



BANK OF ENGLAND

REPORT FOR THE YEAR ENDED

29th FEBRUARY

1956

Issued by Order of the Court of Directors, 19th July, 1956.

COURT OF DIRECTORS

FOR THE YEAR ENDED 29TH FEBRUARY, 1956.

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BANK OF ENGLAND

Report for the year ended 29th February, 1956

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					1952	1953	1954	1955	1956
Issued during the year	...	...	...	...	1,095	1,136	1,144	1,231	1,354
Paid during the year	...	...	...	...	1,015	1,035	1,064	1,116	1,231
In circulation at end of the year	...	...	...	...	1,369	1,470	1,550	1,665	1,788

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					1952	1953	1954	1955	1956
10s.	...	...	...	...	87,334	89,108	90,490	93,556	95,351
£1	...	...	...	...	1,054,927	1,123,696	1,179,960	1,264,574	1,357,248
£5	...	...	...	...	152,185	172,957	191,556	217,797	242,097
£10	...	...	...	...	906	815	763	694	652
£20	...	...	...	...	408	363	343	315	299
£50	...	...	...	...	832	738	695	629	592
£100	...	...	...	...	1,569	1,347	1,254	1,134	1,054
£200	...	...	...	...	8	8	8	7	7
£500	...	...	...	...	275	165	162	128	120
£1,000	...	...	...	...	217	168	151	134	122
Over £1,000 (a)	...	...	...	...	69,930	80,750	84,680	86,530	90,340
					<u>1,368,591</u>	<u>1,470,115</u>	<u>1,550,062</u>	<u>1,665,498</u>	<u>1,787,882</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					1954	1955	1956
10s.	...	...	...	...	5.8	5.6	5.3
£1	...	...	...	...	76.1	75.9	75.9
£5	...	...	...	...	12.4	13.1	13.5
£10-£1,000	...	...	...	...	0.2	0.2	0.2
Over £1,000	...	...	...	...	5.5	5.2	5.1
					<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

23rd Feb., 1955	1,659	28th Sept., 1955	1,766
30th Mar., 1955	1,696	26th Oct., 1955	1,765
27th Apr., 1955	1,732	30th Nov., 1955	1,796
25th May, 1955	1,752	28th Dec., 1955	1,890
29th June, 1955	1,783	25th Jan., 1956	1,772
27th July, 1955	1,861	29th Feb., 1956	1,788
31st Aug., 1955	1,782		

The note circulation at Christmas, 1955, was higher than ever before, the Bank Return of the 28th December, 1955, showing a figure of £1,890 million, an increase of £131 million on the corresponding peak figure for 1954.

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

£ millions

DATE	CHANGE	TOTAL FIDUCIARY ISSUE
5th April, 1955	+25	1,750
4th May, 1955	+25	1,775
3rd June, 1955	+50	1,825
14th July, 1955	+50	1,875
16th August, 1955	-50	1,825
1st September, 1955	-25	1,800
28th November, 1955	+50	1,850
9th December, 1955	+50	1,900
9th January, 1956	-50	1,850
17th January, 1956	-25	1,825

The Currency and Bank Notes Act, 1954, provides for a Fiduciary Issue of £1,575 million and empowers the Treasury, after representations by the Bank, to vary this amount; but, except under the authority of a statutory instrument (subject to annulment in pursuance of a resolution of either House of Parliament), the total may not remain above the figure of £1,575 million for longer than two years. The amount of the Fiduciary Issue having continuously exceeded that figure since the 15th March, 1954, an order was made, towards the end of the period under review, authorising from the 14th March, 1956, the maintenance of a level higher than £1,575 million for a further two years.

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	1955	1956	Change
Notes in Circulation	1,665,498	1,787,882	+ 122,384
Notes in Banking Department	59,864	37,476	- 22,388
Notes Issued	1,725,362	1,825,358	+ 99,996
Government Debt	11,015	11,015	—
Other Government Securities	1,710,227	1,810,275	+ 100,048
Other Securities	746	699	- 47
Coin other than Gold Coin	3,012	3,011	- 1
Fiduciary Issue	1,725,000	1,825,000	+ 100,000
Gold Coin and Bullion	362	358	- 4
	1,725,362	1,825,358	+ 99,996

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	1955	1956	Change
Capital	14,553	14,553	—
Rest	3,909	3,911	+ 2
Public Deposits	11,728	10,564	- 1,164
H.M. Treasury Special Account	6,549	3,130	- 3,419
Bankers' Deposits	292,868	258,100	- 34,768
Other Accounts	66,114	70,914	+ 4,800
Total Deposits	377,259	342,708	- 34,551
	395,721	361,172	- 34,549
Government Securities	267,026	283,832	+ 16,806
Discounts & Advances	51,370	20,592	- 30,778
Securities	15,100	16,988	+ 1,888
Other Securities	66,470	37,580	- 28,890
Notes	59,864	37,476	- 22,388
Coin	2,361	2,284	- 77
	395,721	361,172	- 34,549

The balance on H.M. Treasury Special Account at the end of February, 1956, represented moneys 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, 1955, in pursuance of Section 1 (4) of the Bank of England Act, 1946.

Bank Rate was raised on the 16th February, 1956, from $4\frac{1}{2}\%$ to $5\frac{1}{2}\%$. The Rate had stood at $4\frac{1}{2}\%$ since the 24th February, 1955.

During the year the Bank made Market Advances, that is, loans against security to the Discount Market, on 100 days. Such Advances were outstanding on 335 days.

Short-Term Money Rates

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

	End of February, 1954	End of July, 1954	End of December, 1954	End of January, 1955	End of February, 1955	End of December, 1955	End of February, 1956
Bank Rate (& date of previous change)	$3\frac{1}{2}$ (17th Sept., 1953)	3 (13th May, 1954)	3 (13th May, 1954)	$3\frac{1}{2}$ (27th Jan., 1955)	$4\frac{1}{2}$ (24th Feb., 1955)	$4\frac{1}{2}$ (24th Feb., 1955)	$5\frac{1}{2}$ (16th Feb., 1956)
Treasury Bills: Average rate of Discount on Allotment	£2:1:3.37	£1:11:2.80	£1:17:3.82	£2:6:7.33	£3:15:5.32	£4:1:5.40	£5:4:4.31
CLEARING BANKS							
Deposit Accounts	$1\frac{1}{4}(a)$	$1\frac{1}{4}(a)$	$1\frac{1}{4}(a)$	$1\frac{1}{2}(b)$	$2\frac{1}{2}(b)$	$2\frac{1}{2}(b)$	$3\frac{1}{2}(b)$
Call Money <i>i.e.</i> , Loans to the Discount Market:							
against Treasury Bills	$1\frac{1}{4}$	$1\frac{1}{4}$	$1\frac{1}{4}$	$1\frac{1}{4}$ (minimum)	$2\frac{1}{4}$	$2\frac{1}{4}$	$3\frac{1}{4}$
against Prime Bank Bills	2	$1\frac{1}{2}$	$1\frac{1}{2}$		(minimum)	(minimum)	(minimum)
against Bonds	$2\frac{1}{8}$	$1\frac{1}{8}$	$1\frac{1}{8}$				
DISCOUNT MARKET							
Buying Rates:							
Prime Bank Bills (3 months)	$2\frac{1}{8}$	$1\frac{1}{32}$	$1\frac{7}{8}$	$2\frac{1}{8}$	$3\frac{1}{16}$	$4\frac{3}{16} - 4\frac{1}{4}$	$5\frac{1}{32} - 5\frac{1}{8}$
Trade Bills (3 months)	$3\frac{1}{2} - 4\frac{1}{2}$	$2\frac{1}{2} - 3$	$2\frac{1}{2} - 3$	$3 - 3\frac{1}{2}$	$4\frac{1}{4} - 4\frac{1}{2}$	$5 - 5\frac{1}{4}$	$6 - 6\frac{1}{2}$

(a) at 21 days' notice.

(b) 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 1955-56 of £252 million, made up as follows:—

£ millions

[illegible]

FLOATING DEBT OUTSTANDING

<i>£ millions</i>	1st Mar. 1952	28th Feb. 1953	27th Feb. 1954	26th Feb. 1955	3rd Mar. 1956
Treasury Bills	4,185	4,306	4,371	4,842	5,119
Ways and Means Advances:					
by Public Departments	322	257	279	268	243
by Bank of England	—	—	—	—	—
	<u>4,507</u>	<u>4,563</u>	<u>4,650</u>	<u>5,110</u>	<u>5,362</u>

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

£ millions	INCREASE IN FLOATING DEBT	DECREASE IN FLOATING DEBT
Overall Exchequer Deficit (including net repayment of Tax Reserve Certificates 87)	300	
Issue: 4% Conversion Stock, 1957-58		249
Redemption: 3% Serial Funding Stock, 1955	98	
U.S. and Canadian Lines of Credit, U.S. Lend/Lease Settlement Loan, and Canadian Interest-Free Loan:		
Repayments of Principal	39	
Terminable Annuities Paid Off	46	
Miscellaneous (net)	18	
	<u>501</u>	<u>249</u>
Net increase in Floating Debt	252	

It was announced in October, 1955, that tenders would be invited for Treasury Bills having a currency of 63 days as and when the needs of H.M. Treasury so required. The change was a technical one designed to give greater flexibility in the management of the Floating Debt, particularly at periods of heavy inflow of revenue. Such Bills were offered, in addition to Bills of the normal 91 day currency, for seven consecutive weeks between the 4th November and the 16th December, 1955, to the extent of either £50 million or £60 million weekly; the average rate of discount per cent. at which these Treasury Bills were allotted varied between £4:2:6.34 and £4:1:6.69.

The weekly allotment of Treasury Bills by tender amounted to £260 million at the beginning and to £220 million at the end of the period. The lowest allotments were those for £220 million on the 29th April, 1955, and on the 24th February, 1956. The highest allotments, for £290 million, were made at the tenders on the 1st July, and the 2nd, 9th and 16th September, 1955, when 91 day Bills only were offered, and at the four tenders during the period from the 18th November to the 9th December, 1955, when the total comprised both 91 day Bills and 63 day Bills.

The average rate of discount per cent. at which 91 day Bills were allotted rose, with some minor fluctuations, from £3:15:8.93 at the beginning of the period to £4:2:8.71 at the tender before the increase in Bank Rate on the 16th February, 1956. At the following tender the rate was £5:5:5.88; but the next week it dropped to £5:4:4.31.

The Credit Situation

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 16th February, 1955, and the 15th February, 1956, the net deposit liabilities of the London Clearing Banks decreased by £358 million, or 5.7%, the first decline since 1952. During the first ten months of the year under review net deposit liabilities rose by only £4 million, compared with £548 million in the corresponding months of the preceding year. In the last two months they fell by £362 million, against £301 million in the last two months of the previous year. During the year as a whole, Current Accounts fell by £171 million, their ratio to Total Deposits rising slightly to 63.9%, while Deposit and Other Accounts fell by £190 million.

LONDON CLEARING BANKS: DEPOSITS

<i>£ millions</i>	February	1952	1953	1954	1955	1956
Current Accounts	3,923	3,837	3,954	4,112	3,941
Deposit and Other Accounts	<u>1,970</u>	<u>2,192</u>	<u>2,283</u>	<u>2,413</u>	<u>2,223</u>
Total Deposits	5,893	6,029	6,237	6,525	6,164
Balances with Other Banks, etc.	<u>197</u>	<u>209</u>	<u>227</u>	<u>268</u>	<u>265</u>
Net Deposits	<u>5,696</u>	<u>5,820</u>	<u>6,010</u>	<u>6,257</u>	<u>5,899</u>
Rate of change on previous year in Net Deposits	-2.4%	+2.2%	+3.3%	+4.1%	-5.7%

There were contrasting movements in the corresponding assets of the Clearing Banks as the year progressed. Between the middle of February and the end of June, 1955, Advances to Customers and Other Accounts rose by £186 million, continuing a previous upward movement: but Investments, which had already fallen by £66 million from the high point reached in November, 1954, fell by a further £199 million. The condition of the gilt-edged market, after adjustment to

the change in rates in February and to the Budget statement, made possible vigorous departmental net sales, in addition to sales by banks. The rise in Treasury Bill rates consequent upon the increase in Bank Rate led to a marked increase in holdings by industrial and other concerns outside the Clearing Banks and the Discount Market. As a result mainly of these influences, the Clearing Banks' Treasury Bills Discounted and Money at Call and Short Notice—which were at the outset £92 million smaller than a year before—were reduced by £65 million, notwithstanding the seasonal and other needs of the Exchequer. Net Deposits fell by £84 million. The ratio to Total Deposits of Cash, Money at Call and Short Notice, and Bills Discounted—commonly referred to as the liquidity ratio—which had been 31·3% in February was 30·1% at the end of June.

The June figure of £2,186 million proved to be the peak figure for Advances to Customers and Other Accounts, because action taken by the banks during the preceding months in reviewing overdraft limits was gradually restraining the growth of loans to customers other than the nationalised industries. This action by the banks was intensified and fortified when on the 25th July, 1955, the Chancellor of the Exchequer asked the banks to help in reducing the total demand on the country's resources by making a positive and significant reduction in their advances over the next few months. On the 17th February, 1956, the Chancellor stated that he looked to the banks to continue their efforts to reduce the total of their advances. The response of all members of the British Bankers' Association, and of their customers, is shown in the published quarterly analysis of advances referred to below. The Clearing Banks' Advances to Customers and Other Accounts had fallen from £2,186 million in June to £1,865 million by the middle of February, 1956.

Through the autumn the normal seasonal requirements of the Exchequer were accentuated by a net repayment of small savings and by a growth in capital advances to local authorities. On the 26th October, 1955, the Chancellor stated that all local authorities who could borrow on their own credit should in future make full use of the stock and mortgage markets. In consequence, local authorities reduced the scale of their further borrowings from the Exchequer.

The need to make large market issues in order to repay bank advances to nationalised industries put pressure upon a less confident gilt-edged market, from which funds were diverted in support of industrial and commercial enterprise, partly as an outcome of the curtailment of bank lending. Taking also into account the redemption of the outstanding balance of 3% Serial Funding Stock, 1955, the net effect of new government and government-guaranteed issues and of departmental purchases and sales was a considerable increase in the supply of Treasury Bills to the market. Exchequer requirements would have been substantially larger, both in the autumn and in the early winter months, had it not been for sterling receipts associated with the exchange reserve position. Treasury Bills held by the Clearing Banks together with Money at Call and Short Notice had risen at the end of December by £447 million above the end of June figure. Notwithstanding this increase in their more liquid assets and the fall in their advances, the Clearing Banks reduced their Investments by a further £83 million during the same period. Their combined liquidity ratio rose from 30·1% at the end of June to 37·4% at the end of December.

In January and February Treasury Bills held by the market were reduced as a result of the seasonal inflow of revenue and the combined liquidity ratio of the Clearing Banks fell sharply to 34·3% on the 15th February, 1956. During these weeks their Advances to Customers and Other Accounts, including advances to nationalised industries, rose by £14 million and their Investments again decreased, by £9 million.

Following upon the rise in Bank Rate on the 16th February, 1956, and the statement made by the Chancellor on the following day of measures which the Government had taken and proposed to take to deal with the economic situation, the condition of the gilt-edged market improved.

The principal assets of the London Clearing Banks at the end of the year under review are shown in the following table:—

LONDON CLEARING BANKS: PRINCIPAL ASSETS						
Percentage of Total Deposits is shown in italics						
<i>£ millions</i>	February	1952	1953	1954	1955	1956
Cash in hand and at Bank of England		492	491	504	525	506
		<i>8.4</i>	<i>8.1</i>	<i>8.1</i>	<i>8.0</i>	<i>8.2</i>
Money at Call and Short Notice		526	456	454	445	433
		<i>8.9</i>	<i>7.6</i>	<i>7.3</i>	<i>6.8</i>	<i>7.0</i>
Bills Discounted:						
Treasury Bills		669	978	1,034	951	1,038
		<i>11.3</i>	<i>16.2</i>	<i>16.6</i>	<i>14.6</i>	<i>16.8</i>
Other Bills		187	68	79	122	134
		<i>3.2</i>	<i>1.1</i>	<i>1.3</i>	<i>1.9</i>	<i>2.2</i>
Total of above items		1,874	1,992	2,071	2,042	2,111
		<i>31.8</i>	<i>33.0</i>	<i>33.2</i>	<i>31.3</i>	<i>34.3</i>
Treasury Deposit Receipts		15	—	—	—	—
		<i>0.2</i>	—	—	—	—
Total of above items		1,889	1,992	2,071	2,042	2,111
		<i>32.0</i>	<i>33.0</i>	<i>33.2</i>	<i>31.3</i>	<i>34.3</i>
Investments		1,944	2,130	2,275	2,298	2,007
		<i>33.0</i>	<i>35.3</i>	<i>36.5</i>	<i>35.2</i>	<i>32.6</i>
Advances to Customers and Other Accounts ...		1,933	1,773	1,741	2,000	1,865
		<i>32.8</i>	<i>29.4</i>	<i>27.9</i>	<i>30.6</i>	<i>30.3</i>

The quarterly analysis of advances made within Great Britain by members of the British Bankers' Association, which is set out below for the month of February in the last four years, shows that total advances rose between February and August, 1955, by £120.2 million but fell between August, 1955, and February, 1956, by £254.1 million, a net decline of £133.9 million. Within the total the largest movements were in advances to "Public Utilities (other than Transport)" which, after increasing by £44.9 million in the first half of the year, decreased by £148.8 million in the second half, when there were considerable repayments of advances out of the proceeds of Gas and Electricity Stock issues. There was a large increase of £75.3 million in advances to other customers in the first half of the year, but it was followed by a large and rapid fall of £105.3 million in the second half.

Apart from the fall in "Public Utilities (other than Transport)" there were large decreases over the year in the Personal and Professional group, which after rising by £4.3 million in the first half fell by £49.8 million in the second half, a net decline of £45.5 million; in Local Government

Authorities, which decreased by £16.4 million; and in Other Financial, which went down by £14.4 million. All the groups mentioned had risen during the previous year. The only substantial increase over the year was that of £30.8 million in advances to Engineering, etc.

BRITISH BANKERS' ASSOCIATION: ANALYSIS OF ADVANCES

<i>£ millions</i>	February	1953	1954	1955	1956	1956 % of Total
Coal Mining		1.6	1.9	1.3	0.9	0.1
Quarrying, etc.		4.8	4.7	5.3	4.2	0.2
Iron & Steel and Allied Trades		49.7	50.4	32.8	38.9	2.0
Non-ferrous Metals		4.3	5.9	7.8	8.3	0.4
Engineering, etc.		169.3	142.2	149.3	180.1	9.2
Shipping & Shipbuilding		13.8	18.4	19.1	26.5	1.3
Transport & Communications		16.0	23.4	20.4	21.1	1.1
Cotton		13.4	13.4	20.3	18.2	0.9
Wool		20.5	27.4	31.6	30.1	1.5
Other Textiles		44.6	46.7	47.4	42.3	2.2
Leather & Rubber		14.2	16.6	17.8	16.8	0.9
Chemicals		27.2	25.8	30.8	30.1	1.5
Agriculture & Fishing		195.1	208.1	224.8	229.1	11.7
Food, Drink & Tobacco		132.2	132.7	154.4	163.1	8.3
Retail Trade		170.7	170.7	195.5	185.7	9.5
Entertainment		22.8	21.4	21.2	20.6	1.0
Builders & Contractors		62.5	60.0	68.5	70.6	3.6
Building Materials		17.5	17.2	21.0	22.4	1.1
Unclassifiable Industry & Trade		109.6	104.7	126.0	134.9	6.9
Local Government Authorities		77.1	86.2	102.8	86.4	4.4
Public Utilities (other than Transport)		140.5	86.9	162.1	58.2	3.0
Churches, Charities, Hospitals, etc.		12.7	12.4	13.0	13.0	0.7
Stockbrokers (a)		5.9	8.2	16.1	9.0	0.5
Hire Purchase Finance Companies		172.2	11.2	30.5	35.4	1.8
Other Financial			178.2	181.8	167.4	8.5
Personal & Professional		370.5	367.9	393.4	347.9	17.7
		<u>1,868.8</u>	<u>1,842.6</u>	<u>2,095.0</u>	<u>1,961.1</u>	<u>100.0</u>

(a) Includes in 1955 and 1956 certain short-term lendings previously not incorporated in this analysis. The comparable figure for 1954 was £11.0 million.

The rate of interest allowed by the banks on Deposit Accounts remained at 2½% throughout the year until the 16th February, 1956, when, following the increase of 1% in Bank Rate, it was raised to 3½%, as shown above in the Table of Short-Term Money Rates. On the same date the minimum rate of interest charged for Call Money was increased from the 2¾% which had been operative since the beginning of the year to 3¾%.

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 £482 million. The total number of transfers registered was 773,000, a decrease of 2.5% 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	1953	1954	1955	1956
British Government:									
Stock	...	...	...	...	5,107	13,759	14,367	14,355	14,487
Bearer Bonds	...	...	...	...	1,002	109	106	102	98
Total	...	...	...	...	6,109	13,868	14,473	14,457	14,585
Other Securities:									
Treasury Guaranteed	...	...	...	...	140	2,788	2,844	2,984	3,329
Dominion & Colonial	...	...	...	...	454	152	161	185	191
Local Authorities	...	...	...	...	197	149	154	154	158
Public Boards, etc.	...	...	...	...	202	60	59	58	58
Miscellaneous	...	...	...	...	19	16	16	16	15
Total	...	...	...	...	1,012	3,165	3,234	3,397	3,751
Grand Total	...	...	...	...	7,121	17,033	17,707	17,854	18,336

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

REDEMPTIONS

New Zealand Government 3% Stock, 1952-55:

1st July, 1955. For cash £ 5.3 million

London Electric Transport Finance Corporation Limited 2½% Guaranteed
Debenture Stock, 1950-55:

1st August, 1955. For cash £ 32.4 „

3% Serial Funding Stock, 1955:

14th November, 1955. For cash £ 97.5 „

ISSUES

North of Scotland Electricity 3% Guaranteed Stock, 1968-73:

31st March, 1955. Issued to the Central Electricity Authority as compensation under Section 47 of the Electricity Act, 1947, as amended £ 8.5 million

New Zealand Government 4½% Stock, 1970-73:

9th June, 1955. For cash at £97:10s.% £ 3.3 „

1st July, 1955. Issued at par with a cash payment of £2:10s.% in exchange for New Zealand Government 3% Stock, 1952-55 £ 6.7 „

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, 1955 £ 11.9 „

15th December, 1955 £ 6 „

British Transport 4% Guaranteed Stock, 1972-77:

23rd June, 1955. For cash at £96:10s.% £ 34.4 „

1st August, 1955. By reinvestment of £7.3 million Redemption Money resulting from the redemption of London Electric Transport Finance Corporation Limited 2½% Guaranteed Debenture Stock, 1950-55, at £96:10s.% £ 7.6 „

British Gas 4% Guaranteed Stock, 1969-72:

14th July, 1955. For cash at £98% £100 „

British Electricity 4½% Guaranteed Stock, 1967-69:

11th August, 1955. For cash at £98:10s.% £200 „

North of Scotland Electricity 4½% Guaranteed Stock, 1965-66:

4th October, 1955. For cash at £98% £ 15 „

4% Conversion Stock, 1957-58:

13th October, 1955. For cash at £99:10s.% £250 „

14th November, 1955. Issued at par with a cash payment of 10s.% in exchange for 3% Serial Funding Stock, 1955 £425.6 „

Government of the Federation of Rhodesia & Nyasaland 5% Stock, 1975-80:

11th November, 1955. For cash at £99:10s.% £ 10 „

South of Scotland Electricity 4½% Guaranteed Stock, 1967-69:

16th November, 1955. For cash at £97:7:6% £ 15 „

Liverpool Corporation 4½% Redeemable Stock, 1970-74:

8th December, 1955. For cash at £97% £ 4 „

British Overseas Airways 4½% Guaranteed Stock, 1965-66:

20th December, 1955. For cash at £97:15s.% £ 15 „

Gold and Foreign Exchange Markets

There was a substantial increase in the turnover on the London Gold Market during the year and London is now re-established in its former position as the leading world market for gold.

Business in the Foreign Exchange Market has continued to expand in a satisfactory manner. There was an increase of about 40% in the turnover in U.S. dollars while the arrangements for arbitrage between certain European currencies continued to function smoothly.

On the 22nd August, 1955, Italy joined the European arbitrage scheme for spot transactions only and the Italian lira was officially quoted by the Bank. On the 5th December, 1955, Italian lire were included in the arbitrage scheme for forward transactions for periods of up to three months.

Transferability of Sterling

The facilities for the use of sterling held on Transferable Accounts by residents of the Transferable Account Area continued to be extensively used throughout 1955. With the inclusion of Turkey from the 1st July, 1955, in that Area every non-Sterling Area country in the world other than Canada and the countries of the American Account Area, is now a member of the Transferable Account Area—within which sterling may be freely transferred for any purpose, capital or current.

United Kingdom merchanting transactions between non-Sterling Area countries on a sterling basis amounted in 1955 to £176 million, compared with £163 million in 1954, £142 million in 1953, £150 million in 1952 and £124 million in 1951. These figures include those transactions allowed under Commodity Market Schemes which took place in sterling.

Commodity Market Schemes

Although no new Commodity Market Schemes were introduced during the year under review, the volume of business transacted under the existing Schemes was appreciably larger. The total value of commodities sold to countries outside the Sterling Area under Scheme arrangements during 1955 for payment in sterling or foreign currency was approximately £393 million, as compared with £299 million in 1954. The increase is accounted for largely by the extension in July, 1954, of the Sugar Scheme to permit raw sugar purchased from the American Account Area to be resold to countries in the Transferable Account Area for sterling, and by the introduction of a new Scheme for Copra in December of that year. In addition, prices of some commodities were higher and increased turnover in rubber and copper more than offset a reduction in cocoa and coffee.

Dealing in long staple Egyptian cotton was resumed on the Liverpool Cotton Exchange in September, 1955, simultaneously with the re-opening of the Cotton Futures Market in Alexandria.

The success achieved in operating Commodity Schemes continues to be due in no small measure to the close liaison maintained with the Bank by the Markets concerned.

European Payments Union

With two important changes the European Payments Union was renewed until the 30th June, 1956. The proportion of gold to be paid or received in the monthly settlements was increased from 50% to 75% as from the 1st August, 1955; to avoid any consequential change in the credit facilities available, adjustments were made to each country's cumulative accounting position and quota.

The European Monetary Agreement, signed on the 5th August, 1955, is designed to provide a framework within which monetary co-operation between O.E.E.C. countries will continue when the European Payments Union comes to an end. The Agreement provides for a European Fund through which short-term credit may be made available to assist member countries in meeting temporary balance of payments difficulties, and for a Multilateral System of Settlements through which members will be able to settle monthly, on pre-arranged terms, such of their net balances as have not been cleared through foreign exchange markets.

During the twelve months ended February, 1956, the United Kingdom incurred a net deficit of £100 million which entailed the payment to the Union of £77 million in gold and U.S. dollars and the receipt from the Union of £23 million credit, but £17 million credit was repaid under the bilateral amortisation agreements concluded in 1954. By the end of February, 1956, the United Kingdom had received from the Union £124 million credit (51% of the total available under the present arrangements).

United States and Canadian Government Loans and Credits

Payments in respect of interest and principal were made during the year in U.S. dollars equivalent to £52.4 million to the United States Government and in Canadian dollars equivalent to £24.4 million to the Canadian Government, making a total payment of £76.8 million.

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 1954, in continuation of those for the years 1938 to 1953 previously published by the Bank. They show the total nominal value of U.K. overseas investments at the end of 1954 as £2,128 million; this compares with a revised figure of £2,017 million at the end of 1953 and with £1,982 million at the end of 1952. The total of interest and dividends for the year 1954 was £186.4 million, against a revised figure of £161.7 million in 1953 and £153.8 million in 1952.*

* A limited number of copies of a paper showing the detailed figures for 1954 are available from the Secretary, Bank of England.

Court of Directors

The term of office of Sir John Hanbury-Williams, Sir George Bolton, Sir George Abell and Sir Harry Pilkington expired on the 29th February, 1956, and they were re-appointed for a period of four years.

Lord Piercy, having reached the age of 70, resigned with effect from the 29th February, 1956, after serving as a Director since 1946, and the vacancy was filled by the appointment of Sir Alfred Roberts for two years, the unexpired portion of Lord Piercy's term.

Copies of this Report may be obtained from the Secretary.

BANK OF ENGLAND

29TH FEBRUARY, 1956

ISSUE DEPARTMENT

	£		£
Notes Issued:		Government Debt ...	11,015,100
In Circulation ...	1,787,882,333	Other Government	
In Banking Department...	37,476,049	Securities ...	1,810,274,538
		Other Securities ...	699,231
		Coin other than Gold Coin	3,011,131
		Amount of	
		Fiduciary Issue ...	£1,825,000,000
		Gold Coin and Bullion ...	358,382
		(@ 249s. 1d. per oz. fine)	
	<u>£ 1,825,358,382</u>		<u>£ 1,825,358,382</u>

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

BANKING DEPARTMENT

	£		£
Capital ...	14,553,000	Government Securities ...	283,831,629
Rest ...	3,910,659	Other Securities:	
Public Deposits:		Discounts and Advances	
Public Accounts		£20,591,749	
(including Exchequer, Savings		Securities	
Banks, Commissioners of National		£16,988,185	37,579,934
Debt, and Dividend Accounts)			
£10,563,982		Notes ...	37,476,049
H.M. Treasury		Coin ...	2,283,890
Special Account			
£3,129,683	13,693,665		
Other Deposits:			
Bankers			
£258,099,602			
Other Accounts			
£70,914,576	329,014,178		
	<u>£ 361,171,502</u>		<u>£ 361,171,502</u>

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

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