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B. i.

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~~do~~ ~~do~~

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do 17 do

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C. e. (continued)

Clerks

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C. e. (continued)

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(merged in Staff Committee, 21st February, 1918)

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(merged in Staff Committee, 21st February, 1918)

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100

Cooper

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33

Cornah

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C. O. (continued)

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Governor

124

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Cozens

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C. U.

Cunliffe

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D. a.

Daily Waiting, Committee of

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D. e.

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D. i.

D. i.

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D. o.

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	Lord Mayor's Fund for presentation to their Majesties the King & Queen on the occasion of their Silver Wedding (£1050)	35
	British Red Cross Society & Order of St. John of Jerusalem (£5000)	75
	do. do. amendments (£5250)	119
	University of London: scheme for a Commercial degree (£1050) (and a similar donation annually for the first five years after the scheme comes into operation)	89
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	Lord Mayor's Fund for the reception of the City Troops (£100)	171
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	Elizabeth Garnett Anderson Hospital for Women and Samaritan Free Hospital for Women, Marylebone Road, jointly for benefit of Women Staff £100 per annum	188
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D. u.

D. W.

Drummond J. R., a 4th Class Clerk in the Bank Stock Office. Resignation on account of ill-health accepted. Granted during pleasure a pension of £50 a year in accordance with the scale.

206

E. e.

Eke

William H., Porter to the Securities Office. Resignation on the ground of ill-health accepted. Granted a Pension during pleasure of £63 : 5 : 4 according to scale, and a special allowance of 10/- a week until 28 Dec. 1920 in view of his ill-health.

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Election

of Governors and Directors appointed

163

of Clerks, see "Clerks, Election of"

Annual, of Servants, takes place

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Exchequer

Chancellor of the

Quarterly Advances by Bank to Government S. 54, 94, 145, 207.
Letter with regard to maintaining the Gold Standard after the war & reducing Ways & Means Advances

190

The Court agreed that, with reference to the Bank's Excess War Profits, the Treasury be informed that the Bank are willing to accept the arrangement set out in the Correspondence between Sir Robert Chalmers and the Governor without an indemnity from the Treasury, the Bank relying on the assurance of the Law Officers of the Crown that the transaction is *intra vires*.

195

E. v.

E. i.

Elizabeth Garrett Anderson Hospital for Women.

Donation of £100 yearly granted to this Institution and the Samaritan Free Hospital for Women jointly, for the benefit of the Women Staff

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Ellis

J. W., Mechanic in the Printing Department. Resignation on account of ill-health accepted. Granted during pleasure a pension of £75:18:- a year in accordance with the scale.

206

E. o.

Emmott

J. H., an Assistant in the Cashier's Department, quits the service at his request

96/7

F. a.

Fradgley

Leonard, Sub-agent at Hull, appointed Deputy Principal in the discount Office

82

F. e.

Flea

W. C., Superintendent in Dividend Office. Resigned owing to ill-health and granted during pleasure a Pension of £263:14:8 a year according to scale

41

Freshfield

Dr. Edwin,
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Freshfield

(Title changed on the
25th July, 1918 to
Freshfield and Leese)

Messrs.

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Letter with agreement for tenancy at 73/93 Finsbury Pavement (Moorgate Hall) of Ground and Basement Floors and two strong rooms and First Floor	35
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Letter with lease of offices on the fourth floor of no 3, Lombard Street - to be sealed	132
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F. o.

Foreman

George C., Pension granted to, in March 1915, discontinued
as he is now found to have been at that time in the
hands of a moneylender

79

G. a.

Gair

G. H., Sub Agent at the Newcastle Branch; personal salary
raised to £200

15

Deceased: a gratuity of £500, which it had been agreed to
recommend for him in recognition of the services he
had rendered during the absence of the Agent, granted
to his widow

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G. a. continued

G.a. (continued)

Garnett E. A., 1st Class Clerk in Dividend accounts office.
 Resignation on account of ill health accepted.
 Granted during pleasure a pension of £185:4/-
 a year in accordance with the scale 206

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G. O. (continued)

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Governor

The
 Informs the Court that Mr. Jackson had, for personal reasons which had been explained to the Committee of Treasury, asked to be excused from serving on that Committee 7

Quies notice of motion for election of a Member of Committee of Treasury in the room of Mr. Jackson 15

Announces that he will next Thursday move a Resolution on Mr. Sandeman's retirement 16

Is asked to express to Mr. Sandeman the hope that he would come as often as possible to the Bank where he would always be as welcome as ever 21

Informs the Court that at a General Court of Proprietors held 29th May, Sir Charles Stewart Addis was elected a Director in the room of Mr. Sandeman 39

Authorized by Court to reply to questions by Government Committee on Currency & Foreign Exchanges 54

Informs the Court that the Bank's reply to the Select Committee on National Expenditure in regard to their charges to the Government was required that day & would be laid before the Court next week 62

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G. O. (continued)

Governor

The, (continued)

Inform the Court of the death of Mr. Herbert Brooks and announces that at the next Court he will move a Resolution

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Inform the Court that he has been asked to give evidence before the "Certificates of Naturalisation (Revocation)" Committee on behalf of Baron Schröder and that he proposes to say that the closing of Messrs. J. H. Schröder & Co would be detrimental to the Commercial interests of the Country

131

Conveys to the Court the gist of the Interim Report of the Committee appointed to consider the disposal of any special profits of the Bank, and expresses the hope that the Court will pass the Report when it is laid before them at their next meeting

146

Reports to the Court that on the 3rd December in accordance with Order of Court of the 31st October last the Deputy Governor appointed 75 Temporary Women Clerks to the Permanent Staff

151

Recommends that Mr. H. E. Cobb, of the firm of Keen, Cobb & Lee be appointed a Scrutiniser in the room of Mr. P. L. Gouett

169

Reports to the Court that after consultation with the Committee of Treasury he was making arrangements for the erection of a gold refinery on the Bank's premises at St. Duke's

169

Reports that he has suspended Stanley D. B. James and Frank L. Gibson, the Principal and Assistant Principal of the Consols office

188

Governor

The Deputy,

Reports that he has examined & now brings to the Court for payment Messrs. Freshfields Bill for Law Charges for the half years ended 31st March & 30th September

69/70. 169.

Report of, on the Annual Audit

125/6

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H. a.

- Hambury Col. Lionel G., ^HC.M.G., elected a member of the Committee of Treasury in the room of Mr. F. Huth Jackson who was excused from serving 22
- Haradence R. G., 2nd class in Chief Cashier's Office to be an acting Deputy Principal, with a salary of £500, attached for the present to the Securities Office 173
- Harrison H. S., reported to attain the age of 65 years during the Quarter granted during pleasure a pension of £433 : 6 : 8 a year according to the scale 99
145
- Hart-Smith, George M. C., the pension of £89 : 9 : 4 granted to him in 1907 and withdrawn in 1912, restored to him 4
- Harvey Mr. E. M., Deputy Chief Cashier, appointed Chief Cashier 29
granted a personal additional salary of £500 a year 193
- Hay-Cooper B. G. H., appointed Librarian at the Record Office 101

H. o.

- Hoare Mr. W. Dowd, granted permission to join Board of Anglo-Brazilian Trading & Agency Co. 30
- House List for 1919/20 to be advertized 197
- House Porters see "Porters"
- Howe H. B., granted a gratuity of £150 in consideration of additional work in connection with ^{Securities of} Enemy Banks 186

H. u.

H. u.

- Hughes A. M., a 2nd Class Clerk in the Dividend office :
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during pleasure a pension of £146:3: - a year
according to scale 66
- Hull City of, Great War Trust :
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the Trust is a civic and official matter 203
- Hutchinson R. J., Superintendent in Consols office to be Assistant
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a year 103

J.

- India Government of.
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- Institute of Bankers
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J. a.

- Jackson Mr. J. Hull, excused from serving on the Committee
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- James Stanley D. B., Principal of Consols Office : suspended
Reprimanded and deprived of £50 of his personal additional
salary 188
192

J. e.

J. e.

Jenkins

George P., a 3rd class Clerk in the Bank's Stock Office, resignation on account of ill-health accepted. Granted a pension of £102 : 17 : 4 a year.

154

K. e.

Kemp

Frederick B., Senior Clerk in Intellers' Office, to be deputy Principal

105

K. i.

King

Herbert, Principal of the Cashier's Store Office, appointed Principal of the Securities Office

46

Kingston

Elizabeth A., a Woman Clerk, resignation accepted. Granted a Pension during pleasure equal to full salary and War Bonus for 3 months, and thereafter of £41 : 5 : 8 a year according to scale

131

L. a.

Latter

Mr. C. N., Chief Accountant, Resignation, in consequence of ^{Suspension of} the Principal and Assistant Principal of the Consols Office, accepted. Granted a pension equal to full salary for six months, and thereafter during pleasure of £1300 a year in accordance with the scale

193

Law Courts Branch.

a gratuity of £150 granted to the Sub-Agent in consideration of the additional work performed by him during the past year in connection with the custody of Enemy Bank's Securities

186

L. e.

L. e.

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L. o.

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"Ways & Means Advances"

Lodington Edward, late Chief Clerk at Manchester Branch, to be an acting Sub-agent attached to Bristol Branch 107

London Hospital: a donation of £1000 granted to the 24

Lord Mayor's Fund for presentation to their Majesties the King and Queen on the occasion of their Silver Wedding: donation of £1050 granted to the 35

for reception of City Troops: donation of £100 granted to the 171

Lott E. D., Deputy Principal of Cashier's Store Office, appointed Principal 58

Lovelock Raymond W., a Cashier, reported to attain the age of 65 during the Quarter granted during pleasure a pension of £333:6:8 a year according to scale 57
89

L. w.

L. u.

Luson

C. V., Deputy, Principal of Power of Attorney office.
 Granted a personal additional salary of £50 a year.

185

M. a.

MacDonnell

Thomas, Assistant Principal of the Private Drawing office,
 appointed Deputy Principal of the Issue office

33

Mahon

Mr. C. P., Assistant Principal in the Discount office,
 appointed Assistant Chief Cashier

29

Management of Stocks see "Stocks, Management of

_____ of Government Business,

see "Government Business"

Manby

R. L., a 2nd class clerk in the Chief Accountant's office,
 quits the service at his request

183

Maule

W. H. F., a Supernumerary 4th class clerk in the Cashier's
 department, quits the service at his request

135

M. e.

Messengers

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M. o.

Moorgate Hall

Two agreements for tenancy of, sealed

35

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Mossop Charles: Deputy Principal in Bullion Office, appointed Principal 129

M.W.

Murray W.J., a 4th Class Clerk in the Private Drawing Office quits the service at his request 194

N.a.

Navine Sir J. G., Bart, appointed Comptroller of the Bank Remuneration of, approved 27
111

National Expenditure, Select Committee on: -

Governor informs the Court that the Bank's reply to a demand for reduced charges is being sent that day and will be referred to the Court next week

61/2

N.e.

Newcastle Branch

G.H. Gair, Sub Agent, personal salary raised to £200 15

" " " " , deceased, Gratuity of £500 - due to him paid to his widow 186

P.O.

No.

Nominations to Clerkships, see "Clerks, Election of"

Norman Mr. M. C., S.S.O., Deputy Governor, to be recommended to the Proprietors to be elected deputy Governor for the year ensuing

124

Notice of Motion, see "Resolution"

O.

Out Cash Directors liable for
Taken 29. 40. 45. 69. 74. 92. 119. 132. 137. 158. 171. 198.

9

P. a.

Paice Mr. C. J., Deputy Principal of the Discount Office, to be Deputy Chief Cashier.

29

Palmer Henry, a 2nd Class Clerk in the Consols Office. Resignation accepted. Granted during pleasure a pension equal to full salary for 3 months and thereafter £203:10:8 a year in accordance with the scale

180

P. e.

Pedder J. A. N., 2nd class Clerk at the Western Branch, appointed an acting Sub-Agent for the Branches & attached to Bristol Allowance granted in lieu of Horse

15

60

P. e. continued

P. e. (continued)

Peninsular & Oriental Steam Navigation Co.

Permission granted to Lord Cunliffe to join the Board 167

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Charles H. S. Carter, 2 nd Class Clerk in the India Office	£164:19:-	3
J. O. C. Stettell, Agent at the Bristol Branch	£500:-:-	14
William C. Fea, Superintendent in Dividend Office,	£263:14:8	41
John H. Potter, Senior Clerk in Dividend Accounts Office	£210:5:4	61
Arthur M. Hughes, 2 nd Class Clerk in Dividend Office	£146:3:-	66
Richard Rushton, Bank Note Stamper,	£65:-:-	80
Raymond W. Lovelock, a Cashier,	£333:6:8	89
James A. D. Piper, Stock Office Librarian at Rochampton	£300:-:-	96
Harry Barham, 2 nd Class Clerk at Liverpool Branch	£192:-:-	96
W. W. Wise, Principal of Dividend Office	£490:-:-	99
Henry Carno, Principal of Issue Office,	£388:14:4	99/100
Harold Wallis, 1 st Class Clerk, Dividend Office,	£245:6:8	100
Alfred J. Cooke, " " " Accts Bank Note Office	£186:7:4	100
Arthur F. Wallace, Senior Bullion Porter	£75:8:-	113
John Stephens, Chief Clerk at Hull Branch	£270:-:-	126
E. A. Kingston, a Woman Clerk,	£41:5:8	131
F. M. White " " "	£44:14:4	135
C. E. Cozens " " "	£43:-:-	135
H. D. Harrison, Principal of India Office,	£433:6:8	145
E. H. Woodland, " " Intellers Office	£368:-:-	145
G. P. Jenkins, 3 rd Class Clerk, Bank Stock Office,	£102:17:4	154
Aeneas Adam, Cashier,	£313:6:8	172
W. H. Eke, Porter to Secretaries Office, with a special allowance of 10/- per week until the 28 th Feb. 1920, in view of ill-health	£63:5:-	172
Henry Palmer, 2 nd Class Clerk, Consols	£203:10:8	180
A. H. Bartlett, " " " Accts Bank Note	£203:10:8	180
Robert Robinson, 1 st Class Clerk, Public Drawing Office	£229:6:8	180/1
Mr. C. R. Latter, Chief Accountant, equal to full salary for 6 months and thereafter	£1300:-:-	192/3

P. e. continued

P. e. (continued)

Pensions and Retiring Allowances (continued)

E. M. Beach, 2 nd Class Clerk, Securities Office	£179:17:4	194
N. R. Smythe, - - - Liverpool Branch	£266:13:4	194
E. P. Jilly, Cashier	£333:6:8	198/9
E. A. Garnett, 1 st Class Clerk, Dividend Office	£185:4:-	206
J. R. Drummond, 4 th Class Clerk, Bank Stock Office	£50:-:-	206
S. B. V. Savill, House Porter at Newcastle Branch	£45:3:-	206
J. W. Ellis, Mechanic in Printing Department	£75:18:-	206
discontinued	q. c. Foreman	79

Premises at -

60, London Wall.		
Counterpart lease to be sealed		20
lease of offices on 2 nd Floor front to be sealed		155

73/93 Finsbury Pavement (Moorgate Hall)

Agreement for tenancy of ground and Basement floors and two strong rooms and first floor to be sealed		35
--	--	----

no. 3, Lombard Street.

Four leases of offices to be sealed		109/110
lease of additional rooms on 4 th floor to be sealed		132

P. i. see next page.

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Poole

Edward H., Principal of Bullion Office to be Principal of Dividend Pay Office & to retain his personal additional salary of £100 a year		106
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Porters, House etc. (continued)

Pensioned

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W. H. Eke, Porter to Securities Office	£63: 5: -	172
S. B. V. Savill, Porter at the Newcastle-on-Tyne Branch	£45: 3: -	206

War Bonds to

84

Potter

J. H., Senior Clerk in Dividend Accounts Office.
Resignation on account of failing eyesight accepted.
Granted during pleasure a pension equal to salary up to 31 Dec. 1918 and thereafter of £210: 5: 4 a year according to scale

61

Probationary Clerks see under "Clerks"

Profits of the Bank see under "Special Committee, Excess War Profits, Disposal of"
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195

Prospectus

Permission given for insertion of Bank's name on, of Sir W. G. Armstrong Whitworth & Co. Ltd.

90

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Phillips

H. J. C., a 3rd class Clerk at the Liverpool Branch, quits the service at his request

139

Printing Department

Thomas W. Ellis, a Mechanic in the, pensioned £75: 18: -

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H. K. N. Thurston, Agent, granted a personal additional salary of £100 a year, his war Bonus being reduced accordingly
 appointments at

185

202

Pyper

James A. D., Stock Office Librarian at Rochampton:
 Resignation owing to continued ill health accepted: granted during pleasure a pension equal to salary to 6 Nov: 1918 and thereafter of £300 a year according to scale

96

Q.

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R. e.

Record Office { J. A. D. Pyper, Librarian, deceased
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96.

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188

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 On the death of Mr. Herbert Brooks

21

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R. i.

Richardson R. W. ff., 4th Class Clerk in the Private Drawing Office,
 quitted 188

R. o.

Robison Robert, a 1st Class Clerk in the Public Drawing Office.
 Resignation on account of ill-health accepted. Granted
 during pleasure a pension of £229: 6: 8 a year according
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Ross James, Deputy Principal of In-Tellers Office, to be Principal
 of Issue Office 105

Rond Charles H., Overseer in the Printing Department, admitted
 to pension scheme applicable to the Printing Department 142

Rowe W. M., Deputy Principal of ^{Accountant's Bank Note} In-Tellers Office, to be Principal 128

Rowlett A. G., Deputy Principal of Dividends Office, to be Principal 103

R. u.

Rules and Orders for Clerks: - addition made to the 195

Rushton Richard, a Bank Note Stamper, granted during
 pleasure a Pension of £65 a year according to scale and
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S. a.

S. a.

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Savill	S. B. V., a House Porter at the Newcastle Branch, Resignation on account of ill-health accepted. Granted during pleasure a pension of £45:3:- a year in accordance with the scale	206
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Supernumerary appointments to be made as a temporary measure to compensate for vacancies left unfilled owing to the war	58
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121. 137. 148. 163. 180. 205.

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— Audit of, at the Law Courts Branch 2. 40. 49. 70. 97.
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Stephens John, Chief Clerk at Hull Branch. Resignation accepted.
Granted during pleasure a pension of £270 a year in
accordance with the scale 126

Strettell Mr. Francis D. C., Agent at the Bristol Branch, allowed to
retire with a pension 14

S.i.

Smith A. V., a 1st Class Clerk at Manchester appointed Deputy
Principal of Cashier's Store Office with a gratuity of £25 58

S.o.

Schröder Baron: Evidence given by the Governor before the
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J. H. Schröder & Co. would be detrimental to the commercial
interests of the country 131

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- Stocks Management of: Bank's charges for: Government press for reduction: Committee of Treasury to consider proposals: Rates usually arranged by Governor (with or without a Committee) and sanctioned before or after by the Court 61/2
 Governor explains that the urgency with which the Bank's reply was required did not permit of consultation of the Court beforehand 67
- S. u.
- Scribners Mr. Herbert Infield Cobb appointed vice Mr. F. L. Govett 169
- Stuart H. W., Deputy Principal of the Securities Office to be 2nd Cashier 173
- Subscriptions see "Donations"

S. y.

- Smythe N. R., Resignation accepted. Granted during pleasure a pension equal to full salary to 22nd July next and thereafter during pleasure of £266:13:4 a year in accordance with the scale 194

T. e.

J e.

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J i.

Jilly E. P., a Cashier, reported to attain the age of 65 years on the 13th March, 1919, 158

Granted during pleasure as from the 13th instant when he will attain the age of 65 years a pension of £333.6.8 a year in accordance with the scale 198/9

J o.

Thorpe W. B., an Assistant Principal in Consols Office, appointed a Supernumerary Deputy, Principal 129

Townsend H. W., Staff Superintendent: salary increased to £550 a year, his personal additional salary of £50 a year to cease 186

J u.

Thurston H. K. N., Agent at Plymouth: granted a personal additional salary of £100 a year 185

Turman C. J., a 4th Class Clerk at the Western Branch, quits the service at his request 155

Tucker Cyril, a 4th Class Clerk in the Dividend Office, quits the service at his request 148

u.

U.

University of London. Scheme for a Commercial Degree.

Donation of £1050 and promise of a further £1050 annually for the first five years after the scheme comes into operation

89

W.a

Wallace

Arthur J., Senior Bullion Porter. Resignation accepted on the ground of ill-health. Granted during pleasure a Pension equal to full wages and War Bonus to 6th Feb. and thereafter £75:8:- a year according scale

114

Wallace

Mr. Robert, Recommended by Committee of Treasury to fill the vacancy on the Court of Directors caused by the death of Mr. Brooks
Invited to allow his name to be recommended to the Proprietors

166

171

Wallis

Harold, 1st Class Clerk in Dividend Office. Resignation on account of continued ill-health accepted. Granted during pleasure a pension of £245:6:8 a year according to scale

100

War

Orders, etc. consequent on: -
Minute of Staff Committee recommending War Bonus to Permanent Clerical Staff, Pensioners and Sub-agents; and Increase of Pay to Temporary Clerks
Minute of Staff Committee cancelling the above-mentioned order and substituting an amended scheme (including Porters)

46/48

83

W.a. continued

W. a. (continued)

- War Orders, etc. consequent on: - (continued)
- Resolution expressing Court's sorrow that many members of the Staff have lost their lives in the Country's Service: their sympathy with the relatives of the fallen: their thanks to the Staff, etc. 142
- Minute of Committee of Treasury recommending that an annuity be purchased for the benefit of each member of the Staff who while on Active Service may have been incapacitated by wounds or sickness from returning to work at the Bank, each such Annuity to be equivalent to a Pension based on years of service irrespective of whether they have served 10 years or less 156
- Minute of Committee of Treasury regarding re-employment of Clerks who resigned in order to join H.M. Forces. 151
- Watkin B. J., Superintendent in Bullion Office, appointed deputy Principal 129
- Ways & Means Advances.
- Letter to the Chancellor of the Exchequer in regard to reduction of 190

W. i.

- White Florence M., a woman clerk. Resignation accepted. Granted during pleasure a Pension equal to full salary for 3 months and thereafter as if she had attained the age of 45 years, viz: £44 : 14 : 4 135
- White Ruby C., a woman clerk, quits the service at her request 207
- Williams Mr. Bernard J., Sub-Agent at the Bristol Branch, appointed acting Agent thereof 14
- Willis Mr. Harry J. A., Second Auditor, appointed Assistant Principal in the Private Drawing Office 33

W. i. continued

W. i. (continued)

Wise

Walter W., Principal of Dividend Office.

Resignation in consequence of ill-health accepted:
granted during pleasure a pension of £490 a year
based on 44 years service which he will have completed
on the 12 Nov. 1918

100

W. o.

Women Clerks appointed

75 Temporary women clerks appointed to Permanent Staff	151
51 " " " " " " " "	158
48 " " " " " " " "	180
19 " " " " " " " "	198
19 " " " " " " " "	205

quitted

Garton F. M.	12	Meldrum M. J.	97
Edwards B. H.	20	Licke P. A.	117
do Resignation withdrawn	27	Licke M. J.	117
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Colbeck A. M. R.	30	Wilson Charlotte	132
Murphy Laura	43	White F. M.	134
Harriss Kathleen	51	Cozens C. E.	134
Doo J. F.	67	Wallis J. C. A.	135
Veness Joan	71	Davies D. G. J.	135
Janan C. M. A.	74	Wither E. E.	137
Poole O. M.	75	Ross Constance	137
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Foot V. K.	80		
Tidey L. G. S.	80		
do Application withdrawn	92		

Special increases granted as from 1st March

186

W. o. continued

W.O. (continued)

Women Clerks (continued)

pensioned

Elizabeth A. Kingston	£41 : 5 : 8	131
Florence M. White	£44 : 14 : 4	134
Clara E. Cozens	£43 : - : -	134

Control of, to be transferred from Chief Accountant to a Committee

60

Scheme offering permanent service to Temporary, and Regulations giving effect thereto, to be adopted in lieu of the existing Regulations and revised War Bonus granted

121/3

Woollard

Ernest H., Principal of Intellens' Office, to be pensioned on 1st Dec. 1918 when he will attain the age of 60
 Granted owing pleasure a Pension of £368 a year

104

145

CORRESPONDENCE WITH TREASURY.

See COURT MINUTES of 18th JULY, 1918.

COPY.

TREASURY CHAMBERS,

27th March, 1918.

Gentlemen,

I have laid before the Lords Commissioners of His Majesty's Treasury Sir J.G.Nairne's letter of the 1st instant, enclosing a copy of a letter, addressed to the Select Committee on National Expenditure on the same day and submitting for their Lordship's consideration certain suggestions as to reductions which the Bank of England are now prepared to make in their charges for the management of Debt, subject to the proviso that such reductions shall be open to reconsideration at a future date.

In reply I am directed to express to the Governors Their Lordship's appreciation of the offer they have made, and to say that as the question of the remuneration of the Bank is under the consideration of the Select Committee They have felt it proper to submit the letter under reply to the Committee for their observations.

I am, Gentlemen,

Your obedient Servant,

(Signed) JOHN BRADBURY.

THE GOVERNOR and DEPUTY GOVERNOR,
BANK OF ENGLAND.

COPY

TREASURY CHAMBERS,

29th May, 1918.

21107
18.

Gentlemen,

Adverting to the letter from this Department of the 27th March last (8938), I am directed by the Lords Commissioners of His Majesty's Treasury to transmit herewith copy of a letter dated the 10th instant from the Chairman of the Select Committee on National Expenditure on the subject of the proposals in Sir G. Nairne's letter of the 1st March concerning the charges for the management of the National Debt.

I am to request that My Lords may be favoured with the observations of the Governor thereon.

I am,

Gentlemen,

Your obedient Servant,

(Signed) JOHN BRADBURY.

THE GOVERNOR AND DEPUTY GOVERNOR,

BANK OF ENGLAND.

C O P Y.

Dear Chancellor of the Exchequer,

I am now in a position to reply to your letter of the 2nd instant on the subject of the offer of the Bank of England to reduce their charges for debt management.

I laid your letter before the Select Committee on Expenditure, who referred it to Sir Samuel Roberts' Sub-Committee for consideration and reply. The Sub-Committee state that they have been supplied by the Treasury with certain figures from which they understand that the estimated effect of the offer, if applied to the payment now due in respect of debt management in the year 1917-18, would be to reduce the total payment due for management, (including Local Loans and Irish Stocks) from £735,369: 14s to £527,630: 13s.5d and that if the same reduction had been made in respect of 1916-17 the effect would have been to reduce the total payment from £577,095: 0s:11d. to £372,543:13s.9d. This is undoubtedly a substantial reduction as far as it goes.

On the other hand, it seems to the Sub-Committee essential that, as in the past, the remuneration of the Bank under all heads should be considered as a whole, and from this point of view they are of opinion that the net profit left to the Bank is still much too large, even with the reduction now proposed under one head and although full allowance be made for the additional services rendered by the Bank during the war. Even if the figures supplied in the letter addressed to the Committee by the Bank on the 1st ultimo be accepted in their entirety without further examination, and certain statements previously made in the report of the Sub-Committee be revised on the basis of those figures and of amended figures now supplied by the Treasury as to payments for debt management, the total minimum profit secured by the Bank in respect of the financial year 1916-17 - the last year for which figures of Bank expenditure have been supplied - was as follows

follows

follows in round figures :-

Public Debt Department

Gross profit.....	2½% on £11,015,000, and (say) 4½% on £7,434,900 = (say) £610,000.
Less (1) payment to Govt.....	£247,000
(2) expenses as estimated by Bank (roughly)	£105,000
	352,000
	£258,000

Public Debt Department

	<u>Old Basis</u>	<u>On Basis now proposed</u>
Gross payment.....	£577,000	£372,500
Less expenses :-		
(1) originally estimated by Bank (excluding Local Loans and Irish Stock)	£223,280	
(2) rough estimate at £150 per million for Local Loans and Irish Stock	24,000	£247,280
	£247,280	£247,280
Net profit.....	£329,720	£125,220

Public Accounts Department

Gross profit.....	(say) 4½% on 60% of £36,500,000 * = £985,500
Less expenses as supplied (roughly) by the Bank.....	£100,000
Net profit.....	£885,500

Minimum net profit £1,473,220, which on the new basis now proposed
ould have been (but in fact was not) reduced to £1,268,720.

* minimum estimate (see following paragraph).

The larger of these two figures - which was in
fact the operative figure - secured to the Bank, on its Government
work alone, a sum slightly more than the equivalent of a dividend

of

of a dividend of 10% (the normal dividend of the Bank out of profits from all sources) on the Proprietors' capital of £14,553,000. Moreover it seems probable that even this figure is really an underestimate of the profit made, for the Bank appear to accept the previous statement of the Sub-Committee, based on Treasury figures taken from weekly returns, that the average balance kept at the Bank in each of the years ending 1st August 1915 and 1916 was over £60,000,000, and on this basis - as part of the latter of these periods was within the financial year 1916-17 - the net profit on the Public Accounts Department for that year was really greater than £885,500. And it should be noted that, on the same basis, the profits made on the Public Accounts Department alone in respect of the previous financial year, 1915-16, must have been over £1,400,000, and the total profits on all Branches over £1,800,000, taking interest at (say) 4% and making the assumptions referred to in paragraph 3, III, of the Sub-Committee's printed report.

Such figures are not in accordance with the statement made to the Sub-Committee by the late Governor that the object of the Bank has been merely to leave themselves in the same financial position at the end of the war as before it. In the opinion of the Sub-Committee there will be a public outcry when the facts become known. No increase in the amount of work performed by the Bank can in their opinion justify remuneration even distantly approaching any of the figures mentioned. When the last general arrangement as to remuneration was agreed to in 1892, it is understood that it was estimated to secure the Bank a net profit of only about £200,000 a year - less than $1\frac{1}{2}\%$ on the capital. And the whole of the enormous increase in remuneration represents clear gain to the Bank, as the total increase in staff expenses involved by the growth of work since that date (with the exception of the cost of new debt issues, which has been defrayed in full by the Treasury) has already been taken account of, and deducted from the gross remuneration, in arriving at the above estimate

estimate of net profit. While, therefore, the Sub-Committee are glad to learn that the Bank have proposed some reduction in their remuneration, they consider that further large reductions should be secured without delay. In their view it is desirable that the detailed negotiations with the Bank should be conducted in the first instance by the Treasury, who alone have full information as to the facts and figures. But, on present information, they desire to suggest three main items of reduction, viz:-

(a) Profit on Fiduciary Note Issue. It does not appear clear that under existing arrangements the whole of the net profit of further issues above £14,000,000 (less compensation to Banks surrendering their powers) is really paid to the Treasury as required by statute. The $1\frac{1}{2}\%$ basis for estimating net profit appears to be too low now.

(b) So long as it remains necessary, in the public interest, to keep an exceptionally large Balance at the Bank, and so long as the Bank find it impossible to allow interest on the Balance when it exceeds (say) £5,000,000, the profit to the Bank is so large that the Sub-Committee consider that the equivalent of such interest should be secured in other ways, e.g. by arranging (i) that the Bank shall make Ways and Means advances free of interest up to the amount of the Balance, or (ii) if more satisfactory to the Treasury financially, that the Bank shall manage the Debt free of charge, or for a charge reduced so far as may be necessary to secure the desired equivalent; or by a combination of these methods.

(c) In view of the statement of relative expenses supplied to the Sub-Committee by the Bank, the profit on Treasury Bills still appears to be unduly high on the reduced scale now suggested.

The Sub-Committee suggest that the Treasury should negotiate with the Bank provisionally on the above lines, reporting the results obtained in due course. They assume that the reductions obtained will be applied retrospectively, at least as far back as the year 1917-18 inclusive. Even so, the Bank will in the Sub-

Committee's

Committee's opinion have obtained undue profits in the earlier years of the war, and they state that they will feel bound to recommend that the facts shall be laid before Parliament for consideration at the proper time. In settling a new basis of remuneration for the present - which should be subject to reconsideration by the Government, as well as by the Bank, after the War - they are of opinion that account may fairly be taken of these past war profits, unless the Bank are prepared to render a full statement of the actual profits and to make a satisfactory refund to the Government.

Yours sincerely,

(Sd) Herbert Samuel.

However, the Government are prepared to make a temporary arrangement with the Treasury to last till the end of the War in regard to the principal source of the Bank's increased profits from Government business.

But before discussing such an arrangement they wish to put the sub-committee in possession of the following information on the points to which Mr. Samuel's letter refers.

Issue Department

Now that the figures of profit originally stated by the Sub-Committee as being about £370,000 have been accepted by the Government as £250,000, the statement given in Mr. Samuel's letter shows approximately the amount of the increase of this Department.

In point of fact, however, the yield of the issue

£300,000

11th July, 1918.

Sir,

I am directed to acknowledge the receipt of your letter of the 29th May, 21107/18, enclosing copy of a letter dated 10th May from the Chairman of the Select Committee on National Expenditure, on the subject of the proposals in the Bank's letter of the 1st March concerning the charges for the management of the National Debt.

The Governors agree with the Sub-Committee in thinking that the remuneration of the Bank for services rendered to the State should be considered simultaneously and dealt with as a whole. But it is impossible in War time to arrange definite terms with any assurance that they will in all circumstances prove to be fair to both parties, and as there must necessarily be some variation from time to time in the factors which contribute to the increased profits derived by the Bank from Government business during the War, it was thought that such increase would be most satisfactorily and adequately dealt with by the Excess Profits Duty which would operate in respect of the profits as a whole without regard to the particular source from which they might spring.

However, the Governors are prepared to make a temporary arrangement with the Treasury to last till the end of the War in regard to the principal source of the Bank's increased profits from Government business.

But before discussing such an arrangement they wish to put the Sub-Committee in possession of the following information on the points to which Mr. Samuel's letter refers.

1. Issue Department.

Now that the figures of profit originally stated by the Sub-Committee as being about £570,000 have been accepted by them as £258,000, the statement given in Mr. Samuel's letter shows approximately the recent nett revenue of this Department.

In point of fact, however, the yield of the over

£7,000,000

£7,000,000 of British Government Securities held in the Issue Department is at the moment only $3\frac{1}{2}\%$, as they consist entirely of short-term securities in the form of Treasury Bills which the Bank have substituted for War Loan as being a more suitable form of security against a note issue than the longer dated loan. Thus on the present basis the nett revenue of the Issue Department is reduced to some £185,000.

But there is another important factor for which no allowance has been made. The Bank have to make good out of their own resources any depreciation in the market value of the British Government Securities held against the fiduciary note issue. So marked has been the fall during recent years in these Securities that, but for the profits in Bullion made by the Issue Department in the first 18 months of the War (since when such profits have been credited direct to the Treasury), the average annual profit to the Bank from the Department over the last 10 years would be reduced from the more or less £250,000 shown to about £50,000, even if the amount of War Loan exceeding £7,000,000 held in this Department on the 28th February last were valued at 94% .

Thus it will be seen that although the Sub-Committee is correct ⁱⁿ suggesting that more than $2\frac{1}{2}\%$ per annum is earned on the securities held against the fiduciary issue above £14,000,000, the sole cause of this extra income is the fact that the Bank have from time to time supplied from their Banking Department additional securities to make good depreciation. Had the securities held against this issue consisted of Consols bought at par and had these maintained that price, the income would have remained throughout precisely $2\frac{1}{2}\%$ per annum and the Bank would not have been penalized by the heavy loss resulting from their depreciation.

It is interesting to note that so marked has been the fall in value of Government Securities, or in other words so great has been the increase in their yield, that if the Government Debt of £11,015,000 were repaid and the proceeds invested in War Loan, the consequent addition to the Bank's income would be greater than the whole

whole of the annual profits of the Issue Department as shown by the Sub-Committee.

2. Public Debt Department.

As mentioned in the Bank's previous letters, it is at present impossible to make a reliable estimate of the eventual cost of the management of the Public Debt. But if the estimate of profit now made by the Sub-Committee on the revised basis should prove correct, the Governors apprehend that neither the Sub-Committee nor the Lords Commissioners of H.M. Treasury would consider the remuneration excessive for the amount of work entailed, even if no consideration be given to the loss of £270,000 on Advances against $3\frac{1}{2}\%$ War Loan mentioned in the Bank's letter of the 1st March. There is indeed some reason to fear that the new scale of charges will not cover the Bank's actual expenses of Management under the existing difficult conditions.

It is, however, observed that the Sub-Committee suggest a further reduction of the payment to the Bank for the preparation issue and repayment of Treasury Bills. In this connection I am directed to point out that the figures of cost supplied by the Bank on 22nd October last did not include any provision for the risks incurred, the amount of which provision on any reasonable scale would far exceed the actual expenditure on the work involved.

Moreover the work is of a highly responsible nature and must be performed, under present conditions, on every working day of the year and always under great pressure. So that the Bank are still of opinion that the scale of charges last proposed is a fair one, though they fully understand that it would not have appeared so to the Sub-Committee on the figures before them.

As, however, the Bank desire that their charge for this work should be approved by the Treasury and the Sub-Committee, especially as it is the only charge of which the latter now specifically complain, they will be prepared to accept

for

for the year 1917/8 and during the remainder of the War period any reasonable modification of the proposed scale which you may be good enough to suggest, on the understanding that the charge will be reconsidered after the War and that the scale adopted shall not be held to form any precedent.

Public Accounts Department.

Owing to the war expenditure and the consequent need for large Public Balances, it is true that the Bank are making an unusual amount of profit in this Department. It must, however, be borne in mind that this very condition is expressly provided for by the Excess Profits Tax.

It is, therefore, incorrect to say that the Bank is making "on its Government work alone a sum slightly more than 10% on the Proprietors' Capital". From the profits referred to in that statement must first be deducted the considerable reductions suggested in the Bank's letter of the 1st March, which they intend should operate for the past year (1917/18) as well as for that now current, while of any part of the remainder which constitutes excess profits no less than 80% is now paid back to the Government.

The Bank were indeed disposed to believe that the Excess Profits Tax was the best available means of adjustment of the profits being made by them out of the Public Deposits owing to the exigencies of the War. But they are quite willing, and indeed in some ways would prefer, that such profits should not be made at the expense of the Treasury merely to be refunded to another Government Department.

The process by which such profits should be avoided is however difficult to find without departing from the principle, which is essential to the proper working of the Bank, that no interest should be paid on deposits. The Governors are inclined to think that the desired end could best be attained by adjusting the rate of interest on Ways and Means Advances as suggested by the Sub-Committee. It would probably be considered

contrary

contrary to public policy that the Bank should encourage the taking of such advances by offering at all times to provide them on purely nominal terms, but it is clear that borrowing by Ways and Means must, whatever the rate, continue throughout the War, and it is to be presumed that after the War both the Public Deposits and the Ways and Means Advances will decline and the need for the nominal rates disappear.

The Governors, therefore, propose that for the remaining period of the War the Bank should only charge the Government 1% on Ways and Means Advances up to the amount by which their total advances to the Government whether in the form of Ways and Means Advances or Treasury Bills exceed the total of their borrowings.

They further propose that the Bank's charge to the Government for interest &c. during the current year should be reduced by the amount which would be returnable to the Government if the above arrangement had been in force for the year 1917/18. This will mean a reduction in the Bank's charges to the Government of more or less £550,000 in respect of Ways and Means Advances for that year.

I am, however, directed to say that the Bank are advised by their Lawyers that there are legal difficulties in the way of refunding monies which have already been taken into the Bank's accounts as passed by the Proprietors, and that in consequence the reduction in current charges to the amount equivalent to a lowering of the rate of Ways and Means Advances for the year 1917/18 can only be made provided that their Lordships will undertake to hold the Governors and Directors of the Bank harmless in the matter and, if necessary, to introduce a Bill into Parliament with that object.

In putting forward the foregoing proposals as a War measure, the Governors assume that you will have no objection to stating in your reply that they will not be held to form a precedent for the making of Ways and Means Advances by the

Bank

Bank at nominal rates.

I am directed to call attention to the fact that while the Bank devote themselves almost exclusively to Government business at present, the profits derived from their regular business are bound to suffer heavily. They have been obliged to reduce to a minimum their advances to regular customers, and advances to the Market are hardly ever required, as when money is scarce the Bankers merely withdraw part of the large sums which the Bank have borrowed from them.

Moreover, in order to keep their resources as liquid as possible for the purpose of financing the Government, the Bank have parted with a large proportion of their ordinary investments, and to the extent to which such investments have been replaced by Ways and Means Advances and Treasury Bills, the arrangement now proposed would greatly increase the loss in interest already incurred by the Bank. In present conditions the Bank would be to some extent recompensed for this loss by the large excess of Ways and Means Advances and Treasury Bills over the amount of the investments which have been sold, but should His Majesty's Government have occasion largely to reduce such excess it is possible that the Bank might be seriously prejudiced as the result of their efforts to assist the Government. The Bank will therefore ask their Lordships to regard it as a condition of these proposals that in case of any such event occurring the Bank shall have liberty to ask for a reconsideration of the arrangement.

Further I am directed to point out that in the earlier years of the War, when it is suggested that the Bank obtained undue profits, very grave losses had to be faced through depreciation (not only in the Issue but, to a far larger extent in the Banking Department) in British Government securities, of which the Bank by the nature of their business are obliged to be large holders. And the Governors think you will agree that in reviewing these questions the first care of the Court, in the interests both of the State and the Community, must be the maintaining of their Corporation in such a condition as to meet not only the heavy direct and contingent liabilities

liabilities

liabilities already incurred but the altered circumstances likely to prevail in the whole world of finance after the War.

I am, Sir,

Your obedient Servant,

(Sgd) E. M. HARVEY

Chief Cashier.

~~PRIVATE & CONFIDENTIAL~~

THE SECRETARY,
TREASURY,
WHITEHALL, S.W.

SECRET

PRIVATE & CONFIDENTIAL

*By letter 7/1 ✓
mch*

1st March, 1913

The Secretary,
Treasury,
Whitehall, S.W.

Sir, **PRIVATE & CONFIDENTIAL.**

I have received from the Select Committee on National Expenditure a copy of the Report of the 'Sub-Committee on the Treasury', with a suggestion that the Bank might desire to take some decisions on the Report.

I am directed to enquire, for the information of the Lords Commissioners of His Majesty's Treasury, a copy of the Bank's reply, and to submit for their Lordships' consideration the following suggested reductions which the Bank has proposed to take in their charges, subject to the proviso that such reductions shall be open to reconsideration at a future date.

Public Debt Department.

(a) Management of the Funded Debt.

The present rate of redemption in respect of the Funded Debt is £225 a year per million of the first £50 millions and £175 a year per million on any amount in excess of 500 millions.

It is not possible at the present time to form any satisfactory estimate as to the actual cost to the Bank of the Management of the Funded Debt. The total which would be required to meet the cost of £225 per million and the Bank are prepared, as a temporary measure, to accept a payment of that rate in respect of all Debt in excess of the first 500 millions.

In addition to the Funded Debt, the Bank has under its management a large amount of Government Securities and other securities, part of which are now being redeemed.

COPY.

PRIVATE & CONFIDENTIAL.

1st March, 1918.

The Secretary,
Treasury,
Whitehall, S.W.

Sir,

The Governors have received from the Select Committee on National Expenditure a copy of the Report of the "Sub-Committee on the Treasury", with a suggestion that the Bank might desire to make some comments on the Report.

I am directed to enclose, for the information of the Lords Commissioners of His Majesty's Treasury, a copy of the Bank's reply, and to submit for their Lordships' consideration the following suggested reductions which the Bank are now prepared to make in their charges, subject to the proviso that such reductions shall be open to reconsideration at a future date:-

Public Debt Department.

(a) Management of the Funded Debt.

The present rate of remuneration in respect of the Funded Debt is £325 a year per million on the first 500 millions and £175 a year per million on any amount in excess of 500 millions.

It is not possible at the present time to form any satisfactory estimate as to the actual cost to the Bank of the Management of the Funded Debt. The latest opinion formed puts the figure at £150 per million and the Bank are prepared, as a temporary measure, to accept a payment at that rate in respect of all Debt in excess of the first 500 millions.

In addition to the Funded Debt, the Bank now manage a rapidly increasing amount of Registered Exchequer and National War Bonds, part of which entails more work than the Funded Debt.

They

They are however willing to agree for the time being that such Registered Bonds should, for the purpose of calculating Management charges, be paid for on the same basis as the amount of the Funded Debt in excess of 500 millions, viz. at £150 per million.

(b) Treasury Bills.

The Bank admit that the present scale of payment when applied to an amount so large as that of the Bills at present outstanding may be reduced.

It is difficult to fix any single rate which would provide adequate remuneration at times when the total is small and shall be a reasonable remuneration when it is large. The Bank therefore suggest that any future remuneration should be paid on a "sliding scale", the rate paid to vary according to the amount of Bills issued instead of as at present being charged on the maximum amount of Bills outstanding during the year of management. Their Lordships will realise that a distinct risk attaches to dealing with the issue and repayment of Bills representing such large figures as the amount issued during the present financial year.

The following new scale of payment for Bills issued is accordingly proposed -

For the first £50 millions of Bills issued	£100 per million
For all Bills issued in excess of 50 millions	£25 " "

(c) Exchequer Bonds (to Bearer).

With the Exchequer Bonds must be considered the recent large issues of National War Bonds, which in all essential particulars differ from them in name only. It has been already suggested that registered holdings of such Bonds might be included, for purposes of management, with the total of the Funded Debt, and there remains therefore to be considered only the question of the remuneration to be paid in respect of Bearer Bonds. The amount of such Bonds outstanding has been

considerably

considerably increased by recent issues, although it is noticeable that the proportion of new holdings taken in registered form is rapidly increasing. In view, however, of the actual increase which has taken place in the Bearer Bonds, the Bank are prepared for the present to be content with a payment at the rate of £50 per million.

The Bank make these suggestions in view of the increase in the amount of the Government business and I am to express the hope that their Lordships may be disposed to regard them as satisfactory.

I am,

Sir,

Your obedient Servant,

(Sd.) J. G. NAIRNE,

Chief Cashier.

COPIES
PRIVATE AND CONFIDENTIAL.

*RM's letter of
1st March*

1st March, 1920.

The Clerk to

The Select Committee on National Expenditure.

NOT PRIVATE AND CONFIDENTIAL.

Sir,

I am directed to acknowledge the receipt of your letter of the 25th ultimo, in which you state that the Select Committee on National Expenditure would be glad to receive any observations upon the Report of the Sub-Committee on the Treasury* that the Bank might desire to submit in writing.

The Bank desires to express their appreciation of the Sub-Committee's opinion that the very valuable services to the Country rendered by the Bank during the present War deserve the fullest possible recognition.

A careful study of the Report shows that the Sub-Committee are in several cases under a misapprehension. For instance, in estimating the gross profits of Trade they have taken the investments in the Issue Department as yielding 5% giving a figure of "over £22,000,000 a year" as the gross profit of the Bank, but as £11,915,100 of the investments is represented by Government Debt on which the Government only pay 3% interest this reduces the figure of the gross profit practically to one a year less than £10,000,000.

Again the Sub-Committee state that the profit on the Public Accounts Department, given as £2,500,000, is to some extent hypothetical. As the various Public Accounts balances, as shown later, are all £25,000,000 instead of £10,000,000 the Bank cannot agree that the figure of the profit on the Public Accounts of the Sub-Committee is correct.

The Sub-Committee appear to have overlooked the fact that the Bank's profits have passed the audit of the Comptroller and Auditor-General and are subject to the scrutiny of the House of Commons.

COPY

PRIVATE AND CONFIDENTIAL.

1st March, 1918.

The Clerk to

The Select Committee on National Expenditure,

House of Commons, S.W.

Sir,

I am directed to acknowledge the due receipt of your letter of the 8th ultimo, in which you state that the Select Committee on National Expenditure would be glad to receive any observations upon the Report of the "Sub-Committee on the Treasury" that the Bank might desire to submit in writing.

The Bank desire to express their appreciation of the Sub-Committee's statement that the very valuable services to the Country rendered by the Bank during the present War deserve the fullest possible recognition.

A careful study of the Report shows that the Sub-Committee are in several cases under a misapprehension, for instance, in estimating the gross profits of Issue they have taken the investments in the Issue Department as yielding 5%, giving a figure of "over £922,000 a year" as the gross profit of the Bank, but as £11,015,100 of the investments is represented by Government Debt on which the Government only pay 2½% interest this reduces the figure of the gross profit immediately by no less a sum than £275,000.

Again the Sub-Committee admit that the gross profit on the Public Accounts Department, given as £1,500,000, is to some extent hypothetical. As the average daily Government Balances, as shown later, are only £36,500,000 instead of £50,000,000, the Bank cannot agree that the figure of the profit as estimated by the Sub-Committee is correct.

The Sub-Committee appear to hold the opinion that when the Bank have been assured of a certain sum by way of net profit, all further additional services which they may

be called upon to undertake ought to be performed at cost price without producing any additional profit. But as every increase of work inevitably entails a corresponding increase of risk and responsibility, the Bank feel justified in looking for some corresponding increase in profit to be set aside against possible contingent loss. For example, under the special arrangement for the granting of Advances on favourable terms to holders of 3½% War Loan, which was made to assist the issue of that Loan, the Bank have not only sacrificed a considerable sum through loss of interest but a further considerable loss will be sustained in respect of borrowers who will be unable to repay their Advances or to defray outstanding interest charges. From a valuation made in respect of all known bad debts, the amount of such loss will not be less than £270,000. At the request of the Chancellor of the Exchequer the Bank have agreed to make further loans on this security for a period of two years, so that the risk of some further loss must not be disregarded.

As the Report directs particular attention to the profits derived by the Bank from the three chief sources of remuneration

- (1) Issue Department
- (2) Public Debt Department
- (3) Public Accounts Department

the Bank do not think it necessary to refer to minor inaccuracies in the Report but confine their attention to these three heads, as the profits derived from certain other exceptional services, which are referred to, have been in nearly all cases of a temporary nature are unlikely to recur.

The Bank are fully alive to the fact that, in some cases rates of remuneration which were regarded as suitable before the War, when applied to the much larger operations occasioned by the War have yielded profits larger than were contemplated when the arrangements governing them were entered

into.

into. They desire to point out, however, that the Report in its references to the large profits earned omits to direct attention to the fact, ^{that} whatever the amount of the profits may be at the present time, the Bank are bound, in addition to paying the ordinary income tax, to return to the Government 80% of their Excess Profits.

The Bank are, however, desirous of meeting the views of the Sub-Committee in a reasonable spirit, believing as they do that it is equally to their advantage and to that of the Government that under present conditions the charges in some cases should be revised; but whilst they are willing to suggest to H.M. Treasury certain reductions in existing scales of payment, they do so subject to the proviso that any immediate temporary reduction made in the present rates shall be open to reconsideration at a future date. The fact must not be lost sight of that the arrangements made by the Bank with the Government were agreed on after careful consideration on both sides, having regard to the whole of the work performed, and that similar consideration must be given to any arrangements to be entered into in the future.

To proceed with the three main points in the order in which they are mentioned by the Sub-Committee -

1. Issue Department.

The Bank cannot agree that the time has come for any alteration to their detriment of the basis of calculation for the profits to be allowed to the Government. The circulation of Notes is steadily increasing, but as the whole of this increase is secured by Gold it represents no increase in the profits to be derived from this source while it does represent an increase of work, and any increase in the number of Notes issued must increase the risk of fraud. Indeed, in view of the fact that all profit on Bullion is at the present time being voluntarily surrendered by the Bank to the Government, the Bank's profit from the Note Issue is seriously reduced.

2. Public Debt Department.

(a) Management of the Funded Debt.

The present rate of remuneration in respect of the Funded Debt is £325 a year per million on the first 500 millions

and £175 a year per million on any amount in excess of 500 millions.

As previously explained, it is not possible at the present time to form any satisfactory estimate as to the actual cost to the Bank of the Management of the Funded Debt.

In addition to the Funded Debt, the Bank now manage a rapidly increasing amount of Registered Exchequer and National War Bonds, part of which entails more work than the Funded Debt. For the purpose of calculating Management charges, these Registered Bonds might be paid for on such reduced basis as may be agreed upon with His Majesty's Treasury for the Management of the amount of the Funded Debt in excess of 500 millions.

(b) Treasury Bills.

The Bank admit that the present scale of payment when applied to an amount so large as that of the Bills at present outstanding may be reduced.

It may be here mentioned that in the separate Memorandum sent to the Sub-Committee with Lord Cunliffe's letter of the 20th October last it was stated in answer to the Sub-Committee's enquiry(5) that the proceeds of Treasury Bills are placed to the credit of the Government on the date of receipt and no deductions whatever are made by the Bank.

(c) Exchequer Bonds (to Bearer)

With the Exchequer Bonds must be considered the recent large issues of National War Bonds, which in all essential particulars differ from them in name only. It has been already suggested that registered holdings of such Bonds might be included, for purposes of management, with the total of the Funded Debt, and there remains therefore to be considered only the question of the remuneration to be paid in respect of Bearer Bonds. The amount of such Bonds outstanding has been considerably increased by recent issues, although it is noticeable that the proportion of new holdings taken in registered form is rapidly increasing. In view, however, of the actual increase which has taken place in the Bearer Bonds, the Bank are prepared for the present to make a reduction.

Public Accounts Department.

The Report speaks of the maintenance of a minimum balance

of £50,000,000 and of average balances of even larger sums, but worked out on the Bank's daily figures the true average for the year ended 1st August 1917 was under £40,000,000, whilst the average since then to date is just £40,000,000. It should be explained that by reason of the payment of large amounts of Notes at the Bank's Country Branches, and of the interval which must take place before such Notes can be brought to London, examined and charged to the Currency Note Redemption Account, the total of the Public Deposits has been swollen at the expense of the Bank to an amount which since the commencement of this year - the only period for which figures have so far been taken out - has averaged £3,500,000 a day, a sum which in any consideration of the profits derived from this source should be deducted from the average total of the Public Deposits as it reduces that total from £40,000,000 to £36,500,000.

In fixing the amount of the total Public balances to be maintained, it is only necessary to consider the balance on the Exchequer Account. The balances on the remaining accounts, some 120 in number, it is presumed are merely such as are necessary for the working of the several accounts and cannot be adjusted arbitrarily. Without the permission of the Treasury the Bank prefer not to quote figures. The matter therefore resolves itself into a question of the minimum balance which it is prudent to publish weekly as at the credit of the Exchequer Account. It is for His Majesty's Government to decide whether the amount of the Exchequer and other balances can be reduced without impairing public confidence or interfering with the satisfactory working of the several accounts. The Bank cannot raise any objection to a reduction provided the balances are not reduced to such a figure as to deprive the Bank of adequate remuneration; but they cannot agree to allow interest on current balances.

In addition to an over-estimate of the amount of the balances regularly maintained, the Report assumes that the Bank are able to secure the high rate of 5 per cent. in respect of the whole of that portion of the balances available for employment. Such, however, is far from being the case, and when it is remembered that the Bank are obliged to hold themselves in readiness to lend very

large

large sums to the Government at a moment's notice, it will be obvious that they are not in a position to employ funds in their hands from day to day so closely as other Banks which are not subject to demands of such a nature. Moreover, it must not be assumed that a steady rate of anything approaching the quoted rate of 5% can be obtained as is evidenced by the two recent substantial reductions which have been made in rates within the last two months. There is no doubt whatever that the Committee's estimate of profit under this head is much in excess of the real facts.

In conclusion, the Bank observe that the Sub-Committee imply that the increase in Government business thrown upon the Bank must have led to a considerable corresponding increase in the extent of the Bank's private business. There has undoubtedly been an increase in the Bank's business not strictly falling within the description of "Government business", but such increase has taken place in connection with transactions entirely arising out of the War and is of a purely temporary character. On the other hand the Bank, at the risk of losing future profits, have deliberately abstained from extending, and indeed have in many directions severely curtailed, their ordinary banking business in order to hold their resources, to as great an extent as possible, at the absolute disposal of the Government for the financing of the War.

The Bank have taken into serious consideration the Report of the Sub-Committee and are placing themselves in communication with His Majesty's Treasury with a view to a readjustment of certain of the present charges and the Bank request that in the event of the Committee deciding to publish the Report of the Sub-Committee this letter may also be published.

I am, Sir,

Your obedient Servant,

(sd.) J. G. NAIRNE.

Chief Cashier.

PRIVATE AND CONFIDENTIAL.

Would you agree that there is now considerable credit inflation? If so, can you suggest any means by which it can be reduced after the War?

Would you agree that for this purpose it is desirable that Government

QUESTIONS SUBMITTED BY THE
GOVERNMENT COMMITTEE ON CURRENCY
AND FOREIGN EXCHANGES, WITH THE
REPLIES THERETO AS APPROVED BY
THE COURT OF DIRECTORS ON THURSDAY
THE 27TH JUNE 1918.

What action should in your opinion be taken to restore and maintain the balance of payments after the War?

QUESTIONS SUBMITTED BY THE GOVERNMENT COMMITTEE ON CURRENCY
AND FOREIGN EXCHANGES, WITH THE REPLIES THERETO AS APPROVED
BY THE COURT OF DIRECTORS ON THURSDAY THE 27TH JUNE 1918.

QUESTION.

Would you agree that there is now considerable credit inflation? If so, can you suggest any means by which it might be reduced after the War?

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 the debt?

What action should in your opinion be taken to restore and maintain the Foreign Exchanges after the War?

Do you think that the continuance of the Exchange Committee after the War would be desirable?

ANSWER.

(a) Yes.

(b) Yes, by the means suggested in Question No. 2.

(a) It is very desirable that Government borrowings should cease at the earliest possible moment, and this is especially important with regard to its borrowings from the Bank which are pure creations of credit.

(b) It is also very desirable that expenditure should be reduced well within revenue.

The first action should be the arrangement of the debts which the Government has contracted with foreign countries. For further action see answer to No. 5.

The Committee was appointed to regulate the Exchanges during the period of the war and there would appear to be no reason why it should not be dissolved as soon as the need for exceptional measures ceases.

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?

Should an attempt be made to restore the internal circulation of gold?

If not, on what basis should the Note Issue be placed? Should the Currency Note Issue continue to be in the hands of the Government or be transferred to the Bank of England?

It is undoubtedly one of the most effective methods because it helps to decrease imports into the Country. The main solution is an increase in the exports of the Country.

Yes, eventually, but no steps should be taken at the present time.

The Note Issue should be placed on a similar basis to that of the existing Bank of England Issue. The issue should be transferred to the Bank of England as from a date to be agreed between the Treasury and the Bank. From that date the issue of Currency Notes should cease and those outstanding should, as and when presented, be paid off by the Currency Note Department. The Issue Department of the Bank of England would as from that same date assume the duty of issuing, against gold and securities provided by the Banking Department, their own £1 and 10/-^s Notes, which should be legal tender throughout the United Kingdom. The new issue of £1 and 10/-^s Bank of England Notes and the present issue of higher denominations would thus together become part of one issue against one stock of gold and securities.

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?

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?

Do you agree that the existing overvalued Currency Note circulation should be gradually reduced as opportunities offer and that the fiduciary issue should ultimately be fixed at such amount as experience of normal conditions may show to be justified?

Are you in favour of maintaining the present separation between the Law and Banking Departments of the Bank of England? If not, what change would you suggest?

Having regard to the importance of maintaining London as a free gold market after the War do you think that it would be feasible and lead to any economy of gold were it to be exported only through the Bank of England?

(a) Yes - to support the larger Note Issue.

(b) It is impossible to say what amount should be aimed at.

During the reconstruction period until a sufficient supply of gold has been secured, it would be advisable -

(a) That all the Country's gold should be collected in one central reserve in the Bank of England, except that the Bankers might be allowed to retain in gold as at present 1 per mil of their liabilities.

(b) That no earmarking of gold should be permitted except at the Bank of England and with the consent of the Treasury, and

(c) That all imports of gold should be consigned for delivery at and sale to the Bank of England.

(a) Exports of gold should not be prohibited but the Government should retain power to prohibit and control them during the reconstruction period.

It follows from the answer to No. 9 that gold could only be exported from the Bank of England.

1. Are you in favour of continuing the practice adopted by the Bank of England in recent years of buying raw gold abroad at the equivalent of $77\frac{s}{9}$ per oz. of refined gold and including the gold so purchased in its figures? Do you think it desirable that the Bank should keep part of its gold in the Dominions overseas where it may be required at short notice?

2. 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?

3. Are you in favour of maintaining the present separation between the Issue and Banking Departments of the Bank of England? If not, what changes would you suggest?

During the reconstruction period:-

(a) As regards buying raw gold abroad - Yes: the Bank should retain the power.

(b) As regards including gold so purchased in the Bank's figures - Yes, as soon as the gold is located within the Empire.

(c) As regards keeping part of the gold in the Dominions overseas - Yes, anywhere within the Empire.

It is most important that the existing uncovered Currency Note Circulation should be reduced and it would probably be advisable that Parliament should fix a scale for its gradual reduction. If any such scale were fixed it would be necessary that Section 3 of the Currency & Bank Notes Act 1914 should remain in force so that Excess Issues could be made if the scale of reduction should prove too drastic.

(a) Yes. The only object to be aimed at by their amalgamation would seem to be the concealment of the "Proportion" in the Banking Department, which in principle the Bank consider absolutely indefensible. One important objection to the amalgamation of the two accounts is that the convertibility of the Bank Note might be impaired thereby; for all the gold might then be drawn out

Out by the depositors without the cancellation of any of the Notes in circulation, whereas under the existing system it is only by the cancellation of the corresponding amount of Notes that the depositors can withdraw the gold. In other words the corresponding Notes must have been paid when the gold is withdrawn.

(b) None.

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?

Yes, it should be continued and the Bank have no desire to suggest any alteration in its form.

Do you consider the development of the cheque system makes it desirable that all Banks should in future keep larger Reserves?

It is impossible to lay down a general rule for all Banks; as regards Clearing Banks it is hard to say if they should keep larger cash reserves than those they publish, but the published figures should be continuously maintained.

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?

(a) If this suggestion were adopted it would not increase the Cash Reserves of the Banks, but on the contrary it might tend to make them consider smaller Cash Reserves sufficient.

(b) It would be inexpedient to attempt either to define what securities the Banks should hold or to fix the amount of the reserves they should keep.

(c)

(c) It would be inadvisable to make any arrangements which would interfere with the discretion of the Bank of England in regard to making advances.

The Bank have hardly ever refused to lend on Government Securities and are unlikely to do so unless in their opinion it is not in the general interest that the Advance should be made.

1. The number of Directors.

That, as the rule that the number of Directors must be precisely 24, exclusive of the two Governors, may occasionally prove embarrassing, the Charter be so modified as to read that the number of Directors exclusive of the two Governors shall not exceed 24, or be less than 20.

2. Issue of Securities of Bank Stock.

Would it in your opinion be desirable if any such arrangement were adopted, to give the Bank of England power to issue emergency currency based on such securities in order that the required accommodation may be given in time of crisis without the necessity of breaking the law? No; emergency currency should not be confined to a particular class of security or to a particular purpose.

4. Election of Governors and Directors.

That in the election of Governors and Directors no stockholders should be proposed for election other than those recommended by the Court, unless their nomination in writing has been received by the Bank, say, 14 days before the General Court.

BANK OF ENGLAND.

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That at General Courts the Governor, or any 9 Proprietors present and entitled to vote, shall have the right to demand a poll which shall be held on such date as the Governor shall then determine, but that no voting by proxy shall be allowed when a poll is taken.

There are one or two changes which the Bank wish to recommend in regard to their internal affairs -

1. The number of Directors.

That, as the rule that the number of Directors must be precisely 24, exclusive of the two Governors, may occasionally prove embarrassing, the Charter be so modified as to read that the number of Directors exclusive of the two Governors shall not exceed 24, or be less than 20.

2. Alien Proprietors of Bank Stock.

That in future no transfer of Bank Stock be made into the name of an alien or his representative.

3. Transfers of Bank Stock.

That, in order to guard against the control of Bank Stock passing into few or undesirable hands, the Court be given power to refuse transfers of Bank Stock without assigning any reason and that transferees be obliged to sign a declaration as to the beneficial ownership of the Stock; also that stockholders before exercising their vote should declare that there has been no change in the beneficial ownership. Appropriate penalties should be imposed for false Declarations.

4. Election of Governors and Directors.

That in the election of Governors and Directors no stockholders should be proposed for election other than those recommended by the Court, unless their nomination in writing has been received by the Bank, say, 14 days before the General Court.

5. Right to demand a Poll.

That at General Courts the Governor, or any 9 Proprietors present and entitled to vote, shall have the right to demand a poll which shall be held on such date as the Governor shall then determine, but that no voting by proxy shall be allowed except when a poll is taken.

PRIVATE & CONFIDENTIAL.

REPORT

OF THE

SPECIAL COMMITTEE

APPOINTED TO

CONSIDER AND REPORT AS TO THE DESIRABILITY OF A REVISION OF THE
BANK ACT of 1844 AND OTHER KINDRED MATTERS.

*Accepted by the Court of Directors
12th December, 1918.*

(A) INTRODUCTORY.

(1) On the 4th April 1918 we were appointed by the Court as a Special Committee to consider and report as to the desirability of a revision of the Bank Act of 1844 and other kindred matters. The appointment of this Committee, or rather of our predecessors in February 1918, was the outcome of the recommendations of the Special Committee appointed by the Court on the 11th October 1917 to consider what changes were desirable in the Bank's practice, etc. Since that date the Government has set up a Committee on Currency and Foreign Exchanges to which questions relating to the Bank have been specifically referred. We therefore thought it desirable to include in our report observations on several matters, not specially connected with the Act of 1844, on which the Bank were likely to be asked to give evidence before the Currency Committee, and since this report was first drafted we have had the advantage of seeing some of the questions put by that Committee.

(2) In view of the position created by the War and the impossibility of foreseeing when normal conditions will again prevail or how far such conditions will differ from those which obtained before the War, we have in the main confined ourselves to making recommendations for what may be called the "period of reconstruction after the War." At the same time we have tried where possible to base our recommendations on principles which, as far as we are able to foresee, it will be desirable to maintain in later years.

(3) The principal aim which we have kept before us is the complete re-establishment as soon as possible of our free market for gold.

(B) GOLD POSITION AT THE END OF THE WAR.

(4) Before referring to the Act of 1844 or indeed to any details of Note issues, we would premise that at the end of the War this country's stock of gold will probably be insufficient to allow both for the free use of gold coin as the circulating medium within the Kingdom and also for unrestricted exports to other countries.

(5) Of these two objects the latter is to our minds by far the more important, and we consider that every effort should be made, by avoiding the use of gold for purposes of internal circulation, to assist the re-establishment of our free gold market as soon as possible after the end of the War. This re-establishment will, of course, largely depend on the state of the foreign Exchanges, but it will be facilitated if all the gold in the country figures in the published return of the Bank of England, and is thus manifestly available for the settlement of international obligations. We therefore recommend that during the reconstruction period the use of gold coin as currency within the country should continue to be discouraged and that no stocks of gold coin or bullion, excepting such small quantities of the latter as may be needed for legitimate trade requirements, should be held elsewhere than in the Bank of England. It is to be hoped that the same persuasion which has been exercised during the past three years will, especially if backed by the Government's formal request to the public, suffice to prevent the use of gold coin as currency, and that all holders of gold

including the Treasury and the Banks* will hand over to the Bank of England in exchange for Bank Notes all the gold coin and bullion which they may hold at the end of the war or which may come into their possession during the reconstruction period.

We have intentionally avoided recommending that exports or earmarking of gold should be prohibited, nor does it appear to us certain that any such prohibition will be necessary. But we think that earmarking of gold during the period in question should only be effected at the Bank of England and with their consent.

**(C) ONE BANK OF ENGLAND ISSUE, AND REDEMPTION
OF CURRENCY NOTES.**

(6) One of the main provisions of the Act of 1844 is that which fixes a rigid maximum to the fiduciary Note issue. This limit is still applicable to Bank Note issues, but the Currency Notes, which now form by far the greater part of the Note circulation, are subject to no such restriction. It is therefore evident that, viewing the Note issue as a whole, the limitation imposed on fiduciary Bank Notes has been rendered nugatory, and that, before discussing the question of continuing any such limitation, it will be necessary first to consider what should be the future position of the £1 and 10s. Notes.

(7) It is clear that, at any rate for some time after the War, it will be necessary to keep £1 and 10s. Notes in circulation, as it will not be possible to provide sufficient gold to take their place. And it is probable that even when the necessary gold becomes available the public will be averse to the entire suppression of such Notes, though it is difficult to estimate to what extent they may eventually be replaced by gold coin. We have therefore assumed that £1 and 10s. Notes will for the future form a permanent part of our currency, and we have carefully considered the following alternatives:—

- (1) That £1 and 10s. Notes should continue to be issued by the Treasury and the higher denominations by the Bank of England, both issues being legal tender as at present;
- (2) That the Government should become the sole issuer of legal tender Notes;
- (3) That the Currency Notes should be withdrawn and that the Bank of England should assume the function of issuing £1 and 10s. Notes, which, together with their present issue, should be legal tender throughout the United Kingdom.

(8) The first alternative, though admissible in war time, is not only cumbrous and confusing, but liable to the danger that circumstances might conceivably induce a difference in public estimation, either here or abroad, between the two forms of legal tender paper money. The second alternative might, at any rate for a time, diminish the freedom

* All the gold held by the Banks is already held at the disposal of the Treasury excepting an amount equal to 1% of their deposits. There would be no harm in allowing the Banks to retain this small proportion in order to supply clients who intend going abroad.

with which English paper currency was accepted throughout the world before the War. Both these alternatives are open to the obvious political objection that it is improper that the power of issuing paper currency should be in the hands of the Executive. We believe that this system, though it became inevitable at the outbreak of the War, would not be countenanced by Parliament in times of peace.

(9) With regard to the third alternative, which is the plan we shall recommend, the Bank's long experience in the issue of Notes and the success with which they have managed it are arguments for continuing to entrust them with this duty, especially as the danger of forgery will be greater in the case of £1 and 10s. Notes than in the case of those of higher denominations. It is true that forgeries of the Currency Notes have not so far been very numerous, but the general prosperity and the abundance of employment have constituted a great protection against forgery of these Notes during their comparatively short career, a protection which will probably cease to exist after the war.

(10) On the other hand there are also certain arguments which might be used against the third alternative, viz., a sole Bank of England issue, though we do not attach great importance to them. It may, for example, be said that, whereas it is the State which determines that certain Notes shall be legal tender, there is no reason for conferring on any institution the prestige and profit to be derived from their issue. But as regards the prestige it is inevitable that, if we are right in believing that the political objection we have mentioned above will preclude the Government from continuing to issue its own Notes, it must be conferred on some other body than a Government Department; and as the Bank in return for past services are already in possession of that privilege and have conducted the issue with success, there would seem to be no valid reason for entrusting the issue elsewhere, especially as the Government's Bankers are those to whom it would naturally delegate such a function as the issue of Notes, if it is to be delegated; and with regard to the profit to be derived from the issue of £1 and 10s. Notes we recommend that it should accrue to the State (see paragraph 25). It is possible that there might be some difficulties in the substitution of Bank of England Notes for the Currency Notes now held against the non-fiduciary Note issues of the Scottish and Irish Banks, but we believe they could easily be overcome.

(11) We therefore recommend that so soon as they prudently can, the Bank should take over the issue of £1 and 10s. Notes, and that, when they have agreed with the Treasury to do so, the issue of Currency Notes should cease and those outstanding should, as and when presented, be paid off by the Currency Note Department. As from that date the Issue Department of the Bank of England would assume the duty of issuing in London, against gold and against securities provided by the Banking Department, their own £1 and 10s. Notes, which should be legal tender throughout the United Kingdom, except for payment by the Bank themselves at their head office. The new issue of £1 and 10s. Bank of England Notes and the present issue of higher denominations would thus together become part of one issue against one stock of gold and securities. It will be observed that we recommend that the £1 and 10s. Notes should be issued only in London, and our intention is that they should only be payable at the Head Office in spite of 7 Geo. IV., Cap. 46, and should indeed be legal tender for payment

by the Branches. This plan would materially reduce the stocks of gold which the Branches would require to hold and would help to discourage the use of gold coin in the country during the reconstruction period, because the Branch Notes of £5 and upwards could then be paid in London £1 or 10s. Notes. It will be remembered that in paragraph 5 we have recommended that the gold held against the Currency Note issue should be paid into the Bank as soon as the war is over, and that the Currency Note Department should hold Bank of England Notes in its stead. Its holding of Bank Notes should be gradually increased as opportunities offer on the understanding that Notes should only be withdrawn from the Bank at such times and in such quantities as the Bank could provide them without endangering their reserve. In the meanwhile it is true that to the extent of the Currency Note Department's holding of Bank of England Notes there would be a duplicate issue of notes; but this would be unobjectionable except in appearance and would cease when the Bank take over the issue.

(12) We have said nothing about the existing issues of Notes by English country banks, nor have we anything special to say about them as they now form a very small proportion of the total Note issues of the country.

(D) ACT OF 1844—LIMITATION OF ISSUES.

(a) During the Reconstruction Period.

(13) It is now necessary to consider what limits should be put upon the fiduciary issues of notes, and the first question that arises on this point is the form which the limitation should take. In the United States, where new currency laws have quite recently been framed after a very thorough study of those of other nations, the Authorised Fiduciary Issue (by which we mean the maximum amount of Notes which may be issued against Securities without having recourse to an excess issue) is regulated solely by the requirement that a fixed proportion of gold be held against the Note issues.

(14) We have, however, for two reasons, rejected the principle of fixing the proportion of gold, in favour of the principle, underlying the Act of 1844, of limiting the Authorised Fiduciary Issue to the amount of Notes which is unlikely in any circumstances to be presented for payment. The first of these reasons is that the former system would render dangerous any large withdrawal of gold which might be necessary for national emergencies. If for example a proportion of 40% of gold were fixed, the withdrawal of £20,000,000 in gold would, unless there were an unused margin of fiduciary issue, entail a contraction of our currency not only by £20,000,000 but by a further £30,000,000, or an excess issue to that amount, whereas under the system which we recommend the reduction in the amount of Notes issued would, in similar circumstances, only be equal to the sum withdrawn in gold; so that any alarm and disturbance created by such withdrawals would be much greater under the former than under the latter system. The second reason is that, as shewn below (paragraph 21) we believe that the holding of 100% of gold against every Note which can reasonably be expected to be presented for payment inspires greater confidence abroad in our currency than the holding of a fixed proportion of gold against every Note issued, and we therefore recommend that the way should be paved for reverting to that condition as soon as possible.

(15) But it will be exceedingly difficult to arrive at a proper limit for the Authorised Fiduciary Issues. The final figure cannot well be fixed until some years after the War and until Notes have been replaced by gold wherever the latter is preferred: while the alterations of the limit during the reconstruction period will present even greater difficulty. It is possible that the needs of the country in the matter of circulating medium may fluctuate considerably during that period, but it is certain that a considerable reduction in the amount of fiduciary Notes in circulation will be necessary before sound money can again prevail.

(16) Until the Bank begin to issue their own £1 and 10s. Notes, the limit already fixed for the Bank's fiduciary issue should remain unchanged and the desired reduction in the total amount of fiduciary Notes (Bank and Currency) in circulation should in our opinion be secured by reducing the fiduciary portion of the Currency Notes. We have now to consider by what means it should be reduced. The pressure of public opinion in favour of the continuance of cheap money is likely to be so strong that we should have liked to recommend that Parliament should prescribe some definite scale for the gradual reduction of the fiduciary issue of £1 and 10s. Notes. But we do not believe it to be possible, either now or soon after the War, intelligently to frame any precise scale by which this reduction ought to be effected and we can therefore only recommend that Parliament should give discretion to the Treasury to agree with the Bank from time to time, when once the demobilization period is passed, on the limit to be fixed for the fiduciary issue of Currency Notes, and that the Currency Note Department should be required to hold Bank of England Notes against any issue of its own Notes beyond the limit fixed from time to time. Such Currency Notes issued against Bank of England Notes would not be considered as fiduciary. The provision of additional currency would thus throw a strain directly on the banking reserve of the Bank of England, *i.e.*, on the institution which is designed to bear that strain. The adoption of this course would enable some advance to be made, even before the Bank assume the issue of small notes, in the direction of assimilating the two note issues and of reverting to our established currency system.

(17) It might appear that the policy we recommend in the preceding paragraph would throw an undue strain upon the Bank's reserve. But in the first place it must be remembered that when once any restriction on the fiduciary issue of Currency Notes has been imposed, a demand for these Notes beyond the available supply would inevitably be diverted to Bank Notes. We therefore see no reason why further Currency Notes should not then be issued against the collateral security of Bank Notes as this would not in effect put any additional strain upon the Bank's reserve. In the second place we have recommended that no attempt should be made to fix the limit of fiduciary issues until after demobilization, during which process we realise that some expansion in the Currency Note issue might prove inevitable. And in the third place we have recommended that no limit be fixed without the Bank's definite agreement.

(18) The limit of the fiduciary issue of £1 and 10s. Notes should continue to be reduced by agreement between the Treasury and the Bank until in their opinion it does not exceed the amount which under any future conditions is reasonably likely to remain in circulation. These reductions should continue

to be made whether the Bank have taken over the duty of issuing £1 and 10s. Notes or not, but after that limit has been finally fixed and after the Bank have assumed the issue of £1 and 10s. Notes, Parliament should fix a fresh limit for the total fiduciary issue of the Bank of England in accordance with the principle of the Act of 1844.

(19) We have so far dealt with the problem of reducing the fiduciary issue of Notes. We recognise however that during the reconstruction period occasions may arise when a temporary fiduciary issue beyond the limit then in force may be absolutely necessary. We therefore recommend that throughout that period Section 3 of the Currency and Bank Notes Act be kept in force in order that the Treasury may on application from the Bank be able to authorise an excess issue subject to conditions to be imposed at the time. In our view the Bank need raise no objection to conditions which would deprive them of any inducement to create or maintain excess issues in order to make a profit. In the United States the tax imposed, which becomes progressively higher as the excess issue increases in amount, must by law be passed on to borrowers, so that the latter are compelled to pay automatically increasing rates for accommodation as the demand for it develops. But the Bank's traditional policy is to advance their rate as demanded by the situation and it would in our opinion be wise to leave to the good judgment of the Bank the decision of the point at which rates should be raised against borrowers, rather than to prescribe fixed rules for raising them. Nor do we see that there is any need to compel the Bank to pass on to borrowers the conditions imposed upon themselves. In any case we are strongly of opinion that no hard and fast limit should be fixed as to the minimum Bank Rate which must rule before an excess issue is permitted.

(b) After the Reconstruction Period.

(20) We do not feel called upon to make any recommendations at this time as to the regulation of fiduciary issues after the reconstruction period, but the terms of our reference seem to preclude our ignoring completely the question whether it would be better to revert eventually to the principle of the Act of 1844 or to adopt some modification thereof.

(21) Much has been written and said about the want of elasticity in the system established by the Act of 1844. It has been urged that a statutory prohibition to increase the fiduciary issue tends to aggravate, if not to cause, panic at a time of any great financial disturbance, that during the period preceding the issue of a "Chancellor's letter" a vast amount of unnecessary alarm and loss is caused even to prudent people, that the credit of the whole country suffers and that the Bank are restricted in their power to afford assistance just when the assistance is most needed; while it is pointed out that in other countries such as the United States and Germany excess issues are permitted on specified conditions and that there is no evidence that the credit of the countries concerned is impaired by this permission. On the other hand the world-wide reputation of the Bank of England Note, and of a Bill on London or credit balance in England, may well have been due in part to the knowledge that gold must by law be held against all Notes

issued by the Bank in excess of a specified amount, especially as there is reason to believe that this specified amount of Notes is that which it was estimated would never in all human probability be presented for payment. It has also often been maintained that the necessity of obtaining a "Chancellor's letter" acts as a more wholesome deterrent to the Bank than any fine or tax that could fairly be imposed.

(22) From 1844 till the outbreak of the present war only three times was it necessary to obtain, and only once to act upon, a "Chancellor's letter." It is noteworthy that all these three occasions were confined to the early years of the operation of the Act. Since 1866, by which time full experience of the working of the Act had been gained, no application was ever made for a "Chancellor's letter" until August, 1914. Indeed it seems likely that—except on the occasion of any such cataclysm as the outbreak of a great war, against which no currency system can be proof—there should never be any necessity to overstep the authorised limits of issue provided that the Bank are left free to deal with the situation in the light of their accumulated experience of the working of the Act of 1844.

(23) It has been suggested that, without going so far as to give statutory power to the Bank to create emergency currency, it would be possible to avoid the alleged inconveniences of the Act of 1844, or at least to do away with the necessity for a breach of the law when an excess issue becomes inevitable, if the authority now given to the Treasury by Section 3 of the Currency and Bank Notes Act to permit excess issues were permanently vested in them by Parliament. Although it is true that we have recommended the retention of this authority during the reconstruction period we do not consider it ideal as a permanent arrangement. For, on the one hand, it does not positively ensure that emergency currency will be procurable when required, as there will be no greater certainty of obtaining the Chancellor's authority for an excess issue than of securing from him a letter undertaking to apply for an indemnity for a breach of the law; and on the other hand it might create the impression that the quality of the Bank Note as a warrant for gold had been impaired by the provision of legal means to create excess issues.

(24) We are therefore not prepared to recommend that any permanent alteration should be made in a system which on the whole has worked well for three-quarters of a century.

(E) PROFITS OF ISSUE DEPARTMENT.

(25) As already intimated in paragraph 10 we recommend that when the Bank take over the issue of £1 and 10s. Notes the profit on the issue of these Notes should accrue to the State. For as the State now receives all the profit on the Currency Notes it is entitled to claim any profit from an issue which is merely intended to take their place. The Bank, however, should not be deprived of the profit which they make on their present issue; and perhaps the simplest way of arranging this would be to reserve for the Bank out of the total profits of issue a fixed annual sum approximately equal to their average nett income from the Issue Department.

(26) We have carefully investigated the question whether some of the profits of the present Issue Department might in fairness be credited to the Banking Department, but our study of the subject has confirmed the view that profits on the purchase and sale or coinage of bullion are really profits incidental to the Note issue and should be credited to the Issue Department. Any future profit on dead Notes should also be for account of the Issue Department.

(F) TERMS ON WHICH THE ISSUE SHOULD BE MANAGED.

(27) In our opinion the Bank should undertake that, after they have assumed the issue of £1 and 10s. Notes, and subject to what we have said in Paragraph 25 about retaining a share of the profits, they will eventually manage the whole combined issue for a charge designed to cover all the expenses and risks of the issue other than any depreciation of the Securities held against the Authorised Fiduciary Issue. Any such arrangement would no doubt be made only for a term of years, but we consider that the first term should not be less than 20 years.

(28) This charge, however, could not be fixed until the Bank have had sufficient experience of the costs and risks of the business, and it would therefore be advisable that the Bank, when taking over the issue of £1 and 10s. Notes, should manage for a time the whole Note issue for the actual charges incidental to the work, receiving the share of profits already referred to. Among these charges should be reckoned not only expenses such as forgeries, prosecution of forgers, changing the design of the Notes, capital payments for necessary improvements, &c. (with respect to all of which matters the Bank should be given a free hand), but also rent to the Bank for the additional premises employed.

(G) SECURITIES IN ISSUE DEPARTMENT.

(29) We are of opinion that the Securities held against the Authorised Fiduciary Issue, apart from the Government Debt at present figuring in the Issue Department with regard to which we have no recommendations to make, should be confined to short-dated Government Securities. As regards the Securities to be provided against Excess Issues, it is essential that the Bank should have a perfectly free hand to transfer to the Issue Department any Securities held in the Banking Department.

(30) The yield of the Securities held against the Authorised Fiduciary Issue should be for account of the Issue Department, as should also be the appreciation or depreciation of the Securities. If, for example, they were to fall in market value, the purchase of the further securities required would form a charge on that Department. With regard to securities transferred from the Banking Department in order to provide for an Excess Issue, we think that their yield should still accrue to this Department, for the remuneration of the Issue Department would be provided by the conditions imposed for the Excess Issue. Similarly the appreciation or depreciation of such securities temporarily transferred should be for account of the Banking Department.

(H) GOLD RESERVES.

(31) For many years before the War the view was very widely held and repeatedly expressed that the gold reserves of this country were insufficient. The complaint was that we worked with so narrow a margin of bullion that a comparatively small export of gold sufficed to necessitate a rise in the Bank Rate, which thus varied more frequently than in other countries.

(32) It is true that this complaint did not amount to much more than admission of the facts—

(1) that the system was as economical as possible, the unremunerative holding of bullion being reduced to a minimum,

(2) that as this was the only free market for gold in Europe, and was moreover the world's clearing house, it was naturally the most exposed to withdrawals of that metal and had to take more frequent steps to meet them, and

(3) that Bank Rate was always kept as low as safety would permit, being lowered directly the necessity for a high rate had passed.

But the view generally held was that a larger stock of gold would be of advantage to the country as a whole, and the only divergence of opinion was as to who should bear the expense of holding it.

(33) We need not enter into the much debated question whether the Bankers of the country should contribute to this expense nor need we refer at any length either to their unwillingness to do so by augmenting their balances at the Bank of England or to the practice they have recently adopted of holding stocks of gold in their own vaults. But we cannot refrain from remarking that although stocks of gold in the Bankers' vaults do constitute a hidden reserve which, like the gold in the pockets of the people, could be commandeered in a national emergency, yet in practice they cannot be relied upon either for meeting a foreign drain or even for allaying an internal panic, witness the experiences of August 1914. The only really available stock of gold to meet either an external or an internal drain is that in the central reserve at the Bank of England.

(34) To us it seems that the increased stock of gold which will have to be held in the Issue Department against the much larger issue of notes in the future will not be a whit less vulnerable to demands for export, when once our free gold market is re-established, nor will it obviate the necessity for just as frequent and forcible measures to counteract them. Therefore if nothing is done to provide a stock of gold over and above that required for the safety of the Note issue, the former demand for an additional stock may revive, though it is not impossible that the mere existence of a larger central stock than formerly may put an end to such a demand. In any case we have thought it proper that we should consider whether a revision such as we are contemplating of the currency arrangements of the country could be utilised to provide any such further stock of gold should it at any time be desired.

(35) If, as we have assumed, there will for many years be a far larger total Note circulation than before the War, it is also fair to assume that there will be a larger Authorized Fiduciary Issue. It would therefore probably be feasible to increase the central stock of gold, beyond that required for the safety of the Notes, by gradually reducing this larger Fiduciary Issue; for to the extent of that reduction the Notes issued would be cancelled and could only be replaced if an addition were made to the stock of gold. But no such addition to the central reserve would diminish the frequency or extent of the variations in the Bank Rate, as that gold could never be withdrawn without a corresponding reduction in the Banking Reserve unless Notes returned from circulation. And the Bank have learnt by experience that it is not possible for them to retain for long more than sufficient gold to ensure an adequate Proportion in their Banking Department.

(36) We therefore do not recommend the unprofitable maintenance of any larger stock of gold than is deemed to be necessary for the safety of the Note issue. At the same time we consider that the Bank should retain the power which they already possess of reducing the fiduciary issue by the transfer of Securities from Issue to Banking and the cancellation of the corresponding Notes, and reversing the process when necessary.

(37) Before leaving this topic we must refer to the theory that the most effective form of additional gold reserve is a secret reserve. We do not believe this theory to be correct, for the reason that if once a secret reserve were used with effect, reliance would be placed upon it even when the reserve had ceased to exist. The best hidden reserve of gold is that which is held in the pockets of the people, and in spite of what we have said above about the stocks of gold in the Bankers' vaults, we see no reason why the creation of such stocks should be prohibited or interfered with when once the free market for gold has been re-established.

(I) GOLD HELD BY THE BANK ELSEWHERE THAN IN THEIR OWN VAULTS.

(38) We have considered the question whether the Bank's recent practice of holding a portion of their stock of gold in other parts of the Empire should be continued after the War. We recommend that this practice, which became inevitable during the War, should be discontinued as soon as this can conveniently be done.

(J) THE BANK'S ACCOUNTS.

(39) The precise form of the Bank's published accounts was laid down in the Act of 1844 and has been strictly adhered to ever since that date. But several criticisms have been made upon it and to some of these we propose to refer.

(40) The suggestion has been made that the Bank should give fuller details in regard to their Accounts and that the Weekly Statement should be modified accordingly. We do not, however, think it advisable for any additional information to be published in regard to the Bank's Accounts nor do we recommend that any change be made in the form of the Weekly Statement.

(41) The amalgamation of the Issue and Banking Department Accounts has recently been advocated. The only object to be gained by this course would seem to be the concealment of the Proportion in the Banking Department, which in principle we consider indefensible. An important objection to the amalgamation of the two accounts is that the convertibility of the Bank Note might be impaired thereby; for all the gold might then be withdrawn by the depositors without the cancellation of any of the Notes issued, whereas under the existing system it is only by the cancellation of a corresponding amount of Notes that the depositors can withdraw the gold. Moreover, if the plan we have suggested in paragraph 25 be adopted, the separation of the two Accounts would be more necessary than ever.

(42) The practice of pledging some of the Bank's securities against money borrowed by them from the Market or the Bankers, and eliminating both items from the Bank's Accounts, has been still more severely, if less openly, criticised. It no doubt originated in the difficulty of continuing the practice of selling securities by which the Bank used in former days to exert pressure on money rates, and it is in the general interest that there should be an alternative to sales of securities on such a large scale as would now occasionally be necessary to make the Bank Rate effective. Possibly in future the Bank will hold a sufficient amount of Bills to control the Market by letting these run off. But while we recognise the force of the criticism referred to we think it would be unwise to deprive the Bank, particularly during the period of reconstruction, of the effective means, provided by their present method, of influencing the outside rate.

(43) Attempts have sometimes been made to induce the Bank to publish the aggregate amount of Bankers' balances in their care. We consider such a course to be undesirable, apart from the fact that it could not even be entertained without the individual sanction of each of the Bankers concerned. If it were adopted there would be a tendency to compare with these particular deposits the reserve which is held against the deposits as a whole, and in times of crisis this comparison would aggravate panic, as at such periods the Bankers' balances are usually increased while the proportion of the reserve to liabilities diminishes. We consider that the Bank should decline to publish the Bankers' balances separately, especially as it is always in the power of the Bankers themselves to publish their balances if they think fit.

(K) ADMINISTRATION OF THE BANK.

(44) From the days of Bagehot, and perhaps earlier, criticism has not been lacking on the internal management of the Bank's affairs; and considering that if our recommendations are adopted the Bank's position will be even more important and responsible than before, there is little doubt that attention will be given to ensuring that the administration of their affairs should be regulated in such a way as to command the utmost public confidence. The Report of the Special Committee of 11th October 1917 and the subsequent Resolutions of the Court will supply the answer to some criticisms while the appointment of the Comptroller has met another of them. But we have recently heard of a fresh one. Exception appears to be taken to the annual retirement of the whole Court instead of only one third of the Directors

retiring every year by rotation and offering themselves for re-election, as is usual in most Companies. We know of no reason why the Bank should oppose an alteration of the Charter in this sense although we see nothing to warrant their suggesting it themselves.

(45) There are, however, one or two modifications in the provisions of the Charter for which we think it would be well to apply. The rule that the number of Directors must be precisely twenty-four, exclusive of the two Governors, may occasionally prove embarrassing, especially in the event of a death occurring among their number immediately before the annual election. Indeed it might easily become impossible to comply both with this rule and with the recent Order of Court that the name of a fresh candidate should be submitted a fortnight before his adoption. Again the Court might at times wish to leave one or two vacancies unfilled, either with a view to waiting till some desirable candidate becomes eligible or in order to propose two or more names together to the Proprietors, or for other reasons. We suggest that the Charter be modified to read that the number of Directors exclusive of the two Governors shall not exceed twenty-four, nor be less than eighteen.

(46) We recommend that in the elections of Governors and Directors no vote for names other than those recommended by the Court should be valid unless the nominations have been received in writing by the Bank fourteen days before the General Court at which the election is to take place. The Bank would in that case have to announce their nomination of Directors somewhat earlier than at present, say, twenty-one days before the General Court.

(47) We further recommend that at General Courts the Governor or any nine Proprietors present and entitled to vote, shall have the right to demand a Poll which shall be held on such date as the Governor shall then determine, but that no voting by proxy shall be allowed except when a Poll is taken. The object of the last two recommendations is to avoid the danger which, however remote, at present exists, of the Court's recommendations being upset by a snatch vote. We understand that similar provisions are not unusual in Companies established under the Companies' Acts. The Act required to give effect to these recommendations will, however, need careful drafting under legal advice.

(L) TRANSFERS OF BANK STOCK.

(48) We recommend that the Court be given power to refuse transfers of Bank Stock without assigning any reason, and that transferees be obliged to sign a declaration as to the beneficial ownership of the Stock; also that Proprietors before exercising their vote be obliged to declare that there has been no change in the beneficial ownership. Appropriate penalties should be imposed for false declarations.

(49) Our last recommendation is that no transfer of Bank Stock be made for the future into the name of an alien or his representative. The object of this is to ensure that the control of the Bank should not pass into foreign hands, an object which was secured in the original Charter by the obligation on Proprietors, since withdrawn, to take the oath of allegiance before exercising their vote. The same end might be attained by depriving alien stockholders

of voting power; but we have thought it more fitting to suggest that in future no alien be allowed directly or indirectly to acquire Bank Stock. We see no need, however, to disturb the present foreign holdings which amount to less than £300,000 and are widely distributed. Declarations as to the nationality of the beneficial transferees of Stocks and Shares are now the rule and are unlikely to fall into complete disuse after the War, so that we do not believe the Market for Bank Stock will be affected by any such restrictions as we propose.

SUMMARY OF RECOMMENDATIONS.

(B) GOLD POSITION AT THE END OF THE WAR.

That during the reconstruction period the use of gold coin as currency should be discouraged; no stocks of gold coin or bullion, with trifling exceptions, should be held elsewhere than in the Bank of England; and no earmarking of gold should be effected except at the Bank of England and with their consent.

(C) ONE BANK OF ENGLAND ISSUE AND REDEMPTION OF CURRENCY NOTES.

That as soon as they prudently can, the Bank should take over the issue of £1 and 10s. Notes, which should be issued and payable only in London and should be legal tender throughout the United Kingdom, except for payment by the Bank themselves at their Head Office.

(D) ACT OF 1844—LIMITATION OF ISSUES.

(a) During the Reconstruction Period.

That until the Bank begin to issue their own £1 and 10s. Notes the limit of the Bank's fiduciary issue should remain unchanged, reductions in the total amount of Fiduciary Notes (Bank and Currency) in circulation being secured by reducing the fiduciary portion of the Currency Notes.

That Parliament should give discretion to the Treasury to agree with the Bank from time to time, when once the demobilisation period is passed, on the limit to be fixed for the fiduciary Issue of Currency Notes.

That the limit of the fiduciary issue of £1 and 10s. Notes should continue to be reduced by agreement between the Bank and the Treasury until in their opinion it does not exceed the amount which under any future conditions is reasonably likely to remain in circulation.

That these reductions should continue to be made whether the Bank have taken over the duty of issuing £1 and 10s. Notes or not, but that after that limit has been finally fixed and after the Bank has assumed the issue of £1 and 10s. Notes, Parliament should fix a fresh limit for the total fiduciary issue of the Bank of England.

That the Currency Note Department should be required to hold Bank of England Notes against any issue of its own Notes beyond the limit fixed from time to time.

That throughout the period Section 3 of the Currency and Bank Notes Act be kept in force.

(b) After the Reconstruction Period.

That the principle of the Act of 1844 should again be adopted.

(E) PROFITS OF ISSUE DEPARTMENT.

That when the Bank take over the issue of £1 and 10s. Notes the profit on the issue of these Notes should accrue to the State, but that the Bank should retain the profit which they make on their present issue, possibly in the form of a fixed annual sum.

(F) TERMS ON WHICH THE ISSUE SHOULD BE MANAGED.

That the Bank should undertake eventually to manage the whole combined issue for a charge designed to cover all the expenses and risks of the issue other than any depreciation of the Securities held against the Authorised Fiduciary Issue.

That until the Bank have had sufficient experience of the costs and risks of the business they should manage for a time the whole Note issue for the actual charges incidental to the work, receiving the share of profits already referred to.

(G) SECURITIES IN ISSUE DEPARTMENT.

That the Securities held against the Authorised Fiduciary Issue apart from the Government Debt at present figuring in the Issue Department should be confined to short dated Government Securities.

That as regards the Securities to be provided against excess issues, the Bank should have a perfectly free hand to transfer to the Issue Department any Securities held in the Banking Department.

(H) GOLD RESERVES.

That no attempt should be made to provide a reserve of gold in excess of that required for the Note Issue.

(I) GOLD HELD BY THE BANK ELSEWHERE THAN
IN THEIR OWN VAULTS.

That the Bank's recent practice of holding a portion of their stock of gold in other parts of the Empire be discontinued as soon as this can conveniently be done.

(K) ADMINISTRATION OF THE BANK.

That the Charter be modified to read that the number of the Directors, exclusive of the two Governors, shall not exceed twenty-four or be less than eighteen.

That in the elections of Governors and Directors no vote for names other than those recommended by the Court should be valid unless the nominations have been received in writing by the Bank fourteen days before the General Court at which the election is to take place.

That at General Courts the Governor or any nine Proprietors present and entitled to vote shall have the right to demand a poll, but that no voting by proxy shall be allowed except when a poll is taken.

(L) TRANSFERS OF BANK STOCK.

That the Court be given power to refuse transfers of Bank Stock without assigning any reason and that transferees be obliged to sign a declaration as to the beneficial ownership of the Stock; that Proprietors before exercising their vote should be obliged to declare that there has been no change in the beneficial ownership; and that appropriate penalties should be imposed for false declarations.

That no transfer of Bank Stock be made for the future into the name of an Alien or his representative.

Brien Coyne Governor
as s. Cole
J. Hambro
Rec. du f. d. h. m.
Cecil Lubbock

BANK OF ENGLAND,

26th November, 1918.

With compliments

Private

A Memorandum, respectfully addressed to the Governor and Directors of the Bank of England by the staff of the same, at the beginning of the New Year of 1919

SIRS,

It is inevitable, when the whole industrial world is in the throes of re-construction after the Great War, that so old and conservative an institution as the Bank of England cannot escape the purging process of the time. After the unparalleled stress and strain of the last four and a half years, during which perhaps the human element in Bank life has been unfortunately too little accounted of, there is bound to be a reaction accompanied by unrest, dissatisfaction, and yearning for better conditions of hours and pay: but the constitutional procedure, whereby grievances may be brought to the notice of the Court is so indirect and liable to blockade, that only the adoption of the recommendations in the Whitley Report is felt by the staff as adequate to meet the situation.

The staff have every reason to believe that a great scheme of re-organization is under consideration by the Court at the present time, and in view of that belief they venture very respectfully to draw attention to the following matters which seem to call for special notice:

In accordance with the Whitley Report, it is felt that a Standing Committee, co-operative and representative of Directors, Heads of Departments, Principals, and Staff, should meet periodically to talk over matters affecting the well-being of the employees. In no other way does it seem possible that difficulties can be brought to light and alleged grievances ventilated. Hitherto the staff have accepted the conditions of service with patient resignation, but all over the country industry is organizing itself in its own defence, and the Banking community generally has at last awakened to the fact that it is unorganized and powerless and has taken steps to form a Guild to protect its interests. It were a pity if Trades Unionism in any shape or form should enter within the walls of the Bank of England if it can be obviated now by the establishment of some such Committee as is suggested above.

Standing Committee of Directors and Staff for mutual conference advocated

There is no doubt that the Banking Day should be definitely fixed, and it should certainly be no longer than that which obtained before the War. It has always been the uncertainty of the time of getting away that has made life so difficult to live in the outside world—as engagements could seldom be made with certainty that

Banking Hours

they could be fulfilled. Much could be done by more efficient organization and the drawing of definite times for passing work through, to render the hours of Bank men less arbitrary.

Overtime

The hours of the Banking Day being once fixed, any clerk kept beyond the appointed hour of leaving should be paid for overtime accordingly, extra remuneration being given for waitings. Banks hitherto have very cruelly exploited their employees in the matter of extra hours without extra pay, and it is felt that if overtime pay were rigidly instituted new methods of organization or of speeding up the work would soon be forthcoming to enable employees to leave at the appointed hour.

Salaries

Throughout our generation the cost of living is bound to continue very high. It is essential therefore that the old scale of salaries should be appreciably raised, the anomalies of the so-called New Scheme be eliminated, and compensation granted to any sufferers under its defects.

Classes

The system of "classes" has worked most inequitably as between office and office and man and man—increase in class ratings being dependent on luck, rather than on length of service or merit. Moreover, much bitter feeling has been aroused by the delays in filling up vacancies in offices as they arise. Many men have lost considerably by this procrastination, and the unfairness is palpable. It is an open question whether classes should not be abolished altogether, and "personal money" introduced as aforesaid for special work and special posts over and above an adjusted scale of House money. In this way promotions of junior men over seniors would not penalize the latter by keeping them stationary in their class as hitherto, while their contemporaries, because they happened to be in other offices, went forward. Men with higher qualifications would obtain higher pay without the offence of receiving payment through others' loss.

Delays in filling vacancies

Personal money and promotions

Pricking men in

While recognizing the absolute right of the authorities to promote men as they think fit, attention should be drawn to the fact that much discontent has been justly caused of recent years by the growing practice of pricking men into offices unexpectedly, and so preventing legitimate advancement all down the line. Under the present system it would appear that few men can ever rise in their office above a First Class, outsiders being introduced for senior posts without scruple.

Responsibility unremunerated

The difference in salaries at present in force in the case of Senior Clerks, Superintendents, Chief Clerks, and Deputy Principals, is so absurdly small as compared with the rank and file, as practically to make the increased responsibility unremunerated. Perhaps a subtle cause of unrest in the Bank is the fact that there are so few well-paid posts open to the Staff, and therefore no inducement for men to interest

themselves in their profession—more especially as promotion would seem to be due too often to personal influence rather than to recognized merit. There ought to be far more posts with salaries ranging between £400 and £1,000, and in the better offices the maximum salaries ought to be correspondingly higher, instead of being on the same level as any ordinary office.

Whether salaries should be paid free of Income Tax or not is an open question which should be studied in the light of the practice of other Banks, for whose adoption of the system there must be some justification. But on the other hand the salaries of Bank Clerks should be on a scale liberal enough to enable them to fulfil their duties as citizens, and to pay all claims made by the State upon their purse.

If the Bank continue to deduct Income Tax from salaries, a quarterly statement should be issued by the Secretary's Office to each Clerk showing exactly how much tax has been deducted, and how the nett sum is arrived at.

The question of payment for Overtime has loomed large of course during the war, and no answer has been vouchsafed to the anomalies pointed out in the memorandum to the Governors in May last. It is reasonable to expect that a graduated scale of payment on some more equitable lines according to salary should be introduced without delay, and that Sunday work and night work, if ever necessary, should be remunerated at a much more generous rate than prevailed during the war.

Pensions henceforward should be calculable on the advanced scale of salaries necessary now to meet the permanent increase in the cost of living. It is thought, moreover, that if possible, retirement should be optional at sixty on full pension, or earlier on a proportionate allowance.

Hitherto the men who have profited most by the Bank in this connection have been the ne'er-do-wells and the invalids. The men who do yeoman service are compelled to serve out their time to the bitter end—as there is no possible escape from the Bank (except by forfeiture of pension) unless under the plea of ill-health. This ought not to be. In special circumstances it should be permissible for any man, after say twenty-five years of service, to be free to resign his position on a proportionate pension. Many tragedies would be averted thereby, and men who realize that their talents might be more serviceable in other directions would not be too old to begin life again. Under the "New Scheme" the Bank itself forces the resignation of incompetent men at the age of fifty—on pension—but here again legislation is in favour of the "bad bargains" of the Bank and not of the men who serve during their career the interests of the place most faithfully. A strong reason for putting forward this plea for optional permission to retire earlier on pension is the

Income Tax

Statement of
Income Tax
deducted desir-
able

Overtime Pay

Pensions

fact that it has come to be recognized that unless a man is promoted before or soon after he is thirty his future prospects in the Bank are practically *nil*, and hence the not unnatural absence of any real interest in their work on the part of the older men who have no incentive left to stimulate them on. This lack of incentive is one of the saddest phases of Bank life that call for sympathetic solution.

Widows

The pensioning of widows deserves far more generous attention than hitherto has been the case. If a pension be deferred pay, the widows of men who serve the Bank all their lives but die in their late fifties or early sixties ought not to forego so entirely what was clearly due to their husbands but for their premature death. The present annuity granted by the Bank should be largely increased in such cases.

Leave

The permanent staff have deeply appreciated the recent order that every one this New Year should enjoy a holiday for four consecutive weeks. It is cordially recognized that the Bank during the War were unable to allow the usual leave, and that therefore much that was due has been forgone, but the confidence in the authorities is such that it is believed exceptional privileges will be granted during the next few years whereby the staff may not altogether lose the rewards of their long sacrifice and strenuous endeavour.

Conclusion

In conclusion, the staff would affirm their loyalty and appreciation of the many benefits they enjoy in the service of the Bank, for whose dignity as the leading Bank in the country they are naturally jealous. The foregoing Memorandum has been drawn up not in any spirit of disloyalty or captious criticism, but with the hope in these perilous years of transition from War to Peace that by drawing attention to anomalies and defects in the working system of the Bank as regards its staff, reforms may be inaugurated in due time, a feeling of harmony and goodwill may be restored and mutual co-operation, sympathy, and respect be the hall-marks of the House in the years that are to be.

We are, Sirs,

Your obedient Servants,

On behalf of the Staff.

INSTRUCTIONS FOR AUDITING THE ACCOUNTS AT THE BRANCH BANKS
OF THE BANK OF ENGLAND (EXCLUSIVE OF LONDON BRANCHES)

- | | |
|--|--|
| <p>I. The Auditor will carry with him a letter from the Governor or Deputy-Governor to the Agent of each Branch he is about to Audit, stating his name and the object of his visit.</p> | <p>Introductory Letter from the Governor to the Agent</p> |
| <p>II. Without the slightest previous notice, he will present himself at the Branch, either at the hour of closing business for the day, or in the morning before the opening; and immediately on his arrival he will request the Agent to deliver to him his keys of the Strong Room and Safes, including the key of the man-hole of the Strong Room. Having thus obtained joint control of all the effects (Banking, Issue and Store) he will proceed to verify the assets by examining at his discretion such items as he may select. If the Banking balance is examined it should be taken first and of this the Counter Cash should be examined without delay so that it may be released for the ordinary work.</p> | <p>The Auditor to present himself at the Branch without Notice.</p>

<p>The assets to be verified.</p> |
| <p>III. He will examine in detail and compare with the Lists supplied by the Agent the Discounted Bills lying at the Branch, and all Bills of Exchange and other Securities deposited for Advances, and offer his free opinion upon them and upon any of the parties thereto.</p> | <p>Discounted Bills, and Bills and Securities deposited for Advances to be examined.</p> |
| <p>He will have with him a copy of the last Report of the Audit Department on the Branch, and will satisfy himself that any irregularities therein mentioned, and any directions of the Governors, consequent on the Report, have had proper attention. His care will especially be to see that such irregularities, if any, in regard to Securities under Advance, which the Audit Department have noticed, have been set right.</p> | <p>Last Report of the Audit Department on the Branch.</p> |
| <p>IV. He will examine the Books as far as he is able, and see that the Accounts are properly kept, and the Regulations duly attended to.</p> | <p>To examine Books, &c.</p> |
| <p>He will carefully examine any Suspense Accounts that may be in the Books of the Branch, particularly with a view to their not being used for any account that ought properly to be opened separately in the name of the person or concern whose transactions it represents.</p> | <p>Suspense Accounts.</p> |
| <p>V. He will inspect the Book signed by the Agent having nightly charge of the premises; and report, as far as his observation will permit, on the state in which he may find the office and dwelling-house of the Branch, and of its security.</p> | <p>To examine into the Nightly charge and state of the Premises.</p> |
| <p>VI. He will be particular in his enquiries into the moral and official conduct of the Clerks, and of the Porters at the Branch; he will also see if the Attendance Book is duly kept and signed by the Clerks, and offer any remark upon those Clerks who may be late in their attendance in the morning, or who may be frequently absent; and ascertain, if possible, the causes of such absences or late attendances.</p> | <p>To enquire into the conduct of the Clerks, &c.&c.</p> |

INSTRUCTIONS FOR AUDITING THE ACCOUNTS AT THE BRANCH BANKS

Substance of the Auditor's Report to the Governor to the Agent

VII. Having done all this, the Auditor will report to the Governor by the earliest opportunity on the form supplied for that purpose, and will convey in a separate letter any remarks his visit may have suggested, and any information he may have obtained from the Agent relating to the business or management of the Branch.

The Auditor to present himself at the Branch without Notice.

Without the slightest previous notice, he will present himself at the Branch either at the hour of closing business for the day, or in the morning before the opening, and immediately on his arrival he will take possession of the key of the man-hole of the safe, and obtain joint control of all the effects (Banking, Issue and Stock) and proceed to verify the assets by examining at his discretion such items as he may select. Banking balance is examined first and of this the Counter Cash should be examined without delay so that it may be released for the ordinary work.

Pursuant to a Minute of the Audit Committee of the 11th March, 1908, and Order of Court of the 13th March, 1919.

RONALD DALE, Secretary.

The assets to be verified.

He will examine in detail and compare with the lists supplied by the Agent the Discounted Bills lying at the Branch, and all Bills of Exchange and other Securities deposited for Advances, and other his free opinion upon them and upon any of the parties thereto.

Discounted Bills, and Bills and Securities deposited for Advances to be examined.

He will have with him a copy of the last Report of the Audit Department on the Branch, and will satisfy himself that any irregularities therein mentioned, and any directions of the Governors, consequent on the Report, have had proper attention. His care will especially be to see that such irregularities, if any, in regard to Securities under Advance, which the Audit Department have noticed, have been set right.

Last Report of the Audit Department on the Branch.

IV. He will examine the Books as far as he is able, and see that the Accounts are properly kept, and the Regulations duly attended to.

To examine Books, &c.

He will carefully examine any Suspense Accounts that may be in the books of the Branch, particularly with a view to their not being used for any account that ought properly to be opened separately in the name of the person or concern whose transactions it represents.

Suspense Accounts.

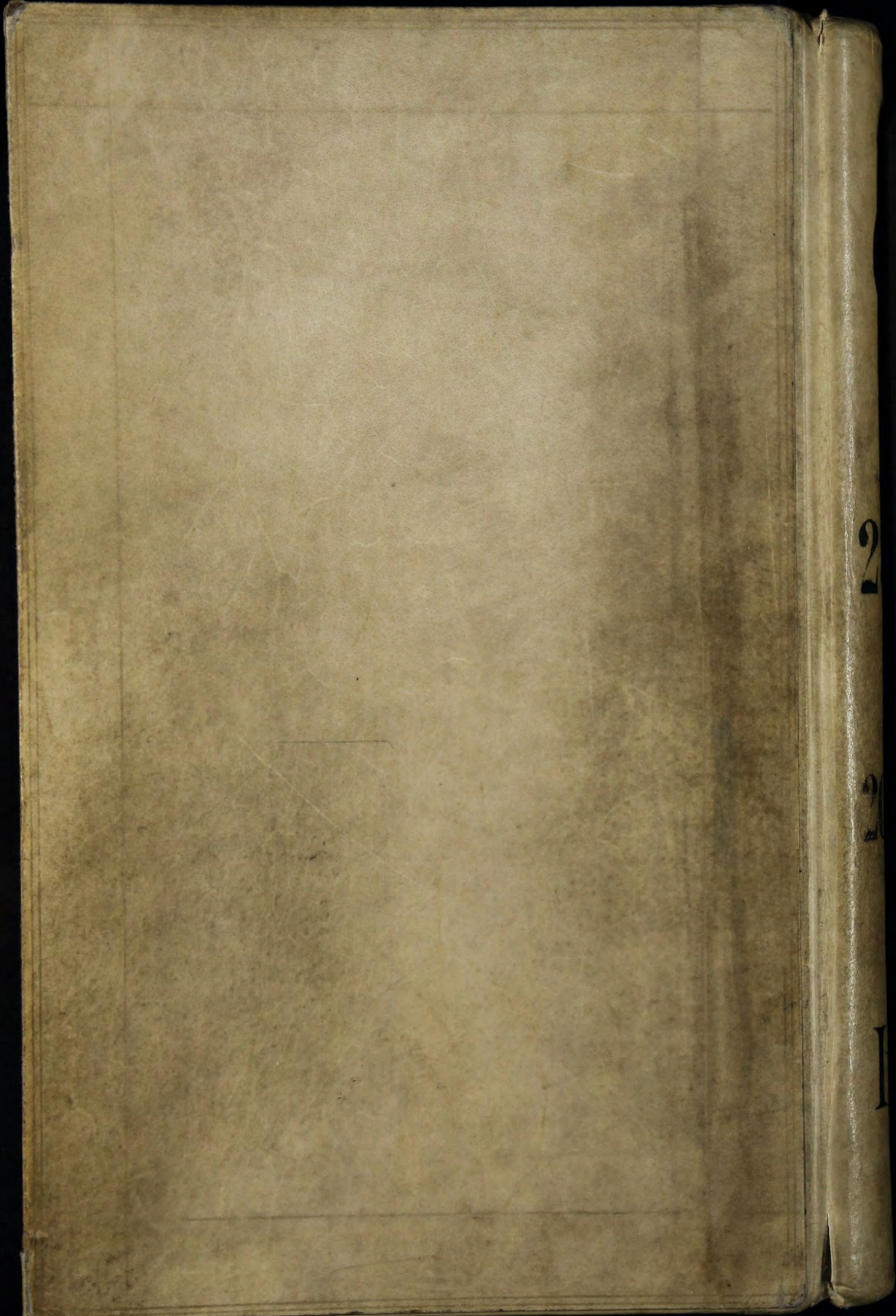
V. He will inspect the Book signed by the Agent having nightly charge of the premises; and report, as far as his observation will permit, on the state in which he may find the office and dwelling-house of the Branch, and of its security.

To examine into the Nightly charge and state of the Premises.

VI. He will be particular in his enquiries into the work and official conduct of the Clerks, and of the Porters at the Branch; he will also see if the Attendance Book is duly kept and signed by the Clerks, and after any remark upon those Clerks who may be late in their attendance in the morning, or who may be frequently absent; and ascertain, if possible, the causes of such absences or late attendances.

To enquire into the conduct of the Clerks, &c. &c.

He will be particular in his enquiries into the work and official conduct of the Clerks, and of the Porters at the Branch; he will also see if the Attendance Book is duly kept and signed by the Clerks, and after any remark upon those Clerks who may be late in their attendance in the morning, or who may be frequently absent; and ascertain, if possible, the causes of such absences or late attendances.



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