

THE BANK OF ENGLAND AS REGISTRAR

Growth of the stocks and accounts

The Bank of England Charter of 1694 included the following directive regarding the management of the newly created Capital Stock :

“ . . . we do hereby direct and appoint, that there shall be constantly kept in the publick Office of the said Governor and Company of the Bank of England, a Register, or Book or Books, wherein all Assignments and Transfers shall be entered.”

In keeping the said register or book as directed, the Bank started their work as registrar, recording the transfers and paying the dividends on their own Capital Stock of £1,200,000.

In 1715 the Bank were authorised by Parliament to receive subscriptions for a government issue of £910,000 5% Annuities, a small beginning for the institution which was to become the principal registrar^(a) for government stock. Throughout the following two hundred years, private enterprise undertook much of the capital development in many fields (*e.g.*, transport, power and public utilities generally) that in more recent years and in other countries have come to be regarded as a responsibility of the central or local government. Borrowing by H.M. Government over this period was in consequence generally due to the needs of war; and this is reflected in the uneven pattern of stock issues over the period.

During the 1914-18 War there was a very great expansion in government borrowing. The full force of the Government's appeals for funds was directed at the man in the street, even to the extent of making appeals from the top of an army tank—at that time an object of curiosity. As a result, the amount of government stock at the Bank rose from £700 million to £4,000 million and the number of accounts from one hundred and fifty thousand to two and a half million; the task of managing government stock was now on a scale resembling that of to-day and a new era in the Bank's work as registrar had begun.

After the war, the authorities made successive conversion offers to holders of maturing stocks. Outstanding among these was the conversion, in the summer of 1932, of 5% War Loan 1929/47, by far the largest of the wartime stocks : holders of this stock were given the option of continuing their holdings as 3½% War Loan (with a cash payment) or of obtaining repayment at par. The timing of the offer was of necessity a closely guarded secret. Envelopes had been addressed to the two million or so holders and kept ready since 1929 but the enclosing of the notices and forms had to be done overnight after the terms had been made known to the public. This long night's work was a prelude to the massive operation of converting the accounts which, together with the resulting increase in market activity, meant extra work for many months for the Bank's own staff as well as for numerous volunteers from outside who helped after office hours.

Government borrowing during the Second World War was even greater than during the First; and government stock at the Bank rose from £6,000 million to £12,000 million. This increase in capital did not produce a proportionate increase in the number of accounts. For although the large institutional investors subscribed heavily for the new stocks issued through the Bank, many of the thousands of private investors put their savings into the Post Office issues of Defence Bonds and National Savings Certificates. This time a stimulus to support government loans was provided, not by the sale of securities from tanks, but by the local “Savings Week” which, with its “Target” and running “Subscription total” prominently displayed, fostered a spirit of patriotic rivalry between neighbouring towns.

Although since the war government stock managed by the Bank has risen by £4,000 million to £16,000 million, the number of accounts has decreased. Government stock at the Bank is being held to an increasing extent by the institutional investor; the tendency of the private investor to put his money into National

^(a) Government stock is also held on the registers of the Bank of Ireland, the Post Office Savings Department and the Trustee Savings Banks.

Savings Certificates and other Post Office issues has been maintained, and equities and life assurance, too, are attracting substantial amounts of private savings.^(a)

The Bank also manage stocks on which the payment of interest and the repayment of the capital, when due, are guaranteed by H.M. Government. Until 1948 such stock, both in capital and number of accounts, was small in comparison with government stock. Then, under the nationalisation Acts, the Bank set up the registers for stocks of the newly created public boards for the railway, electricity, gas and iron and steel industries—stocks guaranteed by the Government amounting to £2,000 million and issued as compensation to holders of the securities in the various companies. The company registrars, acting on behalf of the public boards, called in and cancelled the certificates for the holdings of the company securities; they calculated the amount of the new stock to be issued and advised the Bank of the accounts to be written in the registers of the new stocks. Although the accounts with the companies numbered nearly two million, so many holdings were sold and so many were found to be in the same names that eventually the number of accounts at the Bank for the 'nationalisation' stocks was only half a million.

In addition to government stocks and stocks carrying the guarantee of H.M. Government, the Bank manage stocks for certain other borrowers, principally Commonwealth governments and local authorities. In all, in round figures, the Bank manage one hundred and sixty stocks of thirty different borrowers with a total nominal value of £20,000 million held on three million accounts—the work of the Accountant's Department.^(b)

The premises of the Accountant's Department

The growth of the stocks presented a problem of accommodation. During the First World War, all the available space at the Bank in Threadneedle Street became occupied, and it was necessary to make use of small pockets of accommodation in different buildings in the City. This was obviously makeshift, and in the early 1920's the Bank acquired premises for the Accountant's Department in Finsbury Circus.

Later, in planning the rebuilding of the premises at Threadneedle Street, the Bank made provision for a permanent home for the Department there. But with the outbreak of the Second World War—just when the rebuilding was finished—the Department was evacuated to Whitchurch in Hampshire; and, by the time the war was over, the accommodation which had been designed for it had been occupied by the Exchange Control and the Department had to return to its old premises in Finsbury Circus.

Following the increase in work consequent upon the nationalisation Acts, the Bank again had to seek additional premises. The City had been so devastated that the nearest suitable building was in the West End of London; but it was the very devastation of the City, with the opportunities it offered for redevelopment, which ultimately enabled the Bank to build new premises capable of housing the whole of their Accountant's Department. The new building is at New Change close to St. Paul's Cathedral and was completed in 1960.

Changes by legislation

The earliest method of transferring stock was by personal attendance. Details of the transfer were entered in the Bank's transfer books and the parties (both transferor and transferee) attended at the Bank to sign, being introduced by someone already known to the Bank, usually a London stockbroker, who vouched for their identity. The transferee did not receive a certificate from the Bank—he relied on the inscription of his name in their books and such stock was known as "Inscribed". As personal attendance was often inconvenient or impracticable, it was a common practice for a party to a transfer to appoint an attorney to sign at the Bank on his behalf. But from the beginning of the 19th century the transferee no longer had to sign the transfer either personally or by his attorney, although he remained entitled to do so.

The securities of many companies formed during the 19th century were transferable on the common form of transfer deed which could be executed and lodged for registration without the services of a London broker. This method of transfer was attractive to solicitors and others

^(a) The merging of "Inscribed" and "Registered" stock (see the next page) was also a factor in the reduction of the number of accounts as there were many holders common to both classes.

^(b) A statistical analysis of the work of the Accountant's Department appears at the end of this article.

concerned with non-market transactions on behalf of their clients and also to provincial stockbrokers who had established a local market. Objections to having to employ a London broker for the purpose of transferring government stock gradually became stronger and in 1912 holders were given the right to convert their holdings into stock which was transferable by deed. Such stock, known as "Registered", for which the holder received a certificate, did not replace "Inscribed" but existed side by side with it for nearly thirty years. In 1939, with the removal of the Bank's Transfer Offices to Hampshire, transfer by the personal attendance of the transferor or even of his attorney became impracticable and as a temporary measure "Inscribed" stock was made transferable in the same way as "Registered" stock. Finally in 1943 "Inscribed" stock was abolished; holders then became entitled to certificates and after the war those who had not applied for certificates were invited to do so.

Government stock has also been issued in bearer form. In 1863, Parliament

"... to give further Facilities to the Holders of the Public Stocks in respect of the Transfer thereof, and the Receipt of the Dividends thereon: . . ."

authorised the issue of Stock Certificates to Bearer, an early form of Bonds to Bearer. These were to become widely held by investors abroad who preferred, as many do now, to have their investments in bearer form; also the London Market used to make extensive use of bearer bonds as overnight security for loans. Then, in the Second World War, one of the exchange control measures to prevent the export of capital from this country was a ban on the issue of bearer securities and, as a result, when coupons on bearer bonds became exhausted, the bonds had to be exchanged for "Registered" stock before holders could receive any further dividend payments. Recently the ban has been lifted to the extent of allowing holders of bearer bonds of 3½% War Loan, the coupons on which became exhausted with the payment of the December 1962 dividend, to obtain fresh bonds with further coupons attached.

At one time, stockholders or their attorneys had to call at the Bank personally in order to collect their dividend warrants; in consequence a considerable number of warrants were not claimed. Legislation in 1816 and 1845 pro-

vided for the payment to the National Debt Commissioners of dividends which were outstanding for ten years, and for the transfer of the stock itself out of the names of the holders into the name of the Commissioners. Both the stock and the dividends were recoverable but only after considerable formality, including often the insertion of an advertisement in the daily press. In 1869 Parliament authorised the issue of dividend warrants by post. The number of unclaimed dividends diminished with the posting of warrants to holders and as time went on the formalities for recovery became less stringent. And now, under legislation of 1955, stock on which the dividends are not claimed is no longer transferred to the Commissioners but continues to stand in the names of the holders; although the Commissioners still have the use of moneys arising from the dividends, the Bank can settle a claim immediately, recovering the money later.

In the years during and since the First World War the facilities available to holders of government stock on the Bank registers have been extended in a number of ways. Since 1918 a person holding stock by virtue of an official position, such as treasurer of a society, has been able to have his official title entered in the register instead of his name, thus avoiding the need for a transfer each time a change of office-holder occurs. Stockholders have also had the right to ask for a descriptive clause, such as "Trustees of . . .", to be recorded after their names, thereby obtaining a more readily recognisable identification of the account than the simple alphabetical or numerical designation which previously had been the only means available for distinguishing between two or more accounts in the same names. To take account of certain differences between English and Scottish law, special provisions were made in 1929 for stock held by infants living in Scotland, and in 1939 for stock held on behalf of Scottish trusts. But despite the widening of the field for trustee investments, the facilities for trustees, which are used extensively and cause little difficulty in administration, are still confined to government and government guaranteed stocks.

Technical developments

The handwritten ledgers of the stock accounts used in the 1920's were similar to those in

existence two hundred years before. There had been little opportunity for change until business accounting machinery became available. In 1934 the Bank began to replace the stock ledger by accounts in loose-leaf form, transfers being recorded by accounting machines; and at the same time the printing press began to give way to the stencil and the accounting machine for the preparation of dividend warrants.

The large number of accounts creates problems in dividend preparation which are complicated by the fact that the registers are never closed and must always be available for alteration or reference.^(a) A secondary register for each stock is therefore maintained showing such information as is required for dividend purposes and it is here that the calculations of the gross dividend, and, where necessary, tax and net payments are recorded. There is also a metal stencil for each account showing all the particulars which are needed for the dividend warrant, except the amounts. Alterations which affect dividends are carried regularly from the main register to the secondary register and where necessary to the stencils. The stencils and the secondary register are therefore in readiness when the time comes to prepare a dividend. This preparation involves two separate processes—the printing of the warrants from the stencils and the insertion of the amounts from the secondary register by accounting machine; later the warrants are folded and enclosed and sealed in window envelopes in one mechanical process.

The Bank have recently installed electronic calculating machines for the preparation of dividends, and this is enabling them to replace the existing secondary registers and the stencils by punched cards representing the accounts. The punched cards are altered according to the many changes affecting the dividends by feeding cards carrying the fresh information, together with the original cards, into a computer which produces new cards reflecting the changes. To prepare a dividend, the cards representing the accounts are passed through a high speed printer with a calculator attached.

This combined unit calculates the gross dividend, and where income tax is to be deducted, the tax and net dividend; it prints the warrants and takes only one second to complete the whole process for each account. Not the least advantage of this system is that, with a change in the standard rate of income tax, all that is required is a simple adjustment of the calculating unit whereas formerly the tax on nearly two million dividends had to be re-calculated and entered afresh by hand. The Bank expect to have introduced the new method for all warrants by 1966.

The Bank are also making use of the computer to provide statistical information—in particular, information about the distribution of government stocks between different types of holder. As the beneficial owners of stocks are often not the persons whose names are in the registers, stock frequently being held by nominees, the analysis of the registers would by itself provide a far from accurate picture of ownership; but if carefully interpreted, it should be a valuable addition to the information already available from other sources on this subject.^(b) The only practical way of carrying out this analysis is by use of the punched cards which are being prepared for dividend purposes; and the analysis will not be available until the new system is in full operation. Nevertheless, because of the particular importance of having more definite information about the amount and type of government stocks held by overseas investors, a special analysis is being carried out this year on certain stocks^(c) where overseas holders can claim exemption from U.K. taxation; this analysis will cover a substantial proportion of the total overseas holdings of government stocks.

Another development has been the introduction of micro-film for which several uses have been found besides the conventional use of conserving storage space. For example, each account in the registers is photographed annually, and again when any material alteration is made, to provide a basis for the reconstruction of the registers if the accounts themselves were damaged or destroyed. Micro-

(a) Although the registers are not closed, a balance is struck for dividend purposes (usually four or five weeks before the date of payment) after which transfers received by the Bank are registered "ex dividend".

(b) See, for example, the article on the Distribution of the National Debt on page 30.

(c) The size of 3½% War Loan (800,000 accounts) prevents its inclusion in the analysis this year.

film is also used to provide evidence of posting of certificates; a specially designed machine photographs envelopes containing certificates at the very moment when they drop into a Post Office collecting box within the Bank.

The Accountant's Department to-day

The routine in every registrar's office is very similar, the central task being the scrutiny of the transfers which are lodged for registration, followed by the recording of the transfers in the register and the preparation and issue of the certificates. A registrar's correspondence, too, follows a regular pattern; for there will always be holders who change their address, marry, die, appoint attorneys, alter their dividend payment instructions or lose their certificates or their dividend warrants. The main distinguishing feature in the Bank's work is its volume. Each day some 5,000 transfers are received for certification^(a) or registration; those for certification in the early posts are returned the same day and, when transfers are lodged for registration, certificates are issued ten days later—a fixed time to which the Bank adhere whatever the volume of work, thus enabling brokers to know when to expect their clients' certificates. In addition, the Bank receive a mass of general correspondence involving reference to, or alteration of, the registers and producing a daily outgoing mail of over 1,500 communications.

The custody of the registers is divided between five offices which deal with the whole process of the transfer work from the receipt of the transfers to the issue of the new certificates. Each office keeps an index, adjacent to the register, for every stock in its care, showing the titles of the accounts in alphabetical order of the sole or first-named stockholder and the account reference numbers. In addition, the Department maintains a central index showing the name and address of every stockholder, executor, administrator or nominee for the receipt of dividends, together with the reference number of every account, both open and closed, in which these names appear in any of the stocks managed by the Bank. About 40% of the accounts on the registers are in the names of more than one person and one of the many advantages of the central index

is that it enables the Bank to ascertain quickly and easily the reference numbers of the accounts to which a correspondent refers if he himself has quoted neither these references nor the name of the first stockholder.

There are six other offices in the Department. Three deal with dividend work: the first prepares and despatches the warrants and produces lists of payments made direct to bankers; the second accounts for the warrants after they have been presented for payment and pays to the National Debt Commissioners the amount of any warrants on government stock which have remained outstanding for the statutory period; and the third deals with the recording of mandates and changes of address, and all other matters relating to dividends. Two offices deal with the rest of the incoming correspondence: one with legal documents such as Probates, Orders of Court and Powers of Attorney; the other with lost certificates and all forms and correspondence not relating to the payment of dividends. Finally there is the Chief Accountant's Office which handles outgoing correspondence and maintains a general supervision over the Department and its relations with the public.

Unlike transfers of company securities which are dealt in for The Stock Exchange account, where the names of buyers and sellers are brought together through Stock Exchange machinery, all stocks for which the Bank act as registrar are normally dealt in on The Stock Exchange for settlement on the following business day and transfers arising from Stock Exchange transactions which the Bank receive are mostly into, or out of, the name of a jobber. Because of the number of bargains in government stocks and the substantial sums involved, special facilities are required for the jobbers to ensure the market's smooth and efficient working. The Bank therefore maintain a section of the Accountant's Department in the main building in Threadneedle Street in close proximity to The Stock Exchange—but not so close as in earlier times when The Stock Exchange had the use of the Rotunda within the Bank. Transfers brought in by jobbers for certification or registration are dealt with on the same day. Special certificates in respect of

^(a) "Certification" is the marking of a transfer to the effect that a certificate covering the amount of stock being transferred has been surrendered to the registrar.

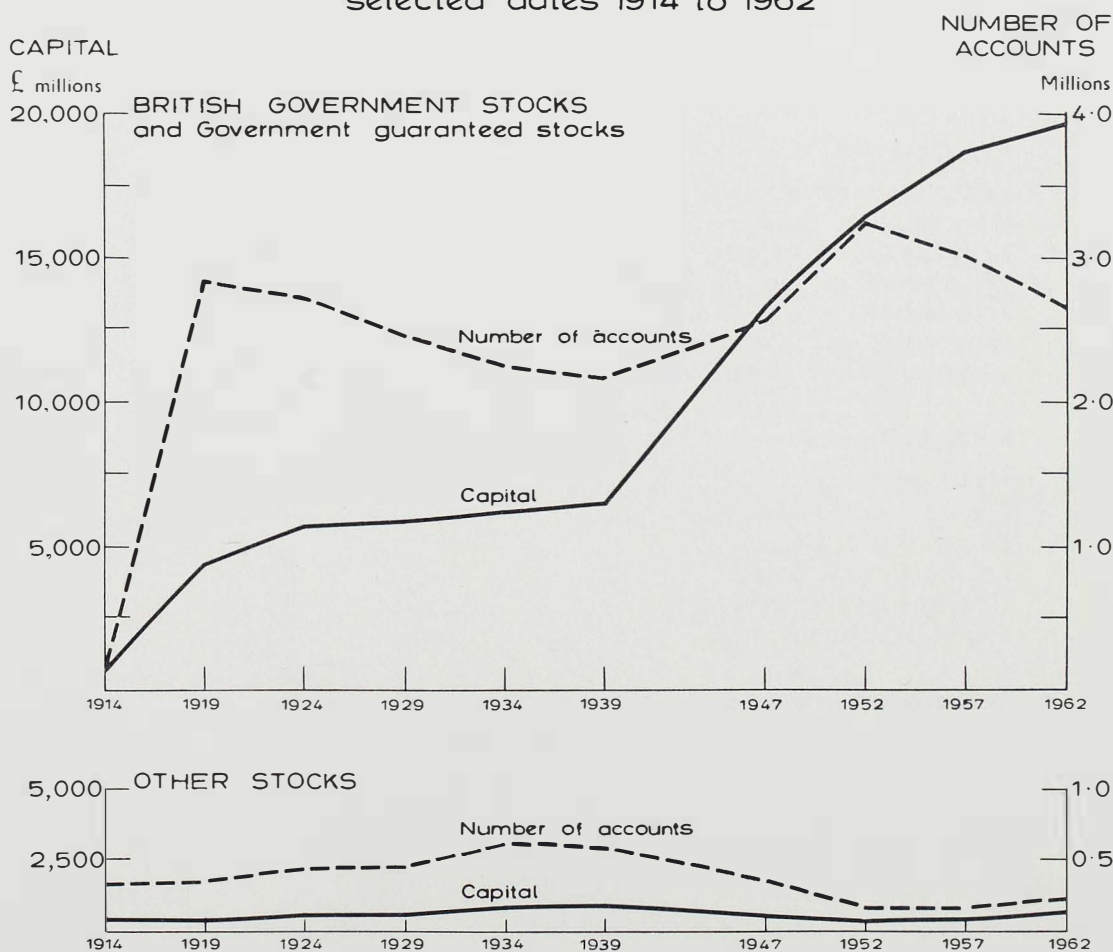
balances of stock held, which are accepted by banks as overnight security, are issued at the close of business each day, on condition that the certificates are surrendered as soon as business opens on the following day. Members of the London Discount Market Association also receive immediate certification of their transfers in short-dated government stocks; and in addition they obtain from the Bank certificates covering their daily purchases in the denominations they require as collateral for their borrowings.

The Bank are constantly studying new technical developments and new practices,

with the aim of improving their services to stockholders. With such a large number of accounts to manage, the field of electronic development offers unique opportunity. But opportunities arise in many fields. In 1959 the Bank joined a Committee convened by the Chairman of The Stock Exchange to improve the system of transfer, and the Committee's recommendations have led to the Stock Transfer Bill now before Parliament. Simplification of the transfer system on the lines proposed by this Committee should lead to increased efficiency in the market while in no way impairing the security of the holder's title to his stock.

STOCKS MANAGED BY THE BANK

selected dates 1914 to 1962



**AMOUNTS OF STOCK ON THE BANK OF ENGLAND REGISTERS
AS AT THE 31st DECEMBER 1962**

£ millions (nominal)

British Government		16,335·4
Guaranteed by the British Government		
British Transport Commission ^(a)	1,443·6	
The Electricity Council	1,165·8	
The Gas Council	465·2	
North of Scotland Hydro-Electric Board	118·2	
South of Scotland Electricity Board	15·0	
British European Airways Corporation	16·0	
British Overseas Airways Corporation	54·6	
Government of Newfoundland	10·7	
Nyasaland Government	1·6	
Palestine Government	1·1	
Sudan Government	2·6	
Tanganyika Government	0·5	
	3,294·9	
		19,630·3
Commonwealth, etc.		
Ceylon Government	4·1	
Government of India	0·1	
New Zealand Government	136·6	
Government of the Federation of Rhodesia and Nyasaland	37·5	
Government of Southern Rhodesia	58·1	
Queensland Government	1·8	
	238·2	
Local Authorities		
Hull Corporation	11·4	
Liverpool Corporation	49·4	
Corporation of London	21·7	
London County Council	204·2	
Nottingham Corporation	2·3	
Swansea Corporation	9·1	
	298·1	
Public Boards, etc.		
The Agricultural Mortgage Corporation Limited	47·0	
Metropolitan Water Board	34·9	
	81·9	
Miscellaneous (mainly Bank Stock^(b))		14·7
		20,263·2

^(a) On the 1st January 1963 the stocks of the British Transport Commission became government stocks, full liability being assumed by H.M. Treasury under the Transport Act, 1962.

^(b) Held by a nominee of H.M. Treasury under The Bank of England Act, 1946.

CERTAIN ITEMS OF WORK IN 1962

Thousands

Transfers

Transfers registered	769
Transfers not in order and returned for alteration	15

Dividends

Warrants despatched by post	2,565
Payments direct to bankers	3,426
Dividend mandates received	224
Notifications by bankers of changes in branch to which dividends are to be paid	40
Replacement of lost income tax vouchers	19
Instructions received from the Inland Revenue for dividends to be paid without deduction of income tax and the cancellation of such instructions previously given—accounts affected	14

Registration of death

Grants of probate, etc., received	40
Certificates of death, etc., received	17
Accounts affected	114

Miscellaneous

Certificates issued	455 ^(a)
Indemnities received in respect of lost certificates	9
Powers of Attorney received	2
Actions allowed under Powers of Attorney	17
Orders of Court, etc., received	1
Notifications of change of address—accounts affected	112
Forms of request for amalgamation, designation and removal of names of deceased stockholders—accounts affected	36
Letters written by the Bank	108
Other outgoing mail	343

^(a) Certificates are not issued in the case of transfers in favour of jobbers.