



BANK OF ENGLAND

REPORT FOR THE YEAR ENDED

28TH FEBRUARY

1951

Issued by Order of the Court of Directors, 19th July, 1951.

COURT OF DIRECTORS

FOR THE YEAR ENDED 28TH FEBRUARY, 1951.

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BANK OF ENGLAND.

Report for the year ended 28th February, 1951.

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.	1948.	1949.	1950.	1951.
Issued during the year	969	961	1,110	815	916
Paid during the year	968	1,105	1,111	797	877
In circulation at end of year	478	1,233	1,232	1,250	1,289

As a result of arrangements, referred to in the Report for the year ended the 28th February, 1950, whereby the banks extended the re-issue to the public of notes in a condition suitable for further circulation, the totals of notes issued and paid again showed a marked reduction on 1949, though not as great as that recorded last year.

NOTES IN CIRCULATION BY DENOMINATIONS.

£ thousands.

END OF FEBRUARY.	1939.	1948.	1949.	1950.	1951.
10s.	53,338	91,171	88,854	86,164	86,362
£1	283,646	976,955	968,719	975,762	998,771
£5	38,283	97,000	107,161	120,618	135,161
£10	14,596	1,634	1,306	1,139	1,005
£20	4,436	755	595	510	455
£50	12,305	1,627	1,257	1,069	952
£100	26,518	3,414	2,558	2,113	1,809
£200	19	9	8	8	8
£500	3,654	393	344	304	290
£1,000	23,199	839	524	386	298
Over £1,000 (a)	18,455	59,585	60,560	61,950	63,870
	<u>478,449</u>	<u>1,233,382</u>	<u>1,231,886</u>	<u>1,250,023</u>	<u>1,288,981</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., to represent transfers made by Scottish and Northern Irish banks of issue as cover for their excess note issues.

The growing use of £5 notes by the public is shown by the further increase during the year of £14.5 million, or 12%, in the total of this denomination in circulation, as compared with an increase of 2.4% in the circulation of £1 notes.

During the period under review the circulation increased by nearly £39 million, an increase more than twice as great as that which took place during the previous year.

The demand for notes before the Easter holiday was £15 million less than in the year before; the circulation at Easter, 1950, was in fact only £6 million more than at Easter, 1949. However, the summer holiday demand was £15 million greater than that for the previous year and carried the circulation to an August "peak" of £1,329 million. An increase of £50 million in the Fiduciary Issue, to a total of £1,350 million, had meanwhile been made on the 27th June, 1950. A further increase in the Fiduciary Issue of £25 million, to a total of £1,375 million, was made on the 9th December, 1950, in anticipation of the Christmas demand for notes. In the event the outflow was £16 million more than in 1949 and brought the circulation to £1,358 million, the highest figure during the period under review. The usual return of notes thereafter enabled a reduction of the Fiduciary Issue to £1,350 million to be made on the 9th January, 1951; at this figure it remained till the end of the period, when notes in circulation were nearly £1,289 million.

Recent changes in the Fiduciary Issue have been as follows:—

£ millions.	DATE.	CHANGE.	TOTAL FIDUCIARY ISSUE.
	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
	27th June, 1950	+ 50	1,350
	9th December, 1950	+ 25	1,375
	9th January, 1951	— 25	1,350

ISSUE DEPARTMENT.

£ thousands.	END OF FEBRUARY.	1950.	1951.	Change.
Notes in Circulation	...	1,250,023	1,288,981	+ 38,958
Notes in Banking Department	...	50,334	61,376	+ 11,042
Notes Issued	...	1,300,357	1,350,357	+ 50,000
Government Debt	...	11,015	11,015	—
Other Government Securities	...	1,288,271	1,334,267	+ 45,996
Other Securities	...	704	706	+ 2
Coin other than Gold Coin	...	10	4,012	+ 4,002
Fiduciary Issue	...	1,300,000	1,350,000	+ 50,000
Gold Coin and Bullion	...	357	357	—
		1,300,357	1,350,357	+ 50,000

The increase to £4 million in the Issue Department's holding of Coin other than Gold Coin, and the fall in the Banking Department's coin holding, reflect a reversion to an earlier method of holding coin which is surplus to the Banking Department's current requirements.

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.	1950.	1951.	Change.
Capital	14,553	14,553	—
Rest	3,905	3,906	+ 1
Public Deposits 7,422	12,986	+ 5,564	
H.M. Treasury Special Account ... 135,976	9,253	- 126,723	
Bankers' Deposits ... 300,439	293,048	- 7,391	
Other Accounts 119,291	90,116	- 29,175	
Total Deposits	563,128	405,403	- 157,725
	<u>581,586</u>	<u>423,862</u>	<u>- 157,724</u>
Government Securities	472,139	313,171	- 158,968
Discounts & Advances... 19,450	16,136	- 3,314	
Securities 34,566	32,573	- 1,993	
Other Securities	54,016	48,709	- 5,307
Notes	50,334	61,376	+ 11,042
Coin	5,097	606	- 4,491
	<u>581,586</u>	<u>423,862</u>	<u>- 157,724</u>

The decrease in total assets and liabilities of the Banking Department is mainly attributable to H.M. Treasury Special Account, which was opened under the Economic Co-operation Agreement of the 6th July, 1948 (Cmd. 7469) and to which reference has been made in the two previous Reports. The balance of the Account continued to rise during 1950 and reached a total of a little over £266 million; on the 20th December a drawing of £266 million was made on the Account by H.M. Treasury and this amount was applied in the repayment of an equivalent amount of non-interest bearing Treasury Notes, held in the Government Securities of the Banking Department.

During the year the International Monetary Fund reduced from 10% to 1% of the quota the amount beyond which a member may substitute non-negotiable non-interest bearing notes for the Fund's holdings of the member's currency. The United Kingdom Government having exercised its option to the full extent, the Fund's balance with the Bank of England showed as a consequence a substantial reduction which is reflected in the decline of Other Accounts.

Half-yearly payments of £873,180 were made to H.M. Treasury on the 5th April and the 5th October, 1950, in pursuance of Section 1(4) of the Bank of England Act, 1946.

Bank Rate remained unchanged at 2%.

Floating Debt.

The outstanding total of the Floating Debt, as given in the Exchequer Returns for the dates nearest to the end of February in each year, showed a decrease during the period of £95 million, made up as follows:—

£ millions.										
Treasury Bills	...	...	...	...	...	...	...	...	...	+ 44
Ways & Means Advances	...	...	...	...	...	...	...	...	...	+ 16
Treasury Deposit Receipts	...	...	...	...	...	...	...	...	...	- 155
										<u>- 95</u>

FLOATING DEBT OUTSTANDING.

£ millions.	4th Mar. 1939.	28th Feb. 1948.	26th Feb. 1949.	25th Feb. 1950.	3rd Mar. 1951.
Treasury Bills	856	4,503	4,495	4,860	4,904
Ways & Means Advances:					
by Public Departments	40	493	412	403	421
by Bank of England	6	2	21	2	—
Treasury Deposit Receipts	—	1,201	1,019	494	339
	<u>902</u>	<u>6,199</u>	<u>5,947</u>	<u>5,759</u>	<u>5,664</u>

During the year there were several large movements affecting the Floating Debt, apart from current Budget finance, and the overall change may be briefly analysed as follows:—

£ millions.	INCREASE IN FLOATING DEBT.	DECREASE IN FLOATING DEBT.
Exchequer Surplus of Total Receipts over Total Payments (including Tax Reserve Certificates)	—	358
Issues: 2½ % Funding Loan, 1956-61	—	99
3 % Funding Stock, 1966-68	—	250
Redemption: 2½ % National War Bonds, 1949-51	119	—
Issues to Exchange Equalisation Account	600	—
Receipts under Article 4(6) of the Economic Co-operation Agreement	—	266
H.M. Treasury Special Account:		
Net repayment of Interest Free Notes	127	—
Net repayment of National Savings Certificates and Defence Bonds	41	—
Miscellaneous (net)	—	9
	<u>887</u>	<u>982</u>
Net reduction of Floating Debt		<u>95</u>

Treasury Bills with a currency specified as 91 days were issued for the first time on the 1st May, 1950; at the same time that this change was notified it was announced that Treasury Deposit Receipts would, in future, have currencies of 154, 182 or 210 days. Previously Treasury Bills were issued with a three-months' life and Treasury Deposit Receipts for periods of five, six or seven months.

These changes were instituted in view of the increase in Exchequer payments and receipts and the larger volume of weekly issues and maturities of Treasury Bills. They may be described as technical only, and were designed to facilitate the day-to-day operations

of the Exchequer and of the Money Market. Treasury Bills and Treasury Deposit Receipts, except as affected by the incidence of Bank and Public Holidays, now mature on the same day of the week as that on which they were taken up. Subject to the same unimportant exception, there can now be maturities of Treasury Bills on every working day.

The reduction during the year in the outstanding total of Treasury Deposit Receipts issued to the banks was very much smaller than in the previous year and was again partially offset by an increase in Treasury Bills. The rate of interest on Treasury Deposit Receipts of all currencies was unchanged at $5\frac{1}{8}\%$.

The weekly allotment of Treasury Bills by tender amounted to £220 million at the beginning and to £260 million at the end of the period and varied between these two figures during the year, though in only five weeks was it as high as £260 million. On the 3rd November, 1950, the total applications for Treasury Bills reached the highest figure yet recorded, £347,675,000; on the 5th January, 1951, the allotment of Treasury Bills was £10 million less than the amount on offer.

The average rate at which Treasury Bills were allotted remained throughout at about 10s.%, the highest rate being 10s. 6.44d.% for Bills issued in the week from the 27th February to the 4th March, 1950, and the lowest 10s. 2.52d.% for Bills issued in the week beginning the 5th February, 1951.

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 £666 million. The total number of transfers registered during the year was 792,000, an increase of 4% on the previous year.

The following table shows the changes in recent years in the nominal totals of 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.	1948.	1949.	1950.	1951.
British Government:					
Stock	5,107	12,565	12,269	12,234	12,507
Bearer Bonds	1,002	137	130	124	119
Total	<u>6,109</u>	<u>12,702</u>	<u>12,399</u>	<u>12,358</u>	<u>12,626</u>
Other Securities:					
Treasury Guaranteed	140	1,187	1,726	2,009	2,401
Dominion & Colonial	454	138	130	133	136
Local Authorities	197	166	166	153	153
Public Boards, etc.	202	111	55	49	52
Miscellaneous	19	16	16	16	16
Total	<u>1,012</u>	<u>1,618</u>	<u>2,093</u>	<u>2,360</u>	<u>2,758</u>
Grand Total	<u>7,121</u>	<u>14,320</u>	<u>14,492</u>	<u>14,718</u>	<u>15,384</u>

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

REDEMPTIONS.

Government of India 4½ % Stock, 1950-55:	
15th May, 1950. For cash	£1 million
Pearson & Dorman Long Limited 3% Guaranteed Debenture Stock, 1947-56:	
15th September, 1950. For cash	£.7 "
2½ % National War Bonds, 1949-51:	
1st February, 1951. For cash	*£119.6 "

In addition £1.25 million Tanganyika Government 4% Guaranteed Stock, 1951-71, was redeemed on the 1st February, 1951, for cash and £1.75 million was converted into Tanganyika Government 3½ % Inscribed Stock, 1970-73, this Stock being domiciled with the Crown Agents for the Colonies.

ISSUES.

British Transport 3% Guaranteed Stock, 1968-73:	
March, 1950, and subsequently. As compensation in respect of various Transport Undertakings	£12.2 million
British Gas 3% Guaranteed Stock, 1990-95:	
March, 1950, and subsequently. Exchange for the Securities of various Undertakings and Issues o/a compensation to composite companies	£9.7 "
British Electricity 3½ % Guaranteed Stock, 1976-79:	
6th May, 1950. For cash* at £99%	£150 "
2½ % Funding Loan, 1956-61:	
9th June, 1950. For cash at £99:10s.%	£100 "
15th October, 1950. In exchange for 2½ % National War Bonds, 1949-51, at par, with a cash payment of £1:13s. 9d.%	*£506.3 "
3½ % Treasury Stock, 1977-80:	
15th June, 1950	£19 "
15th December, 1950	£26.6 "
As compensation in respect of certain interests transferred to the National Coal Board, under the Coal Industry Nationalisation Act, 1946.	
North of Scotland Electricity 3½ % Guaranteed Stock, 1977-80:	
21st August, 1950. For cash at par	£15 "
3% Funding Stock, 1966-68:	
3rd November, 1950. For cash at par	£250 "
1st February, 1951. In exchange for 2½ % National War Bonds, 1949-51, at par	*£88.3 "
Agricultural Mortgage Corporation Limited 3½ % Debenture Stock, 1975-78:	
31st October, 1950. For cash at par	£3.5 "
Government of Southern Rhodesia 3½ % Stock, 1980-85:	
26th January, 1951. For cash at par	£5 "
British Iron and Steel 3½ % Guaranteed Stock, 1979-81:	
15th February, 1951. Exchange for the Securities of various Iron and Steel Companies	£212.7 "
(By the end of February accounts totalling £44 million Stock had been removed to the Bank's Register.)	

* These figures include the amounts standing on the Registers of the Bank of Ireland, the Post Office Savings Department and the Trustee Savings Banks.

London Clearing Banks.

As in past years the Bank have been much assisted by the close and effective co-operation of the Committee of London Clearing Bankers and other representative financial institutions.

Between the 15th February, 1950, and the 21st February, 1951, the deposit liabilities of the Clearing Banks increased appreciably more than during the previous year, the timing of the rise coinciding with the external strength of sterling from the early autumn of 1950 onwards. There was a further small rise to 66.1% in the proportion of Current Accounts to Total Deposits.

LONDON CLEARING BANKS: DEPOSITS.

£ millions.

FEBRUARY.	1939.	1948.	1949.	1950.	1951.
Current Accounts	1,212	3,700	3,810	3,844	3,994
Deposits and Other Accounts	964	1,942	2,007	1,997	2,047
Total Deposits	2,176	5,642	5,817	5,841	6,041
Balances with Other Banks, etc. ...	58	182	190	195	206
Net Deposits	2,118	5,460	5,627	5,646	5,835
Rate of Increase on previous year in Net Deposits		2.1%	3.1%	0.3%	3.3%

Some further change in the relative importance of Treasury Bills and Treasury Deposit Receipts had reduced the Clearing Banks' holding of the latter to below £300 million by the end of February, 1951, while their portfolio of Bills Discounted, which includes an increased volume of Commercial Bills, rose to over 22% of Total Deposits. The ratio of cash reserves to deposits at the end of the year was again approximately 8.2%.

LONDON CLEARING BANKS: PRINCIPAL ASSETS.

£ millions.

Percentage of Total Deposits is shown in italics.

FEBRUARY.	1939.	1948.	1949.	1950.	1951.
Cash in hand and at Bank of England ...	243 <i>11.2</i>	465 <i>8.2</i>	481 <i>8.3</i>	476 <i>8.2</i>	496 <i>8.2</i>
Money at Call and Short Notice	138 <i>6.3</i>	442 <i>7.8</i>	491 <i>8.4</i>	539 <i>9.2</i>	531 <i>8.8</i>
Bills Discounted	212 <i>9.7</i>	713 <i>12.6</i>	860 <i>14.8</i>	1,169 <i>20.0</i>	1,343 <i>22.2</i>
Total of above items	593 <i>27.2</i>	1,620 <i>28.6</i>	1,832 <i>31.5</i>	2,184 <i>37.4</i>	2,370 <i>39.2</i>
Treasury Deposit Receipts	— <i>—</i>	1,157 <i>20.5</i>	989 <i>17.0</i>	471 <i>8.1</i>	291 <i>4.8</i>
Total of above items	593 <i>27.2</i>	2,777 <i>49.1</i>	2,821 <i>48.5</i>	2,655 <i>45.5</i>	2,661 <i>44.0</i>
Investments	617 <i>28.3</i>	1,485 <i>26.3</i>	1,487 <i>25.6</i>	1,503 <i>25.7</i>	1,544 <i>25.6</i>
Advances and Other Accounts	977 <i>44.9</i>	1,273 <i>22.6</i>	1,394 <i>24.0</i>	1,564 <i>26.8</i>	1,703 <i>28.2</i>

An increase of £41 million in Investments during the year barely maintained their ratio to Total Deposits, which has exhibited marked stability in recent years. Advances to Customers and Other Accounts rose by £139 million, or by 9%, as compared with £170 million, or 12%, in the previous year. Comparison of one year with another, as illustrative of the demand upon the banks for working capital, must take into account the varying needs of the nationalised enterprises, the capital requirements of which, in many cases, were met in the first place by Government-guaranteed advances by the banks, pending a suitable opportunity for the issue of stock. If business in this particular category were excluded, the expansion of advances which occurred in 1950-51 would look less moderate. This may be seen from the quarterly classification of advances made within Great Britain by members of the British Bankers' Association, given below for the month of February in recent years. Taking the group "Public Utilities (other than Transport)" to represent, in the main, advances made to the Gas and Electricity industries and omitting it from the comparison, the total rose by £127 million in 1949-50 and by £184 million in 1950-51. This increase would have been larger but for the close attention paid by all banks to the requests made by successive Chancellors of the Exchequer as to the policy which should be followed in making advances and granting overdraft facilities, and which remained unaltered during the year under review. The expansion was more marked in the second half of the year, illustrating the effect of the general rise in prices.

BRITISH BANKERS' ASSOCIATION: CLASSIFICATION OF ADVANCES.

<i>£ millions.</i>									1951 % of Total.
	FEBRUARY.	1948.	1949.	1950.	1951.				
Coal Mining		8.4	6.6	5.7	5.2				0.3
Quarrying, etc.		3.5	4.6	4.2	4.9				0.3
Iron & Steel and Allied Trades		15.1	21.0	23.8	21.1				1.2
Non-ferrous Metals		2.7	3.3	6.4	7.6				0.4
Engineering, etc.		105.5	122.5	96.0	98.8				5.5
Shipping & Shipbuilding		18.5	16.5	16.2	17.3				1.0
Transport & Communications		13.2	18.0	18.2	17.4				1.0
Cotton		7.5	10.8	9.2	10.1				0.6
Wool		13.3	14.8	18.7	38.6				2.1
Other Textiles		21.8	28.3	33.1	45.2				2.5
Leather & Rubber		9.0	10.8	11.7	17.6				1.0
Chemicals		18.6	18.7	21.0	19.2				1.1
Agriculture & Fishing		101.7	126.7	151.7	177.9				9.8
Food, Drink & Tobacco		88.2	89.2	115.2	127.7				7.1
Retail Trade		131.1	153.0	173.5	191.8				10.6
Entertainment		28.8	34.5	32.5	29.6				1.6
Builders & Contractors		60.7	61.2	64.6	66.6				3.7
Building Materials		12.2	12.7	13.7	15.3				0.8
Unclassifiable Industry & Trade		64.6	75.4	90.6	106.5				5.9
Local Government Authorities		86.6	94.4	90.1	90.4				5.0
Public Utilities (other than Transport)		13.9	21.4	79.1	55.9				3.1
Churches, Charities, Hospitals, etc.		18.4	9.2	10.7	11.7				0.6
Stockbrokers		5.1	3.8	5.8	5.6				0.3
Other Financial		103.2	117.5	140.3	194.2				10.7
Personal & Professional		355.4	386.0	414.0	430.7				23.8
Total		<u>1,307.0</u>	<u>1,461.2</u>	<u>1,645.9</u>	<u>1,806.8</u>				<u>100.0</u>

External Finance.

TRANSFERABILITY OF STERLING.

During the year the following countries were included in the Transferable Account Area:—

Denmark	... ..	on the 6th December, 1950
Austria	}	on the 19th January, 1951
Greece		

In 1950 the extensive use of the automatic facilities for the transfer of sterling was maintained while the use made of the special administrative facilities available at the Bank of England expanded. The amounts transferred, excluding all transfers to and from American Account countries, are estimated at:—

£ millions.

	YEAR ENDED 31ST DECEMBER.	1948.	1949.	1950.
Automatic facilities	88	144	143
Administrative facilities	152	125*	155
		<u>240</u>	<u>269*</u>	<u>298</u>

In addition, there was a pronounced increase in 1950 in merchanting transactions (under F.E. 24 facilities) and also in payments under the Coffee, Rubber and Tin Schemes, the total being £75 million as compared with £37 million in 1949. Payments under the Coffee Scheme rose from £1 million to £12 million in this period.

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

£ millions.

	YEAR ENDED 31ST DECEMBER.	1948.	1949.	1950.
Between O.E.E.C. countries	56	48	78
By O.E.E.C. countries to other countries outside the Sterling Area	45	48	59
By other countries outside the Sterling Area to O.E.E.C. countries	85	101*	99

The discount quoted on the official sterling/U.S. dollar rate for various categories of non-resident sterling in free markets again narrowed although the movement was uneven. The volume of transactions at these free rates further diminished.

MONETARY AND STERLING PAYMENTS AGREEMENTS.

During the year progress was made in the re-negotiation of all Monetary and Sterling Payments Agreements with members of the European Payments Union in order to bring the provisions of these bilateral agreements into line with the E.P.U. Agreement signed in Paris on the 19th September, 1950. The form of the Agreements was simplified (in particular gold "ceilings" have been removed from Monetary Agreements) and

* Revised.

provision was made in all of them for interim finance between E.P.U. settlement dates. To the end of February, 1951, Agreements had been re-negotiated with:—

Austria	...	...	...	...	...	...	...	...	31st January, 1951
Belgium	...	...	...	...	...	...	...	...	30th December, 1950
Denmark	...	...	...	...	...	...	...	...	19th October, 1950
Italy	...	...	...	...	...	...	...	...	21st December, 1950
Norway	...	...	...	...	...	...	...	...	6th November, 1950
Sweden	...	...	...	...	...	...	...	...	10th November, 1950
Western Germany	...	...	...	...	...	...	...	...	9th December, 1950

In addition arrangements were concluded with Switzerland on the 10th November, 1950, and Portugal on the 11th December, 1950, for the removal of gold "ceilings" and for the provision of interim finance between E.P.U. settlement dates.

A summary of Financial Agreements and Agreements dealing with the international use of sterling which were concluded during the year ended the 28th February, 1951, is appended to this Report.

EUROPEAN RECOVERY PROGRAMME, INTRA-EUROPEAN PAYMENTS AGREEMENT AND EUROPEAN PAYMENTS UNION.

The United States Congress voted \$2,540 million for the twelve months ending June, 1951, and from this amount the Economic Co-operation Administration allotted \$175 million to the United Kingdom for the six months July to December, 1950. It was agreed that allocations to this country should thereafter be suspended; since the beginning of the European Recovery Programme total allocations to the United Kingdom by way of grant and loan have amounted to \$2,694.3 million. Of the \$899.6 million firmly allotted in respect of the twelve months from July, 1949, to June, 1950, an amount of \$14.2 million was in the form of a loan, bringing the total of loan moneys to \$336.9 million.

The Agreement for Intra-European Payments and Compensations for 1949-50 (Cmd. 7812) expired on the completion of the operations in respect of June, 1950. Of the bilateral and multilateral drawing rights established by the United Kingdom under that Agreement, £46.5 million were drawn by participating countries in sterling. From Belgium the United Kingdom drew B.Fcs. 1,254 million as drawing rights and B.Fcs. 16.7 million as a loan under the line of credit established by the Anglo-Belgian Loan Agreement (Cmd. 7811) of 1949.

The Agreement for the Establishment of a European Payments Union (Cmd. 8064) was signed in September, 1950, and introduced, with effect from the 1st July, 1950, a multilateral system for the settlement of accounts between the monetary authorities of participating countries. The Agreement provides for periodic settlements between each member and the Union to be made by a combination of credit and gold or dollar payments within limits set by specified quotas. In addition provision is made for the amortisation or use of existing balances and, in the case of certain countries, for grants to or from the Union in the form of initial debit or credit positions. The United States of America have "obligated" the sum of \$350 million in dollars to the Union as a working capital fund. The United Kingdom was allotted an initial debit position of 150 million units of account* to be made available to the Union in sterling from the counterpart of dollar aid. The quota established for the United Kingdom is 1,060 million units of account.

* The unit of account is equivalent, at present, to U.S.\$1 at the United States Treasury price of gold.

In the operations settled during the period under review, the whole of the United Kingdom's initial position was utilised and, after allowing for amortisation or use of existing balances, the United Kingdom granted credit to the Union amounting to £94.2 million and received from the Union the sum of \$51.7 million in dollars.

CANADIAN CREDIT.

A drawing of Can.\$10 million was made in each of the months of March, April and June, 1950. On the 20th February, 1951, it was announced that no further drawing would take place. Can.\$1,185 million have been drawn from the total credit of Can.\$1,250 million.

Overseas Investments.

In October, 1950, the Bank published a pamphlet entitled "United Kingdom Overseas Investments, 1938 to 1948", containing estimates covering a large part of the overseas investments of the United Kingdom, tabulated by types of investment and by countries. Similar estimates have been prepared for 1949 which show the total nominal value of U.K. overseas investments at the end of that year as £2,037 million. This compares with a revised figure of £1,967 million at the end of 1948 and with £3,545 million at the end of 1938. The increase in nominal value during 1949 is more than accounted for by the effect of the devaluation of sterling on the sterling value of securities denominated in other currencies. The total of interest and dividends received during 1949 was £116.3 million, against £116.2 million in 1948 and £155.4 million in 1938.*

Court of Directors.

The term of office of Sir Charles Hambro, Sir Patrick Ashley Cooper, Mr. L. J. Cadbury and the Hon. H. K. M. Kindersley expired on the 28th February, 1951, and they were re-appointed for a period of four years.

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

* A limited number of copies of the detailed figures for 1949 is available from the Secretary, Bank of England. Copies of the pamphlet "United Kingdom Overseas Investments, 1938 to 1948" may also be obtained from the Secretary, price 2/- a copy, post free.

SUMMARY OF PAYMENTS AND FINANCIAL AGREEMENTS NEGOTIATED DURING THE YEAR
ENDED 28TH FEBRUARY, 1951.

Sterling Area.

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
CEYLON	5th/6th Oct. 1950	8165	Extends Financial Agreement of 30th April, 1948, to 31st December, 1950.
	2nd/6th Feb. 1951		7 year Financial Agreement.
			Up to £21 mn., as may be necessary to maintain No. 1 Accounts at level of £12 mn., to be released over seven years beginning 1st July, 1950. Releases normally to be limited to £3 mn. in any one year.
	2nd/6th Feb. 1951		Annex to Agreement of 30th April, 1948, remains in force subject to any agreed modifications.
PAKISTAN			Provides for transfer to Central Bank of Ceylon of gold or dollars equivalent to £4 mn. to constitute independent reserve.
	27th July 1950	8008	Extends Financial Agreement of 14th August, 1947, to 30th June, 1951.
			£15 mn. released for general purposes.
			Further £2.5 mn. released to meet exceptional requirements up to 30th September, 1950, arising from state of trade and payments with India.
			Temporary releases amounting to £14 mn. during year ended 30th June, 1950, to be permanent, but part of any payments to No. 1 Account from the Reserve Bank of India under the Indo-Pakistan Payments Agreement of August, 1949, to be repaid to the No. 2 Account up to maximum of £14 mn.

Non-Sterling Area.

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
AUSTRIA	31st Jan. 1951	8175	Sterling Payments Agreement succeeding that of 26th January, 1950, and making provision for interim finance under E.P.U.
BELGIUM	8th Mar. 1950	7930	Extends Monetary Agreement of 14th November, 1947, for three months.
	30th June 1950	8029	Extends Monetary Agreement of 14th November, 1947, for four months.
	30th Dec. 1950	8136	Monetary Agreement succeeding that of 14th November, 1947, and making provision for interim finance under E.P.U. Exchange Guarantee on current accruals removed.
DENMARK	14th/18th Aug. 1950	8055	Extends Monetary Agreement of 16th August, 1945, for two months.
	19th Oct. 1950	8104	Monetary Agreement succeeding that of 16th August, 1945, and making provision for interim finance under E.P.U.
FINLAND	7th July 1950	8006	Sterling Payments Agreement succeeding Exchange of Letters and Memorandum of Agreement regarding Payments of 1st July, 1947.
FRANCE	29th July 1949/ 4th Sept. 1950	8075	Removes Lebanon from French Franc Area.
ISRAEL	30th Mar. 1950	7941	Agreement for settlement of financial matters outstanding as result of termination of mandate for Palestine.
ITALY	27th June 1950	8014	Extends Sterling Payments Agreement of 26th November, 1948, for one month.
	20th/21st July 1950	8024	Extends Sterling Payments Agreement of 26th November, 1948, for two months and applies it to Italian Somaliland.
	29th Sept. 1950	8085	Extends Sterling Payments Agreement of 26th November, 1948, for three months.
	21st Dec. 1950	8132	Sterling Payments Agreement abrogating and replacing that of 26th November, 1948, and making provision for interim finance under E.P.U.

Non-Sterling Area—continued.

Country.	Date of Agreement.	Command Paper.	Provisions of Agreement.
NORWAY	6th Nov. 1950	8095	Monetary Agreement abrogating and replacing that of 8th November, 1945 (as amended by the Supplementary Agreements of 9th July, 1948, and 31st March, 1949), and making provision for interim finance under E.P.U.
PARAGUAY	3rd Apr. 1950	8021	Trade and Payments Agreement.
PORTUGAL	7th/22nd Feb. 1950	7959	Modifies sterling/escudo rate of exchange fixed in Monetary Agreement of 16th April, 1946, and "ceiling" on either country's holding of the other's currency above which currency is bought for gold.
	14th Apr. 1950	„	Extends Monetary Agreement of 16th April, 1946, for one year.
	30th Nov./ 11th Dec. 1950	8127	Makes provision in Monetary Agreement of 16th April, 1946, for interim finance under E.P.U.
SPAIN	20th/23rd June 1950	8003	Extends Trade and Payments Agreement of 23rd June, 1948, for one year.
SWEDEN	10th Nov. 1950	8105	Monetary Agreement abrogating and replacing that of 30th December, 1949, and making provision for interim finance under E.P.U.
SWITZERLAND	4th Mar. 1950	7952	Extends Monetary Agreement of 12th March, 1946, for one year.
			Modifies sterling/Swiss franc rate of exchange and "ceiling" on U.K. holding of Swiss francs above which Switzerland is required to pay gold for sterling.
	10th Nov. 1950	8129	Makes provision in Monetary Agreement for interim finance under E.P.U.
WESTERN GERMANY	28th June 1950	7990	Settlement of financial issues arising from the Bizonal Fusion Agreement of 2nd December, 1946, as amended by Agreement of 17th December, 1947.
	9th Dec. 1950	8134	Sterling Payments Agreement abrogating and replacing that of 5th August, 1949, and making provision for interim finance under E.P.U.

BANK OF ENGLAND.

28TH FEBRUARY, 1951.

ISSUE DEPARTMENT.

	£		£
Notes Issued:		Government Debt ...	11,015,100
In Circulation	1,288,980,991	Other Government	
In Banking		Securities	1,334,266,491
Department	61,375,832	Other Securities	706,016
		Coin other than Gold	
		Coin	4,012,393
		Amount of	
		Fiduciary Issue	£1,350,000,000
		Gold Coin & Bullion ...	356,823
		(@ 248s. 0d. per oz. fine)	
	<u>£1,350,356,823</u>		<u>£1,350,356,823</u>

P. S. BEALE, *Chief Cashier.*

BANKING DEPARTMENT.

	£		£
Capital	14,553,000	Government Securities ...	313,171,441
Rest	3,905,483	Other Securities:	
Public Deposits—		Discounts & Advances.	
Public Accounts		£16,135,600	
(Including Exchequer, Savings		Securities.	
Banks, Commissioners of National		£32,572,833	48,708,433
Debt, and Dividend Accounts):			
£12,986,388		Notes	61,375,832
H.M. Treasury		Coin	606,442
Special Account. £9,253,087	22,239,475		
Other Deposits:			
Bankers.			
£293,047,832			
Other Accounts.			
£90,116,358	383,164,190		
	<u>£423,862,148</u>		<u>£423,862,148</u>

P. S. BEALE, *Chief Cashier.*

