



# BANK OF ENGLAND

REPORT FOR THE YEAR ENDED

28<sup>TH</sup> FEBRUARY

1950

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*Issued by Order of the Court of Directors, 20th July, 1950.*

## COURT OF DIRECTORS

FOR THE YEAR ENDED 28TH FEBRUARY, 1950.

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# BANK OF ENGLAND.

## Report for the year ended 28th February, 1950.

The following Report summarises the operations of the Bank of England during the year ended the 28th February, 1950, and certain selected 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.

£ millions.

YEAR ENDED FEBRUARY.	1939.	1947.	1948.	1949.	1950.
Issued during the year ... ..	969	927	961	1,110	815
Paid during the year ... ..	968	872	1,105	1,111	797
In circulation at end of year ... ..	478	1,377	1,233	1,232	1,250

The fall in the totals of Notes Issued and Paid during the year ended February, 1950, was the result of arrangements made for the banks to extend the re-issue to the public of notes in a suitable condition to be put again into circulation.

#### NOTES IN CIRCULATION BY DENOMINATIONS.

£ thousands.

END OF FEBRUARY	1939.	1947.	1948.	1949.	1950.
10s. ... ..	53,338	98,996	91,171	88,854	86,164
£1 ... ..	283,646	1,113,279	976,955	968,719	975,762
£5 ... ..	38,283	83,962	97,000	107,161	120,618
£10 ... ..	14,596	2,079	1,634	1,306	1,139
£20 ... ..	4,436	985	755	595	510
£50 ... ..	12,305	2,168	1,627	1,257	1,069
£100 ... ..	26,518	4,810	3,414	2,558	2,113
£200 ... ..	19	9	9	8	8
£500 ... ..	3,654	493	393	344	304
£1,000 ... ..	23,199	1,209	839	524	386
Over £1,000 (a) ... ..	18,455	69,030	59,585	60,560	61,950
	<u>478,449</u>	<u>1,377,020</u>	<u>1,233,382</u>	<u>1,231,886</u>	<u>1,250,023</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.

The total value of 10s. notes in circulation again declined and their proportion fell below 7%, as compared with over 11% of the total in 1939. On the other hand, the total of £5 notes in circulation rose by £13.4 million out of a total increase of £18.1 million, thereby reflecting a continuing increase in the use of this denomination by the public.



## Fiduciary Issue.

At the beginning of the period under review the circulation, at £1,232 million, was slightly less than that at the corresponding date in 1948. A heavy outflow of notes before Easter raised the circulation to a higher figure than in the year before, and for the rest of the period it remained at a level somewhat higher than that of the previous year. In consequence, although the summer holiday demand was less than in 1948, it was necessary to increase the Fiduciary Issue by £50 million to £1,350 million on the 4th July. Following a reduction in the circulation from the August peak of £1,308 million the Fiduciary Issue was reduced to £1,300 million on the 27th September. Although the Christmas demand for notes was slightly lower than a year earlier, it was nevertheless necessary to increase the Fiduciary Issue again by £50 million on the 12th December.

The highest circulation of the year, £1,322 million, was reached during the period of Christmas demand but the usual inflow of notes thereafter made it possible to reduce the Fiduciary Issue to £1,300 million on the 10th January at which figure it stood at the end of the period. The circulation was then some £18 million in excess of the corresponding figure for 1949.

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

£ millions.	DATE.	CHANGE.	TOTAL FIDUCIARY ISSUE.
	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
	4th July, 1949	+ 50	1,350
	27th September, 1949	— 50	1,300
	12th December, 1949	+ 50	1,350
	10th January, 1950	— 50	1,300

## ISSUE DEPARTMENT.

£ thousands.	END OF FEBRUARY.	1949.	1950.	Change.
Notes in Circulation	...	1,231,886	1,250,023	+ 18,137
Notes in Banking Department	...	68,362	50,334	— 18,028
Notes Issued	...	<u>1,300,248</u>	<u>1,300,357</u>	<u>+ 109</u>
Government Debt	...	11,015	11,015	—
Other Government Securities	...	1,288,167	1,288,271	+ 104
Other Securities	...	807	704	— 103
Coin other than Gold Coin...	...	11	10	— 1
Fiduciary Issue	...	1,300,000	1,300,000	—
Gold Coin and Bullion	...	248	357	+ 109
		<u>1,300,248</u>	<u>1,300,357</u>	<u>+ 109</u>

The Gold Coin and Bullion in the Issue Department, previously valued at 172s. 3d. per ounce fine, was revalued at 248s. per ounce fine on the 21st September, 1949.



## 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.	1949.	1950.	Change.
Capital ... ..	14,553	14,553	—
Rest ... ..	3,903	3,905	+ 2
Public Deposits ... 9,922	7,422	— 2,500	
H.M. Treasury Special Account ... 17,605	135,976	+ 118,371	
Bankers' Deposits ... 308,810	300,439	— 8,371	
Other Accounts ... 91,232	119,291	+ 28,059	
Total Deposits ... ..	<u>427,569</u>	<u>563,128</u>	+ 135,559
	<u>446,025</u>	<u>581,586</u>	+ 135,561
Government Securities	322,034	472,139	+ 150,105
Discounts & Advances 23,579	19,450	— 4,129	
Securities ... .. 28,228	34,566	+ 6,338	
Other Securities ... ..	51,807	54,016	+ 2,209
Notes ... ..	68,362	50,334	— 18,028
Coin ... ..	3,822	5,097	+ 1,275
	<u>446,025</u>	<u>581,586</u>	+ 135,561

The increase in the total assets and liabilities of the Banking Department is mainly attributable to the H.M. Treasury Special Account, opened under the Economic Co-operation Agreement of 6th July, 1948 (Cmd. 7469) and referred to in the Report for the year ended the 28th February, 1949. After the middle of September funds accumulated on the account, with a corresponding increase in the holding of non-interest bearing Treasury Notes included in the figure for Government Securities. For a just appraisal of movements in the Bank Return, allowance should be made for this item. The increase in Other Accounts is to a great extent the result of an increase in the balance of the International Monetary Fund arising from the implementation of the exchange guarantee thereon.

Half-yearly payments of £873,180 were made to H.M. Treasury on 5th April and 5th October, 1949, in pursuance of Section 1 (4) of the Bank of England Act, 1946.

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 £188 million, made up as follows:—

£ millions.

Treasury Bills ... ..	+ 365
Ways & Means Advances ... ..	— 28
Treasury Deposit Receipts ... ..	— 525
	<u>— 188</u>



# FLOATING DEBT OUTSTANDING.

<i>£ millions.</i>	4th Mar. 1939.	1st Mar. 1947.	28th Feb. 1948.	26th Feb. 1949.	25th Feb. 1950.
Treasury Bills ... ..	856	4,741	4,503	4,495	4,860
Ways & Means Advances:					
by Public Departments ... ..	40	530	493	412	403
by Bank of England ... ..	6	15	2	21	2
Treasury Deposit Receipts... ..	—	1,473	1,201	1,019	494
	<u>902</u>	<u>6,759</u>	<u>6,199</u>	<u>5,947</u>	<u>5,759</u>

During the year there were several special movements affecting the total of the Floating Debt, apart from the normal incidence of excess or deficiency of revenue as against ordinary expenditure or net expenditure "Below the Line" in current Government finance. Mention may be made of a fall in Floating Debt at the end of March, 1949, which partially reflected a reduction in Floating Debt held for the Savings Banks Funds accompanied by a purchase on the part of the National Debt Commissioners of £89 million 3% Terminable Annuities. In the middle of February, 1950, the repayment of 1¼% Exchequer Bonds, 1950, not converted into 2¼% Exchequer Stock, 1955, was largely the cause of a sharp increase in the Floating Debt in the week ended the 18th February.

The reduction during the year in the total of Treasury Deposit Receipts issued to the Banks was offset to a considerable extent by an increase in the amount of Treasury Bills allotted. The rate of interest on Treasury Deposit Receipts of all currencies remained at 5/8%.

The weekly allotment of Treasury Bills by tender amounted to £170 million at the beginning and £220 million at the end of the period. The increase in the weekly offer took place between the beginning of August and the middle of September.

The total of applications for Treasury Bills reached the record figure of £330,885,000 on the 4th March, 1949. On two occasions, the 27th January, 1950, and the 17th February, 1950, the allotment of Treasury Bills was £10 million short of the amount on offer.

# WEEKLY ALLOTMENT OF TREASURY BILLS.

<i>£ millions.</i>									
22 weeks ended 30th July, 1949	...	...	...	...	...	...	...	...	170
1 week ended 6th August, 1949	...	...	...	...	...	...	...	...	190
1 week ended 13th August, 1949	...	...	...	...	...	...	...	...	200
1 week ended 20th August, 1949	...	...	...	...	...	...	...	...	210
1 week ended 27th August, 1949	...	...	...	...	...	...	...	...	200
2 weeks ended 10th September, 1949	...	...	...	...	...	...	...	...	220
1 week ended 17th September, 1949	...	...	...	...	...	...	...	...	230
1 week ended 24th September, 1949	...	...	...	...	...	...	...	...	220
1 week ended 1st October, 1949	...	...	...	...	...	...	...	...	230
1 week ended 8th October, 1949	...	...	...	...	...	...	...	...	220
15 weeks ended 21st January, 1950	...	...	...	...	...	...	...	...	230
1 week ended 28th January, 1950	...	...	...	...	...	...	...	...	220
2 weeks ended 11th February, 1950...	...	...	...	...	...	...	...	...	210
2 weeks ended 25th February, 1950...	...	...	...	...	...	...	...	...	220



The average rate of discount at which these Bills were allotted remained steady at about 10s. %, the highest and lowest rates being 10s. 6.03d. % at the tender on the 12th August and 10s. 2.58d. % on the 2nd September.

### 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 £226 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.	1947.	1948.	1949.	1950.
British Government:					
Stock ... ..	5,107	12,567	12,565	12,269	12,234
Bearer Bonds ... ..	1,002	145	137	130	124
Total ... ..	<u>6,109</u>	<u>12,712</u>	<u>12,702</u>	<u>12,399</u>	<u>12,358</u>
Other Securities:					
Treasury Guaranteed ... ..	140	151	1,187	1,726	2,009
Dominion & Colonial ... ..	454	122	138	130	133
Local Authorities ... ..	197	166	166	166	153
Public Boards, etc. ... ..	202	201	111	55	49
Miscellaneous ... ..	19	16	16	16	16
Total ... ..	<u>1,012</u>	<u>656</u>	<u>1,618</u>	<u>2,093</u>	<u>2,360</u>
Grand Total ... ..	<u>7,121</u>	<u>13,368</u>	<u>14,320</u>	<u>14,492</u>	<u>14,718</u>

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

#### REDEMPTIONS.

Queensland Government 3¾ % Inscribed Stock, 1940-60:	
1st April, 1949. For cash ... ..	£.7 million
New Zealand Government 3½ % Inscribed Stock, 1949-54:	
1st June, 1949. For cash ... ..	£2.7 „
2½ % Metropolitan Consolidated Stock, 1920-49:	
1st September, 1949. For cash ... ..	£5.8 „
New Zealand Government 5 % Inscribed Stock, 1949:	
15th December, 1949. For cash ... ..	£3.6 „
1¾ % Exchequer Bonds, 1950:	
15th February, 1950. For cash ... ..	* £51.5 „

\* This figure includes the amount standing on the Bank of Ireland and other Registers.



# NEW ISSUES.

New Zealand Government 3% Stock, 1973-77:		
1st March, 1949.	For cash at par ... ..	£2.4 million
1st June, 1949.	In exchange for New Zealand Government 3½% Inscribed Stock, 1949-54, at par ... ..	£4.6 „
3% Savings Bonds, 1960-70:		
1st March, 1949.	Issued o/a compensation under the Cable & Wireless Act, 1946	£15.7 „
3% Savings Bonds, 1965-75:		
1st March, 1949.	Issued o/a compensation under the Cable & Wireless Act, 1946	£15.8 „
†3% Guaranteed Airways Stock, 1980-83:		
17th March, 1949.	For cash at par... ..	£14.5 „
British Electricity 3% Guaranteed Stock, 1968-73:		
1st April, 1949.	Exchange for Central Electricity 3½% Stock, 1963-93, at £113%	£8.7 „
British Gas 3% Guaranteed Stock, 1990-95:		
1st May, 1949, and subsequently.	Exchange for the Securities of various Undertakings and Issues o/a compensation to composite companies ... ..	£178.6 „
6th May, 1949.	For cash at par ... ..	£40 „
North of Scotland Electricity 3% Guaranteed Stock, 1989-92:		
12th May, 1949.	For cash at par ... ..	£10 „
British Transport 3% Guaranteed Stock, 1968-73:		
March, 1949, and subsequently.	Issued as compensation in respect of various Transport Undertakings ... ..	£36 „
New Zealand Government 3¼% Stock, 1963-66:		
18th October, 1949.	For cash at £98:10s.% ... ..	£2.1 „
15th December, 1949.	Exchange for New Zealand Government 5% Inscribed Stock, 1949, at par, with a cash payment of £1:10s.% ... ..	£3.9 „
The Agricultural Mortgage Corporation Limited 3½% Debenture Stock, 1965-67:		
20th December, 1949.	For cash at £99%... ..	£3 „
Government of Southern Rhodesia 3½% Stock, 1967-69:		
4th February, 1950.	For cash at £98% ... ..	£6 „
2¼% Exchequer Stock, 1955:		
15th February, 1950.	Exchange for 1¾% Exchequer Bonds, 1950, at par ... ..	*£735.1 „

In the case of British Gas 3% Guaranteed Stock, 1990-95, issued under the provisions of the Gas Act, 1948, accounts representing the sum of £173 million Stock were recorded in the Bank's Register at the end of February. The corresponding figure for British Transport 3% Guaranteed Stock, 1978-88 was £931 million. During the year the operation of removing to the Bank books all accounts in British Electricity 3% Guaranteed Stock, 1968-73, was completed: the capital amount of this Security was £341 million at the 28th February, 1950.

† The title of this Security was altered to British Overseas Airways 3% Guaranteed Stock, 1980-83, pursuant to a resolution of the Corporation dated the 10th November, 1949.

\* This figure includes the amount standing on the Bank of Ireland and other Registers.



The management of the following Stocks was transferred to the City Treasurer of Birmingham as from the 2nd January, 1950:—

Birmingham Corporation 3½ % Stock	... ..	£3.7 million
Birmingham Corporation 3% Stock (redeemable on or after 1st July, 1947)	...	£1.9 „
Birmingham Corporation 3% Stock, 1902	... ..	£.9 „
Birmingham Corporation 2½ % Stock	... ..	£1.4 „

A review was made of the Accumulative Dividend Scheme, under which the Bank accepted instructions for the investment of dividends on the stockholders' behalf. In view of the decline in the use made of this facility, it was decided that as from the 2nd January, 1950, no fresh investment instructions would in the ordinary course be accepted in respect of British Government, British Transport, British Electricity and British Gas Stocks, and Palestine Government 3% Guaranteed Stock, 1962-67.

The total number of transfers registered during the year was 760,000, a decrease of 140,000 or 16% on the previous year.

### London Clearing Banks.

The Committee of London Clearing Bankers, and other representative financial organisations, rendered great assistance to the Bank, as in past years, by their informal but effective co-operation.

Between the 16th February, 1949, and the 15th February, 1950, the deposit liabilities of the Clearing Banks were virtually unchanged, showing an increase of less than one-half of one per cent. The proportion of Current Accounts to Total Deposits increased fractionally: but the striking feature of the year was the similarity of the monthly movements of Total Deposits to those occurring in the previous year.

#### LONDON CLEARING BANKS: DEPOSITS.

£ millions.		1939.	1947.	1948.	1949.	1950.
FEBRUARY.						
Current Accounts	... ..	1,212	3,603	3,700	3,810	3,844
Deposit & Other Accounts	... ..	964	1,916	1,942	2,007	1,997
Total Deposits	... ..	2,176	5,519	5,642	5,817	5,841
Balances with Other Banks, etc.	... ..	58	170	182	190	195
Net Deposits	... ..	<u>2,118</u>	<u>5,349</u>	<u>5,460</u>	<u>5,627</u>	<u>5,646</u>
Rate of Increase on previous year in						
Net Deposits	... ..		17.8%	2.1%	3.1%	0.3%

Among the assets of the Clearing Banks there was a marked change during the year in the relative importance of Bills Discounted and Treasury Deposit Receipts, reflecting the change of emphasis from the latter to Treasury Bills in the composition of the Floating Debt. Treasury Deposit Receipts were introduced in July, 1940, and the Clearing Banks' holding had exceeded £500 million since June, 1942, reaching a maximum of £1,994 million in the Monthly Statement for July, 1945.



# LONDON CLEARING BANKS: PRINCIPAL ASSETS.

*£ millions.*      Percentage of Total Deposits is shown in italics.

FEBRUARY.	1939.	1947.	1948.	1949.	1950.
Cash in Hand and at Bank of England ...	243 <i>11.2</i>	463 <i>8.4</i>	465 <i>8.2</i>	481 <i>8.3</i>	476 <i>8.2</i>
Money at Call and Short Notice ...	138 <i>6.3</i>	421 <i>7.6</i>	442 <i>7.8</i>	491 <i>8.4</i>	539 <i>9.2</i>
Bills Discounted ...	212 <i>9.7</i>	659 <i>11.9</i>	713 <i>12.6</i>	860 <i>14.8</i>	1,169 <i>20.0</i>
Total of above items ...	593 <i>27.2</i>	1,543 <i>27.9</i>	1,620 <i>28.6</i>	1,832 <i>31.5</i>	2,184 <i>37.4</i>
Treasury Deposit Receipts ...	— <i>—</i>	1,436 <i>26.0</i>	1,157 <i>20.5</i>	989 <i>17.0</i>	471 <i>8.1</i>
Total of above items ...	593 <i>27.2</i>	2,979 <i>53.9</i>	2,777 <i>49.1</i>	2,821 <i>48.5</i>	2,655 <i>45.5</i>
Investments ...	617 <i>28.3</i>	1,439 <i>26.1</i>	1,485 <i>26.3</i>	1,487 <i>25.6</i>	1,503 <i>25.7</i>
Advances and Other Accounts ...	977 <i>44.9</i>	1,005 <i>18.2</i>	1,273 <i>22.6</i>	1,394 <i>24.0</i>	1,564 <i>26.8</i>

There was again no movement of significance in the Investments of the Clearing Banks, the ratio of which to their Total Deposits has been stable for the past five years at a level slightly below that ruling before the war. Advances to Customers and Other Accounts rose again substantially during the year, and the figure for February, 1950, showed an increase of 12% on that for February, 1949. In their policy regarding the making of loans and the granting of overdraft facilities, all banks are guided by the requests made to them from time to time by successive Chancellors of the Exchequer, in association with the issue of memoranda of guidance to the Capital Issues Committee. One such request was made during the year, in April, 1949: and in October, 1949, the Chancellor again emphasised the importance of holding inflationary pressures in check.

The rate of increase which had characterised Advances to Customers and Other Accounts since the end of hostilities slowed down markedly during the summer of 1949: but the rise was resumed in the last few months of the year under review. Two factors in particular appear to have been operating recently, namely the increase in the price of certain materials since the devaluation of sterling and market conditions unfavourable to the raising of industrial capital by public issue. These have accentuated the underlying problem of the shortage of working capital in present conditions.

A more detailed appraisal of the directions from which the demand for bank accommodation has made itself felt may be made with the aid of the quarterly classification of advances made within Great Britain by members of the British Bankers' Association, which is shown below for the month of February in recent years. Comparison with earlier years is made more difficult by the rise of over £57 million in 1949-50 in advances to the Public Utilities group, reflecting the needs for capital development of the electricity and



gas industries. Other groups to show large absolute rises were Agriculture & Fishing, Food, Drink & Tobacco (in which the last-named exercises an important but irregular influence), Retail Trade, Other Financial (which includes advances to the Finance Corporation for Industry and the Industrial & Commercial Finance Corporation) and the residual group, Personal & Professional. Of the groups showing a fall during the year, only Engineering and allied trades showed a movement of significance.

#### BRITISH BANKERS' ASSOCIATION: CLASSIFICATION OF ADVANCES.

<i>£ millions.</i>									1950 % of Total.
	FEBRUARY.	1947.	1948.	1949.	1950.				
Coal Mining	...	8.5	8.4	6.6	5.7				0.3
Quarrying, etc.	...	3.1	3.5	4.6	4.2				0.3
Iron & Steel and Allied Trades	...	14.6	15.1	21.0	23.8				1.4
Non-ferrous metals	...	2.8	2.7	3.3	6.4				0.4
Engineering, etc.	...	72.7	105.5	122.5	96.0				5.8
Shipping & Shipbuilding	...	10.7	18.5	16.5	16.2				1.0
Transport & Communications	...	13.0	13.2	18.0	18.2				1.1
Cotton	...	4.9	7.5	10.8	9.2				0.6
Wool	...	9.6	13.3	14.8	18.7				1.1
Other Textiles	...	12.7	21.8	28.3	33.1				2.0
Leather & Rubber	...	6.6	9.0	10.8	11.7				0.7
Chemicals	...	12.0	18.6	18.7	21.0				1.3
Agriculture & Fishing	...	80.1	101.7	126.7	151.7				9.2
Food, Drink & Tobacco	...	64.5	88.2	89.2	115.2				7.0
Retail Trade	...	88.0	131.1	153.0	173.5				10.5
Entertainment	...	24.5	28.8	34.5	32.5				2.0
Builders & Contractors	...	52.1	60.7	61.2	64.6				3.9
Building Materials	...	7.8	12.2	12.7	13.7				0.8
Unclassifiable Industry & Trade	...	43.2	64.6	75.4	90.6				5.5
Local Government Authorities	...	78.9	86.6	94.4	90.1				5.5
Public Utilities (other than Transport)	...	13.5	13.9	21.4	79.1				4.8
Churches, Charities, Hospitals, etc.	...	14.1	18.4	9.2	10.7				0.7
Stockbrokers	...	5.4	5.1	3.8	5.8				0.4
Other Financial	...	88.5	103.2	117.5	140.3				8.5
Personal & Professional	...	295.2	355.4	386.0	414.0				25.2
Total	...	<u>1,027.0</u>	<u>1,307.0</u>	<u>1,461.2</u>	<u>1,645.9</u>				<u>100.0</u>

#### External Finance.

##### DEVALUATION OF STERLING.

The outstanding financial event of the year was the devaluation of sterling which was announced by the Chancellor on 18th September, 1949, and took effect forthwith. On that date, with the concurrence of the International Monetary Fund, the theoretical gold content of one pound sterling was reduced from 55.26857 grains of fine gold to 38.4 grains of fine gold. This weight of gold produced a sterling/dollar rate of £1 sterling = 2.80 U.S. dollars and an equivalent price of gold in London of 250s. per ounce of fine gold. The official buying price of gold in London was fixed at 248s. per ounce fine.



## TRANSFERABILITY OF STERLING.

No changes have taken place during the year in the Transferable Account Area. Extensive use has continued to be made of the automatic facilities for the transfer of sterling available within that Area and of the special administrative facilities available at the Bank of England. The amounts transferred, excluding all transfers to and from American Account countries, are estimated at:—

									1948.	1949.
									£	millions.
Automatic facilities	...	...	...	...	...	...	...	...	88	144
Administrative facilities	...	...	...	...	...	...	...	...	152	124
									<u>240</u>	<u>268</u>

In addition during 1949 merchanting transactions (under F.E. 24 facilities) and payments under the Coffee and Rubber Schemes amounted to another £37 million.

Egypt, the Dutch Monetary Area, Italy and Denmark have made considerable use of the facilities. Transfers to and from countries participating in the Organisation for European Economic Co-operation were:—

									1948.	1949.
									£	millions.
Between O.E.E.C. countries	...	...	...	...	...	...	...	...	56	48
By O.E.E.C. countries to other countries outside the Sterling Area	...							...	45	48
By other countries outside the Sterling Area to O.E.E.C. countries	...							...	85	100

Since 17th September the discount quoted on the official sterling/U.S. dollar rate for various categories of non-resident sterling in the free markets of New York and other centres has narrowed appreciably; and the volume of transactions at these free rates has diminished. The latter has been due partly to the smaller discount, which has limited the profitability and therefore the scope of such operations, and partly to the counter-measures which have been taken within the Scheduled Territories and elsewhere. In particular the co-operation of foreign Exchange Controls has been and is being sought in checking the marketing of goods of Scheduled Territory origin for certain currencies at a discount and in preventing the abuse of the automatic facilities for transfer of sterling between non-residents.

In this connection the arrangements for the use of the automatic facilities of the Transferable Account Area only for direct current transactions have been extended to cover practically all countries in that Area. Sterling area and foreign merchants have remained free, however, to initiate trade on a sterling basis under specific authorisation from the Bank of England.

A summary of Financial Agreements and Agreements dealing with the international use of sterling which were concluded during the year ended the 28th February, 1950, is appended to this Report.



## EUROPEAN RECOVERY PROGRAMME AND INTRA-EUROPEAN PAYMENTS AGREEMENT.

The sums voted by the U.S. Congress for the European Recovery Programme during the period under review consisted of \$1,074 million for the three months April to June, 1949, and \$3,778 million for the twelve months from July, 1949, to June, 1950. Of the former amount the United Kingdom was allocated \$303.7 million by the Economic Co-operation Administration (E.C.A.) while from the latter a provisional allocation was made to the United Kingdom of \$919.8 million. Of the sums which had been made available in respect of the twelve months from April, 1948, to March, 1949, it was agreed that an additional \$9.7 million should be in the form of a loan and this raised the total of loan monies received under the European Recovery Programme for that period to \$322.7 million.

The Agreement for Intra-European Payments and Compensations (Cmd. 7546) signed in October, 1948, expired on the completion of the operations in respect of June, 1949, and was replaced by a new Agreement for 1949-50 (Cmd. 7812) signed on the 7th September, 1949. Of the sterling drawing rights established under the former Agreement (finally raised to the equivalent of \$334 million) £61,526,551, equivalent to \$247,952,000, was drawn by participating countries. The United Kingdom in turn drew from Belgium the equivalent of \$30 million in Belgian francs representing the whole of its drawing rights on Belgium.

Under the Agreement for 1949-50 the United Kingdom established in favour of other participating countries bilateral sterling drawing rights equivalent to \$128,250,000. The contribution to the pool of multilateral drawing rights attributable to the United Kingdom was \$42,750,000.

Bilateral drawing rights equivalent to \$29 million and multilateral drawing rights equivalent to \$45 million were established by Belgium in favour of the United Kingdom under the new Agreement, while a line of credit equivalent to \$28 million, to be drawn concurrently with part of these multilateral drawing rights, was established by Belgium in favour of the United Kingdom under the Anglo/Belgian Loan Agreement (Cmd. 7811) of the 7th September, 1949.

### Canadian Credit.

Monthly drawings of Can.\$10 million continued to be made throughout the year.

### Court of Directors.

Two vacancies in the Court occurred during the year, one through the death of Sir George Chester in April and the other through the resignation of Mr. R. E. Brook in November. These vacancies were filled by the appointment of Mr. Andrew Naesmith on the 30th September and Mr. G. C. R. Eley on the 25th November, 1949.

The term of office of Mr. H. A. Siepmann, Lord Piercy, Mr. H. C. B. Mynors and Mr. G. C. R. Eley expired on the 28th February, 1950, and they were re-appointed for a period of four years.

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*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, 1950.

**Sterling Area.**

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
CEYLON	2nd Feb. 1949	7766	Extends Financial Agreement of 30th April, 1948, to 30th June, 1950.
	5th Aug. 1949		£8.75 mn. released for general purposes for period 1st January, 1949, to 30th June, 1950.
INDIA	1st Aug. 1949	7760	Amends Exchange of Letters of 9th July, 1948.  Up to £100 mn. and £50 mn., as may be necessary to maintain No. 1 Account at a level of £30 mn., to be released in years ending 30th June, 1950 and 1951 respectively.  Release of £80 mn., agreed in Exchange of Letters of 9th July, 1948, anticipated, plus a further £1 mn. released during year ended 30th June, 1949.
PAKISTAN	5th Aug. 1949	7765	Extends Financial Agreement of 14th August, 1947, to 30th June, 1950.  £12 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 of refugees.  Not less than £5 mn. to be released for general purposes in the year ending 30th June, 1951.



## Non-Sterling Area.

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
ARGENTINA	27th June 1949	7735	Trade and Payments Agreement.
AUSTRIA	26th Jan. 1950	7909	Sterling Payments Agreement, abrogating and replacing Exchange of Letters and Memorandum of Agreement of August, 1946.
BELGIUM	30th June 1949	7823	Extends Monetary Agreement of 14th November, 1947, for three months.
	7th Sept. 1949	7811	Provides for Belgian Government loan of equivalent of U.S. \$28 mn. to finance Sterling Area deficit with Belgian Monetary Area within framework of Agreement for Intra-European Payments and Compensations for 1949-50.
	30th Sept. 1949	7823	Extends Monetary Agreement of 14th November, 1947, for one month. Modifies Sterling/Belgian franc rate of exchange and "ceiling" on Belgian holding of sterling above which U.K. is required to pay gold for Belgian francs.
	30th Nov. 1949	7856	Extends Monetary Agreement of 14th November, 1947, for five months to 31st March, 1950.
	28th Feb./2nd Mar. 1949	7667	Exchanges of Notes successively extending Monetary Agreement of 1st November, 1945, to 18th August, 1949, with the exception of the right of National Bank of Czechoslovakia to obtain sterling against Czechoslovak Crowns.
CZECHOSLOVAKIA	27th/30th Apr. 1949	7719	
	4th July/4th Aug 1949	7772	
	18th Aug. 1949	7781	Sterling Payments Agreement.
	28th Sept. 1949	7797	Agreement regarding compensation for British interests affected by Czechoslovak measures of Nationalisation, Expropriation and Dispossession.
	"	7798	Agreement on the settlement of various inter-Governmental debts.
	"	7799	Trade and Financial Agreement. Includes certain provisions for payment under the two Agreements mentioned above.



# Non-Sterling Area—*continued.*

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
EGYPT	31st Mar. 1949	7675	Financial Agreement replacing those of 30th June, 1947, and 5th January, 1948.  £12 mn. released for general purposes.  Up to £18 mn. to be released in multiples of £3 mn. as may be necessary to maintain No. 1 Account balances at a level of £45 mn.  The equivalent of £5 mn. in U.S. dollars made available to the Egyptian Government against sterling on Egyptian Transferable Account.
FRANCE	12th Apr./ 17th May 1949	7731	Removes French Somali Coast from French Franc Area.
ITALY	28th June/ 13th July 1949	7775	Extends Sterling Payments Agreement of 26th November, 1948, for six months to 31st December, 1949.
	16th Dec. 1949	7877	Extends Sterling Payments Agreement of 26th November, 1948, for a further six months.
NETHERLANDS	6th Sept. 1949	7806	Extends Monetary Agreement of 7th September, 1945, for one year from 7th September, 1949.
	27th Oct. 1949	7854	Modifies sterling/Netherlands guilder rate of exchange fixed in Monetary Agreement of 7th September, 1945, and "ceiling" on U.K. holding of Netherlands guilders above which Netherlands is required to pay gold for sterling.
NORWAY	31st Mar. 1949	7672	Cancels right to require provision of gold under Article 1 of the Supplementary Monetary Agreement of 9th July, 1948.
PORTUGAL	14th Apr. 1949	7713	Extends Monetary Agreement of 16th April, 1946, for one year.
SPAIN	6th Apr. 1949	7689	Extends Trade and Payments Agreement of 23rd June, 1948, for one year.



# Non-Sterling Area—*continued*.

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
SWEDEN	29th Apr. 1949	7694	Cancels right to require provision of gold under Article 2 of Supplementary Monetary Agreement of 24th November, 1947.
	30th Dec. 1949	7861	Monetary Agreement replacing that of 6th March, 1945, and Supplementary Monetary Agreements of 14th July, 1947, and 24th November, 1947, and Amending Agreement of 29th April, 1949.  Exchange Guarantee on current accruals removed.
WESTERN GERMANY	31st Mar. 1949	7742	Bizonal Fusion Agreement of 2nd December, 1946 (amended by Agreement of 17th December, 1947), extended for three months.
	30th June 1949	7757	Amends and extends Bizonal Fusion Agreement of 2nd December, 1946, (amended by Agreement of 17th December, 1947), for three months.
	5th Aug. 1949	7824	Sterling Payments Agreement, in effect replacing Article 3 of the Bizonal Fusion Agreement of 17th December, 1947.
YUGOSLAVIA	26th Dec. 1949	7875	Agreement regarding the Balance of Compensation for British Interests affected by Yugoslav measures of Nationalisation, Expropriation, Dispossession and Liquidation.
	26th Dec. 1949	7880	5-Year Trade Agreement providing, <i>inter alia</i> , for a guaranteed credit by H.M. Government of £8 mn., repayable over six years.



# BANK OF ENGLAND.

28TH FEBRUARY, 1950.

## ISSUE DEPARTMENT.

	£		£
Notes Issued:		Government Debt ...	11,015,100
In Circulation ... ..	1,250,022,810	Other Government	
In Banking		Securities ... ..	1,288,271,310
Department ... ..	50,334,013	Other Securities ... ..	703,937
		Coin other than Gold	
		Coin ... ..	9,653
		Amount of	
		Fiduciary Issue ... ..	£1,300,000,000
		Gold Coin & Bullion ...	356,823
		(@ 248s. 0d. per oz. fine)	
	<u>£1,300,356,823</u>		<u>£1,300,356,823</u>

P. S. BEALE, *Chief Cashier.*

## BANKING DEPARTMENT.

	£		£
Capital ... ..	14,553,000	Government Securities ...	472,138,941
Rest ... ..	3,904,469	Other Securities:	
Public Deposits—		Discounts & Advances.	
Public Accounts		£19,449,782	
(Including Exchequer, Savings		Securities.	
Banks, Commissioners of National		£34,566,054	54,015,836
Debt, and Dividend Accounts):			
£7,422,195		Notes ... ..	50,334,013
H.M. Treasury		Coin ... ..	5,097,129
Special Account £135,976,341	143,398,536		
Other Deposits:			
Bankers.			
£300,438,525			
Other Accounts.			
£119,291,389	419,729,914		
	<u>£581,585,919</u>		<u>£581,585,919</u>

P. S. BEALE, *Chief Cashier.*



BANK OF ENGLAND