

APPENDICES

Strictly private and confidential.

To the Managers of the Branches.

MORATORIUM

The Government have decided to declare a general Moratorium.

The effect of this will be that no debt owing at the time of the Declaration can be enforced for the period of the Moratorium.

This applies to Customers' balances with Bankers, whether debit or credit (including deposits) as on the 1st August. It does not apply to any transactions entered into after that date.

The Committee of Clearing Bankers have decided to offer every possible facility within their power to the Trade and Commerce of the Country, and only to claim the protection of the Moratorium where it appears that withdrawals are being made for the purpose of hoarding or exporting currency.

Without in any way prejudicing their rights under the Moratorium, the Clearing Banks propose to adopt the following regulations, but these must on no account be communicated to the Customer.

- (1) To hold at the disposal of all employers, funds for payment in cash over the counter of bona fide cheques for Wages and Salaries, to the extent of their net credit balances. This to include Wages paid under open credits for other Branches or Banks.

- (2a) To hold at the disposal of each Customer for payment in cash over the counter a sum equal to not more than 10 per cent. of his net credit balance on Current Account, with a minimum of £25, that is:-

Customers with a balance of £25 and under may draw for the full amount of the balance.

Customers with balances over £25 and up to £250, may draw £25.

Customers with balances over £250 may draw for 10 per cent. of their balance. It is recommended that £2/3,000 should be considered a maximum except in very special circumstances.

- (2b) In the case of net deposit account balances, to hold at the disposal of the Depositor at the expiration of the agreed notice or fixed term, for payment in cash over the counter a sum equal to a similar proportion as in the case of Current Accounts. The minimum and maximum to be the same.
- (3) Cheques, drafts, bills, etc., presented through the Clearings to be dealt with as usual, subject to discretion in every case.
- (4) To prevent any attempt on the part of Customers to defeat the object of the above principle by transfer of their accounts to another Bank or otherwise, the Banks concerned will loyally support each other and exercise necessary vigilance.

- (5) Your Customers should be strongly recommended to make their payments by crossed cheque as far as possible.

In order to preserve the Banks' right to the protection of the Moratorium in case of need, the following instructions are to be followed:-

CREDIT ACCOUNTS

- (1) Open a new account to which all new payments in are to be credited and all cheques, drafts and acceptances paid, are to be debited. The balance at the credit of the old account is to remain undisturbed until the expiration of the Moratorium.
- (2) If the Bank thinks fit, the new account can work in debit to the extent of the credit of the old account, but of course no promise must be given to the Customer that this will be done.
- (3) By this means the old credit balance will remain subject to the Moratorium while the balance of the new account, whether credit or debit, will be a debt due in the ordinary way.
- (4) A credit balance on the new account is not subject to the Moratorium and the Customer will be entitled to demand payment of the full amount in legal tender.

DEBIT ACCOUNTS

These may be continued without any break, the credits received going by appropriation of payments in repayment of the overdraft as at August 1st, the debits subsequent to that date constituting a new advance which is not subject to the Moratorium.

A note should be made in the ledger in red ink at the head of the new account, of the amount which the Customer is to be allowed to draw in cash, any cash payments made are to be deducted in red ink from this sum and the amount remaining available for payment in cash to be shown. This memorandum does not affect the posting of all debits, whether cash or clearing, to the debit of the new account in the ordinary way. The 10 per cent. Cash limit should not be exceeded except in special cases.

In order that any attempt to defeat the protection afforded by the Moratorium may be frustrated, you must not open an account for a Customer of another Bank, and if any of your Customers have already accounts at other Banks and wish to pay in cheques drawn by them on those Banks these must not be taken without the full knowledge and agreement of the Bank on whom the cheque is drawn.

Similarly you must keep a close watch for anything in the nature of an exchange of cheques between two of your own Customers or your own Customers and those of other Banks, and if you see any cheques coming through which might bear this construction you must satisfy yourself as to the bona fides of the transaction before you pay the cheques.

PASS-BOOK

In writing up the Pass-Book, the sides must be totalled at the close of the 1st August, but no balance struck. A new account must be opened on the next page

to agree with the Ledger - of course, no note of your red ink memorandum as to the amount that may be drawn in Cash must appear in the Pass-Book, as this is our own arrangement only, and not in any sense an agreement with the Customer, and must, on no account, be communicated to him.

ACCEPTANCES

Under the Proclamation of the 2nd August, Acceptors have the right of re-accepting for one month all Bills accepted before the 4th August, 1914.

Any such Bills domiciled with you are to be returned marked "Refer to Acceptor under terms of Proclamation, 2nd August, 1914." This will apply to all such Bills unless your Customer has given you special instructions that notwithstanding his rights under the Moratorium such Bills are to be paid.

Bills which may be returned to you with this answer must immediately be presented for re-acceptance: interest at the then current Bank Rate from the date of re-acceptance (not necessarily the original due date of the Bill) to one calendar month from the original due date must be added to the amount of the Bill. Interest from the original due date to the date of re-acceptance must be claimed separately from your Customer for whom the Bill was discounted.

CASH

If you should not have a sufficiency of cash, the doors must on no account be closed before the usual hour, but persons presenting cheques must be told that a supply of currency is on the way.

The Government are issuing £1 and 10s. Government Notes and are also making Postal Orders legal tender. A supply of Government Notes will be forwarded to you as soon as possible. These must be issued in preference to gold and so far as Notes are available gold must not be issued.

We have been officially informed that an ample supply of this new currency will be in circulation without delay.

LIMITS FOR ADVANCES

One of the effects of a Moratorium is to put an end to a Customer's right to overdraw. It is, however, necessary to keep the trade going, and therefore your debtor Customers must be allowed to draw their wages and any petty cash that is absolutely necessary and the cheques presented through the Clearing must be paid to the extent of the old arrangement. You will understand that the intention is that as far as possible the continuity of the trade of the country shall be preserved and all the Banks have agreed to work on these lines, standing loyally by each other, and to this end we wish you to give any assistance in your power to your neighbouring Banks and they also will assist you if they are able to do so.

5th August, 1914.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

Proclamation of 2nd August 1914.

Proclamation of 6th August 1914.

Proclamation of 12th August 1914.

Announcement in "The Times" - 13th August 1914.

Proclamation of 3rd September 1914.

Announcement in "The Times" - 5th September 1914.

Announcement in "The Times" - 24th September 1914.

Proclamation of 30th September 1914.

Announcement in "The Times" - 2nd October 1914.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

Proclamation No.1* of 2nd August 1914
(Re-acceptance Proclamation)

BY THE KING

A P R O C L A M A T I O N

FOR POSTPONING THE PAYMENT OF CERTAIN
BILLS OF EXCHANGE

GEO GE R.I.

WHEREAS in view of the critical situation in Europe and the financial difficulties caused thereby it is expedient that the payment of certain bills of exchange should be postponed as appears in this Proclamation:

NOW, THEREFORE, WE have thought fit, by and with the advice of Our Privy Council, to issue this Our Royal Proclamation, and We do hereby proclaim, direct, and ordain as follows:-

If on the presentation for payment of a bill of exchange, other than a cheque or bill on demand, which has been accepted before the beginning of the fourth day of August nineteen hundred and fourteen the acceptor re-accepts the bill by a declaration on the face of the bill in the form set out hereunder, that bill shall, for all purposes, including the liability of any drawer or indorser or any other party thereto, be deemed to be due and be payable on a date one

*N.B. The numbers of these Proclamations do not appear in the originals. They were inserted by Freshfields for purposes of convenient reference: see their Notes.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No.1 of 2nd August 1914 (contd.)
(Re-acceptance Proclamation)

calendar month after the date of its original maturity instead of on the date of its original maturity and to be a bill for the original amount thereof increased by the amount of interest thereon calculated from the date of re-acceptance to the new date of payment at the Bank of England rate current on the date of the re-acceptance of the bill.

Form of Re-acceptance

Re-accepted under Proclamation for £.....
(Insert increased sum)

Signature.....

Date.....

Given at Our Court at Buckingham Palace, this Second day of August in the year of our Lord One thousand nine hundred and fourteen, and in the Fifth Year of Our Reign.

GOD SAVE THE KING

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes* to Proclamation No.1

The Moratorium under this Proclamation applies to bills of exchange which were accepted before 4th August 1914, provided the acceptor has re-accepted the bill. It does not apply to bills not re-accepted or to cheques or bills on demand, for which see Proclamations 2 & 3.

The Moratorium lasts for one calendar month after the date of the original maturity[†], but in the case of a bill re-accepted before 4th September 1914 it is extended to two calendar months, further re-acceptance being unnecessary if on presentation for payment this re-accepted bill is not paid. See Proclamation No.4 of 3rd September 1914.

Interest 1st month

The Proclamation (No.1) states that interest runs from the date of re-acceptance, but in practice we believe interest is generally calculated from the date of original maturity, whether re-acceptance is ante-dated or not, unless there has been undue delay in presentment. See by way of analogy Section 18 (3) Bills of Exchange Act, 1882.

*These Notes and those appended to the other Proclamations were prepared by Messrs Freshfields.

[†]August 3, 4, 5 and 6, being Bank Holidays, a bill payable on any of these days became payable on 7th August. Consequently 7th September would be the postponed date of payment without further days of grace. The further extension of a month by Proclamation No.4 of 3rd September 1914 would make the next date of payment of such a bill 7th October.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes to Proclamation No.1 (contd.)Interest 2nd month

For the second month (Proclamation No.4 of 3rd September 1914) interest is added for one month calculated at the Bank of England rate current on the date of presentation. It appears therefore that if the bill is not presented on its first moratorium due date interest will not begin to run till the date of presentation.

Proclamation No.5 of 30th September

Proclamation No.5 of 30th September further postpones payment of (1) bills payment of which has already been postponed before 4th October, and (2) bills the original date of maturity whereof is after the 3rd October.

(1) Bills the payment of which has already been postponed before 4th October.

The further postponement is for fourteen days and is in addition to any postponement previously obtained. Fourteen days' interest on the original amount of the bill is added at Bank of England rate current on the date of presentation for payment, e.g. a bill already postponed falling due on 10th October and presented on that date would get the benefit of the moratorium and would become due and payable on the 24th October with fourteen days' interest at Bank of England rate current on 10th October.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes to Proclamation No.1 (contd.)

(2) Bills the original date of maturity whereof is after the 3rd October.

Proclamation No.1 is to continue to apply to such bills if re-accepted. Payment is consequently postponed for one month from the date of original maturity. As to interest see Note under first month.

In the case of such bills not re-accepted when presented for payment then payment is postponed for one month from the date of original maturity provided the acceptor has not expressly refused re-acceptance. Interest is added to the original amount of the bill and runs from the original date of maturity at the Bank of England rate current on that date.

These Notes apply to inland bills. In the case of foreign bills or inland bills bearing foreign indorsements they must be read subject to our general Notes as to such bills.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

Proclamation No.2 of 6th August 1914
(First General Proclamation)

BY THE KING

A P R O C L A M A T I O N

FOR EXTENDING THE POSTPONEMENT OF PAYMENTS ALLOWED TO BE
MADE BY THE PROCLAMATION OF THE 2ND AUGUST, 1914, TO
CERTAIN OTHER PAYMENTS.

GEORGE R.I.

WHEREAS under the Postponement of Payments Act, 1914, His Majesty has power by Proclamation to authorise the postponement of the payment of any bill of exchange or of any negotiable instrument or of any other payment in pursuance of any contract to such extent for such time and subject to such conditions or other provisions as may be specified in the Proclamation:

AND WHEREAS it is expedient that provision should be made for the purpose of such postponement of payment in addition to the provision already made by Our Proclamation, dated the Second day of August, nineteen hundred and fourteen, relating to the postponement of payment of certain bills of exchange:

NOW, THEREFORE, WE have thought fit, by and with the advice of Our Privy Council, to issue this Our Royal Proclamation, and we do hereby proclaim, direct and ordain as follows:-

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No.2 of 6th August 1914 (contd.)
(First General Proclamation)

Save as hereinafter provided, all payments which have become due and payable before the date of this Proclamation or which will become due and payable on any day before the beginning of the fourth day of September, nineteen hundred and fourteen, in respect of any bill of exchange (being a cheque or bill on demand) which was drawn before the beginning of the fourth day of August, nineteen hundred and fourteen, or in respect of any negotiable instrument (not being a bill of exchange) dated before that time, or in respect of any contract made before that time, shall be deemed to be due and payable on a day one calendar month after the day on which the payment originally became due and payable, or on the fourth day of September, nineteen hundred and fourteen, whichever is the later date, instead of on the day on which the payment originally became due; but payments so postponed shall, if not otherwise carrying interest, and if specific demand is made for payment and payment is refused, carry interest until payment as from the fourth day of August, nineteen hundred and fourteen, if they become due and payable before that day and as from the date on which they become due and payable if they become due and payable on or after that day, at the Bank of England rate current on the seventh day of August, nineteen hundred and fourteen; but nothing in this

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No.2 of 6th August 1914 (contd.)
(First General Proclamation)

Proclamation shall prevent payments being made before the expiration of the month for which they are so postponed.

This Proclamation shall not apply to:-

1. Any payment in respect of wages or salary.
2. Any payment in respect of a liability which when incurred did not exceed five pounds in amount.
3. Any payment in respect of rates or taxes.
4. Any payment in respect of maritime freight.
5. Any payment in respect of any debt from any person resident outside the British Islands, or from any firm, company or institution whose principal place of business is outside the British Islands not being a debt incurred in the British Islands by a person, firm, company or institution having a business establishment or branch business establishment in the British Islands.
6. Any payment in respect of any dividend or interest payable in respect of any stocks, funds or securities (other than real or heritable securities) in which trustees are, under section one of the Trustee Act 1893, or any other Act for the time being in force, authorized to invest.
7. Any liability of a bank of issue in respect of bank notes issued by that bank.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No.2 of 6th August 1914 (contd.)
(First General Proclamation)

8. Any payment to be made by or on behalf of His Majesty or any Government Department, including the payment of old age pensions.
9. Any payment to be made by any person or society in pursuance of the National Insurance Act, 1911, or any Act amending that Act (whether in the nature of contributions, benefits or otherwise).
10. Any payment under the Workmen's Compensation Act, 1906, or any Act amending the same.
11. Any payment in respect of the withdrawal of a deposit by a depositor in a trustee savings bank.

Nothing in this Proclamation shall affect any bills of exchange to which Our Proclamation dated the Second day of August, nineteen hundred and fourteen, relating to the postponement of payment of certain bills of exchange applies.

Given at Our Court at Buckingham Palace, this Sixth day of August in the year of our Lord One thousand nine hundred and fourteen and in the Fifth Year of Our Reign.

GOD SAVE THE KING

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes to Proclamation No.2

This Proclamation besides postponing payments generally applies to bills of exchange being cheques or bills on demand. See further Proclamations Nos.4 & 5.

Interest is carried by cheques and bills on demand till payment if specific demand is made for payment and payment is refused as from 4th August if presented before that date, and as from the date of presentment if presented after 4th August in each case at the Bank of England rate current on 7th August.

By Paragraph (a) of Proclamation No.3 of 12th August, Proclamation No.2 is also made to apply to all* bills of exchange which have not obtained the benefit of the Moratorium under Proclamation No.1 of 2nd August owing to their not having been re-accepted unless the acceptor has expressly[†] refused re-acceptance in which case none of the Moratoria apply. Where therefore re-acceptance has been expressly refused the bill must be treated as dishonoured. The requisite notices of dishonour must be given and where necessary if

*Paragraph (a) does not apply to bills where the original date of maturity is on or after 3rd October. See Paragraph 2 Proclamation No.5 of 30th September.

[†]The acceptor must expressly refuse re-acceptance; therefore bills not paid and marked e.g. "no advice" "refer acceptor" cannot be treated as expressly refused re-acceptance.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes to Proclamation No.2 (contd.)

the bill is a foreign bill or bears foreign indorsements it should be noted and protested at once. The holder is then in a position to commence proceedings if necessary. Proclamation No.3 is retrospective as it dates back to the 6th August and there therefore seems to be no obligation to present the bill for re-acceptance and the failure to do so does not deprive parties to the bill of the benefit of the Moratorium.

Interest is payable on bills of exchange which have not been re-accepted where the acceptor has not expressly refused re-acceptance and runs probably from the date on which these bills were due and payable, the rate being fixed at the Bank of England rate current on the date of presentment for payment.

But it is to be noted that interest does not run unless specific demand for payment has been made and payment has been refused. Consequently bills not presented for payment do not carry interest, although the provisions of the Moratorium may apply in other respects.

These notes apply to inland bills. In the case of foreign bills and inland bills bearing foreign indorsements, they must be read subject to our general Notes.

A further Moratorium is given to bills not re-accepted, by paragraph 3 of Proclamation No.5 of

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes to Proclamation No.2 (contd.)

30th September, which gives a further postponement of 14 days in the case of bills where the date of maturity has before the 4th October already been postponed by the Proclamations. Fourteen days' interest is added to the original amount of the bill and runs from the date of maturity at the Bank of England rate current on that date.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

Proclamation No.3 of 12th August 1914
(Second General Proclamation)

BY THE KING

A P R O C L A M A T I O N

FOR POSTPONEMENT OF PAYMENTS

GEORGE R.I.

WHEREAS it is expedient to extend Our Proclamation dated the sixth day of August, nineteen hundred and fourteen, (relating to the postponement of payments), so as to cover bills of exchange under certain circumstances, and also payments in respect of any debt from any bank whose principal place of business is in any part of His Majesty's Dominions or any British Protectorate:

NOW, THEREFORE, WE have thought fit, by and with the advice of Our Privy Council, to issue this Our Royal Proclamation, and We do hereby proclaim, direct and ordain as follows:

Notwithstanding anything contained in the said Proclamation, dated the sixth day of August, nineteen hundred and fourteen (relating to the postponement of payments), that Proclamation shall apply, and shall be deemed always to have applied -

- (a) To any bill of exchange which has not been re-
accepted under Our Proclamation, dated the

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No. 3 of 12th August 1914 (contd.)
(Second General Proclamation)

second day of August, nineteen hundred and fourteen as it applies to a bill of exchange, being a cheque or bill on demand, unless on the presentation of the bill the acceptor has expressly refused re-acceptance thereof, but with the substitution, as respects rate of interest, of the date of the presentation of the bill for the seventh day of August, nineteen hundred and fourteen; and

- (b) Also to payments in respect of any debt from any bank whose principal place of business is in any part of His Majesty's Dominions or any British Protectorate, although the debt was not incurred in the British Islands and the bank had not a business establishment or branch business establishment in the British Islands.

Given at Our Court at Buckingham Palace, this Twelfth day of August, in the year of our Lord One thousand nine hundred and fourteen, and in the Fifth Year of Our Reign.

GOD SAVE THE KING

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes to Proclamation No.3

Paragraph (a) of this Proclamation gives the benefit of the Moratorium under Proclamation No.2 of 6th August to all bills of exchange which have not been re-accepted, in the same way as it applies to cheques or bills on demand, UNLESS THE ACCEPTOR HAS EXPRESSLY REFUSED RE-ACCEPTANCE in which case none of the Moratoria apply and the bill must be treated as dishonoured. It does not apply to bills where the original date of maturity is on or after 3rd October. See Proclamation No.5 of 30th September.

See further the Notes under Proclamation No.2.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

ANNOUNCEMENT IN "THE TIMES"
Thursday August 13th 1914

THE GOVERNMENT AND THE CITY

Discounting of Bills of ExchangeGuarantee to the Bank of England

The Chancellor of the Exchequer has for several days past been in close and constant consultation with the Governor of the Bank of England, the bankers, the accepting houses, and the principal traders for the purpose of providing the country with all the banking facilities it needs in the present emergency.

We are now able to announce that the Chancellor of the Exchequer has completed arrangements with the Bank of England for terminating the present deadlock in the money market and for enabling the trade and commerce of the country to resume its normal course.

The greatest difficulty arose from the stoppage of remittances to London both from the provinces and from other countries not only in Europe but in all parts of the world. This caused a break-down in the foreign exchanges and deterred bankers from discounting bills in the normal way. To overcome this difficulty as well as that of providing traders in this country with all the banking facilities they need, the Government have now agreed to guarantee the Bank of England from any loss it

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

ANNOUNCEMENT IN "THE TIMES" (contd.)
Thursday August 13th 1914

may incur in discounting bills of exchange either home or foreign, bank or trade, accepted prior to August 4th 1914.

Accordingly we are authorised to make the following announcement:-

The Bank of England are prepared, on the application of the holder of any approved bill of exchange accepted before August 4th 1914 to discount at any time before its due date at Bank rate, without recourse to such holder, and upon its maturity the Bank of England will, in order to assist the resumption of normal business operations, give the acceptor the opportunity until further notice of postponing payment, interest being payable in the meantime at 2 per cent. over Bank rate varying. Arrangements will be made to carry this scheme into effect so as to preserve all existing obligations. The Bank of England will be prepared for this purpose to approve such bills of exchange as are customarily discounted by them and also good trade bills and the acceptances of such foreign and Colonial firms and bank agencies as are established in Great Britain.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

Proclamation No.4 of 3rd September 1914
(Third General Proclamation)

BY THE KING

A P R O C L A M A T I O N

VARYING THE PROCLAMATION IN RESPECT OF THE POSTPONEMENT OF PAYMENTS DATED RESPECTIVELY THE SECOND DAY OF AUGUST, THE SIXTH DAY OF AUGUST AND THE TWELFTH DAY OF AUGUST, AND REVOKING THE PROCLAMATION DATED THE FIRST DAY OF SEPTEMBER, NINETEEN HUNDRED AND FOURTEEN.

GEORGE R.I.

WHEREAS under the Postponement of Payments Act, 1914, We have power, by Proclamation, to authorise the postponement of the payment of any bill of exchange, or of any negotiable instrument, or any other payment in pursuance of any contract, to such extent, and for such time, and subject to such conditions or other provisions as may be specified in the Proclamation:

AND WHEREAS, in pursuance of that power We have issued Proclamations in relation to the postponement of payments due before We were in a state of war or due in respect of contracts made before that time, dated the sixth day of August, and the twelfth day of August, nineteen hundred and fourteen; and on the second day of August, nineteen hundred and fourteen, We also issued a

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No.4 of 3rd September 1914 (contd.)
(Third General Proclamation)

Proclamation which is confirmed by the said Postponement of Payments Act, 1914, and is deemed to have been issued under that Act:

AND WHEREAS, under the said Act, We have power to vary, extend or revoke any Proclamation under that Act by a subsequent Proclamation:

AND WHEREAS it is desirable in the best interests of Our Realm at the present juncture that all persons who can discharge their liabilities should do so without delay, but it is at the same time for certain purposes expedient that Our said Proclamations should be varied, and for that purpose We issued a Proclamation, dated the first day of September, nineteen hundred and fourteen:

AND WHEREAS it is expedient to revoke the last-mentioned Proclamation and to substitute therefor such variations of Our other Proclamations as are hereinafter set forth:

NOW, THEREFORE, WE have thought fit, by and with the advice of Our Privy Council, to issue this Our Royal Proclamation, and We do hereby proclaim, direct and ordain as follows:-

1. If on the presentation for payment of a bill of exchange which has before the fourth day of September, nineteen hundred and fourteen, been re-accepted under

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No.4 of 3rd September 1914 (contd.)
(Third General Proclamation)

the terms of Our said Proclamation, dated the second day of August, nineteen hundred and fourteen, the bill is not paid, then, the said Proclamation shall, in its application to that bill, have effect as if the period of two calendar months had been in the Proclamation substituted for the period of one calendar month, and the sum mentioned in the form of re-acceptance under the said Proclamation shall be deemed to be increased by the amount of interest on the original amount of the bill for one calendar month calculated at the Bank of England rate current on the date when the bill is so presented for payment as aforesaid.

2. Our said Proclamation, dated the sixth day of August, nineteen hundred and fourteen, as extended by Our said Proclamation, dated the twelfth day of August, nineteen hundred and fourteen, shall apply to payments which become due and payable on or after the fourth day of September and before the fourth day of October nineteen hundred and fourteen (whether they become so due and payable by virtue of the said Proclamations or otherwise) in like manner as it applies to payments which became due and payable after the date of the said first mentioned Proclamation and before the beginning of the fourth day of September, nineteen hundred and fourteen.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No.4 of 3rd September 1914 (contd.)
(Third General Proclamation)

3. Nothing in this Proclamation shall affect the payment of interest under the Proclamations extended thereby, or prevent payments being made before the expiration of the period for which they are postponed.

4. Our said Proclamation, dated the first day of September, nineteen hundred and fourteen, is hereby revoked.

Given at Our Court at Buckingham Palace, this Third day of September, in the year of our Lord One thousand nine hundred and fourteen, and in the Fifth Year of Our Reign.

GOD SAVE THE KING

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes to Proclamation No.4Paragraph 1

Where a bill re-accepted before 4th September under Proclamation No.1 of 2nd August is unpaid when presented for payment at the end of the month allowed by Proclamation No.1, Proclamation No.4 allows a further moratorium of one month. The effect is that payment is postponed for two months from the original date of maturity. By Proclamation No.5 a further postponement of 14 days is obtained in the case of bills re-accepted under the above Proclamations where the date of maturity has before the 4th October been already postponed.

Further re-acceptance is unnecessary.

One month's interest on the "original amount" of the bill is added to the sum mentioned in the re-acceptance, which of course includes the original amount of the bill and the interest for the first moratorium. The interest for the second month is calculated at the Bank of England rate current on the date when a re-accepted bill is presented for payment at the end of the first month's moratorium. Presentation therefore seems to be necessary to secure interest under this Proclamation (No.4). Interest for the concluding 14 days runs from the date of maturity at the Bank of England rate current on that date.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes to Proclamation No.4 (contd.)

Paragraph 1 does not apply to a bill which has not been re-accepted.

Paragraph 2

Paragraph 2 extends Proclamation No.2 for the general postponement of payments. This covers cheques and bills on demand.

Under Proclamation No.2 payments due and payable before the 6th August or which would become due and payable before the 4th September were to be postponed for one calendar month from the original due date or till the 4th September whichever was the later date.

The effect of Paragraph 2 of Proclamation No.4 is to further postpone payment for a month of all payments due and payable on or after the 4th September and before the 4th October.

Interest only runs if specific demand is made for payment and payment is refused. Payments postponed under paragraph 2 where payment is so refused carry interest from the date at which they were due and payable at Bank of England rate current on that date.

Thus a payment due and payable on 20th September would carry a month's interest at the Bank of England rate current on the 20th September.

Paragraph 2 expressly applies to Proclamation No.3 relating to bills of exchange which have not been re-accepted, where re-acceptance has not been expressly refused by the acceptor.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes to Proclamation No.4 (contd.)

Such bills of exchange therefore are on precisely the same footing as other postponed payments referred to above, e.g. a bill originally due and payable on the 7th August (owing to Bank Holidays) would then be due and payable on the 7th September, and by virtue of Paragraph 2 payment would be further postponed till the 7th October. Interest for the first month would run from the 7th August at the Bank of England rate current on that day and for the second month at the Bank of England rate current on 7th September. Provided in both cases that payment had been specifically demanded and had been refused.

Payment is further postponed for 14 days under Paragraph 3 of Proclamation No.5 of 30th September in the case of a bill where the maturity has before 4th October already been postponed. Fourteen days' interest is added to the original amount of the bill and runs from the date of maturity at Bank of England rate current on that date. Payment must be specifically demanded as before.

Proclamation No.4 does not apply to bills the original date of maturity whereof is after 3rd October. For these see Proclamation No.5.

These Notes apply to inland bills. In the case of foreign bills and inland bills bearing foreign indorsements they must be read with our general Notes.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

ANNOUNCEMENT IN "THE TIMES"
Saturday September 5th 1914

FOREIGN EXCHANGEMeasure to Restore FacilitiesTreasury's Important Scheme

A further important step in the direction of restoring order in the finance and commerce of the country was announced by the Treasury last night.

As a result of conferences between the Chancellor of the Exchequer and leading traders, bankers, and accepting houses, arrangements have been made which will, it is expected, remove the difficulties now experienced in obtaining foreign exchange, which is essential for the carrying on of the trade particularly the oversea trade of this country.

Subjoined is the Treasury's statement:-

The breakdown of the foreign exchanges, has caused, and is still causing, very great inconvenience to traders throughout the country, and strong representations have been made to the Chancellor of the Exchequer upon the subject. It has been pointed out to him that the dislocation of exchange is exercising an extremely prejudicial influence upon trade generally, and especially upon the foreign trade of the country, and that in the absence of the usual exchange facilities,

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

ANNOUNCEMENT IN "THE TIMES" (contd.)
Saturday September 5th 1914

goods can neither be imported nor exported in any appreciable quantity. To ascertain the causes and to find a remedy for the difficulties in obtaining international exchange the Chancellor of the Exchequer consulted a large number of leading traders, members of accepting houses and bankers. After a series of conferences at the Treasury the Chancellor of the Exchequer now wishes to announce that an arrangement has been arrived at which is designed to remove the difficulties.

Principal features of the Scheme

The main features of the arrangement may be summarized as follows:-

- (1) The Bank of England will provide where required acceptors with the funds necessary to pay all approved pre-moratorium bills at maturity. This course will release the drawers and endorsers of such bills from their liabilities as parties to these bills but their liability under any agreement with the acceptors for payment or cover will be retained.
- (2) The acceptors will be under obligation to collect from their clients all the funds due to them as soon as possible, and to apply those funds to

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

ANNOUNCEMENT IN "THE TIMES" (contd.)
Saturday September 5th 1914

repayment of the advances made by the Bank of England. Interest will be charged upon these advances at 2 per cent. above the ruling Bank rate.

- (3) The Bank of England undertakes not to claim repayment of any amounts not recovered by the acceptors from their clients for a period of one year after the close of the War. Until the end of this period, the Bank of England's claim will rank after claims in respect of post-moratorium transactions.
- (4) In order to facilitate fresh business and the movement of produce and merchandise from and to all parts of the world the joint-stock banks have arranged, with the co-operation, if necessary, of the Bank of England and the Government, to advance to clients the amounts necessary to pay their acceptances at maturity where the funds have not been provided in due time by the clients of the acceptors. The acceptor would have to satisfy the joint-stock banks or the Bank of England both as to the nature of the transaction and as to the reason why the money is not forthcoming from the client.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

ANNOUNCEMENT IN "THE TIMES" (contd.)
Saturday September 5th 1914

These advances would be on the same terms as regards interest as the pre-moratorium bill advances. The Government is now negotiating with a view to assisting the restoration of exchange between the United States of America and this country.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

ANNOUNCEMENT IN "THE TIMES"
Thursday September 24th 1914

THE MORATORIUMPartial Extension for One MonthFinal Abolition on November 4th

It is officially announced that, after consultation with the various interests concerned, the Government has decided that the time has arrived for bringing the moratorium to an end with as little delay as possible.

There will be no further extension of the moratorium relating to bills of exchange other than cheques or bills on demand.

There will be no further extension of the general moratorium in so far as it applies to (a) debts due to and by retail traders in respect of their business as such; and (b) rent.

As regards other debts to which the general moratorium applies there will be an extension of one month i.e., from October 4th to November 4th. This extension will be subject to the condition that the interest due under past proclamations is paid.

On November 4th the general moratorium will come to an end as regards all debts.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

ANNOUNCEMENT IN "THE TIMES" (contd.)
Thursday September 24th 1914

In reference to the decision not to extend the moratorium relating to bills of exchange it is to be borne in mind, as announced in the Press on the 5th instant, that arrangements have already been made by the Government under which the Bank of England will advance to acceptors where required the funds necessary to pay all approved pre-moratorium bills at maturity.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No.5 of 30th September 1914

BY THE KING

A P R O C L A M A T I O N

VARYING THE PROCLAMATIONS IN RESPECT OF THE POSTPONEMENT
OF PAYMENTS, DATED RESPECTIVELY THE 2ND AUGUST, 6TH
AUGUST AND 3RD SEPTEMBER, 1914.

GEORGE R.I.

WHEREAS under the Postponement of Payments Act, 1914, We have power by Proclamation to authorise the postponement of the payment of any bill of exchange or of any negotiable instrument or any other payment in pursuance of any contract to such extent and for such time and subject to such conditions or other provisions as may be specified in the Proclamation:

AND WHEREAS in pursuance of that power We have issued Proclamations in relation to the postponement of payments due before We were in a state of war or due in respect of contracts made before that time, dated the sixth day of August, the twelfth day of August, and the third day of September nineteen hundred and fourteen (which are respectively referred to in this Proclamation as the first, second and third General Proclamation), and on the second day of August, nineteen hundred and

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No.5 of 30th September 1914 (contd.)

fourteen, We also issued a Proclamation which is confirmed by the said Postponement of Payments Act, 1914, and is deemed to have been issued under that Act and is referred to in this Proclamation as the Bills (Re-acceptance) Proclamation:

AND WHEREAS under the Postponement of Payments Act, 1914, We have power to vary, extend or revoke any Proclamation under that Act by a subsequent Proclamation:

AND WHEREAS it is desirable in the best interests of Our Realm at the present juncture that all persons who can discharge their liabilities should do so without delay, but it is at the same time expedient for the benefit of persons who cannot so discharge their liabilities that a further limited and final extension of the postponement of payments authorised by the said Proclamations should be made:

NOW, THEREFORE, WE have thought fit, by and with the advice of Our Privy Council, to issue this Our Royal Proclamation, and We do hereby proclaim, direct and ordain as follows:-

1. The first General Proclamation as extended by paragraph (b) of the second General Proclamation shall, subject to the limitations of this Proclamation, apply to payments which become due and payable on or after the fourth day of October and before the fourth day of November, nineteen hundred and fourteen (whether they

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No.5 of 30th September 1914 (contd.)

so become due and payable by virtue of the said Proclamations or the third General Proclamation or otherwise), in like manner as it applies to payments which became due and payable after the date of the first General Proclamation and before the beginning of the fourth day of September, nineteen hundred and fourteen.

Provided that, if the payment is one the date whereof has been postponed by virtue of any of the said General Proclamations, and is one which carries interest either by virtue of the terms of the contract or instrument under which it is due and payable or by virtue of the said General Proclamations, then the person from whom the payment is due shall not be entitled to claim the benefit of this Article unless, within three days after the date to which the payment has been postponed by virtue of the said General Proclamations, all interest thereon up to that date is paid.

This Article shall not apply to -

- (a) Any payment in respect of rent;
- (b) Any payment due and payable to or by a retail trader in respect of his business as such trader.

2. The Bills (Re-acceptance) Proclamation shall continue to apply to bills of exchange (other than

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No.5 of 30th September 1914 (contd.)

cheques and bills on demand) accepted before the beginning of the fourth day of August, nineteen hundred and fourteen, the date of the original maturity whereof is after the third of October.

If on the presentation for payment of any such bill the bill is not paid and is not re-accepted under the said Proclamation, then, unless on such presentation the acceptor has expressly refused re-acceptance thereof, the bill shall for all purposes, including the liability of any drawer and indorser or any other party thereto, be deemed to be due and payable on a date one calendar month after the date of its original maturity instead of on the date of its original maturity, and to be a bill for the original amount thereof increased by the amount of interest thereon calculated from the date of the original maturity to the date of payment at the Bank of England rate current on the date of its original maturity, and paragraph (a) of the second General Proclamation shall not apply to any such bill.

3. If on the presentation for payment of a bill of exchange, the date of maturity of which has before the fourth day of October nineteen hundred and fourteen become postponed either by virtue of the Bills (Re-acceptance) Proclamation or paragraph (a) of the second General Proclamation (whether or not the date of maturity has been further postponed by virtue of the third General Proclamation), the bill is not paid, then the date of

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSProclamation No.5 of 30th September 1914 (contd.)

maturity shall be deemed to be further postponed for fourteen days from the date of such presentation for payment, and the original amount of the bill shall be deemed to be further increased by the amount of interest on the original amount of the bill for fourteen days, calculated at the Bank of England rate current on the date of such presentation for payment.

4. Save as otherwise expressly provided, nothing in this Proclamation shall affect the application of the General Proclamations to payments to which those Proclamations apply, and nothing in this Proclamation shall prevent payments to which this Proclamation applies being made before the expiration of the period for which they are postponed thereunder.

Given at Our Court at Buckingham Palace, this Thirtieth day of September, in the year of our Lord, One thousand nine hundred and fourteen, and in the Fifth Year of Our Reign.

GOD SAVE THE KING

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes to Proclamation No.5Paragraph 1

It appears to be intended that this should be the final Proclamation with regard to the Moratoria. Paragraph 1 applies to the general postponement of payments and does not appear to deal with bills of exchange except cheques and bills on demand. The Moratorium is extended to the 4th November with certain exceptions.

Paragraph 2

Paragraph 2 applies to any bills of exchange other than cheques and bills on demand which have been accepted before the 4th August, the original date of maturity whereof is after the third day of October.

The effect of this is to postpone payment for one calendar month after the date of original maturity whether such a bill is re-accepted or not provided that if the bill is not re-accepted the acceptor has not expressly refused re-acceptance. If re-acceptance is expressly refused by the acceptor the Moratorium does not apply and the bill must be treated as dishonoured.

Interest

(1) Where such a bill is re-accepted interest will generally no doubt be treated as running from the date of the original maturity at the Bank of England rate current on the date of re-acceptance of the bill (see our note under Proclamation No.1).

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes to Proclamation No.5 (contd.)

(2) Where bills are not re-accepted one month's interest is by the terms of Proclamation No.5 to be added to the original amount of the bill, calculated from the date of original maturity to the date of payment at the Bank of England rate current on the date of the bill's original maturity.

The Section expressly states that paragraph (a) of Proclamation No.3 of 12th August shall not apply to such a bill.

Paragraph 3

Paragraph 3 deals with bills of exchange other than cheques or bills on demand, where payment has already before the 4th October either been postponed under either Proclamation No.1 or paragraph (a) of Proclamation No.3 that is to say, either bills which have been re-accepted or bills which have not been re-accepted and where the acceptor has not expressly refused re-acceptance. Such bills therefore in addition to postponements to which they are entitled under the above Proclamations get the benefit of a further postponement of fourteen days from the date when they are presented for payment. Fourteen days' interest is to be added to the original amount of the bill calculating at the Bank of England rate current on the date of presentation for payment. For example, a bill due and payable on the 10th October, payment of which

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTSNotes to Proclamation No.5 (contd.)

by this Section is postponed till the 24th October, carries interest of fourteen days at the Bank of England rate current on the 10th October if presented for payment on that day or if not presented on that day then at the rate current on the date when it is actually presented for payment.

In the case of bills of exchange, other than cheques and bills on demand, the Proclamation does not appear to require outstanding interest to be paid before its benefit can be claimed.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

ANNOUNCEMENT IN "THE TIMES"
Friday October 2nd 1914

PRE-MORATORIUM BILL PAYMENTSThe Bank of England Arrangements

Last night the Bank of England issued the following notice with regard to the manner in which the Bank will provide all necessary funds to pay, on behalf of acceptors, approved pre-moratorium bills at maturity:-

- (1) All applications to the Bank of England from acceptors to provide funds necessary to pay approved pre-moratorium bills at maturity, in terms of the Government announcement of September 5th, must be lodged in duplicate at the Bank of England not less than eight days before the advance is required. The name of the drawer, the amount, and the date of maturity of each bill must be stated in the application. If the Bank does not approve a bill notice will be given to the acceptor at least three days before the date of maturity.
- (2) Applications from persons and firms unknown to the Bank must be submitted through their own bankers with a satisfactory letter of introduction.

BILLS OF EXCHANGE, ETC. - MORATORIUM ARRANGEMENTS

ANNOUNCEMENT IN "THE TIMES" (contd.)
Friday October 2nd 1914

- (3) The Bank of England, provided they agree to make the advance, will pass to the credit of the applicant, as required, the amount necessary to meet the acceptances, which the acceptor will arrange to have referred to the Bank of England at maturity. The bills will then be held by the Bank until the advance is repaid. Applicants who have not already an account with the Bank of England will be required to keep an account, for this purpose only, with the Bank of England, through which the money advanced will be passed.
- (4) The acceptor can arrange, if he prefers, that his own bankers should provide the required amount and then refer the acceptances (if previously approved), uncanceled, on the date of maturity, to the Bank of England, who will pay the bills to the acceptor's bankers.

The terms of the Government announcement published on September 5 provided that interest on advances to acceptors shall be at 2 per cent. above the ruling bank rate. The Bank of England undertakes not to claim repayment of any amounts not recovered by the acceptors from their clients for a period of one year after the close of the War.

Proposals of the Committees of Clearing Bankers and of the
Stock Exchange concerning an arrangement as to the
extension of ACCOUNT TO ACCOUNT loans made to Stock
Exchange firms by Banks and other Lenders

1. The lenders to continue their present loans for a period which shall terminate twelve months after the conclusion of peace on the basis of the making-up prices of 27th July without calling for further margin than that now held.
 2. Loans to carry interest at Bank Rate (minimum 5 per cent) such interest to be paid fortnightly, but the borrowers to be entitled to coupons and dividends.
 3. The borrowers to have the right of repaying advances in whole or in part at any time.
 4. When any of the stocks borrowed on reach the making-up prices of the 27th July, the lenders to have the right of calling from the borrowers for the repayment of their loans in respect of such stocks and should such request not be complied with the lenders to have the right of selling such stocks for account of the borrowers, but not under the above-mentioned prices.
 5. Lenders other than Clearing Banks to be put in a position at any time to borrow from the Bank of England for the above-mentioned period of twelve months after the conclusion of peace up to 75% of the amount of their present loans, against a proportionate amount of their present cover.
 6. In case a customer of a Clearing Bank be desirous of having a further loan from his Bank he is to have the option at any time of taking one-fourth of his securities from the Clearing Bank to the Bank of England and obtaining a loan equal to one-fourth of the debt due to the Clearing Bank for the same period and subject to the same conditions as specified in paragraph 1. This amount to be paid to the Clearing Bank in exchange for the securities, but the customer to have the right of re-borrowing on new securities to be deposited to the extent of the amount of the reduction above-mentioned.
 7. In case of loans granted by the Bank of England under the provisions of paragraphs Nos. 5 & 6, the Bank of England shall accept as security a proportionate amount of each stock originally pledged to the lenders.
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SCHEME FOR PROVIDING GOVERNMENT ASSISTANCE
IN DEALING WITH ACCOUNT TO ACCOUNT LOANS
ON THE STOCK EXCHANGE

WITH a view to avoiding the necessity for the forced realisation on a large scale of securities held as cover for Account to Account Loans, His Majesty's Government has agreed to arrange with the Bank of England to make advances to certain classes of lenders in order to enable them to continue their loans until after the end of the war. The arrangements agreed upon are as follows:-

1. The application of the scheme will be confined to Account to Account Loans made to members of the Stock Exchange by lenders other than banks to which currency facilities are open. It will not apply to lenders who are themselves members of the Stock Exchange.
2. All banks to which currency facilities are open whether clearing banks or not, have agreed not to press for repayment of such loans or require the deposit of further margin, until after the expiry of a period of twelve months from the conclusion of peace or after the expiry of "The Courts (Emergency Powers) Act, 1914," whichever shall happen first provided that this agreement shall not prejudice the right to immediate repayment if and when a receiving order in bankruptcy (or the corresponding order in Scotland) is made against the borrower. The rate of interest to be charged on loans continued under this arrangement shall not exceed the rate chargeable by the Bank of England to other lenders under paragraph 4.
3. Subject to the following conditions the Government will arrange with the Bank of England to advance to lenders to whom the Scheme is applicable 60 per cent of the value of the securities at present held by the lenders against any loans which they had outstanding on the 29th July, 1914, such securities to be valued for the purpose of the advance at the making-up prices of the 29th July settlement*:-
 - (a) The Bank of England may at their discretion refuse any application. But in the exercise of this discretion due regard shall be had to the object of the Scheme, viz., to prevent as far as possible the forced realisation of securities, and before a final decision is arrived at in regard to any application, the Bank will, if the applicant so desires, submit it to the Treasury.

*In the case of Consols and other securities settling at the Consols Account the mean price of the Official List of the 27th July will be taken.

- (b) Both the lender and the immediate borrower from the lender shall be jointly and severally responsible to the Bank of England for the repayment of the advance and interest thereon.
- (c) All applications for loans under the Scheme giving the particulars required by the Bank of England shall be made on or before the 31st January, 1915, and no application will be entertained which is received after that date.

4. Loans by the Bank of England under the Scheme are to bear interest at 1 per cent above Bank rate varying, with a minimum of 5 per cent in all. Interest will be payable fortnightly or, when the Stock Exchange is reopened, at each settlement, and the borrowers will be entitled to coupons and dividends, provided that such interest is duly paid.

5. The Bank of England will not press for the repayment of advances made under the Scheme until after the expiry of a period of twelve months from the conclusion of peace or after the expiry of "The Courts (Emergency Powers) Act, 1914," whichever shall happen first, nor will the Bank in the meantime require the deposit of further margin provided that this agreement shall not prejudice the right to immediate repayment if and when a receiving order in bankruptcy is made against the borrower.

6. The borrower may at any time repay the advance in whole or in part. In the case of part repayment the securities to be released will be settled by agreement between the borrower and the Bank of England, or, in default of agreement, will be such proportion of each security as the amount of the repayment bears to the whole advance, provided that where any of the securities are securities held by the borrower against a loan made by him, the Bank of England will release those particular securities upon repayment of an amount equal to the value of the securities at the prices of the 29th July settlement, less the amount of the margin (if any) deposited with such borrower.

7. When any of the securities against which advances are outstanding, either under paragraph 2 or under paragraph 3, reaches the above-mentioned prices of the 29th July settlement, the bank concerned or the Bank of England, as the case may be, shall have the right of calling from the borrowers for the repayment of their loans to the extent of the value of such securities, and should such request not be complied with, the Bank shall have the right of selling such securities for account of the borrowers, but not under the above-mentioned prices.

8. Lenders taking advantage of the Scheme shall be bound by the same conditions as the banks under paragraph 2. In the event of any lender who might take advantage of the Scheme not doing so, but seeking to realise his securities, the Stock Exchange as a body shall oppose the application on the borrower's behalf under "The Courts (Emergency Powers) Act, 1914."

The Stock Exchange Committee undertake to make rules to secure that, where any loans have been used for the purpose of making other loans on the Stock Exchange, or for the purpose of carrying over stock, the advantages of the scheme shall extend, so far as practicable, to the clients and other parties concerned.

9. The Stock Exchange Committee will not reopen the Stock Exchange without submitting the proposed date and conditions of such reopening to the Treasury and obtaining their consent.

Treasury Chambers, S.W. .

October 31st, 1914.

ADVANCES AGAINST ~~3½%~~ WAR LOAN: BANK OF ENGLAND NOTICE
DECEMBER 1914

MEMORANDUM

BANK OF ENGLAND, E.C.

December, 1914.

ADVANCES AGAINST WAR LOAN

The Bank of England are prepared to advance to holders of WAR LOAN, 1925-1928, sums not exceeding the amount paid-up on their holdings, without margin, whether such holdings be partly paid or fully paid, and holders of allotments which are partly paid may apply for advances to enable them to pay all or part of the further sums payable in respect thereof.

Advances will only be made in sums which are multiples of £10.

Interest on advances granted under this arrangement will be charged at a rate not exceeding one per cent. below the current Bank Rate varying, and will be payable on the 1st March and 1st September. In the case of an advance repaid between those dates, any balance of interest due in respect thereof will be payable forthwith.

Repayment of Advances, in whole or in part, may be effected at any time at the will of the borrower, but repayment will not be demanded by the Bank before the 1st March, 1918, provided the interest is punctually paid. Borrowers who have repaid their advances, in whole or in part, and those who have only borrowed in respect of a portion of the paid-up value of their holdings, may apply

for further advances within the limit of the paid-up value of the Security.

Applicants not already known to the Bank will be required to furnish a letter of introduction and recommendation from their own Bankers, or from some person or firm known to the Bank.

Persons to whom advances may be granted against holdings represented by Allotment Letters, Scrip Certificates, and/or Bonds, will be required to deposit such holdings with the Bank, who reserve to themselves the right to hold the Security at their option either in Bearer form or as Stock inscribed in their name or in the names of their nominees. Those to whom advances may be granted against holdings of Inscribed Stock will be required to transfer the Stock to the Bank or their nominees, and, where necessary, the transferor will be required to furnish the usual proof of identity necessary in connection with transfers of Inscribed Stock.

Note. The ~~3½%~~ War Loan Prospectus was dated the 17th November 1914; the lists were opened on the 18th; although the foregoing Memorandum is dated December 1914 the facilities for borrowing at the Bank of England were announced simultaneously with the issue of the Loan, as the following extracts from "The Times" show:-

Extract from the financial columns of "The Times" Wednesday, 18th November, 1914 -

"Bank of England will be prepared, for a period of three years (say, until March 1st, 1918) to lend on the War Loan, taken at the issue price without margin, at 1 per cent. under the current Bank Rate."

Extract from the Leading Article of "The Times" Wednesday, 18th November, 1914 -

"The fact that the Bank of England is prepared to make loans on this Security up to its issue value, viz., £95 on £100 of the Stock at 1 per cent. under Bank Rate during the next three years, is itself a guarantee that the price will at least not fall, and it is much more likely to appreciate."

BANK ACT (SUSPENSION)Hansard - 9th November 1915

45 and 46. MR. RUPERT GWYNNE asked the Prime Minister (1) if in fact the Bank Act was suspended in August, 1914; if so, to what extent notes were issued beyond the limit fixed by Law: and (2) if the letter, dated 1st August, 1914, from the Prime Minister and the then Chancellor of the Exchequer to the Bank of England, authorising the suspension of the Bank Act, has now been cancelled; and, if so, on what date?

The PRIME MINISTER: The authority of 1st August was never acted upon and was suspended by Section 3 of the Currency and Bank Notes Act, 1914, which received the Royal Assent on Thursday, 6th August. On 7th and 8th August, as adequate supplies of currency notes were not for the moment available, certain notes of the Bank of England were used at the request of the Treasury for the purpose of advances to bankers under the Currency and Bank Notes Act, the maximum excess involved being £3,043,000. By 10th August the position as regards the bank notes had become normal in all respects.

MR. GWYNNE: Will the right hon. Gentleman say why a statement was not made publicly in this House as has been the case previously when a letter of this kind has passed between the Chancellor and the Bank.

The PRIME MINISTER: Because we are in a state of war.

SIR J.D. REES: It is within the discretion of the Governor of the Bank of England to omit to act immediately upon such a letter as that referred to?

The PRIME MINISTER: Yes, Sir, certainly.

MR. GWYNNE: Are we to understand that the letter is suspended and has no effect?

The PRIME MINISTER: No, it is not suspended.

FEDERAL RESERVE BOARD'S WARNINGISSUED28TH NOVEMBER 1916

In view of contradictory reports which have appeared in the Press regarding the committee's attitude toward purchasing by the banks in this country of Treasury bills of foreign Governments, the Board deems it a duty to define its position clearly.

In making this statement the Board desires to disclaim any intention of discussing the finances, or of reflecting upon the financial stability of any nation, but wishes it understood that it seeks to deal with general principles which affect all alike

The Board does not appreciate the view freely expressed of late that further importations of large amounts of gold must of necessity prove a source of danger or disturbance to this country; that danger the Board believes will arise only in case the inflowing gold should remain uncontrolled, and be permitted to become the basis of undesirable loan expansion and of inflation.

There are means, however, of controlling accessions of gold by proper and voluntary co-operation of the banks, or if need be by legislative enactment.

An important step in this direction would be the anticipation of the final transfer of reserves contemplated

by the Federal Reserve Act to become effective on November 16, 1917. This date could be advanced to February or March, 1917.

Member banks would then be placed on the permanent basis of their reserve requirements, and fictitious reserves would then disappear, and the banks have a clearer conception of actual reserve and financial conditions.

It will then appear that while a large increase in the country's gold holdings has taken place, the expansion of loans and deposits has been such that there will not remain any excess of reserves apart from the important reserve loaning power of the Federal Reserve Banks. In these circumstances the Board feels that member banks should pursue a policy of keeping themselves liquid, of not loaning down to the legal limit, but of maintaining an excess of reserves not with reserve agents, where their balances are loaned out, and constitute no actual reserve, but in their own vaults, or preferably with their Federal Reserve Banks.

The Board believes that at this time banks should proceed with much caution in locking up their funds in long-term obligations, or in investments which are short-term in form or name, but which, either by contract or through force of circumstances, may in the aggregate have to be renewed until normal conditions return.

The Board does not undertake to forecast probabilities or to specify circumstances which may become important factors in determining future conditions.

This concern and responsibility lies primarily with the banking situation.

If, however, our banking institutions have to intervene because foreign securities are offered faster than they can be absorbed by investors, that is by depositors, an element would be introduced into the situation which, if not kept under control, would tend toward ultimate injury to the economic development of this country.

The natural absorbing powers of the investment market supplies an important regulator of the volume of our sales to foreign countries in excess of the goods they send us.

As to the latest form of borrowing, the Board, as a matter of fact, understands that it is expected to place it primarily with the banks; in fact, it would appear so attractive that unless a broader point of view be adopted, individual bankers might easily be tempted to invest in it to such extent that the banking resources in this country employed in this manner might run into many hundreds of millions of dollars.

While the loans may be short in form and severally may be collected at maturity, the object of the borrower must be to attempt to renew them collectively, with the result that the aggregate amount placed here will remain until such time as it may be advantageously converted into a

long-term obligation.

It would, therefore, seem as a consequence, that liquid funds of our banks, which should be available for short credit facilities to our merchants, manufacturers and farmers, would be exposed to the danger of being absorbed for other purposes to a disproportionate degree, especially in view of the fact that many of our banks and trust companies are already carrying substantial amounts of foreign obligations and of acceptances, which they are under agreement to renew.

The Board deems it, therefore, its duty to caution the member banks that it does not regard it in the interest of the country at this time that they invest in foreign Treasury bills of this character.

The Board does not consider that it is called upon to advise private investors, but, as the United States is fast becoming the banker of foreign countries in all parts of the world, it takes occasion to suggest that the investor should receive full and authoritative data, particularly in the case of unsecured loans, in order that he may judge the future intelligently, in the light of present conditions, and in conjunction with the economic developments of the past.

The United States has now attained a position of wealth and international financial power which, in the natural course of events, it could not have reached for

generations, and we must be careful not to impair this position of strength and independence.

We need not fear that our business will fall off perceptibly should we become more conservative in the matter of investing in loans, because there are still hundreds of millions of our own and foreign securities held abroad which our investors should be glad to take over, and, moreover, trade can be accumulated in other directions.

In the opinion of the Board, it is the duty of our banks to remain liquid, in order that they may be able to continue to respond to our home requirements, the nature and scope of which none can foresee, and in order that our present economic and financial strength may be maintained when, at the end of the war, we shall wish to do our full share in the work of international reconstruction and development which will then lie ahead of us, and when a clearer understanding of economic conditions, as they will then exist, will enable this country more safely and intelligently to do its proper part in the financial rehabilitation of the world.

EXPORT OF CAPITALD. O. R. A. Regulation 41D of 21st December 1917

41D. A person resident in the United Kingdom shall not without permission in writing from the Treasury, directly or indirectly, either on his own behalf or on behalf of any other person resident in the United Kingdom -

(1) send any remittance out of the United Kingdom for the purpose of -

(a) making, or subscribing to, any loan or subscribing to any issue of capital outside the United Kingdom; or

(b) purchasing any stock, shares or other securities, or any property other than merchandise, if the securities or property are not in the United Kingdom; or

(c) purchasing any foreign currency to be held with a view to appreciation in value or as an investment; or

(2) take part in, or agree or offer to take part in, any of the above-mentioned transactions if such transaction involves the sending of any remittance out of the United Kingdom.

Any Banker or person acting in any similar capacity shall, as a condition of sending out of the United Kingdom any remittance on behalf of any person resident in the United Kingdom, require the person resident in the United Kingdom to

make a declaration in writing as to the purpose for which the remittance is proposed to be sent.

In any proceedings under this regulation any purchase or agreement or offer to purchase foreign currency shall be deemed to be for the purpose of holding the same with a view to appreciation in value or as an investment unless the contrary is proved.

Any reference in this regulation to the sending of a remittance out of the United Kingdom shall be deemed to include a reference to placing money in the United Kingdom at the disposal of a person not resident in the United Kingdom.

If any person acts in contravention of any of the provisions of this regulation, or if any person in any such declaration as aforesaid makes any statement which is false or misleading in any material particular, that person shall be guilty of a summary offence against these regulations.

EXTRACT FROM PROHIBITION OF IMPORT (NO. 21) PROCLAMATION21st December 1917

As from and after the date hereof, subject as hereinafter provided, the importation into the United Kingdom of the following goods is hereby prohibited, viz:-

All bonds, debentures, stock and share certificates, scrip and other documents of title relating to any stocks, shares or other securities; with the exception of matured bonds redeemable in the United Kingdom and coupons falling due for payment in the United Kingdom.

Provided always, and it is hereby declared, that this prohibition shall not apply to any such goods which are imported under licence given by or on behalf of Our Treasury, and subject to the provisions and conditions of such licence.

This Proclamation may be cited as the Prohibition of Import (No. 21) Proclamation, 1917.

LORD CUNLIFFE'S SPEECH AT GENERAL COURT OF PROPRIETORS21ST MARCH 1918

As this is the last occasion on which I shall have the honour of presiding over this Court, I wish to tender to you, the Proprietors, my heartfelt thanks for the consideration and confidence placed in the Directors during these past years of war.

We have been faced by many difficulties which would have been rendered infinitely more trying if not well nigh insupportable, had we not felt assured that you trusted us and approved, I will not say of all we have done, but of the great majority of our actions.

The Bank has not been so fortunate in escaping outside criticism, much of it just, some a little unfair, but I think you will agree that we have not done so very badly when it is considered that we have been working with a somewhat antiquated instrument, and that we were confronted in August 1914 with a crisis of such magnitude as not even the most far seeing of us could have expected and prepared for.

There can be no doubt that when war broke out British finance was caught unawares. We had not been deliberately setting our house in order, as our enemies had done, in readiness for a pre-arranged struggle for world supremacy, and many problems had to be solved without its being possible to give to each one due and proper consideration, leading inevitably to some mistakes. However, even in times of peace

mistakes may and do occur, and in those strenuous days the chief thing was to act and act quickly, taking the risk of a few blunders.

I do not wish to dwell on the part played by the Bank in overcoming the difficulties that bristled on every side, but I am anxious to emphasise the importance of the share taken by the other Banks of the United Kingdom in bringing the Country into comparative safety, or, at any rate, in avoiding any very serious financial trouble or breakdown.

Without the cordial help and support of the Great Banks we should have been powerless, and no one knows what that support has meant better than myself.

Unity is Strength, and I can assert with confidence that our relations with the other Bankers are of such a cordial nature and on such a mutually satisfactory basis that complete confidence has been established between us so that any crisis brought about by want of cohesion now is inconceivable.

I will even go further, and express my conviction that had the same cohesion and mutual confidence existed in August 1914, we could have sailed through those very stormy waters, possibly under bare poles, but without material damage and certainly without any Bankers' Moratorium, which particular Moratorium, however, was never in my opinion really necessary.

The Bank of England is very greatly indebted to the other Banks for most loyal support and assistance, and we are glad to acknowledge it.

I wish also to record my personal gratitude to the three Ministers who have filled the office of Chancellor of the Exchequer during my Governorship.

The City is to be congratulated upon the very generous treatment accorded to it by the special Ministers of the Crown, whose rulings most affect us here, and I think we shall all concur in this that they have always been accessible and instead of taking over the entire finance of the Country have co-operated with the City to our mutual advantage, for which we are all truly thankful.

Now we have been reading of meetings and resolutions adopted by various Chambers of Commerce, suggesting many and drastic alterations in the Bank Charter and the Bank Act of 1844, which must have interested the Proprietors almost as much as the Court of Directors.

I am the last person to advise the "swapping of horses on crossing the stream" if there is a fair prospect of reaching the bank in safety, but however good the old tired horse may once have been it would be sheer folly not to change after the crossing has been safely made, and the Proprietors may rest assured that better and more up to date machinery is in course of being set up, and will, I trust, be ready and obtain Parliamentary sanction in time to combat

successfully the many difficulties that I see in store for the Bank after the war.

Being the Chairman of the Committee that has been appointed to consider this problem among others I must say no more beyond assuring you that the Committee is fully alive to the fact that both the old Charter and the Act of 1844, well as they have served their time, stand in much need of revision.

Perhaps some may be expecting of me a prophecy regarding the duration of the war. That would be too futile, but I may be allowed to assure you that if our enemies are counting on our financial exhaustion they have many years of hard fighting before them.

We must, however, realise that it is imperative that we should exercise the strictest economy in all matters of finance and subordinate our own interests to those of the nation, so that we may worthily bear our share of the great burden.

The City has already responded manfully to the call, as is evident from the fact that our financial position to-day is not materially weakening, and, though there was a time, before we had settled down to our work, when even well informed business men shook their heads and feared the worst, I think we may safely say that though the struggle may not even now have reached its most critical stage, we are ready for any probable eventuality, and that with the exercise of

watchfulness and due economy, to which I have already referred, we may be assured of success in our own field as in the field of battle.

You must allow me to say a few words in praise of our officials and staff, for I am sure you all recognise, as I am glad to know the Government and very generally speaking the public do, the really gigantic work that has been accomplished notwithstanding the large numbers that are away at the "front".

Excellent as our lady clerks are, they have had to be trained, but throughout the Bank the spirit of goodwill and the desire to help the Country have gone far to ensure efficiency and promptness, the two great essentials, yet few can have any conception of the clerical work involved in the gathering in and collecting, to say nothing of paying out and distributing from five to eight millions daily and that is only an item of the task that has devolved on your staff owing to the war and the vast increase in Government business.

We have lately been treated to many diversities of opinion regarding the "Press" but for my own part I should like to offer that most important body my unqualified thanks for the services they have rendered the Bank during these difficult years, not only by what they have said but what they have abstained from saying.

Their reticence and their criticism have been alike useful, not to mention the encouragement and approbation

which they have often expressed.

The criticisms may sometimes have been rather severe, but rough or smooth I have read them with interest and on not a few occasions have been able to "poach" valuable ideas and suggestions from our "newspaper critics".

In conclusion may I say that in leaving the Chair I am making way for an admirable successor, Sir Brien Cokayne, with whom it has been my privilege to work for the last three years in perfect accord.

His discretion and business ability have been invaluable to me, and have greatly lightened the load of responsibility which must attach to the office of Governor in such anxious times.

If you do him the honour to elect him, as I hope you will, I am confident from my own experience of his quality that you will have every reason to congratulate yourselves, and I hope you will accord him the same generous support and encouragement which you have always given to his predecessors.

Sir Brien, you may be sure, will work wholeheartedly for the good of the Country and the honour of the Bank of England.

LIST OF QUESTIONS PUT TO THE GOVERNOR OF THE BANK OF
ENGLAND BY THE COMMITTEE ON CURRENCY AND FOREIGN
EXCHANGES, 8TH JULY 1918.

1. Would you agree that there is now considerable credit inflation?
2. Would you agree that to reduce inflation it is desirable that Government borrowings should cease at the earliest possible moment, and that expenditure should be reduced well within revenue, so that there should be a substantial sinking fund for the reduction of debt?
3. What action should, in your opinion, be taken to restore and maintain the foreign exchanges, after the War?
4. Do you think that the continuance of the Exchange Committee after the War would be desirable?
5. Do you agree that the most effective method is the maintenance of higher money rates in this country than in countries our exchange with which may be unfavourable?
6. Should an attempt be made to restore the internal circulation of gold?
7. On what basis should the Note Issue be based?
Should the Currency Note Issue continue to be in the hands of the Government, or be gradually transferred to the Bank of England?
8. Will it be necessary to keep larger gold reserves in this country than before the War? What should be approximately the amount to be aimed at?

9. Would it be desirable that the Banks should transfer the gold now held by them to the Bank of England, so that the latter should be the central and sole holder of the gold reserves of the country?
10. Having regard to the importance of maintaining London as a free gold Market after the War, do you think it would be feasible and lead to any economy of gold, were it to be exported only through the Bank of England?
11. Are you in favour of continuing the practice adopted by the Bank of England in recent years, that is during the War, of buying raw gold abroad at the equivalent of $77\frac{8}{9}$ per ounce of refined gold, and including the gold so purchased in its figures: do you think it is desirable that the Bank should keep part of its gold in the Dominions overseas where it may be required at short notice?
12. Do you agree that the existing uncovered Currency Note Circulation should be gradually reduced as opportunity offers, and that the fiduciary issue should ultimately be fixed at such amount as experience of normal conditions may show to be justified?
13. Are you in favour of maintaining the present separation between the Issue and the Banking Departments of the Bank of England? If not, what changes would you suggest?

14. Do you think that the weekly Return of the Bank of England should be continued? If so, do you desire to suggest any alterations in its form?
15. Do you consider the development of the cheque system makes it desirable that all Banks should in future keep larger reserves?
16. Could this object be effected without undue prejudice to commercial requirements, if, in addition to their till money, they were required to hold a certain proportion of their liabilities in short-dated Government securities, which should be discountable at the Bank of England in an emergency at the current Bank Rate?

MINUTES OF EVIDENCE

taken before the

COMMITTEE

on

CURRENCY AND FOREIGN EXCHANGES

at

Committee Room 3, House of Lords.TWENTY FIRST DAYMonday, July 8, 1918.

PRESENT :-

The Right Hon. LORD CUNLIFFE, G.B.E.,
(Chairman)

The Hon. RUPERT BECKETT,

Sir JOHN BRADBURY, K.C.B.,

Mr. G. C. CASSELS,

Mr. GASPARD FARRER,

Mr. W. H. N. GOSCHEN,

The Right Hon. LORD INCHCAPE OF STRATHNAVER, G.C.M.G.,
K.C.S.I., K.C.I.E.,

Mr. R. W. JEANS,

Mr. WILLIAM WALLACE,

Mr. G. C. UFCOTT, Secretary.

SIR BRIEN COKAYNE. K.B.E.Called and examined

CHAIRMAN: We have been looking forward to your coming for a long time, and I am sorry we should have such a very small Committee here, but we know the influenza is responsible for the absence of some members, perhaps some others will be here later on. I wish all the Committee could have been present, but I have no doubt that we shall ask you to come here again to help us. You are, of course, one of the most important witnesses, and if you can allow us, we should like to consult you, not as a witness giving evidence, but really in consultation now and again before our work is terminated. We gave you a short list of questions conveying the lines on which we wish you to give evidence, and you have sent me your answers, but they have not been circulated to the Committee, so I think we had better simply take them seriatim, and then we can ask you to explain some of them and go into some of them a little more fully afterwards. The first is - Would you agree that there is now considerable credit inflation?

A. Yes.

Q. If so, can you suggest any means by which it might be reduced after the war?

A. The means are excellently suggested in the questionnaire itself - in No. 2.

Q. The second question is - Would you agree that for this purpose it is desirable that Government borrowings should cease at the earliest possible moment, and that expenditure should be reduced well within revenue, so that there should be a substantial sinking fund for the reduction of debt?

A. Yes. They are both very desirable, but we draw rather a distinction between the Government borrowings of the savings of the people and the Government borrowings from the Bank of England, which are a pure creation of credit. As to the last, of course, it is most desirable that they should cease at the earliest possible moment. It might perhaps be necessary for the Government to borrow in one form or another from the savings of the people, but that is not nearly so mischievous.

Q. Would that reduce the so-called inflation? Is not the only way to reduce the inflation, supposing there is inflation, by making our income exceed our expenditure directly this war is over?

A. Undoubtedly that is so - they should reduce their expenditure to within their revenue at the earliest possible moment. I do not know what necessary expenses there may be immediately after the war; it is quite conceivable that the expenses cannot be cut off short directly the war comes to an end, but the sooner the Government can stop borrowing and live within its income, the better for the country. That is the only way.

Q. Our third question is - What action should, in your opinion, be taken to restore and maintain the foreign exchanges after the war?

A. There again one of the questions suggests the answer. It would also be necessary for the Government to arrange all its foreign debts; that is one of the preliminaries.

Q. The foreign debts?

A. Yes, the Government must arrange its numerous foreign debts before the foreign exchanges can be put right.

Q. Still, we shall have to continue to pay interest on our foreign debts and that will continue to affect the exchanges adversely.

A. Undoubtedly there will be the interest, but I mean to say the short foreign debts ought to be got out of the way as quickly as possible.

SIR JOHN BRADBURY: Do you mean they ought to be funded, Mr. Governor?

A. Yes some arrangement should be made so that you are not constantly required to provide for the repayment of debts; I mean to say, so long as you have these debts outstanding that are constantly maturing, you cannot very well get the exchanges right.

CHAIRMAN: But the funding of the debt would only postpone the evil moment, and you would have to continue to pay the interest.

A. Yes, you would have to do that, no doubt.

Q. Therefore, the result is we must have our money dearer and dearer, and the main thing is that we must export more.

A. Exactly - export more and import less. That is really the crux of the matter.

Q. Do you think that the continuance of the Exchange Committee after the war would be desirable?

A. Our view is that the appointment of that Committee was a war measure, and that there is no reason why the Committee should not be dissolved as soon as the need for exceptional measures has ceased.

- Q. You are aware that we are only proposing here to deal with, say, ten years following the conclusion of peace. It will be some years, probably the full ten years, before the foreign exchanges will assume normal conditions and exceptional measures cease?
- A. Yes.
- Q. Would it not be well, therefore, that some small committee of experts, with a representative of the Treasury and a representative of the Foreign Office, should meet for consultation?
- A. So long as the Treasury has to interfere in exchange matters - they are not usually the province of the Treasury, are they? - so long as they have to take exceptional measures, so long, I suppose, they would like to have an Exchange Committee to consult with. That need not necessarily be during the whole of the reconstruction period, need it?
- Q. I was asking the question. The Treasury will have a great deal surely to do with the foreign exchanges owing to these great debts that we have contracted abroad?
- A. Yes.
- Q. And also, I think - quite properly - the Foreign Office have determined to take much more of a lead in commercial matters than they have done in the past.
- A. That would not be merely during the reconstruction period, I suppose, but permanently?
- Q. It would be carried on presumably indefinitely.
- A. Quite so. Were you suggesting that so long as the Foreign Office takes a more active part in promoting British trade abroad, so long would it be desirable to have an Exchange Committee in existence? Is that the implication of your question?
- Q. I was trying to find out your views.
- A. I should not have thought that for that purpose it would be necessary. That would be keeping the Exchange Committee going in perpetuity, would it not?
- Q. For a considerable time.
- A. As soon as the Treasury ceases to have to take all the exceptional measures that it has been obliged to take during the war and winds up that business they will have no particular need for an Exchange Committee; but there is no doubt, as you say, that would take some little time. It does not seem to be necessary to determine now when that Committee's functions should cease. It would depend so much upon the circumstances.

- Q. It may be for this Committee to recommend that they should continue - it may be, but I do not know.
- A. Quite so.
- Q. As the Chairman of that Committee we venture to question you on the subject.
- A. That was our view, that as soon as the need for exceptional measures by the Treasury ceases, they would not require an Exchange Committee. But one cannot say at this time when that need for exceptional measures would cease.
- Q. The next question is - Do you agree that the most effective method is the maintenance of higher money rates in this country than in countries our exchange with which may be unfavourable?
- A. Yes, undoubtedly, because that tends to check imports, and one of the most important things, as you were saying just now, is to increase exports. Of course, it is easier to say that than to say how it is to be done, but that is the fundamental remedy - to increase exports and decrease imports.

LORD INCHCAPE: You do not want to decrease the quantities you import so much as to get the price of the commodities down if you want to increase your exports.

- A. You must import raw material you mean? - quite so.

CHAIRMAN: Our next question is - Should an attempt be made to restore the internal circulation of gold?

- A. Of course not yet, but eventually it should be encouraged, though not forcibly. It would be a good thing for the people to fill their pockets again with gold if they choose, but just now there is not the gold to fill them with, so nothing could be done yet.
- Q. Could you not put aside the idea of 'eventually'; that will not probably happen during the ten years of the reconstruction period, and our trade would be very heavily taxed in the way of interest and discount charges if we are to keep the gold we have and obtain anything like the quantity of gold that some of our witnesses have suggested. That can only be done by keeping up our rates here, and if, in addition to that, we have to set aside some for the pockets of the people, the burden will be too heavy, will it not?
- A. You are speaking of an extra accumulation in the central reserve, are you not?
- Q. Yes.

A. That will have to be larger if there are going to be more notes in the pockets of the people. A larger issue of notes will entail a larger fund of gold as cover for it. Or do you mean that you want to accumulate a surplus fund of gold over and above what is required for the note circulation?

Q. No: the gold in the pockets of the people would be a surplus fund.

A. Quite so; but if you have notes in the pockets of the people instead of gold, then you could have more gold in your central institution.

Q. It is very easy to say we must have so much gold, but you and I know how very difficult it is to get gold and keep it?

A. Yes.

Q. In the past, as soon as we have shown that we have about forty millions of gold, it was impossible to get more.

A. Exactly; but that of course does not apply to the gold in the pockets of the people. That gold does not show, and therefore it can be kept, and therefore it is a very desirable form of reserve. It has, of course, been immensely useful in this war to have all that hidden reserve in the pockets of the people.

Q. I was wondering if it was the most economical way of having a gold reserve?

A. I do not see that it makes very much difference. If you are going to have notes that are cashable into gold, then all those that prefer carrying gold to carrying notes in their pockets will turn them into gold as soon as they can.

Q. That is one of the dangers. Is it desirable to have it?

A. Would not the only alternative be that your notes should be, in some sense at any rate, inconvertible, or that their conversion should be discouraged?

Q. For internal purposes?

A. I mean that.

Q. That would be the most economical way of doing it.

A. It does not seem easy to go further than that - to say one ought to sim at eventually letting everybody have gold in his pocket if he prefers it to notes.

LORD INCHCAPE: To get back to where we were?

A. Yes.

MR. JEANS: Do you think there will be any desire on the part of the public to revert to gold?

A. It would be very difficult to say. I expect a good many

people, when they hear that they can get sovereigns for their £1 notes, would rush to get sovereigns; and as soon as they have been carrying them about for a bit a good many of them would feel it is really much handier to have notes, and would go back to the notes again. There is no doubt the notes are very popular, and they have many conveniences; but I should think very likely the first effect would be that a great many people would cash their notes. It is quite impossible to say how far that would be permanent.

Q. Is it desirable to encourage that, seeing that this desire for gold will probably be of short duration, because in the meantime it will upset calculations?

A. I beg your pardon, I did not quite follow.

Q. Is it desirable to encourage the public to seek to exchange their notes for gold?

A. I should say so. I should say that the surest way to make them happy with their notes is to tell them to come and get gold for them.

Q. It would have a disturbing effect in the meantime?

A. It would mean that you could not afford to do it until you had got plenty of gold. That is all. But if they are to be discouraged from cashing their notes, you can hardly call them gold warrants, can you?

Q. It is difficult to say what use the gold is more than the notes, or what advantages it has over the notes.

A. That is so. I should think very likely the bulk of the population will come to that view sooner or later; some of them no doubt hold it already.

LORD INCHCAPE: They have got used to the notes now?

A. I think so.

Q. In Scotland you practically never see any gold.

A. You never did very much, did you?

Q. No, you only see the £1 note, and that has been the case for fifty years.

A. Exactly.

CHAIRMAN: We have heard many unfavourable comparisons between the small amount of gold we held before the war and that held by France, Germany and Russia, and now we shall hear that again. Of course, we can never hope to compete with America in gold holding; but, a good deal of capital was made out of it, and a good deal of credit was taken for the gold in the pockets of the people.

One said there was one hundred millions, another that there was fifty millions, a third that we were underrating it and a fourth that we were overrating it, &c., &c. If we held all the gold in one central place, we should compare more favourably with France and Germany and those countries where they only have one store?

A. Yes; it would look better on paper.

Q. And to some extent it would tend towards less frequent changes in the rate of discount?

A. Do you think it would?

Q. You could have an export of ten millions of gold out of a reserve of 150 millions, and you could stand that much more easily than you could ten millions out of a reserve of forty millions.

A. I am not sure of that; but it would not look so bad.

Q. We are on the principles of credit.

A. I am not at all sure that it would make any difference in the variations in the Bank Rate - I do not see why it should at all.

Q. This gold in the pockets of the people and in the coffers of various bankers, it has been said here, is out of the current and is in the back-water and cannot be got at?

A. That is so.

Q. Therefore, it was not very useful. On the other hand, if the public do take very kindly to the notes, and there is no necessity for an internal gold circulation, and the gold is stored away, it is no good at all for export, which is the principal use we should have to put our gold to.

A. You are referring now to the gold in the pockets of the people and in the bankers' vaults?

Q. In the pockets of the people and with the Joint Stock Bankers.

A. That gold, of course, is no good for regulating the exchanges.

MR. JEANS: The effect on the public mind is lost entirely if it is not published.

A. Yes; but still, as I say, you are driven back to that, that if your note is to be convertible you must let people convert it if they wish, and that means you must let them carry the gold about with them.

Q. I was referring to the gold held by the bankers; unless the amount of that gold is published, it has no effect as a reserve on the mind of the public.

A. And even when it is published it is of no use to the country. It may be of some use to the individual bank if they find it useful, but it is of no use to the country.

CHAIRMAN: Therefore, you might almost say that it is a luxury?

A. Exactly, especially during the reconstruction period when you are struggling to get back to sound money.

Q. We shall not be able to afford luxuries?

A. No, you certainly will not at first; but, as I say, as far as the gold in the bankers' vaults is concerned, I really do not see, if they choose to afford that luxury, when the country has got plenty of gold for its own purposes, why they should not do so if they like. But it really is of no use to the country as a whole, except in the same sense that the gold in the pockets of the people is, that is to say that it can be commandeered in the case of a war as it was.

LORD INCHCAPE: Voluntarily commandeered.

A. Was it?

Q. It was only a request made by the Government; There was never any compulsion.

A. Yes, exactly; it was voluntarily commandeered if any one may use that expression.

CHAIRMAN: Now we pass to question No. 7: On what basis should the note issue be based? Should the currency note issue continue to be in the hands of the Government, or be gradually transferred to the Bank of England?

A. What we think is that from a date to be agreed on the Bank of England had better take up the issue of the £1 and 10s. notes, and that from that date the currency notes should cease to be issued and should be paid off by the Currency Note Department. The Bank should provide gold and securities against its own fresh issue. There would then be only one issue of £1 and 10s. notes and notes of higher denominations.

MR. JEANS: Do you think it is desirable that the issue of 10s. notes should be continued?

A. The half sovereign is rather an extravagant coin. Do you suggest that the country should be satisfied with silver?

Q. No, I do not; I rather think the other way, but I was asking you.

A. I should not think so. Really, I have not thought much about it. I have looked upon the 10s. note as a thing which had come to stay, just like the £1 note, and thought that it would be rather difficult to do without it again.

CHAIRMAN: If the Bank of England issues 10s. notes, would you have them payable in silver and keep a reserve of silver against them?

A. That is a new point which I have not thought about. In order to avoid the half sovereign do you mean?

Q. Please think it over; as I said to begin with, we shall hope to see you again. At the present moment it is not very material.

A. It is not urgent, at any rate.

Q. We have had several witnesses here who have desired, or suggested, or advocated the continuance of the Treasury notes and the Bank of England notes running concurrently. I ask you if you know of any plan or method, if that plan were adopted and they were continued concurrently, whereby the export demand should fall equally on the reserve held against the currency notes and the reserve held against the Bank of England notes?

A. That would be very complicated.

Q. Say you hold the same gold reserve against either, it seems to me that the currency notes would always be in a better position than the bank notes, and the reserves of the latter would be liable to be depleted by every foreign demand that sprang up.

A. Yes; I think that it would be a complication to have them both running concurrently. Besides, it might lead to some difference of opinion in their respective value. You would have them both legal tender I suppose?

Q. Both?

A. I do not mean that the bank note would be legal tender for payment by itself, of course. Would it not be open to that objection, that at some periods people might think that one form of our legal tender paper was worth more than the other form? It would be a dreadful thing to have one at a premium over the other.

Q. And it would never be the Bank of England note, unfortunately.

A. I do not suppose it would, but I do not know; at present, on the Continent, for instance

Q. For the present, the submarine and one thing and another prevent the export of gold.

A. You were saying it would never be the Bank of England note, but at present, when there is a perfectly fair field for both

Q. The export of gold is impossible now owing to submarines, but as soon as the war is over and there is free export of gold, without the present very high rates of insurance, freight, &c.; then, if anybody had occasion to export gold, they would exchange their currency notes for bank notes and withdraw their gold.

A. I was not referring to the fact that there is a premium on both sorts of note on the Continent, but to the fact that the Bank of England note stands, or has been standing, at a higher premium than the Treasury note. I only use that as an example, to show that it is conceivable that at one time the Bank of England note might be held to be better than the Treasury note, and at another time the Treasury note might be held to be better than the Bank of England note.

Q. I do not think you must take the present position on the Continent as indicating what will happen.

A. Just so.

Q. You cannot explain the reason for that demand now?

A. I do not pretend that that proves that the Bank of England note is a better note than the Treasury note.

SIR JOHN BRADBURY: They both are of value, and the only difference, I take it, that could arise would arise if one of the issues was inconvertible; if they are both convertible in the end, you cannot get any difference?

A. That is so.

Q. I mean effective difference.

A. Quite so, and there ought not to be, ought there? Do you think that, although the Treasury note has been a necessity during the war, Parliament is likely to sanction the Government going on printing its own notes in times of peace? What do you think, Sir John?

Q. I am here rather to ask questions than to answer them.

A. It is not a question on which I profess to be a judge at all, but that was our view, that they would not be likely to sanction it.

CHAIRMAN: Would it be practicable and desirable, both from the point of view of the public as well as from the point of view of the Bank of England, that all the notes should be dated from the head office and redeemable in gold only at the head office?

A. You mean to say that there should be no branch notes?

Q. Yes.

A. It would be an inconvenience, would it not, to the public?

Q. Would it? It would economise the use of gold?

A. Yes, it would.

Q. If the bankers did not pay out gold to the public. The amount of gold that the bankers now draw in the provinces is very small, in fact at the present moment they draw nothing at all.

A. Quite so. You are talking just now of the reconstruction period?

Q. I am always talking of the reconstruction period.

A. Of the period after it had been decided to cash the notes in gold?

Q. I do not want to touch on further than ten years at the outside - really the reconstructional period.

A. I hope that within ten years gold will circulate in the country in so far as anyone cares to carry it, don't you? Within the ten years after the war, I mean.

Q. Personally I do not; I think it would be an extravagance and a luxury.

A. If it is not to do so, in so far as people wish to hold gold instead of notes, then the note would not be really absolutely convertible, would it, if, supposing the people wished to convert it into gold, you have either discouraged or prohibited them from doing so?

Q. It does not prohibit it, but discourages it.

A. Would you continue to discourage it?

Q. The point is that it does not discourage the export of gold.

A. No, but you discourage its use in England.

Q. It does discourage the use of gold, or the hoarding of gold, in this country.

A. Your suggestion is that we should only cash the notes at the head office. Would not people in the provinces who want gold get it from their bankers, and would not their bankers have to get it up from London for them? It seems to me that it is more a question of the difficulties of the bankers throughout the country. If a member of the public went to his banker in Birmingham, or anywhere in the Midlands, and said he preferred sovereigns to notes, would they not cash his notes for him, and if the local bank were not able to go to the branch in Birmingham and get gold for them, they would send up to London for it, would they not?

Q. It would discourage that.

A. It might a little bit. It would put the bankers to more inconvenience, but I do not know whether it would deter the public themselves from using gold, if they were bent on it. I am not sure whether the chief reason why people would ask for gold is not because they have been kept without it for so long; if so, they would think it was rather a fine thing to get gold coin, but if they knew they could get it whenever they went for it, they would probably prefer the notes, or most of them would. I do not think it would have very much effect except, as I say, in giving more trouble to the bankers.

MR. GOSCHEN: We always, I think, get our gold from London now practically, and if we want to send it to the country, we have sent it ourselves.

MR. BECKETT: At the same time, the smaller bankers would have to hold gold for themselves, if they are not to rely on a local branch of the Bank of England almost entirely in order to obtain gold.

THE WITNESS: That would be so.

CHAIRMAN: They did that when gold was in free circulation.

MR. JEANS: That was prior to the issue of the £1 note, I take it?

MR. BECKETT: I thought I understood Mr. Governor to say that he favoured the resumption of gold in the pockets of the people. That means that local bankers all over the country must be prepared to let the people have gold in exchange for their cheques.

THE WITNESS: Eventually.

MR. BECKETT: Therefore, I think it is not too much to go a step further, and say the bankers would be put to a very serious inconvenience if they could not get their gold from the local branch of the Bank of England.

THE WITNESS: That would be so.

MR. BECKETT: Mr. Governor said he was in favour of getting gold back into the pockets of the people.

THE WITNESS: In so far as they want it.

SIR JOHN BRADBURY: Surely this question hardly arises on Mr. Governor's suggestion. If gold is to circulate for internal purposes to any appreciable extent, then it seems to me to follow that the branches of the Bank of

England had much better continue to issue their own notes and redeem them in gold. The suggestion made in the Memorandum is rather on the basis that the internal circulation of gold could be discouraged altogether, and that bankers throughout the country would not want gold to issue to their customers for internal circulation at all, but only in very small amounts for people going abroad.

THE WITNESS: Then it would be useless to have branch notes. Really that is what it would come to.

SIR JOHN BRADBURY: The suggestion was in order to make it rather difficult for the community to take to gold again, it would be better to make the whole of the notes, both currency notes and Bank of England notes, payable in gold in London.

THE WITNESS: I can quite see that, and my reply to that is that the only difficulty would be on the local bankers.

SIR JOHN BRADBURY: You were disposed to think that any artificial difficulties put in the way of restoring the gold to circulation would stimulate people's minds to get it?

THE WITNESS: Precisely.

CHAIRMAN: That being so, will there not be great confusion when the Bank of England issue £1 notes and 10s. notes in Manchester, Liverpool and Bristol, and they have to keep separate reserves in all these places in gold against these local issues; particularly, I presume, as these £1 notes issued in Manchester will not be current in Bristol.

SIR JOHN BRADBURY: They are all payable in London as well as at the branch of issue according to the present practice.

CHAIRMAN: Will the Manchester note go as well in Bristol? Will it not rather go the same way as the Scottish note does now?

SIR JOHN BRADBURY: The Manchester £5 note goes as readily in Bristol as the London £5 note, because the Manchester £5 note is in fact the London note and something more - it carries with it all the rights of the London note plus the rights of the Manchester note.

LORD INCHCAPE: It would never do to have circles of notes, where they were only paid within a certain circle.

A. No, that would be very bad.

CHAIRMAN: You cannot take a Manchester note to our agent in Bristol and expect him to pay it.

A. He always does so for customers.

MR. GOSCHEN: There is no obligation on him to do so, is there?

A. No.

SIR JOHN BRADBURY: There is no obligation to pay the London note either?

A. No.

SIR JOHN BRADBURY: I do not quite see why the Manchester note should be less welcome in Bristol than the London note, because both are payable in London, and the Manchester note is, in addition, payable in Manchester.

MR. GOSCHEN: As a matter of fact, you practically never have one Manchester note or one Liverpool note in ten thousand do you, in London - the ordinary person very seldom gets one?

A. The circulation of the branch notes has been going up.

CHAIRMAN: I may have got hold of a mare's nest, but when it was discussed the other day I thought that if 10s. notes, £1 notes and the Bank of England notes remained legal tender, and if you had them dated one from Manchester and another from Liverpool, and so on, it would be quite confusing, and it would not do to have them all paid in gold, and that it would be impossible to have the head office notes paid in gold at Bristol, say.

A. Quite so.

Q. You could not arrange to hold enough gold in Bristol to pay anyone who chose to go there with Bank of England notes; therefore, the only method is to have them all paid at the head office, and only at the head office, in gold.

A. It seems to me to be very much a matter for the convenience of the bankers. If it was not putting them to any inconvenience, it certainly is more trouble to the Bank of England to have branch notes as well as the head office notes. If the bankers would be prepared to do without them, so much the better.

Q. I think this is a new idea for the Committee itself; perhaps we might all think it out.

A. I should like to talk it over at the Bank too.

Q. Now let us go to question No. 8 - Will it be necessary to keep larger gold reserves in this country than before the war? What should be approximately the amount to be aimed at?

- A. If there is a larger note issue, of course it will be necessary to keep a larger gold reserve against it. Presumably there will be, but one cannot say to what extent, nor therefore to what amount the reserve ought to be increased, unless, as I was saying just now, you are referring to a further reserve beyond what is required for the note issue.
- Q. Could you explain how that further reserve is to be obtained and maintained?
- A. That is the difficulty. As I say, I imagined that you were only speaking here of a reserve against the note issue.
- Q. That is so. The other question has puzzled us at the Bank for many generations.
- A. Quite so.
- Q. I quite agree that until you know what the note issue is, you cannot possibly tell me the amount of gold; but we could know something about the proportion. Is it to be one-third in gold against two-thirds in notes, or 40 per cent in gold against 60 per cent in securities, in fact what proportion is to be aimed at?
- A. We think the old plan is much better - to have a certain limit of notes, which it is supposed will never be in any circumstances presented for payment, and 100 per cent of all the rest in gold. That is to say our present plan, and not a percentage of gold against every note.
- SIR JOHN BRADBURY: In other words, a fixed fiduciary issue and the excess circulation to be pound for pound in gold?
- A. That is so. On the other hand the Americans, who have had the advantage of studying all the other monetary systems of the world, have adopted the other plan; they have fixed 40 per cent of gold against all their notes.
- Q. That is on the plan of treating the banking transactions and the issue transactions of the issuing bank as a single entity, is it not? I mean they have not, if I understand the American system rightly, a definite reserve earmarked against the note circulation, but have a percentage of gold reserved to the total liabilities of the issuing bank?
- A. Is that so?
- Q. I do not know how far the particular issuing authorities, the Federal Reserve Banks, have transactions other than issuing but they have a certain amount of discount transactions, I believe.
- A. Yes, but I thought the percentage of gold was applied to the note issue.

Q. I thought the percentage was applied to the total liabilities of the issuing institution?

A. I am not sure.

CHAIRMAN: Now No. 9 - Would it be desirable that the banks should transfer the gold now held by them to the Bank of England, so that the latter should be the central and sole holder of the gold reserves of the country?

A. We think it would be very desirable, when we are trying to accumulate gold, that it should all go into the central stock, unless it were thought well to except one per mil of their deposits, which was conceded to the bankers for some reason. If you remember, when they placed all their gold at the disposal of the Treasury, they stipulated - I cannot remember exactly why, because I do not think it is of any particular use to them - that banks should retain one per mil of their deposit liabilities in gold. If there is any virtue in that, it would be quite a small thing to concede and I do not know whether it would be worth altering it. In the same way all imports of gold should go to the Bank of England, and it would also follow from that, that there should be no ear-marking except at the Bank of England, as there would not be any gold elsewhere to ear-mark. We thought it would be a good thing during the reconstruction period to have no ear-marking at the Bank of England except with the Treasury consent, and it might be convenient for the Bank to be able to say that Government approval would be required before they could ear-mark gold.

MR. BECKETT: Is that to include the foreign gold? Is there to be any ear-marking for foreign gold?

A. Do you mean foreign coin held in the Bank?

Q. Yes, to the credit of foreign nations; would you not ear-mark that?

A. I would not ear-mark for anybody.

CHAIRMAN: Unless you wished to?

A. Yes, unless we wished.

LORD INCHCAPE: Would you allow none of the joint stock banks to retain any gold in their vaults?

A. No. When we are at work trying to accumulate a stock of gold for the use of the country, I think it would certainly be desirable that all the stocks of gold in the hands of the banks, which are not, as the Chairman put it just now, in the stream at all, should be put into the central reserve.

Q. Would you apply that to private individuals too?

A. Yes, to everybody.

- Q. Nobody will be allowed to have any gold?
- A. Unless, as I say, there is any virtue, which I never could quite understand, in the one per mil of deposits - and I do not know what the object of it was.
- MR. GOSCHEN: That was the same idea as the Chairman has put forward - that a certain amount of the banks might require to hold a little gold for people who are going abroad. If gold is in circulation, the banks must hold gold, must they not?
- A. This would be while we are reconstructing or preparing to reconstruct.
- Q. During that period would you not have a gold circulation?
- A. No; I would keep on as we are until we can afford it, and accumulate all the gold we can in the central reserve.
- LORD INCHCAPE: Then you would go on on a paper basis?
- A. The same as we are to-day - no worse than we are to-day.
- Q. Anybody can get gold now.
- A. Yes, anybody can get it, but is not encouraged to do so.
- Q. You give him gold for a £5 note at the Bank of England.
- A. Yes, if he really wants it, and shows good cause. Gold is not required for internal purposes now, and the exports of gold are also discouraged, so that if anybody does come and present a £5 note for payment, we always make it our business to find out why he wants it. We make careful enquiries, because we are put on enquiry. So it is not at all a popular proceeding to come and change a £5 note.
- Q. Would you continue the present system?
- A. Exactly the same as at present, and collect all the gold.
- Q. Until you got as much gold as you wanted?
- A. Yes.
- CHAIRMAN: In other words, you would discourage without prohibition?
- A. Precisely. We think it would be a great mistake to prohibit the export of gold; it never has been prohibited, but the Government presumably would have the power to control the exports of gold, as they would of any other commodity, if that was necessary. It does not seem at all certain that it would be necessary to prohibit exports.
- LORD INCHCAPE: It would be a very serious matter after the war is ended if you were to say: 'You cannot get gold 'for export'.

A. Quite so; but it does not seem certain that it will be necessary to prohibit it at all.

CHAIRMAN: I was going to ask you why the one per mil should be retained by the banks?

A. I really do not know.

Q. You have already given your answer.

A. As I say, it is a small thing.

Q. My point is that to show one per mil of gold in their balance sheets would be against their credit rather than to their credit.

A. I never really knew whether it was only an attempt to preserve some small portion of their stock of gold, or whether it was for any practical purposes.

MR. GOSCHEN: I think the idea was, in case anybody asked for a little gold for any special purpose, we could give it to them.

MR. JEANS: It was till money.

THE WITNESS: Most of the banks do not show their gold separately.

LORD INCHCAPE: Only one.

MR. BECKETT: They certainly would not show it if it was only one per mil; they would not boast that.

A. No.

CHAIRMAN: You make a special point about the ear-marking of gold by the Government but I do not know that the Government would care to interfere in such a matter. Hitherto the Bank has been quite careful to keep its gold, and I think every restriction of that sort would rather imply that it was not a free gold market.

A. I think there is something in that. It really is exactly the same thing as exporting, and if we are to say nothing about exporting, perhaps it would be better to say nothing about ear-marking - it is exactly the same thing.

Q. It, of course, is understood that the present prohibition of the melting of sovereigns would be continued?

A. Yes, certainly; it should, I think.

Q. In regard to the export of gold, there was a suggestion made that bank notes should only be redeemed for 60 oz. bars of the ordinary, usual fineness for export; therefore, for export purposes we should have a free market, but for internal purposes not.

A. That you should not redeem in coined gold but only in bar gold during the reconstruction period?

Q. Yes.

A. There are different bits of that period.

Q. We have got a little confused; you are looking more into futurity.

A. No, rather less into futurity. I was outting up the reconstruction period. You mean during the period when you would be discouraging people from using gold at home?

Q. I am very anxious not to discourage in the least sort of way the export of gold, but I think it will be too great a luxury to return to the internal circulation of gold, though I am only speaking for myself now.

A. Certainly for a time it will - there is no doubt about that. That is the only difference really I was talking rather at cross purposes with you. I looked forward to the possibility of there coming a time during the reconstruction period when you could allow the use of gold internally.

Q. Should that happy time arrive, we shall be quite able to deal with it.

A. I beg your pardon; I have forgotten what your question was.

Q. The point was whether you have considered redeeming in bar gold?

A. No, I have not considered that; but of course so long as there is to be no internal circulation of gold, so long is it a pure waste of money to coin it.

Q. There are various things to be taken into consideration. The trouble is that while with sovereigns you need not be a dealer in gold; for you have got so many sovereigns and they must be of a certain weight and a certain fineness; but when you are dealing in gold bars, it is a different matter altogether, and is more complicated. I think it is a matter which, if it is worth anything, wants to be well considered.

A. Yes, it is.

Q. Then, as you know, there are certain countries that want our sovereigns, and only our sovereigns.

A. Yes, there are.

Q. You say that the exports of gold should not be prohibited, but the Government should retain power to prohibit and control them. The Government always has the power.

A. Quite so.

Q. You would not suggest that they should take special powers for that?

A. No.

Q. Or that we should make any special representation?

A. No.

Q. The less said about anything of that sort the better?

A. Exactly.

Q. Now question No. 10 - Having regard to the importance of maintaining London as a free gold market after the war, do you think it would be feasible and lead to any economy of gold, were it to be exported only through the Bank of England?

A. The Bank of England would be the only person who would have any. It would follow from the answer to No. 9, would it not, that it could only be the Bank of England? If the Bank of England is to be the sole holder and the sole importer, it must be the sole exporter, must it not?

Q. Is that decided?

A. No; I do not suppose you could decide it at once, but that is what I suggested.

Q. I do not think it has been decided, has it, that the Bank should be the sole importer of gold?

A. No.

Q. I rather wanted to hear your views and reasons for that.

A. The same reasons for its being sole holder; that is to say, all the gold should be collected there, whether it be the gold that is in the country or the gold that comes into the country.

Q. Are you not confusing gold bars with coined gold? The Bank of England cannot be the holder of all the gold in the country, only of the coined gold.

A. I did not mean melting down the gold plate, or anything of that sort. I was thinking of the imports; there is no reason why they should not all come to the Bank of England, and be doled out as at present to the trade if required.

Q. There may be no reason why they should not, but is there a good reason why they should?

A. I think it would be a pity to confine the central stock to the gold already in the country. Our idea was to get up a stock of gold as soon as we could.

Q. You know it has not been our custom to coin all our gold?

A. That is so.

Q. I suppose there is double or treble as much gold exported in bars as in sovereigns; therefore, it would be a needless extravagance to coin all our gold?

A. Yes.

Q. I think the Committee is very anxious that there should be no appearance of restriction on dealings in gold, any more than is absolutely necessary. Unless there is some very good reason for all the gold that is imported going into the Bank, I put it to you, is it worth doing?

A. What we wanted to do was to get all the gold, as you expressed it just now, into the stream and not into the backwaters. It might be imported for the backwaters, and it is a pity it should gravitate there, rather than into the central reserve.

Q. I think there again we might consider that. It is of great importance not to make unnecessary restrictions.

A. Certainly.

Q. I am sure you have considered this matter at the Bank. Could you make any suggestion to the Committee how the gold production of the Empire might find its way to the London market? Have you thought of any possible way in which the low grade mines can be kept in being and not closed down owing to the rise in working expenses and general upkeep? Every ounce of gold we can get we shall require and this subject is a very serious one and a very difficult one, is it not?

A. Yes, it is. There has been a great deal of talk lately about these low grade mines; but if it costs more than an ounce of gold to get an ounce of gold out of these low grade mines, I really do not see how it can be good business to get it out. It might suit the local Government, in order to keep employment going, to subsidise them, or something of that sort, but I do not see how it can suit the buyer of gold to pay more than an ounce of gold for an ounce of gold.

Q. I am afraid that that is the only possible answer, such as I should like to have heard of some other.

A. I am afraid it is so.

MR. JEANS: Is not the complaint rather that they are not allowed to sell in the open market where they can obtain a better price than they can obtain in the Bank of England, and that there is a restriction on the sale?

A. They have special facilities for sale, have they not?

CHAIRMAN: What gold mine is it that complains that it is not allowed to sell in the open market?

MR. JEANS: I thought that was the general idea, that they were restricted at the Bank of England under the circumstances of the present time, whereas abroad, if they could ship it, they might get a better rate for the gold.

A. But how could they get their gold to market?

MR. JEANS. That is the difficulty they have to overcome, and which they seek to endeavour to make somebody else overcome.

CHAIRMAN: I have always looked upon the Bank of England as the greatest friend of the gold mining industry. If it had not been for the Bank of England and the arrangements which have been made to take their gold and ship it for them they would have been in great difficulty.

A. And pay for it before we got it.

CHAIRMAN: They would have had their gold on their hands and would not have got rid of it.

MR. JEANS: Under existing circumstances.

THE WITNESS. Yes, that is so.

CHAIRMAN: We have taken their gold and bought it on the spot; in India we have taken all the Indian-mined gold.

THE WITNESS: We made a contract with them which appeared to be very favourable to them at the time, but it had not turned out quite so favourable as they expected - that is all.

LORD INCHCAPE: They got the price, did they not?

A. Yes.

Q. I think the cost of getting the gold has gone up?

A. Yes, that is right. It has not proved such a fine business for them as they thought it was.

Q. They could not get more for the gold?

A. No.

CHAIRMAN: I do not think we contracted with them for any period, did we?

A. Yes, I think so.

Q. We have not in the case of India, have we?

A. I rather think we have; but you made the contract, and you ought to know.

LORD INCHCAPE: It is to the rise in wages that it is all due?

A. Yes, and of commodities too.

Q. If commodities go down naturally the wages will fall too.
A. Exactly.

Q. You would expect they would?
A. Yes.

Q. A time will come no doubt when they will be able to get gold at a price that will pay.
A. Yes, and the question is whether it is worth keeping open their mine at a loss.

Q. It is no use their raising gold and paying 22s. for a sovereign, but when wages have come down, it will be worth mining.
A. Yes.

MR. JEANS: In the past gold could command a very high price in commodities, and if they take the good they must accept the bad things when they come; they cannot expect to have it adjusted only when the case is against them.

MR. GOSCHEN: On the other hand, if they ship their gold to Sweden, for instance, now, they could get a great deal more cyanide for each £1 of gold than they can get for their £1 credit in England.

SIR JOHN BRADBURY: There is a very limited market for gold in Sweden, and they will not give you kronors for it.

CHAIRMAN: Have they much cyanide?

MR. GOSCHEN: I only took that as an example, but I think they do make cyanide there.

SIR JOHN BRADBURY: I think if they sent it they would find it became very cheap, and they would have to sell it to anybody who would buy it.

THE WITNESS: They would not find much of a market in Sweden, I think.

CHAIRMAN: Now the eleventh question is - Are you in favour of continuing the practice adopted by the Bank of England in recent years, that is during the war, of buying raw gold abroad at the equivalent of 77s.9d. per ounce of refined gold, and including the gold so purchased in its figures? Do you think it is desirable that the Bank should keep part of its gold in the Dominions overseas where it may be required at short notice?

A. We think it would be desirable that the Bank should have the power of continuing this practice and of holding it anywhere in the Empire, at any rate during the reconstruction period.

Q. It has been argued here by a great authority, that the Bank has to redeem its notes in gold here in England, and it should therefore keep all its gold here.

A. Of course it does sound inconsistent with that, I know, but as the Bank has to attend to the export of gold, it might quite well be more useful if we could keep in Canada, as we have been doing, or anywhere within the Empire, a certain amount of it, than to have it all here.

MR. JEANS: But that gold held abroad could only be made available to the Public by the cancellation of notes, I think?

A. Yes.

Q. Therefore, it is as broad as it is long whether it is held abroad or here; the Public can only get hold of that gold by presenting bank notes?

A. Yes.

Q. If you part with the gold you cancel your notes in exactly the same way as if the notes were presented here?

A. The cancellation of the note is always here.

SIR JOHN BRADEBURY: Is not the argument this; that what the Public want for the note which they present for payment at the Bank of England, is not gold in London, but a credit balance at the Bank of England with which they can buy foreign exchange? They want the gold in a foreign country, and therefore for the purpose of paying the bank note in England, it is of more use than the gold in London.

A. Yes. The gold may be even more useful there than here, although that sounds inconsistent.

Q. The number of people who present bank notes because they want sovereigns in London for use in this country, in normal times, is insignificant.

A. Quite.

CHAIRMAN: For the reconstruction period, surely it would be better to have it abroad; we should then be able to save freight to and from this country.

A. Exactly.

Q. We can give the mines in one way and another as many pickings as possible in the way of interest, freight and charges by buying their produce on the spot, and thus as far as possible encourage production.

A. Yes.

- Q. Again, we do not make any very considerable charge for the refining of the gold; refining is done cheaply by the Government, and it will, I hope, continue to be done.
- A. I see the Consolidated Gold Fields have taken an interest in one of the refineries.

Q. Now I come to our twelfth question - Do you agree that the existing uncovered currency note circulation should be gradually reduced as opportunity offers, and that the fiduciary issue should ultimately be fixed at such amount as experience of normal conditions may show to be justified?

- A. Yes. We think it most important that the existing uncovered currency note circulation should be reduced, in fact so much so that we think it would be better that Parliament should fix some scale by which a reduction should be made, the idea being that the pressure on the Chancellor of the day to keep cheap money going would be so tremendous, that it would be hardly fair on him to have to stand against it, unless there were a law by which the fiduciary issue were gradually reduced.

MR. JEANS: Is there any evidence at the present moment that there is a redundant circulation?

- A. Are not prices evidence?

Q. Is that not inevitable owing to the circumstances? If you reduce the circulation what could you substitute? The whole of the circulation is in the hands of the Public at the present time, I think, practically.

- A. Dear money of course is the remedy.

SIR JOHN BRADBURY: Supposing Parliament provided that the uncovered note issue is to be reduced by, for the sake of argument, two millions annually, it would then become the duty of the Treasury, say immediately after January 1, or in December for the reduction to take effect next year, to withdraw two millions of notes from circulation. That could be quite easily done - they would be paid in taxes at the Post Office, and they would be handed in to the Bank of England to be cancelled. The result of that surely would be that bankers, those notes being withdrawn from circulation, would require legal tender money to satisfy their customers demands.

- A. Quite so.

- Q. They would go to the Bank of England for legal tender money. The Bank of England has no longer power to issue fresh Treasury notes, so that legal money must take the form either of bank notes or, if they want small change, presumably of sovereigns from the Bank of England reserve. The effect of a statutory reduction of the circulation of Treasury notes, would surely be therefore to reduce the reserve in the Banking Department by exactly the amount of notes which the Treasury were forcibly withdrawing from circulation. Would not that be rather a serious matter?
- A. Yes, it would. It would reduce the reserve; we should therefore have to put rates up or keep them up whichever it might be. It would all tend to dear money.
- Q. The process would have to be a slow one, or it would affect things rather seriously.
- A. Yes, it would. In fact, it would be so impossible for Parliament to guess what the proper scale should be, that it would be almost necessary to keep alive that section of the Currency Notes Act, section 3, by which the Chancellor may authorise an excess issue in case of need.
- Q. Then you put the temptation on the Chancellor of cheap money. If you have got your statutory scale of reduction with an authorised excess issue on the other side, it seems to me that your statutory scale of reduction has hardly a sporting chance.
- A. Do you not think that it would be a very much more serious thing to authorise an excess issue?
- Q. If a habit were made of it, it would be done very lightly; one might hope that the habit would not be there.
- A. The section only allows him to authorise an excess issue if necessary. It does not empower him to command it. You mean to say, it would come to much the same thing, I suppose?
- Q. I am afraid so. I think we all agree that the Treasury note issue ought to be reduced.
- A. Quite.
- Q. At the same time, it seems to me that the process of reduction almost of necessity will be a very painful process to commerce and industry.
- A. It is bound to be a very painful process, and that is why, although we realise that you cannot be wise before the event and say exactly by how much it should be reduced, we think that it would be very difficult to effect sufficient reduction unless there were a law to make it compulsory; it would be the lesser of two evils.

CHAIRMAN: Now Mr. Governor, if you feel you are not competent to suggest what reduction is possible, could you expect this Committee to do so?

A. I could not expect anybody to do so.

Q. If you reduce by saying that so many notes are to be cancelled, as Sir John Bradbury has just pointed out, the money to pay wages has to be obtained somewhere or another, and surely the only way to reduce the currency notes is for the Chancellor and Parliament to reduce the expenditure below the income that is derived from taxation?

A. Yes; that of course is all important.

Q. If you increase taxation so that every year your income exceeds your expenditure by two millions or by three millions, then by so much you can reduce the currency notes.

A. Could you by that much; does that absolutely follow?

Q. I should have thought it did, if you call in the currency notes and give nothing in return, in which case the notes are simply paid in by the tax payers.

A. It does not seem to me quite to follow that you could reduce the note issue by the total amount of the Government economies.

SIR JOHN BRADBURY: Will it not be the case that after the war a large number of these people who are at present being employed by the Government will have to be employed presumably by other people, and they will want their wages paid none the less?

A. Quite so.

Q. So long as prices are at anything like their present level, and money is very cheap, and so on, there will be a demand for this circulation whether the Government is borrowing or not.

A. Yes, I think so.

Q. Is not the final solution only to get down prices by a certain amount of monetary stringency?

A. I think that is the only thing, and I think that is also the answer to your remark about the reduction in the reserve. It all comes to that.

Q. The point that I was trying to make was that it must be a gradual one.

A. Certainly.

- Q. That you cannot, so to speak, withdraw a definite amount of currency and let this run whatever happens, but you must keep your hand on the patient's pulse and, if he shows any sign of expiring, you must administer a little more oxygen.
- A. I was suggesting oxygen in the form of this section 3, but you say that would cut away the ground from under the law by which the reduction was made, and perhaps it would. I thought it would be a much more serious thing to sanction the excess issue than to abstain from taking action.
- Q. Might I suggest that a very good step, perhaps not so drastic as what you recommend, but still a useful step, would be that, when the war is over, at any rate, to prohibit any further issue; and then to see what effect that might have on the bank reserve and so on and, if at a later stage it were possible, to go on to the reduction step. But it rather appears to me that the reduction step in the first instance is a more drastic remedy than the patient is likely to be able to stand.
- A. I do not think anybody would suggest that you should start reducing the instant the war was stopped. In fact, the sort of scheme that we had in our minds was, that it should never be allowed to increase - that the total amount of fiduciary issue during the previous three or six months should be the maximum limit for the ensuing six months, and that there should always be a reduction of - I forget what the figure was - say 3 per cent on the average fiduciary issue of the penultimate six months. So you would come down quite gradually and there would be no change for the first six months at all. We thought of something of that sort. It was only to strengthen the hands of the Chancellor, who, one felt, would be in a difficult position. We thought it would be a much more serious step to authorise an excess issue than to abstain from taking steps to reduce the issue.
- Q. Had you in mind the possibility in connection with the excess issue of requiring a rather rigid time limit in respect of the authorised excess?
- A. I should have thought that as it would require administrative action that had better be judged at the time when it arose.
- Q. My difficulty is that the power of section 3 might render entirely nugatory the statutory reduction.
- A. Yes; but it is a much more serious thing to authorise an excess issue than to abstain from action, and when the Chancellor came to authorise an excess issue he could then, as you say, either put a time limit or any other safeguard. I do not say that it is ideal, because it

certainly is not ideal, to suggest that Parliament should make a shot at what the proper reduction should be, but it seemed to us the lesser of the two evils. But as I say - though it is rather perhaps going out of our way - what we felt was that the pressure would be so great to allow cheap money to remain - all the unthinking public would be sure to press for it.

CHAIRMAN: Now question 13 - Are you in favour of maintaining the present separation between the Issue and the Banking Departments of the Bank of England? If not, what changes would you suggest?

A. We are very much in favour of maintaining it. The only reason I have ever seen given for amalgamating the two is that you could then conceal the proportion in the Banking Department, which seems to us utterly indefensible. We think that we ought to show the proportion in our Banking Department just like any other bank does, and that it would be very wrong to conceal it. If the two departments were amalgamated, it might have the effect of seriously impairing the convertibility of the note, because the depositors would then be able to withdraw all the gold without corresponding notes being cancelled, whereas at present they cannot withdraw gold without the corresponding notes being cancelled at the same time.

Q. This has been advocated by a very high authority, and many witnesses have advocated it. Supposing these two departments were amalgamated, the same gold reserve would be held against both the note issue and what banking the Bank of England chose to do; therefore the reserve against our note issue would be left entirely in the hands of the Directors of the Bank.

A. Precisely.

Q. I presume that is a position which the Bank of England Directors themselves would not like?

A. They would not like it, and certainly the public would not. We are bound by law to protect the note now.

Q. But unless the law put in somebody to look after the banking business, unless in other words Parliament placed somebody over them, there would be no longer a need for any security beyond that which the Directors chose to give.

A. Yes. The Directors themselves could not help themselves. As I say the depositors would have a right to that gold. The deposits would be one of the liabilities of that reserve would they not? However much the Directors might prefer to keep the gold to meet notes they could not refuse to give it out to their depositors if they claimed it.

- Q. That is so, and if the Directors chose to go in for something that was not proper banking, the note issue would suffer.
- A. Quite so. It would bring the issue down off its pedestal altogether. You said you had heard other people besides the eminent authority you mentioned support this proposal; did they adduce any other reasons, or was it in support of his that they spoke?
- Q. I do not know whether those were his reasons that were voiced by them, but we have had many witnesses.
- A. I was only wondering whether they were merely disciples of the same eminent authority.

CHAIRMAN: I take it they were disciples.

MR. JEANS: There has been no argument adduced except that of the spectacular effect, has there?

- A. Concealing our proportion in the Banking Department in effect?

CHAIRMAN: In 1844 that was all gone into in Parliament, and they decided then that the privilege of issue is one which may be fairly and justly controlled by the State, but the banking business should be unfettered.

- A. Exactly.

Q. That seems to me to answer the whole question.

- A. Precisely. Under the proposal you do away with the control. Either you must have control over both

Q. Either you control both, or you do away entirely with the control of the State, which has to be considered.

- A. Yes.

Q. Do you think that the weekly Return of the Bank of England should be continued? If so, do you desire to suggest any alterations in its form?

- A. We think it should be continued, and have no desire to suggest any alterations in its form.

Q. Many alterations have been suggested, in fact it has been suggested that we should issue extraordinary accounts giving many details and the fullest information. Could you suggest any important information which might be given without running the risk of at times misleading bankers and the money market, unless all the information at the disposal of the Directors were also published? You understand what I mean - if the Bank published a bald statement of account at the end of the week, and we knew for instance that there was an order for five or ten or fifteen millions of gold in the market, or that a

large amount was being arranged for shipment to this country unless they also published that they might mislead the market.

A. Exactly.

Q. The Bank then conceals nothing that they consider would be a real help to the money market?

A. No.

Q. And if there is any information which would be of advantage to the market and the bankers, I presume the Bank of England would gladly give it?

A. Yes, if they agreed that it was to the advantage of the country.

Q. If you could think of anything perhaps you would tell us.

A. We did think about that a good deal, and could not think of anything that could usefully be added to the accounts or subtracted from them.

Q. Do you consider the development of the cheque system makes it desirable that all banks should in future keep larger reserves?

A. It is impossible to make any general rule for all banks, and it is hard to say whether the clearing banks should keep larger cash reserves than those that they publish; but we do think that those ought to be consistently maintained.

Q. I presume that there you refer to what is popularly called window dressing?

A. Exactly.

Q. Could window dressing be avoided by more frequent returns being made by the banks, that is to say, monthly or weekly and all on the same day - because the banks have not in the past published their monthly accounts on the same day, I think - or by their publishing average balances?

A. Just whichever is most convenient to them; I do not think it matters a bit. Probably it would be more tiresome to them to make up weekly accounts.

Q. I do not think we could have weekly accounts.

A. I should think weekly averages would be quite enough.

MR. GOSCHEN: Does this apply entirely to the clearing banks or to all banks?

A. To all banks who are banks I suppose.

MR. JEANS: Do you include the colonial banks in that definition?

A. I should think it would be a great pity to exclude any banks from a general rule like that.

Q. There is this with regard to colonial banks, certainly with regard to the one I am connected with - so many of our deposits are for 12 months or longer. It is an almost unnecessary thing to insist upon our keeping a reserve which is the equivalent of that of the bank having practically the whole of its liabilities at call; therefore, I think some discrimination would be necessary.

A. If anyone were going to lay down a law as to what the reserve should be, then that would be taken into account. All that this is dealing with is the publication of figures, and the public would appreciate that your deposits were not of the same class as those of other banks would they not?

Q. We are not in the habit of publishing the amounts at call or deferred liabilities, but that perhaps would be necessary under such a scheme as this.

A. Yes.

LORD INCHCAPE: The joint stock banks, of course, take deposits for long terms.

A. Of course.

MR. GOSCHEN: Would it be that anyone who does not publish this statement would not be a bank?

A. I should think that would be a very good solution.

Q. I only want to get at your idea.

A. There has been a Committee sitting about this for some time.

Q. Now we come to our 16th question - Could this object be effected - that is referring to the larger reserve - without undue prejudice to commercial requirements, if, in addition to their till money, they were required to hold a certain proportion of their liabilities in short-dated Government securities, which should be discountable at the Bank of England in an emergency at the current Bank Rate?

A. I am sorry to say that did not commend itself to us. We thought it would not increase the cash reserves, but might even make the banks feel that a smaller cash reserve would be sufficient if they could get cash whenever they wanted it in that way. We also thought it was not expedient to define what particular securities the banks should hold or to fix the amount of reserves that they should hold; the question says "a certain proportion" so that would mean fixing the amount. Also we thought it was a pity to interfere with the discretion of the Bank of England in making advances on securities. The Bank has hardly ever refused to advance on Government securities, and it is not likely that they would do so, except in very exceptional circumstances.

- Q. You speak of cash reserves, but I do not think that was the intention.
- A. That is the way I read it, though it does not definitely say so. It would be the potential cash reserves, would it not, because they could be turned into cash at any time.
- Q. It is not suggested that banks by keeping a large proportion of short-dated Government paper would either increase or diminish their cash reserves; it was rather thought that by keeping a larger proportion of short-dated Government securities they would reduce the money at call and short notice, which has been more or less troublesome every half year when it came to what we call 'window dressing'.
- A. That is to say, that they would do their window dressing if any, by means of advances on these Government securities.
- Q. Yes, and would leave the money market undisturbed; or having these reserves which they could turn into cash at a moment's notice they would not put the same amount of money out into the market.
- A. We did not like the idea of fixing what securities the banks should keep or what reserve they should hold, nor of interfering with the discretion of the Bank in making advances, that is to say, by making it compulsory. I only know of one recorded instance, at least one traditional instance, of the Bank refusing to lend money on Government securities, and that I think was when somebody wanted to withdraw a lot of gold at a time when it was not considered expedient; but of course it is conceivable that there might be other instances.

LORD INCHCAPE: Is it suggested that the public has suffered or run any risk in the past by this so-called window dressing by the joint stock banks?

- A. If you are applying yourself to my remark that the reserves shown in the published accounts should be maintained, that was not intended to imply that any inconvenience was caused by it, but that if the reserve is that which the bankers think it right to show, then it is the reserve which they ought to think it right to keep. That is all.

SIR JOHN BRADBURY: You have said that you thought one of the first things after the conclusion of peace would be for the Government to attempt to arrange their foreign borrowings, and I interposed a question there when I asked whether you referred to funding.

- A. Yes or liquidating.

- Q. I quite realise that indebtedness abroad is going to be a very troublesome matter with the exchanges; but have you in mind at all what would be the best way of dealing with it? Ultimately it can only be dealt with by increasing our exports or diminishing our imports.
- A. Yes.
- Q. You would favour funding schemes as far as possible, I take it?
- A. Yes, to prevent these calls being known to be constantly coming upon the Government, I mean to say, through maturing loans and that sort of thing.
- Q. Our principal difficulty, I take it, is with America?
- A. Yes.
- Q. Neutral countries are very troublesome, but their volume is very much smaller.
- A. Yes.
- Q. It may be that perhaps some sort of arrangement to our advantage, if not to our mutual advantage, may be made with our good allies, the United States of America.
- A. Exactly.
- MR. GOSCHEN: Possibly this has been asked before I came in; I rather gather the Governor suggested that the fiduciary circulation should be entirely fixed and that there should be no elasticity at all.
- A. That it should be fixed, yes.
- Q. That you should work under the Bank Act, and in fact - perhaps this was answered before and I can read it afterwards, so I need not trouble you with it.
- A. We were only discussing the reconstruction period, during which time we shall be concerned mainly in getting back to sound money. How long it will take I do not know of course, but I gather that what you are asking is whether eventually the old Bank Act should remain, I mean mutatis mutandis of course, or whether there should be some elasticity?
- Q. When I say 'eventually' I mean in the ten years possibly that the Chairman is suggesting.
- A. During the reconstruction period? We had provided for elasticity here, but Sir John Bradbury thinks that the elasticity that we had provided was too elastic; that is to say, we had provided for section 3 of the Currency and Bank Notes Act remaining alive in case at any time the scale fixed by Parliament should prove too drastic.

SIR JOHN BRADBURY: If I may interpose a question here - that section, I take it, applies only to the issue of currency notes?

A. It does not say so.

Q. That was the intention. I just want to put this question to you: If before we enter this period the currency note issue has been replaced by the Bank of England note issue, would you contemplate a provision of elasticity of that kind applying to the Bank of England note issue, or would you at that stage return to the greater rigidity of the Bank Act?

A. The reduction would go on; when we had taken over the issue of the £1 and 10s. notes, the reduction of this fiduciary issue would be going on still - it might, at any rate.

Q. You did not elaborate the point at which you propose to take over the Treasury note issue, but I contemplate it would be probably undesirable to the Bank to take that over until an adequate gold reserve has been amassed against it; once an adequate gold reserve has been amassed against it, there is no further occasion for reduction, as it will reduce itself as necessary.

A. That is true. If I may go back for a minute to that section 3, it distinctly says "any bank of issue", so it would include even the country banks of issue.

Q. It is really a statutory power to suspend the Bank Act.

A. That is what it is, I suppose.

MR. GOSCHEN: Is not that Act called the Currency Note Act?

A. That is right.

Q. Then it can only apply to the currency note.

A. It is the Currency and Bank Notes Act.

SIR JOHN BRADBURY: It affects banks of issue generally. I think if I may say so, Mr. Governor, you are perfectly right. It is competent for the Treasury under that provision to allow the Bank of England to issue notes as suggested.

A. We have really abstained from even forming a definite opinion about the eventual maintenance of the old rigidity or the eventual provision of some elasticity. There is a great deal to be said on both sides.

Q. In the meantime, you propose that any elasticity that is required should be provided rather by means of the currency than by means of the Bank of England note?

A. That was the idea - during the reconstruction.

Q. On the ground that the currency note, I take it, is a temporary article, and it is better to keep the reputation of the Bank of England note which is our permanent stand-by, unsullied?

A. Yes, as far as possible.

MR. GOSCHEN: I wonder if you have seen that balance sheet that you have referred to. Have you ever seen the result of the Committee's work that you have referred to on the proposed balance sheet?

A. I have, but not so that I have got it in my mind.

Q. Would you approve of that being not issued but enforced?

A. Yes; as far as I can remember I think it would be a very good thing.

Q. It was approved of by the clearing banks at all events and has been before this Committee.

A. It is a very good thing.

Q. Did we send you a copy?

A. I should like to have a copy, I have not got one. I think it would be a most excellent thing to enforce some such regulation.

Q. As I say it has been approved by the Clearing House Committee.

A. And by this Committee?

Q. No; it has been sent to this Committee for them to consider.

A. As far as I can remember the Chairman kindly showed me it at the time.

CHAIRMAN: We will give you a copy, and then question you on the point hereafter, if we may.

A. By all means.

MR. JEANS: One small point with regard to the Exchange Committee: I take it that, although you agree that some time must elapse after the war before the Exchange Committee can be dissolved, you think it desirable as soon as possible that all interference with the natural course of exchange should cease?

A. Precisely, but it would be impossible as you say for some time after the war.

Q. Precisely; but the ultimate object is that all interference with the natural course of exchange should cease.

A. If you mean interference by the Government, yes. As soon as they could do so, certainly I think it would be most desirable.

MR. FARRER: I think I have seen it mentioned in the papers that Germany and Italy are concentrating all their foreign exchange into the hands of a few banks, a consortium.

A. I believe they have done so in Germany; you say also in Italy?

Q. In Italy too. You cannot give us any information as to how that works?

A. I am afraid I cannot at all. I do not know anything more than I have seen in the papers from time to time.

CHAIRMAN: I know you have an appointment at half past five, so perhaps you will allow us to meet you here again, when you have had an opportunity of reading over the shorthand notes.

A. Yes. There are several points which have been raised. Do you mean next week or some other day this week?

Q. I should not think it would be for some weeks. That will be quite convenient to you, I suppose?

A. Yes thank you.

The witness withdrew

Adjourned

MEMORANDUM ON FUNDINGBy the Governor, Sir Brien Cokayne (Lord Cullen)10th October 1918

The present Unfunded Debt consists of:-

Ways and Means Advances	£335,000,000
Treasury Bills	1,150,000,000
Exchequer Bonds, various issues, due 1919/30	365,000,000
War Savings Certificates	250,000,000
War Bonds, various issues, due 1922/28	1,095,000,000
	<hr/>
Total to date	£3,195,000,000
	<hr/> <hr/>

not to mention the Currency Notes (which, however, are mainly secured by other unfunded debt mentioned above) and foreign short debt.

How and when is all or any of this short debt to be funded? I had always thought that the time to launch a funding loan would be during the short boom that may be expected to follow immediately the end of the war. But it seems inevitable that at that time, if the foreign exchanges are to be controlled at all, money rates will be very stiff: and although it is not incontestable that a longish loan should be taken at a fairly low rate (say perhaps 4½%) while even Treasury Bills are selling at, say, 7%, yet it is evident that tight money rates must militate against the success of any such issue. Moreover, when the war ends, the

restrictions imposed by D.O.R.A. on the remittance of money abroad will probably expire and it would then be necessary to float a funding loan on terms which would compete with similar investments abroad, e.g. in the United States, where British Government securities (of fairly short term, it is true) could probably be obtained to pay $5\frac{1}{2}\%$.

Would it therefore be well to attempt the issue of a funding loan or loans before the end of the war while the artificially cheap rates for money still obtain, and remittances abroad are still prohibited? And if so, would it not be well to take advantage of the present optimistic tone of the stock markets?

If holders of Treasury Bills (and War Bonds) are to be induced to fund, it would be necessary to suspend sales of these securities while the funding loan is open. But during the war (and probably for some little time after) expenditure will no doubt continue on the present gigantic scale and it would therefore be necessary to continue raising fresh money during the funding operation, both to meet current expenses and also to pay off the maturing Treasury Bills, if the funding loan is to be issued before the end of the war. Therefore cash subscriptions to the funding loan would, in that case, also have to be invited on terms which would attract fresh money. This would entitle all holders of issues with conversion options to convert into it, which would only be objectionable as regards the small remainder of the $4\frac{1}{2}\%$ 1925/45 Loan.

It is, of course, doubtful whether, either before or just after the end of the war, the holders of any large amount of short-dated securities could be induced to fund into a long loan on any terms, but there seems no reason to suppose that they would be any more willing to do so immediately after peace than before it, and it is evident that at present there is a distinct and growing demand for longer-dated investments. Moreover, even if the chances are that the funding operation would be very far from complete, that would be no reason for not attempting it, as the funding of even a few hundred millions would be a great gain, and the realizable assets of the Government (although they may not be realizable very quickly) will help, and so will debts from the Allies, mostly due three years after the war. Unfortunately the unfunded debt which is most likely to be converted into a long loan is the 10 Year War Bond which it seems hardly worth disturbing at present, and the least likely are the Treasury Bills and short Exchequer Bonds. But if it is true that holders of the latter will not fund voluntarily, that is a very good reason for floating, at the psychological moment, a big loan to enable this short indebtedness to be met, and the question is what is the psychological moment. I am inclined to think that the anticipation of peace, i.e. now, is a more favourable opportunity than its realization. But if the loan is to be issued during the war almost all the unfunded debt will have

the right of converting into it and this right will probably be chiefly exercised by the 10 Year War Bonds which it is unnecessary and perhaps undesirable to convert. Moreover Mr. Bonar Law has only just indicated that the war would be financed to a finish by War Bonds.

In any case we shall have to attempt a funding loan sooner or later and as it may perhaps be wisest to attempt it very soon, it is certainly none too early to consider what form it should take. Probably the greatest amount of funding could be effected by offering the greatest variety of funding loans and thus catering for all tastes. But the work entailed in issuing a variety of loans would be much greater than with fewer, while a greater number of attractions would be "used up", and there would always be the danger that the least popular of them would be so small as to have a "bad market". I doubt whether it would be wise to offer more than two fresh alternatives.

As regards the rate, I doubt whether it would be advisable to offer a really long funding loan to yield much more than $4\frac{1}{2}\%$ and I should not recommend offering any perpetual loan, nor a conversion into Consols, until some years hence, after the country has had time to recover in some degree from the effects of the war. It would probably be well to offer one loan with a good income yield, say, perhaps $4\frac{1}{2}\%$ @ 98, and another with an equivalent yield at a smart discount. If no long-dated loan were practicable on some such terms, I would prefer trying to continue the issue of something like the 10 Year War Bonds.

The next question is whether the Bank are physically capable of undertaking the issue of a large funding loan or loans, either during or immediately after the war. At present a great number of the staff are with the fighting forces, but after the war it is pretty certain that all of these will not return to the Bank, while it is probable that a large proportion of our temporary men will leave us, so it is doubtful whether in the matter of staff we shall be much better equipped to grapple with a big loan when the war is over. If, however, we could secure the return now of our men from the war for the express purpose of the funding loans, we should probably be stronger in personnel than we are likely to be for many years to come, and I am inclined to follow up my conversation with the Chancellor last month by a formal request for the release of at any rate the greater number of our "war leave" men.

The matter of accommodation for any such increase of business would also require attention. The floor of the Royal Exchange (not very good winter quarters) might be available, or the Halls of some of the City Companies, e.g. Grocers, Mercers or Merchant Taylors.

In any case it would probably be impossible at present definitely to effect the conversions into the new loan. The most that could be done would be to register the assents to conversion, but even that would be a big task.

SIR BRIEN COKAYNE, RESPONDING TO TOAST OF "THE GUESTS",
AT BANKERS' DINNER, SAVOY, 14TH MAY 1919.

(First Annual Dinner since 1914)

"I have had the privilege of seeing a good deal
"of the bankers during the last few years, and have been
"very much pleased to find that the supposed jealousy, or
"aloofness, which was imagined to exist between the banks
"and the Bank of England, is a pure myth. I frankly do
"not believe that it ever existed at all; certainly it
"does not exist now. I remember President Wilson at the
"Guildhall a few months ago told us a story of his great
"predecessor, Abraham Lincoln, who, when asked whether he
"really knew somebody whom he professed to dislike very
"much, replied - 'No, otherwise I could not hate him so.'"
(Laughter) "Well, that is what may have happened between
"the bankers and the Bank of England - I do not say it did;
"but certain it is that the War has brought us closer to-
"gether, we know one another a great deal better than we
"did, and I think we get on very well. We do not always
"see eye to eye on all subjects, otherwise there would not
"be much use in discussing them, but I should like to take
"this opportunity of saying that I have always experienced,
"not only the greatest courtesy from all the bankers, but
"the most ready willingness to co-operate with the Bank in
"the most friendly possible way; indeed, I think that this
"time next year, when I shall have finished my term of
"office at the Bank and shall be officially something like
"a 'returned empty', one of the few permanent advantages

"which I hope I shall have gained from five pretty
"strenuous years will be the fact of having had the
"opportunity of including many of the bankers of this
"country among my personal friends."

Extract from "The Banker's Magazine", vol. January to
June 1919, p.672.

AN APPEAL BY BANKERS OF THE UNITED KINGDOM

A hundred years ago, in a time of depression following a great war, the Merchants of London presented to Parliament a memorable Petition against the "Anti-Commercial Principles" of the restrictive system then in force. To-day, moved by the same anxieties, weighed down by far heavier taxation, and face to face with proposals intended to renew the restrictive methods of the past, we submit that it is essential to the revival of confidence that no legislative or administrative measures should be taken which would diminish the total output of British Industry or check the free exchange of British goods.

The burden of taxation can only be lightened if the necessity for public economy is resolutely faced. The present rate of national expenditure threatens to cripple the country's resources and to impair its credit abroad. In our judgment it is more than the commercial community can bear, more than the capacity of the nation can afford, more than, were proper economies effected, the nation need be asked to sustain.

The system of Government regulating trade by licences, controls and departmental orders, has, admittedly, however well-intended, had in many cases unfortunate results. Political interference with the natural course of commerce without regard to economic laws invariably does mischief. British trade needs nothing so much for its recovery as freedom to deal with

its own difficulties, to study and provide for its own interests, and to work out its own salvation.

It is as true as it was a hundred years ago that Foreign Commerce conduces to the wealth and prosperity of a country by enabling it to import the commodities which other countries are best able to supply, and to export in payment those articles which from its own situation it is best adapted to produce; that freedom from restraint is calculated to give the utmost extension to foreign trade and the best direction to capital and industry; and that the maxim of buying in the cheapest market and selling in the dearest, which regulates every merchant in his individual dealings, is the best rule for the trade of the whole nation.

The policy of trying to exclude the productions of other countries, with the well-meant design of encouraging our own, cannot increase the volume of commerce or the total volume of employment here. But it may well compel the consumers, who form the bulk of our population, to submit to privations in the quality or quantity of the goods they buy. The importation of foreign goods does not diminish the activities of our people, because such goods can only be paid for by the produce of British Capital and Labour. The advocates of a restrictive system are too apt to lose sight of the elementary fact that nations, or rather individual members of nations, buy foreign goods because they need them, not

to benefit others, but to benefit themselves, and pay for them by producing goods which the foreigner in his turn requires. We cannot limit imports into this country without limiting our export trade, and striking a grave blow at the world-wide commerce on which this island Kingdom principally depends.

Trade is exchange. No nation which lives by trading with others can prosper unless other nations prosper too. We hold to-day great stocks of goods. We are ready to manufacture more. There is a large and insistent demand for them abroad. But owing to the paralysis of continental commerce - due in part to the restrictive barriers which the new States have set up between themselves - the would-be buyers of our goods have not the means to pay for what they want. We have to build up the market that we need by encouraging continental nations to export to us; for it is only by exports that they can re-establish their credit and provide funds for the payment of their debts. In such a situation we believe that all expedients to control and hamper imports into this country, whether by licences, tariffs, or any other means, can only retard improvement in the continental exchanges and prevent the natural recovery of trade. Legislation of this nature, while it may increase the profits of a few selected industries, cannot fail to check our output as a whole, and to increase the costs of

production to a level which may make it increasingly difficult for British traders to compete successfully with others in the markets of the world.

With party or political considerations we as Bankers are not concerned. But in the interests of British Industry and Commerce, now menaced by anxieties which it would be a profound mistake to under-rate, we desire to enter a respectful protest against every restrictive regulation of trade which tends to diminish the resources of the State.

C.S.ADDIS	R.M.KINDERSLEY
AVEBURY	H.S.KING
HENRY BELL	WALTER LEAF
R.H.BRAND	JAMES LEIGH-WOOD
E.C.BROWN	F.C.LE MARCHANT
CHALMERS	R.McKENNA
L.E.CHALMERS	ALGERNON H.MILLS
L.CURRIE	EDWARD PAUL
F.C.GOODENOUGH	J.BEAUMONT PEASE
H.C.HAMBRO	FELIX SCHUSTER
R.M.HOLLAND-MARTIN	J.HOPE SIMPSON
INCHCAPE	J.H.TRITTON
F.HUTH JACKSON	R.V.VASSAR-SMITH

London,

12th May, 1921.

This document is given here as having been signed by three Bank Directors, Sir Charles Addis, Mr. Jackson and Sir Robert Kindersley, though it did not originate with any of these.

The appeal was endorsed by a further document signed by Merchants, Manufacturers and Shipowners dated 20th June, 1921.

LIST OF LOANS, OTHER THAN BRITISH GOVERNMENT LOANS, ISSUED
THROUGH THE BANK OF ENGLAND IN THE PERIOD AUGUST 1914 TO
31 AUGUST 1921

<u>Prospectus</u>	<u>Price</u>
26. 2.15 Queensland Government 4½% 1920/25	£11,728,800
Result 3,943 Conversion Applications	£7,794,150
4,955 Cash "	£4,383,150
7. 5.15 East Indian Railway Co. 4½% Debenture Stock 1935/55	£3,500,000
Result 1,098 Applications	£802,100
Underwriters about 77%	
25. 5.15 N.E. Railway Co. 4½% Redeemable Preference Stock 1925	£1,000,000
Result 1,144 Applications from Stockholders	£2,710,350
842 Applications from non-Stockholders	£1,130,175
Allotment to Stockholders as follows:-	
£25 to £100 in full	
£125 5s £1,000	80%
above £1,000 about	30%
29.11.15 National Defence Loan of Government of French Republic 5% Rentes	Unlimited
Result 26,784 Applications	
Amount raised (including Treasury Bills and 3% and 3½% Rentes £637,129: 8: 2)	Fcs. 602,426,400
4.10.16 National Loan of Government of French Republic 5% Rentes	Unlimited
Result 17,406 Applications	
With subscriptions in Dublin amount raised (including Treasury Bills £2,687,755: 8: 4)	Fcs. 450,709,800
	£3: 4: - per 100 Fcs. @ 27.50 to £ = 88 Fcs. %
	£3: 4: 6 per 100 Fcs. @ 27.50 to £ = 88.75%

ProspectusPrice

26.11.17	National Defence Loan of Government of French Republic 4% Rentes	Unlimited	£2:10: 6 per 100 Fcs. @ 27.40 to £ = 69.20%
	Result 2,698 Applications		
	With subscriptions in Dublin amount raised (including Treasury Bills £101,000)	Fcs .67, 972, 900	
11.11.18	National Defence Loan of Government of French Republic 4% Rentes (in London only)	Fixed amount Fcs .520, 000, 000	£13:12: 4 per 500 Fcs. @ 26 to £ = 70.80%
	Result 3,117 Applications	Fcs .387, 407, 500	
	Balance taken up by British Government		
21. 9.18	Sir W.G.Armstrong Whitworth & Co.Ltd. 6½% Non Cumulative 3rd Preference Shares of £1	£1, 000, 000	par
	Result Share- holders 2, 289 = £735, 865 allotted	£604, 675*	
	Public 2, 159 = 628, 953 allotted	274, 927†	
	Under writers (firm) 21 = 172, 000 allotted	120, 400	
	Under- writers 92 = 828, 000	--	
	Applications 4,561 = £2,364, 818	£1, 000, 000	
	* (£100 and under received 100% above £100 received 80%)		
	† (up to £100 received 60% £100 to £250 50% £250 to £1, 000 40% above £1, 000 35.5%)		
22. 7.19	Birkenhead Corporation 5% 1924/34	£1, 080, 000	94½
	Result Public Applications 315	£251, 000	
	Underwriters " 89	829, 000	
		404	
		£1, 080, 000	

<u>Prospectus</u>			<u>Price</u>
10.10.19	Sudan Government 5½% Guaranteed Bonds	£3,500,000	95½
	Result 2,055 Applications for	£6,667,500	
	£100 and £200 in full, remainder about 40%.		
7.11.19	Metropolitan Water "C" 5½% Stock 1929/39	£2,500,000	96
	Result 1,840 Applications	£3,335,400	
	Up to £500 in full, remainder about 63%.		
2.12.19	London Associated Reinsurance Corporation Ltd. £1 7% Cumulative Participating Preference Shares	£1,000,000	6d. premium
	The Bank did not manage the issue but acted as Bankers for the Corporation to receive the application money, charging £100 for the service.		
15.12.19	Queensland 6% Inscribed Stock 1930/40	£2,000,000	98½
	Result 3,279 Applications for	£4,080,500	
	£100 to £500 in full £600 to £1,400 allotted £500 £1,500 and above about 38%		
15. 3.20	Liverpool 6% Stock 1930/50	£4,000,000	100
	Result 2,192 Applications		
	From Public	£1,800,000	
	Allotted "Firm"	1,000,000	
	Underwriters (30% of amount underwritten)	1,200,000	
		£4,000,000	
13. 4.20	London County 5½% Bonds 1930	£7,000,000	95
	Result 1,264 Applications	£705,350	
	Underwriters about 30%		

<u>Prospectus</u>	<u>Price</u>
3. 7.20 Corporation of London 5½% Bonds 1928	£3,500,000
Result 1,002 Applications	£1,101,350
Underwriters about 68%	
16. 7.20 Imperial Paper Mills Ltd. 7½% Guaranteed Fifteen Year 1st Mortgage Debenture Stock	98 £800,000 =====
Result Applications	
Public 2,663 £1,377,040 allotted	£400,740
Share- holders 448 193,780 allotted	149,260
3,111 £1,570,820	
Under- writers 62 428,000 allotted	250,000
3,173 £1,998,820	£800,000 =====
5. 7.20 Sir W.G. Armstrong Whitworth & Co. Ltd. 1946 6½% 2nd Mortgage Debenture Stock	95 £2,000,000 =====
Result 651 Ordinary Applications	£320,560
646 Shareholders "	239,045
Underwriters	£559,605 1,440,395 £2,000,000 =====
13. 9.20 Brighton Bristol Plymouth Portsmouth £500 ^m £1,500 ^m £1,000 ^m £1,000 ^m Swansea 6% Stocks 1940/50 £1,000 ^m	95½
(jointly with three other Banks) Bank for Swansea	
Result of Swansea Issue	
163 Applications	£89,800
Underwriters took 91%	

<u>Prospectus</u>			<u>Price</u>
3.11.20	Metropolitan Water "C" Stock 1929/39	£2,500,000	92
	Result 629 Applications	£548,200	
	Underwriters 78%		
12. 2.21	Birkenhead Newcastle Nottingham Salford £1,000 ^m £1,000 ^m £1,000 ^m £750 ^m 6% Stocks 1936/51		95½
	(jointly with three other Banks) Bank for Birkenhead		
	Result of Birkenhead Issue		
	492 Applications for	£474,200	
	Underwriters 52.58%		
26. 2.21	Sudan Government 5½% Guaranteed Bonds	£2,880,000	92
	Result 704 Applications	£424,400	
	Underwriters about 85%		
12. 3.21	Birmingham Liverpool 5½% Stocks 1941/61 £3,000 ^m £3,500 ^m (Bank for Liverpool)		90
	Result of Liverpool Issue		
	1,290 Applications for	£945,100	
	Underwriters 73%		
20. 4.21	Government of India 7% Stock/Bonds 1926/31	£7,500,000	100
	Result 6,593 Applications for	£36,509,450	
	£50 to £2,000 in full £2,100 to £15,000 received £2,000 above £15,000 about 11.3%		
27. 6.21	New Zealand Government 6% Inscribed Stock 1936/51	£5,000,000	96
	Result 2,549 Applications	£2,070,200	
	Underwriters 58½%		

DONATIONS TO SPECIAL WAR CHARITIES, &C.

10. 8.14	Prince of Wales National Relief Fund	£5,000
24. 9.14	Salvation Army War Emergency Fund	£105
5.11.14	British Red Cross Society	£1,000
8. 4.15	War Nurses Relief Fund	£1,000
6. 5.15	Russian Benevolent Fund	£100
24. 6.15	British Red Cross & St. John's Ambulance	£5,000
20. 7.16	Lord Kitchener Memorial Fund	£1,050
19.10.16	British Red Cross & St. John's Ambulance	£5,000
14. 2.17	Salvation Army War Fund	£105
18.10.17	British Red Cross & St. John's Ambulance	£5,000
13.12.17	Halifax (N.S.) Relief Fund	£1,000
14. 2.18	Y.M.C.A. (Huts at Front)	£100
15. 8.18	British Red Cross & St. John's Ambulance	£5,250
19. 9.18	University of London Commercial Degree and same amount for the first 5 years after scheme comes into operation	£1,050
21.11.18	Institute of Bankers (War Deficit)	£500
13. 2.19	Lord Mayor's Fund for reception of City Troops	£100
13. 3.19	City of Hull Great War Trust	£200
12. 2.20	Officers' Association	£250
4. 3.20	Institute of Bankers, to meet War Deficit, about	£3,300
2. 7.20	Vienna Emergency Relief Fund (anonymously)	£500
10. 2.21	City of Verdun Fund	£1,000

AIR RAID REGULATIONS31st March 1916

Precautions to be taken (in order shown) by Officials
in Charge upon the receipt of an Official Warning

(1) Stop the Firemen's rounds at once and station two Firemen on the roof - one in each of the splinter-proof shelters. They should be relieved hourly.

(2) Station the remaining Firemen -

- (a) One in the Well Yard.
- (b) One in the Barrack Yard.
- (c) One in the Garden.
- (d) One in the Bullion Yard.

(3) Station a messenger in the Firemen's Kitchen with the following instructions:-

- (a) To test both telephones to the roof shelters and ascertain that the roof Firemen are at their stations.
- (b) To make a call half-hourly (at least) to each shelter.
- (c) Upon receiving a call that the Bank has been struck, to ascertain where and then proceed to the Official in Charge via the Well Yard and Barrack Yard, and then to the Front Courtyard via the Bank Garden, telling the Firemen at these points en route, and thence on to the Bullion Yard.

(A copy of these instructions will be found hanging in the Firemen's Kitchen.)

(4) Request the Officer on Guard to double the Sentries on all Gates and to have the remaining men ready in the Guard Room at instant call.

(5) Stop the Nightly Watch Rounds and station the Superintendents in their own room to await instructions.

(6) Switch over all telephones to the Front Courtyard, viz:-

(1) 135 Central (from Official in Charge Room).

(2) 220 Central (from Nightly Watch Room).

(3) Internal Fire Alarm and Telephone.

(7) Station a Porter, to act as Messenger, at each gate (in addition to the double Sentry) and instruct the Head Gate Porter to summon all the Nightly Staff to stand by.

(8) Instruct the Nightly Superintendents to unlock, but not actually to open, all the Bank Gates.

(9) To provide that electric light circuits may be cut off by direction, station a Messenger in the Well Yard Switchroom with a book of electric light circuits and give one of the Messengers in the Front Courtyard a second book of circuits for the Threadneedle Street Switchroom.

(10) Start the well-pumps going and pump until the tanks are full. (This will be done by the Fireman stationed in the Well Yard.)

(11) Instruct one of the Nightly Superintendents to put the Tellers Top Look Key in his pocket.

(12) The Official in Charge should keep the Cashiers' bottom Look Key in his own pocket, together with electric light, &c., circuit book.

(13) Telephone to the City Police, at intervals, for any further news which may have come to hand.

(14) Any part of the Bank where work is still in progress should be advised.

NOTE. If no warning has been received and the raid is of the nature of a sudden surprise, the internal Fire Alarm should be rung.

AIR RAID REGULATIONSNovember 1917

Precautions usually taken upon receipt of an Official Warning

It must be understood that these are not hard and fast regulations. The Official in Charge, upon whom all responsibility rests, will exercise his discretion.

(1) If the raid takes place after working hours (i. e. at present, after 11 p.m.) the Fire Alarm is rung, in addition to the bells.

(2) Until firing commences the two Firemen on the roof remain at their posts. Thereafter the six Firemen are stationed as follows -

Up till 8.p.m. and on Saturdays and Sundays (till 8 p.m.) there are only 4 firemen

- (a) Two in the Firemen's Kitchen.
- (b) One in the Barrack Yard.
- (c) One in the North West Corner of the Bank.
- (d) One in the Bullion Yard.
- (e) One in the Front Courtyard.

(3) The Firemen, if the Bank is struck, go at once to the point struck and notify the other Firemen to do the same and they report by Messenger to the Official in Charge.

(4) The Officer on Guard doubles the Sentries on all Gates and has the remaining men ready in the Guard Room at instant call.

(5) The Nightly Watch Rounds are stopped and the Nightly Superintendents unlock, but do not actually open, the Lothbury Gate (and if desirable other Gates except the Workmen's Gate) and keep the Tellers' Top Lock Key out in readiness.

(6) All telephones are switched over to the Front Courtyard.

(7) A Porter is stationed to act as Messenger at each Gate (in addition to the double Sentry) and the Head Gate Porter summons all the Nightly Staff to stand by.

(8) The well-pumps are started going and pumped until the tanks are full. (This will be done by the Stoker on duty.)

(9) The Official in Charge keeps the Cashiers' bottom Lock Key and the three Keys giving access to Chief Cashier's Office Safe A Division A out in readiness, unless he carries the Official in Charge's Key Box, in which case the three A Keys should be left in their usual place.