

The functions and organisation of the Bank of England

As the central bank of the United Kingdom, the Bank of England act as bankers to the Government, in the widest sense. In this role, it is necessary for the Bank to examine and to try to anticipate the banking and financial problems that are likely to arise, and to undertake the appropriate operations in the money, capital and foreign exchange markets: consequently the Bank have a major responsibility for advising the Government on the formulation of monetary policy and for the subsequent execution of policy. The Bank are also bankers to the commercial banks and to overseas central banks; they are the note-issuing authority, the registrar of government stocks, and the agent of the Government for a number of financial operations, including the management of the Exchange Equalisation Account and the administration of exchange control.

Although in some of these functions the Bank act as agent for the Government, they are not a government department. Their position is determined by the Bank of England Act 1946, under which the Bank ceased to be a corporation owned by private stockholders—in whom was vested the power of appointing the Governors and Directors—and became a public corporation, the capital stock passing to H.M. Treasury.

The Bank Charter Act of 1844 separated the note-issuing function from the Bank's other activities by dividing the Bank into two Departments—the Issue and Banking Departments. The division does not affect the internal organisation of the Bank, but serves for accounting purposes only. The accounts of the Issue Department are concerned solely with the note issue and with the portfolio of securi-

ties and other assets with which it is backed; the net profit of this Department is paid over to the Government. The remainder of the Bank's activities are accounted for under the heading of the Banking Department; and from this Department's profits a half-yearly payment is made to the Treasury.

The Bank's functions may be described broadly under four main headings, although, as will be seen, some of the Bank's operations may fall within more than one heading. Two of these cover the Bank's day to day role as bankers and the work which they undertake solely as agent for the Government. The other two are concerned with the Bank's operations in the financial and foreign exchange markets and with the way in which they implement the Government's monetary policy; and with their advisory role in financial and other matters. This article now examines these functions. Some of them have already been described in detail in earlier issues of this *Bulletin*: the principal articles—off-prints of which are available on request—are those on the management of money day by day and on the Bank's work as registrar (in the March 1963 issue); on the Bank's branches (December 1963); on the note circulation (March 1965); and on official transactions in the gilt-edged market (June 1966).

The Bank's role as bankers

In their capacity as bankers the Bank provide a wide range of services analogous to those offered by commercial banks to their customers. The Bank's main customers are the Govern-

ment, the commercial banks, and overseas central banks and international organisations—although there remains a small amount of private and commercial business.

Bankers to the Government The Government's main accounts are held with the Bank. A large number of subsidiary accounts are kept with the commercial banks, because the Bank have few branches outside London. But wherever government revenue may be collected initially throughout the country, in due course it normally passes through the central Exchequer account at the Bank; for to this account virtually all the Government's receipts are ultimately credited and from it government payments originate.⁽¹⁾

Although the Bank acquire large amounts of government securities in the general course of their business, they do not make short-term advances to the Government, except to finance the Government's residual requirements overnight and then only on a modest scale. As explained in the article "The management of money day by day", the Government's need for funds is met by borrowing in the market. This borrowing, both short term on Treasury bills and longer term on stocks, is managed by the Bank. Sales of Treasury bills are made to the market either through the weekly tender held in the Bank⁽²⁾ or from official portfolios. Longer-term government finance is provided through official transactions in the gilt-edged market.

The bankers' bank The Bank of England are bankers to the commercial banks and, as described later, act as lender of last resort to the discount houses, and thus to the whole banking system. Nearly all the domestic commercial banks have an account with the Bank, as do the discount houses and accepting houses and a few of the overseas banks in London—making nearly one hundred in all. The most important accounts are those of the London clearing banks who, by custom, keep a substantial part of their total cash

holdings in the form of balances at the Bank, from which they settle their daily cheque and credit clearings with each other. These balances fluctuate with changes in the total of the banks' deposits: they are also drawn upon as the banks acquire notes from the Banking Department for their tills—and similarly increased as the banks pay in surplus or worn notes to the Bank.

From time to time the Bank may call upon the clearing and the Scottish banks to place Special Deposits at the Bank in addition to their normal working balances.⁽³⁾ These Special Deposits do not count as liquid for the purposes of the minimum ratio of liquid assets to total deposits which the banks customarily observe; a call for Special Deposits thus reduces the banks' liquidity. Direct control of credit has been achieved through the Governor's requests to the banks (including the accepting houses and overseas banks) and to other financial institutions—imposing a quantitative ceiling on credit, or recommending or discouraging certain categories of lending.

The Bank of England Act 1946 empowered the Bank to "... request information from and make recommendations to bankers ..." and, if so authorised by the Treasury, to "... issue directions to any banker for the purpose of securing that effect is given to any such request or recommendation ...". There has been no necessity for such directions to be issued.

Bankers to other central banks The Bank have about ninety accounts for overseas central banks and for such bodies as the International Monetary Fund, the International Bank for Reconstruction and Development, the International Development Association and the Bank for International Settlements. Many central banks, particularly those in the sterling area, hold the bulk of their external reserves in London, and others keep substantial working balances in sterling. Most of these funds are placed with the Bank, which may arrange and advise upon their investment.

(1) Movements of funds between the Exchequer and other government departments—whose accounts are also in many cases with the Bank—and their relation to the published statistics of central government financing were explained in the March 1966 *Bulletin*.

(2) The role of the Treasury bill in government finance and the organisation of the tender were described in September 1964.

(3) The procedure of Special Deposits was described in December 1960.

Private customers Although a central bank, the Bank still keep a few accounts for individuals and for private and public companies—a legacy from the days when the Bank were active in general banking; they also provide banking facilities for members of their staff. This small private business has the merit of giving the Bank direct experience of some of the banking problems that other banks face.

The note issue The Bank are the central note-issuing authority.⁽¹⁾ The Bank of England's note issue is almost entirely fiduciary *i.e.* backed not by gold but by government and other securities; the amount of the fiduciary issue is authorised by Parliament. As already mentioned, the profits of issue—the Issue Department's earnings on its holdings of securities less its operational costs—go to the Government, being paid over to the E.E.A. in accordance with the Currency and Bank Notes Act 1939.

The amount of notes in circulation depends in practice on public demand: the authorities are less concerned with the total note circulation than with the money supply as a whole—broadly defined as bank deposits plus notes and coin. Servicing the note issue is a major undertaking; in terms of staff, note printing is by far the Bank's greatest task. New notes are issued, and worn notes are withdrawn, in very large numbers each day, and there are heavy seasonal fluctuations in the circulation around the main holiday periods. In an attempt to reduce the number of notes that have to be printed, and distributed throughout the country, the Bank have recently sought, with the co-operation of the commercial banks, to encourage the public to accept, more readily, clean used notes rather than new ones and to make more use of the higher denominations.⁽²⁾

Registrar of government stocks The Bank act as registrar of government stocks and of those issued by the nationalised industries; and they also manage stocks of some local authorities, public boards and Commonwealth

governments. In round figures, the Bank manage nearly two hundred stocks with a combined nominal value of over £20,000 million held on two and a half million accounts; in each year this involves over five million dividend payments and nearly three quarters of a million stock transfers.

Agent for the Government

The Bank act as agent for the Government in administering exchange control; a staff of about 340 is currently engaged on this work—one quarter of the peak figure reached in the early 1950's. The Bank also administer the voluntary arrangements introduced in May 1966 to limit investment in the more developed countries of the sterling area. In addition, they manage, on behalf of the Treasury, the Exchange Equalisation Account, which holds the official reserves of gold and foreign exchange. Operations in the foreign exchange and gold markets, both for the E.E.A. and for central bank and other customers, are among the Bank's principal tasks and are described later.

Exchange control The chief object of exchange control is to protect and conserve the gold and foreign exchange reserves. The legal basis for exchange control is the Exchange Control Act 1947 and statutory instruments issued under this Act. Exchange control is not applied to transactions between U.K. residents and residents of the sterling area. Permission must, however, be obtained for all transfers to residents outside the sterling area although, except for travel, payments in respect of current transactions are allowed freely.

The Bank have delegated powers to deal with many types of exchange control application to most of the commercial banks in the United Kingdom (both British and foreign): such banks are known as 'authorised banks'. In addition, more limited delegation has been made to others in connection with transactions in securities—such as stock exchange firms and solicitors ('authorised depositaries')—and to travel agents.

⁽¹⁾ Although the Scottish and Northern Ireland banks issue their own notes, their issues are comparatively small and are largely backed by these banks' holdings of Bank of England notes.

⁽²⁾ March 1966 *Bulletin*, page 37.

The Bank's operations in the markets

By their market operations—and, through their various contacts, in other ways—the Bank seek to implement the Government's monetary policy.

In the money market, the amount of Treasury bills offered each week at the tender is usually fixed (after making allowance for expected government receipts and disbursements—including the repayment of maturing Treasury bills—and for other known transactions during the following week) at such a level that over the week as a whole the market will be somewhat short of cash with which to take up the bills allotted.⁽¹⁾ Such a cash shortage will generally have its first impact on the London clearing banks, who maintain cash holdings amounting to a conventional proportion of their deposits. The banks, however, are able to restore their cash to the required proportion by drawing back some of the money that they have previously lent at call to the discount houses; so that a shortage of money in the market is felt ultimately by the discount houses.

Having succeeded in making the market short of cash, the Bank are free to choose the method by which they will relieve the shortage—in the light of the effect they wish their actions to have on short-term interest rates. They can relieve it directly, by buying Treasury bills from the discount houses, or indirectly by buying bills from the banks—who in turn will relend the money to the discount houses, or will use it to buy bills from them: these methods—which may involve bill purchases of £30-40 million, or even more, in a day—will have little effect, and may indeed be so applied as to have no effect, on the Treasury bill rate. If the Bank choose not to take the initiative to relieve the shortage in these ways, however, the discount houses will have to raise the cash they need through the Bank's Discount Office—the lender of last resort. Sometimes they will do so by offering bills for discounting but, more usually, they will seek an advance against the pledge of securities.

Discounted bills must have an average of not less than twenty-one days to run to maturity: advances are normally made for a minimum period of seven days—although the

Bank have recently introduced the practice of lending overnight when to do so suits the pattern of their operations. On loans for seven days or more, and for discounts, the rate charged is Bank rate (or occasionally above Bank rate), which is expensive in relation to the average rate at which the discount houses can borrow in the market.⁽²⁾ Borrowing at this penal rate will thus tend to increase the average cost of the discount houses' borrowing, and they will therefore be encouraged to lower the price at which they tender for Treasury bills (raising the rate of discount): this in turn will tend to raise other short-term interest rates.

The new technique of overnight lending is capable of flexible use. It was first employed in June and July 1966, when conditions were such that the Bank's aims were to keep money tight and short-term interest rates firm. The first aim can be served by using overnight lending to transfer a shortage of funds from one day to the next, so that such a shortage can make its weight felt repeatedly if necessary. The second aim can be promoted by applying Bank rate to such lending. This not only has the effect of directly raising the average cost of the discount houses' borrowing, but it also encourages other lenders to the houses to stand out for high rates at the end of the day's business. In less difficult conditions, overnight lending could be used simply to balance out a shortage of funds on one day against a prospective surplus of funds on the next; and could be made virtually neutral in its effect on interest rates, if that was desired, by the application of a rate below Bank rate which would broadly reflect the normal level of overnight rates in the market.

The Bank may also influence interest rates more directly through a change in Bank rate. Changes in Bank rate are agreed between the Governor (acting under standing authority delegated to him by the Court of Directors) and the Chancellor of the Exchequer; the decision is announced by the Court. The London clearing banks' rates for deposits and advances normally move in fixed relation to Bank rate; while the rates for Treasury and commercial bills, and indeed virtually all other short-term rates, are strongly influenced by it.

⁽¹⁾ The procedure was explained in detail in the article "The management of money day by day".

⁽²⁾ Advances to the discount market, for periods of seven days or more, are shown in Table 6 of the statistical annex.

Through their dealings in government stocks, the Bank seek to achieve two main objects. The principal object, as described in the article "Official transactions in the gilt-edged market", is to sustain, in the long run, the demand for government stocks—so that longer-term finance is available, and will continue to be available, to meet the Government's borrowing requirements. The Bank's market operations are largely done through the Issue Department. The general aim is to sell stock, either outright or against purchases of relatively short-dated stocks, when there is a demand for this in the market; but the Bank may also buy stock back from the market when that seems desirable. Deals take place at prices which reflect official policy on interest rates and the need to preserve a healthy market for the sale of government stock in the future.⁽¹⁾ From time to time the Department's portfolio is replenished by new issues of government stock: these issues are normally made in large amounts, of which only a small part is usually taken up by the public—the rest is taken up by the Issue Department, and gradually sold. Similarly, the Issue Department seeks to buy up a stock nearing maturity, so that on the redemption date relatively little has to be paid off in cash to other holders. All purchases and sales are made through the Government Broker, who is in constant contact with the Bank.

The Bank's operations in the gilt-edged market also influence the money supply and the commercial banks' liquidity: the payment for government securities bought by the banks' customers reduces the volume both of bank deposits and of the banks' liquid assets.

In the foreign exchange market, the Bank use the resources of the E.E.A.: their intervention is designed to prevent undue fluctuations in the exchange value of sterling.⁽²⁾ The Bank deal not only in the London market but also direct with many other central banks, their operations in this field being helped considerably by their extensive contacts abroad. The Bank also deal in the London gold market, on behalf of the E.E.A. and of central bank customers—in par-

ticular the South African Reserve Bank, the largest single regular seller of gold—and also on behalf of the gold pool,⁽³⁾ whose object is to prevent unnecessary and disturbing fluctuations in the market price of gold.

Financial advice

Daily operations in the money, gilt-edged and foreign exchange markets provide the Bank with the technical knowledge of, and practical experience in, these markets which together contribute greatly to the Bank's ability to give financial advice. Close contact with the commercial banks and other financial institutions, and with the industrial and business world in general, and observation of financial and economic conditions at home and abroad, also contribute. It is these operations and contacts which bring the Bank into the field of policy, and into taking part in the preparation of official forecasts of the economic situation and of the balance of payments. Close co-operation with the Treasury is maintained at all levels, both in day to day affairs and through participation in official committees.

The Bank's relations with the rest of the City have always been close, and the Bank have long provided the main channel of communication between Whitehall and the banks and other financial institutions. The City representative on the National Economic Development Council is helped by a liaison committee—originally formed at the Bank's suggestion—consisting of representatives from the principal organisations of the banks and other financial institutions, and including an Executive Director of the Bank.

As noted above, the Bank's activities and contacts are not limited to the London markets and to the City. The Bank have operational experience in many specialised fields, both domestic (for example, in questions concerning the capital structure and financing of companies) and foreign; and, when occasion arises, they advise government departments on such matters.

(1) The amount of stock transferred through the gilt-edged market during 1965 was some £8,000 million (Table 15 of the annex): about a quarter of this was attributable to the Issue Department.

(2) The way in which the E.E.A.'s operations affect Exchequer financing was described in an article in the March 1966 *Bulletin*, while the day to day effects on operations in the domestic money market were touched on in the earlier article on the management of money.

(3) The London gold market and the gold pool were described in the March 1964 *Bulletin*.

The Bank's direct relations with industry and commerce are of very long standing. These connections stemmed originally from the Bank's commercial banking activities. Later, in the inter-war period, through their establishment of the Securities Management Trust and the Bankers' Industrial Development Company, the Bank became a leading participant in schemes for the financing of industrial reorganisation.⁽¹⁾ Contacts are now maintained through members of the Court, through the Bank's Agents at the branches, and through periodic visits to industrial centres by Directors and senior officials. This *Bulletin* provides an opportunity for the Bank to publish, each quarter, a review of the financial and economic scene.

On overseas affairs, the Bank have developed close contacts with central banks and monetary authorities and with many other banks and financial institutions abroad: such contacts are not only of assistance in the Bank's dealings in foreign exchange, noted earlier, but also contribute to their knowledge of overseas financial matters. Visits are exchanged at frequent intervals, particularly with other central banks—both for policy discussions and, by more junior staff, for training purposes. The Bank have responded to many requests for advice and assistance in the creation of new central banks, principally in the Commonwealth, and have frequently made members of their own staff available to help establish them.

Membership of the Bank for International Settlements, which the Bank of England helped to found in 1930, has also been of considerable assistance in the Bank's operations on behalf of the E.E.A. In addition, the B.I.S. have played a very large part in the development of inter-central bank co-operation; and the monthly meetings in Basle, attended by central bank Governors, afford regular opportunities for discussions. The Governor of the Bank of England is the present United Kingdom Governor of the I.B.R.D. and the Bank have usually provided the United Kingdom Alternate Governor and Alternate Executive Director of the I.M.F. The Bank regularly take part in U.K. consultations with the I.M.F. and in discussions within the

Organisation for Economic Co-operation and Development and other international bodies.

Such are the Bank's functions. Before turning to the organisation of the Bank it may be helpful to set out more fully the distinction for accounting purposes, already mentioned, between the Issue and Banking Departments.

Issue and Banking Departments The division into these two Departments is reflected in the Bank Return which is published each week—as required by the Bank Charter Act of 1844. In terms of financial analysis, however, the Issue Department is treated as part of the public sector, for it is mainly used for operations in connection with debt management which bear no relation to commercial banking: the Banking Department is part of the banking sector. The Issue Department's liabilities are the notes in issue—which are held either by the public (including the commercial banks) or, as a reserve, by the Banking Department. Its assets, to the extent of the fiduciary issue, are holdings of government debt, largely stocks and Treasury bills, a small portfolio of commercial bills, and some coin other than gold coin. It also holds a token amount of gold coin and bullion, dating from the days when the note issue was backed chiefly by gold.

The Issue Department issues notes only to the Banking Department, which passes them to its customers (principally the commercial banks) as required: old notes return along the same path. Apart from a reserve of notes, and of coin, the assets of the Banking Department are mostly government securities (again, largely stocks and Treasury bills) and bills discounted for, and advances to, customers. Its liabilities are mainly its customers' deposits, notably those of banks; government accounts (which form the greater part of the "public deposits") are relatively small.

The organisation of the Bank

The departmental organisation is shown diagrammatically on page 245. As already noted, the work of some of the departments has been

⁽¹⁾ It is perhaps interesting to note that twice in little over thirty years the Bank have come to the aid of the same shipbuilding company.

described more fully in earlier issues of this *Bulletin*; it is proposed to cover some other departments individually in future issues.

History The present organisation has developed from the original Act of Parliament and Royal Charter of 1694—under which the 1,268 subscribers to the capital stock of the Bank were incorporated as “The Governor and Company of the Bank of England”. In addition to the Governor and Deputy Governor there were twenty-four Directors. Business commenced on 1st August 1694 with a staff of nineteen, the three senior officials being the “First Cashier”, the “First Accomptant” and the “Secretary and Solicitor”. These appointments settled the organisation of the Bank for more than two hundred years.

At first the Court of Directors met daily, assuming responsibility for many of the administrative decisions that were later dealt with by the three senior officials. Soon, however, the Court adopted the present practice of meeting weekly and of appointing committees from amongst their own number to deal with and report on specific matters. As the Bank's operations and responsibilities grew so the staff increased: by 1734 it numbered 96; during the Napoleonic Wars it rose to about 900; and by the First World War it had reached 1,500.

In 1932 a special internal committee recommended changes that laid the foundation of the present organisation. The increasing variety of the Bank's activities, both at home and abroad, had imposed heavy responsibilities upon the Governor and Deputy Governor, and full-time Executive Directors were appointed to assist them. In addition, the policy—begun in 1926—of appointing Advisers was continued, and their number gradually increased. Finally, the departmental structure was modified. In 1946 the Bank of England Act, mentioned earlier, brought the Bank into public ownership; and a new Royal Charter was granted.

The Court of Directors The Act of 1946 lays down that the Court of Directors shall comprise the Governor, Deputy Governor and sixteen Directors, all of whom shall be appointed by the Crown. Not more than four Directors may be employed as full-time Executive Directors. The term of office of both the Governor and Deputy Governor is five years,

that of a Director four years; all are eligible for reappointment in the same or any other capacity. Directors retire in rotation; four at the end of February each year. A member of the Court must be a British subject, and may not be a member of the House of Commons, a Minister of the Crown, or a person serving in a government department and being remunerated out of moneys provided by Parliament.

The powers of the Court are defined by the Charter, which also requires the Court to meet at least once a week: this is traditionally on Thursdays. Standing committees of Directors meet regularly, while special committees are appointed when necessary. The principal standing committee is the Committee of Treasury, which normally meets every Wednesday. It consists of the Governor and Deputy Governor *ex-officio* and five other members of the Court chosen by ballot. It is the policy-making committee of the Bank and reports directly to the Court; and it receives the reports of all other committees before they are submitted to the Court. The other standing committees are concerned with internal administration; one deals with the administration of the Bank's Printing Works, and the others with matters such as staff, premises and domestic expenditure.

The Governor and Deputy Governor and the Executive Directors, of whom since 1946 there have always been four, are required to render their exclusive services to the Bank. Broadly speaking, the responsibilities of the Executive Directors are divided into home finance, overseas finance and exchange control, economic and statistical services, and the Bank's internal affairs.

The other twelve Directors have a wide variety of interests—in industry and commerce, trade union affairs, and in banking, both at home and overseas. In addition to their attendance at Court and their work on the standing committees, they may be called upon by the Governors for advice on any problem in which their special qualifications or experience would be helpful.

Senior officials The day to day administration of the Bank rests primarily with the Heads of Department. The senior Head of Department, and chief executive officer of the Bank, is the Chief Cashier.

There are at present two Assistants to the Governors, whose duties are largely concerned with foreign exchange policy and overseas matters—where the burden of work has recently been exceptionally heavy. There are also Advisers to the Governors, who are not attached to any department: they tend to specialise in particular fields, but their work is not limited only to those subjects in which they specialise. In addition, there are a number of Advisers. The first Advisers were recruited from outside the Bank because of their special knowledge and connections. Today, most Advisers still have specific responsibilities: some are concerned with the study of economic and financial conditions in a particular country or group of countries, to which they make regular visits—representing the main point of contact below Governor level with the central banks of those countries; others are chiefly concerned with the state of trade and industry in the United Kingdom, with the balance of payments, or with various aspects of the financial markets. But most of them are now appointed from the Bank's own staff; and all are attached to particular departments.

The departments There are eight departments, most of which are divided into a number of offices. The principal department is the *Cashier's*, which deals with the banking functions, manages the E.E.A., and is responsible for all the Bank's operations in the money, gilt-edged, foreign exchange and gold markets. Information about the economy and the balance of payments, and about developments overseas, is provided by the *Economic Intelligence* and *Overseas* Departments; the latter also covers the administration of exchange control. The note issue is the main concern of the *Printing Works*, while the *Accountant's* Department maintains the register of government and other stocks. Finally, there are those departments which are concerned with the internal administration of the Bank—*Secretary's*, *Establishment* and *Audit*.

Cashier's Department The principal office in the department is the Chief Cashier's Office. Here is handled the acceptance or delivery of stock or bills resulting from the Bank's market operations, or from opera-

tions on behalf of central bank or other customers, and the settlement for them. The office supervises all the overseas central bank accounts, employing surplus funds or making funds available to execute payment orders e.g. by purchasing Treasury bills of a suitable maturity or arranging for them to be discounted. It prepares the daily books of the Bank for the Governors and the Bank Return for publication each Thursday. It is responsible for claiming the necessary funds from the borrowing body to meet dividend or redemption payments in respect of loans managed by the Bank, and for ensuring that these funds are available by the due dates. It handles transfers of government stocks for the National Debt Office—the Chief Cashier and his deputies acting as attorneys to the National Debt Commissioners. On Fridays it receives applications for the Treasury bill tender and calculates the basis of allotment. It is responsible for all advances to customers, other than to the discount market (see below), and for securities held for customers in the names of the Bank's nominees.

Day to day contact with the money market is through the Discount Office, where the discount houses apply when they wish to discount bills or to borrow. Sample purchases of the commercial bills discounted by the market are made regularly for the Bank's own account, thus making it possible to check, and in some measure control, the quality of such bills circulating in the market. The office also discounts bills for other customers, and handles enquiries from them on credit standing. In addition, it maintains contact with the City's financial community as a whole.

The Dealing and Accounts Office carries out, and accounts for, the Bank's operations on behalf of the E.E.A. in gold, foreign exchange and foreign securities. It executes customers' orders for the purchase and sale of foreign currency and gold. The physical handling and custody of gold, both bullion and coinage, for the E.E.A. and for customers, principally overseas central banks, is carried out by the Bullion Office. This office also holds the Bank's store of coin; but it does not supply coin to the commercial banks, whose requirements are met direct from the Royal Mint. The supply of notes to the commercial banks, however, is maintained through the Issue Office, which is

also responsible for the withdrawal of worn notes and for dealing with forgeries and with claims for the recovery of the value of mutilated notes.⁽¹⁾

The Branch Banks Office is the link between Head Office and the branches. These are at Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle and Southampton: in addition, there is a branch close to the Law Courts in London, which is a convenient centre for its special work for the Public Trustee and in connection with the High Court. The branches facilitate the distribution throughout the country of new Bank of England notes, and the withdrawal of worn notes from circulation; and they conduct a banking business, with both government and private sector (including banks') accounts. In addition, the Agents in charge of the branches outside London establish and maintain close personal contact with the business community in their areas: they thus help to provide the Bank with an up to date assessment of the state of affairs in the industrial centres, which is supplemented by periodic visits by the Governors, Directors and senior officials.

In their respective cities the branches outside London also operate the provincial clearings and administer exchange control.

The normal banking business of Head Office customers is the concern of the Drawing Office, which keeps their accounts. There is a close link with the Bill Office, whose main function is to deal with the daily clearing of cheques and credit transfers through the London Bankers' Clearing House. This office, as its name implies, also holds commercial bills for the Bank and for customers and collects them on the due dates. Records of customers' securities are kept by the Securities Office, which also provides ancillary services such as the collection of coupons on bearer bonds, the exchange of allotment letters for stock or shares, and the taking up of rights.

The Dividend Pay and Loans Office pays the interest and redemption warrants (issued by the Accountant's Department) in respect of stocks managed by the Bank. It deals with new issues of stock; issues and redeems Treasury bills and tax reserve certificates; pays coupons and bearer bonds on redemption; and

handles exchanges between registered stock and bearer bonds.

Finally, a small office known as the Treasury provides joint security control over assets and valuables.

Economic Intelligence Department

The Economic Intelligence Department provides information about events and prospects in the domestic economy and in the balance of payments. It is also responsible for the publication of this *Bulletin* and the Bank's *Annual Report*. Much of the work involves the collection and analysis of statistical and other information, supplied largely by banks and other financial institutions, both for use within the Bank and for publication. The Bank compile several of the series of financial statistics which appear in the annex to this *Bulletin* and in official publications.

The department is not divided into offices, but for administrative convenience the work is separated into five 'divisions'. These are concerned with banking, which also covers some of the monetary movements in the balance of payments (such as the gold and convertible currency reserves and short-term external liabilities and claims); capital markets and government finance; balance of payments; commodities; and the national economy. There is also a mathematical analysis group, which serves all the divisions, and a group which produces charts and drawings for the Bank as a whole.

Close liaison is maintained with the Treasury and other government departments, and with the Central Statistical Office; one object of this is to avoid overlapping in the collection of information. The volume of statistical work has expanded greatly in recent years; increasing use is being made of computers. In addition, the range of work connected with the development and structure of financial institutions, and with surveying their position in the economy, has also grown. Closely bound up with these information and analytical services is work designed to assist judgment on the future developments that are to be expected.

⁽¹⁾ Articles on the withdrawal of notes from circulation and on mutilated notes appeared in the *Bulletins* for September 1962 and 1963.

The Bank's Reference Library, which is attached to this department, is used mainly for financial and economic studies; it contains some 30,000 volumes and provides world coverage of financial matters, currently receiving 2,300 periodicals.

Overseas Department The Overseas Department is concerned with developments overseas, relations with other central banks and the administration of exchange control.

The Overseas Office provides information about economic and financial conditions abroad and developments in the international monetary field—and seeks to assess the implications that these may have for the United Kingdom. The office is divided into about a dozen groups; most of these concentrate on geographical areas, but one deals with the affairs of the international monetary organisations, such as the I.M.F. and the I.B.R.D., and another with development aid and export credit. A section translates foreign language documents and publications for the Bank as a whole. A large number of visitors from abroad—including many students from other central banks for whom study courses are arranged—are received each year by this office.

The General Office, Exchange Control and the Capital and Securities Office, Exchange Control, dealing respectively with current and capital transactions, are responsible for the general administration of the Exchange Control Act 1947; as already mentioned, powers to deal with many exchange control applications have been delegated. These offices are also responsible for keeping other sterling area countries informed about relevant exchange control matters and for providing guidance and help to the authorities in some of these countries.

The Overseas Investment Office administers the voluntary arrangements, introduced in May 1966, designed to limit U.K. investment in the more developed countries of the sterling area.

The Glasgow Office administers all aspects of exchange control in Scotland and Northern Ireland. The Principal of this office also keeps in touch with industrial developments in Scotland and Northern Ireland in a similar manner to the Agents at the branches.

Printing Works The Printing Works are under the control of a General Manager and are responsible for printing Bank notes;⁽¹⁾ for general printing for other departments (such as this *Bulletin*, as well as dividend warrants, prospectuses for new issues, cheques, account books, and forms); for the purchase of all stationery; and for the examination and destruction of Bank notes as they are withdrawn from circulation. The Works are administered through six offices; two are concerned with printing and with used Bank notes, while the remainder deal with general organisation and staff.

Printing of all kinds is the responsibility of the Production Office, whose main task, however, is the production of notes—about eight million each day—and their delivery to Head Office and the branches. The examination and destruction of a similar number of used Bank notes is carried out by the Paid Note Office.

The offices concerned with organisation are the Accounts Office, which keeps all the Works' accounts and organises costing and budgetary control; the Engineering and Maintenance Office, which is concerned with maintaining the machinery and premises; and the Staff Manager's Office, which is responsible for an industrial staff of some 800 men and 1,200 women. Nearly one-third of the women are employed part time. Ancillary services attached to this office include a welfare organiser, and a medical officer and nursing staff. Responsibility for security at the Printing Works is undertaken by the Security Office.

In addition to these six offices there is a Production Preliminaries Section concerned with Bank note design and engraving, the investigation of counterfeiting methods, ink formulation and manufacture, and plate making; and another separate section, under the supervision of the Deputy General Manager (Research), responsible for Research and Development.

Accountant's Department The work of the Accountant's Department does not differ basically from that of many company registrars. Unusual features, however, are that the registers are not closed prior to the payment of interest and that income tax is not deducted

(1) An article on Bank note printing appeared in the September 1961 *Bulletin*.

from all interest payments. Preparations are being made to place the registers on magnetic tape, when alterations to them and the printing of stock certificates will be effected by computer: this mechanisation will involve considerable reorganisation of the department.

Most of the department is located in a building near St. Paul's Cathedral. The main office is the Chief Accountant's Office, through which is channelled most of the department's considerable correspondence; practically all communications with the public are by post. A general card index of all holders of stock is maintained by the General Record Office, so that the department can quickly trace all the accounts in which a stockholder's name appears. This office also controls the Record Office at Roehampton, which houses the older records of all departments of the Bank.

Responsibility for transfers of stock and for the custody of the registers is divided between three offices. The Transfer Office receives and examines all transfer forms lodged for registration and prepares new stock certificates. Details of these transfers are then recorded in the registers, which are at present in loose leaf form and mostly kept by the Consols and War Stock Office. The registers for Victory Bonds and certain other securities with characteristics which are not readily amenable to automation are kept separately by the Certification Office, whose main function, however, is to certify transfer forms by marking them to the effect that a certificate covering the amount of stock being transferred has been surrendered. Where appropriate, this office also issues certificates for the balance of stock which is not being transferred. There is a section at Head Office, close to the Stock Exchange, which provides special certification facilities for jobbers in the gilt-edged market.

Two further offices deal with alterations to the registers. The Register Office deals with legal documents such as powers of attorney, probates and Court Orders; while the Dividend Office is concerned with the recording of dividend instructions, changes of address and other matters affecting the payment of dividends. A section of the latter office accounts for all dividends and redemption moneys—the warrants for which have been paid by the

Dividend Pay and Loans Office in the Cashier's Department.

Finally, two offices are concerned with the preparation and issue of dividend warrants. Punched cards are prepared from the loose leaf registers by the Data Office; and from these cards the Computer Office produces the various documents necessary for the payment of dividends, and despatches the warrants. These offices will take on added responsibilities when the registers are transferred to magnetic tape.

Secretary's Department

The Secretary's Department supplies secretarial services to the Court, the committees, and the Governors and Directors. It keeps the Bank's own accounts, handles press relations and is responsible for organisation and method work.

The Secretary's Office prepares for meetings of the Court and committees and conveys their decisions to the departments concerned. Attached to the office is the Archives Section, which examines the Bank's records and schedules those for permanent retention; it maintains the various historical collections possessed by the Bank, some of which are displayed in the Bank's Museum.

Press relations are handled by an Assistant Secretary, whose staff attends also to the circulation within the Bank of summaries of news and comment from the daily and weekly press.

The Accounts and Costing Office keeps the accounts of the Issue and Banking Departments and prepares the balance sheets, providing an independent check upon the weekly Bank Return compiled by the Cashier's Department. It apportions expenditure and income according to the various activities of the Bank.

The department also contains a separate Organisation and Method Section, under the supervision of a Deputy Secretary. This section reviews work processes, studies developments in office machinery and advises on security matters. It is also responsible for the installation and operation, including systems design and programming, of a computer which will undertake work for all departments other than the Accountant's Department.

Establishment Department The Establishment Department is responsible for the domestic affairs of the Bank other than those of the Printing Works.⁽¹⁾ The total staff of the Bank is at present about 7,000, of whom 3,000 are either industrial staff at the Printing Works or 'technical and services' staff elsewhere. The 'banking staff' is composed of about 1,600 men and 2,500 women. The department recruits each year some 40 men between the ages of seventeen and twenty-five, of whom about one-quarter are university graduates and the remainder mostly school-leavers of Advanced level standard. About 30 women of similar educational standards are also recruited; all of these compete directly with the men—as do a number of the many other young women who enter the Bank each year. There is a small supplementary staff, consisting of men and women recruited in middle age.

The General Office provides a variety of services for the Bank—for example, staff records and statistics, and centralised duplicating and distribution. It is also responsible for the recruitment and administration of technical and services staff.

Two other offices, the Staff Office and the Payments Office, deal exclusively with staff. The first is concerned with the recruitment of the banking staff, and with the supervision of their training and their selection for advancement; the second deals with the payment of salaries, wages and pensions, and with a variety of staff services such as insurance and savings.

A fourth office, the Premises Office, is responsible for buildings, equipment and domestic services. The services are maintained

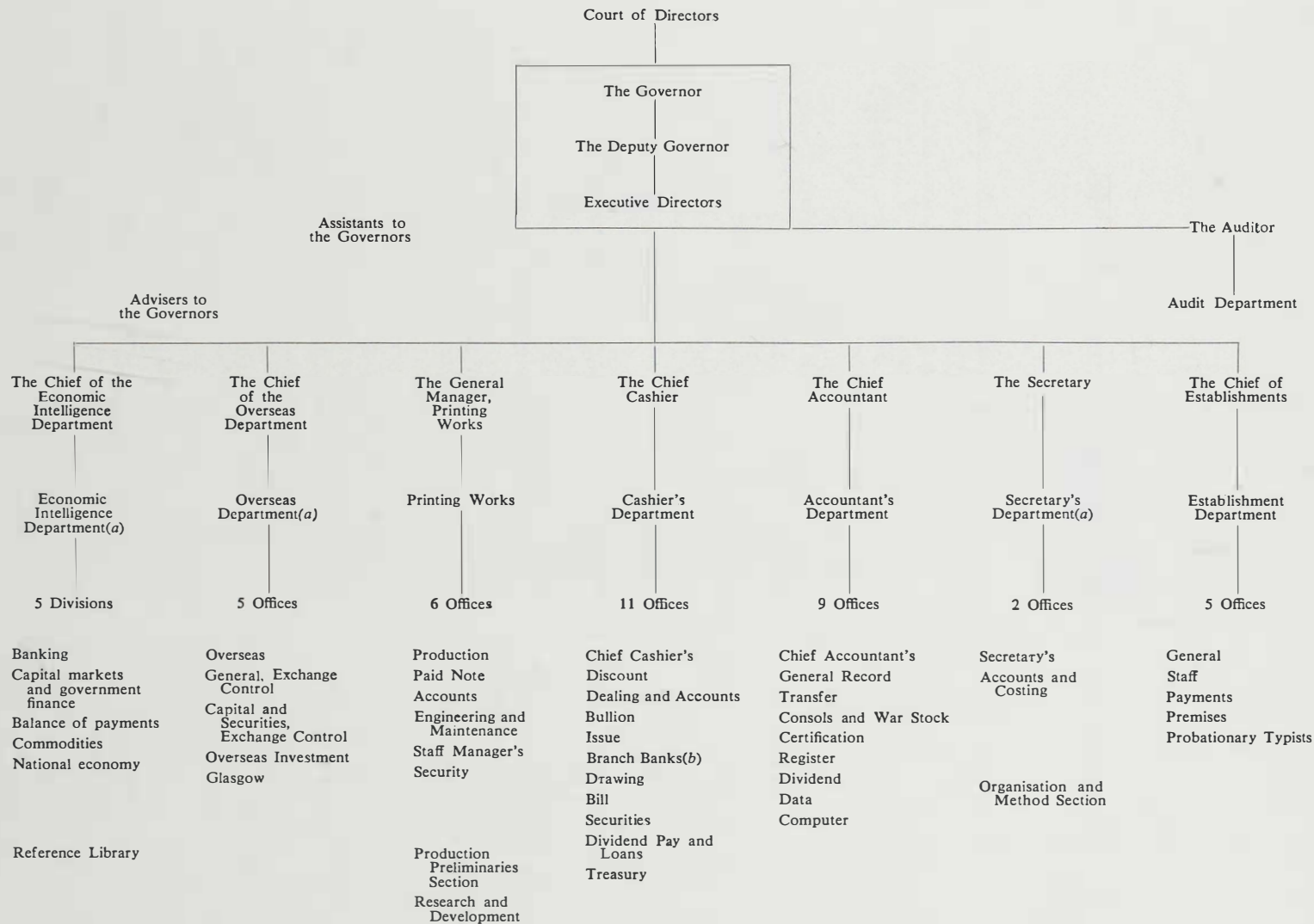
by some 300 men, under a Maintenance Superintendent and a Chief Engineer.

Finally, there is a training office for typists and for operators of other machines; and attached to the department are a General Welfare Organiser, the medical officer and nursing staff, and the editor of the house journal, *The Old Lady*.

Audit Department The Audit Department is responsible directly to the Governors for internal audits throughout the Bank. A firm of accountants is also employed on audit work.

Over the past twenty years, extensive changes have taken place in the departmental organisation of the Bank and, within many of the departments, in the work of the various offices. These changes have not reflected any basic change in the Bank's functions—although they have been partly associated with a wider interpretation of those functions. Essentially, changes in organisation have been necessary because of the introduction of new techniques, designed to enable the Bank to operate more effectively; the transfer of work from one department to another, with the aim of greater efficiency; and the impact upon the Bank of changes in other institutions. Further changes will inevitably be necessary, not least as the result of increasing use of computers. For this is a continuing process; and the organisation of the Bank must continue to evolve.

⁽¹⁾ Except for certain staff matters, the Printing Works are an independent unit.



(a) Advisers are attached to these departments.

(b) Branches at Law Courts (London), Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle-upon-Tyne and Southampton.