300,247,833</u>		<u>£1,300,247,833</u>

K. O. PEPPIATT, *Chief Cashier.*

BANKING DEPARTMENT.

	£		£
Capital	14,553,000	Government Securities ...	322,033,941
Rest	3,903,135	Other Securities:	
Public Deposits—		Discounts & Advances.	
(Including Exchequer, Savings		£23,579,090	
Banks, Commissioners of National		Securities.	
Debt, and Dividend Accounts):		£28,228,468	51,807,558
£9,921,716		Notes	68,361,893
H.M. Treasury		Coin	3,821,850
Special Account £17,605,141	27,526,857		
Other Deposits:			
Bankers.			
£308,810,506			
Other Accounts.			
£91,231,744	400,042,250		
	<u>£446,025,242</u>		<u>£446,025,242</u>

K. O. PEPPIATT, *Chief Cashier.*

PRINTED BY JOHN ROWLAND DUDIN, AT ST. LUKE'S PRINTING WORKS (BANK OF ENGLAND), OLD STREET, E.C.1,
IN THE COUNTY OF LONDON.