

ADDENDUM TO

Exchequer and central government finance

Since this article was published in March 1966 there have been two developments that require some additional explanation. These are the treatment of a special swap with the U.S. authorities during March (June 1966 *Bulletin*, page 109), and the introduction of the investment accounts of the Post Office Savings Bank.

Special swap

During March 1966 there was a special swap with the U.S. authorities for the equivalent of £54 million. The statistical treatment of the sterling side of this operation in Table 1 of the statistical annex to the *Bulletin* differs from the normal treatment of such transactions as described in this article: the sterling sold to the U.S. authorities by the Exchange Equalisation Account was held as a cash balance with the Bank of England instead of being invested in Treasury bills held for external account, as is more normal in such cases. As a result, the outpayment of sterling from the E.E.A. was not offset within external transactions, as is usual; the counterbalancing movement occurred instead under "Domestic borrowing" in "Net Exchequer indebtedness to the Bank of England, Banking Department".

Post Office Savings Bank Investment Fund

The Post Office Savings Bank introduced investment accounts on 20th June 1966. These are in addition to the ordinary accounts already available and are similar to the facilities offered for some years by the special investment departments of the trustee savings banks. The funds deposited in ordinary accounts with the Post Office, like those with the ordinary departments of the trustee savings banks, are invested entirely in government debt, through the National Debt Commissioners; the movements in such deposits are included in Tables 1 and 3 (ii) of the annex under national savings. The deposits in the P.O.S.B. investment accounts, however, like those in trustee savings banks, special investment departments, are invested in a wider range of securities than are issued by the British Government. Transactions in marketable government debt by the P.O.S.B. Investment Fund are therefore treated as investments by a financial intermediary in the market, like similar transactions by the special investment departments of the trustee savings banks. The Investment Fund is administered by the National Debt Commissioners, whose holdings of government debt have hitherto been regarded as entirely official: henceforth their investments in marketable government debt deriving from the investment accounts of the P.O.S.B. are treated as non-official.