



# BANK OF ENGLAND

REPORT FOR THE YEAR ENDED

28<sup>TH</sup> FEBRUARY

1955

---

*Issued by Order of the Court of Directors, 14th July, 1955.*

## COURT OF DIRECTORS

FOR THE YEAR ENDED 28TH FEBRUARY, 1955.

---

CAMERON FROMANTEEL COBBOLD, Esq., GOVERNOR.

HUMPHREY CHARLES BASKERVILLE MYNORS, Esq., DEPUTY GOVERNOR.

SIR GEORGE EDMOND BRACKENBURY ABELL, K.C.I.E., O.B.E.

SIR GEORGE LEWIS FRENCH BOLTON, K.C.M.G.

THE RT. HON. LORD BRAINTREE.

LAURENCE JOHN CADBURY, Esq., O.B.E.

SIR PATRICK ASHLEY COOPER.

GEOFFREY CECIL RYVES ELEY, Esq., C.B.E.

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

SIR JOHN COLDBROOK HANBURY-WILLIAMS.

FRANK CYRIL HAWKER, Esq.

THE RT. HON. LORD KINDERSLEY, C.B.E., M.C.

SIR ANDREW NAESMITH, C.B.E., J.P.

SIR KENNETH OSWALD PEPPIATT, K.B.E., M.C.

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

BASIL SANDERSON, Esq., M.C.

MICHAEL JAMES BABINGTON SMITH, Esq., C.B.E.

THE HON. RANDAL HUGH VIVIAN SMITH.



# BANK OF ENGLAND

## Report for the year ended 28th February, 1955.

### Note Circulation and Issue Department.

The totals of Notes Issued and Paid in recent years are shown in the following table:—

<i>£ millions.</i>					NOTES ISSUED, PAID AND IN CIRCULATION.				
YEAR TO END OF FEBRUARY.					1951.	1952.	1953.	1954.	1955.
Issued during the year	...	...	...	...	916	1,095	1,136	1,144	1,231
Paid during the year	...	...	...	...	877	1,015	1,035	1,064	1,116
In circulation at end of the year	...	...	...	...	1,289	1,369	1,470	1,550	1,665

The following tables show the changes in recent years in the various denominations in circulation:—

<i>£ thousands.</i>					NOTES IN CIRCULATION BY DENOMINATIONS.				
END OF FEBRUARY.					1951.	1952.	1953.	1954.	1955.
10s.	...	...	...	...	86,362	87,334	89,108	90,490	93,556
£1	...	...	...	...	998,771	1,054,927	1,123,696	1,179,960	1,264,574
£5	...	...	...	...	135,161	152,185	172,957	191,556	217,797
£10	...	...	...	...	1,005	906	815	763	694
£20	...	...	...	...	455	408	363	343	315
£50	...	...	...	...	952	832	738	695	629
£100	...	...	...	...	1,809	1,569	1,347	1,254	1,134
£200	...	...	...	...	8	8	8	8	7
£500	...	...	...	...	290	275	165	162	128
£1,000	...	...	...	...	298	217	168	151	134
Over £1,000 (a)	...	...	...	...	63,870	69,930	80,750	84,680	86,530
					<u>1,288,981</u>	<u>1,368,591</u>	<u>1,470,115</u>	<u>1,550,062</u>	<u>1,665,498</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 banks of issue in Scotland and Northern Ireland as cover for their excess note issues.



PERCENTAGE OF TOTAL CIRCULATION REPRESENTED BY VARIOUS DENOMINATIONS.

END OF FEBRUARY.					1953.	1954.	1955.
10s.	...	...	...	...	6.1	5.8	5.6
£1	...	...	...	...	76.4	76.1	75.9
£5	...	...	...	...	11.8	12.4	13.1
£10—£1,000	...	...	...	...	0.2	0.2	0.2
Over £1,000	...	...	...	...	5.5	5.5	5.2
					<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Seasonal variations in the note circulation are illustrated by the following figures for the total of notes in circulation on the last Wednesday in each month during the period under review:—

£ millions.

24th Feb., 1954	1,548	29th Sept., 1954	1,635
31st Mar., 1954	1,577	27th Oct., 1954	1,636
28th Apr., 1954	1,613	24th Nov., 1954	1,652
26th May, 1954	1,613	29th Dec., 1954	1,752
30th June, 1954	1,647	26th Jan., 1955	1,665
28th July, 1954	1,716	23rd Feb., 1955	1,659
25th Aug., 1954	1,654		

The note circulation at Christmas, 1954, was higher than ever before, the Bank Return of the 22nd December, 1954, showing a figure of £1,759 million, an increase of £118 million on the corresponding figure for 1953.

Changes in the Fiduciary Issue during the year were as follows:—

£ millions.

DATE.	CHANGE.	TOTAL FIDUCIARY ISSUE.
15th March, 1954	+ 50	1,625
31st May, 1954	+ 50	1,675
12th July, 1954	+ 50	1,725
28th July, 1954	+ 25	1,750
17th August, 1954	— 50	1,700
30th August, 1954	— 25	1,675
30th November, 1954	+ 50	1,725
13th December, 1954	+ 50	1,775
14th January, 1955	— 50	1,725

The Currency and Bank Notes Act, 1954, provides for a Fiduciary Issue of £1,575 million and gives power to the Treasury (after representations by the Bank) to vary this amount. No continuous increase above £1,575 million is permitted for longer than two years except by statutory instrument subject to annulment in pursuance of a resolution of either House of Parliament. The Fiduciary Issue has remained above £1,575 million continuously since 15th March, 1954.



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

#### ISSUE DEPARTMENT.

£ thousands.

END OF FEBRUARY.	1954.	1955.	Change.
Notes in Circulation ... ..	1,550,062	1,665,498	+ 115,436
Notes in Banking Department ... ..	25,295	59,864	+ 34,569
Notes Issued ... ..	<u>1,575,357</u>	<u>1,725,362</u>	<u>+ 150,005</u>
Government Debt ... ..	11,015	11,015	—
Other Government Securities ... ..	1,560,774	1,710,227	+ 149,453
Other Securities ... ..	700	746	+ 46
Coin other than Gold Coin ... ..	2,511	3,012	+ 501
Fiduciary Issue ... ..	1,575,000	1,725,000	+ 150,000
Gold Coin and Bullion ... ..	357	362	+ 5
	<u>1,575,357</u>	<u>1,725,362</u>	<u>+ 150,005</u>

#### Banking Department.

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

£ thousands.

END OF FEBRUARY.	1954.	1955.	Change.
Capital ... ..	14,553	14,553	—
Rest ... ..	3,908	3,909	+ 1
Public Deposits ... .. 18,905	11,728	— 7,177	
H.M. Treasury Special Account ... .. 4,705	6,549	+ 1,844	
Bankers' Deposits ... .. 278,237	292,868	+ 14,631	
Other Accounts ... .. 67,058	66,114	— 944	
Total Deposits	368,905	377,259	+ 8,354
	<u>387,366</u>	<u>395,721</u>	<u>+ 8,355</u>
Government Securities ...	324,504	267,026	— 57,478
Discounts & Advances ... 10,208	51,370	+ 41,162	
Securities ... .. 24,948	15,100	— 9,848	
Other Securities	35,156	66,470	+ 31,314
Notes ... ..	25,295	59,864	+ 34,569
Coin ... ..	2,411	2,361	— 50
	<u>387,366</u>	<u>395,721</u>	<u>+ 8,355</u>

The balance on H.M. Treasury Special Account at the end of February, 1955, represented monies available as a result of the Mutual Security Acts, 1952, 1953 and 1954, of the United States of America, and not yet disbursed.



Half-yearly payments of £873,180 were made to H.M. Treasury on the 5th April and the 5th October, 1954, in pursuance of Section 1(4) of the Bank of England Act, 1946.

Bank Rate was lowered on the 13th May, 1954, from  $3\frac{1}{2}\%$  to  $3\%$  and remained at that rate until it was raised to  $3\frac{1}{2}\%$  on the 27th January, 1955. It was further raised to  $4\frac{1}{2}\%$  on the 24th February, 1955.

### Short-Term Money Rates.

The following table illustrates recent trends in short-term money rates per cent. per annum:—

	End of February, 1953.	End of February, 1954.	End of July, 1954.	End of December, 1954.	End of January, 1955.	End of February, 1955.
Bank Rate (& date of previous change)	4 (12th Mar., 1952)	$3\frac{1}{2}$ (17th Sep., 1953)	3 (13th May, 1954)	3 (13th May, 1954)	$3\frac{1}{2}$ (27th Jan., 1955)	$4\frac{1}{2}$ (24th Feb., 1955)
Advances by B/E to the Discount Mkt. against T.B's. (a)	$3\frac{1}{2}$	—	—	—	—	—
Treasury Bills: Average rate of Discount on Allotment	£2:8s. 0.25d.	£2:1s. 3.37d.	£1:11s. 2.80d.	£1:17s. 3.82d.	£2:6s. 7.33d.	£3:15s. 5.32d.
CLEARING BANKS Deposit Accounts	2(b)	$1\frac{3}{4}$ (b)	$1\frac{1}{4}$ (b)	$1\frac{1}{4}$ (b)	$1\frac{1}{2}$ (c)	$2\frac{1}{2}$ (c)
Call Money i.e., Loans to the Discount Market: against T.B's.	2	$1\frac{3}{4}$	$1\frac{1}{4}$	$1\frac{1}{4}$	$1\frac{3}{4}$ (minimum)	$2\frac{3}{4}$ (minimum)
against Prime Bank Bills	$2\frac{1}{2}$	2	$1\frac{1}{2}$	$1\frac{1}{2}$		
against Bonds	$2\frac{1}{2}$	$2\frac{1}{8}$	$1\frac{5}{8}$	$1\frac{5}{8}$		
DISCOUNT MARKET Buying Rates:						
Prime Bank Bills (3 months)	3	$2\frac{3}{8}$	$1\frac{3}{8}$	$1\frac{7}{8}$	$2\frac{3}{8}$	$3\frac{1}{8}$
Trade Bills (3 months)	4 — 5	$3\frac{1}{2}$ — $4\frac{1}{2}$	$2\frac{1}{2}$ — 3	$2\frac{1}{2}$ — 3	3 — $3\frac{1}{2}$	$4\frac{1}{4}$ — $4\frac{1}{2}$

(a) The special arrangement which was announced on 7th November, 1951, lapsed on 17th September, 1953, since when advances to the Discount Market have been made at Bank Rate.

(b) at 21 days' notice.

(c) at 7 days' notice.



### 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 an increase during 1954-55 of £460 million, made up as follows:—

£ millions.

Treasury Bills	... ..	+ 47I
Ways and Means Advances	... ..	- II
		+ 460

### FLOATING DEBT OUTSTANDING.

£ millions.

<i>millions.</i>	3rd Mar. 1951.	1st Mar. 1952.	28th Feb. 1953.	27th Feb. 1954.	26th Feb. 1955.
Treasury Bills ... ..	4,904	4,185	4,306	4,371	4,842
Ways and Means Advances:					
by Public Departments ... ..	421	322	257	279	268
by Bank of England ... ..	—	—	—	—	—
Treasury Deposit Receipts ... ..	339	—	—	—	—
	<u>5,664</u>	<u>4,507</u>	<u>4,563</u>	<u>4,650</u>	<u>5,110</u>

The major factors contributing to the overall change in the Floating Debt may be analysed briefly as follows:—

£ millions.

millions.	INCREASE IN FLOATING DEBT.		DECREASE IN FLOATING DEBT.	
Overall Exchequer Deficit (less net issue of Tax Reserve Certificates 42)	...	...	...	...
Issue: 2% Conversion Stock, 1958-59	...	...	...	...
Redemptions: 2½% National War Bonds, 1952-54	...	...	...	...
3% National Defence Loan, 1954-58	...	...	...	...
1¾% Serial Funding Stock, 1954 and	...	...	...	...
2¼% Exchequer Stock, 1955	...	...	...	...
Issued to Exchange Equalisation Account	...	...	...	...
U.S. and Canadian Lines of Credit:				
U.S. Lend/Lease Settlement Loan:				
Canadian Interest Free Loan:				
Repayments of Principal	...	...	...	...
Net subscription to National Savings Certificates and Defence Bonds	...	...	...	...
Terminable Annuities Paid Off	...	...	...	...
European Payments Union:				
Net repayment	...	...	...	...
International Monetary Fund and International Bank for Reconstruction and Development:				
Net repayment of Interest Free Notes	...	...	...	...
Miscellaneous (net)	...	...	...	...
Net increase in Floating Debt	...	...	...	...



The weekly allotment of Treasury Bills by tender amounted to £270 million at the beginning and to £260 million at the end of the period. The lowest allotment of Treasury Bills was that for £210 million on the 28th January, 1955; the highest allotments, for £280 million, were made at the four tenders during the period 17th September to the 8th October, 1954.

The average rate of discount per cent. at which Treasury Bills were allotted fluctuated between £2:2s. 4.05*d.* (on the 9th April, 1954), and £2: 0s. 10.84*d.* (on the 7th May, 1954), until the reduction in Bank Rate on the 13th May, 1954. On the 14th May, 1954, the average rate of discount fell to £1:14s. 1.75*d.*, declining to some extent thereafter, the lowest rate recorded being £1:11s. 2.27*d.* on the 16th July, 1954. From the second half of November the average rate increased week by week, and at the tender before the increase in Bank Rate on the 27th January, 1955, it reached £2: 0s. 3.46*d.* At the following tender the rate was £2: 6s. 7.33*d.* and at the end of the period under review, following the further increase in Bank Rate on the 24th February, 1955, the average rate of discount was £3:15s. 5.32*d.*

### London Clearing Banks.

The Committee of London Clearing Bankers, and other representative financial institutions, continued by their co-operation to render much assistance to the Bank.

Between the 17th February, 1954, and the 16th February, 1955, the net deposit liabilities of the London Clearing Banks increased by £247 million, or 4.1%, an increase that primarily reflected an increase in Advances to Customers and Other Accounts. In the first ten months, as a whole, of this period the increase in net deposit liabilities was virtually the same as in the first ten months of the preceding year. In the last two months, the fall in net deposit liabilities was smaller by £59 million than in the last two months of the preceding year, despite a greater surplus in Exchequer finance. During the year Current Accounts rose by £158 million; the proportion of Current Accounts to Total Deposits decreased slightly, to 63%.

#### LONDON CLEARING BANKS: DEPOSITS.

£ millions.

FEBRUARY.	1951.	1952.	1953.	1954.	1955.
Current Accounts ... ..	3,994	3,923	3,837	3,954	4,112
Deposit and Other Accounts ... ..	2,047	1,970	2,192	2,283	2,413
Total Deposits ... ..	6,041	5,893	6,029	6,237	6,525
Balances with Other Banks, etc. ... ..	206	197	209	227	268
Net Deposits ... ..	5,835	5,696	5,820	6,010	6,257
Rate of increase on previous year in Net Deposits ... ..	3.3%	-2.4%	2.2%	3.3%	4.1%

The Clearing Banks' holding of Treasury Bills throughout the last three quarters of the year was smaller than in the corresponding quarters of the previous year. In February, 1955, the ratio of Treasury Bills Discounted to Total Deposits fell to 14.6%, its lowest level since 1952. Other Bills Discounted rose in the first part of the year and again in the last quarter. The ratio to Total Deposits of Cash, Money at Call and Short Notice, and Bills Discounted showed an upward trend from 32.9% in May to 34.5% in January; in February it declined sharply to 31.3%.



# LONDON CLEARING BANKS: PRINCIPAL ASSETS.

£ millions.

Percentage of Total Deposits is shown in italics.

	FEBRUARY.	1951.	1952.	1953.	1954.	1955.
Cash in hand and at Bank of England ... ..		496 8.2	492 8.4	491 8.1	504 8.1	525 8.0
Money at Call and Short Notice ... ..		531 8.8	526 8.9	456 7.6	454 7.3	445 6.8
Bills Discounted:						
Treasury Bills ... ..			669	978	1,034	951
Other Bills ... ..		1,343 22.2	11.3 187	16.2 68	16.6 79	14.6 122
			3.2	1.1	1.3	1.9
Total of above items ... ..		2,370 39.2	1,874 31.8	1,992 33.0	2,071 33.2	2,042 31.3
Treasury Deposit Receipts ... ..		291 4.8	15 0.2	—	—	—
Total of above items ... ..		2,661 44.0	1,889 32.0	1,992 33.0	2,071 33.2	2,042 31.3
Investments ... ..		1,544 25.6	1,944 33.0	2,130 35.3	2,275 36.5	2,298 35.2
Advances and Other Accounts ... ..		1,703 28.2	1,933 32.8	1,773 29.4	1,741 27.9	2,000 30.6

The Investments of the Clearing Banks, which had been rising since 1952, increased further between February and October, by £89 million. From November, Investments began to decline and in the last month of the year under review fell by £52 million. There was an increase of £23 million over the year as a whole but the ratio of Investments to Total Deposits fell from 36.5% to 35.2%.

Advances to Customers and Other Accounts increased during the year by £259 million, or 14.9%, and their ratio to Total Deposits rose from 27.9% to 30.6%. This increase, which continued a movement shown in the later part of the preceding year, became more pronounced at the close of the year.

It may be seen from the analysis of advances made within Great Britain by members of the British Bankers' Association, set out below for the last four years, that the largest single increase during the year was in advances to Public Utilities (other than Transport). Advances to this group rose by £75.2 million; in the previous year they showed a fall of £53.6 million, partly attributable to larger issues in that year of Stock by the Electricity and Gas Industries. Other main changes over the year were in the Personal and Professional group which, after decreasing in each of the past three years, rose by £25.5 million; and in Retail Trade and Food, Drink and Tobacco which, after remaining steady during the previous year, increased by £24.8 million and £21.7 million respectively. Advances to Hire Purchase Finance Companies, a group comprised within Other Financial in analyses published in earlier years, rose by £19.3 million. Those to Iron and Steel and Allied Trades fell by £17.6 million.

The banks in their policy regarding the making of loans and the granting of overdraft facilities continued to apply principles similar to the guidance given by the Chancellor of the Exchequer to the Capital Issues Committee. In July an announcement of the removal of certain restrictions on the terms of hire purchase and credit sale agreements was



accompanied by a statement that there was no change in the general limitation of finance for hire purchase. In the following month the Chancellor wrote asking that in the circumstances then existing the Capital Issues Committee should not operate this limitation by imposing a rigid ban on all new finance for hire purchase but that they should bear in mind that an excessive expansion of consumer credit would not be in the national interest. On the 24th February, 1955, as part of the developments then found to be necessary in monetary policy, the Chancellor informed the Capital Issues Committee that an Order had been made reimposing limitations on hire purchase and credit sale agreements and asked them in future to examine more stringently any application for hire purchase finance.

BRITISH BANKERS' ASSOCIATION: ANALYSIS OF ADVANCES.						1955 % of Total.	
£ millions.	FEBRUARY.	1952.	1953.	1954.	1955.		
Coal Mining ... ..	...	3.2	1.6	1.9	1.3	0.1	
Quarrying, etc. ... ..	...	5.0	4.8	4.7	5.3	0.2	
Iron & Steel and Allied Trades ... ..	...	23.8	49.7	50.4	32.8	1.6	
Non-ferrous Metals ... ..	...	5.8	4.3	5.9	7.8	0.4	
Engineering, etc. ... ..	...	142.3	169.3	142.2	149.3	7.1	
Shipping & Shipbuilding ... ..	...	12.3	13.8	18.4	19.1	0.9	
Transport & Communications ... ..	...	19.0	16.0	23.4	20.4	1.0	
Cotton ... ..	...	19.0	13.4	13.4	20.3	1.0	
Wool ... ..	...	25.5	20.5	27.4	31.6	1.5	
Other Textiles ... ..	...	67.4	44.6	46.7	47.4	2.3	
Leather & Rubber ... ..	...	23.4	14.2	16.6	17.8	0.8	
Chemicals ... ..	...	42.2	27.2	25.8	30.8	1.5	
Agriculture & Fishing ... ..	...	198.6	195.1	208.1	224.8	10.7	
Food, Drink & Tobacco ... ..	...	166.6	132.2	132.7	154.4	7.4	
Retail Trade ... ..	...	205.3	170.7	170.7	195.5	9.3	
Entertainment ... ..	...	26.7	22.8	21.4	21.2	1.0	
Builders & Contractors ... ..	...	69.1	62.5	60.0	68.5	3.3	
Building Materials ... ..	...	22.5	17.5	17.2	21.0	1.0	
Unclassifiable Industry & Trade ... ..	...	138.6	109.6	104.7	126.0	6.0	
Local Government Authorities ... ..	...	77.7	77.1	86.2	102.8	4.9	
Public Utilities (other than Transport) ... ..	...	135.3	140.5	86.9	162.1	7.7	
Churches, Charities, Hospitals, etc. ... ..	...	12.7	12.7	12.4	13.0	0.6	
Stockbrokers ... ..	...	6.5	5.9	8.2	16.1(a)	0.8	
Hire Purchase Finance Companies ... ..	...	178.2	172.2	11.2	30.5	1.4	
Other Financial ... ..	...			178.2	181.8	8.7	
Personal & Professional ... ..	...	429.1	370.5	367.9	393.4	18.8	
		<u>2,055.8</u>	<u>1,868.8</u>	<u>1,842.6</u>	<u>2,095.0</u>	<u>100.0</u>	

(a) Includes certain short-term lendings previously not incorporated in this analysis. The comparable figure for 1954 was £11.0 million.

In May, following the reduction of  $\frac{1}{2}\%$  in Bank Rate, the rate of interest allowed by the banks on Deposit Accounts was reduced by  $\frac{1}{2}\%$ : at the same time the rates of interest charged for Call Money were lowered by  $\frac{1}{2}\%$ . In January, after the rise of  $\frac{1}{2}\%$  in Bank Rate, the rate of interest allowed on Deposit Accounts was raised by  $\frac{1}{4}\%$ , to  $1\frac{1}{2}\%$ , and the requirement as to the minimum period of lodgment of Deposit Accounts and the minimum



notice of withdrawal was reduced from twenty one days to seven days. The minimum rates of interest charged for Call Money, which ranged from  $1\frac{1}{4}\%$  to  $1\frac{5}{8}\%$  according to the security offered, were raised to a minimum rate of  $1\frac{3}{4}\%$ , applicable both to Loans against Bills and to Loans against Bonds. After Bank Rate was increased by  $1\%$  in February, the rate of interest allowed on Deposit Accounts was raised to  $2\frac{1}{2}\%$  and the rate of interest charged for Call Money to a minimum of  $2\frac{3}{4}\%$ , as shown above in the Table of Short-Term Money Rates.

### Stocks and Bonds 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, the Post Office Savings Department and the Trustee Savings Banks, showed a net increase during the year of £147 million. The total number of transfers registered was 793,000, an increase of 3.1% 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.	1952.	1953.	1954.	1955.
British Government:						
Stock ... ..		5,107	13,527	13,759	14,367	14,355
Bearer Bonds ... ..		1,002	114	109	106	102
Total ... ..		<u>6,109</u>	<u>13,641</u>	<u>13,868</u>	<u>14,473</u>	<u>14,457</u>
Other Securities:						
Treasury Guaranteed ... ..		140	2,539	2,788	2,844	2,984
Dominion & Colonial ... ..		454	143	152	161	185
Local Authorities ... ..		197	149	149	154	154
Public Boards, etc. ... ..		202	55	60	59	58
Miscellaneous ... ..		19	16	16	16	16
Total ... ..		<u>1,012</u>	<u>2,902</u>	<u>3,165</u>	<u>3,234</u>	<u>3,397</u>
Grand Total ... ..		<u>7,121</u>	<u>16,543</u>	<u>17,033</u>	<u>17,707</u>	<u>17,854</u>

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

#### REDEMPTIONS.

2½% National War Bonds, 1952-54:							
1st March, 1954. For cash ... ..							£ 68.4 million
Hull Corporation 4½% Redeemable Stock, 1952-72:							
1st July, 1954. For cash ... ..							£ 0.7 „
3% National Defence Loan, 1954-58:							
2nd September, 1954. For cash ... ..							£ 27.5 „
1½% Serial Funding Stock, 1954:							
14th November, 1954. For cash ... ..							£121.5 „
2½% Exchequer Stock, 1955:							
15th February, 1955. For cash ... ..							£ 83.8 „



# ISSUES.

3½% Conversion Stock, 1969:		
1st March, 1954. Issued at par with a cash payment of £1% in exchange for 2½% National War Bonds, 1952-54 ... ..	£338.5 million	
British Overseas Airways 4% Guaranteed Stock, 1974-80:		
16th March, 1954. For cash at par ... ..	£ 15	„
British Transport 3% Guaranteed Stock, 1968-73:		
March, 1954, and subsequently. As compensation in respect of various Transport Undertakings ... ..	£ 2.3	„
Ceylon Government 4% Stock, 1973-75:		
25th March, 1954. For cash at £97% ... ..	£ 5	„
Hull Corporation 3¾% Redeemable Stock, 1973-75:		
20th May, 1954. For cash at £98:10s.% ... ..	£ 1.2	„
1st July, 1954. Issued at par with a cash payment of £1:10s.% in exchange for Hull Corporation 4½% Redeemable Stock, 1952-72 ... ..	£ 0.3	„
3½% Treasury Stock, 1977-80:		
As compensation in respect of certain interests transferred to the National Coal Board under the Coal Industry Nationalisation Act, 1946.		
15th June, 1954 ... ..	£ 20.9	„
15th December, 1954 ... ..	£ 14.4	„
2% Conversion Stock, 1958-59:		
3rd June, 1954. For cash at £99:10s.% ... ..	£300	„
15th July, 1954. Issued at par with a cash payment of 13s.% in exchange for 3% National Defence Loan, 1954-58 ... ..	£291.8	„
3½% Funding Stock, 1999-2004:		
14th July, 1954. Issued at £103% in exchange for 1¾% Serial Funding Stock, 1954 ... ..	£143.3	„
Government of the Federation of Rhodesia & Nyasaland 4% Stock, 1972-74:		
28th July, 1954. For cash at £97:10s.% ... ..	£ 10	„
British Electricity 3½% Guaranteed Stock, 1976-79:		
18th August, 1954. For cash at £100:10s.% ... ..	£100	„
New Zealand Government 3½% Stock, 1981-84:		
28th October, 1954. For cash at £98% ... ..	£ 10	„
North of Scotland Electricity 3½% Guaranteed Stock, 1977-80:		
4th November, 1954. For cash at par ... ..	£ 25	„
2½% Exchequer Stock, 1963-64:		
14th November, 1954. Issued at par with a cash payment of 10s.% in exchange for 1¾% Serial Funding Stock, 1954 ... ..	£274.2	„
2% Exchequer Stock, 1960:		
15th February, 1955. Issued at par in exchange for 2¼% Exchequer Stock, 1955 ... ..	£448.3	„
3% Funding Stock, 1966-68:		
15th February, 1955. Issued at par in exchange for 2¼% Exchequer Stock, 1955 ... ..	£202	„



## Gold and Foreign Exchange Markets.

The London Gold Market was reopened on the 22nd March, 1954, from which date persons resident outside the Sterling Area have had complete freedom to buy or to sell gold on the London Market, provided that payment is made in sterling bought with or available for the purchase of dollars. In order to facilitate the operations in gold of residents outside the Dollar Area a new type of sterling account called a Registered Account was introduced; such accounts can be opened or replenished by the sale of dollars or gold.

Residents of the Sterling Area have only limited access to the Market. They may sell gold freely but purchases are restricted to the limited amounts authorised for approved industrial or export purposes.

The Gold Market has developed satisfactorily and London has now resumed its place as an international gold market.

The Foreign Exchange Market has benefited from increased business in the purchase and sale of dollars against sterling in connection with the wide range of operations in gold which are now permitted. There has also been, with the growing use of sterling for international payments, a substantial increase in the volume of foreign currency arbitrage transacted through London.

## Transferability of Sterling.

The increasing use of sterling as a means of settling transactions between countries outside the Sterling Area has been the subject of comment in previous Reports. Between 1947 and 1953 the Transferable Account Area, within which for current transactions sterling could be transferred automatically, was widened and an increasing use was made of the administrative facilities available at the Bank of England. The introduction of the European currency arbitrage facilities in 1953 resulted in a greatly increased international use of sterling and in that year transfers of sterling between countries outside the Sterling Area, excluding those to and from American Account countries and between countries in the same monetary areas, were in excess of £800 million.

Thus by the beginning of last year non-residents already enjoyed considerable opportunities of using their sterling in the settlement of international business. On the 22nd March, 1954, a further important step was taken towards removing the remaining restrictions on the movement of non-resident sterling by the extension of the Transferable Account Area to include all countries except Canada, the American Account Area and (for particular reasons) Hungary\*, Persia\* and Turkey. At the same time all sterling balances, other than those on Blocked Accounts, of residents of the new Transferable Account Area became automatically available for payments for any purpose, capital or current, within that Area. The geographical designations of Transferable Accounts for Exchange Control purposes disappeared and the multiplicity of quotations abroad for transferable sterling were replaced by a single quotation. Further, the new measures facilitated the flow of sterling to those countries where it was more needed from those with a relative surplus of sterling.

Immediately following the introduction of these new measures the rate quoted for transferable sterling against dollars was  $2.77\frac{1}{2}$ , representing a discount on the official rate

---

\* Hungary was included in the Transferable Account Area on the 1st September, 1954, and Persia on the 3rd November, 1954.



of exchange of  $1\frac{7}{16}\%$ . By the end of April the discount had narrowed to  $\frac{7}{8}\%$  and remained at around that level until the beginning of June when it began to widen. By the end of November the rate of exchange had fallen to 2.70  $\frac{7}{8}$  which was the equivalent of a discount of 2  $\frac{7}{8}\%$  on the official rate. On the 24th February, 1955, the Chancellor of the Exchequer in a statement made in the House of Commons drew attention to the consequent damage done both to traders and to reserves and announced that in the interest of the whole Sterling Area he had authorised the exercise of a wider discretion in the operations of the Exchange Equalisation Account in the markets in which sterling was traded at a discount. The rate for transferable sterling which on the 23rd February stood at 2.72  $\frac{1}{8}$ , representing a discount on the official rate of exchange of 2  $\frac{1}{4}\%$ , had by the 28th February risen to 2.75  $\frac{3}{8}$ , representing a discount of  $1\frac{3}{16}\%$ .

United Kingdom merchanting transactions between non-Sterling Area countries on a sterling basis amounted in 1954 to £163 million, compared with £142 million in 1953, £150 million in 1952, and £124 million in 1951. These figures include transactions allowed under Commodity Market Schemes, which amounted to £75 million in 1954, compared with £35 million in 1953. Of the total in 1954 £10 million was in respect of Coffee (1953: £12 million), and £41 million in respect of Metals (1953: £9 million).

### Commodity Market Schemes.

During the year under review the scope of some of the existing Commodity Schemes operating under Exchange Control arrangements was extended and new Schemes were introduced for cotton and copra. By the end of the period all the major commodity markets in this country which had been closed during the war had been re-established, with the exception of the London Sugar Terminal Market, although some have more facilities than others when dealing with commodities of Dollar Area origin or cost.

The outstanding event in this field was the re-opening on the 18th May, 1954, of the Liverpool Cotton Exchange. Simplified Exchange Control arrangements to facilitate international dealings in raw cotton by United Kingdom merchants and spinners were provided by the introduction of a Cotton Scheme, which allows for world-wide trading in futures on a sterling basis but requires cotton which has cost dollars to be sold outside the Sterling Area only against payment in dollars.

In July, 1954, the Sugar Scheme was extended to include transactions in refined sugar. In December a Copra Scheme was introduced, which permits United Kingdom merchants to transact business freely throughout the world on a sterling basis.

The special facilities, referred to in last year's Report, permitting the sale of cocoa and coffee grown in the American Account Area to the countries of the European Payments Union for sterling were extended to cover sales to all countries in the new Transferable Account Area. Subsequently, dealings in raw sugar were permitted on a similar basis. In practice, therefore, the Schemes now make all the commodities concerned available to any holder of sterling in virtually any part of the world, with the exception that cotton, grain and refined sugar which have cost dollars may be sold outside the Sterling Area only for dollars.

The close co-operation maintained between the Bank and the markets concerned continued to play an essential part in the successful working of the Commodity Schemes.



## European Payments Union.

The European Payments Union was renewed for a further year from the 30th June, 1954. As many member countries were rapidly approaching the limits of their quotas, and in some cases had already exceeded them, some means of reconstituting credit had become necessary. Accordingly, as a preliminary to the renewal of the Union, amortisation agreements were concluded between the debtors and the creditors under which debtors arranged to settle directly with creditors part of the outstanding obligations in the Union as at the 30th June, 1954. The agreements concluded by the United Kingdom covered an amount of U.S.\$395 million, 81% of the United Kingdom's debt to the Union as at the 30th June, 1954, and involved down-payments in gold totalling U.S.\$98.8 million.

At the renewal of the Union adjustments were made to each country's cumulative accounting position to place it on a basis of settlement 50% in gold, 50% in credit, within a quota extended so that no further change in credit facilities resulted from the change in the basis of settlement.

The United Kingdom incurred deficits in only two months during 1954. For the twelve months ended February, 1955, a net surplus was earned which enabled her to repay £30 million credit to the Union and to regain from the Union U.S. \$83 million previously paid: in addition £49 million credit was repaid by the down-payment and instalments under the amortisation agreements. The United Kingdom's cumulative accounting deficit at the end of February, 1955, was £236 million (52% of her quota) of which £118 million was covered by credit received from the Union.

## United States and Canadian Credits, Etc.

Payments in respect of interest and principal were made during the year, in U.S. dollars equivalent to £52.2 million to the United States Government and in Canadian dollars equivalent to £24.8 million to the Canadian Government, making a total payment of £77 million.

## Iron and Steel Holding and Realisation Agency.

During the period under review, the Agency continued its arrangements, under the provisions of the Iron and Steel Act, 1953, for the return to private ownership of the nationalised iron and steel undertakings and the Bank of England acted as receiving banker in connection with the following public Offers for Sale:—

June, 1954.	Stewarts & Lloyds, Limited.	10,000,000 Ordinary Shares of £1 each at 35s. per Share.
October, 1954.	John Summers & Sons, Limited.	9,000,000 Ordinary Shares of £1 each at 24s. 6d. per Share.
November, 1954.	Dorman, Long & Co., Limited.	15,000,000 Ordinary Shares of £1 each at 22s. 6d. per Share.
January, 1955.	Colvilles Limited.	10,000,000 Ordinary Shares of £1 each at 26s. per Share.

In all public Offers for Sale by the Agency during this period, payment for Shares could be made in cash or by tender of 3½% Treasury Stock, 1979-81 (formerly British Iron and Steel 3½% Guaranteed Stock, 1979-81).



## Overseas Investments.

Estimates covering a large part of the overseas investments of the United Kingdom, tabulated by types of investment and by countries, have been prepared for the year 1953, in continuation of those for the years 1938 to 1952 previously published by the Bank. They show the total nominal value of U.K. overseas investments at the end of 1953 as £2,013 million; this compares with revised figures of £1,982 million at the end of 1952 and £1,987 million at the end of 1951. The total of interest and dividends for the year 1953 was £160.4 million, against £153.8 million in 1952 and £159.5 million in 1951.\*

## Court of Directors.

Sir Patrick Ashley Cooper, who had been a Director for 23 years, retired on the 28th February, 1955, when his term of office expired. The three other Directors whose term expired on that date were re-appointed for a period of four years, namely, Sir Charles Hambro, Mr. L. J. Cadbury and Lord Kindersley.

Lord Braintree, having reached the age of 70, resigned with effect from the 28th February, 1955, after serving as a Director since 1948.

The two vacancies were filled by the appointment of Mr. William Johnston Keswick and Sir William Henry Pilkington for periods of four years and one year respectively.

---

*Copies of this Report may be obtained from the Secretary.*

---

\* A limited number of copies of a paper showing the detailed figures for 1953 are available from the Secretary, Bank of England.



# BANK OF ENGLAND

28TH FEBRUARY, 1955.

## ISSUE DEPARTMENT.

	£		£
Notes Issued:		Government Debt ...	11,015,100
In Circulation ...	1,665,498,529	Other Government Securities ...	1,710,227,110
In Banking Department ...	59,863,689	Other Securities ...	745,423
		Coin other than Gold Coin ...	3,012,367
		Amount of Fiduciary Issue ...	£1,725,000,000
		Gold Coin & Bullion ...	362,218
		(@ 251s. 9d. per oz. fine)	
	<u>£1,725,362,218</u>		<u>£1,725,362,218</u>

L. K. O'BRIEN, *Chief Cashier.*

## BANKING DEPARTMENT.

	£		£
Capital ...	14,553,000	Government Securities ...	267,026,629
Rest ...	3,909,445	Other Securities:	
Public Deposits:		Discounts and Advances	£51,370,000
Public Accounts		Securities	£15,099,847
(including Exchequer, Savings Banks, Commissioners of National Debt, and Dividend Accounts)			66,469,847
£11,727,693		Notes ...	59,863,689
H.M. Treasury		Coin ...	2,361,130
Special Account			
£6,548,800	18,276,493		
Other Deposits:			
Bankers			
£292,867,982			
Other Accounts			
£66,114,375	358,982,357		
	<u>£395,721,295</u>		<u>£395,721,295</u>

L. K. O'BRIEN, *Chief Cashier.*



