

CHAPTER V

GOLD AND SILVER

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"The Wars nowadays seem rather to be waged  
"with Gold than with Iron, and unless we Pay well, we  
"shall never be able to Punish well."

("Some Observations upon the Bank of England"  
Anon.1695.)



CHAPTER VGOLD AND SILVERGOLD

GOLD COINAGE AND WITHDRAWAL OF GOLD FROM CIRCULATION.

EARMARKING, ETC.

SUPPLY TO THE TRADE.

IMPORT, MELTING AND SALE REGULATIONS.

EXPORT REGULATIONS.

RESTRICTION OF GOLD SHIPMENTS BETWEEN NEUTRALS.

GOLD ABROAD - (GOLD PRODUCTION ABROAD; GOLD SHIPPED ABROAD; GOLD HELD ABROAD).

Canada.

U.S.A.

S.Africa.

W.Africa.

India.

Australia.

New Zealand.

Borneo.

Brazil.

Malta, Gibraltar, Malay States, Madeira.

Sundry Gold Production Agreements.

RUSSIAN GOLD. ESTHONIAN GOLD.

PROFIT ON GOLD PAID TO H. M. TREASURY.

SILVER

COIN.

BULLION.

N.B. A tabular Statement of the various Acts, Orders in Council, Proclamations and Regulations affecting Gold and Silver will be found in the pocket of the binding.

CHAPTER VGOLD AND SILVER

## GOLD.

GOLD COINAGE

At the beginning of the war there was a considerable demand for gold coin, but the demand for silver was even greater, leading to the occasional postponement of orders to the Mint for sovereigns. The withdrawal of gold from circulation eventually made coinage unnecessary.

The following table gives particulars of gold coin received from the Mint during the war period -

	Sovereigns	Half Sovereigns	Total
August 1914 - March 1915	£10,914,000	£1,114,000	£12,028,000
April 1915 - March 1916	12,980,000	1,021,000	14,001,000
April 1916 - March 1917	1,554,000	-	1,554,000
April 1917 - March 1918	1,314,000	-	1,314,000
April 1918 onwards	-	-	-
	£26,762,000	£2,135,000	£28,897,000



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## GOLD.                   WITHDRAWAL OF GOLD COIN FROM CIRCULATION.

During the War period there were three occasions upon which large sums of gold coin were withdrawn from circulation.

In 1915, the sum of £20,823,000 was collected from the Bankers of the United Kingdom and, in order to furnish the Treasury with further credit, was exported to United States.\* All expenses of this collection were borne by the Treasury.

In the Autumn of 1915 the following appeal was issued by His Majesty's Government -

"In view of the importance of strengthening the "gold reserves of the country for exchange purposes, the "Treasury have instructed the Post Office and all public "departments charged with the duty of making cash payments "to use notes instead of gold coins whenever possible. The "public generally are earnestly requested, in the national "interest, to co-operate with the Treasury in this policy "by (1) paying in gold to the Post Office and to the Banks; "(2) asking for payment of cheques in notes rather than in "gold; (3) using notes rather than gold for payment of "wages and cash disbursements generally".

In November 1915 it became necessary for the Government to appoint a Committee - London Exchange Committee - to advise on the subject of the Foreign Exchanges. In

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\*£18,400,000 only in sovereigns, the balance being French coin. The Bank kept £2,423,000 sovereigns because their stock was seriously depleted.

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## GOLD.                   WITHDRAWAL OF GOLD COIN FROM CIRCULATION.

order to assist the Committee in their operations it was arranged that Bankers should cease to issue gold to their customers, whose requirements could of course be satisfied by Currency Notes.

During the following year it became evident that as a result of the appeal referred to and the action of the Bankers the public were becoming more accustomed to the use of paper money and more reconciled to the absence of gold.

There is no doubt, however, that a considerable amount of gold coin had been hoarded, for the extra stimulus supplied by the War Loan Issues, and in particular by the 5% and 4% Loans of January 1917, popularized by the use of Tanks to collect subscriptions all over the country, produced on each occasion unexpectedly large receipts of gold.

In order to meet an obligation of the London Exchange Committee in connection with the loan of \$50,000,000 made to them by a group of United States Bankers in November 1915, the Clearing Bankers in June 1917 paid to the account of the Treasury the sum of £10,000,000 in gold coin, which was "set aside" on behalf of the Federal Reserve Bank of New York.

A further appeal to the Banks was made in a letter dated the 25th July 1917 from the Chancellor of the Exchequer. Bankers were asked to hold their stocks of gold coin at the disposal of the Government, in view of the



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## GOLD

## WITHDRAWAL OF GOLD COIN FROM CIRCULATION

existing state of the American exchange. The Chancellor urged the Banks, in the interests of general credit, to hand over their gold by private arrangement and so obviate the necessity for a compulsory order which could be issued under the Defence of the Realm Regulations. As a result of this appeal Bankers throughout the country agreed to hold 90% of their gold at the disposal of the Treasury.\*

On the 1st April 1919 the export of gold coin was prohibited by Order in Council and on the same date, at a meeting of Bankers, it was agreed that all gold coin and bullion then held and thereafter acquired by them (excepting only such gold as might be imported by the Banks themselves) should be held at the absolute disposal of the Treasury, and that delivery of it should be made to the Bank of England if and when required.<sup>+</sup> Furthermore, they agreed that all gold already earmarked for foreign account should, if released, be paid in to the Bank of England at once. Details of all holdings of gold were to be furnished to the Bank once a month and the Bankers agreed to discourage by every means in their power withdrawals of gold from the Bank of England.

It was realised that it was absolutely essential

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\*Put another way, they retained 1 per mil of their Deposits (Governor's evidence before Currency Committee 8.7.18.) On the 25th July 1917 London Sovereigns stood at £11,318,000. In August, by arrangement with the Chancellor, the London City & Midland Bank paid in £2,000,000 in gold coin, taking Currency Notes in exchange. Notwithstanding this, the London Sovereigns had fallen by the 10th November to £6,733,000. In December about £1,200,000 was received from Clearing Banks, but at the end of the year only £6,801,000 was held. In the second half of 1918 the total was swelled by various "releases" of gold coin previously set aside, and by the 1st April 1919 London Sovereigns were £21,357,000.

<sup>+</sup>This had been recommended by the Cunliffe Committee and by the Governor in his evidence before that Committee on the 8th July 1918. (v. Appendices)

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## GOLD                      WITHDRAWAL OF GOLD COIN FROM CIRCULATION

both to Bankers generally and to the whole country that the available supplies of gold should be ready at hand, if necessary, for use centrally to meet any threatening developments in foreign exchanges, and particularly in the American exchange. At the end of the year the Treasury requested the Bank to collect the entire stocks of gold coin held by Bankers throughout the Kingdom.

The following figures show the amount of gold coin in possession of Bankers in December 1919:-

England	£32,607,605
Scotland	4,712,667
Wales	<u>4,421,094</u>
	£41,741,366
	=====

It was agreed by the Treasury that -

1. All expenses incurred in connection with the collection of this coin should be borne by His Majesty's Treasury.
2. Insurance should be effected at a rate that would cover any loss incurred by purchase in the market.
3. In the case of coin that was more than 3 grains below standard weight the Bankers should be charged only for the amount by which the deficiency exceeded 3 grains. (It was realised that by denuding the Bankers of their entire stocks of gold a considerable amount of light weight coin might be included.)

In the first week of January the London Bankers began to pay in their gold to the Bank of England and from that time until the third week in March the coin came in



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steadily until more than £32,700,000 had been received from English and Welsh Bankers.

In view of the fact that the Governor of the Bank of Ireland stated that "it would increase the difficulties of the administration and undermine the Bank's credit to collect gold now (February 1920)", it was decided to postpone the collection of the Irish gold coin until nearer the time when the Irish Bill was expected to be passed by Parliament. This Act\* made provision for the payment of all Irish Bank Notes issued prior to the Act at the Head Offices only of the issuing Banks, and was thereby likely to effect some economy in the amount of gold reserves required.

In April 1920 gold coin amounting to £2,320,000 was received from the Northern Group of Irish Banks, i.e., Ulster Bank Ltd., Belfast Banking Co. Ltd., and Northern Banking Co. Ltd. The gold was conveyed to London under military escort.

In June the Scottish Banks surrendered their entire holdings of gold coin, more than £4,700,000 being received by the Bank, while towards the end of that month the remainder of the Irish gold was handed over at Dublin and Cork. Special precautions were taken to safeguard the consignments, which amounted to £2,038,000.

From the following figures taken in comparison

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\*Passed 4th August 1920. Bank Notes (Ireland) Act 1920  
10 & 11 Geo.V Cap.24.

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## GOLD. WITHDRAWAL OF GOLD COIN FROM CIRCULATION.

with those published in December 1919, viz., £41,741,366 it will be realised how complete was the Bankers' surrender of their gold coin -

England	£32,702,000
Scotland	4,733,000
Ireland	<u>4,358,000</u>
	£41,793,000
	=====

Against this total the Scottish and Irish Banks received £9,091,000 in Currency Notes while Bank of England Notes to the extent of £15,850,000 were taken by the English Banks; £4,000,000 of this total were subsequently returned. It is not known to what extent Currency Notes were taken by the English Banks.

The entire cost of this collection of the Bankers' gold coin amounted to £5,516:10:6 representing a rate of about 2½d. per £100 collected. The sum represents expenses paid by the Bank on behalf of the Treasury and does not include the cost of sea-transport from Ireland nor of various military escorts supplied.

Although the Bankers of the United Kingdom handed over their entire stock of gold coin, it may be of interest to record that by the 31st August 1921 they had accumulated a further £2,329,000, showing a monthly gain from the public of over £100,000.



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## GOLD                      WITHDRAWAL OF GOLD COIN FROM CIRCULATION

From the beginning of August 1914 to the end of August 1921\* the Bank's net gain from the Home Circulation was £62,411,000, as follows:-

	<u>Loss</u>	<u>Gain</u>
Aug. - Dec. 1914	£3,548 <sup>m</sup>	
1915		£5,796 <sup>m</sup>
1916		3,463
1917		8,263
1918		3,415
1919		2,943
1920		41,984
Jan. - Aug. 1921		95
		£65,959 <sup>m</sup>
	Deduct	3,548
		£62,411 <sup>m</sup>
		=====

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\*A further £2,640,096 was collected in 1922 and "set aside" for H.M. Treasury.

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## GOLD.

EARMARKING ETC.

From the beginning of the War it appears that the Clearing Bankers must have been in agreement that no gold earmarked by them for their customers should be withdrawn for export, at any rate unless under conditions that would fully justify such a course.

An important instance of earmarking was that of £1,000,000 sovereigns held by Lloyds Bank for the Javasche Bank, set aside in 1914 (probably October when gold was also earmarked for the same Bank at the Bank of England). In April 1916 this gold was the subject of negotiations between the Javasche Bank and the London Exchange Committee. The latter consented to the shipment of the gold to Holland and of a further £500,000 provided that the remaining sterling balances of the Bank were invested in £2,000,000 Treasury Bills\*. Some trouble was caused by the Javasche Bank's claim that they were at liberty to earmark the £500,000 instead of shipping it, a claim which the London Exchange Committee would not admit (May 1916).

From this it is clear that the London Exchange Committee at least had made up their minds that the practice of earmarking was objectionable, but it was not until 20th February 1917 that we find a Clearing Bankers' Resolution passed, at the instance of the Governor of

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\*Vide London Exchange Committee - Dutch Exchange.



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GOLD. the Bank of England,\* to the effect that earmarking was EARMARKING ETC.  
 against the national interests. The Resolution stated incidentally that the Governor had received information that several attempts were at that time being made to arrange for such "set asides".

To return to the Javasche Bank's gold, a compromise was arranged in April 1917 when the Bank was given the right to buy £500,000 of unrefined gold in Bombay at  $77\frac{s}{d}{10}\frac{1}{2}$  per ounce standard, with the option of its resale at the same price and of shipment to Holland or Java. In April 1919 the whole arrangement terminated with the repayment of the last outstanding Treasury Bills.

The question of exporting the £1,000,000 gold came up again in February 1921, when the Governor was prepared to consider favourably a proposal to export the whole amount or to export part and unearmark the balance. The suggestion was refused. After various other proposals had been made a licence was granted in June 1921 on condition that half of the sovereigns were shipped to Batavia, as desired by the Javasche Bank, and the other £500,000 sent to New York in the form of bars.

Had earmarking not been restricted the only advantage derived from the submarine menace, which made the export of gold almost impossible except for Government purposes, would have been lost, since credit could have been raised in another country on gold earmarked

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\*See also Appendix: Sir Brien Cokayne's evidence (as Governor) before the Cunliffe Committee on the 8th July 1918.

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GOLD. here almost as easily as on gold actually exported to that country. EARMARKING ETC.

Apart from gold received under Agreements with Foreign Governments, which is referred to in the "Allied Borrowings" section, and that held for His Majesty's Treasury the Bank of England during the War period held gold earmarked for the following Governments and Banks:-

India Government (Paper Currency Reserve)

Crown Agents - Straits Settlements

Argentine Government

Chilian Government

Uruguayan Government

National Bank of Egypt & Egyptian Government  
Commissioners on the National Bank of Egypt

Federal Reserve Bank of New York

Bank of France

Javasche Bank

Netherlands Bank

National Bank of Belgium

Bank of Spain

National Bank of Switzerland

National Bank of Roumania

Norges Bank

Canadian Bank of Commerce.

Of these holdings none but that of the Federal Reserve



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GOLD. Bank originated as late as the year 1917; in September of that year the Bank of England refused to "set aside" gold for the Peruvian Legation. In the case of the Federal Reserve Bank of New York there were special circumstances which are referred to in the chapter on Central Banking and Central Banks. EARMARKING ETC.

The following is taken from the Minutes of the London Exchange Committee, 19th September 1917:-  
 "With reference to the policy adopted by the British banking community of refusing to earmark gold, the Committee agreed that it would be as well to send a telegram to Lord Reading\*asking him to bring the matter to the notice of the authorities in the United States for their consideration; the Committee were of opinion that as the policy has proved effective in helping to safeguard the Gold Reserves in this country, a similar course might with advantage be adopted by the United States of America".

As a result of this action it appears that Governor Strong instructed the Federal Reserve Bank of New York not to earmark gold for foreign account without the approval of the Federal Reserve Board.

The Central Banks' holdings of gold are dealt with under the chapter on Central Banking. There remain two other Banks:-

Canadian Bank of Commerce

Javasche Bank.

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\*At that time Special Envoy to U.S.A.

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GOLD.                    These, with the five Government holdings, form                    EARMARKING ETC.  
the subject of the following paragraphs.

"Set Aside" of Gold for the  
Government of India.

Gold had been held for the India Paper Currency Reserve since the beginning of 1900 and also for the Gold Standard Reserve from November 1912. At the outbreak of War the amount held for the first named account was £6,100,000 (sovereigns) and for the Gold Standard Reserve £4,700,000 (sovereigns). Almost at once (7th August) the Secretary of State withdrew £1,000,000 from each "set aside" for the credit of his Cash Account. The Bank also obtained permission to borrow from the Paper Currency Reserve £3,000,000 (sovereigns) lodging United States coin in exchange in order that the Mint might be relieved from the coinage of gold and permitted to concentrate on the silver coinage for which there was a large demand. The sovereigns were, however, replaced on the 9th September although the Gold Standard Reserve was further reduced between October and the end of 1914 by over £2,000,000 and again in January 1915 by £400,000, while the Paper Currency Reserve was depleted in July 1915 by £1,000,000. The latter now stood at £4,100,000 and the Gold Standard Account at £1,250,000.

On the 3rd January 1916 the India Paper Currency



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GOLD. Reserve was increased by the earmarking of a further £1,000,000 On this occasion the Deputy Governor (the present Lord Cullen) put his views very fully before Mr. Chamberlain, then Secretary of State for India; they may be summarised as follows:-

EARMARKING ETC.

1. The Bank were averse from the policy of earmarking and even wished to obtain an assurance that the million in question might again be released if required. They pointed out that it was in the best interests of the Empire as a whole to augment the central Gold Reserve of the Empire rather than scatter the gold resources, the Bank's figures being looked on as an index of the Empire's ability to pay.
2. The Bank considered Treasury Bills would serve the purpose just as well as gold.
3. The Gold Reserve seemed unduly large in the circumstances and extravagant in that it yielded no interest.
4. So long as England maintained a free market for gold (which India could assist by offering to release gold when required) any balances held in England were the equivalent of gold, while if England had to abandon gold payments it would be a greater blow to India and the whole Empire than the inconvenience caused by yielding to the Bank's views.

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GOLD.

While the Deputy Governor's representations were fully appreciated, no hope of un-earmarking more than the single million was held out and Mr. Chamberlain pointed out that Indian opinion would resent a differentiation being made between the Rupee Note and the Currency Note as regards gold backing (with other considerations contained in a letter of 24th March 1917 vide C.C.P. 71<sup>a</sup> 188).

EARMARKING ETC.

In spite of the reluctance of the Bank to earmark further gold, another million and a half was added to the Paper Currency Reserve apparently without protest in the Spring of 1916, while £1,350,000, the balance of the Gold Standard Reserve was also transferred thereto at this period.

At the end of 1916 the Governor suggested that the Indian Government should purchase for the Paper Currency Reserve in India a part of the raw gold then held by them on the Bank's behalf, payment to be made in London to the Bank in sovereigns taken from the Currency Reserve here. This suggestion was welcomed and between January and the end of April 1917 the Bank sold, @ 77/9 <sup>s d</sup> per oz. std., £4,500,000. This included some of the gold which had been brought to Bombay from South Africa. The arrangement was considered advantageous to both parties.

The Government of India were in need of gold for the following reasons.



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GOLD. Since November 1915 the demand for rupees in India had been so great that in spite of large coinage operations it was feared that Currency Notes might have to be made inconvertible. The chief causes of the exceptional demand for rupees were (a) the unusually large excess of exports on private account over imports, causing an exceptional flow of metallic money to up-country districts producing for export: (b) the importation of sovereigns had ceased and from the beginning of the War the issue of sovereigns to the public from the Paper Currency Reserve had been suspended: (c) very large expenditure was being incurred by the Government for the supply of Imperial needs, including Mesopotamia and East Africa. EARMARKING ETC.

One of the measures taken to counteract the demand for rupees was to put into circulation sovereigns in the Paper Currency Reserve in India (then amounting to £8,367,000) and it was felt that it might be necessary to send to India the further £7,950,000 sovereigns held at the Bank of England.

In February 1917 Lord Cunliffe again urged that India should take up Treasury Bills in exchange for a portion of the Paper Currency Account's gold and Mr. Chamberlain promised to convert as much as possible into this security. While the Government of India appear to have subsequently included Treasury Bills in their

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GOLD. investments, these were not directly obtained with the EARMARKING ETC.  
gold here, for it was shortly afterwards arranged (end  
of April 1917) that £3,000,000, the bulk of the remainder  
of the gold, should be exchanged for Treasury sovereigns  
which were shipped to India from Australia and New  
Zealand. The balance was accounted for by the transfer  
to the Treasury in April and July 1918, under an arrange-  
ment made between the two Governments, of £367,609, and  
by a final exchange with Bombay of £82,391 on the 28th  
April 1919.

The Bank's charge for keeping these "set asides"  
was  $\frac{1}{32}\%$  per annum.

The Crown Agents for the Colonies,  
Straits Settlements Note Guarantee Fund -  
Gold Portion.

Gold was first earmarked for this account on the  
1st December 1909, the sovereigns being said to represent  
one-half of the gold deposited with the Crown Agents against  
Notes in circulation in Singapore. The Bank's fee for  
custody was  $\frac{1}{32}\%$ . At the outbreak of War the total amount  
held was £552,685. A further £50,000 was set aside in  
August 1914. In June and July 1915 about £100,000 was  
released, after which twelve further earmarkings took place  
in August, September and November which raised the total to  
£810,830. On the 22nd November 1915 £37,500 was withdrawn;  
the balance of £773,330 remained unchanged at the 31st  
August 1921.



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GOLD.                   The Bank do not appear to have expressed any    EARMARKING ETC.  
objection to setting aside sovereigns for the Crown  
Agents during the War or to have asked for the release  
of any part of the Fund.

Gold Set Aside o/a Argentine Legation.

In order to facilitate the resumption of transactions between Great Britain and Argentine which broke down owing to the collapse of the exchange, the Argentine Legations abroad were authorised by Congress to receive deposits of gold on behalf of the Caja de Conversion at Buenos Ayres, the amounts so tendered to be advised by cable to the Ministry of Finance, who issued a certificate against which the Banco de la Nacion Argentina delivered currency.

At the request of the Argentine Legation in London, the Bank of England undertook to set aside gold as desired, against credits received for the account, at a charge of  $\frac{1}{8}\%$  per annum on the gold held. The first instalment was set aside in September 1914 and by May 1915 the amount had risen to nearly £11,000,000.

At this date the Argentine Government announced their intention of transferring the gold to Buenos Ayres and a few shipments were made. In March 1916, however, the total gold had increased to £13,339,100 (maximum) and the Argentine Legation was informed that the sovereigns must be removed within three months or that the Bank



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GOLD. would raise their charges to such an extent as to render removal imperative. The reply received was that, owing to shipping difficulties, removal was impossible in the time. It was then proposed that half the sovereigns should remain at the Bank provided that the other half were exchanged for raw gold held in South Africa. To this suggestion also difficulties were raised.

EARMARKING ETC.

By the end of June 1916, however, the amount had been reduced by shipments to £9,834,000 and by the 31st December to £8,174,100. Further withdrawals were regularly made, the total on 1st August 1917 being £6,704,100. By the 30th June 1918 only £1,304,100 remained, while by the 31st August the total had been reduced to £254,100, at which figure it still stood on 31st August 1921.

The gross total of sovereigns set aside for this account during the War amounted to £14,640,100.

## Gold Set Aside

o/a Argentine Legation in Paris.

In February 1917 the Argentine Government requested the Bank to transfer £500,000 in gold to their Legation at Madrid. Owing, however, to the difficulties of transport and insurance the Bank suggested that they should deliver the gold to the Bank of France, who would in turn deliver it to Madrid. It was eventually decided

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GOLD. to hold the gold in London at the disposal of the Argentine Minister in Paris and £500,000 was accordingly transferred from the gold set aside for the London Legation and held to the order of the Paris Legation until August 1918, when it was retransferred to the London account. EARMARKING ETC.

Chilian Government.

The Chilian Government possessed in London certain conversion funds amounting to some £4½ millions which in January 1917 were deposited with N.M. Rothschild & Sons and the London Joint City & Midland Bank. Owing to the desire of the Chilian Government for gold there was some danger that these funds would be withdrawn from England. An Agreement was however secured with the Chilian Legation whereby the Bank of England received the funds, undertook to allow interest at 5% upon them, to ship at once £300,000 of gold to Chili, and upon expiration of the Agreement (which in the first instance was for six months) to repay the deposits at the option of the Chilian Government in sovereigns or bar gold.

At the renewals of this arrangement, the Chilians sometimes asked for and received some gold, obtaining in this manner about £1,448,000\* but no gold was set aside here until 4th May 1920 when the total then standing to the credit of the Conversion Funds account, viz., £3,612,708:11: -, was divided into two sums of £2,000,000 and £1,612,708:11: - and

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*	From Japan	£307,860
	New Zealand	877,447
	Australia	263,000
		£1,448,307

Particulars of the six shipments involved are given in the "Gold Abroad" under the headings Canada, New Zealand and Australia.



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GOLD. held in gold on two accounts designated "A" and "B" EARMARKING ETC.  
respectively. In accordance with the original understanding the £2,000,000 was at once released to Chili and shipped thither between May 1920 and January 1921, thus closing the "A" account. It was agreed that the gold held on the "B" account should not be removed at that time, and its amount remained unchanged on the 31st August 1921.

The Bank's charge for the custody of both "A" and "B" accounts was  $\frac{1}{8}\%$  but it was understood that the charge would not arise in connection with the "B" account so long as the gold remained earmarked.

## Gold Set Aside

o/a Uruguayan Government.

In February 1918 the Uruguayan Government undertook to advance to His Majesty's Government a sum of not more than 15,000,000 Uruguayan gold pesos, for the purchase of Uruguayan produce, the principal to be guaranteed by the deposit of Uruguayan bonds and to be repaid not later than 24 months from the 2nd February 1918, the date of the legislative sanction.

By a subsequent law passed by the Uruguayan Government the credit was increased to 20,000,000 pesos with the addition that when this amount was exhausted a new credit of 10,000,000 pesos should be opened.

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GOLD. Steps were immediately taken by His Majesty's FARMARKING ETC.  
Treasury to secure the compulsory deposit of the requisite  
Uruguayan securities, but in the meantime the Uruguayan  
Government agreed to a temporary deposit of gold as  
collateral.

Accordingly, on the 2nd March 1918 the Treasury  
requested that, from the gold held at the Bank of England  
for His Majesty's Government, £1,000,000 should be held  
to the order of the Uruguayan Government. This sum was  
accordingly set aside and so held until the following June  
when the gold was retransferred to His Majesty's Treasury.  
In the following September, however, it was again found  
necessary to employ gold as security and a sum of  
£1,000,000 was set aside, which remained so employed until  
July 1920, when, partial repayment of the credit having  
been effected, the gold was once more released.

Java Bank.

As mentioned above, the Bank of England con-  
sented to set aside sovereigns on behalf of this Bank in  
October 1914. The matter was arranged through the Hongkong  
and Shanghai Bank and reluctance on the part of the Bank  
of England was shown, it being pointed out that such a  
course was not desirable in the public interest and that  
the amount should therefore be kept within as narrow limits  
as possible.



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GOLD.                   The charge made was  $\frac{1}{10}\%$  per annum.   At first    EARMARKING ETC.  
£500,000 was earmarked; this was released on the 27th  
January 1915.   On the 31st of the following March another  
£350,000 was set aside, but this was kept until the 13th  
April only.

Canadian Bank of Commerce.

The first occasion upon which sovereigns appear to have been set aside for this Bank was on the 28th November 1912 and from that time until the end of February 1914 transactions of this nature took place from time to time.   Nothing was so held at the outbreak of the War but on the 27th August £500,000 was set aside and thereafter frequent movements in and out, sometimes as many as ten in a month, took place until the end of March 1917 after which date operations ceased.   During the War period the maximum amount held was £1,275,000.   No charge appears to have been made until 1915, from the beginning of which  $\frac{1}{8}\%$  per annum was paid until May 1916.   Upon the balance being withdrawn in that month and a fresh deposit made a few weeks later, it was agreed that the Bank should make no charge for their services, but that the Canadian Bank should accept all risks in connection with hostile aircraft.   Earmarking was however less active henceforward and, as before stated, ceased in the following March.

It may here be mentioned that in July and August

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GOLD. 1915 the Canadian Bank also purchased from the Bank of EARMARKING ETC.  
 England's stock of gold at Ottawa some £800,000 of gold  
 at the price of  $79\frac{s}{2}d$  per ounce.

Gold earmarked for the Canadian Bank of  
 Commerce was understood to form part of their general  
 gold reserve, the balance being held in Canada.

## Gold Set Aside

o/a His Majesty's Treasury.

Prior to the year 1917 no gold was earmarked  
 during the War on behalf of His Majesty's Treasury.  
 During that year and the two succeeding years upwards of  
 £3,300,000 in sovereigns were set aside and subsequently  
 released to meet various foreign obligations.

It was not, however, until the year 1920 that  
 the Treasury, in order to provide for certain of the  
 Government's foreign commitments, maintained a constant  
 "secret reserve" of gold. The following figures give  
 the transactions prior to the 31st August 1921 and, with  
 the exception of the gold salvaged from S.S. "Laurentic",  
 many of these have been dealt with elsewhere in this  
 history.

The s.s. "Laurentic" was either torpedoed or  
 mined on the night of the 25th January 1917 after leaving  
 Lough Swilly. On board was bar gold weighing  
 1,285,226.413 std. ounces, about £5,000,000 sterling.



CHAPTER VGOLD AND SILVER.

GOLD. which had been shipped from France. Although the EARMARKING ETC. "Laurentic" was sunk in about 20 fathoms of water it was possible to salvage during that year 492 bars amounting to £836,358: 8:10. These bars were not set aside o/a His Majesty's Treasury but were held ready for export and subsequently formed part of a Scandinavian shipment in 1918, while a further consignment of 315 bars, amounting to £484,209: 2:10, which were salvaged in 1919, was purchased by the Bank. The small amount of 3,022.923 std.ozs. shown below was recovered during 1920 but up to the 31st August no gold had been recovered during the year 1921.\*

Sovereigns.

1917 27 June/17	1918 July	Exchanged with Indian Paper Currency Reserve for sovereigns shipped to India from Australia and New Zealand (vide "set aside" of gold for the Government of India)	£3,367,609
7 Sept.	1918	"Set aside" o/a Uruguayan Government (vide section under this title)	£1,000,000
30 Nov.	"	Exchanged for bar gold and shipped to Stockholm (vide "London Exchange Committee")	£161,378
18 Dec.	"	Purchased by the Bank	£750,000
22 Mar.	1919	Exchanged for bar gold and shipped to Christiania (vide "London Exchange Committee")	£1,456,231 =====

\*Nearly all the balance of the shipment was recovered later in 1921 and in subsequent years.

CHAPTER VGOLD AND SILVER.

GOLD.	<u>Sovereigns.</u>	EARMARKING ETC.
1 June 1920	Received from Scottish Bankers (vide "Withdrawal of gold coin from circulation") and sold to the Bank	£1,925,013 =====
6 July "	Received from Uruguayan Government	£1,000,000
8 July "	Exchanged for bar gold	£1,000,000 =====
	<u>Bar Gold.</u>	
		<u>Std. Ozs.</u>
19 Mar. "	Transferred from Bank of Italy Deposit Account	5,710,740.702
29 Mar. "	Shipped to New York in part repayment of Anglo-French Loan due 15th October 1920	<u>565,008.026</u> 5,145,732.676
8 April "	In exchange for £2,320,000 sovereigns received from Irish Bankers (vide "Withdrawal of gold coin from circulation")	<u>595,826.646</u> 5,741,559.322
4 May "	Set aside o/a Chilian Government	927,822.421
7 July "	Sold to the Bank	<u>643,086.817</u> 4,170,650.084
8 July "	Received from Bank in exchange for sovereigns (vide supra)	<u>257,234.727</u> 4,427,884.811
24 Aug. "	Shipped to New York in anticipation of gold from Esthonia (vide "Gold o/a Esthonian Government")	<u>192,616.294</u> 4,235,268.517



## CHAPTER V

GOLD AND SILVER

GOLD	<u>Bar Gold</u>	EARMARKING ETC. Std. Ozs.
	Brought Forward	4,235,268.517
1920 1921 3 Sep./4 Apl.	Received from Esthonian Government (vide "Gold o/a Esthonian Government")	688,723.561
7 Sep./9 Mar.	Sundry amounts purchased at prices slightly below the market price	<u>7,469.139</u>
		4,931,461.217
1920 17 Sep.	Shipped to New York in part repayment of 15,000,000 Pesos due the 1st December 1920 (vide "set aside" o/a Uruguayan Government)	257,302.028
1920 6 Oct./26 Nov.	Exported to New York	513,566.692
	Exported to Japan both in part payment for 50,000,000 Yen due 15th January 1921 (vide "London Exchange Committee")	719,172.534
	Sold to Bank of England at 77/9	<u>154,340.836</u>
		3,287,079.127
1920 1921 2 Nov./15 Apl.	Received in exchange for sovereigns from Colonies	<u>13,027.634</u>
		3,300,106.761
1920 12 Nov./23 Dec.	Shipped to New York in part repayment of Anglo-French Loan due 15th October 1920	<u>1,026,735.644</u>
		2,273,371.117
1920 1921 24 Nov./8 Feb.	Received from Bank of France o/a Anglo-French Loan	1,216,941.276
	Paid to Bank of England in part repayment of £7,800,000 withdrawn in Spring 1920 for U.S.A.	<u>1,155,698.234</u>
		2,334,614.159

CHAPTER VGOLD AND SILVER.

GOLD.	Bar Gold.	Std.Ozs.	EARMARKING ETC.
	Brought Forward	2,334,614·159	
5 Jan. 1921	Salved from s.s."Laurentic"	<u>3,022·923</u>	
		2,337,637·082	
28 Apl. "	Shipped to New York	<u>256,820·565</u>	
		2,080,816·517	
14 July "	Shipped to Stockholm in repayment of 12,500,000 Kronor 3 Year Notes due 31st July 1921 (vide "London Exchange Committee")	<u>177,226·655</u>	
	Total held on the 31st August 1921	1,903,589·862	=====



CHAPTER VGOLD AND SILVER.

## GOLD.

TRADE SUPPLIES OF GOLD AND THE MEASURES TAKEN  
TO RESTRICT IMPORTS AND PROHIBIT MELTING AND THE SALE  
OF COINS ABOVE THEIR FACE VALUE &c.

The action of the Government and Bank in rationing certain Trades with gold is a subject associated closely with their endeavours to cut off supplies from the remaining Trades: these endeavours in turn involved the restriction of imports. The Melting Regulations were also necessitated in the first place in order to prevent Trade supplies being augmented from the coinage. The questions of import and melting were almost invariably discussed together. The subject of the sale of coins above their face value is connected with both Trade supplies and melting. It has therefore been found inconvenient to deal with these matters otherwise than in conjunction. The export of gold, however, is sufficiently independent of this group to be treated separately, though reference to exports will be found in other sections, and certain Trade exports have been dealt with under the heading of their respective Trade. There is therefore some scarcely avoidable repetition.

The history of gold covers to some extent that of silver; in the Silver section, however, references occurring elsewhere have been gathered together.

CHAPTER VGOLD AND SILVER.

GOLD.

Supply of Gold to the Trade.

TRADE SUPPLIES ETC.

A very firm attitude was adopted by the Bank throughout the War and the following quotation from a letter by Lord Cunliffe to the Treasury dated 5/12/17 may be taken as representative of their general view -

"I entirely agree with him (Sir Alfred Mond)\*that the use of gold except in a very few instances such as dentistry, and perhaps one or two others, should be prohibited.

"In my opinion the exhibition for sale of hundreds of thousands of pounds' worth of gold ornaments and watch cases, the manufacture of Gold Thread used by Officers and for ladies' dresses, the gilding of various articles especially table crockery and even chamber ware and such like, sets a very bad example of waste and extravagance and should be forbidden.

"The cry has been that the amount required is small, only 2 to 3,000 ounces a month, but that is quite a fallacy for we have reason to believe that Sir Alfred Mond is quite correct in thinking that sovereigns are being melted and all the gold ornaments that patriotic people are induced to sell for the good of their Country (vide Pawnbrokers' and Jewellers' advertisements) never come here but are worked up again into modern jewellery or articles of luxury.

"You can assure Sir Alfred Mond that he will

---

\*Then Commissioner of Works.



CHAPTER VGOLD AND SILVER.

GOLD. "have the warm support of the Bank in any effort he may TRADE SUPPLIES ETC.  
 "make to stop or curtail the wasteful use of gold, as a  
 "sovereign improperly used is equal to the loss of £10  
 "in credit."

During the first two years of the War the Bank sold gold in small parcels, to meet the needs of the Trade, at <sup>s d</sup> 78/1 per ounce standard, the total sold for this purpose being 42,606·793 ozs.std. The last of these sales was made on the 4th July 1916.

From then onwards gold was only sold to the Trade under permits from the Board of Trade, the total released being -

			<u>Ozs. Std.</u>
Dental and Pottery Trades (per Johnson Matthey & Co.)	@	<sup>s d</sup> 77/10½	= 76,255·836
Ruby Glass (per E. Day)	@	<sup>s d</sup> 78/ 1	= 190·904
Post Office Stores	@	<sup>s d</sup> 77/10½	= 24·927
Royal Orders and Decorations (per Garrard & Co.)	@	<sup>s d</sup> 77/10½	= 3,566·365
			Ozs. Std. 80,038·032
			=====

On gold becoming a free import (April 1919), these permits were discontinued, the last Dental and Pottery parcel being taken on 24th April 1919, and the last Ruby Glass on 23rd June 1919. The last permit for gold for Decorations was issued in May 1919.

CHAPTER VGOLD AND SILVER

GOLD

The events which led up to the consideration of the requirements of each Trade and the consequent arrangements made for rationing the Dental and Pottery Trades were the capture of the "Appam" in January 1916 and the subsequent withdrawals from the Bank of large quantities of gold for Trade purposes, £75,000 having been parted with by the middle of February. The West African Gold Agreement was not concluded until March and for some time there were no supplies of gold in the market. The Bank were openly threatened that if they refused bar gold sovereigns would be taken and melted.

TRADE SUPPLIES ETC.

At last, on the 26th September 1916 a Conference was held between representatives of the industries, the Board of Trade and the Bank, and in October the Board of Trade conjectured that the annual requirements of all the Trades in normal times were from £2/3,000,000. (About £2,000,000 was the figure for Trade and the Arts subsequently given by the Interim Report of the Committee on Currency and Foreign Exchanges, but this estimate took no account of melted coin.)

In September 1916 Mr. Austen Chamberlain had  
 Jewellery Trade estimated the total needs of the Jewellery Trade



CHAPTER VGOLD AND SILVER.

GOLD. alone at about £2,000,000 of gold per annum and suggested rationing dealers with 50% of this. The Board of Trade calculated the requirements at somewhat less, stating further that only £150,000 of the total gold used was for the Export Trade. TRADE SUPPLIES ETC

A suggestion was made by a Mr. Symonds of the London Chamber of Commerce that the Board of Trade should ration Jewellers with a fixed proportion of their average purchases over say, the previous three years, and that the heavier articles of manufacture should either be prohibited or that the quantity of gold in them should be reduced by say, one-third, an embargo being placed simultaneously on the importation of such wares as might be affected. He further proposed that a War Savings Association should be formed for the purpose of converting gold ornaments etc. into Savings Certificates. Lord Cunliffe considered a reduction of one-third in gold supplies quite inadequate. The furthest he was prepared to go, and then only under constraint, was to release £15,000 per month for the Arts, to be distributed by a competent body, at a price of 81<sup>s</sup>/- or 82<sup>s</sup>/- per ounce. The Deputy Governor\* had at one time considered it might be possible to licence Goldsmiths at a heavy price, but dropped the idea as tending to penalise small traders. All schemes for rationing the Trade were, however, finally abandoned and the Bank had their way and afforded

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\*Mr. Brien Cokayne.

CHAPTER VGOLD AND SILVER.

GOLD. the Jewellery Trade no assistance whatever,\* measures TRADE SUPPLIES ETC.  
 being taken in December 1916 to restrain the import of  
 jewellery of any description and of gold manufactured  
 or unmanufactured. Melting of coin had been pro-  
 hibited in the previous July.

Nevertheless throughout the War the Jewellery Trade managed by various methods, legitimate and otherwise, to get supplies sufficient to carry on with; they could afford to pay a high premium.†

After the Armistice Sir John Bradbury suggested the Bank might sell gold for the Arts at  $77/10\frac{1}{2}$ <sup>s d</sup> but only on production of a Treasury licence which should cost the applicant at the rate of £2 per ounce. But the Governor preferred to continue all existing restrictions until it was possible to set about the re-establishment of a free market. In spite of the general abolition of restrictions on gold imports in April 1919, the free importation of jewellery (and pen-nibs) continued to be prohibited, until (it is stated) 16th June; from this date until 1st September (when a general licence of the Board of Trade removed all restrictions) it is understood imports were permitted only under licence, licences, however, being readily granted.

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\*Note - No exception was made even in the case of wedding rings. It was flippantly argued on one occasion (by a Treasury Official) that although a scarcity of these might make marriage unpopular it would not make it impossible.

†The Bank received a good many articles of jewellery from people desirous of offering gold to the nation. Their practice was to send them to be melted by Johnson Matthey & Co., who gave a cheque for the value of the gold at 77/9 per oz. std. which was sent to the owner. As soon as sufficient gold had been accumulated to make a bar it was handed to the Bank.



CHAPTER VGOLD AND SILVER

GOLD

Although by the Proclamation dated 29th

TRADE SUPPLIES ETC.

September 1917 jewellery was, with all other articles, prevented from being exported to Sweden, Norway, Denmark and Holland, this restriction on jewellery "except solid articles of gold or silver" was withdrawn by Board of Trade Order of 18th December 1918.

The Swiss watch-making industry may perhaps be dealt with here instead of under the heading of Exports, since their need of gold had in part to be considered in connection with that of the Home Trade. Negotiations took place during the months May to October 1916, the National Bank of Switzerland asking for an allowance of £80,000 of gold per month, an application which was later supported by the Foreign Office in view of the political importance to the Allies of the friendly parts of Switzerland. The Swiss were unable to get gold from the United States of America as its passage through France was forbidden. The Bank did not agree with the arguments put before them and stated that a release of gold to Switzerland would be difficult to explain to France, from whom we were trying to extract gold which had been refused by them for this very purpose; moreover the Swiss had obtained gold from Germany and held sufficient to last to the end of 1916. The difficulty was eventually solved for some time by the withdrawal of £400,000 from the National Bank's gold set aside here.

CHAPTER VGOLD AND SILVER

GOLD                      The Allies were anxious to induce Switzerland      TRADE SUPPLIES ETC.  
to undertake not to re-export manufactured gold to enemy  
countries, but this request was refused.

The Swiss watch makers applied once more, in  
May 1919, for 400 lbs. a month, but were then refused on  
the ground that as the Bank would not supply the home  
industry they could not be expected to provide gold to  
assist Foreign Trade.

Pottery  
and  
Dental  
Trades      It was agreed on all sides that there was no  
case for any restriction in the case of the  
Dental Industry.      The position of the Pottery  
Trade, however, was contentious.      The Board of  
Trade estimated its needs at not more than £250,000 per  
annum, but later Johnson Matthey & Co. put the figure at a  
little over £150,000 only.      The case for supplying the  
industry was that the Export Trade could not be maintained  
without gold, and it was only to support the Foreign Trade  
that facilities were finally granted.      The Bank would have  
liked to let the Trade take its chance, but eventually  
agreed, in October and November 1916, to the Board of  
Trade's arrangements.      It had been originally proposed  
that the Trade Associations should deal with the gold  
released; but after interviewing Johnson Matthey & Co.,  
who stated that they were the sole manufacturers of



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GOLD. liquid gold, the only form of gold used in the Pottery TRADE SUPPLIES ETC. Trade, and alleged that they supplied the greater part of the Dental Trade also. the Board of Trade consented to accept affidavits from them as to the amounts required quarterly, reserving the right to admit other dealers to the same privilege. The Bank learnt of this concession too late to secure its cancellation, but they nevertheless represented that Johnson Matthey & Co. were not only refiners but importers. and expressed their disapproval of the supersession of the Associations. By January 1917 it had been agreed that the two Trades might receive at the rate of 7,500 ounces per quarter. The Board of Trade, furnished with affidavits by Johnson Matthey & Co., in turn certified to the Bank the amount that might be withdrawn.

For the first 8 months of 1917 the Bank released 16,100 fine ounces of gold under the Agreement, but it was alleged in a letter from the Board of Trade (16th October) that these supplies were far from sufficient for the needs of the combined Trades and that the rations had been supplemented largely from "external" or "home industry" gold. It was also said that very little of the liquid gold used in the Export Pottery Trade was drawn from the Bank because manufacturers were often uncertain when the gold was applied whether the ware would be disposed of in the home or foreign market.

CHAPTER VGOLD AND SILVER

GOLD The price of the "external" gold had now risen to 105<sup>s</sup>/-, TRADE SUPPLIES ETC. a figure which offered a strong inducement to melt coins. In the circumstances the Board suggested the abolition, in the case of Pottery, of the restriction of gold to the Export Trade; but Lord Cunliffe refused to agree to any such relaxation.

When in Spain at the beginning of 1918 Lord Cunliffe went over a Pottery near Seville, and was surprised to find that not only was there no lack of gold for the decoration of the ware then being manufactured but that the supplies came from England through Johnson Matthey & Co. In view of the fact that the Bank were permitting the industry to take gold from them solely in order to prevent our export trade from being captured by foreign countries, this clearly required explanation. Johnson Matthey & Co.'s defence, forwarded through the Board of Trade, was not considered satisfactory, and in March 1918 Lord Cunliffe expressed the opinion that the export of liquid gold in any form should be prohibited. Meanwhile Johnson Matthey & Co. had petitioned the Board of Trade and the Bank to increase the gold allowance for the year 1918 by 1,000 ounces per month. The Governor's view was that the allowance should not be increased but reduced. In the correspondence that ensued the Board of Trade showed some sympathy with Johnson Matthey & Co. while the Bank sought support from the Treasury. Pending a settlement the Bank had held up a supply of 3,000 ounces, and the



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GOLD. Dental Trade was reported to be much inconvenienced; TRADE SUPPLIES ETC.  
finally on the 12th April 1918 the export of liquid gold  
was prohibited - a prohibition which lasted just a year.

In November, however, the fact came to light that the War Trade Department had been allowing small amounts of liquid gold to be exported under licence "to enable British firms to maintain their trade connection" (a line of defence similar to that adopted by Johnson Matthey & Co.): of all such exports the Bank of course disapproved.

In January 1919 upon a complaint being made by the Federation of British Industries through the Board of Trade, the Treasury justified their policy to the latter by saying that the "prohibition was imposed . . . . largely in the interests of potters and that it was thought . . . . that these interests were of greater importance than the maintenance of the export market for liquid gold." To the Federation the Treasury replied that they could not withdraw the prohibition so long as British manufacturers were unable to get sufficient supplies. Johnson Matthey & Co. now contended (in March) that this was an unfounded allegation, that they themselves could supply the whole demand of English users, and that liquid gold was also being imported. They once more asked that the embargo on export should be removed so that the Export Trade

## CHAPTER V

GOLD AND SILVER.

GOLD. should not be captured by foreign countries and stated TRADE SUPPLIES ETC.  
 that the whole amount involved in their case was only  
 600 Kilos, or less than 4% of the gold supplied by their  
 firm to the Dental and Pottery Trades. A Conference  
 was held at the end of March and the Order in Council  
 dated 1st April, forbidding the export of gold coin and  
 bullion, at the same time removed gold leaf and liquid  
 gold from the list of prohibited articles.

Towards the end of April the Bank, with the  
 Treasury's consent, discontinued supplies.

Upon the passing of the Gold and Silver  
 (Export Control etc.) Act of 1920 the position of liquid  
 gold was raised by Johnson Matthey & Co. and the Treasury  
 gave a ruling that it was a wholly manufactured article  
 and could therefore continue to be exported without  
 licence.

In spite of suggestions that copper and other  
 Ruby substances would have equally good results the  
 Glass Admiralty decided that gold was essential to  
 the manufacture of this glass, which was required for the  
 lenses of ships' signals and similar articles used chiefly  
 by the Admiralty but also by the War Office. The needs  
 of the manufacturers were estimated at two ounces a week,  
 and at the request of the Ministry of Munitions the Bank  
 agreed in September 1916 to release gold at this rate.  
 Only 191 ozs. std. were withdrawn altogether, the price  
 paid being  $78\frac{s}{d}$  per oz.



## CHAPTER V

GOLD AND SILVER.

GOLD. In January 1917 Johnson and Sons made application TRADE SUPPLIES ETC.  
 Gold to the Board of Trade for an allowance of say.  
 Salts 200 ounces per month to be used in the manufacture  
 of gold chloride, gold cyanide, etc. A greater part of the  
 supply was wanted for photographic purposes and was to be  
 exported to India, China, etc., the home trade being compara-  
 tively unimportant. The Bank resisted the proposal. In  
 April a fresh application was made. The Bank then admitted  
 that photography for military purposes might have a claim on  
 gold supplies second only to that of dentistry, but desired  
 to be assured that gold was really necessary to photography.  
 The request of the Trade was again refused.

In August 1917 the Board of Trade were approached  
 Gold by the Manchester Chamber of Commerce, acting on  
 Thread behalf of five makers of Gold Thread, with the  
 proposal that some 1,500 ozs. of gold per quarter should be  
 released to these makers on their giving a statutory  
 declaration that the Thread made therewith would not be sold  
 to anyone but cotton manufacturers, and on the understanding  
 that the latter would use it solely for the purpose of plac-  
 ing it on cotton goods as headings. Such cotton goods were  
 for export to India, China, etc., and it was said that the  
 absence of gold headings would be fatal to the overseas  
 trade.

Lord Cunliffe, from his own experience as an ex-  
 porter and from enquiries he instituted among other exporters,

C.

CHAPTER VGOLD AND SILVER.

GOLD. was very doubtful as to the validity of this argument; TRADE SUPPLIES ETC.  
 he considered that it was not so much the shippers of  
 the goods as the manufacturers of the Thread who  
 feared a loss of trade. The correspondence with the  
 Bank continued until the end of the year. No gold  
 was released, and on the 9th July 1918 the Board of  
 Trade issued an Order restricting the use of Gold  
 Thread (except under licence) to the uniforms of His  
 Majesty's Forces. (This Order may be found on page  
 356 of the Defence of the Realm Manual, 6th edition).  
 It was cancelled by a Board of Trade Notice of 14th  
 March 1919. The Bank had objected in January to an  
 earlier cancellation.

Fountain  
 Pen  
 Industry

At the beginning of 1917 an agitation  
 commenced to secure the import of gold  
 pen-nibs to the extent of £1,000 a month.

The manufacture of the nibs was said to be a speciality  
 of New York though supplies were distributed through  
 Great Britain. Fountain Pen Manufacturers even offered  
 to deposit gold (old nibs or other gold) to a value  
 equal to that of the imports.

The Bank seem to have regarded the applica-  
 tion as one for the release of gold; they raised no  
 active objections provided the Board of Trade viewed  
 the proposals favourably. There the matter apparently  
 rested until August 1917, when Lord Cunliffe was alleged



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GOLD. to have given his consent orally to the principle of an allowance. In October, the Board of Trade estimated the requirements of the manufacturers of gold nibs in the United Kingdom as some 3,130 ounces a quarter; an allowance which the Bank (though accepting the figures without comment) regarded as altogether excessive in view of the fact that the use of fountain pens might be considered a luxury. The correspondence went on for some time, ending inconclusively. It appears from the correspondence and from enquiries made of the Board of Trade that eventually pen-nibs were admitted under ration. It is stated that this ration was as much as £80,000 per annum. On the whole the data available in connection with this subject seems to be confusing and unreliable.

A general licence of the Board of Trade permitted the free importation of these and all other articles as from 1st September 1919.

The Bank released altogether some 3,566 ozs. Insignia std. of gold for Orders, Decorations, etc., but did so very unwillingly. The first application (from the Board of Trade) was made in February 1917. On a second demand being made in April 1918 the Bank suggested the requisite gold should be acquired by melting down a part of the large supplies of gold articles in the country, but eventually again gave way.

CHAPTER VGOLD AND SILVER

GOLD A third demand and surrender occurred in January 1919. TRADE SUPPLIES ETC.  
 In addition to the amounts mentioned above the Bank  
 sold 360·771 ozs. std. to be used in the manufacture of  
 souvenirs which the King of the Belgians desired to  
 offer to certain members of our Forces.

An application from the Ministry of Munitions  
 in October 1916 for gold to gild War Service Badges was  
 successfully resisted.

The small amount of gold released under this  
 Post Office Stores heading was for use in making gold-silver  
 alloy in wire and sheet used in the Post  
 Office factories in the manufacture of electrical  
 instruments. The question came up in November 1917  
 and 1918.

Trade Price of Gold  
 after unpegging of American Exchange

A table follows showing the relationship  
 of the Trade price to the Export price from April  
 1919 to August 1921. A graph covering the same  
 period will be found in the pocket of the binding.



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## GOLD AND SILVER

GOLD

Price per fine oz. TRADE SUPPLIES ETC.

	Average Trade Price of Gold monthly*			Average Export Price of Gold monthly		
	1919	1920	1921	1919	1920	1921
	s d	s d	s d	s d	s d	s d
January		110/-	99/-		112/- $\frac{1}{4}$	109/11 $\frac{1}{2}$
February		118/-	96/6		122/- $\frac{3}{4}$	105/11 $\frac{3}{4}$
March		105/-	89/6		111/10 $\frac{1}{2}$	105/2 $\frac{3}{4}$
April	101/-	101/-	95/9 $\frac{9}{13}$		105/2	104/8 $\frac{1}{2}$
May	101/-	101/-	96/5 $\frac{13}{25}$		107/6 $\frac{3}{4}$	103/7 $\frac{1}{2}$
June	106/-	101/-	96/8 $\frac{1}{13}$		104/4 $\frac{1}{2}$	108/10 $\frac{1}{2}$
July	91/- <sup>+</sup>	103/-	102/2 $\frac{1}{13}$		106/5 $\frac{1}{2}$	112/10 $\frac{3}{4}$
August	96/-	110/6	105/-		114/2 $\frac{1}{4}$	112/6
September	96/-	111/-		98/9 $\frac{1}{2}$	117/- $\frac{1}{2}$	
October	96/-	111/-		98/6 $\frac{3}{4}$	118/2	
November	96/-	102/-		101/- $\frac{1}{2}$	119/1 $\frac{3}{4}$	
December	107/-	93/-		108/5 $\frac{1}{2}$	117/4 $\frac{1}{2}$	

## IMPORT, MELTING ETC.

Regulations made  
to restrict the import and melting etc. of gold  
and sale of coin above its face value

The problem of how to prevent melting  
arose as soon as the face value of  
the coin became less than the market  
value of the gold it contained; a  
state of affairs that arose after the capture of the  
"Appam"<sup>x</sup> on 15th January 1916, the West African gold  
having until then kept the market supplied. Bar  
gold and light gold at once began to be withdrawn,  
purchasers frankly stating that unless the Bank sold  
them supplies they would have recourse to melting

\*Supplied by Johnson Matthey & Co. to February 1921;  
thereafter by Bullion Office.

<sup>+</sup>This sudden drop was due to the raising by the U.S.A.  
of its embargo on gold exports - 9th June 1919.

<sup>x</sup>Vide West African Section below.

CHAPTER VGOLD AND SILVER.

GOLD.    sovereigns, the issue of which could not be refused.    TRADE SUPPLIES ETC.

In January 1916 the Treasury suggested that a Bill should be drafted to make the melting of sovereigns for any purpose illegal for the period of the War and six months afterwards, but they stated that it was open to question whether such a prohibition would be effective, since the Trade would be left free to buy and melt down gold bars: it might merely result therefore in promoting greater competition in the market for bars. To prohibit the melting of either bars or sovereigns without licence was apparently considered too difficult and too drastic.

The Bank replied that as there was but little bar gold in the market they would be content for the time being with the prohibition of melting sovereigns, but they urged that it would also be necessary to stop the import of foreign jewellery and of gold for the manufacture of jewellery, for which Goldsmiths could afford to pay a high price. As the importation of bullion could not well be absolutely forbidden in view of the desire of the Government and the Bank to maintain the appearance of a free market, it was suggested that all gold bullion entering the country should be sold to the Bank at  $77\frac{s}{9}$  with heavy penalties for disposing of it elsewhere.

A draft Bill somewhat on these lines was prepared in April 1916 but was not approved by the Bank, who considered it not comprehensive enough. because it did not cover the importation of manufactured gold and



## CHAPTER V

GOLD AND SILVER.

GOLD. gold with alloys, nor prohibit the melting of bar gold TRADE SUPPLIES ETC.  
and the defacing (as apart from the melting) of coins. C.  
After further drafts and delay, during which time, upon  
the refusal to sell gold, sovereigns were taken from  
the Bank for melting, a Regulation under D.O.R.A. was  
made, dated the 28th July 1916, as follows:-

Melting Regulation of 28th July 1916	"30E. A person shall not melt down, break "up, or use otherwise than as currency any "current gold coin, and if any person acts "in contravention of this Regulation
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"he shall be guilty of a summary offence against these  
"Regulations."

The penalty for the offence was to be not more than six  
months imprisonment with or without hard labour and/or  
a fine of £100. The Court had power to order confis-  
cation of goods in respect of which the offence was  
committed and to search premises.

Since no restriction was yet placed on the  
import of gold, we soon find this question again raised,  
Johnson Matthey & Co. proposing in September to import  
gold from neutrals, and in particular from the United  
States. The Treasury, at the instance of the Bank,  
stated that they could not countenance any such imports,  
which would have the effect of defeating the purposes  
of the existing restrictions in respect of sales by the  
Bank; while to another applicant, the Union Bank of

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GOLD. Manchester, they replied that having regard to the state of the exchanges, the import of gold from New York into this country would be directly contrary to the national interests. The Bank also tried to discourage the Board of Trade from permitting imports of gold from South Africa for the Jewellery Trade. TRADE SUPPLIES ETC.

In October 1916 the Bank were informed that hoarders were being tempted by the premium (stated to be <sup>s</sup> 1/- per sovereign about this time) to sell gold coin to the Jewellery Trade, and in the same month Thomas Cook & Co. drew attention to the amount of foreign currency available for melting, the Regulation of the 28th July being held not to cover foreign coin. The Bank advised the Treasury that the whole question could only be satisfactorily settled by passing a comprehensive Bill. However, in place of this, a Proclamation was issued on the 16th November forbidding the importation of manufactured gold and silver other than watches and watch cases, except under Board of Trade licence. But this was almost immediately cancelled by a further and more comprehensive Proclamation, dated the 5th December,

Import	which prohibited the importation of
Proclamation	"gold, manufactured* or unmanufactured,
of 5/12/16	including gold coin and articles

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\*The importation of jewellery, pen-nibs, etc., is dealt with in detail under the respective Trades.



CHAPTER VGOLD AND SILVER.

GOLD. consisting partly of or containing gold; all manufactures TRADE SUPPLIES ETC. of silver other than silver watches and watch cases;" and "jewellery of any description", except any such goods imported under licence granted by the Board of Trade, or "gold consigned for delivery at, and sale to, the Bank of England".\* On the following day the Melting Regulation was amended to cover foreign coin and now read as follows:-

New Melting  
Regulation  
6/12/16

30E. (A). "A person shall not melt down, "break up, or use otherwise than as currency "any gold coin which is for the time being "current in the United Kingdom or in any British posses- "sion or foreign country; and if any person acts in "contravention of this Regulation he shall be guilty of "a summary offence against these Regulations. If any "person contravenes or fails to comply with any direc- "tions in an Order made under this Regulation he shall "be guilty of a summary offence against these Regulations."

Allegations continued to be made that gold bullion and sovereigns were being sold by private firms. The Director of Public Prosecutions failed to obtain sufficient evidence for a prosecution, but was said to have frightened various parties engaged in this business. Applications also were made by Johnson Matthey & Co. and others for the exemption of special cases from the new

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\*Under this Proclamation the Bullion Dealers each gave the Bank an undertaking to return to them the whole of the gold contents of all consignments of which they took delivery at the Bullion Office.

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GOLD AND SILVER.

GOLD. Proclamation and Regulation, but without success. In TRADE SUPPLIES ETC. July 1917 Johnson Matthey & Co. and three other principal firms alleged that the smuggling and melting of coin was placing the legitimate trade here at a great disadvantage as compared with that of France and the United States of America, where no restrictions prevailed, but their representations failed to produce any effect on the Bank.

In November 1917 the Bank raised the question of the status of pre-Victorian gold coin under the Melting Regulation; since such coins were no longer current (by Proclamation 22/11./1890) they could apparently be dealt in legitimately at a premium. A similar doubt existed in the case of light coin. The Government's view (L. 15/2/18) was that the pre-Victorian coins were not covered but that their amount was negligible; light coin was also considered not current and therefore might be melted without infringement of the Regulation. As, however, sweating and other methods of making coin light were illegal either under the Coinage Offences Act 1861 or D.O.R.A. Regulations 30E and 48,\* and could readily be detected, it was proposed to take no further action.

In December the Chancellor of the Exchequer asked the Bank for evidence of the allegation made that sovereigns were being melted (Lord Cunliffe, letter 5/12/17). The Bank were unable to give many specific instances, their belief being based

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\*D.O.R.A. 48 made aiding and abetting an offence, itself an offence.



CHAPTER VGOLD AND SILVER.

GOLD. to a large extent on somewhat indefinite reports from TRADE SUPPLIES ETC.  
 Bankers, but mentioned that in the previous August and C.  
 September a sudden marked increase in the demands for  
 gold by Lascars had been noticed: the withdrawals,  
 from an average of about £500 per month, rising to over  
 £10,000 for September. Scotland Yard endeavoured to  
 discover the persons ultimately responsible but were  
 not successful. As the result apparently of their  
 efforts, however, withdrawals through this channel had  
 by December returned to the normal.

On 18th May 1918 a Regulation under  
 Sale  
 Regulation D.O.R.A. was made to prevent the sale of  
 18/5/18  
 British coins above their face value:-

30EE. (2) "Any person who sells or purchases, or offers  
 "to sell or purchase, any coin current in the United  
 "Kingdom for an amount exceeding the face value of the  
 "coin, or accepts or offers to accept any such coin in  
 "payment of a debt or otherwise for an amount exceeding  
 "its face value, shall be guilty of an offence against  
 "these Regulations."

No further special occurrences appear to call  
 for mention until shortly before the Armistice. A  
 proposal to import for refinement gold produced in Java  
 was then refused.

By December 1918 the pressure for the  
 Pressure for  
 relaxation of removal of restrictions had increased  
 restrictions  
 December 1918 but even in the case of an exchange of

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GOLD AND SILVER.

GOLD. diamonds for gold the Bank thought it better that no TRADE SUPPLIES ETC.  
licences should be issued, unless on condition that the  
gold when melted should be sold to the Bank of England.  
However, when in January 1919 Johnson Matthey & Co.  
wished to melt gold to be imported from Holland and  
elsewhere and to re-export it to the same country when  
refined, the Bank consented to a licence being granted  
for this transaction. The Board of Trade also desired  
to relax the restrictions in favour of some £20,000 of  
gold, contained in rolled gold sheet and wire from the  
United States of America, but in this case the Bank ex-  
pressed the fears of partial and preferential dealings,  
said that in any case it would be better that only bar  
gold should be admitted, and advised against permission  
being granted.

In March it was decided to permit  
Import of gold once more the unrestricted import  
bullion permitted  
and export pro- of gold bullion and a general  
hibited April 1919 licence for this purpose was  
published in the Board of Trade Journal at the beginning  
of April.\* The immediate effect was a decrease in the

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\*It is of interest to note that Mr. Justice Sankey gave a decision, on the 17th December 1919, affecting the validity of all Prohibition of Import Proclamations issued under the authority of the Customs Consolidation Act of 1876. re-enacting the Customs Act of 1853. He decided that the last named Act, passed expressly to give effect to a "Free Trade" policy, did not give the Crown power to reverse that policy by Proclamation, and that the issue of such a Proclamation was therefore ultra vires; he gave judgment accordingly in the case in question, which concerned Proclamation No. 32.



## CHAPTER V

GOLD AND SILVER

GOLD price of gold of about 10<sup>s</sup>/- per oz. As, however, it was decided at the same time to place an embargo on the export of gold, and it was not until September that supplies arrived from South Africa under the new Agreement, no gold was actually obtainable through the usual channels and the price rose again to about £6 per oz. at the end of June. TRADE SUPPLIES ETC.

The Imports Consultative Council, to whose decision the matter was left, secured, later in April, permission for the import also of all manufactured articles made of gold, with the exception of jewellery and pen-nibs,\* and as a result British manufacturers were for a time placed at a disadvantage. On being approached by the Treasury in July, however, the Bank expressed the view that as the export of gold from the United States of America without licence was now permitted (as from 9th June 1919) there should be little difficulty in securing adequate supplies. They referred also to the new South African Agreement. This was signed on the 24th July 1919; and was followed in the next month by the Rhodesian and West African Agreements. After the 9th September, when the first consignment of free gold arrived, there was no shortage of gold for trade purposes in the period under review.

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\* EXTRACT FROM THE BOARD OF TRADE JOURNAL  
Dated 24th April 1919  
IMPORT RESTRICTIONS  
Further relaxations

The President of the Board of Trade, after duly considering the recommendations of the Consultative Council on Imports, has given the following further directions in regard to Prohibitions of Imports:-

The restrictions on the importation of the following articles are to be removed:-

- (51) Rolled gold, sheet, wire and chain.
- (52) Gold manufactures (except jewellery and gold nibs).
- (53) Liquid gold.
- (54) Gold leaf.

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GOLD.

The Melting Regulation underwent alteration TRADE SUPPLIES ETC.  
 Melting Regulation altered 29/10/19 & 9/2/20 on two further occasions, silver coin being added by an Order in Council of 29th October 1919 and the prohibition of melting being modified by an Order dated 9th February 1920 to allow of permission being granted by Treasury licence. Finally the subject was dealt with under the Gold and Silver (Export Control &c.) Act 1920, which re-enacted the current prohibition and attached the penalty of a fine not exceeding £100, or imprisonment with or without hard labour for a term not exceeding two years, or both fine and imprisonment and, if directed by the Court, forfeiture of the articles in respect of which the offence was committed.

The Bank consistently opposed the granting of any licences for the melting of any gold coin: applications however were but few in number.

The "Sykes" Case.

In March 1919 the Bank received anonymous information that sovereigns in large quantities had been, and were being, sold and melted in the East End, as much as 28<sup>s</sup>/- per sovereign having been sometimes paid. The following firms were accused:- E. Korn & Sons, 67, High Street, Whitechapel; Feinmesser & Sons, 45, Whitechapel Road; and practically all the Black Lion Yard jewellers. Investigations were made by Scotland Yard but these



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GOLD. failed to produce any proof of guilt.

TRADE SUPPLIES ETC.

Meanwhile a man named Sykes, working on a good knowledge of the Bank Acts and of the Defence of the Realm Regulations, had since May 1918 been presenting Bank Notes at the Issue Office and receiving sovereigns in exchange. During the year 1918 he withdrew only £725; in the first seven months of 1919 he secured over £12,000 and during the remainder of that year no less than £85,350 was taken from the Bank. By the middle of January 1920 (when Sykes was arrested) the total of sovereigns received by him in exchange for Bank Notes was £111,125. It was obvious that he could not require the gold for any lawful purpose and the Bank took steps to ascertain how the sovereigns were ultimately disposed of. By an elaborate system of tracing the Notes presented by Sykes were found to have been issued in the first place principally to Joint Stock Banks in the ordinary course of business, and by them frequently to bullion brokers, manufacturing jewellers and firms engaged in allied trades. The following figured prominently in the investigations:- S.S. Abelson & Co., Johnson Matthey & Co., E. Korn & Sons, Schonberg, Feinmesser & Sons and Weinbaum.

Having obtained a fairly conclusive chain of evidence from the tracing of Bank Notes that the gold

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GOLD. withdrawn by Sykes eventually found its way through agents of his to Hatton Garden, the Bank called in the services of Arrow's Detective Agency. The movements of Sykes and his colleagues were shadowed until the case was ripe for the hands of the Metropolitan Police, and on the 15th January 1920 Sykes was arrested together with six of his agents, and they were brought up the following day at Bow Street Police Court. TRADE SUPPLIES ETC.

The accused were charged before Sir John Dickinson with committing acts preparatory to the commission of a breach of D.O.R.A. Regulation 30 (E), the prosecution being carried out on behalf of the Crown by the Director of Public Prosecutions. After very prolonged proceedings a conviction was secured, on 5th March. The maximum sentence was, with one exception, passed upon each of the accused, viz., six months imprisonment in the second division, together with payment of £100 costs each and further, as to two persons, the confiscation of gold amounting to £3,300 found in their possession. The exception was that of a woman who was bound over in the sum of £100 for a year.

Appeals against the sentences were heard some two months later before Mr. A. J. Lawrie, Deputy Chairman of the Clerkenwell Sessions, and the sentences were reduced by him to a fine of £100 in each case, possibly owing to the advanced age of most of the prisoners, the intervening suicide of one, and the months already spent over the trial.



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GOLD.                      Suspicion of complicity rested on the bullion TRADE SUPPLIES ETC.  
brokers, jewellers, etc., concerned in the case, but  
proof was wanting.    The position of Johnson Matthey &  
Co., however, as melters to the Bank led to special  
consideration being given to their case.    The firm had  
bought large amounts of gold from accomplices of Sykes.  
In general they protested their ignorance of the  
provenance of the gold offered them but the impression  
left on the Bank was that if Johnson Matthey & Co.'s  
bona fides was not to be called in question they could  
not escape the alternative imputation of a negligence  
far from creditable in a firm of their standing.    The  
whole question was placed before the Bank's Solicitors  
in March 1920 but it was thought impossible to take any  
steps beyond asking the firm for an explanation.  
Correspondence and interviews ensued and ended in July  
with an apology from the Chairman, expressed in general  
terms, together with a promise that greater care would  
be taken in future.

CHAPTER V

GOLD AND SILVER

EXPORT

Concerning Laws "restraining the Exportation of Bullion  
of Gold and Silver".

"....What severe Laws have we had in England  
"of this kind, and have but lately got clear of any of  
"them, and the Money-Changers have still saved the far  
"best half of their Game; ...and put the Loss and Risque  
"as well as their Gain thereby to the Account of the  
"Nation: They have now set the Market and the Mint at  
"variance, and so what Money is coined when Bullion is  
"low, must be melted again when Bullion is high: to be  
"exported, or sold at home for a better Price."

("Some Observations upon the Bank of England",  
1695.)



CHAPTER VGOLD AND SILVER

## GOLD

## EXPORT

From the beginning of the War the Bank were very averse from appearing to do anything which could be represented as an interference with the freedom of this country's gold market, to the maintenance of which before the public they attached the highest importance (vide letter to Treasury 24th March 1915, written when allegations were being made by France that Germany was withdrawing gold supplies, via Holland, from the United Kingdom\*). Although the Foreign Office and the Board of Trade made one or two suggestions in an opposite sense (in 1916 and 1917) the Treasury concurred in the Bank's view, and no direct general prohibition of export, except in the matter of gold leaf, gold liquid and gold paint, was imposed<sup>+</sup> until the Spring of 1919, when the existing restraints, informal and otherwise, were no longer sufficient.

Between August 1914 and the end of July 1915 there was a large internal absorption of gold, the Bank of England losing nearly £22,000,000. This was to some extent due to the fact that Woolwich Arsenal, the Dockyards at Portsmouth and Devonport, the torpedo works at

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\*In the House of Commons, 17th May 1915, it was suggested that the Bank of England by cashing the Notes of Belgian refugees in sovereigns ("some 10,000 sovereigns weekly") had facilitated the efforts of German Agents. In reply it was not denied that some such export had taken place but it was said measures had been taken to diminish the evil. (Vide also National Bank of Belgium in Chapter on "Central Banking and Central Banks").

<sup>+</sup>In 1914 Enemy Aliens leaving the country were examined by Aliens Officers and the Police and the practice was adopted of not allowing them to take any considerable quantity of English gold out of the country; indeed in December it appears they were limited to £1 gold. Allied Aliens, however, were not so restricted.

## CHAPTER V

GOLD AND SILVER.

GOLD. Gourouk and other Government establishments were receiving EXPORT wages in gold, a practice of which Lord Cunliffe complained to Sir John Bradbury on 22nd April 1915. It was alleged that Woolwich alone accounted for £80/90,000 a week. Later it was found that other contractors (to the Ministry of Munitions) were paying wages in gold, and apparently it was not until near the end of 1915 that this wastage was stopped. It was feared that some of the gold was hoarded and some exported.

In December 1915 we find the Treasury defining the situation in a letter to a London Bank: "there is no general prohibition of the export of gold from this country. But gold like other articles is subject to Acts and Regulations relating to Trading with the Enemy and it is incumbent on the exporter to satisfy himself that no infringement of those Acts and Regulations is involved in any particular shipment." Gold was, in short, conditional contraband. The general policy of the Bank and Government was not to forbid the export of gold but to make it as difficult as possible to obtain.<sup>+</sup> In the case of exports to Holland the gold had to be consigned to the Nederlands Overseas Trust.

After 1915 Board of Customs & Excise and the Board of Trade were not permitted to publish any particulars of gold exports although their total value was given.\* These

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\*Instructions from Sir John Bradbury to Commissioners of Customs & Excise L. 9/9/1916 (vide C.C.O. Genl. Corresp. 493)

<sup>+</sup>e.g. About February 1917 the Siamese Government attempted to withdraw £150,000 gold against Notes but were eventually dissuaded. (C. C. O. 490)



## CHAPTER V

GOLD AND SILVER

GOLD figures however, together with the Returns for 1915, EXPORT  
are most misleading, as Government shipments are  
excluded therefrom.\*

In the Spring of 1916, when the demand for gold became persistent, the Cornhill Committee seem to have negotiated with the Banks in order to prevent, as far as possible, any export of gold from this country, and similar steps were evidently taken to prevent Underwriters engaging in this class of business. Thus, according to the Government War Risks Office the insurance of gold without special permission from the Board of Trade was prohibited in May. Lloyds issued a notification dated 16th June 1916 in respect of shipments of gold to Spain.

Except in the case of the rationed trades, particulars of gold exports did not usually come before the Bank's notice, and when in September 1917 a Proclamation was issued, taking effect from the 8th October, prohibiting the export, except under licence of the War Trade Department, of all goods to Norway,

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\*It may be mentioned here that on the 2nd August 1916 the Bank of England discontinued its practice of publishing the daily movements of gold at the close of each day's business. The Bankers' Magazine commented on this change as follows:-

"Since the outbreak of war these statements have had "to be 'censored' to some extent, in order, at first, to "avoid giving indications that would suggest that any particular ship's cargo was likely to be of more than usual "value, and more lately it has been found inadvisable to "give even an idea that bullion was moving to a particular "quarter at all, and so details as to exports have been "withheld. The weekly notification in the 'London Gazette' "of the imports and exports of bullion passing through "the Customs has also been discontinued."

The totals appeared in the Quarterly Returns of the Board of Trade, but particulars were not again published in the Gazette until July 1919, the Bank being anxious to bring back their gold from abroad before the statement was resumed.

## CHAPTER V

GOLD AND SILVER

GOLD Sweden, Denmark and Holland, no applications to export EXPORT  
gold appear to have been made to the Bank, although the Treasury had arranged that licences should be granted in the case of gold coin and silver coin and bullion if certified by the Bank of England as being exports necessary in the national interests. In effect therefore this Proclamation was to debar the export of gold (and silver) to the four countries named only if the metals took the form of manufactured articles. So far as jewellery was concerned, a later Order, dated 18th December 1918, removed from the operation of the embargo imitation jewellery and "jewellery real, mounted with precious stones, except solid articles of gold or silver and except articles containing platinum."

Thus, during hostilities the export of gold was officially permitted, except for enemy benefit, though but small supplies were released; and imports were restricted. After the Armistice the Bank's policy was to re-establish London to the greatest extent possible in the position it formerly held as a gold market. The embargo on imports was removed; but the question of exports remained one full of difficulty. A more definite control was now necessary until the country should be ready to return to a gold standard; yet it was important that London should not lose the prestige and profit derived from the refining and marketing of the world's main gold supplies, and in particular the output of the South African mines. Moreover, since in exchange for the facilities given to the mines the Agreements exacted certain conditions, it was necessary that other exporters should not be placed in as favourable position, - still



CHAPTER VGOLD AND SILVER

GOLD less in a more favourable one. The first step taken was EXPORT the issuance of an Order in Council dated 1st April 1919 prohibiting the export of "gold, coin and bullion".\* Neither this Order in Council nor any of the Orders and Proclamations which it superseded mention that the prohibition was not so absolute as to exclude Board of Trade licences; though in the Act of 1920 and Proclamation of 7th February 1921 this exception was expressly referred to.

As soon as this Order in Council of April 1919 was issued it became necessary to formulate a policy to govern the granting of licences; and as several different classes of exports are involved it will be convenient to divide the subject into the following groups:-

- (1) Re-export of casual imports of bullion and coin ("contract" gold exports are dealt with under "Gold Abroad")
- (2) Re-export of by-product gold derived from jewellers' sweep, auriferous ores, silver, lead, etc.
- (3) "Trade" exports. Wholly manufactured articles; gold leaf, gold liquid and gold paint.
- (4) Miscellaneous.
- (5) Gold and Silver (Export Control etc.) Act, and Proclamation, and position thereunder.

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\*That is, from Great Britain. The Dominions and Colonies made such arrangements as seemed best to them or to the Colonial Office.

It is of interest to note that on the 20th March 1919 the London Exchange Committee recommended that, if restriction were considered absolutely necessary, exports should require a Government licence and that withdrawals of gold from the Bank of England should only be made subject to the approval of the Governors.

## CHAPTER V

GOLD AND SILVER.GOLD. 1. Casual re-exports of gold other than "sweep."

EXPORT

The re-export question was first raised in July 1919 and the Bank informed the Treasury (letter 29/7/19) that they saw "no harm in permitting re-export to any country either of gold shipped from abroad on through Bill of Lading (via England) to such country. or of gold for which a specific re-export licence to such country (within 15 days of its arrival in England) has been obtained before shipment from the port of origin." At the same time the Bank recommended that a certain consignment of gold on its way here from the United States of America for Trade purposes should not be given a licence for repatriation (a concession asked for by S. Montagu & Co.)

The Bank continued to recommend (for Mocatta & Goldsmid) various parcels of gold for re-export sometimes in the form in which they arrived, sometimes not, until February 1920, when in view of the Bank's readiness to enter into further Agreements similar to the South African etc., it was felt to be unreasonable that casual imports, especially from gold producing countries, should receive the same facilities as those coming under the Agreements: in this month the Treasury appears to have reiterated to the Board of Trade their instructions that only jewellers' sweep (q.v.) should be licensed. The Governor fully explained the Bank's objection to the



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GOLD. re-export of casual gold shipments in a letter to Mr. EXPORT  
Blackett on 5th May 1920:-

"There are I think three reasons at least against the policy for issuing such licences or of making any promise to consider the question of doing so, viz:-

- (1) From enquiries made by us it appears to be impossible to exercise any effective control over gold exported under licence or to marry imports and re-exports with any accuracy.....
- (2) The less we grant export licences for casual shipments the sooner in my opinion will gold be sent here for credit and the more should our trade improve. The granting of such licences would tend to help American trade more than our own. This applies especially I think to Northern Europe.
- (3) Had casual licences been allowed it would have been impossible to make contracts with South and West Africa and the Congo for the shipment to this country of the whole of their output ..... and any change in policy would go far to influence the producers to terminate these contracts.

The only alternative to our present policy is suspension of specie payments and the free import and export of gold, and I do not think that

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GOLD. psychologically we ought to face that course at the present time.

EXPORT

What we require and have thus far secured is a regular and large supply of gold for free sale in this market: I suggest that any change of policy would tend to jeopardise that and would secure at best a small uncertain and irregular supply."

Notwithstanding the Treasury's directions the Board of Trade seem to have extended their licences to imported gold generally, a matter which came to the Bank's notice in May and June and was the subject of a very strong remonstrance addressed to the Board by the Treasury\*, who requested that in future licences should be confined to cases supported in writing by the Bank of England (or Treasury) and to jewellers' sweep. During some months therefore the policy pursued by the Board of Trade had been at variance with that adopted by the Treasury and Bank, with the result that those who had approached the Bank or Treasury first were placed at a disadvantage. S. Montagu & Co. were alleged to have benefited by this state of affairs.

In July Mocatta & Goldsmid brought up specifically the question of gold imported on a through Bill of Lading, and before replying the Bank referred to the Board of Customs and Excise who wrote as follows -  
(13/7/20)

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\*Correspondence with Treasury in C. C. P. 71 D. fo. 164 & 167.



CHAPTER VGOLD AND SILVER.

GOLD. "gold consigned on a through Bill of Lading may be EXPORT  
transhipped in this country without licence, provided  
it is entered as 'in transit'.

Temporary landing for transfer from one ship  
or port to another in Customs charge does not involve  
the requirement of a licence provided this condition is  
complied with.

If, however, the gold is entered as an  
importation a licence is required before it may be re-  
exported."

In order that a stricter supervision might be  
maintained and re-exports confined to "contract" gold,  
a fresh arrangement was made in July 1920, whereby all  
applicants for export licences in respect of gold  
purchased in the market had to supply the Bank with a  
form giving full particulars of the desired export.  
Weekly returns of gold shipments were also furnished  
from the beginning of this month by Mocatta & Goldsmid,  
the Customs having provided weekly returns from April.

In concluding this section it may be of  
interest to reproduce some comments made by Mocatta &  
Goldsmid in their Annual Circular for 1920.

"During the early months of the year, licences  
for re-export were frequently obtainable for gold  
imported from various parts of the continent and else-  
where, but these facilities have not been obtainable

CHAPTER VGOLD AND SILVER.

GOLD. for many months now, and this tends to drive away a certain amount of business from the London market to New York.

EXPORT

In this connection, we would especially mention that the Indian Bazaars, who are accustomed to do practically all their bullion business in the London market, have been wanting to ship gold to this market and we have been obliged to inform them that it cannot be sold here, but must be shipped to New York. It will be observed that these restrictions are not especially directed against gold which might have a Soviet origin. Had this been the object, it could have been achieved by requiring certificates of origin in regard to gold imported from countries more or less contiguous to Russia, as is done by the United States Treasury before they will purchase gold from those countries.

Owing, however, to the reputation of London as the best market for gold, considerable amounts have been sent here in addition to some gold of possible Russian origin. As no licences could be obtained to export this gold, the only outlet for it, other than the Bank of England, was for industrial purposes and, the supply being in excess of the demand, the price gradually fell, business being done in December between 90<sup>s</sup>/- and 100<sup>s</sup>/- per ounce fine."



## CHAPTER V

GOLD AND SILVER

GOLD 2. Re-export of "by product" gold derived from EXPORT  
Jewellers' sweep, auriferous ores, silver and lead &c.

The question of jewellers' sweep came up in February 1919 in connection with re-export, and it was represented to the Government by the Board of Trade that before the War this country had carried on a considerable trade in refining sweep, slags, etc., which would be lost if licences were not granted for the export of the refined products. By mid-April the Bank and Treasury had agreed that the Board of Trade might grant licences for jewellers' sweep provided that the licence should be "only valid for 28 days from the date on which it was given" and "must be for a quantity not exceeding the gold imported by the applicant in the previous 28 days." The restriction of these facilities to jewellers' sweep was specially requested by the Bank, who feared miners' sweep, slags, etc., might be included. Other sweeps continued to be dealt with tentatively and on the merits of each particular case.

In June 1920, after the Treasury had remonstrated with the Board of Trade on the manner in which they had been granting licences, the Board asked the Treasury whether they "would agree that the certificate rendered in respect of jewellers' gold sweep imported into this country should refer to the import during the

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GOLD. 28 days prior to date of application for export licence EXPORT  
and not to the 28 days prior to the date of exportation."  
The argument put forward by the Trade was that though  
28 days was ample time for refining sweeps from bullion  
or gold bars it was insufficient for jewellers' sweep,  
which contained a large proportion of dirt and but little  
gold. The Treasury refused to enlarge the Regulation.

The position was aggravated by a falling off  
in the home trade, which had previously offered a price  
closely approximating to the export value of gold, and  
stocks of unlicensed gold estimated at £125,000 had  
accumulated. The Board of Trade continued to remon-  
strate, and the Bank instituted an enquiry into the  
whole question interviewing representatives of the lead-  
ing firms of smelters and refiners. The Bank would  
have liked to see the scheme include an arrangement for  
fixing the price of gold not available for export at a  
price which would render the melting of gold coin for  
the home trade unremunerative, but this was not con-  
sidered practicable. On 14th October a scheme jointly  
concerted by the smelters, refiners and the Bank and  
approved by the Treasury was brought into operation by  
the Board of Trade. This scheme was as follows -

Class "A" - To cover all gold obtained from  
"sweeps" and auriferous ores.

The Bank to be furnished in respect of each  
parcel of gold with a certificate or affidavit from the



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GOLD. approved firm of smelters and refiners who have dealt EXPORT  
with the parcel, such certificate or affidavit with Bill  
of Lading attached to give the name of the consignor with  
particulars of any instructions given by him regarding  
the disposal of the gold, the name of the ship on which  
the relative "sweep" or ore arrived, and full details of  
the consignment such as number of packages, weight of  
material, gold contents and date of clearance from Customs.

The following firms of smelters and refiners to  
constitute the approved list -

Johnson Matthey & Co.

Johnson & Sons

Sheffield Smelting Co.

Lees & Sanders

J. Betts & Sons.

It was to be understood that no information  
regarding transactions of this Class was to be disclosed  
by the Bank of England to any person connected with the  
bullion trade.

Class "B" - To cover all gold contents of silver  
and lead imported by desilverisers.

The importers to supply Rothschilds, Johnson  
Matthey & Co. or Johnson & Sons with copies of the Bills  
of Lading of each consignment and relative Assay Certifi-  
cates as evidence of the gold contents, together with  
particulars of any instructions received from the  
consignors regarding the disposal of the gold, and the

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GOLD. firms named to furnish the Bank of England with an affidavit setting forth the nature, circumstances, date, etc., of each importation. EXPORT

Export of gold derived under  
Classes "A" and "B".

Where the gold was to be exported to a particular destination named by the consignor, the refined gold to be delivered to the Bank of England, who on receipt and approval of the documents specified above would pack and despatch it in accordance with the instructions furnished by the consignor. No payment to be made to the Bank for their services other than the actual amount of out-of-pocket expenses incurred by them in despatching the gold.

Where the gold was to be sold in the market, whether for export or to the Trade, the refined gold to be delivered to Rothschilds to be realised by them to the best advantage. If sold for export, the gold to be packed and despatched by Rothschilds, for the issue to whom of the requisite licence arrangements would be made by the Bank of England after receipt and approval by them of the documents specified above.

All gold exported to be despatched within 60 days from the date on which the relative import was cleared from Customs.



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GOLD. Except as above stated no export licences to be EXPORT  
issued

The above arrangement to be subject to termination at two months' notice on either side.

Mocatta & Goldsmid took exception to the scheme on the ground that 60 days was insufficient, stating that 90 days was a more reasonable period. They also objected to Rothschilds having the monopoly under the scheme; no alteration however was made.

3. "Trade" exports etc.

These are dealt with in detail under the "Dental and Pottery Trades", "Jewellery Trade", etc. There seems never to have been any intention to restrict the exportation of wholly manufactured gold articles (unless in conjunction with all other articles) with the exception of gold leaf, gold liquid and gold paint. Gold liquid, however, has since been defined by the Treasury (15/2/21 C.C.O.493/87) as a wholly manufactured article. It may be well to recapitulate here the Orders in Council affecting these -

- 10th May 1916 Export of gold leaf to all destinations prohibited.
- 10th May 1917 Export of gold leaf to all destinations prohibited: also gold paint to non-Allied European countries and Russian Baltic ports.

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GOLD.	12th April 1918	Absolute prohibition of export of " <u>gold liquid</u> .... and all other pigments containing gold".	EXPORT
	1st April 1919	" <u>Gold leaf and liquid</u> ": export permitted.	

4. MiscellaneousLeakage of coin through post and ports.

In September 1920 the case of an American quack doctor, who had circularised his English clients suggesting they should remit by posting gold coins in registered envelopes, called the Bank's and the Treasury's attention to a leakage possibly large enough to warrant the special care of the Post Office; and in October the Bank's Liverpool Branch were offered £1,000 of American Eagles by some Shipping Agents, who stated that they usually disposed of such coins "by selling through ships leaving this port for the States" ( at a figure near the export price). The firm had acted in good faith and were supposed to have discontinued their practice; and the Customs Authorities, to whose notice this matter was brought, thought the amount of gold coin passing out of the country in this way was negligible, and that no further efforts on their part to stop it were possible.

5. The Gold and Silver (Export Control &c.) Act  
December 1920.

Owing to the fact that upon the ratification of



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GOLD. the Hungarian and Turkish Treaties the official date EXPORT  
for the termination of the War would have to be fixed,  
after which the existing powers of control would cease,  
it became necessary to pass a Bill to restrain the  
export and melting etc. of gold and silver.

The Bill took power to prohibit the export, except under licence, of gold and silver coin and bullion, and defined "bullion" as including "gold or silver partly manufactured." In the first draft the definition included also "any mixture or alloy containing not less than 50% of gold or silver." The absence of statutory definitions of bullion and of "partly manufactured" was found unsatisfactory by the Bank and subsequently by the House of Commons, but the Treasury contended that "a Court should have no difficulty in interpreting these phrases." The Bank thought the permission to export alloys containing as much as 50% gold would be going much too far and would encourage melting and the export of hitherto unlicensed gold: the mention of any percentage was therefore dropped out. There was no intention to prevent the export of wholly manufactured articles.

The next difficulty was to guard against any possible misrepresentation in South Africa, it being feared that the producers would regard the Bill as an attempt by Parliament to obtain power to override their Agreement made with the Bank as distinct from the

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GOLD. Government. A special clause to cover any possible objections on this head was introduced into the Bill, which became law on 23rd December 1920.

EXPORT

This Bill covered export and melting, but required a Proclamation to give effect to the export provisions. The Proclamation was issued on the 7th February 1921 and took full advantage of the powers conferred by the Bill except in regard to silver bullion, the export of which it did not forbid.

The position with regard to gold exports thenceforward became as follows -

1. Neither gold coin nor gold bullion might be exported without a Board of Trade licence, but "contract" gold produced within the Empire was specially safeguarded from interference.
2. All wholly manufactured gold articles might be exported without licence.
3. Partly manufactured gold and any mixture or alloy containing gold could not be exported without licence.

Licences would be granted to certain sweep and alloys fulfilling prescribed conditions. Other non-"contract" re-exports, i.e., re-export of casual imports, were not ordinarily to be permitted.

The chief difficulties that remained were to determine from time to time as occasion arose:-





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## GOLD

## RESTRICTION OF CERTAIN GOLD SHIPMENTS

Gold shipments between Neutrals:  
endeavours to prevent Banks and British Shipping  
and Insurance Companies from taking part .

The endeavours of the British Government and the Bank of England to exercise some sort of control in connection with the shipment of gold between neutral countries had two objects. As regards the country of receipt, if that country were in Europe, the desire was to ensure as far as possible that no enemy nation should benefit. The country from which shipments were made was in nearly every instance the United States (or Cuba) and the Bank's objection consisted in the fact that such exports would pro tanto neutralise Great Britain's efforts to maintain the American exchange, the greater part of the gold leaving the United States having to be made good from London. The principal shipments which the Bank endeavoured to restrain were those to Holland and to Spain. These and certain other transactions are dealt with separately below. There were also at various times shipments from the United States to the East and to South America. The movements to the East were, in part, arranged through Indian and other Banks in London: by



CHAPTER VGOLD AND SILVERGOLD                    RESTRICTION OF CERTAIN GOLD SHIPMENTS

October 1916\* the Bank claimed that they had succeeded in stopping them.

The Bank's restraint upon Bankers consisted either of direct persuasion, or was exercised through the Cornhill Committee or the Ministry of Blockade. The latter, acting upon the Bank's request supported by the Cornhill Committee, circulated the Banks on the subject in August 1916. A year later, however, the Ministry withdrew the directions contained in this notice.

To put pressure on Bankers alone was found to be insufficient and it was felt necessary to adopt further measures. In June 1916 the Governor had expressed a hope that a regulation would be made preventing concerns here from undertaking Arbitrage transactions in the exchanges of neutral countries, and in the Summer and Autumn of 1916 the question arose whether and if so what steps should be taken to prevent British Shipping and Insurance Companies from taking part in these shipments of gold between neutrals. The Cornhill Committee appear to have approached the Insurance Companies and Underwriters, and on the 3rd August 1916 Lloyds notified Underwriters that they must not insure shipments of gold from the United States of America to Spain.

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\*The United States Treasury appear to have issued a notice about this time stating that it was undesirable that any Bank doing business in Great Britain should facilitate shipments of gold from Great Britain or from the United States of America or Canada to any part of the world. This intimation was not, it seems, sufficient to put an end to the shipments from the United States to South America. (vide C.C.P. 71B 32)

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In October the London Exchange Committee urged the Treasury to take steps to restrain the Shipping Companies and in November the Banks, at the instance of the Cornhill Committee, asked the Treasury to issue precise instructions to the Insurance Companies and to Lloyds requesting them to refrain from this class of business, and to advise their foreign correspondents to do likewise, except under special permission.

With regard to shipping the Treasury did not think it expedient to adopt the London Exchange Committee's suggestion, and as regards insurance they were at first unwilling to take action, on the grounds that:

- (a) prohibition would only hamper gold movements to a limited extent:
- (b) profitable business would be transferred to neutral firms, which would tend to turn the foreign exchanges still further against this country:
- (c) the benefit to the exchange between this country and the country of export would be partly offset by damage to the exchange between this country and the country of import.

To these three points the London Exchange Committee replied that without the participation of British firms



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only a limited amount of underwriting of gold could be effected: the second objection was regarded as negligible and with regard to the third, they considered the American exchange paramount.

On the 27th December, accordingly, the Board of Trade issued to British Insurance Companies and Underwriters a circular to the required effect;\* on the 16th December Lloyds had given notice that no neutral shipments were to be insured. But on account of representations from the Foreign Office the Treasury decided to take no action with regard to the Shipping Companies, especially as the withdrawal of British shipping from the inter-neutral traffic was becoming more and more complete.

In March 1917 the Institute of London Underwriters protested against the embargo laid upon them, but the Treasury, backed up by the London Exchange Committee, who pointed out that Bankers and bullion dealers also suffered, refused to remove it. At the beginning of April, however, in view of representations made by the Secretary of the American Treasury respecting shipments from the United States to the Argentine, the restrictions were removed, in spite of a protest from Lord Cunliffe,

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\*It was understood that the Board of Trade asked the French Authorities to take similar action, and in support of the policy Lord Cunliffe wrote to the Governor of the Bank of France on 29th December 1916. The action taken as regards Great Britain was not considered nearly drastic enough by the Exchange Committee (vide their letter of 2.1.1917 to Treasury).



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## GOLD                      RESTRICTION OF CERTAIN GOLD SHIPMENTS

who stated incidentally that he feared the main object of the particular shipments to the Argentine referred to might be to cover enemy transfers thither, either for safety's sake or for the purchase and storage of merchandise.

The matter did not end here, for in August the London Exchange Committee drafted a telegram which Lord Cunliffe persuaded the Treasury to send to Sir Hardman Lever in America. The terms of this telegram, sent the 21st August 1917, were as follows:-

"From conversation with Lord Cunliffe we learn  
"that before he left America he discussed very fully with  
"Mr. McAdoo and the Federal Reserve Board the question of  
"preventing so far as possible shipment and insurance of  
"Gold from United States of America without directly pro-  
"hibiting such business. We understand that both were  
"very much in favour of this policy and agreed that while  
"the business must not be definitely prohibited yet it  
"should be made known that it is against the public  
"interest to take part in such shipment and that Banks  
"Insurance Companies and Shippers should be dissuaded  
"from taking part in the export of Gold. It was thought  
"that the adoption of this course would with little doubt  
"have the desired effect and Lord Cunliffe states that he  
"promised to take up the question with us on his return to



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"England.    The policy outlined above has been adopted  
"by the Bank of England with good effect here up to the  
"present and the Bank of England wish of course to act  
"in the matter as the British and United States Govern-  
"ments may desire.    The question is one upon which it  
"is essential that our Government and that of the United  
"States should be in accord and we are particularly  
"anxious therefore that there should be no misunderstanding  
"in the matter.    Please take the question up again with  
"Mr. McAdoo and cable whether he wishes us to facilitate or  
"to discourage the shipment and insurance of Gold from the  
"United States of America to other countries."

Added by Chancellor of the Exchequer.

"Of course you understand that I should be  
"reluctant to impose disabilities on our Banks and In-  
"surance Companies unless similar disabilities are imposed  
"in the United States."

This move was very successful for the Government of the United States prohibited as from the 10th September 1917 all export of coin, bullion and currency from the United States or its territorial possessions except under licence to be issued by the Federal Reserve Board under directions from the Secretary of the United States Treasury. The Government further caused it to be understood that licences would only be issued in favour of exports to countries where there was a trade balance against the United States necessitating such export.



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## GOLD

## RESTRICTION OF CERTAIN GOLD SHIPMENTS

The British Government thereupon asked the Bankers' Clearing House to notify all Bankers in the United Kingdom, and themselves informed Shippers and Underwriters, that evidence that a licence had been obtained should be required before any facilities were granted by them.

Shipments to Holland

The Bank were inclined to take exception to the shipment of gold from the United States to Holland, partly because of its effect on the sterling-dollar exchange and also because fear was entertained that the gold might ultimately reach the Reichsbank, or that enemy countries might benefit in some other manner. It was in 1915 and 1916 that this question was most to the fore. On the 20th November 1915, the Bank wrote to the Foreign Office that it was important to discourage as far as possible all such movements of gold. A flow of gold to Holland from America was, nevertheless, at this time, natural because the exchange was considerably in favour of the former country, and the Bank conceded that it was better, because more expensive, that gold should reach Holland via the United States rather than come direct from this country (whence it also tended to be exported to Holland), as it would take a still lower exchange to move the metal in that indirect fashion than to move it direct.\*

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\*L. 17/11/15 from Deputy Governor to Foreign Office.



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Among other bodies before whom consideration of the question came was the Contraband Committee, who apparently, in default of precise data, were inclined, towards the end of 1915, to permit entire freedom to the traffic. By the 17th January 1916, the Bank seem to have further relaxed their opposition, since Samuel Montagu & Co. were informed that gold might then be shipped from the United States to Holland provided that it was made absolutely clear that no enemy would benefit. And when, in March 1916,\* shipments from the Guaranty Trust Company, United States of America to Amsterdam of \$1,500,000 took place and the French Ambassador raised the question of their legitimacy through the British Foreign Office, the Bank said that the matter was not one in which either they or the London Exchange Committee could intervene.

The Foreign Office were disturbed in this month at the existence of gold "set aside" in New York at the

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\*About this time the American Government asked that an assurance might be given that gold sent to Holland by American citizens in payment for diamonds purchased there would not be seized. The Bank, commenting on this request, pointed out that the Dutch trade in diamonds, unless effectively controlled, provided an easy channel of leakage for the benefit of the enemy, and that the trade should be entirely in the hands of a Committee which had been established in Amsterdam for this purpose under the auspices of the British Government.



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## GOLD AND SILVER

## GOLD RESTRICTION OF CERTAIN GOLD SHIPMENTS

Federal Reserve Bank for the Netherlands Overseas Trust\* and by transactions there on account of certain suspect Dutch Houses. The Foreign Office were negotiating with the Netherlands Overseas Trust with a view to the latter regulating, inter alia, gold shipments from New York to Holland, and the Bank were asked their opinion. Lord Cunliffe replied implying that if the Trust "would undertake to make enquiries and to exact the necessary guarantees" there would be no objection. At this time he considered that shipments to Holland were likely to be reduced by reason of the fact that the Netherlands Bank had also recently earmarked gold in New York.

Earlier, one consignment of gold had actually been seized as contraband of War and became the subject of proceedings in the Prize Court. This was a shipment of \$500,000 gold on the s.s. "Rotterdam" which took place in March 1915 from New York to Rotterdam for Boissevain & Co. of Amsterdam,

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\*The Netherlands Overseas Trust was formed at the Hague in November 1914 and was composed of the principal shipowners and merchants and bankers of the Netherlands. The Trust acted as intermediary in arranging for the importation into the Netherlands of articles which were required for actual consumption in that country. Such goods might be consigned to the order of the Trust.

In view of the composition of the Trust and of the mutual responsibility of its members, His Majesty's Government, in common with other belligerent governments, accepted the consignment of goods to the Trust as a guarantee that such goods were destined for home consumption in the Netherlands and would not be re-exported to the other belligerents.

A copy of the Trust's Memorandum and Articles of Association will be found in C. C. O. Corres. Folder 490 for the year 1923. (See also 'Economist' of 1st and 15th April 1916.)

Agreements concerning the shipment of securities to and from Holland were embodied in following circular letters, issued by the Finance Section, Foreign Trade Dept., F.O.

A.B./M.	20075	16/11/16
E.J./L.N.	10511	25/10/17
E.J./L.N.	3652	27/ 3/18
E.J./L.N.	8900	14/ 8/18

and were all determined by F.O. letter 108520/X/1150 of 12/8/19.



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from their American House. Boissevain & Co. had fallen under suspicion, but the Netherlands Overseas Trust intervened on their behalf and the Bank of England, when consulted in November 1915, thought leniency might be shown unless it could be proved that the shipment was in German interests. Nevertheless proceedings were instituted and it was arranged that the Netherlands Bank should "set aside" the amount of gold involved and hold it to the order of the Bank of England pending the decision of the British Prize Court. The earmarking of this gold took place on the 7th November 1916 and a certificate was furnished which was regarded as sufficient evidence, though the Bank of England had expressed their willingness to "set aside" the gold here if the document was not satisfactory. The certificate was held by the Bank subject to an Order of Court. The Prize Court proceedings dragged on for some time, the Bank of England being occasionally consulted in the matter, until July 1919 when the Bank were informed that the case had been "settled by the withdrawal of the claim for condemnation", the release of the gold being accepted by the claimants in final settlement of all claims. An Order for the release of the Netherlands Bank's certificate was made on the 26th August 1919.

Shipments to Spain.

Owing to the fact that after the outbreak of War Spain soon acquired a favourable trade balance, gold shipments to that country became frequent. The Bank of England desired,



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however, that every possible obstacle should be placed in their way, especially when made from the United States, because the greater part of the gold leaving that country had to be made good from London. It was found that the firms of Samuel Montagu & Co., Kleinwort & Co., and the South American Banks were facilitating shipments of this nature; they were warned generally to avoid dealings with neutrals having enemy sympathies. The shipments, however, continued and on the 14th August 1916, Lord Cunliffe wrote to the Foreign Office saying that the Bank had been cognisant of them for some time and had been doing its best "to control or rather modify them"... "This has been thoroughly enlarged upon with Messrs. Kleinwort, Samuel Montagu and other offenders". In September, the Bank expressed agreement with the British Vice Consul at Corunna who thought it was "safer to place every obstacle in the way of Bankers bringing gold to Spain from the United States even should its ultimate destination be the Bank of Spain". By the 11th October 1916, the Bank claimed that they had succeeded in practically stopping shipments to Spain by South American Banks established in England. They approved a Foreign Office telegram advising the Irving National Bank of New York that a proposed shipment to Spain "would be subject to rules of International Law ... relating to contraband".

Nevertheless, between November 1916 and March



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1917 notifications of shipments from the United States and Cuba to Spain continued to be received from the Foreign Office. At the beginning of the last named month, the Foreign Office enquired if further reports should be furnished and the Bank replied that, while these were not necessary, the Governors were still strongly of opinion that the shipments should be discouraged as much as possible. The Foreign Office was requested to do what it could to assist in the matter, the Bank now admitting that their efforts had hitherto failed of success. Further reference to shipments to Spain from the United States (and from the Bank of England) will be found in the chapter on Central Banks, Bank of Spain.

Certain other Shipments.

In July 1915 the Commonwealth Government proposed to prohibit the export of gold from Australia, but the Treasury informed them that the maintenance of the exchange between the United States and the United Kingdom was of vital importance, that His Majesty's Government were pressing France and Russia to provide gold for this purpose, and that it would strengthen their hands and be generally advantageous if Australia would permit the free exportation of gold to America.



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In September the Bank observed that gold coin was being remitted regularly from Egypt to Turkey, about £100,000 during eight months having been shipped from December 1914 to July 1915. It was understood that these remittances were destined for Jaffa, for the American Jewish Relief Society. The Bank represented that Egypt's losses of gold generally have to be made good by London and that although these movements might in one respect be regarded as equivalent to exports to America, the gold did not remain with the Americans but passed directly to benefit the enemy. The Foreign Office accordingly decided that in future applications for the export of gold to Syria should as a general rule be refused.

The Royal Bank of Canada approached the Bank in November to request permission to ship £500,000 gold from London to New York, the reason stated being that they held in London large balances arising out of West Indian trade. The application was referred to the Treasury who asked the Royal Bank of Canada to try and find employment in London for the funds in question.

At the end of 1916 the Yokohama Specie Bank proposed to ship gold from Japan to India, and the Bank, considering that the result of such a transaction would be that sooner or later they would have to make good what Japan lost, asked for the views of the Treasury. The



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Treasury informed the India Office that they would be glad if the importation of gold into India could be prohibited, a request of which the Bank disapproved unless gold imported by the Bank of England from South Africa were excepted. Some £500,000 gold was, according to Mr. Kengo Mori,\* shipped to India from Japan by the middle of March 1917 and a further 6 months requirements were estimated at £4,800,000.† Upon receiving this information, Lord Cunliffe wrote, "I must admit that to curtail the sale of Council drafts and then tax imported cotton goods would imply that the Indian financiers wished to drive exporters of Indian produce to ship gold as the only medium of exchange.

"However, I daresay it is improper for me to criticise and we must trust that this big loan that is being raised in India will turn the exchanges long before

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\*Then Financial Commissioner in London to the Japanese Government.

†The exchange policy imposed on the Yokohama Specie Bank in London by the Japanese Government as a result of representations made by Lord Cunliffe in the Summer of 1915 was the subject of a protest from the Financial Commission of that Government on the 15th March 1917. Lord Cunliffe had asked that Japan should refrain from sending gold to America and from buying on the American exchange. As a result of compliance with this request the Yokohama Specie Bank was said to have accumulated in London some £50,000,000 for which there was no sufficient outlet, leading to a 5% rise in the exchange rate charged by that Bank. It was claimed that this policy drove buyers to quarters other than the Yokohama Bank and that the resultant operations were ultimately settled through the medium of the American exchange, a situation unsatisfactory to Great Britain as well as to Japan. An interview with the Bank of England appears to have ensued but no record can be found of its outcome. (v.C.C.P.71<sup>A</sup> fo.181.)

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"it is necessary for you to import the £4,000,000 of gold, which will have to be collected by Japan in either America or Russia". (On 29th June 1917 the Government of India issued an Ordinance requiring all gold imported into India to be tendered to the Government at a fixed price, at first Rs.15 to the £. Later, a price was settled which was unattractive to importers).



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"...The gold mines of the world continue to  
"produce at the rate of about £90,000,000 a year, with  
"most of the former outlets for it closed...

"Gold may possibly come in unprecedented  
"quantities on a surfeited and unwilling market. Pre-  
"cisely at that moment of time when the world is most  
"short of real capital, there will be the greatest  
"appearance of monetary ease. The coincidence of an  
"extreme abundance of money with an extreme urgency  
"for goods must necessarily bring with it a greatly  
"diminished purchasing power of the former...

"Those who are inclined to be guided by past  
"experience must not forget that in one respect of the  
"utmost importance the present monetary position is  
"absolutely without precedent. It has never happened  
"before at a time of crisis that those countries, which  
"are under the most urgent necessity of remitting in  
"cash what they owe or for what they need to purchase,  
"have possessed vast quantities of gold wherewith in  
"the last resort to make such remittances. The volume  
"of credit currency of one form or another which is now  
"in use is, of course, much greater than at any former  
"time. But the process, which has been going on during  
"the last twenty years and which the abundance of gold

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"has made possible, of putting most of the fiduciary  
"currencies of the world on a 'sound' basis by supplying  
"large central reserves of gold for their support, has  
"the effect of increasing at a crisis the available  
"stock of gold. For it is possible at a time of strain  
"to expand the fiduciary currencies in the old-fashioned  
"way and at the same time to release the gold, returning  
"to the former relatively 'unsound', but perfectly  
"feasible, basis."

(J.M.Keynes, writing in 1914 [Economic Journal, December  
1914, "The Prospects of Money, November 1914."] )



CHAPTER VGOLD AND SILVERGOLD ABROAD

GOLD PRODUCED ABROAD

GOLD HELD ABROAD

GOLD SHIPPED ABROAD

(See also Section on London Exchange Committee)

CANADA

Montreal Bank of England Account.

Ottawa Bank of England Account.

H.M. Government Account.

Ottawa Mint.

Note on total gold dealt with at Ottawa.

U.S.A.

New York H.M. Government Account.

Bank of England Account.

Note of total gold dealt with in New York.



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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - MONTREALBank of England Account

On the 8th August 1914 an arrangement was made with Messrs. Morgan, Grenfell & Co. whereby the Bank of England should credit the former's account against American Gold Coin, deposited to the Bank's order on their behalf with the Bank of Montreal, Montreal.

Between the 8th and \*18th August Ozs. 71,204.925 of eagles were so deposited, advances (£270,727) being made in London at  $76\frac{s}{d} / -\frac{1}{2}$  per oz. (the same price as that offered by the Bank for deposits at Ottawa). Shortly after, in September, the Treasury wished to make a payment in Bermuda of £30,000 and the Bank of Montreal were asked to release 30,000 sovereigns for this purpose, reimbursing themselves from the gold held for the Bank of England. The sovereigns were taken by transport from Halifax, and on the 16th September the equivalent, viz., Ozs. 7,846.514 of United States Coin was debited to the Bank of England. A balance of Ozs. 63,358.411 (@  $76\frac{s}{d} / 3\frac{1}{2}$  = £241,686) remained until July 1915 when (the American Exchange having moved against this Country) it was shipped to the New York Branch of the Bank of Montreal, and handed by them to

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\*After this date it appears that Morgans deposited at Ottawa instead of at Montreal.



CHAPTER V

GOLD AND SILVER

GOLD.  
(ABROAD)

GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENT

AND BANK OF ENGLAND

CANADA - MONTREAL

J.P.Morgan & Co. on the 9th July, to be used in part  
reduction of the dollar advance to the Bank of England.  
(Vide "Bank of England's support of the American Exchange  
"1915")



CHAPTER VGOLD AND SILVER

GOLD (ABROAD) GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENT  
AND BANK OF ENGLAND

CANADA - OTTAWA

## BANK OF ENGLAND ACCOUNT

ReceiptsBar Gold

		<u>Ozs. std.</u>	Value @ $\frac{s}{77} \frac{d}{9}$	
1914	Bought at Ottawa	794,593·790	£3,088,983	(a)
1915 & 1916	" " "	50,543·078	196,486	(b)
1916/18	From S. Africa	17,814,303·185	69,253,104	(c)
1916/19	Delivered by Ottawa Mint in lieu of silver or cash in settlement of refining South African gold	15,107·192	58,729	
1916/17	From London	7,357,775·578	28,603,353	(d)
1917 (May)	Received from H.M. Government in exchange for Bank's gold delivered by them	2,573,551·055	10,004,680	(e)
1917/18	From Bombay	763,654·909	2,968,708	(f)
	From Brazil	9,031·686	35,111	(g)
	From Borneo	35,946·216	139,741	(h)
1919	Adjustments on weighing	29·086	113	
		<u>Ozs. 29,414,535·775</u>	<u>£114,349,008</u>	



## CHAPTER V

GOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNTU.S.A. Coin

		Ozs.	
1914	Bought at Ottawa	4,571,872'129	(a)
1915	" " "	37,586'550	(b)
1916	" " "	94,018'580	(b)

Ozs. 4,703,477'259 @  $76\frac{1}{32}$  s d = £17,941,806

Sovereigns & Half-Sovereigns

1914	Bought at Ottawa	£28,249	(a)
1915/16	" from International Banking Corporation	104,500	(b)
1916 May	Received from H.M. Government in exchange	4,000,000	(e)
1917	Shipped from London	2,120,000	(d)

£6,252,749

Russian Coin

		Ozs.	Value @ $76\frac{1}{32}$ s d per oz.	
1917	Shipped from London	311,132'400	£1,185,544	(d)



## CHAPTER V

GOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENT  
AND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNTJapanese Coin

		Ozs.	s	d	
			Value @ 76/2½ per oz.		
1914	Bought at Ottawa	249,156'080	£	949,388	(a)

French Coin

		Ozs.	s	d	
			Value @ 76/2½ per oz.		
1917	May Shipped from London	1,415,468'936	£	5,393,527	
	June " " "	1,242,328'027		4,733,787	
		Ozs. 2,657,796'963	£	10,127,314	(d)

Sterling Summary

Bar Gold	£114,349,008
U.S.A. Coin	17,941,806
Sovereigns	6,252,749
Russian Coin	1,185,544
Japanese Coin	949,388
French Coin	10,127,314
	£150,805,809

(a) Immediately after the outbreak of war the endeavour to remit funds from the United States to this Country made sterling almost unobtainable in New York and forced the



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT

Exchange on London up to (it is said) \$5 and even \$7 (nominal) to the £ within a few days. In order to relieve this position arrangements were made between the Bank of England and the Canadian High Commissioner for the Minister of Finance and Receiver General of Canada to receive deposits of gold at Ottawa on behalf of the Bank of England.

The Bank issued a Memorandum, dated the 10th August 1914, expressing their willingness to purchase gold so deposited at the following prices -

Bar Gold	s d 77/6 per oz. std.
United States Gold Coin	76/-½ per oz.

Deposits were to be made free of expense to the Bank, including all telegraphic charges. The assay reports of the American Mints were to be accepted subject to the usual indemnity from the parties claiming payment in London and payments were to be made by the Bank on receipt of cable advices from the Finance Minister through the High Commissioner in London.

The Canadian Government made no charge, beyond out-of-pocket expenses, for holding the gold.



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT

In compliance with a request received through the Finance Minister, the Bank agreed to make payment of the face value of deposits leaving any necessary adjustment to be made when the gold had been weighed. \$250,000 was suggested as a minimum for deposits in order to avoid giving the Ottawa Mint unnecessary trouble, but the limit was not strictly kept to and was subsequently reduced to \$50,000. The Bank later consented to accept the deposit of sovereigns if not below the "least current weight" as specified in the Coinage Act 1870, payment to be at face value less 3d. per oz. to defray the cost of freight and insurance.

Japanese gold coin could also be deposited at <sup>s</sup>76/- per oz.

The deposit of Bank of England Notes in lieu of gold was not accepted.

The Memorandum contained no reference to a time limit, but as the New York - London Exchange had become nearly normal by December 1914, the facilities offered were not made use of beyond that month, save for sundry special transactions.



## CHAPTER V

GOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT

The first consignment arrived on the 12th August from Kidder, Peabody & Co., Boston, and the last on the 16th December from the Imperial Bank of Canada, Ottawa. In all, 288 consignments were received. The following are particulars -

	Nominal Value in Dollars	Weight	Fine-ness	Number of fine ounces	Actual value in Dollars
U.S. Coin	\$85,081,280	4,571,872' 129 Oz. Gross	9/10	4,114,684' 916	\$85,058,067' 08
Japanese Yen	4,650,000	249,156' 080 Oz. Gross	9/10	224,240' 480	4,635,461' 09
Bar Gold	15,057,952' 19	794,593' 790 Brit. Oz. Std.	-	728,377' 645	15,056,898' 85
British Sovereigns	137,478' 44	7,245' 460 Brit. Oz. Std.	11/12	6,641' 670	137,295' 47
	\$104,926,710' 63			5,073,944' 711	\$104,887,722' 49

At first New York did not transfer Gold to Ottawa as rapidly as was anticipated. The following is a table of receipts:-

	<u>U. S. Coin</u>	<u>Bar Gold</u>
August	\$8,160,520	\$5,765,534' 15
September	18,602,695	4,002,817' 10
October	43,476,345	4,528,106' 94
November	14,841,720	761,494
December	-	-
	<u>\$85,081,280</u>	<u>\$15,057,952' 19</u>



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT

The sovereigns were lodged between 29th August and 16th December; the yen between 20th October and 5th December.

The largest consignment arrived on the 10th November from Messrs. J. P. Morgan & Co.; the total amount received on that day was \$10,817,137.49.

Of the United States Coin \$800,000 came on the 22nd August from the Post Office Department at Washington for account of the British Post Office.

Of the 288 deliveries,

166	were from New York
39	" " Boston
21	" " Philadelphia
20	" " Chicago
16	" " San Francisco.

Expressed in sterling the amounts paid for gold deposited in 1914 were as follows:-

Bar Gold	£3,079,055 @ $\overset{s}{77}/\overset{d}{6}$ per oz. std.
Eagles	17,382,639 @ $\overset{s}{76}/\overset{d}{-\frac{1}{2}}$ per oz.
Sovereigns	28,158 @ face value less 3d. per oz.
Japanese Yen	946,793 @ $\overset{s}{76}/-$ per oz.

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£21,436,645

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CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT'

(b) These were special transactions at various prices, with the exception of \$750,000 Eagles purchased from Barings at  $76/3\frac{1}{2}$  per oz., all the deposits in 1915 and 1916 were made by the International Banking Corporation, in exchange for sovereigns in London, which were released for shipment, mainly to Holland.

The amounts paid for this gold were:-

Bar Gold	1915	@	$77/6$ per oz.	£144,684
	1916	@	$76/-$ " "	50,179
Eagles	1915	@	$76/-\frac{1}{2}$ " "	142,907
	1916	@	$76/3\frac{1}{2}$ " "	153,761
		@	$74/-$ to $72/6$ " "	196,377
Sovereigns	1915	@	$77/9$ " "	24,895
	1916	@	$77/9$ to $77/-$ " "	78,779
				<u>£791,582</u>

The prices were based on the exchange.

(a) & (b) The total cost of all gold received at Ottawa from the U.S.A. and Canada and bought by the Bank was consequently -

1914	£21,436,645
1915/16	791,582
	<u>£22,228,227</u>



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENT  
AND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT

(c) The arrangements made for the shipments from South Africa are described in the South African Section.

(d) This gold was conveyed by warship in eleven voyages, between April 1916 and July 1917, consignments varying in value from £868,000 to over £4,000,000.

(e) Transferred to Bank to replace parcels of the Bank's gold which the Treasury had delivered to J.P. Morgan & Co. for Government account; particulars of the gold are given under "Deliveries - Exchanges".

(f) In the summer of 1917 the Bank of England considered that no useful purpose could be served by the accumulation of unrefined gold in India, it having been arranged that sovereigns belonging to the Indian Paper Currency Reserve should be released in London against the receipt in India of sovereigns from Australia, and the Indian Government having accepted a recommendation of Lord Cunliffe that the melting of coin in India should be prohibited. The Bank accordingly offered H.M. Treasury about £7 millions of raw gold held at Bombay at the price of 77/9<sup>s d</sup> per oz. std. and this gold, it was proposed, should be shipped to Ottawa. Before making



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT

arrangements to this effect, the Bank, however, suggested that as American importers of jute &c. had payments to make to India, it might be possible to avoid expense and danger of loss by releasing gold in India to American firms in exchange for gold to be paid over in America. But the Indian Government had recently issued an Ordinance under which they would acquire all gold imported into India and they considered the intention of this would be defeated by the Bank's proposal, which would lead indirectly, it was also feared, to a withdrawal of rupees from the Paper Currency Reserve.

The Indian Government offered, as an alternative, to release to the Bank of England gold which they expected to receive in the U.S.A. against Rupee Exchange required for the purchase of jute, the Bank to deliver (from the Bombay stock) an equivalent amount of raw gold in Australia, where it would be refined. But shipments to Australia were at this time very few in number; three weeks' storage at Singapore would have been involved, and much time must have elapsed before £7 millions could have been so disposed of. It was, therefore, decided to ship to Ottawa, via Hongkong, a safer journey than to London. The shipping arrangements



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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENT  
AND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT

are described under the South African Section and the gold was conveyed between September 1917 and April 1918.

In April 1918 the Bank received advice of the probable curtailment of the service from Hongkong to Vancouver. Shipments were accordingly stopped, and when in the following June they proposed to recommence them, the Treasury decided to discontinue this method of dealing with the gold and to have the remainder refined at Bombay. The balance unshipped consisted of about £4 millions (of which the Java Bank had a call upon £500,000 until the 26th April 1919 under the London Exchange Committee's scheme in connection with the issue of £1½ millions of Treasury Bills).

(g) This figure represents gold received from the Ouro Preto Gold Mines in Brazil between October 1917 and January 1918. The Mines customarily produced about £120,000 gold per annum, which had hitherto been shipped from Rio to England by Royal Mail or Pacific steamers. Owing to the increasing infrequency of Mail steamers and the high rates of insurance against war risks, the Company arranged with the Bank of England to deliver gold to the Mint at Ottawa, the Bank advancing 98½% of its value upon arrival. The



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ACCOUNT

Company further agreed (July 1917) to place their gold at the disposal of the Bank, either in Ottawa or in London, until one year after the termination of the war.

The first shipment took place towards the end of September, the gold being despatched to New York and conveyed thence by the American Express Co., shipping and insurance being arranged by the Ouro Preto Mines.

Only three shipments took place for, on the 1st January 1918, the Government of Brazil forced the Mines into an Agreement whereby the gold was acquired by them. The power to regulate the export of gold had previously been assumed, and the Company therefore had presumably no option in the matter.

(h) Received between September 1917 and February 1919, under arrangements described in the Borneo Section.

Bank of England Account: DeliveriesDispersal of Gold accumulated in 1914

The whole of this gold was delivered during 1915, the first release taking place on the 11th February to Lazard Bros., New York, and the last on the 27th September to the Canadian Bank of Commerce, New York. With the exception of



## CHAPTER V

GOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT

gold released to J.P.Morgan & Co. (effected through the American Express Co.) all deliveries were made at Ottawa. The gold was taken chiefly by Lazard Bros., New York, J.P.Morgan & Co., New York, and the Canadian Bank of Commerce, Ottawa. Full particulars both of receipts and deliveries are to be found in a report issued by the Comptroller of Currency, Ottawa, dated the 19th November, 1915.

A summary of deliveries is as follows -

	U.S. Coin Ozs.	Bar Gold Ozs. Std.	Japanese Coin Ozs.	Sovereigns Ozs.
To J.P.Morgan & Co. (in part repayment of Dollar Advance to Bank of England*)	2,552,295.786	395,811.457	249,156.08	Nil
To Canadian Bank of Commerce & Others	2,019,576.708	398,782.435	Nil	7,245.46
	4,571,872.494	794,593.892	249,156.08	7,245.46

These figures agree to the statement of receipts except that the United States Coin and Bar Gold show a slight excess, due to causes explained in the report above-mentioned.

\*See "The Bank of England's support of the American Exchange, 1915". The value of this gold at the Bank's usual buying prices was:-

U.S.A. Coin	@ 76/3½ per oz.	£9,735,945
Bar Gold	@ 77/9 per oz. std.	1,538,717
Japanese Coin	@ 76/2½ per oz.	949,388
		<u>£12,224,050</u>



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNTExchangesDelivered to H.M. Treasury in exchange for other Gold

1916 May	Sovereigns (Ozs. 26,790.940) of a face value of	£104,500: -: -	(b)
	United States Gold Coin (Ozs. 94,018.580 @ 76/3½ per Oz.)	358,641:14: 2	(b)
	Bar Gold (Ozs. Std. 910,091.887 @ 77/9 per Oz. Std.)	3,537,982: 4: 2	
		<hr/>	
		£4,001,123:18: 4	
		<hr/> <hr/>	
1917 May	Bar Gold (Ozs. Std. 875,263.632 @ 77/9 per oz. Std.)	£3,402,587: 7: 5	
	Bar Gold (Ozs. Std. 310,885.127 @ 77/9 per Oz. Std.)	1,208,565:18: 7	
	French Coin (Ozs. 419,901.586 @ 76/2½ per Oz.)	1,600,000: -: -	
	French Coin (Ozs. 995,567.350 @ 76/2½ per Oz.)	3,793,526: 8: 6	
		<hr/>	
		£10,004,679:14: 6	
		<hr/> <hr/>	



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT

Except for an amount of £1,123:18: 4, this gold was paid for by Receipts (e). Summarizing this gold we have -

	£14,005,803:12:10	less	£1,123:18: 4	=	£14,004,679:14: 6
made up as follows -					
Bar Gold	Ozs. Std.		s d		
	2,096,240·646	@	77/9	per Oz. Std.	£8,149,135:10: 2
Deduct	289·110				1,123:18: 4
	<u>2,095,951·536</u>	Ozs. Std.			<u>£8,148,011:11:10</u>
Sovereigns	Ozs.				
	26,790·940	@ face value			104,500: -: -
U.S.A. Coin	94,018·580	@	76/3½	per Oz.	358,641:14: 2
French Coin	1,415,468·936	@	76/2½	per Oz.	5,393,526: 8: 6
					<u>£14,004,679:14: 6</u>

Sales to H.M. Treasury

The Government purchased from the Bank and delivered to J.P. Morgan & Co. Bar Gold as follows:-

1916	7,131,684·290	Ozs. Std.			
1917	8,409,240·401	"	"		
1919	1,262,287·762	"	"		
	<u>16,803,212·453</u>	"	"	@ 77/9	per Oz. Std. <u>£65,322,488</u>



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT

They also repurchased in June 1916 £4,000,000  
sovereigns transferred to the Bank in exchange for certain  
other gold in May of that year, and in June 1917 bought  
three consignments of French coin amounting to -

1,242,328·027 Ozs. @  $76\frac{1}{2}\frac{s}{d}$  = £4,733,787: 8: 4.

This gold, also, was delivered to J.P.Morgan & Co.

Deliveries to Federal Reserve Bank of New York

	<u>Bar Gold</u>	<u>@ <math>77\frac{1}{9}\frac{s}{d}</math> per Oz. Std.</u>
(1) June 1918	1,583,533'304 Ozs. Std.	£6,155,986
(2) March 1919	307,632'521 " "	1,195,921
	<u>1,891,165'825 " "</u>	<u>£7,351,907</u>

(1) The Bank of England held earmarked for the Reserve Bank £10,787,899:19: 4 in sovereigns, being the equivalent of a loan of \$50 millions made to the English Banks and due on the 20th June, 1917. Instead of having this gold shipped to New York, the Reserve Bank had permitted it to remain in London. In May 1918, however, the Bank of England offered to discharge the whole debt by shipping gold from Ottawa. The offer was accepted to the extent of \$30 millions. The gold (\$30,003,224·11) was transferred to New York in six



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT

instalments by the American Express Co. between the 11th and 20th June. The value of the sovereigns released in London was calculated in accordance with Clause 6 (g) of the Agreement made between the two Banks on the 3rd May 1917 and, after allowance for expenses, amounted to £6,160,521:12: 8.

(2) By March 1919 most of the remaining sovereigns set aside in London for the Federal Reserve Bank had been delivered, either to the order of the Bank of France (£3,178,761) or to the Equitable Trust Co. of New York (£250,878). A balance having the face value of £1,197,739 was left.

The Bank of England offered to discharge this obligation by shipping more gold from Ottawa. The Reserve Bank concurring, Ottawa was instructed to make the delivery. The amount despatched was thought to be in excess of that required, but was found to be insufficient, and the Bank credited the Federal Reserve Bank's Account in London with the difference. The deficiency was eventually found to be due to the gold being part of that received from Russia, in respect of which the Russian Assay Reports had been accepted under the guarantee of the Russian Government. A net loss of £817:18: 5 was realised but reclaimed from H.M. Government in June 1919.







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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENT  
AND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNT

The first proposal was to transport the gold by warship but, none being available, the Bank, at the suggestion of the Treasury, asked the Ministry of Shipping whether they could assist. The Ministry replied that none of their transports had proper strong room accommodation. The Bank thereupon made arrangements with the Dominion Express Company for the gold to be carried by the Canadian Pacific Ocean Service boats sailing from St. John to Liverpool, a through rate of \$2 per \$1,000 being charged. The Treasury paid freight and bore insurance risks, and it was arranged that not more than £4,000,000 should be carried on one boat.

The gold was brought back in nine consignments, the first sailing on the 3rd March and the last on the 15th April.

Summary of DeliveriesBar Gold

1915	Delivered to J.P.Morgan & Co., Canadian Bank of Commerce & others	£3,088,983
1916/19	Sold to H.M.Treasury	65,322,488
	Exchanged with H.M.Treasury	8,148,012
1918/19	Delivered to Federal Reserve Bank of New York	7,351,907
1918	Exchanged with Canadian Bank of Commerce	433,438
1919	Shipped to London	<u>30,004,180</u>
	Carried forward	£114,349,008



## CHAPTER V

GOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWABANK OF ENGLAND  
ACCOUNTSummary of Deliveries (Contd.)

	Brought forward		£114,349,008
	<u>Sovereigns</u>		
1915	To Canadian Bank of Commerce, Ottawa	£28,249	
1916	Sold to H.M. Treasury	4,000,000	
	Exchanged with H.M. Treasury	104,500	
1919	Returned to London	<u>2,120,000</u>	6,252,749
	<u>U.S.A. Coin</u>		
1915 (To Sept.)	Delivered to J.P. Morgan & Co., Canadian Bank of Commerce & others	£17,439,787	
Dec. 1915	Sold to Morgan Grenfell & Co.	143,377	
May 1916	Exchanged with H.M. Treasury	<u>358,642</u>	17,941,806
	<u>Russian Coin</u>		
1919	Returned to London		1,185,544
	<u>Japanese Coin</u>		
1915	Delivered to J.P. Morgan & Co.		949,388
	<u>French Coin</u>		
May 1917	Exchanged with H.M. Treasury	£5,393,527	
June 1917	Sold to H.M. Treasury	<u>4,733,787</u>	10,127,314
			<u>£150,805,809</u>



## CHAPTER V

GOLD AND SILVERGOLD  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWA

## H. M. GOVERNMENT ACCOUNT

ReceiptsBar Gold

		Ozs. Std.	Value @ <sup>s d</sup> 77/9 per oz. std.	
	Russia (Agreements of 30/9/15 & 27/10/16)			
1916				
Feb. 21	1st consignment	2,058,315.334	£8,001,701	
Aug. 6	2nd "	1,518,488.295	5,903,123	
1917				
Feb. 12	3rd "	5,144,991.804	20,001,156	
May 6	4th "	4,117,308.028	16,006,035	
		12,839,103.461	£49,912,015	(a)
Jan. 1916 to June 1919	Purchased from Bank of England	15,797,529.849	61,412,897	(b)
May 1917	Received from the Bank in exchange for gold released at Ottawa	2,095,951.536	8,148,012	(f)
Apr. 1919	Received from the Bank in exchange for German gold released in London	1,005,682.604	3,909,591	(c)
18 Sept. 1916 to 22 Nov. 1916	From London 8 shipments	2,673,589.376	10,393,579	(d)
		<u>*34,411,856.826</u>	<u>£133,776,094</u>	

\*Not inclusive of gold shipped under the Calais Agreement of 24th August 1916. 6 consignments of that gold were sent to Ottawa, but were despatched thence to New York, mostly unopened: the whole of the gold sent to America under this Agreement is dealt with in the U.S.A. Section.



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNTFrench Coin

				<u>Value @ <math>76\frac{1}{2}</math> per oz.</u>	
				s	d
Oct. 1916	From London				
to		Ozs.			
June 1917	5 shipments	*2,244,229	613	£8,551,450	(d)
May 1917	Received from Bank in exchange	1,415,468	936	5,393,526	(f)
		<hr/>		<hr/>	
		3,659,698 549		£13,944,976	
		<hr/>		<hr/>	

Japanese Coin

				<u>Value @ <math>76\frac{1}{2}</math> per oz.</u>	
				s	d
1916	From London				
Oct.		Ozs.			
	1 shipment	50,424	300	£192,085	(d)
		<hr/>		<hr/>	

Austrian Coin

				<u>Value @ <math>76\frac{1}{4}</math> per oz.</u>	
				s	d
1916	From London				
Oct.		Ozs.			
	1 shipment	5,535	925	£21,129	(d)
		<hr/>		<hr/>	

\*Not inclusive of gold shipped under the Calais Agreement of 24th August 1916. 6 consignments of that gold were sent to Ottawa, but were despatched thence to New York, mostly unopened: the whole of the gold sent to America under this Agreement is dealt with in the U.S.A. Section.



## CHAPTER V

GOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNTBritish Coin

1915 Sept./Oct.	From London 4 shipments	£18,000,000	(e)
1916 May	Received from Bank of England in exchange	104,500	(f)
June	Purchased from Bank of England	4,000,000	(b)
Aug.	From Russia	2,100,000	(a)
		<u>£24,204,500</u>	

U. S. A. Coin

		Value @ $76\frac{1}{2}$ per oz.	
		s	d
1916 May	Received from Bank of England in exchange	Ozs. 94,018.580	£358,642 (f)
		<u>                    </u>	<u>                    </u>

Sterling Summary

Bar Gold	£133,776,094
French Coin	13,944,976
Japanese Coin	192,085
Austrian Coin	21,129
British Coin	24,204,500
U.S.A. Coin	358,642
	<u>£172,497,426</u>



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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

(a) The first three consignments of gold from Russia were shipped in accordance with the Financial Agreement of the 30th September 1915, Clause 2 of which provided that

"in view of the Agreement between the British Government and the Government of the Republic of France that each should hold ready for export to the United States a sum of £40 millions in gold, the Russian Government agree to furnish the British Government with gold for the same purpose, to be exported from time to time, in the same amounts as are being exported on account of the British and French Governments, subject to the limitation that the Russian Government shall not be called upon to ship gold in excess of £20 millions before the 31st March 1916 or more than £40 millions altogether, and on the understanding that the gold be exported only according to the needs of the situation, as judged by the Bank of England.

"The gold as shipped by the Russian Government shall be used by them to purchase British Government Exchequer Bonds, bearing no interest, payable in gold,



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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

"the Bonds to be of maturities of 3 years, 3½ years,  
"4 years, 4½ years and 5 years in equal quantities, and  
"to be held by the Russian Government until maturity".

The previous Agreement between the British and French Governments referred to was the Protocol signed at Boulogne on the 22nd August 1915, in which the Banks of England and France were stated to be prepared to export to the United States a sum of \$200 millions in gold, the gold to be sent direct to America by each of the Banks concerned. This arrangement was never carried out by the Bank of France which gave rise to difficulties when the Russian Government were requested to ship their proportion (vide letter from the Governor to the Chancellor dated 15/8/16).

As an outcome, a fresh Protocol was drawn up at Calais on the 24th August 1916 in which the French Government undertook to lend the British Government an amount eventually fixed at £53,333,000 to be delivered to the latter at a French port; and of this the Treasury were able to assure the Russian Government that £40,000,000 would reach Ottawa before the end of 1916.

The £40 millions from Russia were shipped in three consignments, some £4 millions, part of the first two, being



## CHAPTER V

GOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

retained by Japan, whither in the first instance all the gold was taken. The balance of £36 millions was shipped on to Ottawa. The whole of the gold was transmitted by the Russian Government to Vladivostock where it was taken by representatives of the Japanese Government.\* That Government thereupon paid over their share of the gold in sterling (at the rate of  $77/10\frac{1}{2}$  per oz. std.) and the British Government disbursed certain fixed sums to Japan by way of freight, amounting in all to £173,925. On arrival at Vancouver or Esquimalt the gold was delivered to a representative of the Finance Department, who transferred it to the Dominion Express Co. for conveyance by them to Ottawa at the British Government's expense. All responsibility during transit from Vladivostock to Ottawa was also borne by Great Britain. Two cruisers were sufficient to transport the first and second consignments; the third was carried by two cruisers to Japan and thence by three cruisers to Vancouver.

Representatives of the Russian Government accompanied the gold on each occasion, to Japan and Ottawa.

The Japanese Government asked for no share of the gold on the third occasion, but hinted that they might require further supplies later.

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\*In Japanese cruisers.



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

It was of course very difficult at so great a distance and acting through so many intermediaries to make all the arrangements for transmitting these large amounts of gold from Petrograd to Ottawa, and the Bank on more than one occasion felt obliged to suggest that the Government should assume undivided responsibility themselves and dispense with the Bank's intervention. The Bank continued their services, however, at the Government's request.

Once instructions were given by the British Ambassador in Tokio conflicting with those which the Bank had issued in London; and at times the Bank had to remonstrate with various authorities respecting a leakage of information. Knowledge of certain shipments reached Canada in advance of the date decided on. Some of this information was traced to the British Ambassador in Tokio, who had given it at the request of the Canadian Minister of Marine. In short, although every precaution had been taken, particulars of two or three of the shipments became known, in one case, it was said, reaching Germany.

A further source of trouble was that the quality of the Russian gold was difficult to ascertain; the assay papers were uncertified, and the fineness was stamped on



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA -- OTTAWAH. M. GOVERNMENT  
ACCOUNT

very few bars. The Russian Government, however, eventually guaranteed the figures they supplied and undertook to make up any deficiency that might be discovered if the bars had to be re-melted or re-assayed. Of 2,100,000 sovereigns delivered (part of the second consignment) a considerable number were light. This parcel the Russian Government agreed should be taken by weight (its value at  $77/10\frac{1}{2}$ <sup>s d</sup> was £2,098,104:17: 3).

After the arrival of each consignment the British Government issued the Exchequer Bonds referred to above, and they were lodged at the Bank of England for account of the Russian State Bank, £40,000,000 (nominal) in all. Any balance due was paid in cash to Messrs. Baring Bros. & Co.

In calling for the second consignment the Government based their claim on the fact that the Russian Government Treasury Bills discounted by Great Britain now amounted to about £90 millions, whereas each £75 millions so discounted should, they considered, carry the right to £10 millions of gold. On the third occasion, however, the Government merely stated that their needs were urgent\*.

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\*According to the Canadian Minister of Finance, Sir Thomas White, the third consignment was "the largest shipment of "gold ever made". It consisted of "14,000 bars" and "required 12 express cars to transfer it to Ottawa".

(Montreal Gazette. 29th January 1921)



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

The fourth consignment was shipped under a different Agreement, viz., Clause 7 of that signed on the 27th October 1916. In this Clause the Russian Government undertook to ship up to £20 millions in gold at the request of the British Government on the understanding that the latter would only ask for the discharge of this obligation in the event of the gold in the reserves of the Bank of England and the Currency Note Account, taken together, falling below £85 millions, and in any case not prior to the 1st January 1917.

These conditions being fulfilled on the 1st January 1917, the Treasury asked for the £20,000,000 gold.

The arrangements did not proceed very smoothly, both the Russian Government raising difficulties and the Japanese Government alleging their inability to supply warships.

Two cruisers\* were eventually despatched to Vladivostock, but the Russian Government's representatives at first refused to deliver the gold on the ground that they expected the consignment to be shipped direct to Canada. A similar misunderstanding appeared to have arisen previously on the part of the British Ambassador in Tokio.

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\*Japanese cruisers.



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

On arrival of this gold at Osaka the Japanese made a claim to retain four out of the twenty millions. This also appeared to be contrary to the wishes of the Russians. After negotiations between the British and Russian Ambassadors in Tokio, the Japanese claim was conceded. The balance of £16 millions was sent on to Vancouver by another two cruisers. (Against the £4 millions kept by Japan, the Bank of Japan advanced for shipment to Chile \$1,500,000 of U. S. A. Coin\*. Payment for some £3,700,000, the balance retained, was made in dollars in New York<sup>+</sup>.)

Exchequer Bonds were also to be issued under the Agreement of the 27th October 1916, of maturities from three to five years and bearing interest at the rate at which

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\*Shipped to Valparaiso on 2nd April 1917. The out-turn of the coin at 77/9 per oz. std. was £307,859:17:4. Insurance was effected at 1%; freight was 10/-%.

<sup>+</sup>In accordance with an Agreement made between the Japanese and British Governments in November 1915 the former paid for all gold received at "Mint parity" i.e. 77/10½ per oz. std. On this basis the amounts received by Japan were:-

1st consignment	£2,003,830:16:6
2nd "	2,001,748:8:1
4th "	4,002,106:9:4

£8,007,685:13:11



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

Russian Treasury Bills were being discounted under the same Agreement. But the Revolution intervened before the issue of these Bonds was required.

(b) Of this amount about £16½ millions were bought between January and July 1916, £52 millions between September 1916 and August 1917 and the balance in June 1919. Payment was usually made immediately against advice that the order for shipment of the gold from Ottawa to New York had been given, but in the case of the South African gold occasionally after advice had been received of its having been refined at the Mint. When instituting naval shipments from London to Ottawa in March 1917 Lord Cunliffe suggested to the Chancellor that the cost (of interest) accruing to the Bank through payment being deferred should in future cease, the Treasury buying the gold before it left London. This proposal, however, was not accepted.

(c) Early in 1919, the British Government received from Germany gold to the value of 100 million Marks, in part payment for food supplies. The food-stuffs were to be derived mainly from the United States and, by agreement with the



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

United States Government, were to be replaced forthwith. The Treasury decided that it was advisable to send to New York gold to the value of £4 millions to finance the repayment. This was effected by exchanging 4/5ths of the gold, as it arrived in London, for an equivalent amount of the gold held by the Bank in Ottawa, the latter being despatched to J.P. Morgan & Co. for the British Government's account.

(d) Of these eight shipments, three were made by warship and the remainder by liner, arrangements for the latter having been made with the Dominion Express Company. Insurance risks were assumed by the Government from London to Montreal, and thence to Ottawa were covered by the Dominion Express Company's rate of <sup>s d</sup> 4/2% which included freight from Liverpool or Glasgow to Ottawa. In order to preserve as great a degree of secrecy as possible in the case of the warship consignments, the Bank were not informed by the Admiralty until just before the vessel was due, and on one occasion at least the ship arrived before the advice. The warships carried £4 millions gold on each journey, but the liner shipments were confined to half a million each.



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(ABROAD)GOLD HELD ABROAD FOR CREDIT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

(e) In August 1915 the Chancellor approached the Bankers, through the Clearing House Committee, with the request that they would surrender such gold as they could spare for export to America. Under the Boulogne Agreement of the 22nd August 1915 Great Britain, France and Russia had each agreed to ship £40 millions to America; the Banks consented to find half of the British quota, and the Bank of England was to supply the other moiety, exclusive of the amount already shipped by them to repay the exchange loan from J.P.Morgan & Co. previous to the date of the Boulogne Protocol.

The Bankers paid in altogether £20,823,000 in gold coin. The gold did not appear in the Bank's figures, as the Treasury provided the funds for its purchase and held it "set aside". Of these coins the Bank retained £2,423,000 sovereigns for their own use, substituting an equal amount of French Coin, which was shipped direct to New York.

To New York also was despatched £400,000 sovereigns. The balance of £18,000,000 went to Ottawa in September and October 1915, by warship, in four consignments.



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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

(f) These amounts were taken from the Bank who received in exchange £4,000,000 sovereigns and £10,004,680 Bar Gold (v. Deliveries below; also under Bank's gold at Ottawa "Delivered to H.M. Treasury in exchange").

Government Account: DeliveriesDelivered to J.P. Morgan & Co.Bar Gold and British and Foreign Coin

The gold despatched to J.P. Morgan & Co. was partly in repayment of advances made by them to the Bank of England for Government Account, partly for similar advances to the London Exchange Committee, but chiefly to replenish directly H.M. Treasury's Account. The exact proportions in which the gold was divided between these three claims cannot be ascertained nor is it of importance that they should be, since all were, in fact, British Government liabilities.

Until 1917 orders for delivery were given by the Bank of England, through the office of the High Commissioner for Canada in London, and all deliveries were effected by the American Express Company.

CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA -- OTTAWAH. M. GOVERNMENT  
ACCOUNT

The first release of the Government's gold upon instructions from the Bank of England took place on the 13th October 1915, when Ottawa was asked to deliver to Morgans £10 millions of British gold coin, part of the Bankers' gold recently arrived. This was urgently required to meet payments in America on behalf of the Russian Government. Only £7 millions of this coin was delivered, the balance of the order being countermanded at the end of October.

The next consignments were forwarded in May and June 1916, the first £8 millions of these being apparently used to reduce Morgans' advance to the Bank of England (No. 1 Special Loan Account), and a further amount of 1,063,303.054 ozs. std. being applied to the liquidation of an advance to the London Exchange Committee.

At the end of February 1917, Sir Hardman Lever was sent to New York to represent H.M. Treasury, and the Finance Minister at Ottawa was asked to give him full particulars of the gold held and to take his instructions as to delivery both of the Government's and the Bank's holdings, the Bank to be advised of all movements. The presence of someone on the spot would, it was hoped, obviate the occurrence of any further misunderstandings such as had occurred in the previous



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

December. In that month the Bank had asked Ottawa on three occasions to release altogether £15 millions of the gold received from France under the Calais Agreement (vide U.S.A. Section) and in order to distinguish this gold, which had not been examined, the form which the request took was to deliver "sealed boxes stated to contain bar gold", instead of as on previous occasions to deliver a specific number of ounces. Ottawa, however, failed fully to understand this distinction and, as a result, 351 boxes of other gold were wrongly delivered.

Sir Hardman Lever's presence in New York, however, failed to remove all causes of dissatisfaction. At the beginning of April, upon his request, some gold belonging to the Bank was released for Treasury Account although it had not been paid for by the Government, and this mistake seems to have caused some trouble to rectify. In the following July, the Bank were notified by Morgans that they must ask for the repayment of their Call Loan, which then amounted to \$85,045,401, standing in the name of the Bank. The Bank thereupon requested Ottawa to deliver about £17,520,000 in gold in order that the Bank might meet its obligation.



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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

Advice was received from Ottawa that some £2¼ millions of this gold had apparently been diverted from this purpose, at the request of Sir Hardman Lever, though delivered to J.P.Morgan & Co. In these circumstances, the Governor gave instructions that no further release of gold to Sir Hardman Lever's order should be made until the whole of the £17,520,000 above referred to had been despatched. Moreover, the Bank asked the Treasury to request Sir Hardman Lever to discontinue dealing with the Bank's gold at Ottawa, for fear further misunderstanding might arise. Mr. Bonar Law, the then Chancellor, felt that the Bank had damaged the Government's credit in Canada by this action and, after the exchange of some letters on the subject, the Bank expressed their regret at having caused telegrams to be sent without consulting him. The Bank's correspondence files about this time, however, bear ample witness to the disadvantages of divided control and it was some time before the accounts could be cleared up. In October the Treasury informed the Bank that Sir Hardman Lever's authority to deal with gold might be regarded as having lapsed.

The Bank of England's loan with J. P. Morgan & Co. appears to have been reduced at the end of July to



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNT

£14 $\frac{3}{4}$  millions by transfer of the balance to the British Government and gold was delivered from Ottawa to discharge this debt.

The total deliveries to J.P. Morgan & Co. were £152,443,013 as follows -

	<u>Bar Gold</u>	Value @ 77/9 per Oz. Std.
May 1916		
to	31,053,808.669 Ozs. Std.	£120,721,681
Aug. 1917		<u><u>                    </u></u>
	<u>Sovereigns</u>	
Oct. 1915		£7,000,000
May 1916		104,500
June 1916		10,100,000
		<u><u>                    </u></u>
		£17,204,500
	<u>French Coin</u>	
		Value @ <u>76/2<math>\frac{1}{2}</math> per Oz.</u>
Oct. 1916		
to	3,659,698.549 Ozs.	£13,944,976
June 1917		<u><u>                    </u></u>
	<u>Japanese Coin</u>	
		Value @ <u>76/2<math>\frac{1}{2}</math> per Oz.</u>
Oct. 1916	50,424.300 Ozs.	£192,085
		<u><u>                    </u></u>



## CHAPTER V

GOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNTAustrian CoinValue @  
76/4 per Oz.

Oct. 1916	5,535.925 Ozs.	£21,129
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U. S. A. CoinValue @  
76/3½ per Oz.

May 1916	94,018.580 Ozs.	£358,642
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Delivered to Canadian Government

Between October and November 1915 £3 millions of British gold coin were delivered to the Canadian Government in part repayment of advances made by them to the Shell Committee.

Delivered to the Bank of England in exchange

May 1916	Sovereigns	£4,000,000
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Value @  
77/9 per Oz. Std.

May 1917	Bar Gold 2,573,551.055 Ozs. Std.	£10,004,680
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These exchanges are also referred to in the account of the Bank of England's gold at Ottawa - "Receipts (e)" and "Deliveries - Exchanges".



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNTSold to Imperial Munitions Board, Canada

			Value @
		<u>Ozs.</u>	<u>77/9 per Oz. Std.</u>
18 June 1917	Bar Gold	527,891.944	£2,052,180

Held to the order of Sir Hardman Lever

			Value @
		<u>Ozs.</u>	<u>77/9 per Oz. Std.</u>
June 1919	Bar Gold - Balance of Government's holding	256,605.158	£997,553

This was placed at Sir Hardman Lever's disposal probably for use in Canada, at the request of Sir John Bradbury (vide letter of 27.5.19. C.C.P.196<sup>A</sup> folio 223).

NOTE The Government made one later request to Ottawa in the matter of gold shipments, in October 1919, when the Finance Minister was asked to despatch \$50,000,000 of gold to Japan to repay Yen 100,000,000 Exchequer Bonds maturing on the 15th December. The Chancellor promised to ship gold at once to Ottawa to replace that which had been lent. The requisite gold was sent from Ottawa to Japan in three consignments in October and November reaching that country in time to meet the payment, and was replaced by three shipments made



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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
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ACCOUNT

from London in the same months. The freight charge from

London to Yokohama was made up as follows -

	s	d
London to Ottawa	4	6 <sup>7</sup> / <sub>8</sub>

Ottawa to Yokohama \$4 per \$1,000.

Insurance risks were borne by H.M. Government and arrangements were made through the Dominion Express Co. (These movements have been ignored in arriving at total receipts and deliveries).

Summary of DeliveriesBar Gold

May 1916 to Aug. 1917	Delivered to J.P.Morgan & Co.	£120,721,681
May 1917	Delivered to Bank of England in exchange	10,004,680
June 1917	Sold to Imperial Munitions Board	2,052,180
June 1919	Placed at Sir H.Lever's disposal	<u>997,553</u>
	Carried forward	£133,776,094



## CHAPTER V

GOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAH. M. GOVERNMENT  
ACCOUNTSummary of Deliveries (Contd.)

	Brought forward		£133,776,094	
	<u>Sovereigns</u>			
Oct. 1915 to June 1916	Delivered to J.P.Morgan & Co.	£17,204,500		
Oct. 1915 to Nov. 1915	Delivered to Canadian Government o/a Shell Committee	3,000,000		
May 1916	Delivered to Bank of England in exchange	<u>4,000,000</u>		24,204,500
	<u>Foreign Coin</u>			
May 1916 to June 1917	Delivered to J.P.Morgan & Co.			
	French Coin	£13,944,976		
	Japanese Coin	192,085		
	Austrian Coin	21,129		
	U. S. A. Coin	<u>358,642</u>		14,516,832
				<u>£172,497,426</u>



CHAPTER VGOLD AND SILVER.GOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWAOttawa Mint

South African gold was first shipped to Ottawa in September 1915, but only about £8 millions was despatched in that year. In the spring of 1916 the Bank consulted with the Royal Mint and the Treasury how best to arrange for the speedy refining of the much larger quantities which it was then desired to divert to Canada. So far, the Mint had treated only about half a million ounces of refinable gold in seven years and possessed but six chlorination furnaces. They were now to be asked to turn out twice this quantity every month, which would amount in a year to about half the total of the world's annual production. The advice of Messrs. Rothschild was sought. In their view the chlorine process in use at Ottawa would have to be continued if the Refinery were enlarged, but they did not regard this method with favour and feared that discrepancies would arise between the valuations given by the Mines and the final out-turn. The other processes of refining were the electrolytic method and the use of sulphuric acid. The former was said to exist at Ottawa but not to be of a modern type. This method, however, Messrs. Rothschild thought best fitted to deal with



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWA

the African gold. Their suggestion was to transfer their own plant and staff to Canada. This proposal was not accepted and the Mint was enlarged, the work being completed in eight weeks.

The difficulties which Rothschilds anticipated were experienced from the beginning. In January 1916 the Refinery complained that their work was delayed a fortnight by the bad smelting of some of the South African bars. They admitted that the bulk of the gold was satisfactory, but the rest was in so bad a condition that they would have refused it if received from other sources. The bad gold - mostly "cyanide" bars - came chiefly from small producers in Rhodesia: it was insufficiently "toughened" and took three times as long to deal with as the rest of the gold. The assays furnished were, they held, quite unreliable and the bars contained on an average 30% of base metal. The objections of the Refinery however were not to the nature of the work involved but to the delay which it occasioned; they were not properly equipped for such smelting work and no facilities existed for it in Canada.

Another complaint arose in respect of the particulars to be furnished by the depositors and Banks.



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWA

In October 1916 more detailed schedules were asked for, the Bank of England requesting the South African Banks to furnish these in duplicate. The deficiency as regarded previous shipments however remained: moreover, the Banks sometimes failed subsequently (even as late as June 1918) in supplying the particulars required of them.

In April 1917 the Bank of England proposed that one copy of the schedule should be packed with the gold and the other sent to them, but it was alleged that it would not always be possible for some of the Branches to prepare the lists in time to be shipped with the gold.

In spite of these difficulties the Mint had succeeded in satisfying the requirements of the Bank up to March 1917 and in the spring of that year Lord Cunliffe was shown over the Mint, on the occasion of his visit to the United States and Canada, and was much impressed with its efficiency.

Complaints as to differences in assays began to arrive from the South African Banks as from February 1917.

The Mines appeared to be as sure of their assays as the Refinery was and the Standard Bank in particular



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spoke of the discrepancies as "alarming" and said that such had not occurred in the case of the London Refineries.

This contention caused surprise in Ottawa, their assayer, Mr. Pearson\*, replying that they used the same methods of assaying as were employed in London and elsewhere and pointing out that a "foreign Government Office" (presumably the United States Assay Office) had come to exactly the same conclusions as Ottawa in certain test cases. He gave reasons for regarding the drilling assays made by the Mines as unsatisfactory and found "extraordinary differences" between assays made from drillings taken from the drill holes which had been used by the Mines.

There is little doubt but that many differences arose from misunderstandings, the final out-turn in cases of discrepancy often being in accordance with the Producers' anticipations. The controversy extended however from 1917 to the autumn of 1920 and ended rather inconclusively, so far as can be judged from the correspondence.

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\*Mr. Pearson came to London in 1919 to assist the Bank in the establishment of their own Refinery and later became Deputy Master of the newly founded South African Mint.



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A minor trouble was that in the majority of cases the weights of the bars, as furnished by the Mines, differed from those of the Mint; the Mint was eventually asked to furnish certificates of differences, a practice said to be adopted by London refiners. In March 1918, the Mint agreed to supply certificates where differences exceeding one ounce existed.

On the whole, there is no reason to suppose that the Producers had any real cause of complaint against the Mint other than that of the delays which occurred in supplying out-turn figures, to which further reference is made below.

By July 1917 the gold sent to Canada was being accompanied for the first time by the schedules for which the Mint had asked and in the same month the Bank arranged that the Rhodesian gold should no longer be shipped to Ottawa but to London where better opportunities existed for dealing with bars containing base metal. This change was of great assistance to the Ottawa Refinery. (At the end of the year it transpired that the Rhodesian gold was not leaving South Africa at all, and, as this was contrary to the Bank's intention, they had to intervene again with a request to the



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Admiralty to give precedence to such gold in making shipments to London. )

Shipments of South African gold to London instead of to Ottawa took place as from the third week in July to the end of the year, although the Bank's arrangement made with the Admiralty in the first named month had been to ship it to either destination, preferably Ottawa. To bring the gold to London and then export it elsewhere involved a double risk; moreover, air raids made it inadvisable to accumulate further stocks in this country.

The absence of shipments to Ottawa during this period made it imperative for the Canadian Mint to consider at the end of 1917 whether their staff should not be reduced or disbanded. It being impracticable to arrange shipments direct from South Africa to Ottawa at this time, it was decided to forward a moderate amount of gold from Great Britain, to keep the staff employed; but this course was in practice found unnecessary, as shipments from South Africa took place to an increasing extent as the year proceeded, through the use of H. M. S. "Exmouth" at Devonport.

Both the Producers and the Bank of England found it very difficult to obtain from Canada sufficient particulars of



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the out-turn of the gold and of balances held on particular dates. Nor were matters made easier by the fact that all routine correspondence had to be passed through the Office of the High Commissioner for Canada. The delay however occurred neither there nor at the Mint, but in the Finance Department at Ottawa. The figures of out-turn and answers to enquiries were sometimes not forwarded until a year after the arrival of the relative consignment! Returns were, it is true, not so much in arrear until 1918, when the demands for military service had exercised their full effect in depleting staffs and the Department was fully occupied with a Victory Loan.

The total amount of South African gold refined at Ottawa (September 1915 - 9th June 1918) was (@  $77\frac{s}{d}{9}$  per oz. std.) £72,258,216\*. In addition there were the small amounts of gold from Brazil and Borneo.

At the end of 1917 Lord Cunliffe suggested that some honorarium should be granted to the Dominion Finance Department, the Ottawa Mint and the Office of the High Commissioner in London. It was understood that some such grant was awarded for distribution according to the discretion of the Canadian Government.

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\*The amount of South African gold refined in London during the war was £126,181,156.



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H.M. GOVERNMENTAND BANK OF ENGLANDCANADA - OTTAWANote on Total Gold dealt with at Ottawa

Below will be found an attempt to ascertain how much gold was dealt with at Ottawa on Government and Bank account during the years 1914 - 1921, excluding the exchange of about £10,000,000 of gold made in October 1919 in order to discharge an obligation of the British Government in Japan (vide note at end of Government Account, Ottawa) and the Calais Agreement gold (included in the New York total).

The total amount received at Ottawa, as shown in the Canadian Section was -

o/a Government	£172,497,426
o/a Bank	150,805,809
	<hr/>
	£323,303,235
	<hr/> <hr/>

From this figure, however, must be eliminated exchanges between the Bank and the Government and the purchase of gold from one by the other. Such transactions clearly do not increase the aggregate of gold received on the two accounts, yet they are included in both totals as they stand.



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The deduction to be made is £97,331,848, viz:-

Government purchases from Bank		
Bars	£61,412,897	
Sovereigns	<u>4,000,000</u>	£65,412,897
Bank purchases from Government		Nil
Received by Bank from Government		
Bars	£10,004,680	
Sovereigns	<u>4,000,000</u>	14,004,680
Received by the Government from Bank		
Bars	£8,148,012	
French Coin	5,393,526	
Sovereigns	104,500	
U. S. A. Coin	<u>358,642</u>	14,004,680
and for German gold in London		3,909,591
	Total	<u>£97,331,848</u>



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The net total of gold received at Ottawa was therefore £323,303,235 less £97,331,848 = £225,971,387. At the par of exchange the latter figure represents a little under \$1,100 millions.

Sir Thomas White, writing on the subject of gold movements through Ottawa during the war, in a series of articles for the Montreal Gazette, appears to put the total gold handled at about \$1,204 millions (Article V. 29 January 1921). In this figure he no doubt included part or all of about £26 millions of Calais Agreement gold. If the whole of this were included it would account for, say, another \$126 millions. With this addition the total arrived at above is not so very much in excess of that which the Canadian Minister of Finance indicated in his newspaper article.

Of the £226 millions received at Ottawa, about £165 millions passed on to New York ( see Note at end of U. S. A. Section).

## CHAPTER V

GOLD AND SILVERGOLD  
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## H. M. GOVERNMENT ACCOUNT

Gold shipped direct to New York  
(including Calais Agreement Gold)

The total amount shipped through the Bank's agency to New York and delivered to J.P. Morgan & Co. is a figure which can only be ascertained approximately, in view of the fact that the Bank do not now possess, and were not invariably furnished with details of the out-turn of the gold. It is, however, possible to arrive at a total which, for all practical purposes, may be regarded as sufficiently accurate.

No satisfactory division of the proceeds can be made between the accounts of H. M. Treasury, the London Exchange Committee and the Bank of England, but as already mentioned, this is of little importance, all these accounts really belonging to the British Government, with the exception of the Exchange Advance Account of the Bank in 1915 (q. v.).

Receipts were as follows:-

Bar Gold

June 1916	From London				
	to			s	d
Feb. 1917	22 shipments	7,061,602.886 Ozs. Std.	@ 77/9 =	£31,658,906	(a)
1916	From London				
	to Ottawa & France		say	26,999,697	(b)
1917	(Calais Agreement)				
				£58,658,603	



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		<u>U. S. A. Coin</u>			
Aug. 1916	From London	54,000 Ozs.	@ $76\frac{1}{3}\frac{1}{2}$ =	£205,988	(a)
1916	From London				
to	& Ottawa	\$79,440,000	say,	16,323,511	(b)
1917	(Calais Agreement)				
				£16,529,499	

French Coin

From London					
Dec. 1915	6 shipments	634,847.162 Ozs.	@ $76\frac{1}{2}\frac{1}{2}$ =	£2,419,032	(c)
Aug. 1916	1 shipment	1,050,000 Ozs.	@ $76\frac{1}{2}\frac{1}{2}$ =	4,000,938	(a)
				£6,419,970	

German Coin

Feb. 1917	From Ottawa (Calais Agreement)			£1,419,611	(b)
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British Coin

Dec. 1915	From London				
	1 shipment			£400,000	(c)
1916	From Australia				
to					
1917	21 shipments			10,500,000	(d)
Feb. 1917	From Ottawa (Calais Agreement)			512,000	(b)
				£11,412,000	

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Bar Gold	£58,658,603
U. S. A. Coin	16,529,499
French Coin	6,419,970
German Coin	1,419,611
British Coin	11,412,000
	<hr/>
	£94,439,683
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(a) These shipments of gold to America for Government account began in June 1916 and continued steadily until September of that year, by which time nearly £35 millions had been despatched. A further £1 million was shipped in February 1917. On six occasions the gold was sent by warship, usually via Halifax, while 14 consignments were forwarded, via Montreal, in steamers of the Allan and Donaldson Lines, sailing from Liverpool and Glasgow. In the case of the former shipments the gold was delivered at the port to the warship by a representative of the Bank of England, while arrangements for the latter were made with the Dominion Express Co., whose charge from the British port to New York was <sup>s d</sup> 5/1%. There were also two shipments by



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liner direct to New York covering about £2,120,000. The last-named amount of gold was applied to the reduction of the London Exchange Committee's advance, the remainder of the £36 millions being credited to H.M. Treasury.

In July the Bank suggested that all such shipments should be excluded from the public returns of exports and, to assist in the preservation of secrecy, the consignments were described as "boxes of metal".

No particular trouble was experienced in connection with the transport of 21 shipments made between June and September 1916. Before the last shipment in February, however, the position had become much more difficult owing to the intensification of the submarine campaign (see also under "B").

In December the Treasury pressed for the shipment of further gold and on the 12th January urged that not less than £10 millions a week should be sent. But the Admiralty were unable at this period to provide transport sufficient to meet this demand.

In January 1917, J. P. Morgan & Co. notified the Bank that all the gold which, so far as they were aware, was on its way to them had arrived and asked for advice as to the

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situation. Lord Cunliffe took the line that it was not desirable to inform them as to future shipments, especially in view of the leakage of information which had occurred in connection with the Russian gold\*. Following this he diverted to Ottawa a shipment which the Government had given instructions should be sent direct to New York, an action he defended on the ground that the formation of gold reserves outside the Empire had always been a policy fundamentally opposed to the views of the London Exchange Committee and also because he feared "a recurrence of the trouble lately experienced, when the Americans complained that gold was "being shipped to them beyond their requirements" (L.22/1/17).

In February and March the Government pressed for the Currency Note gold to be shipped but the Bank pointed out the great risk that would be incurred, and it remained in London. One final consignment of £1,000,000 gold was, however, sent by warship on the 25th February. About this time the Governor was so impressed with the need for secrecy

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\*At other times also, complaints had been made on this score. In 1916 in connection with the South African shipments to America announcements had appeared in the Press once or twice. The Insurance Brokers were suspected on one occasion, and delay in delivery at Halifax was responsible on another. (Morgans themselves were not accused.)



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that he discontinued for a fortnight the weekly statement of gold movements which had long been furnished to the Treasury.

(It was re-instated at the request of Sir R. Chalmers.\*)

From March onwards shipments were made to Ottawa, until in May 1918 the Treasury expressed doubt as to the advisability of accumulating further quantities of gold there. The amount then held at that centre was large and considered sufficient for all needs. It was thought that in certain contingencies the United States Authorities might put pressure on Great Britain to part with a portion of the gold if too much were deposited in Canada. The Bank thereupon ceased shipments to North America, the South African gold being transported to London (see South African Section).

(b) This represents gold received under the Calais Agreement of the 24th August 1916. Under that Agreement, and its subsequent modifications, the French Government undertook to request the Bank of France to place at the disposal of H.M. Treasury a sum of gold amounting in all to £53,333,000. The gold was delivered at French ports in fourteen consignments. One shipment was sent direct from France to Canada; the remainder were all conveyed across

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\*Joint Secretary to the Treasury



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the Channel by the British Admiralty and collected from the English port by representatives of the Bank of England. From thence the boxes were despatched unopened to New York or Ottawa. All the gold, except the last consignment from France and that lost in the "Laurentic", eventually reached J. P. Morgan & Co., New York, for account of H. M. Treasury. According to the figures furnished by the Bank of France, the gold consisted of -

Bar Gold	Fcs. 706, 101, 473. 24
United States Coin	\$79, 440, 000
New French Coin	Fcs. 154, 000, 000
German Coin	Mks. 29, 760, 000
Russian Coin equivalent to	Fcs. 30, 000, 000
and Sovereigns	£512, 000.

All of this was sent on to New York, except the Russian Coin and Fcs. 54, 000, 000 of the French Coin, which formed the consignment retained by the Bank. In December 1916 the Finance Minister at Ottawa (as explained in the Canadian Section) misunderstood the Bank's request to deliver "sealed boxes" only and parted with some of the Bank's own gold instead. The fourteenth consignment was sold to the Bank (on 10th May 1917) in part payment for this delivery.



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It is not possible to make more than a very rough estimate of the out-turn of the Calais gold, but, making no allowance for expenses, the gold supplied would seem to have been nearly £250,000 in excess of the amount agreed upon.\* Until December 1916 the shipments were of £4,000,000 each, but on the 13th of that month, as gold was urgently required, the Bank consented to increase the consignments to £5,000,000. Shortly after, the "Laurentic", carrying this amount, was sunk (January 1917) off the coast of Ireland.

The end of 1916 was the most anxious period of the war from a financial standpoint. With the movement of the Calais gold between September 1916 and January 1917 shipping difficulties accumulated.

Early in December the Treasury expressed anxiety that all available gold, except that held for the Currency Note Account (£28½ millions) should be shipped as quickly as possible. The terms of the letter seemed to indicate the opinion that the Bank had not made sufficient efforts to secure transport. As a matter of fact, the Bank had been constantly pressing the Admiralty to provide ships, the Governor calling on Admiral Oliver two or three times a week.

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\*i.e. including the Laurentic's gold.

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But the Admiralty were short of vessels owing to there being a German raider in the Atlantic. Indeed Admiral Oliver complained (L.22/12/16, at which time four warships were engaged in carrying gold) that the chances of capturing the raider were being spoilt. Moreover, by this time all troopships were being convoyed, on account of the submarine menace.

The Bank suggested that if the Treasury were dissatisfied they should undertake the shipping arrangements themselves. The Treasury, however, asked the Bank to continue. Several difficulties arising out of divided responsibility came up from time to time; nor was this surprising, as the Treasury, Bank and Admiralty were all involved in each shipment. One of the annoyances was that vessels constantly arrived before the name of the consignee had been cabled. The need for secrecy led to this information being always withheld to the last. The Commander-in-Chief of the North American and West Indies Station complained that he had been obliged to wire for instructions on nine separate occasions. The respective share of the Treasury, Bank and Admiralty in the failure to despatch the advices in time were evidently rather difficult to allocate.



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With regard to the "Laurentic" it may here be added that nearly all the gold was salvaged between 1917 and the end of 1923.

(c) The sovereigns and French Coin shipped in December 1915 represent part of the £20,823,000 gold which had been collected from the Bankers in London in the previous August; French Coin being substituted to the extent shown owing to the demand which the Bank of England were experiencing at that time for sovereigns for export. The gold would have been shipped to Canada, as in the case of the balance of the special collection, but there were no facilities at the time for doing so. Upon arrival the gold was handed to the American Express Company, who delivered it to J.P. Morgan & Co. for the account of H.M. Treasury. The gold was shipped by steamers of the Cunard, White Star and American Lines. Some shipments were insured and some were not.

(d) Particulars of these shipments will be found in the Australian Section.



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## BANK OF ENGLAND ACCOUNT

Gold shipped direct to New York

As explained in Chapter IV the Bank of England began to support the American Exchange early in 1915, acting through J.P. Morgan & Co. The debt incurred was discharged in the following September and three shipments of gold were made by warship from Great Britain in July and August for this purpose. The gold was delivered by a representative of the Bank at the British Port, whence the Admiralty conveyed it to Halifax, delivering it there to the American Express Company. The Bank paid the Admiralty freight @ £1 per cent.

The gold consisted of 2,522,000 ounces of U.S.A. Coin and £2,390,000 of British Coin. J.P. Morgan & Co. arranged insurance from Halifax to New York; no other insurance was effected. These were the first shipments made to America by or through the Bank since the beginning of the war; though attempts were made to keep the matter secret some particulars appeared in the Canadian Papers.

After deduction of expenses incurred by J.P. Morgan & Co., the net yield of this gold was \$58,376,639.08 (@ 4.86 $\frac{2}{3}$  = £11,995,364).



## CHAPTER V

GOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDUNITED STATES OF AMERICANote on Total Gold dealt with in New York

The total amount of gold delivered to J.P.Morgan & Co. during the war was, of course, much in excess of that shipped direct to New York. The grand total appears to have been as follows:-

Government deliveries from Ottawa -	Bar Gold	£120,721,681
	Sovereigns	17,204,500
	French Coin	13,944,976
	Japanese Coin	192,085
	Austrian Coin	21,129
	U. S. A. Coin	358,642
		<hr/>
		£152,443,013
1915 Bank of England deliveries from Ottawa		12,224,050
1915 Bank of England deliveries from Montreal		241,686
		<hr/>
	Total from Canada	£164,908,749
Government Account - Shipped direct		94,439,683
Bank of England Account - " "		11,995,364
1915		<hr/>
		£271,343,796
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CHAPTER VGOLD AND SILVER

GOLD (ABROAD) GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLAND

Memorandum on Gold Exports

The following figures are taken from a letter of the 12th April 1919, addressed to the Secretary of the Treasury. (Similar figures were furnished periodically during the war from January 1917.)

August 1914 to 31 March 1919\*

(a) Total amount of gold exported from and through Great Britain (apart from that exported privately without the intervention of the Bank of England). £389,079,000

Of this amount there was furnished exclusively by Great Britain, including gold acquired by the British Government and the Bank of England in Australia, Canada, &c. £191,379,000

(b) Total amount exported from France under agreements with Great Britain £112,333,000  
 Less re-exports of the same gold 2,334,000 £109,999,000

(c) Total amount furnished by Russia under financial agreements with Great Britain £68,000,000

(d) Total amount furnished by Italy under financial agreements with Great Britain £22,200,000

The aggregate amount under all four heads above-mentioned actually sent to the United States £308,787,000

\*Owing to the fact that these figures have not been calculated to a later date than March 1919 no attempt has been made to verify them with the particulars given elsewhere in this chapter, but there is no reason to suppose that they are incorrect so far as they go.



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
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Arrangements respecting production, purchase and custody;  
also shipment and disposal of gold for account of  
H. M. Treasury and the Bank of England.

SOUTH AFRICAProduction, Purchase and Custody

On the 14th August 1914, after making preliminary arrangements with the South African Government, the Bank issued a memorandum stating that they were prepared to purchase on the basis of £3:17: 9 per standard ounce, subject to the subjoined conditions, such gold as might be deposited to their order in the name of the Minister of Finance and Defence of the Union of South Africa at the Johannesburg, Pretoria and/or Cape Town Offices of any of the following Banks, viz.

African Banking Corporation, Ltd.,  
National Bank of South Africa, Ltd.,  
Standard Bank of South Africa, Ltd.

- (a) Particulars of deposits to be advised by cable by the Finance Minister through the High Commissioner in London;
- (b) 97% of the value (as certified by the official Assayer of one of the three South African Banks)

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to be advanced in London on receipt of cable advice of deposit, the balance to be adjusted on delivery of the gold in London;

- (c) Deposits to be made free of expense; and all subsequent charges up to the time of delivery at the Bank of England, including cables, freight, insurance, &c. to be paid by the depositor;
- (d) Time of shipment to be entirely at the discretion of the Bank of England.

All payments for gold so deposited were made by the Bank to the London Offices of the three South African Banks, who in turn credited the various Mining Companies. In the case of the first few deposits of Transvaal gold it was impracticable to obtain an independent assay as the gold was actually in course of being forwarded for shipment when the purchase scheme came into operation, so the Bank agreed to pay on the mines' valuation subject to the guarantee of the South African Banks, supported by that of the Union Government, to make good any shortage which might eventually result:



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similar undertakings were given by the British South Africa Company and by Lazard Brothers & Co. with regard to Rhodesian and Belgian Congo gold respectively.

The Union Government accepted full responsibility for the safe custody of the gold whilst deposited in their name with the Banks in South Africa.

These arrangements remained unaltered until April 1916, when the limit of advances was increased to 98 $\frac{3}{4}$ % and the Bank reserved the right to ship the gold to any destination other than London on the undertaking that the total expenses of any such shipments should not appreciably exceed those at the time ruling for shipments to London.\*

In April 1918 the Council of the Institution of Mining and Metallurgy issued a Report on the position of the gold output of the British Empire, emphasising the prospect of a serious diminution in production owing to the reduction of profit resulting from (1) increased cost of supplies, (2) scarcity and cost of labour and (3) diminished grade of ore in certain cases; recommending a bounty on output to enable the poorer mines to continue

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\*It may perhaps be mentioned here that in the Autumn of this year (1916) a proposal to establish a Mint in South Africa was put forward by the Union Government. H.M. Treasury suggested that the question should be postponed until after the War. The Bank wrote to the Treasury deprecating any departure from the methods hitherto employed, which were to the advantage of London.  
(C.C. O. 493 fo. 106)



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operations and generally to stimulate production; expressing the opinion that the gold mining industry was being hardly treated inasmuch as the price paid to the Producers was fixed at the pre-war level whilst working expenses had increased, and stating that a considerable profit could be made if the Mines were allowed to sell their gold in South America and remit the proceeds to London. (It will be observed that the Bank of England's Memorandum of 1914 made no stipulation that the whole of the Mines' output should be sold to the Bank. The Producers were apparently always at liberty to dispose elsewhere of a part or indeed all of their gold. Moreover the informal agreement with the Bank could, no doubt, be terminated on either side at notice. Nevertheless the Producers seem to have considered themselves bound to the Bank as regards the whole of their gold. Possibly some oral understanding on the matter had been reached with Lord Cunliffe).

Almost immediately after the issue of this Report Sir Lionel Phillips, representing the South African Producers, entered into protracted negotiations with the



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Governors with a view to securing for the Companies more advantageous terms for the disposal of their output; and in the following July the Gold Producers' Committee, representing practically the whole of the Producers of the British Empire, addressed a letter to the Chancellor of the Exchequer calling for an enquiry into the whole question of gold production. The matter was also referred to General Smuts, and later to General Botha, both of whom were in Europe in connection with the peace negotiations. As an outcome a Committee, consisting of Lord Inchcape, Chairman, Sir Thomas Elliott, Sir Charles Addis and Mr. W. H. N. Goschen, was appointed on the 27th September 1918 with the following terms of reference: "To consider and report "upon the effect of the war upon the gold production of "the British Empire with reference more particularly to "the treatment of low grade ores and how far it may be "of importance to national interests to secure the con- "tinuance of the treatment of such ores and generally "how to stimulate the production of gold." This Committee found that up to the date of their appointment

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the treatment of low grade ore in the Transvaal had not been reduced by the war to any determinable extent; and they reported against any bounty or subsidy being paid for the purpose of stimulating the gold output.\*

Early in 1919 a movement in favour of the establishment of a Refinery and Mint in South Africa became very pronounced, and the Bank thereupon considered the advisability of erecting a Refinery in London to deal, free of profit to themselves, with all the South African gold sent here. This it was thought would remove the Producer's grievances respecting refining charges, and hence attract the raw metal as hitherto, thus tending to maintain London's position as the principal gold market.

The Transvaal Chamber of Mines offered to find the Union Government the money for the local Refinery and Mint; the cost to be repaid gradually out of profits; all the South African gold to be minted there, and Notes to be issued by the Government against gold held. Sir Lionel Phillips, however, cabled to South Africa advising the Mine Owners to erect their

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\*See also Appendix:- Sir Brien Cokayne's evidence before Cunliffe's Committee on the 8th July 1918, and reference in Chapter XII.



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own Refinery quite independently of the Government and to keep the refined gold for disposal anywhere.

In December 1918 and again in May 1919 the Governor-General of South Africa approached the Colonial Secretary pointing out the serious position of the gold mining industry and suggesting for the assistance of poorer mines a contribution of  $7\frac{s}{6}$  per cent. out of the £1:5/- per cent. of the value of gold shipped deducted by the Bank in respect of freight and insurance; also enquiring the views of His Majesty's Government on the further suggestion that the industry might obtain a better price by selling direct to the United States of America or in other Markets. The Governors referred back to the Treasury the question of the charge for freight and insurance, as the profits on bullion had been paid over by the Bank to the Exchequer. The Treasury declined to admit the claim for contribution out of freight &c. charges on the grounds that, as pointed out by the Committee on Gold Production, the inclusive rate was less than the market charges which would have been for these services; and as regards



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the disposal of the gold it was stated that the Bank had, with the knowledge of General Botha, made certain provisional proposals to the London representatives of the Mines and were awaiting their reply.

The Producers continued to sell their gold to the Bank until July 1919, the total thus disposed of amounting to £205,861,063 (including gold from Rhodesia and Belgian Congo), viz:-

1914	£16,044,126	(from beginning of August)
1915	41,456,440	
1916	44,291,710	
1917	42,730,383	
1918	38,997,335	
1919	22,341,069	(to end of July)
	<u>£205,861,063*</u>	

As a result of the negotiations above referred to, a new agreement was concluded in July 1919 between the Bank and the Representatives of the South African Gold Mining Companies in the following terms:-

"1. All gold, refined and unrefined, produced in South

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\*It must be borne in mind that these figures represent the declared value of the gold @ 77/9 per oz. std. (as certified by the Official Assayer under the Agreement). It differs of course from the actual out-turn figures given in certain other Sections, e.g. Canada.



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"Africa, except such amount as may be required to  
 "meet local currency requirements, to be shipped to  
 "England by the Producers consigned to the Bank of  
 "England.

- "2. Subject to satisfactory arrangements having been  
 "made as regards shipment, insurance, &c., the  
 "Bank of England to be prepared on receipt of  
 "advice of shipment to pay to the Bankers of the  
 "Producers by way of advance an amount equal to  
 "77/- per ounce standard of the gold contents of  
 "the raw gold shipped, such advance to bear interest  
 "at the current rate of discount for the issue of  
 "British Government Three Months' Treasury Bills  
 "(when such Bills are on issue from day to day to  
 "the Public) or at one per cent. under the Bank rate  
 "varying, whichever may be the lower. The advances  
 "to be repaid with interest out of the proceeds of  
 "the sale of the gold on arrival, or earlier at the  
 "option of the Producers.
- "3. Unrefined gold to be delivered by the Bank of  
 "England on arrival to such Refiners as may have



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"been appointed by the Producers or their Agents  
"under standing instructions.

- "4. Refined gold, including gold refined after arrival  
"in London, (and silver) to be dealt with through  
"the Bullion Brokers or through such other channel  
"as the Producers or other Agents may arrange.
- "5. The Bank having received authority from the Treasury  
"undertake to issue licences for the re-export of  
"the gold at any time within the period of five  
"weeks from the date of the arrival of the gold at  
"the Bank.
- "6. For the purpose of shipment to foreign countries  
"where sovereigns are necessary, the Bank to make  
"payment in sovereigns for gold sold to them at  
" <sup>s d</sup> 77/9 per ounce standard by the Producers and the  
"export licence in respect of such gold to apply  
"equally to the sovereigns issued in payment  
"therefor.
- "7. The Bank of England to make no charge for their  
"services.
- "8. All charges for freight, insurance, refining,



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"assaying and commissions on sales or other costs

"or expenses to be defrayed by the Producers.

"9. The arrangement to be subject to termination at

"six months' notice on either side."

(N.B. The notice required was reduced to three months in January 1920).

The principal Rhodesian Producers entered into an exactly similar Agreement about a month later: in their case, however, there was no subsequent reduction of the notice required for denunciation of the Agreement. At first the Bank declined to regard the three South African Banks as Producers within the terms of the Agreement; but after a time these Banks were allowed to participate on condition that they satisfied themselves that they were receiving the whole of the output of the small Producers whose gold they purchased.

On receipt of official notification of acceptance of the new Agreement by the Companies the Bank offered to provide forthwith, on account of each week's output, such quantity of refined gold from their stock in London as was necessary to meet the reasonable current demands

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of the Trade, the gold so supplied being sold for account of the Mines and replaced from the unrefined gold on its arrival here.

Advances were made against the first week's deposits under the new Agreement; but as some of the groups wanted the advance from the Bank and others did not, the difficulties of arranging prompt shipments of gold, part of which was free and part hypothecated, proved to be so great that the advances were repaid and all the Companies made their financial arrangements independently of the Bank, whilst reserving their right to take advances in accordance with Clause 2 of the Agreement. The first "free" consignment of gold did not reach London until the 9th September 1919.\*

In view of the fact that Producers were not taking advances from the Bank, and also that the long distance separating the Union Treasury (in Pretoria) from the port of departure would make the lodgment of insurance policies and Bills of Lading in respect of shipments very complicated, the Union Treasury informed the Transvaal Chamber of Mines in November 1919 that they

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\*It may be noted that at a Committee of Treasury on the 3rd September 1919 it was agreed that the sale of gold before its arrival in this country would be contrary to the intention of the agreement with the South African producers.



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felt they could not successfully act as Agents for the Bank of England, and that in the circumstances the Producers should continue to finance and dispose of their output in the same manner as they did before the war. Sir Sothern Holland, of the Central Mining and Investment Corporation, did not consider it necessary to take notice of this letter, as in the event of it becoming advantageous to the Producers at any time to take advances from the Bank they would have to induce the South African Treasury to comply with the Bank's conditions or else to make some other arrangements which would satisfy the Governors.

In January 1920 the Bank acceded to a request of the Union Government for about 130 ounces of gold per month to be retained for sale to local jewellers, but stipulated that such gold be sold at the world price and used for the purpose of local trade and not for export.

A formal Agreement dated 10th June 1920 was signed by Sir Ernest Harvey on behalf of the Bank of England and by Sir Evelyn Wallers, President of the



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Transvaal Chamber of Mines, on behalf of the various South African Gold Mining Companies. The concession to jewellers was not embodied therein, but was confirmed by the Bank's letter to Sir Lionel Phillips of the 28th May 1920.

It may be noted here that information reached the Bank indirectly to the effect that the Companies considered unnecessary delay had been caused by the Bank between the "unpegging" of the American Exchange on the 19th March 1919 and the signing of the new Agreement on the 24th July 1919. A Memorandum formulating the Bank's answer to this charge, which they considered baseless, may be found in C.C.P. 212. f. 279.\*

The following tables show the amount of gold imported from South Africa and elsewhere, under Agreements made with the Bank, during the two years 1st September 1919 to 31st August 1921 and how it was disposed of. It will be observed that the chief demand came first from India. Subsequently the United States of America received nearly all available supplies, the depreciation of the European exchanges in terms of

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\*As early as the 26th March 1919 the Governor suggested to the Committee of Treasury that the Bank of England should pay the South African producers the same price for gold as they would obtain either in the United States or in Canada.



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the dollar and the fact that large purchases of food, raw materials &c. had to be made from America inevitably making that country the dumping ground of the world's output. It will also be seen how great was the demand of the home trade immediately upon the removal of the restrictions on the supply, a demand which was for some time ready to pay the export price and which is believed to have attracted further quantities of the metal from the Continent. The reduction of this demand in the following year to one eighth of its amount seems to indicate a rather violent reaction.

Import of Bar Gold

			Approximate value @ 77/9 per oz. std.
1919	1920		
1 Sept. -	31 Aug.	South Africa	£39,339,000
		West do.	988,000
		Belgian Congo	233,000
			<hr/>
			£40,560,000
			<hr/> <hr/>

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1920 1 Sept.-	1921 31 Aug.		Approximate value @ 77/9 per oz. std.
		South Africa	£35,883,000
		West do.	839,000
		Belgian Congo	397,000
		Borneo	52,000
		Sundry	127,000
			<u>£37,298,000</u>

Export of Gold under Licence

<u>Destination</u>	1919 1 Sept.-	1920 31 Aug.	1920 1 Sept.-	1921 31 Aug.
United States	£7,600,000		£35,510,000	
South Africa	4,300,000			
South America	4,220,000			
Straits Settlements	4,500,000			
India	15,000,000		1,110,000	
Java	400,000		50,000	
West Africa.	65,000		1,000	
Carried forward	<u>£36,085,000</u>		<u>£36,671,000</u>	



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Destination	1919	1920	1920	1921
	1 Sept. - 31 Aug.		1 Sept. - 31 Aug.	
Brought forward	£36,085,000		£36,671,000	
Egypt	545,000		24,000	
Continent	2,600,000		394,000	
Japan			43,000	
Other Countries	130,000		16,000	
Trade	1,200,000		150,000	
	£40,560,000		£37,298,000	

Disposal and Shipment

The South African raw gold purchased by the Bank during the period from the commencement of the war until the conclusion of the new Agreement with the Producers in July 1919 was disposed of as follows:-



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(a)	Shipped to London to be refined	£122,639,037
(a <sup>c</sup> )	" " India and subsequently brought to London to be refined	<u>3,542,119</u>
	making the total refined in London	£126,181,156
(b)	Shipped to Ottawa to be refined	£61,622,730
(a <sup>b</sup> )	" " Devonport: and subsequently to Ottawa to be refined	7,666,781
(b <sup>c</sup> )	" " India, and eventually sent on to Ottawa to be refined	<u>2,968,705</u>
	making the total refined in Ottawa	72,258,216
(c)	Shipped to India and sold there as raw gold	1,015,372
	(making a total of £7,526,196 shipped in the first place to India)	
(d)	Shipped to Australia to be refined	6,400,227
(e)	Lost at Cape Town and Sierra Leone	6,092
		<u>£205,861,063</u>



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Of the total shipped to London, £74,512,859 was conveyed by warships or by transports sailing under Admiralty control, all but £9,957,635 being shipped prior to the conclusion of the Armistice.

The first consignment, aggregating £7,990,511, was brought home by warships in February 1915 at the instigation of the Admiralty without the previous knowledge of the Bank; hence no arrangements had been made respecting freight and insurance. It was subsequently arranged that the Admiralty should be paid an inclusive charge of  $7\frac{s}{9}$  per cent. to cover freight and insurance (both marine and war risks): this rate was based on the Union Castle Company's pre-war freight rate  $(4\frac{s}{3})$  and the current marine insurance rate  $(3\frac{s}{6})$ , nothing being added for war risks. The expenses of the Union Government for cables &c. were also charged to the Mining Companies at a later date.

Arising out of this shipment, Admiral King-Hall, who was then Commander-in-Chief at the Cape of Good Hope, contested the view taken by the Admiralty that the right

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of officers of H.M. Navy to receive freight for the conveyance of treasure as recognised by a statute passed in 1819 had been abolished by an Order in Council dated the 27th October 1914, and he instructed his Solicitors to enquire whether the Bank were prepared to pay him a reasonable rate of freight; and, if they were not, to institute proceedings. The Admiralty raised no objection and the case was eventually tried in the King's Bench Division, Commercial Court, as King-Hall v. Standard Bank of South Africa (who were the Bank originally interested in the gold); but the action failed and on the 14th March 1919 Mr. Justice Bailhache delivered judgement for the Defendants with costs.

The Union Castle Steamship Company also contended that this shipment constituted a breach of their agreements with the Mining Companies and the South African Banks whereby all gold exported by the Mines from South Africa during a period of ten years from 1912 should be shipped by the Union Castle Company's steamers at a net rate of  $4\frac{1}{3}$  per cent., and they endeavoured, without success, to move the Bank to compensate them in



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some way for the loss sustained or to reserve the freight at issue pending the result of any action which they might decide to take.

In May 1915 there was the possibility of another shipment being made by warship, and Lord Cunliffe agreed with Sir John Bradbury that the Admiralty should be paid a covering rate of 1 per cent. to include freight, insurance and all expenses from door to door. No further shipments were, however, effected by warship until June 1916 when a further £4,000,000 was to be brought home. It was then arranged between the Bank and the Treasury that in view of the increase in the market rate for war risks insurance to <sup>s</sup>21/- per cent. the Admiralty should be paid for their services in connection with that and all subsequent similar shipments the whole of the balance of <sup>s</sup>25/- per cent. hitherto retained by the Bank to cover freight and insurance, and that the Bank should recoup themselves from the Treasury for any expenses incurred over and above the payments to the Admiralty. It was also agreed that the Government should accept all insurance risks in connection with any

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gold which the Bank might find it necessary to ship in any part of the world. When the rate for war risks insurance went up to £2: 2: - per cent, the question of the inclusive charge made to the Mining Companies was raised with the Treasury; but at the same time Lord Cunliffe expressed the opinion that it would not be expedient to alter the 25<sup>s</sup>/- rate, and Sir John Bradbury concurred in that view.

Another £4,000,000 was brought home direct in December 1916; but after that date Sierra Leone was used as a kind of clearing station and most of the consignments were brought there from the Cape by convoys of troopships and their escorting warships, and landed or transhipped there according to the opportunities offering for shipment either to London or Ottawa. When landed, the gold was stored at the Freetown Branch of the Bank of British West Africa (whose services were recognised by payment of a fee of one hundred guineas).

Several consignments shipped by transport convoys were placed on ships chartered by the Australian Government and in these instances the Admiralty paid the



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Commonwealth Shipping Representative freight at the rate  
of  $\frac{4}{3}$  per cent. <sup>s d</sup> regardless of whether the gold was  
carried from Cape Town to Sierra Leone, from the Cape to  
this country, or merely brought here from Sierra Leone.

Shipments to this Country by Liner

The shipments by Union Castle Company's steamers aggregated £48,126,178, of which total £17,879,569 was shipped during the period of active hostilities and £30,246,609 after the armistice. The first shipment was in November 1915, and consignments were brought home more or less regularly until February 1917, when it was decided to discontinue shipments by unescorted steamers owing to the submarine menace. £630,000 was the maximum amount carried in any one bottom during the war; but when shipments were resumed after the armistice the limit was raised to £2,000,000. The last consignment of the Bank's gold arrived on the 5th September 1919.

In all cases freight was paid in London to the Union Castle Company at their pre-war contract rate of <sup>s d</sup>  $\frac{4}{3}$  per cent., which included carriage from the British port to the Bank.

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Insurance of the first £6,500,000 was effected through Henry Forbes & Co. at the market rate of  $22\frac{s}{d}{6}$  (subject to the usual rebates); but after the Government's undertaking in July 1916 to bear all risk of loss no further insurance, beyond that already effected, was carried out until the cessation of hostilities, and, in accordance with the arrangement made with the Treasury, premiums at the market rate were charged to the Companies and paid over to H.M. Paymaster General. When, however, the market rate rose above the margin available for insurance, the Companies were charged the full  $25\frac{s}{-}$  per cent. as an inclusive rate, and the balance remaining after payment of  $4\frac{s}{d}{3}$  per cent. for freight was regarded as the premium collected for Government account. When shipments were resumed after the armistice, insurance was effected in the ordinary way through Price Forbes & Co. Ltd. commencing at  $4\frac{s}{d}{6}$  per cent. and subsequently falling to  $3\frac{s}{-}$  per cent. but full brokerage was charged on these policies instead of half brokerage as during the war.



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The gold in these three groups was despatched in the first instance from Durban to the Mint Master at Bombay, the South African depositors bearing the cost of transit from the Mines to Durban in lieu of paying for conveyance to Cape Town. All the shipments with the exception of the last two were made by British India Company steamers, freight being paid to the Company in London at the rate of  $17\frac{7}{6}$  per cent. Insurance was effected through Henry Forbes & Co. for the first five shipments, the last of these at  $5\frac{1}{2}$  per cent. and the others at  $7\frac{7}{6}$  per cent.; the risk of subsequent shipments was borne by the Government, who were credited with premiums at the market rate of  $7\frac{7}{6}$  per cent. for several shipments and with the whole of the difference between the freight and the margin of  $25\frac{1}{2}$  per cent. retained for shipping expenses for the remaining shipments by British India steamers. The last two shipments were by transports, the Admiralty being paid the inclusive rate of  $25\frac{1}{2}$  per cent. Until the last shipment, which amounted to nearly £1,000,000, consignments

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were limited to a maximum of £500,000 each. Whenever South African gold was shipped to a destination other than London the Bank obtained through the three South African Banks the consent of the various Mining Companies to accept in full payment for their gold the advances of  $98\frac{5}{4}$  per cent. of the value at  $77\frac{9}{9}$  per oz. <sup>s</sup> <sup>d</sup> std. which had already been made, except that in the case of certain bars which contained an abnormal proportion of silver the Bank agreed to refund any surplus value which might arise after defraying the ordinary cost of remelting &c. For some of the later shipments the Bank agreed that in the event of the gold being refined before being disposed of, a final settlement would ultimately be effected in the ordinary manner: this actually happened in some instances. Incidental expenses incurred by the Bombay Mint in connection with the receipt of these consignments were deducted from the profits paid over to the Treasury.

(a<sup>c</sup>) Particulars of the shipment to London of the £3,542,119 gold included in this division are given in the section dealing with shipment of gold produced in India.



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(b<sup>c</sup>) The South African gold amounting to £2,968,705 forwarded from Bombay to Ottawa was shipped in six consignments of approximately £500,000 each. Arrangements were made with the P. & O. Company and the Dominion Express Company (representing the Canadian Pacific Railway Company) whereby through Bills of Lading were issued by the former in Bombay against which the gold was deliverable on arrival at its final destination, a through rate of 16<sup>s</sup>/<sub>9</sub> from free alongside the steamer at Bombay being paid to the P. & O. Company in London on receipt of cable advice of shipment.

The Dominion Express Company undertook to arrange for transshipment and storage at Hong Kong when necessary at cost to them: the rates eventually fixed for these services - which applied to the last four shipments only - were 70 cents per \$1,000 for transshipment and 15 cents per \$1,000 per week for storage. The Treasury accepted all risks of transit not



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otherwise covered, the responsibility of the Companies being limited to:-

1. P. & O. Company:- custody according to the terms of their Bill of Lading from the time the gold was put on board at Bombay until it left the ship's tackles in Hong Kong.
2. Canadian Pacific Railway Company:- no liability during transshipment: but the Company eventually consented to be governed by the terms of the P. & O. Bill of Lading while the gold was on their steamers: the rate for the journey by rail from Vancouver to Ottawa had to include insurance to comply with the Canadian law.

All the expenses of these shipments, including the land charges at Bombay, were recovered from the Treasury.

- (c) The South African Gold, amounting to £1,015,372, sold in India is dealt with under "India - Disposal and Shipment".



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The first consignment, which amounted approximately to £4,000,000, was despatched in September 1915, followed by a similar consignment two months later. The gold was handed over by the Admiral at Halifax to the Representative of the Dominion Finance Minister, who arranged for its conveyance to Ottawa. An inclusive rate of 20/- per cent. was paid to the Admiralty to cover freight and insurance for these two shipments; and the Mining Companies were in addition charged with expenses incurred by the Finance Department in transporting the gold from Halifax. The arrangements made with the Ottawa Mint are explained in the section dealing with Canada.

No further consignments were sent by warship until July 1916; and in the meantime it had been arranged that the Admiralty should be paid the increased rate of 25/- per cent. Most of these later shipments were limited to £4,000,000 in any one ship, although frequently about £8,000,000 was distributed between different ships in a convoy. Five consignments went

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direct to Halifax, but the remainder were transhipped at Sierra Leone, one being transhipped a second time at Bermuda. French cruisers assisted in taking consignments on from Sierra Leone (or Dakar). The shipments by transports in convoys escorted by warships were arranged by the Admiralty and payment of the usual <sup>s</sup> 25/- per cent. applied to these; but as certain of the ships happened to be Union Castle liners which were engaged on a "soldier freight" basis and not requisitioned, freight at the rate of 4/<sub>s</sub>3 per cent. had to be paid for gold carried by such steamers, and these payments were deducted from the amount paid to the Admiralty. (For cargoes brought from the Cape to Sierra Leone by Australian ships vide "Shipments to this Country").

Shipments to Ottawa by Liner via United States of America

Six consignments in all were forwarded in this way, the first two in December 1915 consisting of approximately £930,000 each, and the remaining four in 1916 amounting to about £500,000 each. The gold was shipped by Union Castle steamers from the Cape or Durban to Baltimore, Boston or New York and was consigned to the



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Finance Minister at Ottawa, the Dominion Express Company's Agents taking delivery at the port of arrival and forwarding the boxes by rail to their destination. The Union Castle Company's freight rate was <sup>s</sup>5/- per cent. The charge for land freight from the ports to Ottawa was 75 cents per \$1,000 from Boston and New York and 85 cents from Baltimore. Insurance was effected through Henry Forbes & Co. for the first four consignments at rates commencing at <sup>s</sup>5/- per cent., rising to <sup>s d</sup>12/6 and later falling to <sup>s</sup>10/-: the risk of the last two shipments was borne by the Government and premiums at the last-mentioned rate were paid to them. When the submarine menace became very acute, at the end of 1916, the Admiralty advised that no further shipments should be made by Union Castle liners unless they were defensively armed, fitted with "wireless", and capable of maintaining a speed of at least 15 knots an hour: none of the steamers on this route fulfilled these requirements and the shipments were therefore discontinued.

(a<sup>b</sup>)

In December 1917, owing to the infrequency of opportunities of sending South African gold direct from

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the Cape to Ottawa or via Sierra Leone and to the reluctance of Lord Cunliffe to accumulate too much in London in view of the danger from air raids, it was arranged that H. M. S. "Exmouth", an old battleship at Devonport, should be used as a temporary depot pending opportunities of despatching the gold thence to Ottawa. Whenever gold arrived a representative of the Plymouth Branch attended on the "Exmouth", sorted out the boxes into order for subsequent despatch and locked them up in the magazine under dual control with a representative of the Port Admiral, both signing a statement of deposit. When a shipment to Ottawa was arranged, the Bank's representative attended and indicated which boxes were to be withdrawn: beyond this the Bank assumed no responsibility as to the safety or contents of the boxes, nor did they do so in connection with the despatch of gold from Plymouth or any other port. It was agreed by the Treasury that no charge could be made to the Mining Companies for this service. The arrangement continued for about three months; gold was shipped from various ports to Ottawa in cruisers and all the arrangements were



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made by the Admiralty, the Bank merely requesting the High Commissioner to cable to the Finance Minister asking him to take delivery on arrival at Halifax. As the full <sup>s</sup>25/- per cent. had been paid for the journey from South Africa nothing remained to be paid for the further voyage.

(d)

The reasons for the shipments to Australia and particulars of the disposal of the gold are given in the section on Australia. The gold was carried by troopship in each instance: in the case of the first four consignments the Admiralty were paid the customary <sup>s</sup>25/- per cent., but the charges in respect of the last £5,000,000, which was sent to be refined and coined against possible Indian requirements, were left to be settled between the Treasury and the Admiralty, in accordance with an arrangement made by the Bank with the Treasury (see below). The Mining Companies agreed to accept in full payment for their gold the  $98\frac{5}{4}$  per cent. which had already been advanced, with the sole exception of certain bars which contained a very large proportion of silver: the sum of £630:10: - was eventually paid to

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the National Bank of South Africa in respect of the amount by which the allowance for silver in 19 of these bars refined at Melbourne exceeded the Mint charges.

As regards the last £5,000,000 mentioned above, it was arranged that refining and coining should be effected for account of the Treasury regardless of whether they ultimately bought the gold or not, and that they should in consequence pay the full face value of any sovereigns transferred to them. In order to carry out this arrangement a balance of £67,075: 6: 3, representing the difference between the amounts originally advanced by the Bank against the raw gold and the net amount realised in Australia, was paid over to the Treasury, which had the effect of making the sovereigns stand in the Bank's books at face value: the Admiralty had accordingly to look to the Treasury for payment of freight, &c.

(e)

Two boxes of South African gold were lost; one was dropped overboard during transhipment at Sierra Leone and the other presumably disappeared while being



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transferred from the National Bank's Office at Cape Town to the warship on which it was to have been shipped. In the case of the former the full value at <sup>s d</sup> 77/9 per oz. std. (£3,399: 3: 2) was recovered from the Treasury as insurance risks were borne by them; the Mining Company accepted their advance of 98 $\frac{3}{4}$  per cent. in full payment, and the usual <sup>s</sup> 25/- for freight was included in the payment to the Admiralty for that consignment. In the case of the box lost at the Cape, the National Bank were Authorised by the Union Government (who had undertaken the safe custody of the gold under the original arrangements) to absolve the Naval Authorities from all responsibility, notwithstanding the fact that the latter had given their receipt for the total number of boxes including the one lost; and the National Bank subsequently repaid the advance of £2,659 which had been made against the gold in this box.

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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDWEST AFRICAPurchase and Custody

In a letter dated the 20th August 1914 the Ashanti Goldfields Corporation, Ltd., requested the Bank to extend to them facilities similar to those granted to the South African Gold Mining Companies, but to accept the valuation of the Assayer at their mines. Before assenting the Bank notified the Colonial Office of the proposal and stated that they regarded it as an essential feature of any agreement that full responsibility for custody of the gold should be borne by the Government. In reply, the Colonial Office said that they had consulted the Treasury who did not think it necessary for the Government to intervene between the Bank and the Corporation in the matter: the Bank thereupon suggested to the Corporation that they should approach the Colonial Office direct. A few weeks later the Bank of British West Africa, Ltd., wrote stating that they had already made advances aggregating £100,000 against gold bullion lodged at their Tarquah Branch and enquired whether the Bank could offer facilities for loans against this gold. The Bank replied regretting their inability to assist



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owing to the attitude adopted by H. M. Government. Shortly afterwards, however, the Bank offered, subject to a reconsideration by the Colonial Office of their attitude, to accept the certificate of the Assayer of the Ashanti Goldfields Corporation (as there was no official assayer to the Government in West Africa) and to advance a sum equal to 90% of gold delivered; but this arrangement never materialised, and until the end of 1915 the West African gold was shipped to London and sold in the market as before the war.

On the 15th January 1916 the s.s. "Appam" with West African gold on board was captured by a German raider, and in consequence the Admiralty advised the discontinuance of such shipments. The Ashanti Corporation then asked the Bank to give effect to their previous offer and mentioned that the Provisional Commissioner at Obbuassi had been instructed by the Colonial Government to take over the Corporation's strong-room and to accept delivery on account of the Bank of England if necessary.

As an outcome of negotiations in which the West African Chamber of Mines and the Bank of British

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West Africa also joined, the Bank issued a memorandum, dated the 2nd March 1916, stating that they were prepared to purchase gold deposited to their order in the name of the Colonial Government with the Bank of British West Africa at Tarquah. The terms of the offer were the same as those applying to the South African gold, with the following exceptions:-

- (a) Value to be certified on the basis of reports of assayers (other than those representing the Mines immediately concerned) approved by the Colonial Government;
- (b) Deposits to be advised by the Colonial Government through the Colonial Office, and payments to be made through the Bank of British West Africa in London;
- (c) The arrangement to remain in force until one year after the conclusion of peace.
- (d) In this instance the amount of the advances was not subsequently increased to more than 97% of the value of gold deposited.



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The Colonial Government accepted all risks arising from war, riots and civil commotion while the gold was deposited at Tarquah; insurance against all other risks at Tarquah was arranged by the Bank on behalf of the Mining Companies, the premium being  $25\frac{s}{-}$  per mille per annum on the value of the gold (calculated at  $77\frac{s}{d}/9$  per oz. std. plus  $5\%$  charges) with  $2\frac{s}{-}$  per mille returnable for each month cancelled. The Bank of British West Africa were held free from any responsibility in connection with deposits under this arrangement.

As it was said to be impossible to obtain an independent assay of gold deposited prior to the coming into operation of the scheme, the Bank agreed to accept the joint affidavit of the manager of each mine and his assayer in respect of gold deposited before the 1st April 1916 upon being indemnified by the London representatives of the respective companies.

In March 1917 gold to the value of about £600,000 had accumulated at Tarquah owing to the enforced suspension of shipments home by liner and as so large a



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quantity at that place became embarrassing, the Governor of the Colony agreed that consignments should from time to time be despatched to Sierra Leone and held there pending shipment by warship. This arrangement continued until the Armistice, the gold being stored at the Freetown Branch of the Bank of British West Africa.

In February 1919, in order to suit the convenience of this Bank, it was arranged that gold should first be deposited at their branch at Secondee instead of at Tarquah.

The total amount purchased under the original Agreement was £4,925,178, viz:-

1916	£1,350,193 (first payment in April)
1917	1,538,440
1918	1,287,128
1919	749,417 (to end of July)
	<hr/>
	£4,925,178
	<hr/> <hr/>

As soon as the terms of the new Agreement with the South African Mining Companies were published the Bank



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of British West Africa enquired whether a similar arrangement could not be made in respect of the West African gold; and although the original Agreement bound the West African Companies until one year after the conclusion of peace the Bank gave them the option of coming in on the South African terms. All the producing Companies who had participated in the original scheme accepted this offer, and agreements were exchanged identical with the South African except that the West African Companies signed separate agreements merely covering the output of their respective mines whereas the comprehensive South African Agreement embraced the whole of the gold produced in South Africa. From time to time fresh Companies joined in this contract.

Disposal and Shipment

All the West African gold purchased by the Bank was shipped to London, the shipments being divisible into three categories:-

1. Shipments by the Elder Dempster Line from Secondee to this country: June to October 1916. Instructions for these shipments were transmitted



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by the Bank to the Colonial Government in the Gold Coast through the Colonial Office. The maximum amount for any one consignment was originally fixed at £100,000 and afterwards at £50,000. Freight was at a special rate of <sup>s</sup>10/-~~%~~ plus 10% war surtax: this was paid to the Company after refinement of the gold, as in pre-war days. Insurance was arranged for the first six shipments through Henry Forbes & Co., the rate being <sup>s d</sup>22/6 on gold valued at <sup>s d</sup>77/9 per standard ounce plus 2½-5% for charges: the risk of subsequent shipments was borne by the Government (see under South Africa).

2. Shipments by Elder Dempster Line from Secondee to Sierra Leone, thence by warship to this country: May 1917 to November 1918. This arrangement was consequent upon the submarine menace. Shipments from Secondee were limited to £150,000 in any one bottom, and only defensively armed steamers were used: the consignee was the Senior Naval Officer at Sierra Leone.



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The Elder Dempster Co. reduced their freight rate to  $5\frac{-}{s}$  plus 10% surtax for the shorter voyage, and payment was made to them after the gold had been brought here by warship and had been refined. By the time these shipments commenced the War Risks Insurance rate had been increased to £2% net; this raised the question as to how much of the 3% margin retained to cover shipping expenses should be charged to the Mining Companies, and it was decided to fix an inclusive rate of  $31\frac{s}{d}10\%$ , which corresponded to the charges for freight and insurance of the previous shipments. The balance of the  $31\frac{s}{d}10$  remaining after payment of freight to the Shipping Company was paid to the Paymaster General to cover insurance for the whole journey and freight by warship.

3. Post-Armistice Shipments. The first of these shipments was made before insurance had been effected in the market, and in consequence the Government bore the risk and were paid a premium

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at the market rate: arrangements for subsequent shipments of gold purchased under the old Agreement were similar to those referred to under heading 1. above, the insurance rate commencing at  $4\frac{1}{6}\%$  and falling to  $3\frac{1}{2}\%$ .

When the new Agreement became operative, the Companies were free to make their own shipping and insurance arrangements for any gold against which no advance was taken, provided only that it had to be consigned to the Bank of England; but when an advance was required it was stipulated that the procedure as regards deposit, shipment and insurance should continue as under the old Agreement

Before the year 1921 all such advances had ceased.

The amounts of gold (@  $77\frac{1}{9}$  per oz. std.) sent to London under the Agreements of 1919 were as follows:-

Year ended 31 August 1920	£988,000
" " " " 1921	£839,000



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Towards the end of August 1914 John Taylor & Sons, the London representatives of most of the Indian Gold Mining Companies, expressed their wish to conclude an Agreement with the Bank similar to that made with the South African Gold Producers. The application was submitted to the India Office who obtained the concurrence of the Indian Government, and a memorandum was issued by the Bank dated 12th September 1914. Its terms were the same as those applying to South Africa, with the following variations:-

- (a) Deposits to be received by the Government of India at the Bombay Mint:
- (b) Value to be certified on the basis of the report of the official Assayers of the Bombay Mint;  
and
- (c) Deposits to be advised by the Government of India through the Secretary of State for India.

The Hutti (Nizam's) Gold Mines, Ltd., also participated in this arrangement.

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The Government of India accepted full responsibility for safe custody of gold deposited at the Bombay Mint.

No time limit was mentioned in the Bank's memorandum; but in a letter dated 31st August 1914 John Taylor & Sons agreed that the contemplated arrangement should be of a permanent character.

In September 1916 amendments were made as follows:-

- (1) The amount payable on account was increased from 97% to 98 $\frac{1}{2}$ %, and the additional 1 $\frac{1}{2}$ % in respect of gold then deposited and not shipped to London was paid forthwith to the Companies;
- (2) The Bank reserved the right to ship the gold to any destination on the understanding that the total expenses of any shipments should not appreciably exceed those at the time ruling for shipments to London;
- (3) The agreement was made subject to one year's notice on either side, such notice not to be given before the termination of the war.



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In February 1917 the Bank purchased outright, at 99% of its value at  $77\frac{8}{9}$  per ounce standard, gold for some £3,500,000 which had accumulated at the Bombay Mint, the Companies accepting this price (viz.  $\frac{1}{2}$ % above the amount already advanced) in full settlement. Subsequently similar settlements were effected in respect of all further gold deposited up to the 28th February 1919.

In compliance with the wish of the Treasury, the Bank agreed in July 1918 that all their gold in India should be refined at the Refinery which was being erected in Bombay, in order that it might be readily available for coining should the currency needs of India so demand. The gold was to remain the property of the Bank unless and until required by the Government; but the refining was to be effected for account of the Treasury, who were to be credited or debited with any resulting profit or loss, thus leaving the gold standing in the Bank's books at  $77\frac{8}{9}$  per ounce standard. This proposal, however, never materialised.

In the following September, in view of the rise in the Indian Exchanges, John Taylor & Sons requested



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that payment might be made in India in rupees for such portion of the gold (approximately one half of the total amount produced by their Companies) as would be the equivalent of the sum required to defray the working costs in India; but the Bank declined to accede to this request on the grounds that they were unable to obtain rupees in India at a rate of exchange more favourable than that current in the open market. As an alternative Messrs. Taylor asked if the Bank would vary the existing arrangement by allowing the Mining Companies to have coined into mohurs in Bombay such portion of their output as would cover their disbursements in India: this request was supported by the Treasury at the instigation of the India Office on account of the currency difficulties in India.

The Bank stated that they were willing to consider an arrangement under which the Companies would be allowed for the remaining period of the war to retain one-half of their total gold output provided that the total amount so retained were sold to the Bombay Mint for account of the Indian Government and that the Companies



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agreed to an extension of the notice required for the termination of the existing contract by a term equal to the period during which the one-half of the annual output had been so dealt with. John Taylor & Sons in accepting this offer stated that they would much prefer that the arrangement for the sale of one-half of the gold in India should remain in force during the extended period referred to, and not merely during the war.

Considerable delay was experienced in obtaining from the India Office particulars of the terms which the Indian Government were prepared to offer for the purchase of gold; but early in January 1919 the Bank were informed that purchase would be on the basis of  $77\frac{s}{d}{9}$  per ounce standard, the Companies to have the option of taking payment in India at the prevailing rate of exchange for sterling telegraphic transfers on the date of deposit of the gold. In transmitting this information to Messrs. Taylor the Bank suggested that, if the offer were not acceptable, any further negotiations should be carried on with the India Office direct, the Bank agreeing to adhere to their last offer. Messrs. Taylor

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thereupon approached the India Office and submitted that the Companies should receive payment at the fixed rate of Rs. 15 per £ sterling, that being the rate at which the gold mohur had been made legal tender under the Gold Coinage Ordinance 1918.

On the 14th ~~May~~ 1919 the Bank informed Messrs. Taylor that in the event of the official termination of the war being fixed within the following twelve months they would be prepared to allow the Mines' proposed right to sell half their output to the Indian Government to continue in force until the expiration of one year from the date of their letter. The new arrangement came into operation towards the end of that month, and at the same time Messrs. Taylor accepted the Bank's offer to purchase outright at 99 $\frac{1}{4}$ % of its value at <sup>s d</sup> 77/9 per ounce standard the gold which had been deposited at the Bombay Mint since the previous 28th February. A similar understanding was come to with the Hutti (Nizam) Company, who informed the Bank that the Indian Government had agreed to pay Rs. 55 $\frac{1}{2}$  per ounce standard for the moiety of the gold to be sold to them.



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On the 14th June 1919 the Bank declared themselves ready to purchase gold at 99% of its value at their buying price, on receipt of cable advice of deposit, instead of paying 98½% pending subsequent settlement; the reduction of ½% in the price as compared with the terms of the previous month being due to a corresponding rise in the P. & O. Company's freight rate. This offer was accepted by Messrs. Taylor and the Hutti Company.

In July 1919, on publication of the new South African Agreement, the Bank offered Messrs. Taylor similar terms for the output of their Companies' mines. Messrs. Taylor, however, endeavoured to obtain freedom to sell in India the whole of the output of gold with which they were concerned, and in consequence the Bank withdrew their offer and stated that they would continue the existing arrangement. Messrs. Taylor's request subsequently received some support from the India Office, but the Governors decided to make no alteration for the time being.

On the 23rd January 1920, after agreement with the India Office, the Bank informed Messrs. Taylor and the

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Hutti Company that the Secretary of State for India was ready to negotiate with them for the purchase of the whole of the gold output of their mines as from the following 14th May and 1st June respectively (the dates of expiry of the contracts to sell one-half of the gold produced to the Indian Government) and that the Bank were quite willing that such negotiations should be entered into.

The India Office suggested offering to purchase three-quarters only of the output of the mines, but the Deputy-Governor (Mr. Norman) pointed out that if the Indian mines were allowed the free disposal of one-quarter it might lead to difficulties with the South African Producers. The India Office accordingly proceeded to negotiate for the purchase of the whole of the output, and an Agreement was concluded with Messrs. Taylor in April 1920 to run for one year commencing from the 15th May 1920, and thereafter to be subject to one month's notice on either side. The Bank thereupon released Messrs. Taylor from their contract with them as from the 14th May 1920.



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In March 1920 the Hutti Company went into voluntary liquidation, and it was arranged that the contract to sell to the Bank one-half of their output up to the 1st June 1920 should be adhered to in respect of the actual production of their mines before that date, but that no claim would be made against the Company on account of gold recovered when the plates and melting pots were scraped.

In January 1921 the India Office informed the Bank that the Secretary of State was considering the question of terminating in the following May the Agreement with John Taylor & Sons, and inquired whether the Bank would have any objections to that course. The Bank offered none, but pointed out that if the Indian mines wished to send gold to London for disposal after the termination of the Agreement they (the Bank) would be compelled to ask that re-export licences in respect of such gold should only be granted provided the mines were prepared to enter into a contract to send the whole of their output here. The India Office wrote to Messrs. Taylor on the 8th February giving notice of their intention to terminate the Agreement.



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The total value, at <sup>s d</sup> 77/9 per ounce standard,  
of the gold purchased by the Bank from the mines in India  
was £11,408,201 as follows:-

1914	£734,872 (first payment 8th October)
1915	2,292,261
1916	2,215,130
1917	2,262,916
1918	2,141,896
1919	1,280,353
1920	480,773 (deposits up to 14th May)
	<hr/>
	£11,408,201
	<hr/> <hr/>

Disposal and Shipment

The Indian mines' gold purchased by the Bank  
was disposed of as follows:-

(a)	Shipped to London to be refined	£4,265,000
(b)	Sold to Yokohama Specie Bank in Bombay, 1917	12,000
(c)	Transferred in Bombay to the India Paper Currency Reserve in exchange for sovereigns released in London, 1917	<hr/> 4,382,000
	Carried forward	£8,659,000



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Carried forward	£8,659,000
(d) Sold to H.M. Treasury in Bombay, 1918	1,750,000
(e) Delivered to the Indian Government in Bombay in exchange for bar gold in London	999,000
	<hr/>
	£11,408,000
	<hr/> <hr/>

(a) Ten consignments of about £200,000 each were forwarded in 1915, and the balance was shipped in 1919.

(b) On the 24th January 1917 the Yokohama Specie Bank Ltd. borrowed from the Bank gold in India to the value of £100,117: 5: 6. On the 30th January £87,801: 8: 1 was repaid leaving a balance of £12,315:17: 5. This amount, however, had been sold by the Bombay Branch of the Yokohama Specie Bank Ltd. and was eventually paid off by a cheque for £12,969: 8: 6 which represented the balance of the original transaction together with £653:11: 1, the profit thereon.

(c) During the first few months of 1917 bar gold to the value of £4,582,000 was set aside in Bombay on behalf of the India Paper Currency Reserve Account, a



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like amount of sovereigns held in London being released. Of the total of £4,582,000 exchanged, £4,382,000 was Indian Mines' gold, the balance, £200,000, being South African gold shipped to Bombay.

(d) In 1918 H. M. Treasury made arrangements with the Japanese Government for a dollar credit in New York amounting to £10,000,000. In exchange, the Treasury offered £8,000,000 5% 3 Year Exchequer Bonds in yen and £2,000,000 in rupees in India. Of this amount of £2,000,000, the sum of £1,750,000 was settled by Indian mines' gold.

(e) Between the 17th October 1919 and the 5th July 1920 bar gold amounting in all to £999,150:17:4 held in London on behalf of the Secretary of State in Council for India was exchanged for a like amount of bar gold in Bombay.



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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLANDAUSTRALIAPurchase and Custody (Bank of England)

Shortly after the conclusion, in August 1914, of the arrangement for the purchase of raw gold from the South African Producers, the Bank offered the Chairman of the Great Boulder Proprietary Gold Mines, Ltd., similar terms for the gold produced by his Company; but nothing definite was settled until towards the end of that year when, arising out of the desire of the Bank of Australasia to dispose of a portion of the surplus gold coin held by them in Australia, a Memorandum dated 4th December 1914 was issued by the Bank of England stating that they were prepared to purchase gold bullion on the basis of  $77\frac{s}{d}{9}$  per standard ounce and sovereigns of legal tender weight at face value subject to the following conditions:-

- (a) Gold to be deposited to the order of the Bank of England in the name of the Commonwealth Treasurer either at the Federal Treasury in Melbourne or with the Commonwealth Bank of Australia in the capital cities other than Melbourne.



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- (b) Deposits to be free of expense to the Bank (including all telegraphic charges) and 97% of the value, certified on the basis of the reports of the official Assayers to the Australian Government as regards bullion, and of the face value in the case of sovereigns, to be paid in London on receipt of cable advice from the Commonwealth Government through the High Commissioner in London; the balance to be adjusted on delivery of the gold in London, and all expenses up to the time of delivery to the Bank to be paid by the depositor.
- (c) Shipment to be entirely at the discretion of the Bank of England. (The Bank agreed, however, to avoid so far as possible making shipments during the prevalence of abnormally high shipping rates.)

Owing to delay caused by the Commonwealth Bank, Perth, who insisted that bullion should be refined prior to deposit with them, the Great Boulder Company decided, in May 1915, to have their monthly output minted into sovereigns and deposited in that form to the order of the Bank of England.



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No time limit was referred to in the Memorandum, but for the reason mentioned below no deposits were received after June 1915. The amounts advanced against deposits were as follows:-

Gold Bullion

1914	£29,122
1915	177,654 (last payment 21st April)
	s d
	£206,776 (value of gold @ 77/9
	per oz. std. £213,173)

Sovereigns

1914	£1,302,710
1915	483,060 (last payment 9th June)
	£1,785,770 (face value
	of coin £1,841,000)

making a total of £1,992,546 advanced against gold valued at £2,054,173.

Disposal (Bank of England)

On the 16th July 1915 a cablegram from Melbourne was published in "The Times" stating that the Commonwealth Government were about to prohibit the export



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of gold from Australia: this caused the Bank to take immediate steps to dispose of their gold, and they succeeded in selling the whole of it through the Bank of Australasia, at premiums ranging from  $5\frac{8}{-}\%$  to  $15\frac{8}{-}\%$ . As no shipping expenses had been incurred, the depositors of the gold were paid the balance of  $3\%$  which had been retained to provide for that purpose.

The order placing an embargo on exports of gold was promulgated on the 13th December 1915, despite the fact that H. M. Treasury had strongly opposed that action on the grounds that the free export of gold from Australia to America would help to support the rate of exchange between London and New York.

Purchase (H. M. Treasury)

Early in 1916 the High Commissioner for the Commonwealth of Australia told Lord Cunliffe that his Government would probably be prepared to part with a large amount of sovereigns - possibly £20,000,000 or even more - at a reasonable price, if doing so would assist the finances of the Empire; but as the Commonwealth Government would not consent to remove the embargo on the



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export of gold, Lord Cunliffe hesitated to give credit in London unless he could be absolutely sure that such credit would not be used directly or indirectly to draw gold from here. In June 1916, owing to a decision of the Bank to impose a charge for gold "set-aside", the Argentine Government endeavoured to arrange the shipment to South America of £13,000,000 sovereigns which were earmarked here for them: this prompted Lord Cunliffe to urge the Treasury to use their influence to persuade the Australian Government to ship a corresponding amount of sovereigns to Argentina at a price which would compensate that Country for releasing their sovereigns in London. (But vide "Earmarking - Argentine Government").

The Commonwealth Government agreed to ship immediately £2,500,000 sovereigns which were available at Perth, and to negotiate with the Australian Banks for a further amount for immediate shipment; also to ship £500,000 sovereigns per month for one year from the 1st August 1916, provided that, to protect the remaining gold reserves of the Country, the Australian Mints were instructed by the Imperial Treasury to pay for all deposits



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of gold by cheques drawn on the Commonwealth Bank, and to hand minted gold to that Bank for account of the Commonwealth Government, whose depositors should not have the right to demand gold in payment of their cheques. In communicating this offer the Commonwealth Government enquired what price the British Treasury were prepared to pay, to which the latter replied that they were ready to credit the Commonwealth Government in London with the full face value of sovereigns, or at the price of £3:17: 9 per standard ounce for bar gold. Subsequently the Commonwealth Government asked whether in negotiating with Banks for a further amount of gold they could offer to pay at what they called the market rate of £1: 2: 6 per cent. premium; but as private shipments of gold from Australia were prohibited, thus preventing sales on foreign account, the Treasury would not agree to pay a premium, although they agreed to bear any out-of-pocket expenses which might be incurred by the Banks in the collection of the gold from their branches and its delivery at the port of embarkation, and to make payment either in Australia or in London at the sellers' option.



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The total amount eventually purchased under this arrangement was £13,500,000 sovereigns spread over about 13 months, payment as regards the first £11,500,000 being made in London to the Commonwealth Bank of Australia on receipt by them of cable advice of shipments, and in respect of the remaining £2,000,000 on the dates on which the shipments would have taken place if the original programme had been adhered to (see below).

Disposal and Shipment (H. M. Treasury)

Owing to the opportunities of shipping from Australia to Argentina being comparatively few and the freight charges very high, it was decided to ship the £13,500,000 sovereigns to the United States: but as the result of the activities of German commerce raiders in the Pacific these shipments were discontinued after £10,500,000 had been despatched, and the balance of £3,000,000 (£1,000,000 of which was stopped by the Admiralty on reaching New Zealand) was sold to the Indian Government and shipped to India at their expense.

With the approval of the Admiralty the sovereigns sent to the United States were shipped in

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consignments of £500,000 each by the Union Steamship Company of New Zealand, alternately from Sydney to Vancouver and from Wellington to San Francisco. Negotiations for these shipments were initiated in London with the Company, who quoted rates of  $6\frac{s}{-}$  for Sydney to Vancouver and  $7\frac{s}{-}$  for Sydney to San Francisco, transshipment to be made at Wellington in the latter case; but the Commonwealth Bank in Sydney, on learning of the proposed shipments, had placed the Union Company in competition with the Oceanic Steamship Company, an American Line, thereby securing reduced rates of  $5\frac{s}{-}$  to Vancouver and  $5\frac{s}{6}$  to San Francisco, which accordingly became operative. It was at one time proposed to make shipments by the Oceanic Line also, in order to hasten the despatch of the sovereigns, but the Admiralty considered it inadvisable to ship gold on American steamers.

All arrangements in connection with these shipments, including the collection of the gold from the various centres, were made in Australia by the Commonwealth Bank acting under general instructions from the Bank of England, the boxes being consigned to



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J.P. Morgan & Company, New York, who were requested to take delivery at the port of arrival and to credit the proceeds to the account with them of the British Treasury. Payments for freight were made in Australia and collected here by the Commonwealth Bank, overseas freight on receipt of cable advice of shipment and interstate freight and other out-of-pocket expenses periodically. Insurance risks from "door to door" were borne by the Treasury.

As freight had already been paid in respect of the £1,000,000 intercepted in New Zealand, the Shipping Company agreed to carry these sovereigns back to Sydney without further charge. Payment for this gold was in the first instance made from the Indian Government's cash balances in London, as their Paper Currency Act precluded them from reckoning coin or bullion as part of the Paper Currency Reserve while in transit, unless between England and India: on advice of arrival of the gold in India, the cash was repaid against the un-earmarking of sovereigns in London.

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Shipments of the £1,000,000 from New Zealand to Sydney and from Australia to India were made in consignments of £250,000 each, the latter by P. & O. and British India steamers. Freight for the latter was fixed in London at 10/-<sup>s</sup> but payment was made in Australia on shipment. Insurance was arranged through E. Capel-Cure & Co., Ltd., at 40/-<sup>s</sup> for the earlier shipments and 30/-<sup>s</sup> for the last.

Payment for the last £2,000,000 delivered to the Indian Government in Australia was made by them to H.M. Treasury in the same manner as for the £1,000,000 returned from New Zealand, and the arrangements for shipment to India were similar except that some of the consignments consisted of £500,000 each and some were despatched by Union S.S. Co. of New Zealand steamers; insurance was effected at rates ranging from 30/-<sup>s</sup> to 17/6<sup>s d</sup>.

All expenses in connection with the shipment of the £3,000,000 were paid by the Indian Government.



C AFTER VGOLD AND SILVER

GOLD (ABROAD) GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
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AUSTRALIA

Supply of Sovereigns in Exchange for Raw Gold  
(o/a H.M. Treasury)

Exchange

In January 1918, in consequence of an urgent demand for sovereigns to provide for a subsidy payable to the King of the Hedjaz, the Commonwealth Government undertook to provide £400,000 in coin for shipment on receipt of notification that equivalent raw gold had been shipped to them from South Africa. Raw gold valued at £386,031 was sold to the Treasury at the price of  $77\frac{s}{d}/9$  per ounce standard and consigned to the Secretary, Commonwealth Treasury, Melbourne: this gold was refined at the Branch Mint at Melbourne, the amount realised after deducting expenses being £386,433: 4: - (calculating the gold at  $77\frac{s}{d}/10\frac{1}{2}$  per ounce standard). A claim for the deficit of £13,566:16: - plus £48: 1: 1 on account of expenses in connection with shipment of the sovereigns to Egypt, was passed on by the Bank to H.M. Treasury to settle with the High Commissioner for Australia.

In June of the same year need arose for a further £400,000 sovereigns for the same purpose and a similar



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exchange took place. In this case raw gold, value £394,177, was delivered at Sydney and refined at the Branch Mint there, resulting in a net total of £393,874: 5: 5: this amount was, however, increased later by £706: 8: - through a concession by the Mint in respect of their allowance for silver.

Two months later the Treasury informed the Bank that they were asking the Australian Government to supply yet another £400,000 in sovereigns for this subsidy in exchange for raw gold from South Africa; but on learning that the sovereigns had been promised, the Bank arranged that they should be paid for by transferring bar gold, value £426,042: 7:10, which they held in Melbourne. This gold represented South African raw gold shipped to Australia to be refined for re-export to Chile, which was held up owing to the withdrawal of shipping facilities. The gold was sold to the Treasury for £425,519, the cost of the raw gold at  $\frac{77}{9}$  per ounce standard, and the Commonwealth Government were requested to pay to the Treasury the difference of £26,042: 7:10 between the amount of the sovereigns and the value of the refined bars.



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As there were no opportunities of despatching the sovereigns from Australia to Egypt by warship, they were shipped by transports sailing under Admiralty orders. All arrangements were made by the Bank with the Admiralty; but as the shipments were on Government account the question of freight was left to be settled between the Treasury and the Admiralty. Insurance risks were borne by the Treasury.

Supply of Sovereigns in Exchange for Raw Gold  
(o/a Bank of England)Exchange

In the spring of 1918 it was necessary to provide about £263,000 in gold for shipment to Chile, and the Australian Government agreed to supply sovereigns for that amount in exchange for South African raw gold. Raw gold, for £257,193, was accordingly sent to the Treasury, Melbourne, and refined there, resulting in an output of £257,598:13:11; the sum of £5,986: - : 7<sup>d</sup>, being the balance plus expenses due to the Commonwealth Government, was paid to the High Commissioner in London.

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It was found to be impossible to obtain a through Bill of Lading from Australia to Chile, so the sovereigns were consigned in the first instance to the Pacific Steam Navigation Company at Panama with optional delivery at either Balboa or Christobal; and thence to the Ministro de Hacienda, Valparaiso. Arrangements for shipment from Australia to Panama were made with the Australasian Refrigerated Tonnage Committee, who were then controlling all sailings of merchant ships in those waters, and freight at the rate of 1% was paid to them. The Pacific Steam Navigation Company undertook to hold the gold for safe custody awaiting the on-carrying steamer and to deliver it in Chile, their charges being 1% for freight plus any extras (not exceeding a further  $\frac{1}{8}\%$ ) incurred by them for wharf dues &c. Insurance was effected through E. Capel-Cure & Co., Ltd., for £271,000 at <sup>s d</sup> 8/9%, to cover all risks from Australia to Chile including transhipment. All shipping charges were debited to the Chilean Government.



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLANDAUSTRALIARefining of Raw Gold (Bank of England)

In May 1918 the Bank arranged for South African raw gold, value £425,519, to be refined at Melbourne for shipment to Chile. This parcel realized £426,042: 7:10; but before it was ready the shipping facilities to Chile were withdrawn and the refined bars were eventually sold to H.M. Treasury at cost price and exchanged for sovereigns for shipment to Egypt (see above).

Refining and Coining (Bank of England)

In July 1918, owing to urgent Indian demands for sovereigns, it was arranged that South African raw gold to the value of £5,000,000 should be shipped to Australia to be refined and coined ready for Indian requirements. The total value of the raw gold shipped for this purpose was £4,937,307, of which £2,981,906 was refined at Melbourne and £1,955,401 at Sydney, resulting in a total out-turn of £4,943,296:16: 3.

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This gold was disposed of as follows:-

- |     |                  |   |  |
|-----|------------------|---|--|
| (a) | £500,000: -: -   | - | sovereigns sold to H.M. Treasury<br>and shipped to Egypt in<br>October 1918 by a steamer<br>sailing under Admiralty orders |
| (b) | 500,000: -: -    | - | sovereigns sold (autumn 1918)<br>to National Bank of South<br>Africa and shipped to South<br>Africa                        |
| (c) | 1,943,296: -: -  | - | sovereigns shipped to London   |
| (d) | 2,000,000: -: -  | - | sovereigns set aside o/a India<br>Paper Currency Reserve   |
| (e) | 16: 3            | - | paid to Bank of England in cash<br>by High Commissioner in London.   |
|     | £4,943,296:16: 3 |   |  |

(a) and (e) These items explain themselves.

(b) This sale was in response to an urgent request from the Union Government, supported by the Treasury, owing to an alleged great shortage of coin in South Africa. Payment for the sovereigns, together with freight ( $\frac{1}{2}\%$ ) was made in London by the National Bank of South Africa. The shipping arrangements were made by the Bank with the Australasian Refrigerated Tonnage



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Committee, but insurance was arranged by the National Bank of South Africa.

(c) These sovereigns were brought home in March 1919 by P. & O. steamers, and freight at  $\frac{1}{2}\%$  was paid to the Company in London on cable advice of shipment. As, however, this gold had been sent to Australia in response to the wishes of the Treasury the freight to London was recovered from them; and they bore the insurance risks.

(d) The Australian Government were requested to hold these sovereigns for account of the India Paper Currency Reserve as from the 1st April 1919 and equivalent bar gold in India was released to the Bank. The arrangements for shipping the sovereigns were made by the Bank with the P. & O. Company, who conceded the privilege of substituting equivalent bar gold at Bombay in exchange for the coin to be landed there, and only made one freight charge of  $\frac{1}{2}\%$  to cover the voyage from Australia to London: this charge was divided between the Bank and the India Office equally, the Bank subsequently recovering their moiety from the Treasury. The India Office arranged insurance from Australia to India.



CHAPTER VGOLD AND SILVERGOLD  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLANDAUSTRALIAArrangements with Australian Mints

As the Branch Mints are under the jurisdiction of the Deputy Master of the Royal Mint, London, communications respecting refining and coining in Australia were made through him.

The three Australian Mints have different scales of charges, controlled by the Executive Committees of the various States, and it was found in practice that Melbourne gave a better out-turn than Sydney (Perth Mint was not used in this connection) e.g. raw gold costing £4,050,649 at  $\begin{smallmatrix} s & d \\ 77 & 9 \end{smallmatrix}$  per ounce standard produced £4,056,014 at Melbourne, whilst similar gold costing £2,349,578 treated at Sydney resulted in an out-turn of only £2,347,430. One reason for this advantage at Melbourne was that that Mint allowed for silver in excess of 5% of the gross weight of bars, whereas Sydney at first only allowed for silver in excess of 8% (as was customary): this discrepancy was pointed out to the latter Mint who responded by allowing for silver in excess of 4% thereby adding £3,943 to their out-turn and making their allowance in this respect practically



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equivalent to that granted by Melbourne, after taking into consideration the prices fixed from time to time for silver, which varied as between the two Mints. The further benefit obtained from Melbourne consisted in the fact that, although both Mints recognised the special nature of these transactions and modified their charges accordingly, the inclusive charge at Melbourne was considerably less than the total charges at Sydney, as will be seen from the following comparison:-

Melbourne

	Ordinary Rates	Rates for these transactions
Deposits up to 500 ozs.	3d. per oz. gross	Uniform rate of 1½d. per oz. gross.
" 500 up to 1,000	2d. " " "	
" 1,000 ozs. or over	1½d. " " "	
Base metal in excess of 2% of deposit	Charged for @ rate of 1/- per oz.	No charge

These charges included melting, refining, assaying and coining.

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	Ordinary Rates	Rates for these transactions
Melting & refining		
Deposits 500 ozs. or under	3d. per oz.	Uniform charge of 1d. per oz. gross before melting
" over 500 up to 1,000 ozs.	2d. " "	
" over 1,000 ozs.	1d. " "	
Assaying & coining	1d. per oz. standard	1d. per oz. standard

The Bank also called attention to the fact that certain parcels consisting of 463,772 ounces standard refined at Melbourne had shown a loss of 211 ounces standard gold, while in respect of 354,083 ounces standard treated at Sydney a shortage of 216 ounces standard had resulted, whereas the refiners in London almost invariably turned out practically the full amount reported by the South African assayers, any variation usually taking the form of a small excess over that assay.



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When this was brought to the notice of the Australian Mints they vigorously defended their methods, and as the Deputy Master of the Royal Mint was satisfied both as to methods and accuracy nothing further could be done.

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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLANDNEW ZEALANDPurchase and Custody (Bank of England)

In response to representations made by the National Bank of New Zealand, the Bank approached the High Commissioner for New Zealand in August 1914 with a view to making arrangements for the purchase and custody of gold in New Zealand, and on the 15th September 1914 a memorandum was published containing an offer to purchase gold on the South African terms with the following local variations:-

- (a) Deposits to be made at Wellington, Auckland, Christchurch and/or Dunedin (according to the wishes of the New Zealand Government) in the name of the Minister of Finance with the Bank of New Zealand:
- (b) Assay reports to be made by official assayers of the Government of New Zealand:
- (c) Particulars of deposits to be notified by the Minister of Finance through the High Commissioner for New Zealand.

When advising the National Bank of New Zealand of these conditions it was suggested that the arrangement



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should be of a permanent nature; but they were unable to agree to this proposal. The memorandum contained no reference to a time limit.

In December 1914 the National Bank requested the Bank to accept deposits of sovereigns at face value on the same conditions as bullion deposits. This was agreed to with the concurrence of the New Zealand Government who, however, stated that in view of the shortage of sovereigns in that country it would be inadvisable to export any; but no deposit of sovereigns took place.

Only the National Bank of New Zealand availed themselves of the Bank's offer, the total amount paid to them being £880,899 as follows:-

1914	£331,233	
1915	549,666	(last payment 3rd July)
	<u>          </u>	
	£880,899	
	<u>          </u>	

Disposal (Bank of England)

The whole of this gold was re-sold to the National Bank of New Zealand during August - November 1915, for shipment to the United States of America.

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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDNEW ZEALANDPurchase and Custody (H. M. Treasury)

In November 1916 Lord Cunliffe called the attention of the Chancellor of the Exchequer to the fact that one of the New Zealand Banks had been selling gold to an Indian Bank who had purchased it to be melted in London into small bars and sent out to India, but that these transactions had been stopped, with the result that the National Bank of New Zealand now found themselves with £80,000 of bar gold which ordinarily they would dispose of to one of the Canadian Banks in London. This Canadian Bank had offered them  $77/10\frac{1}{2}$ <sup>s d</sup> per ounce standard plus  $16\frac{1}{2}$ <sup>s</sup>/- premium with freight and insurance charges, payment to be made in London on shipment from Wellington to America.

Lord Cunliffe said that he had represented to the National Bank of New Zealand that all gold in His Majesty's Dominions should be placed unreservedly at the disposal of the Government without regard to the question of profit, and that in consequence the £80,000 gold in question had been offered to him at the reduced price of  $77/10\frac{1}{2}$ <sup>s d</sup> per ounce standard plus  $8\frac{1}{2}$ <sup>s</sup>/- premium, against



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payment on shipment at Wellington, H. M. Government to be liable for freight &c., and that as there was then no impediment to the free disposal of New Zealand gold he was inclined to think the offer should be accepted and that, if possible, arrangements should be made with the New Zealand Government to prohibit the export of gold from that country, except by consent of H. M. Treasury.

Negotiations proceeded between the Bank of England and the National Bank of New Zealand on the one hand, whilst at the same time the National Bank were endeavouring to arrive at an agreement with H. M. Treasury direct, with the result that whereas the Bank had nearly secured the National Bank's gold on the South African terms (which would have made the sellers responsible for all shipping &c. charges) the Treasury agreed, in January 1917, to purchase all gold which passed through the hands of the National Bank in the Dominion on the following terms:-

1. All gold to be bought by the Treasury as it became available for shipment, and payments to be made in London at the rate of  $77\frac{s}{d}{9}$  per standard ounce



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on delivery to the Bank of New Zealand in New Zealand as agents for H. M. Treasury.

2. All charges in respect of the shipment of the gold from New Zealand to be borne by H. M. Government.
3. Such expenses of the National Bank of New Zealand as might thereafter be agreed between that Bank and the Treasury to be repaid by the Treasury.

The National Bank asked for a flat commission of 1d. per ounce standard as compensation for the trouble and cost of collecting the gold, but the Treasury ruled this out as being only very slightly less objectionable than the purchase of the gold at the price of  $77\frac{10}{100}$ <sup>s d</sup>\*

\*Presumably these terms were intended to apply to refined gold only, as Sir John Bradbury requested the Bank to consider; with such Banks as might raise the point, the question of purchasing unrefined and low grade bullion, including the price which it would be fair to pay. This matter, however, did not arise until January 1918, when the Treasury discovered that the National Bank had delivered a parcel of unrefined gold for which payment had been made here in ignorance of the condition of the gold. When informed of this occurrence the Governor suggested that the basis of the transaction need not necessarily be altered, as frequently the rough gold contained sufficient silver to pay for the cost of refining; but when making payment for the next purchase of gold from the National Bank the Treasury stated that if the parcel should contain any unrefined gold it would have to be refined at the former's expense; otherwise an adjustment would have to be made in the price.



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In communicating these terms to the Colonial Office the Treasury asked that the attention of the New Zealand Government might be drawn to the importance of securing similar arrangements with all the New Zealand Banks in order to render available for Imperial purposes the whole of the gold which could be collected in New Zealand; and they suggested as a means to that end the imposition of a general prohibition of the export of gold from the Dominion similar to that which had been imposed in Australia. This course was adopted.

Difficulties arose owing to the inability of the Bank of New Zealand to impose a check assay on behalf of the Imperial Government, whilst the National Bank were unwilling to take payment on their own assay subject to a liability for adjustment. The question was further complicated by the fact that the New Zealand bars were larger than the maximum size accepted by the Mint in London; this would involve re-melting if the gold were brought here; there was also a possibility that some of the gold might have to be toughened on account of its brittleness.

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In February 1917 gold to the value of nearly £100,000 was purchased from the Bank of New Zealand, but by the end of April no deliveries had been made by the National Bank of New Zealand owing to failure to solve the above-mentioned difficulties. By that time the exchange position had been reversed and the liquid resources of the National Bank in the Dominion had become considerably depleted, making them anxious not to part with their gold for the time being unless they could obtain payment either in New Zealand or Australia. AS the maintenance of the prohibition of export would ensure the retention of the gold in the Dominion, so that it would remain available if subsequently required for Imperial purposes, the Treasury agreed to cancel the arrangement for the purchase of the National Bank's gold and to allow them compensation in respect of interest charges incurred in carrying the gold held ready for delivery to the Bank of New Zealand. (A sum of £1,800 was ultimately granted.) In order to obviate the recurrence of delays in the event of future sales to the Government the Treasury settled with the National Bank the conditions



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which should govern such transactions, as follows:-

1. Payment to be made in London as on the date of delivery to the Bank of New Zealand in New Zealand, at the rate of  $77\frac{s}{9}$  per ounce standard.
2. Fine contents of bars to be finally settled according to a check assay to be arranged by the Bank of New Zealand (that Bank having definitely agreed to undertake this service).
3. The National Bank to guarantee the suitability of the gold for coinage purposes and hence to hold themselves responsible for any expenses which might be incurred for toughening.
4. No claim to be made against the National Bank for re-melting bars, should that be necessary to comply with any Mint regulation.

In August 1917 the Treasury accepted offers of gold from the National Bank of New Zealand of the approximate value of £67,600; and as delivery was made at Auckland, where the Bank of New Zealand had no facilities for assaying, the full declared value was paid to the National Bank against their guarantee, subject



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to adjustment later if required: but as regards future consignments to which the normal procedure would be applicable the Treasury proposed to pay  $98\frac{1}{2}\%$  of the declared value on cable advice of delivery and the balance on learning the result of the check assay. Several further consignments were, however, paid for in full on delivery, against the National Bank's guarantee of value, and in November 1917 the Treasury abandoned the check assay and agreed to accept the National Bank's guarantee in respect of all subsequent dealings.

Purchases continued to be made from time to time through the Bank of England from both New Zealand Banks until July 1919, the Treasury retaining recourse against the Bank of New Zealand for any deficiencies which might subsequently be disclosed by a check assay in New Zealand or elsewhere.

In July 1919 the National Bank enquired whether they were at liberty to realise their gold in the best market without first bringing it to London, and were referred by the Bank to the Treasury.



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GOLD.  
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NEW ZEALAND

The total amount paid to the New Zealand Banks for gold bought from them by H. M. Treasury was as follows:-

	<u>Bank of</u> <u>New Zealand</u>	<u>National Bank of</u> <u>New Zealand</u>	<u>Total</u>
1917	£98,175	£653,811	£751,986
1918	152,424	332,507	484,931
1919	253,592	222,458	476,050
	<u>£504,191</u>	<u>£1,208,776</u>	<u>£1,712,967</u>

Shipment and Disposal (H. M. Treasury)

The total amount of 440,554 ounces standard of gold purchased by H. M. Treasury was disposed of in the following manner:-

- (a) Oz. Std. 225,710 were sold to the Chilian Government @  $77/10\frac{1}{2}$  per oz. std., payment being made from accounts (Conversion Funds &c.) with the Bank of England.

Oz. Std. 225,710                      Carried forward





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Shipping Company's steamers from New Zealand to England called at them and the Pacific Steam Navigation Company had a local service between Panama and Chile, but at first neither of the shipping companies would undertake to arrange for safe custody of the gold at Panama pending arrival of the on-carrying steamer, and it was impossible to obtain a through Bill of Lading from New Zealand to Chile. Eventually, however, the Pacific Steam Navigation Company agreed to the gold being consigned to them at Balboa; they arranged for it to be stored if necessary in the Panama Rail-road Company's strong room on the dock, and to be consigned thence to Valparaiso. The rate quoted for the shipments in 1917 was 1%, to cover freight from Balboa to Valparaiso, storage at Balboa, stevedoring, commission &c. plus any charges incurred for lighterage or wharf dues (not to exceed  $\frac{1}{8}\%$ ) on shipments of gold of not less than £120,000. The New Zealand Shipping Company's freight rate from New Zealand to Panama was  $\frac{1}{2}\%$ . Insurance was effected by the Bank of England through Capel-Cure & Co., Ltd., at  $15\frac{8}{-}\%$  to cover war and marine risks (including transshipment);



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the basis of valuation being  $77/10\frac{1}{2}$ <sup>s d</sup> per ounce standard plus 3% for charges.

All expenses, including cables and cost of transferring some of the consignments from Auckland to Wellington for shipment, were charged to the Chilean Government funds in London.

In order to avoid delay it was further arranged that transshipment might be made at either Balboa or Christobal according to the position of the Pacific Steam Navigation Company's steamer, the consignees having to declare their option immediately on arrival of the New Zealand Shipping Company's steamer at Balboa.

In May 1919 a further £200,000 gold was needed for Chile; and as the Treasury had that amount available in New Zealand the Bank suggested meeting the demand from that source instead of by shipping gold from London to Chile and eventually bringing the New Zealand gold to this country. As the charges for freight and insurance from London would have amounted to  $17/6\%$  (freight  $12/6$ ,<sup>s d</sup> insurance  $5/-$ )<sup>s d</sup> whereas the total cost of shipment from New Zealand to Chile (including transshipment charges) was



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approximately  $35\frac{s}{-}\%$ , the Treasury agreed to the Bank's suggestion that the Chilean Government should only be charged with the estimated cost of shipping from London, the difference being paid by the Government. This arrangement suited the Treasury, as in addition to the ultimate saving in transport charges they disposed of the gold at  $77\frac{s\ d}{10\frac{1}{2}}$  per ounce standard.

The rates actually paid by the Treasury for this shipment were:-

Freight	- New Zealand to Panama	$12\frac{s\ d}{6}\%$	
	Panama to Chile	$17\frac{s\ d}{6}\%$	plus wharf- age £20
Insurance	- New Zealand to Chile (arranged through Price Forbes & Co.Ltd.)	$5\frac{s}{-}\%$	

as against the inclusive rate of  $17\frac{s\ d}{6}\%$  charged to the Chilean Government.

(b) In the autumn of 1918 it appeared that the South African Government required 500,000 sovereigns in order that the supply of gold coin in the Union might be adequately maintained; and the Treasury had without the knowledge of the Bank asked the Australian Government to supply the sovereigns in return for raw gold from South

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Africa. The sovereigns had already been shipped in anticipation of the arrival of the equivalent raw gold when the matter was brought to the notice of the Bank: the Australian Government were thereupon sounded to ascertain whether they would accept payment by means of a sterling book credit in London; they were not prepared to agree and so it was arranged between the Governor and Sir John Bradbury that the gold equivalent should be provided from the Treasury's stock in New Zealand. Gold to the approximate value of £500,000 was accordingly sold to the National Bank of South Africa (to whom the sovereigns from Australia had been consigned) at the price of  $77/10\frac{1}{2}$ <sup>s d</sup> per ounce standard, and the Bank arranged for shipment and insurance on their behalf.

The gold was shipped in two consignments from Auckland to Sydney by steamers of the Union Steamship Company of New Zealand to the order of the Commonwealth Treasury. Freight was originally fixed in London through the Australasian Refrigerated Tonnage Committee at 2d. per ounce plus 20%, payment to be made in New Zealand by the Bank of New Zealand on shipment: an



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additional 10% was actually claimed from the Bank of New Zealand and paid by them under protest, but as there had been an all-round advance for shipments by inter-state steamers in Australasia of about 25% between the date the quotation was given and the date of shipment this surcharge was not contested by the Bank of England. The gold was insured through Price, Forbes & Co., Ltd., at the rate of 2/-<sup>s</sup>%, on the basis of 77/10<sup>s d</sup><sub>2</sub> per ounce standard plus 1% for charges, the underwriters stipulating that the steamers used should be approved by them. The two consignments of New Zealand gold realised £497,197:11:1 in Australia, which was £621:6:4 less than the amount paid by the National Bank of South Africa for the gold.

(c) In September 1919 the Treasury concurred in the Bank's suggestion that the balance of the gold held in New Zealand for account of the Imperial Government should be shipped to this Country and sold to the Bank at 77/9<sup>s d</sup> per ounce standard; they requested the Bank to make arrangements for shipment but not to effect insurance.

The gold was conveyed by one of the New Zealand Shipping Company's steamers, freight being paid in London

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at their flat rate of 15<sup>s</sup>/-%

On arrival of the gold it was discovered that the bars weighed on an average at least 1,000 ounces and thus considerably exceeded the limit acceptable to the Mint: for this reason, and also because no check assay had been carried out, the bars were re-melted and assayed, the cost (£128: 1: 7) being deducted from the amount paid to the Treasury as the purchase price.

The check assay disclosed an excess of £17: 5: 3 in the value of the portion which had been purchased from the Bank of New Zealand, and a deficiency of £14:13: 8 in the National Bank's gold.



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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLANDBORNEOProduction, Purchase and Custody

In February 1915 the Bank agreed to advance to the Borneo Co., Ltd., 97% of the value of their gold on receipt of certificates stating the amount that had been consigned to the Bank and that it had been fully insured; the Bank to be secured pending arrival of the gold by the deposit of acceptances of R. & J. Henderson or other first class bills; on arrival the gold to be handed to the refiners in the usual manner, and when refined to be purchased by the Bank at  $77\frac{1}{9}$ <sup>s d</sup> per ounce standard subject to deduction of expenses of realization and any other charges.

In September 1917, owing to the increased cost of shipment to London (mainly on account of war risks insurance) the Bank acceded to a request of the Borneo Company for delivery of their gold to be accepted at the Ottawa Mint instead of in London, subject to similar terms of purchase; but the Company were informed that the final settlement in respect of such shipments would be delayed until the pressure of work at the Ottawa Mint permitted the gold to be dealt with.

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Shortly after the Armistice the Bank advised the Company that they would prefer shipments to London to be resumed as soon as this could be managed at a cost not exceeding the charges incurred in despatching the gold to Ottawa.

In April 1919 the Bank obtained the acceptance of the Company to the following amendments to the existing contract, the Company undertaking to ship the whole of their gold output to London so long as the agreement remained in force:-

1. The arrangement to extend until the 31st March 1920:
2. The Company to have the option of selling any of the gold to the Bank on the same terms as before as regards price, charges, &c.:
3. The Bank to advance 97% on the value of gold sold to them, against the Company's certificate of deposit of the gold with their representatives at Singapore:
4. All gold to be shipped from Singapore by P. & O. steamers (the Bank having negotiated a special



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rate of 10/-<sup>s</sup>/<sub>100</sub> for shipment of the estimated amount still to be won from the Company's mines);

5. Insurance of gold purchased by the Bank to be arranged by them, to operate from the time of delivery to the Singapore Branch of the Mercantile Bank of India until arrival in London at the Bank of England.

After publication of the new Agreement with the South African Producers in July 1919, the Bank offered to come to a fresh understanding with the Borneo Company embodying the principal South African conditions in conjunction with the special arrangements respecting deposit of the Borneo gold at Singapore and the lodgment of acceptances as security for advances.

Mr. Grenfell,\* one of the Directors of the Company, thought it unnecessary for a formal agreement to be signed considering the small amount of gold involved: and at the Bank's suggestion a letter was written by the Company (23rd August 1919) expressing this view, stating their willingness definitely to terminate on the 31st March 1920 the arrangements concluded

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\*Mr. E. C. Grenfell, a Director of the Bank of England.



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in the previous April, and agreeing to continue in the meantime to ship all their gold to London on condition that the Bank should allow the gold to be offered for sale in the open market and, pending the sale of the gold on arrival, to make advances at the rate of 77/- per ounce standard secured by acceptances as before. The Bank accepted this proposal.

In March 1920 the Bank offered a further extension and the Company decided to continue the arrangement for another 12 months; but in October 1920 a formal Agreement containing the modified South African terms offered in 1919 was signed. (This Agreement was subject to 6 months notice on either side).

The total amount of gold purchased by the Bank from the Borneo Company was £506,249, as follows:-

1915	£149,448	
1916	148,598	
1917	78,703	
1918	108,039	
1919	21,461	(Last payment 22 November)
	<u>£506,249</u>	



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The Company took several advances at the rate of  $77\frac{1}{2}$ /- per ounce standard after the signing of the formal Agreement.

Shipment and Disposal

Until April 1919 all arrangements respecting shipment and insurance were made by the Borneo Company; but when shipments to Ottawa were decided upon the Bank assisted in securing from the Dominion Express Company of Canada and the P. & O. Company the favourable through rate of  $16\frac{1}{9}\%$  from Singapore to Ottawa, plus any storage charges incurred at Hong Kong. This rate included insurance during land transport in Canada, but not during the rest of the journey.

From April 1919 the Bank agreed to effect insurance from the time of deposit with the Mercantile Bank of India at Singapore until the gold's arrival here; and as the freight rate of  $10\frac{1}{2}$ /- from Singapore to London was negotiated between the Bank and the P. & O. Company (the Borneo Company stating that they were unable to obtain a rate of less than 2%) it was agreed that freight accounts should be rendered to the Bank, although the Company's



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agents in the East managed the actual shipments. When this rate of 10/-<sup>s</sup> was fixed the P. & O. Company were informed orally that the total amount to be shipped would probably be about £150,000 spread over about 2 years; hence, on that total being reached, early in 1921, they imposed their current flat rate of 15/-<sup>s</sup>. Insurance from Singapore was now arranged through Price, Forbes & Co., Ltd., under an open cover for a specified maximum amount, the value of the gold originally being covered at <sup>s d</sup> 77/9 per ounce standard plus 1½% for charges at the commencing rate of <sup>s d</sup> 4/6%, which gradually fell to <sup>s d</sup> 3/4% by November 1919.

In November 1919 the Company requested the Bank to insure their gold for an additional 20%, and subsequently the valuation was altered from time to time according to the fluctuations in the market price of the metal. But owing to the difficulty of ascertaining at the time of shipment a reliable valuation of the gold shipped it was arranged in January 1920 that a provisional declaration should be dispensed with pending the definite valuation on arrival of the relative documents by mail;



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and in January 1921 a clause was added to the policies to the effect that in the event of loss or damage occurring before declaration, the gold would be valued at the London market price ruling on the date of deposit, plus 5%.

No "free" gold was received in the year 1st September 1919 to 31st August 1920, but in the following year about £52,000 worth (at <sup>s</sup> 77/9 <sup>d</sup> per ounce standard) arrived.

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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDBRAZILPurchase

In July 1917 John Taylor & Sons, the Managers of the Ouro Preto Gold Mines of Brazil, Ltd., informed the Bank that owing to the growing infrequency of mail steamers from Brazil to this country and the high rate then ruling for insurance against war risks, they were anxious to arrive at some other way of dealing with their output of about £10,000 of gold per month. They inquired whether the Bank would be prepared to advance, say, 97% of the value of their gold upon being notified that it had been lodged for the Bank's account either in an English Bank in Rio de Janeiro or with an Agent of the Bank of England in New York; and they further asked whether the Bank would raise any objection if the Company, as an alternative, shipped the gold to America and sold it there for their own account.

The Bank offered to take delivery of the gold at the Ottawa Mint, to advance 98½% of its value upon receipt of cable advice of arrival through the High Commissioner for Canada, and to purchase the gold when refined at 77/9<sup>s d</sup> per oz. std., crediting the Company for silver and charging them with the cost of cables and refining expenses. The Company accepted this offer and agreed that all the gold



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produced by them should be held at the disposal of the Bank either at Ottawa or in London until one year after the termination of the war.

Only three consignments aggregating £35,111 had been sent to Ottawa when, early in 1918, the Brazilian Government placed an embargo on the export of gold from that country which still remained in force at the end of August 1921.

Shipment

The Ouro Preto Company made their own arrangements for shipment and insurance.

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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENT  
AND BANK OF ENGLANDMALTA AND GIBRALTARSovereigns supplied to Bank of England

During 1916 and 1917 the Anglo-Egyptian Bank furnished the Bank with £155,000 sovereigns from Malta and £50,000 from Gibraltar, receiving in exchange £105,000 in Currency Notes and being credited in London for the balance of £100,000.

Shipment

The sovereigns were shipped from Malta and Gibraltar by warships returning to this country, arrangements being made by the Bank of England with the Admiralty. The shipments of gold and of the Currency Notes were free of expense to the Anglo-Egyptian Bank, for no charge was made by the Admiralty for the warships' services, and in view of the special nature of the transactions the P. & O. Company carried the Notes to Malta and Gibraltar free of cost. Incidental expenses incurred by the Bank were reclaimed from the Treasury, by whom all insurance risks were borne.



CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDMALTA AND GIBRALTARSovereigns supplied to H. M. Treasury

In view of the requirements for the Hedjaz subsidy during 1918, arrangements were made with the Anglo-Egyptian Bank for the provision of £100,000 sovereigns in Malta for shipment to Egypt in exchange for Currency Notes shipped from London. In the case of the last shipment of £50,000 sovereigns, the Anglo-Egyptian Bank were temporarily credited with the equivalent in London as the sovereigns were shipped before the arrival of the Notes in Malta.

Shipment

The sovereigns were conveyed to Egypt by warship and were consigned to the High Commissioner for Egypt. The Notes were sent by the Bank to the Commanders-in-Chief at Devonport and Portsmouth, for shipment to Malta by warship.



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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF H. M. GOVERNMENTAND BANK OF ENGLANDMALAY STATES

In October 1915 the High Commissioner for the Malay States pointed out to the Colonial Office that the Raub Australian Gold Mining Co. Ltd. in Pahang were producing about 1,100/1,500 ounces of gold every month. Until a short time before this date the gold had been sent to England through the banks, but the increased cost of insurance, etc., was now making it more profitable for the Company to sell its gold in the East, the destination of the last month's production being Hongkong. Instructions were requested as to whether this should be permitted or whether the export should be prohibited to any place other than the United Kingdom. The matter was referred to the Bank, who, on the 5th January 1916, in a letter to the Treasury, stated that as the amount of gold involved appeared to be comparatively small, and as it was believed that a certain amount of gold was legitimately required in Hongkong, no objection would be raised to sales such as those referred to.



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(ABROAD)GOLD HELD ABROAD FOR ACCOUNT OF 'H. M. GOVERNMENT'  
AND BANK OF ENGLANDMADEIRA

A few days after the occurrence mentioned above, the Bank were asked whether they would advise the collection of gold coin from the island of Madeira, the Admiralty having been advised that a good deal of it had found its way thither and was being collected by German Agents who were endeavouring to purchase it, while English residents were hoarding it in order to prevent its falling into such agents' hands. The Bank approved of the proposal to collect the gold in question, but it does not appear how much was forthcoming from this source.

CHAPTER VGOLD AND SILVERGOLD.  
(ABROAD)SUNDRY GOLD PRODUCTION AGREEMENTSEgyptian and Sudan Gold

Three mines, the Barramia Mining Company, the Atallah Ltd. and the Sudan Goldfields Co., all managed by John Taylor & Sons, approached the Bank in November 1914 through that firm asking whether they could be admitted into an agreement for the sale of their gold if deposited at Cairo. The Bank declined the proposal; but the output of the mines was sent to London and purchased by the Bank without any agreement until December 1916. It was then stated that, without a special permit from the Egyptian Ministry of Finance, the Companies would be unable to ship their gold to London and the Bank were asked to intervene in consideration of receiving an undertaking from the Companies to sell to the Bank on its arrival in London all the gold produced by them until one year after the conclusion of peace. The Bank accordingly asked the Egyptian Minister of Finance to permit the gold to be shipped without interference from Port Said consigned to the Bank, and this arrangement continued until the end of June 1919. In the previous month of that year John Taylor & Sons asked that the Companies might be released from the agreement, in view of the higher price for gold then



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(ABROAD)SUNDRY GOLD PRODUCTION AGREEMENTS

obtainable. To this the Bank replied on the 25th July offering a fresh arrangement on the lines of the new South African Agreement. Their offer was accepted on the 29th July but from 1st August to 13th November 1919 only £8,000 arrived in London. Mining operations were then suspended and had not been resumed at the end of August 1921.

Including the silver, the approximate value of these Companies' output received by the Bank (taking the gold at its statutory price) was as follows -

1914	(August - December)	£26,000
1915		69,000
1916		73,000
1917		66,000
1918		35,000
1919		21,000
		<hr/>
		£290,000
		<hr/> <hr/>

Sudan, Congo, Nigeria

On 21st May 1920 the Bank of England entered into an Agreement with the Government of the Belgian Congo. This Agreement was in the usual form except that no Refiners were

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(ABROAD)SUNDRY GOLD PRODUCTION AGREEMENTS

named and that the Bank informed Mocatta & Goldsmid, the Brokers, that they reserved the right to require any gold re-exported from this Country to be packed and despatched by themselves. This proviso, however, was not enforced in the period dealt with.

On 31st March 1921, an Agreement was made with the Sudan Mining Company and on the 28th July with a Nigerian Producer.

It was the Bank's policy to allow anyone the full advantages provided the whole of their output was sent to London.

British Guiana

In September 1914 the Bank expressed their willingness to enter into an Agreement for the purchase of British Guiana gold, the gold to be deposited under responsibility of the Colonial Office, but nothing came of this. At the end of 1917, the Mint asked the Bank why they were not securing this gold, said to be then going to Spain. Lord Cullen replied that it was understood, from the Shipping



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SUNDRY GOLD PRODUCTION AGREEMENTS

Company, to be going to New York "for some little time back"  
(letter 6/12/17).

Negotiations with one small Company were started  
in January 1921 and these resulted in an Agreement on the  
15th September 1921.

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## GOLD.

## RUSSIAN GOLD.

Early in May 1920 the Foreign Office received an application from the London Office of the Moscow Narodny Bank asking whether they might import gold into England from Esthonia or Russia and sell it without restraint to the Bank of England. Without consulting the Bank of England the Foreign Office replied to this and similar enquiries regarding the import and disposal of such gold that they would not interfere in any manner but that the gold could neither be melted here nor re-exported.

Counsel's opinion was taken on the subject and the view was expressed that the arrival of such gold in England would be likely to raise legal questions, since persons having claims against the de facto Russian Government would probably endeavour to get some injunction from the Courts.

By the middle of June, as the result of conversations between the Bank and the Treasury, the Government had reversed their policy and adopted the attitude that they would facilitate neither the import nor the disposal of Russian gold.

In November the Governor drew up an Agreement to cover dealings in Soviet gold after completion of a Trade Agreement then being negotiated between the two countries. A trial shipment of gold was to be consigned



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## RUSSIAN GOLD.

to the Bank of England and was to be the subject of a test action in the English Courts to decide the question of title and ownership. If the Courts should decide in favour of the importer's title and ownership, the gold was to be sent to New York by the Bank of England for his account in order to ascertain the exact position of the gold in the United States.

If the importer's title was settled in his favour here but against him in America, Soviet gold was to have the right of import into England but no other facilities except sale to the Bank of England at the Statutory price. If, however, the importer's title were established in both countries, gold which had been held in Russia continuously since the 1st November 1920 and which the Russian Government wished to sell was to be sent direct to the Bank of England in instalments, to be purchased by them below the current market price, and to receive an export licence. A variant of this draft, dated 24th December 1920, for use in the event of no Trading Agreement being signed, provided that parcels received should be exported within a period of 30 days from arrival. These drafts became the basis of negotiations conducted by the Board of Trade with the Russian Delegation and the scheme in its main outline was accepted by the Government.



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## GOLD.

## RUSSIAN GOLD.

In December the Treasury proposed to insert a clause in the Trade Agreement giving Russia the same rights, as regards gold imports, as those enjoyed by any other country. The Bank objected to this because they had already for some time adopted, and were seeking to extend, a policy of favoured treatment under Agreements. Further correspondence and conferences took place between the Bank, the Treasury and the Board of Trade, in which the Bank opposed all suggestions that the Russians should be at liberty to create credits against gold as collateral. Such credits were considered objectionable on various grounds, but chiefly because it would follow that exports would be financed on credit instead of by cash payments, and because the policy would be contrary to the Bank's understanding with the Federal Reserve Bank of New York, the United States seeking to maintain an absolute embargo against Soviet gold. Nevertheless, since it was stated by the Board of Trade that the whole Agreement would stand or fall by the acceptability of the arrangements made respecting gold and that the granting of permission to obtain credits if possible was a political question supported by the Cabinet, the Treasury and the Bank felt obliged to give way on the point of a short time limit for re-export.

A letter supplementary to the Agreement to cover



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## GOLD.

## RUSSIAN GOLD.

the gold question, was written by Sir Robert Horne to M. Krassin, dated the 11th January 1921, (the substance of this was subsequently made public in the Board of Trade Journal for the 11th August 1921). It stated that if a final decision were given by a Court of First Instance only in the United Kingdom in favour of the Russian Government, consignments could be made to the Bank of England direct, who would hold such parcels to the order of the consignee and export them, if desired, within six months. After six months, it was provided that the gold should be sold, the Bank having the first refusal at a price to be agreed upon. If, however, the Russian Government's title were definitely established here and accepted elsewhere, the arrangement was to be similar except that re-export licences would be granted without any limit of time.

The Trade Agreement was signed on the 16th March 1921 and it bound the Government not to "initiate any steps with a view to attach . . . . . any gold, funds, securities or commodities, not being articles identifiable as the property of the British Government . . . . . exported from Russia or . . . . . acquired . . . . . within the United Kingdom" . . . . . or to "obtain any special legislation not applicable to other countries against the importation . . . . . of specie (other than British or

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## RUSSIAN GOLD.

"Allied), or bullion ..... or the refining, melting, "mortgaging or disposing thereof in the United Kingdom". If the test case should go against the Soviet Government the Trade Agreement was terminable by them forthwith.

It was the opinion of Counsel that once gold had come into the possession of the Bank of England no one would succeed in an action unless he could either identify the actual ingots with those to which he laid claim or prove that he had a title to the ingots at the time when they reached the Bank. It was finally arranged therefore that the action should be brought in respect of certain gold coins which were a part of the State Reserve of the former Russian Government. A Miss Mary Grinbaum, acting as Agent of the Soviet Government, deposited the gold at the Bank of England on the 15th April 1921, and the Press were informed. The action was brought against her and the Bank of England jointly by a Mr. A. G. Marshall on behalf of himself and all other holders of 5% Russian State Bonds of 1906. On the 12th July 1921 judgment was given in favour of the defendants by Mr. Justice Peterson in the Chancery Division of the High Court.

Notwithstanding the original intention, it was decided not to delay matters by carrying the case to the Court of Appeal and the House of Lords. The gold,



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7,500 Roubles, was therefore shipped at the end of July to New York for the account of Miss Grinbaum. But under instructions from the United States Treasury, the Assay Officer in New York, before whom all the facts of the case were laid, refused on the 10th August to accept the gold.\* The matter went no further and the Trade Agreement itself appears to have become inoperative in any respect for some time.†

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\*For several months the Assay Office had been declining to accept gold known to be of Russian origin, and in cases where suspicion arose an affidavit declaring the gold not to be of Russian origin had been required. (The first shipment of Russian gold to the United States of America since 1916 appears to have been in August 1920). The only exception to the rule was bar gold bearing the official stamp of the Swedish Mint, although the gold was largely regarded as Soviet gold smelted at the Swedish Mint, or given in payment for Soviet gold bought by that institution. Nevertheless, because of the friendly relations between the United States and Sweden, such gold had not been refused. Since most of the Russian gold came through Sweden or was dealt with by private assayers, there is little doubt that the regulations failed to exclude the bulk of the Russian gold sent to America.

†The gold was subsequently returned to England and re-delivered to the Russian Trade Delegation.

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## GOLD.

## ESTHONIAN GOLD.

The Board of Trade were approached on this subject in August 1920 and, in view of the fact that if no concessions were made the gold would probably go to the United States, in which case this country would not only lose the gold but the trade which would tend to follow it, the Board strongly advocated that the Esthonian Government should be put on the same footing as a mine, so that it might receive a permit to sell gold at the world price provided the whole of the gold at their disposal were sent to this country. The Treasury consented to the Esthonian gold being dealt with as a matter entirely apart from, and without prejudice to the settlement of, the question of Soviet gold, and after some negotiations an Agreement was signed, on the 8th November 1920, between the Esthonian Government and the Bank of England, whereby it was arranged that all gold which had been continuously in the possession of that Government or of Esthonian subjects since the 1st September 1920 and which was available for export should be shipped to the Bank of England and sold to the British Government at a price less by 1/- per oz.<sup>s</sup> std. than the current London market price for export gold. An advance of 90% was to be made on the arrival of each parcel, the balance being paid when the exact turn-out of the gold was ascertained. It was understocd that the total



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## GOLD.

## ESTHONIAN GOLD.

amount available under this Agreement was about £2,000,000, this being the sum to which the Esthonian Government were said at the time to have a clear and indisputable title, a condition indispensable under the Agreement.

The Esthonians had wished to hold a part of the gold on deposit with the Bank of England as cover for currency, collateral for advances, etc., and for political reasons; but the Bank refused to accept a deposit (unless by request of the British Government) and said that in the interests of the Esthonians they could not recommend such a course as it would be expensive and no export licence could be granted. The proposal was therefore dropped.

The first shipment arrived in August and was covered by a temporary Agreement. Under the contract of the 8th November five further shipments were made. The six consignments were as follows.

<u>Date of arrival at Bank of England</u>	<u>Total sum paid by Treasury</u>	<u>Price *</u>	<u>Ozs. Std.</u>
28 Aug. 1920	£722,073:17: 7	<sup>s</sup> 104/-'416	138,814'090
25 Nov. "	717,396:12:11	106/9 $\frac{5}{12}$	134,363'162
6 Dec. "	728,478:11: 3	107/10 $\frac{1}{4}$	135,085'845
31 Dec. "	756,278: 5: 1	105/3 $\frac{1}{2}$	143,701'351
5 Feb. 1921	331,875:15: -	97/1	68,369'253
18 Mar. "	<u>325,706:14: 2</u>	95/3	<u>68,389'860</u>
	<u>£3,581,809:16: -</u>		<u>688,723'561</u>

Ozs. Std. 688,723'561 @ £3:17: 9 per oz. std. = about £2,677,400

\*i.e. per ounce standard.

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## GOLD.

## ESTHONIAN GOLD.

Insurance was effected by the Bank of England and the arrangement worked smoothly, although in the case of the last shipment the steamer conveying the gold received damage to her engines and had to put into port, the gold being transhipped into another boat, and a general average claim, which took some time to settle, resulted.

An account was opened at the Bank of England for the Bank of Esthonia, to which all proceeds of the gold were credited and charges debited, but the balance in multiples of £1,000, was transferred to the account of the Esthonian Government with the Bank of Scotland.

It will be observed that the total of the gold shipped amounted to over £2½ millions at the statutory price, although only £2 millions had originally been contemplated.

In April 1921 the Esthonians suggested that a fresh Agreement should be made, this time between the Bank of Esthonia and the Bank of England, to cover a further £3½ millions of gold now available for shipment. A draft Agreement, in which the Government of Esthonia were to join, was drawn up in respect of a maximum of 400,000 fine ounces; the remaining provisions were similar to the previous Agreement except that the price offered was tentatively put at  $2/\text{-}$  or  $2/\overset{\text{s}}{6}$  or  $2/\overset{\text{s}}{6}\overset{\text{d}}{}$  per fine ounce less than the current world price. But this Agreement was never signed. In July the Bank of England were informed by the Royal Bank of Scotland that the Bank of Esthonia had enquired of



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them what price they would offer for gold to be shipped to London. The Royal Bank were advised of the draft Agreement referred to above and of the improbability that an export licence would be obtainable in respect of any gold consigned to London otherwise than under that Agreement.

No further particulars regarding the disposal of the remainder of the Esthonian gold reached the Bank.

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## GOLD.           PROFIT ON GOLD PAID TO HIS MAJESTY'S TREASURY.

On the 31st May 1916 Lord Cunliffe wrote a letter to Sir John Bradbury on the subject of shipments between the Cape to London, the Cape to Ottawa, and London to Ottawa, and stated that "so long as they do not lose, I am anxious that the Bank should make no profit from the cost of these gold shipments". He also mentioned that he was transferring to the Government a profit of £712:10: - on certain gold transactions of the London Exchange Committee since its inception in November 1915. On the 15th June Sir John Bradbury replied to the Deputy Governor saying that he understood the position to be "that the Bank wishes to credit the Treasury with any exchange which it may make by shipments of gold during the War and merely to be protected from incurring loss on such shipments". He accepted this arrangement on behalf of the Treasury and made various suggestions to facilitate its working.

In practice the Bank gave the Government the benefit of the widest possible interpretation of this informal Agreement, paying over not only the profit arising out of shipments of gold but also on all bullion transactions (with the exception of a few small Trade dealings) from the time of the formation of the London Exchange Committee in November 1915 until the end of 1919. Profits made before November 1915, however, were retained by the Bank, including those earned in the earlier period but not realisable until later.



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GOLD. PROFIT ON GOLD PAID TO HIS MAJESTY'S TREASURY.

As will be seen from the brief summary that follows, the sums paid to the Government arose from a variety of transactions, and some of these were of a complicated nature. No detailed explanation of each item is perhaps required here but fuller particulars may be ascertained from the Chief Cashier's Private File No.189, in which the information supplied below will be found in an expanded form, together with various other statements and correspondence.

Profit on gold sold to the Treasury (1914)	£ 1,000,000
Profit on gold sold to the Treasury (1915)	£ 2,000,000
Profit on gold sold to the Treasury (1916)	£ 3,000,000
Profit on gold sold to the Treasury (1917)	£ 4,000,000
Profit on gold sold to the Treasury (1918)	£ 5,000,000
Profit on gold sold to the Treasury (1919)	£ 6,000,000
Profit on gold sold to the Treasury (1920)	£ 7,000,000
Profit on gold sold to the Treasury (1921)	£ 8,000,000
Total	£ 36,000,000

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GOLD.	PROFIT ON GOLD EARNED FROM NOVEMBER 1915 TO END OF 1919 AND PAID TO THE GOVERNMENT.	
Gold in bars: London		£13,751: 1: 7
Shipment of £500,000 by London Exchange Committee to Sveriges Riksbank in November 1918		259: -: 7
Sale of gold to Treasury for Spain in February 1919		1,606:14: 2
Sale of gold to Treasury for shipment to Norges Bank in March 1919 (L.E.C.)		<u>2,407:14: 4</u>
		£18,024:10: 8
Gold in bars: Ottawa (1916)		3,386: 8: 9
Sovereigns at Ottawa (1916)		826: 4:10
Chilian Advance (1916)		18,235: 3: 5
French gold coin (1916)		4,192:15:10
U.S.A. gold coin at Ottawa (1916)		8,504: 1: 1
Bar gold forwarded to Federal Reserve Bank of New York from Ottawa in exchange for sovereigns released here (1918)		4,535: 5: 7
Unrefined bars in India (1917-18)		1,456: 1: 5
1% (or $\frac{3}{4}\%$ ) on raw gold purchased from Companies outright in India (1917-19)		83,315: 9: -
Light gold (1918)		12: 1: 9
Dental & Pottery Trades (1917-19)		476:11:10
Gold from South Africa to India - balance of various transactions		2,214:15: 1
Shipment of sovereigns from Australia to Chile (1918)		3,058: 2: -
Settlement of gold from India refined in London		8,490:11: 8
Settlement of South African bar gold shipped from India and refined in Ottawa		<u>3,107:19: 5</u>
Carried Forward		£159,836: 2: 4



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GOLD. PROFIT ON GOLD EARNED FROM NOVEMBER 1915  
TO END OF 1919 AND PAID TO THE GOVERNMENT.

Brought Forward	£159,836: 2: 4
Shipment to Chile from San Francisco 1918-19)	696:16:10
Shipment of gold per s.s. "Tofua" (1918-19) from South Africa to Australia	<u>5,319: -: -</u>
	£165,851:19: 2 =====

To this figure may be added the profit foregone by the Bank on gold which they sold to the Government at its original cost. From 17th November 1915 (date of Treasury Minute appointing London Exchange Committee) to the 31st August 1917, and calculated at 1½d. per ounce on 37,942,432 ounces of gold bullion and coin, this profit amounted to

£237,140: 4: -

Between the 1st September 1917 and 28th February 1919 a similar calculation on 4,996,734·087 oz. of bar gold gives

31,229:11: 9

"Bank of Italy"

Government paid £22,200,000 for 5,710,740·702 ozs.std. which at 77/10½ per oz. are worth £22,236,196·608. From difference of £36,196:12: -, however, deduct value of 6,563·46 ozs.std. at say 77/10½ (v. L.23rd March 1920, C.C. File 111) i.e., £25,556: 9: 5. Net:

10,640: 2: 7

£279,009:18: 4  
=====

The entire profit of the Government may therefore be put at £444,861:17: 6 although of course this estimate

