CHAPTER III

WAR LOANS, ETC.

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In pre-War times the Funded Debt, the Exchequer Bond and the Treasury Bill represented the three forms of Government borrowing from the public, but during the War and until April 1921 no Loans were issued which could strictly be characterised as Funded Debt (i.e. with no fixed date of redemption). Money was raised by long-term issues and short-dated Bonds, not exceeding 10 years' currency, whilst the volume of Treasury Bills assumed enormous proportions.

In November 1914 the first big Loan was issued, the 3½% War Loan, 1925-1928. There followed the 4½% Loan of June 1915 and the 4% and 5% Loans of January 1917. In the intervals between these long-term Loans, short-term Exchequer Bonds were offered, the first being the 3% Exchequer Bonds, 1920, which appeared in March 1915. In December of the same year 5% Exchequer Bonds, 1920, were placed on continuous day-to-day sale, and were withdrawn in December 1916 in preparation for the 5% Loan of January 1917. On the completion of this Loan, Exchequer Bonds were again offered, soon, however, to be superseded by National War Bonds placed in October 1917 on day-to-day sale in unlimited amounts.

Four Series of these Bonds were issued between October 1917 and June 1919.

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*A tabular Statement will be found in the pocket of the binding.

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In June 1919 came the Funding and Victory Loans, and these were followed by further short-term Bond issues "on tap".

Previous to 1914 the Bank of England had never handled a Loan for more than £60,000,000, the amount of a Consols issue made in April 1901 in connection with the Boer War. Half of this, moreover, was allotted before issue (to Rothschilds, Morgans and the Bank of England). The whole Debt raised for that War was £159,000,000 only, or less than half of the first Loan of the War of 1914/18.

The system which had grown up was quite adequate for Loans of the dimensions hitherto experienced, but required considerable modification in respect of the enormous issues now to be made. The huge increase in the volume of the work was first felt, moreover, at a time when the Bank Staff was beginning to be depleted. Chief among the Bank's difficulties were:-

(a) Lack of space: this was eventually overcome, but not for some time.

(b) The provision of a sufficient number of men capable of quickly organising the work and the Staff.

(c) The fact that of the temporary Staff engaged only a small number had previously had any exact experience of the nature required.

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(d) The establishment of competent Correspondence Sections. The ordinary routine of the Bank did not call for the training of a large number of men for this work and it was no easy matter to improvise the requisite Staff under War-time conditions, although some of the temporary men proved themselves quite useful in this respect.

(e) The maintenance of the health of the Staff in view of the great amount of overtime which had to be worked.

(f) The fact that the financial exigencies of the War often did not permit of the Bank being given sufficient time for preparation prior to the issue of a Prospectus.

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3½% WAR LOAN

The financial history of the War up to the time of the issue of the 3½% War Loan in November 1914 was summarised by the Prime Minister (Mr. Asquith), speaking at the Guildhall, in the following passage:-

"Let me just for a minute recall to you here "the threatening aspect of the financial world in the "last week of July. The stock markets were demoralised, "the Stock Exchange had closed its doors, Bankers were "apprehensive of a wholesale withdrawal of deposits and "the great accepting houses of the City of London had "to face the prospect of being unable to obtain from "abroad the remittances which they required to meet their "daily maturing obligations in respect to bills of ex-"change. We were confronted at that moment with a "double risk - the risk of a shortage of internal and "of a general dislocation of international currency. "By the end of the first week in August both those "dangers had been coped with, first by the issue of "currency notes, and secondly by providing for the re-"acceptance of current bills of exchange. There "followed the moratorium for all debts with certain "exceptions, which has since been extended from one "month to two. These measures, sanctioned and "approved as they were by Parliament, prevented the "destruction of the machinery of commerce: but we

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"proceeded to take the necessary steps to restart its "working. Arrangements were come to with the Bank of "England for discounting postponed bills, and with that "Bank and the great joint stock banks for dealing with "new bills; provision was made to enable the acceptors "of pre-moratorium bills to meet them when they became "payable, and schemes have since been devised for "dealing both with the position of the Stock Exchange "and of merchants and manufacturers who had foreign "obligations. What has been the result of the "measures so taken by His Majesty's Government? I "think it is a very satisfactory one. The foreign "exchanges are working in the case of most countries "quite satisfactorily, and the gold reserves at the "Bank of England, which were 40 millions on July 22nd, "and which had fallen on August 7th to 27 millions, "now stand at the unprecedented figure of 69½ millions. "The central gold reserve of the country after three "months of the War amounts to £80,000,000, almost "exactly twice the amount at which it stood at the "beginning of the crisis. The Bank rate, which rose, "as you know, to 10 per cent., has now come down to 5, "a figure, I think, not in excess of that at which it "stood this time last year. Food prices have been "kept at a fairly normal level, and although trade "has been curtailed in some directions, unemployment "has been rather below than above the average."*

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*9th November 1914. Mr. Asquith went on to pay a tribute to the Lord Chief Justice, Lord Reading, "without whom, "as the Chancellor of the Exchequer would tell you, these "satisfactory arrangements could not possibly have been "made", and to the Governor of the Bank, "who in time of "great emergency has shown the utmost courage and resource". After saying this Mr. Asquith announced that a peerage would be conferred on Mr. Cunliffe.

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3½% WAR LOAN

Up to this time Great Britain had been able to provide the necessary funds for the War with comparative ease, by means of Ways and Means Advances and by the issue of Treasury Bills, but it was realised that it was now necessary to come to real grips with the finance of the War and on the 7th November the Chancellor of the Exchequer (Mr. Lloyd George) presented to the House of Commons the first War Budget, which showed a deficit of £339,571,000 on the assumption that the War would last until the end of March 1915. A little new taxation was levied, but this was only expected to reduce the deficit by some £18 millions.

During August and subsequent months the Press had been full of suggestions for financing the War, and while but few of the proposals were of much value, two factors received a good deal of attention. The first of these was that any Loan should be redeemable; the second, that the security should be exempt from Income Tax. A Loan redeemable at or by a fixed date was likely to be more expensive than an issue of annuities, but in view of the fact that these had long been depreciating in value, Consols having dropped steadily from an average price in 1900 of £99:16: 1 to £73:10: 3 in 1913, the demand for definite redemption was very natural.

At the end of August the Controller of the National Debt suggested an issue at a nominal rate of

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$3\frac{1}{2}\%$ WAR LOAN

interest likely to secure subscriptions at or near par, the Loan to be redeemable at the option of the Government after a short period of years, and failing earlier redemption, at a fixed date some years subsequent. Loans of this nature had been successfully floated by the Japanese Government in connection with the War with Russia. The form which the Loan actually took was stated by the Chancellor of the Exchequer (in his Budget Speech) to have been due to the wishes of the Banks and other financial institutions. (The small investor was not yet specially catered for.)

The Loan, for which the lists were opened on the 17th November, was for £350,000,000 issued at 95, with a nominal interest rate of $3\frac{1}{2}\%$. It was redeemable at par on the 1st March 1928 or earlier at any time on or after the 1st March 1925, upon three months' notice being given by the Government. The subscription price was payable by instalments spread over a period of five months or in full under discount at 3% per annum. The yield was over 4% assuming that the Loan would be redeemed in 1928.

In order to assist towards making the issue a success the Bank gave an undertaking that for a period of 3 years they would advance, at 1% under Bank Rate varying, to an allottee, at any time, and without margin, the full value of his allotment at the price of issue.

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$3\frac{1}{2}\%$ WAR LOAN

The Stock Exchange held the view that the Loan would be well covered, although having regard to the huge amount offered, no great oversubscription was expected.

The Loan was extensively advertised.

At a meeting of Bankers held on the 16th November each Bank (including Clearing Bankers, Country Banks and Scotch and Irish Banks) undertook to apply firm for an amount of the Stock equivalent to 5% of their deposits and credit accounts and also to take a further 5% if required.

The Bank of England agreed to apply for £39,498,200, bringing up the amount taken firm to £100,000,000. The remaining £250 millions was finally allotted as follows:-

To the public	£91,054,500
To Bankers and others o/a "conditional" (i.e. underwriting) applications	158,945,500
	£250,000,000

The latter item, however, included no less than £113,525,900 which had to be subscribed by the Bank of England.

The taking up of this excessive amount of Stock by the Bank was the only alternative to the grave admission that the Loan had been undersubscribed - the effect of which both at home and abroad at that time might have been

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$3\frac{1}{2}\%$ WAR LOAN

disastrous. Holding the Stock for any lenth of time was of course not contemplated by the Bank, and an arrangement was made whereby the Treasury took over the amount subscribed by the Bank as soon as they were in a position to do so - (see Chapter on "Government Securities & Other Seourities") - which was not until the $4\frac{1}{2}\%$ War Loan was issued.

Until the lists closed, on the 24th November (the full time permitted by the Prospectus) a constant stream of applications poured into the Bank, large numbers arriving by post.* (There were about 50,000 letters, of which some 2,800 were registered.) Applications from Bankers and the general public were received in the Issue Offioe and in a part of the Consols Office. The counter work at this stage and throughout the Loan proceeded smoothly, owing in a large measure to the faot that the Joint Stock Banks cleared their customers' cheques and presented the documents in large paroels with their own covering payment.

Every applicant (of the public) obtained a full allotment, consequently only one form of Allotment Letter had to be used and no repayment cheques were required, thus materially lessening the work that often attends issue. The number of allotments was 97,635 (of which 40,000 were in respect of applications for £100) and these were posted as follows:-

*Tables were erected at each Gate entrance to facilitate the prompt issue of Prospectuses.

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Thursday,	26th Nov.	6,000
Friday,	27th Nov.	10,000
Saturday,	28th Nov.	24,000
Sunday,	29th Nov.	60,000

Owing to the fact that the Stock Exchange was not open, the Brokers found a scarcity of small Allotment Letters for exchange and dealings. In consequence, nearly 400 Allotment Letters were brought in to be split, which involved the issue of 1,586 new letters.

A Memorandum was addressed to Bankers and other large holders asking them to make early payment of the balance of the first instalment, and stating that cheques would be kept back until the due date. Similar notice was given in connection with the subsequent instalments. Owing to many of the Bankers falling in with this suggestion, a considerable bulk of the Allotment Letters was deposited prior to the first instalment day.

Large holders of the War Loan were also circularised with the suggestion that they should accept Scrip of high denominations, which could be split at any time before payment of the final instalment. Many took advantage of this arrangement and during the payment of the various instalments, 1,095 certificates were split, involving the issue of 6,141 pieces of smaller denomination. The total number of Scrip Certificates issued was 208,075, of which 75,749 were of £100.

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3½% WAR LOAN

Of this Scrip, 50,000 certificates of £100 and 50,000 of £200 were printed and numbered outside the Bank; most of those for other denominations also were numbered outside. The rest of the work was done in the Bank. The quantities printed represented an amount far in excess of the total amount of the Loan; this was necessary in view of the promise to split the larger denominations of Scrip.

The great pressure induced by the 3½% War Loan was largely due to its being issued in what was then the usual form, viz. with Allotment Letters and Scrip, and under an elaborate correspondence system. On the other hand, receipts were not given for money tendered with applications, a concession not introduced until the issue of National War Bonds.

The postal work was exceptionally heavy; some 23,000 allotments were fully paid through the medium of the post before the Scrip was issued, whilst nearly 12,000 instalments were paid in a similar fashion each fortnight. The Inscription Lists put forward in respect of the postal Scrip retained by the Bank numbered 28,000 and the Bonds or Bond receipts sent by registered post 6,000. In addition, about 70,000 coupons were cashed involving the posting of 35,000 cheques. The Bank's system of dealing with postal applications was ill suited to a Loan so very much greater than any they

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had before issued, and considerable confusion at first resulted. Moreover, the frequency and consequent overlapping of the instalments made the agreement of the (74) Scrip Ledgers difficult.

It was found necessary to work on each of the five Sundays preceding Christmas Day, and a Staff of men - averaging 200 - was employed during the daytime.

From the issue of the Prospectus until the final instalment was paid, the Staff were provided with free meals in the evening, arrangements having been made by which they could order what they chose (inclusive of drinks) at the Bank Club. The late work was so general throughout the Bank that it was found necessary to send considerable numbers of men outside to "The Auction Mart" and "Simpson's" in order to relieve the pressure at the Club. (In subsequent Loans several other restaurants were employed.) On occasions when the work was carried on after 11 p.m. additional refreshments were brought down to the Offices.

The Currency Notes which were largely used for remitting money introduced what was then a new and troublesome complication. One day's post brought £4,000 of these Notes and, in the course of the Loan, upwards of £115,000 was passed to credit, representing about 130,000 Notes. £52,400 was received in coin.

The Staff of the Banking Department was much

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$3\frac{1}{2}$% WAR LOAN

occupied on work in connection with pre-moratorium bills and the issue of the new Currency Notes, but on account of the closing of the Stock Exchange (31st July 1914 to 4th January 1915) the Staff of the Transfer Offices were able to give considerable assistance with the applications and the instalment due the 7th December. But the Staff of the Accountant's Department had been decreasing for some time and before the War (it is surprising to remember) amounted to no more than 300, a number which was further reduced on the outbreak of War by the release of 31 men who were members of the Naval Reserve, Territorial and Yeomanry units, etc.

From the issue of the Prospectus until the end of the year the Banking Department employed on the Loan work an average of 50 or 60 men only during the day, but in the evening large Staffs were generally available. Several of the permanent Staff of women clerks were also borrowed and about Christmas time some temporary women clerks with experience of secretarial and office work were engaged and remained in gradually lessening numbers until the end of the Loan. The average daily Staff of women was 53 in December and 32 in April. With this exception, all operations were carried through by the Staff of the Bank without outside assistance, an achievement which was not repeated.

With the inscription of the Loan the Accountant's

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$3\frac{1}{2}\%$ WAR LOAN

Department, as such, began to feel the effect of the War: the inscription was completed in May 1915.

As previously explained, the Bank agreed to lend at 1% under Bank Rate to any holder up to the full value of the Loan at its issue price of 95, without margin. This proved to be an expensive concession, for when the Loan went to a discount speculators got the chance of profiting at the expense of the State. The proposal was originated by Lord Cunliffe, who doubtless felt strongly the necessity to do something to make the issue successful.

3% EXCHEQUER BONDS 1920

By the Spring of 1915 the artificial abundance of money became more and more accentuated and taking advantage of this the Government decided to issue by tender £50,000,000 3% Exchequer Bonds 1920; these were allotted on the 10th March at an average discount of just under £3:19: - per cent. But in order to render it possible to reject all tenders based on a 4% or higher rate (applications amounted to £72,798,000) it was necessary for the Bank again to come to the rescue, by taking up the greater part of the issue, viz.£37,856,300. (Vide Chapter on "Government Securities & Other Securities".)

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3% EXCHEQUER BONDS 1920

Of this total £18,340,300 was taken back by the Treasury in August, the balance having been sold before that month.

4½% WAR LOAN

Up to the Summer of 1915 the repayment to the Bank of the very large amounts of their subscriptions to the 3½% War Loan and 3% Exchequer Bonds 1920 above referred to had not been provided for by the Government. The effect on prices and the Exchanges of the creation of credits by a State Bank for the purpose of public expenditure was no doubt fully realised by all belligerent countries. It was not so universally recognised at first that credits created by other Bankers in favour of the Government had a similar result. No new taxation had been imposed by Mr. Lloyd George in the Spring and by this time it was a first consideration with the British Government that some of the credit created by the Bank of England and other Banks should be re-absorbed and that the new Loan should appeal to the public rather than to the Money Market.*

Various other points required consideration:-

(1) To what extent, if any, facilities should be offered to the small subscriber. Arguments against granting facilities were -

*Vide a Confidential Memorandum dated the 7th June 1915, and a previous paper (C.C.P.141 G) on War and Finance, 17th March 1915, both by Sir John Bradbury, Secretary to H.M. Treasury.

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$4\frac{1}{2}\%$ WAR LOAN

(a) That the aggregate amount likely to be raised by the subscribers of less than £100 would be very small.

(b) That the persons attracted would be Depositors of the Savings Banks, with the net result that the Government would keep the same money and pay more for it.

(c) That the Bank of England's arrangements were unsuitable for dealing with a great mass of small applications.

On the other hand, with the remarkable prosperity of the working classes at the time, it was argued that a quite considerable amount might be obtained and that from a social and economic standpoint it was highly desirable that this class should be induced to live more frugally and to invest savings with its Government. Again, the Savings Banks' deposits constituted a liability to the State of £180,000,000 payable at call, and conversion of this amount into Stock, though at a higher rate of interest, would not be an unmixed disadvantage. As to machinery for dealing with smaller subscriptions, the existing Savings Bank System could doubtless be made to serve.

These views prevailed, and provision was made for subscriptions of less than £100 in multiples of £5 to be accepted through the Post Office. Vouchers for 5/-^{s}, 10/-^{s} and £1 were also issued but these were not a great

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4½% WAR LOAN

success, the amount sold by this means being only £1,413,000.

(2) Should there be special privileges as regards Income Tax?

At that time Income Tax was only 2/6 (s d) in the £ and although the average investor possibly did not look for any large increase, in authoritative quarters the fiscal future was regarded more gloomily and therefore a Loan, entirely tax free, was likely to be a bad bargain for the State.

The argument for making the Loan tax free for foreigners, especially with a view to making a bid for American capital, was certainly stronger and the proposal found an advocate in Sir John Bradbury who suggested the establishment of a separate American register in New York. But in the end it was decided to give no special privileges whatever in the matter of Income Tax.

(3) Should the Loan have a definite redemption date?

It was again decided that it should, it being regarded as absolutely necessary to promise the return of capital at a fixed date in view of the unpopularity of interminable Stocks.

(4) What form should the Loan take and should subscribers be given the right to convert into any future Loans?

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$4\frac{1}{2}\%$ WAR LOAN

After much deliberation it was decided to issue a Loan at par (as recommended by Sir John Bradbury) and to give holders the privilege, in the event of future issues being made for the carrying on of the War, of tendering their Stock at par plus accrued interest as the equivalent of a cash subscription. The first War Loan had fallen to a price at which it yielded $4\frac{1}{4}\%$. The rate of interest for the new Loan was fixed at $4\frac{1}{2}\%$, although Sir John Bradbury advocated 5%. It was the first time since the Napoleonic Wars that the British Government's credit had been on a $4\frac{1}{2}\%$ basis.

(5) What facilities should be given for converting existing Government securities?

It was felt to be politic to accept the $3\frac{1}{2}\%$ War Loan at its issue price of 95 in part subscription for the new Loan, and if the holder of War Loan were given this uncovenanted benefit, it would be unfair to other Government Stockholders to tax them to provide for it and give them nothing for themselves; moreover the difficulties arising from the unmarketability of Consols were becoming formidable. Conversion options were therefore granted to holders of Consols, $2\frac{3}{4}\%$ Annuities and $2\frac{1}{2}\%$ Annuities. But unlike subsequent offers, conversion was on this occasion accorded only to holders of the new Loan, and in proportion to the extent of their holdings.

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4½% WAR LOAN

In respect of each £100 4½% Loan held one or other of the following options could be exercised, at the rates given, up to the 30th October 1915 -

Exchange of £100 3½% War Loan plus cash payment of £5% for £100 4½% War Loan.

Exchange of £75 Consols		
" " £67 2¾% Annuities	}	for £50 4½% War Loan.
" " £78 2½% Annuities		

These options were taken advantage of to a considerable extent.*

(6) As to the amount of the Loan, the estimate of what was required was as follows:-

To repay the Bank, in order to restore the credit position, (1) their excess holdings of 3½% War Loan and 3% Exchequer Bonds, 1920, (2) money advanced (a) to meet pre-moratorium Bills etc. (b) to discount Treasury Bills of Allied Governments	£200,000,000

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*"It was a mistake to attach the Conversion rights to "the War Loan, whereby two classes of War Loan were "created, 'cum rights' and 'ex rights'. The option "should have been given to holders of Consols, Annuities "and 3½% Loan." (This is very questionable).....
"The Bank, on behalf of the Government, kept on up to "the last day assuring subscribers that the rights were "not intended to be saleable separately and would not "be so saleable. But after the list was closed it was "easy to buy 'cum rights' Stock and sell it 'ex rights', "and repeat the operation until you had converted your "entire holding of Consols, etc. The effect was to "make the rights saleable and many holders of Consols, "etc. were enabled to convert without finding any fresh "money for the Government."
Extract from a private pamphlet on War Finance by Mr.Robert Benson, dated 16th May 1916.

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4½% WAR LOAN

Brought forward	£200,000,000
To provide for War expenditure and War Advances to the Allies, etc. for 4 months	350,000,000
To pay off Treasury Bills outstanding in excess of £30,000,000	200,000,000
	£750,000,000

It was decided to issue a Loan for an unlimited amount, it being thought that to ask specifically for as much money as was really required would cause public alarm and probably result in failure, while if a comparatively small amount were offered it might be necessary to reject subscriptions for which there was urgent need.

The Prospectus appeared on the 21st June 1915, offering a 4½% Stock 1929/1945 at par, and in addition to being widely advertised in the usual way the Loan was made the subject of an extensive Press campaign.

In order that Trustees holding any convertible securities might exercise these options to the full advantage, a special Act of Parliament (5 and 6 Geo.V.Cap. 56) was passed, enabling them to borrow money for the purpose.*

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*"Not until after the Prospectus was issued was it, "apparently, realised that many holders of Consols, etc., "especially Trustees, had little or no cash uninvested; "whereupon an Act of Parliament was rushed through to "enable Trustees to borrow the wherewithal to subscribe. "The first Copy of the Act did not arrive from the King's "printer till one o'clock on Thursday the 8th July, and "the list closed on the 10th. Naturally Trustees' "applications did not reach expectations."
Extract from Mr.Robert Benson's pamphlet already quoted above.

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4½% WAR LOAN

The growth of the total number of cash applications day by day and the amount subscribed is shown below:-

	Total No. of Applications	Total Amount
22nd June	1,400	£3,300,000
23rd "	13,000	£15,700,000
24th "	39,000	£48,400,000
25th "	67,000	£75,700,000
26th "	93,000	£89,600,000
28th "	114,000	£102,200,000
29th "	142,000	£118,600,000
30th "	169,000	£133,200,000
1st July	192,000	£153,647,000
2nd "	223,900	£173,200,000
3rd "	249,200	£189,653,000
5th "	275,900	£204,676,000
6th "	313,300	£231,000,000
7th "	351,300	£258,753,000
8th "	395,300	£291,500,000
9th "	420,000	£401,000,000
On closing the lists	547,000	£571,139,400

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4½% WAR LOAN

The total amount of the Loan was £900,857,690, made up as follows:-

Cash Subscriptions* as above		£571,139,400
do. received later		5,414,220
do. Post Office (Treasury Letters 28199/15 & 25516/15)		10,642,690
Conversions		
Consols	£219,426,746	146,284,479
2½% Annuities	8,173,503	5,239,422
2¾% "	1,077,483	804,092
3½% War Loan	137,469,727	137,469,727
Cancellation of £35,795,490 Consols in exchange o/a Savings Banks Funds		23,863,660
Total as per Warrant of 10/5/17		£900,857,690

In that the total was more than the estimate of requirements the Loan was a success, and it was no doubt a great accomplishment to have raised nearly £600,000,000 in new money; moreover the Government had succeeded for the first time in attracting the small investor. But the total was only attained by the assistance of the Bankers, who agreed to take up £200 millions and actually took up

*As from the 16th July the Bank were prepared to discount Treasury Bills for approved customers, and for purpose of subscription to the 4½% War Loan only, at ½% under Bank Rate. This arrangement to hold good until the 26th October, the date of the last instalment.

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4½% WAR LOAN

no less than £183,092,500,* though doubtless some of this was on behalf of clients.

This Loan, as in the case of the 3½% Loan, was issued with but little change in the Bank's usual procedure,+ and as it involved the conversion of Consols and other Stocks, an immense quantity of Scrip Certificates

*At a meeting on the 9th July between the Chancellor (Mr. McKenna) and the Bankers, the former appealed to the Banks to take up Loan representing a definite percentage of their deposits. To this they agreed, subject to an assurance that they should not be saddled with extra taxation merely because they had so invested in Government Loan. Relief was given under Clause 30 of the Finance Act (2) 1915. (Vide address by Mr.Walter Leaf to Institute of Bankers, 10th November 1920.)

+In the 3½% Loan and for some time previously it was the Bank's practice to permit instalments to be paid through the post provided that every instalment was so remitted. The relative Scrip Certificates were retained by the Bank, who, shortly before each instalment, advised the owner of the amount payable. When the Scrip bore a coupon this was encashed and a cheque was forwarded for the proceeds. When fully paid, the Scrip was inscribed or exchanged for Bonds, which were sent by post. With the 4½% Loan the Bank made an attempt to discourage dealings by post, by forwarding on the first occasion of receiving a postal payment, a receipt exchangeable for Scrip. The holder was informed that he should collect the Scrip in person or through an Agent unless he wished to pay future instalments by post, in which case the receipt should be returned to the Bank when the next instalment was paid. If this alternative was selected the Bank then followed their previous procedure. (The "Economist" of the 31st July 1915 said "The issue of the Scrip Certificates by the Bank of "England was admirably arranged.")

The amount of 4½% Loan allotments paid in full through the post in respect of which inscribed Stock was required amounted to £6,741,000, for which figure a single piece of Scrip was printed.

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4½% WAR LOAN

was necessary.* The need of Office space was acute. In the evenings and on Sundays, the work spread all over the Bank, including the Court Room and Committee Room. Space being still quite insufficient, advantage was taken of an offer kindly made by the Grocers' Company of the use of their Hall.

As the conversion did not take place until some time after the issue of the Loan, the whole of the Stock Offices and most of their Staff were available for evening work during the earlier stages of the Loan. Some 1,350 men and women were then employed each evening, of whom about 450 men were borrowed from outside Banks. The average day Staff employed numbered 200.

Much extra work was caused by the loss of Allotment Letters, over 1,000 indemnities being required in this connection.

To meet the increase of work in the Accountant's Department a certain number of permanent women from the Accountant's Bank Note Office were drafted into the Transfer Offices early in the year 1915, and the first temporary men employed in the Stock Offices - few in number - were introduced in October of the same year.

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*The first night shift (as distinct from all-night overtime) was worked on Saturday, the 24th July 1915, in connection with the Scrip of this Loan. Most of the Principals of the Banking Department, pensioned Cashiers and the Chief Clerks of the Branches were permitted, for this Loan only, to sign Scrip "For the Governor and Company of the Bank of England". (Order of Court 12/8/15.)

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4½% WAR LOAN

The list for cash applications closed on the 10th July, and an applicant could pay in full 10 days later and inscribe his Scrip.* Some holdings were inscribed with conversion rights, and some without conversion rights, because these had already been exercised. It was consequently possible for the same person to hold at the same time two distinct forms of the same Stock, to which two different values attached, and the word "cum" or "ex" had to appear against every entry.

It followed that transfer work was also considerably increased owing to the number of transfers of Stock carrying conversion options, and to the re-transfer of Stock without options to the original holders. It is estimated that something like 40,000 transfers were attributable to these dealings in options.

The last instalment was due on the 26th October, and the last date for receiving conversion applications was the 30th October. The two classes of Stock became merged into one on the 2nd November 1915.

The conversion of the four Stocks simultaneously at varying rates was a process which needed the greatest care. In addition, the inscription of

*Dealings began on the 27th July.

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4½% WAR LOAN

cash allotments of the new Loan had to be undertaken. Little of the conversion or inscription work could be done in the daytime and frequently the daily transfer work was not completed until some hours after the usual time. Consequently the employment of a much larger Staff than the Bank could provide, even with the assistance of the members of the Cashier's Department (now partly available) became imperative. Assistance from other Banks was accordingly sought by the Accountant's Department in July 1915.

The preparation of the first dividend on the new Stock, due 1st December, taxed the Bank to the utmost, but the last set of warrants was posted at midnight on the 30th November.

Reference should be made to a private arrangement made by the Governor with the Chancellor at the end of July, which was doubtless designed to accommodate the Bankers and the Market in view of the large turnover of funds caused by the issue of the 4½% War Loan. The Bank of England announced that, on receiving a written request from any Bank which had been afforded Currency Note facilities, they would deposit in their name with such Bank a sum not exceeding 5% of the latter's deposits (as published on or about the 30th June 1915). Any such deposit was

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$4\frac{1}{2}\%$ WAR LOAN

to have the effect of reducing by the same amount the Currency Note facilities available for the Bank receiving it. The deposit was to be repaid not later than the 15th November 1915. Interest was to be allowed at $\frac{1}{2}\%$ below Bank Rate varying, whereas had the Bankers borrowed under the Currency Notes Act they would have had to pay Bank Rate.

The total amount lent was £12,507,000, this sum coming off the Government balances, and the interest earned accruing to H.M. Treasury. The Bank of England made no charge for their share in the matter.

The experience gained on the occasion of the $3\frac{1}{2}\%$ and $4\frac{1}{2}\%$ Loans made it clear that another large Government Loan on similar lines could not be properly managed by the Bank without new premises. Steps were accordingly taken to secure a part of the recently erected building of the Scottish Provident Institution in Lombard Street. With alterations, which were quickly carried through, the offices were found very suitable for the work and could accommodate over 700 clerks.

5% EXCHEQUER BONDS 1920

The experiment was now first tried of the day-to-day system of borrowing from the public, the Treasury announcing on the 16th December 1915 that 5%

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5% EXCHEQUER BONDS 1920

Exchequer Bonds, repayable at par on the 1st December 1920, would be issued daily for an unlimited amount.*

Several new features were introduced with this issue.

1. Payment in full was required on application.
2. Receipts were issued exchangeable for the definitive Bonds, thus obviating the necessity for Allotment Letters and Scrip Certificates. Allotment Letters were henceforth no longer issued in cases where payment in full on application was made.
3. Interest was calculated from the date of receipt by the Bank of the proceeds of the subscription money. (This caused many disputes in the case of Scotch and Irish applicants.)
4. Foreigners and British subjects "neither domiciled, "nor ordinarily resident in the United Kingdom"

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*The "tap" Loan system seems to have been suggested in 1915 by A.H.Gibson (vide British Finance p.183) and by Mr.(afterwards Sir)D.Drummond Fraser. The former asserts that he wrote to the Treasury on the subject on the 5th July and 4th November: the latter (it is said) did so in August. The idea was incorporated in a set of suggestions for the issue of the Exchequer Bonds dated "Bank of England 19 Oct.1915". The plan may very likely have occurred to several persons, and it is not possible to say whether or no the Bank or the Treasury arrived at it independently of outside suggestion. Sir D.Drummond Fraser continued to advocate the issue of further "tap" Loans in the following years and certainly outlined all the essentials at the meeting of the British Association in September 1915.

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5% EXCHEQUER BONDS 1920

were enabled to get their dividends without deduction of tax on making a declaration of ownership in the form required by the Treasury.

5. Interest on all Registered Bonds was paid without deduction of Income Tax (Treasury Minute of 20th July 1916).

The two first mentioned changes resulted in the saving of a very large amount of clerical labour, while the second was in addition a considerable convenience to subscribers. (The work was still further reduced in subsequent "tap" issues by dealing with applications for Registered Bonds* by a method which avoided the issue of the actual Bonds.)

The Bonds were at first transferable in multiples of £100 in accordance with the terms of the Prospectus, but subsequently in multiples of £5, under Treasury Authority dated the 25th May 1916. The issue closed on the 1st June 1916. 272,140 applications were received amounting to £205,371,195.

Section 4 of the Exchequer Bills and Bonds Act, 1866, was repealed by Section 62 of the Finance Act, 1916. This enabled the provision of counterfoils to Exchequer Bonds to be discontinued.

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*These were to all intents and purposes identical with Inscribed or Deed Stock.

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5% EXCHEQUER BONDS 1919 & 1921

5% Exchequer Bonds, repayable the 5th October 1919 were issued from the 2nd June to the 27th September 1916.

5% Exchequer Bonds, repayable the 5th October 1921 were issued from the 2nd June to the 20th October 1916 and in January 1917.

These issues proceeded on similar lines to those of the 1920 issue, except that Bonds were not prepared in respeot of registered holdings, and this was the first occasion on which holdings transferable by deed were offered in a Prospectus. From this time onward, an increase in the popularity of this form of transfer became apparent.

A form of request for registration was sent by the Loans Office to each applicant for Registered Bonds and on its return the Loans Office certified as to the amount of Bonds and the first dividend thereon, and passed the form forward to the Chief Accountant, who raised the Stock upon this authority.

1919 issue.	33,911	applications amounting to	£38,353,700
1921 issue.	85,767	" " "	£135,566,000

Of these totals, £4,005,800 (1919) and £73,056,600 (1921) represented amounts issued to Bankers in exchange for 4½% War Loan surrendered.

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WAR LOANS

EXCHANGE OF 4½% WAR LOAN FOR 5% EXCHEQUER BONDS

In view of the large subscription to the 4½% War Loan made by the Bankers (who, as before stated, had agreed to take up £200 millions and had actually taken up over £183 millions) concessions were made by the Chancellor of the Exchequer, permitting the Banks to exchange a part of their holdings for Exchequer Bonds under two different schemes in 1916/17 and early in 1917 respectively. The first scheme was proposed as an alternative to the usual method of remuneration by payment of a commission of one eighth per cent. on applications bearing a Bank's stamp. A Treasury Minute, dated the 11th April 1916, permitted the Bankers to convert 4½% War Loan into Exchequer Bonds 1920 on the following basis -

In respect of each £80,000 Exchequer Bonds allotted to him, or through him, a Banker might elect to receive, in lieu of commission, a further £20,000 Exchequer Bonds in exchange for £20,227:11: 2 4½% War Loan, subject to adjustment of accrued interest. This was equivalent to surrendering War Loan at the price of 98⅞%. No such exchanges of War Loan appear to have taken place until after the Exchequer Bonds 1920 had been withdrawn. A further Minute, dated the 10th June, extended the offer to the issue of Exchequer Bonds maturing in 1919 or 1921. A third Minute, dated the

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EXCHANGE OF 4½% WAR LOAN FOR 5% EXCHEQUER BONDS

18th August, continued the arrangement, which had now received legislative sanction by Section 60 of the Finance Act, 1916. Exchanges took place under seven warrants, dated from the 18th August 1916 to the 31st January 1917, both these dates inclusive, and the total 4½% War Loan surrendered was £17,049,911: 6: 9, Exchequer Bonds being created as follows -

1919	£4,005,800
1921	12,852,300
	£16,858,100

The second scheme was laid down in a Treasury Memorandum dated the 4th January 1917. The Bank of England were authorised to issue at par 5% Exchequer Bonds 1921 to the Banks concerned upon the surrender by them of 4½% War Loan of equal nominal value and upon the deposit by them with the Bank of England or the inscription in its books under a separate account for registration purposes only of further 4½% War Loan equal to three times the amount of the Stock surrendered. The Memorandum stipulated -

(a) The 5% Exchequer Bonds received in exchange should be held until one year after the end of the War, unless they could be sold above par.

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EXCHANGE OF 4½% WAR LOAN FOR 5% EXCHEQUER BONDS

(b) The 4½% War Loan or any later Loan into which it might be converted should not be sold, without the written permission of the Treasury,* at less than one point above the respective issue prices ex accrued dividend.

Fifty three Banks availed themselves of the Chancellor's offer. The exchange was effected as on the 11th January 1917, this being the date of the Exchequer Bonds issued.

The total amount of 4½% War Loan dealt with under the arrangement was £240,824,723:13: 8, the amount surrendered and the 5% Exchequer Bonds issued in exchange each amounting to £60,204,300.

The conditions governing the exchange did not debar the Banks from converting their holdings of 4½% War Loan into the War Loans of January 1917, and three fourths of the total were so converted.

The terms and conditions of the exchange as laid down in the Treasury Memorandum remained in force until the 14th April 1920, on which date the Bank of England received a letter from the Treasury stating that it had been decided to release the Banks from their undertaking.

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*Of the few applications to sell none was granted by H.M. Treasury.

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6% EXCHEQUER BONDS 1920

The day-to-day sales of Exchequer Bonds enabled the Government to finance the War without another long-dated Loan until January 1917, a fairly even flow of money week by week being secured; and for nearly a year a 5% rate of interest was sufficient to induce the requisite subscriptions. But on the 2nd October 1916 a new Series of Bonds, repayable at par on the 16th February 1920, was offered bearing interest at 6%, it being hoped that this high rate would not only quicken the flow of subscriptions, but also deflect money from Treasury Bills to the longer dated security and attract foreign money. The issue ran concurrently with the 5% Exchequer Bonds 1921 for nearly three weeks.

The introduction of a 6% security was largely due to Sir Edward Holden,* who at this time was maintaining that the public required a yield of 4½% free of tax and who apparently convinced the other Bankers. Their combined pressure resulted in the issue of these Exchequer Bonds which, with Income Tax at 5s/-, gave the 4½% tax free yield considered necessary. But so high a rate of interest was not favoured by the Bank of England and was widely criticised. Still, the issue was in part justified in that it raised £161,000,475 (152,837 applications) in fourteen critical weeks. The issue

*Information supplied by Lord Cullen.

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6% EXCHEQUER BONDS 1920

closed on the 30th December 1916.

The procedure was the same as in the previous issues.

PREMIUM BONDS SUGGESTED

The close of the year 1916 offers an opportunity of briefly noting various suggestions that were put forward of novel schemes for raising new money.

There was a demand by a section of the Press and public for Premium or Bonus Bonds, a demand that became more insistent in the later stages of the War. The Committee on War Loans for the Small Investor had seriously considered such proposals but stated in their Report (26th January 1916) that they were "somewhat "sharply divided" and so "not able to make any "recommendation on the subject". The Government subsequently appointed a Premium Bonds Committee (Report ordered to be printed 16th January 1918) which included Lord Cunliffe and Sir Robert Kindersley: both were opposed to this method of raising money, the former because he thought:-

(1) The total amount obtainable by the schemes he had seen would hardly bring in more than £50,000,000.

(2) Premium Bonds would interfere with the operations of the War Savings Committee.

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PREMIUM BONDS SUGGESTED

(3) Many people would object from a moral point of view.

(4) All schemes seemed likely to be defeated by the difficulty of collecting Income Tax and Super Tax and if these could not be collected the rich would have an unfair advantage.

(5) Gamblers would take up Premium Bonds (but Lord Cunliffe conceded that an issue might not create gamblers).

(6) The reputation of British finance abroad would be lowered.

Sir Robert Kindersley enlarged on the difficulty of adapting War Savings Associations to the distribution of Premium Bonds owing to the risk of fraud by Officials, and he thought that not more than £20 to £50 millions could be raised with existing machinery during the ensuing 12 months; moreover, in his opinion:-

(1) Large transfers would take place from War Savings to Premium Bonds, the introduction of which would split existing organisations of voluntary workers got together with great difficulty.

(2) Very little was required in a nation of strained nerves to rouse a fever of gambling leading to extravagance, the lessening of self-control and the reduction of individual effort to work and to save.

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PREMIUM BONDS SUGGESTED

(3) Consequently after the War there would be a favourable field for the unscrupulous to exploit.

(4) Money was put into War Savings Certificates to be saved, but would be placed in Premium Bonds with a view to having more to spend.

(5) Money might be attracted from neutrals - especially from Scandinavia and South America - but if the amount became important the neutral Governments concerned would probably put a stop to it.

(6) To have Annuities as prizes would improve matters.

(7) The Bonds must be "to Bearer" and they might in time circulate as part of the currency of the country.

COMPULSORY LOAN SUGGESTED

One other method of obtaining money, that of a compulsory Loan, was seriously mooted, and it was estimated that a levy of 5/-s in the £ (in addition to the Income Tax) would yield approximately £200,000,000; of which, however, it was supposed that not less than 75% would be in diminution of subscriptions to voluntary

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COMPULSORY LOAN SUGGESTED

Loans. It was contended that if War Loan Vouchers were issued to wage-earners in respect of weekly deductions for the levy, they would either pass into currency (doubtless at a discount) or if they were made not-negotiable until after the end of the War the levy would, so far as its immediate effects were concerned, be indistinguishable from an Income Tax; its incidence would cause many hardships, and its administration would be difficult and costly. It was determined therefore not to attempt compulsion until it was clear that voluntary means had failed. (In the Autumn of 1920 Mr. Norman, the Governor of the Bank of England, was an advocate of a compulsory Loan to reduce the Floating Debt. As Deputy he had suggested compulsion in April 1919.)

The atmosphere was none too good in which to raise a new Loan of sufficient magnitude. It was rumoured that the Government's intention was to make the conversion rights of the 4½% War Loan of no effect by carrying on the War by means of Treasury Bills and short-dated Exchequer Bonds instead of by another long-dated issue. This policy indeed was openly advocated and Dr. Helfferich, the German Chancellor, seeing the 4½% Loan at several points discount, suggested that the British Government dared not keep faith with the holders

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of some £800,000,000 of this security.

The impression that the rights would somehow be made valueless was removed, however, when, in the first week of the New Year (1917), the issues of Exchequer Bonds, War Expenditure Certificates and Treasury Bills were successively withdrawn and it was officially announced that a new Loan was imminent.

5% AND 4% WAR LOANS

The Prospectus was issued on the 12th January 1917. The Loan consisted of two distinct issues: a 5% Loan 1929/47 at 95 subject to Income Tax and a 4% Loan 1929/42 at 100 free of Income Tax. Several important features were introduced, e.g.,

(1) Allotments could be paid in full at the time of application, and in place of discount being allowed an increase in the first dividend was promised in respect of such full payments.

(2) Subscribers could have their holdings raised as Registered Stock as well as having the option of Inscribed Stock or Bearer Bonds.

(3) Treasury Bills under discount at 5% and War Expenditure Certificates at 5½% were accepted in lieu of cash in payment for fully paid allotments, provided the entire proceeds were so applied.

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5% AND 4% WAR LOANS

(4) Both Loans were to be accepted at their respective prices of issue in payment for Death Duties.

(5) A sum equal to $\frac{1}{8}$th of 1% of the amount of each Loan was to be set aside monthly to form a fund for purchases for cancellation whenever the Market price fell below the issue price: the monthly payments to be suspended whenever the unexpended balance should reach £10,000,000 but to be resumed when it fell below that figure. *

In fulfilment of the options granted in earlier Prospectuses holders of:-

4½% War Loan 1925/45
5% Exchequer Bonds 1919, 1920 and 1921
6% Exchequer Bonds 1920

were given the right to convert into the new Loan at the rate of:-

£105: 5: 3 5% Stock for each £100 surrendered, or
£100: -: - 4% " " " " "

An interval was created during which those who decided to convert had their conversion holdings marked "B" and "C" Stock or Bonds, these letters designating ultimate conversion into the 5% or 4% Loans respectively. This interval extended from the 17th February to the 30th June 1917.

*The provision of special Sinking Funds for particular Loans did not escape criticism. (See, for example, Commander Hilton Young's "System of National Finance" p. 288.)

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5% AND 4% WAR LOANS

The rights of conversion were expected to be largely exercised, and it was a relief to find that the two new issues carried no such rights with respect to future Loans.

The Treasury made arrangements for publishing daily, in the provinces, local statistics of the progress of subscriptions to the War Loan, but the figures for London were not made public so that it should be impossible for anyone to arrive at a grand total by collecting these returns.

The campaign to popularise this Loan, which was in respect of size the greatest financial effort so far made by this or any other country, was wide-spread and energetically carried on. No less than $8\frac{1}{2}$ million Prospectuses, 20 million application forms of the various kinds and more than 3 million conversion forms were distributed.

Bankers, after consultation with the Chancellor, let it be known that they were prepared to grant Loans not only to their own customers but to other members of the public to enable them to subscribe, provided the Advances were repaid in a "reasonable time".

Every effort was made to have the Prospectuses available all over the country precisely at the opening of business on the 12th January and the arrangements

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5% AND 4% WAR LOANS

made to this end were entirely successful except in the case of a stray parcel or so which unaccountably reached Manchester a day too soon. The error was discovered and those who had received forms were asked to treat them as secret until the following day.

The spirit that prevailed at the time is illustrated by the fact that the Eastern Telegraph Co. and the Direct West India Cable Co. undertook to transmit the entire Prospectus over the whole of their respective systems free of charge to the Government. Banks of neutral countries such as the Swiss Bankverein (as it was then called), quickly had the Prospectuses translated into their own languages and circulated amongst their customers.

The lists wereto be open for five weeks, and soon after the appearance of the Prospectus it became obvious that if no inducement to the contrary were held out, intending applicants would send in their subscriptions little before the last possible date, viz., the 16th February; on the 17th January it was announced therefore that special interest payments would be made in respect of all applications lodged before the end of January. This resulted in £290,498,300 of the Loan being applied for through the Bank before the end of January.

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5% AND 4% WAR LOANS

The question afterwards arose whether this interest was subject to Income Tax and the Bank, after reference to the Treasury, stated that it was to be regarded as additional discount on prepayment, not as an interest payment, and consequently not liable to tax. The Inland Revenue Authorities however held the contrary view, maintaining that the payments in question were equivalent to interest and therefore subject to tax.

In the pocket of the binding will be found a graph showing how subscriptions for the two Loans were received from day to day during the time the lists were open.

At first it appeared that the total of "new money" (including the proceeds of discounted Treasury Bills) would not be greatly in excess of £700,000,000, and an announcement to this effect was made by the Chancellor in the House of Commons on the 19th February. A week later, however, when nearly all the applications had been examined, it was found that the total "new money" obtained during the five weeks was over £960,347,000. Of this only about 2% was represented by applications for the 4% tax free Loan.

In order to avoid the displacement of cash which subscriptions on this scale involved, many Banks suggested that subscriptions by their customers should

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be left with the collecting Bank and drawn against by the Government as required for disbursement, instead of being paid over to the Bank of England as heretofore. This suggestion was not followed, but as a compromise it was agreed, with the authority of Mr. Bonar Law, that collecting Banks (United Kingdom Banks and also Indian and Colonial Banks having London Offices) should retain for 15 days the money for subscriptions made through them.

So large a percentage of the new Loan (78% of the total applications) was paid in full that the Banks had to make arrangements to pay over to the Treasury more than £600,000,000 in the course of a few weeks, and the effect upon the Bank's figures for the last two weeks in February and the first week in March 1917 was noteworthy;* but Bank Borrowings largely obscured the results in the published Returns.

Certain changes in the Returns for the second half of February and the first week in March as published and as they would have appeared had Bank's Borrowings been shown as a separate item, are shown below:-

(000s omitted)

Date of Bank Return	Variations on week as shown		Actual Variations
21 Feb. 1917	Government Securities	- 50,000	- 17,000
	Other "	+ 49,000	- 72,000
	Bank's Borrowings+		- 88,000

*The Bankers' balances varied between £21 and £54 millions and the Exchequer balance between £12 and £85 millions.

+A decrease in Bank's Borrowings produces, of course, an increase in the figures of the Bank's securities.

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(000s omitted)

Date of Bank Return	Variations on week as shown		Actual Variations
28 Feb. 1917	Government Securities	- 2,000	- 16,000
	Other "	+ 24,000	+ 26,000
	Bank's Borrowings		- 12,000
7 Mar. 1917	Government Securities	- 50,000	- 92,000
	Other "	+ 79,000	+ 79,000
	Bank's Borrowings		- 42,000

Total Bank's Borrowings on the 17th January were £198 millions. They rose to £243 millions by the 31st January, had dropped to £182 millions by the 14th February and to £81 millions by the end of that month.

In previous Loans it was the usual practice to defer paying over the receipts till the list of subscriptions was closed, but on this occasion the Chancellor of the Exchequer proposed that accruing receipts from subscriptions should be set off against Treasury Borrowings on Ways and Means, and this was agreed to, subject to the important modification that the set-off should not take place until after the lapse of six working days from the receipt of the money by the Bank. The reasons for this were -

(1) The Bankers had been granted 15 days' grace wherein to pay in their receipts.

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(2) Large sums of money had been found by the Bank of England at 5% interest in order to meet the necessities of the Treasury and enable them to pay off maturing Treasury Bills.

(3) In order to maintain the Foreign Exchanges by keeping up the value of money, the Bank had been obliged to allow the full rate of 5% for the money taken from Bankers wherewith to finance the Government during the suspension of the issue of Treasury Bills.

(4) Whereas the 5% interest paid by the Government on Ways and Means Advances became payable only after some months, interest on Bank's Borrowings had to be paid at least once a month, an absolute loss on the large Loans made by the Bank to the Government being thereby incurred.

The proceeds of the Loan were devoted chiefly to reducing the Floating Debt. Thus -

The Treasury Bills outstanding on the 31st December 1916 were	£1,115,815,000
and Ways and Means Advances on the same date	141,156,000
	£1,256,971,000

while the corresponding figures at the end of March 1917 were -

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Treasury Bills	£463,705,000
Ways and Means Advances	217,526,500
	£681,231,500

Holders of securities convertible into the new Loan exercised their options to the following extent -

4½% War Loan	97·5%	of the amount outstanding
5% Exchequer Bonds	61·0%	" " " "
6% " "	12·9%	" " " "

No less than £1,100,559,384 5% War Loan and £29,759,750 4% War Loan were raised by these conversions, bringing the grand total of the two Loans to £2,127,985,066 as follows -

	5% War Loan	4% War Loan
Cash Subscriptions		
Bank of England issue	£798,090,500	£22,046,000
Post Office issue	38,363,760	
Treasury Bill and War Expenditure Certificates*	130,205,100	612,500
Total	£966,659,360	
Conversions		
£779,113,283 4½% War Loan	820,112,465	23,198,910 at par
£266,427,095 Exchequer Bonds	280,446,919	6,560,840 " "
	£2,067,218,744	£52,418,250
Plus amount issued to round up holdings (referred to below)	8,348,072	
	£2,075,566,816	

Aggregate of the two Loans £2,127,985,066.

(N.B. Further amounts of 5% and 4% Loan were created by conversion in 1918 and subsequent years.)

*Vide Treasury Minute 26th January 1917.

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5% AND 4% WAR LOANS

The number of applioations, full payments and payments by instalment were as follows -

4% War Loan

	No. of Subscribers	Amount of Stock
Payments in full	22,655	£19,593,200
Payments by instalment	2,116	3,065,300
	24,771*	£22,658,500

5% War Loan

	No. of Subscribers	Amount of Stock
Bank of England issue		
Payments in full	958,023	£720,422,100
Payments by instalment	108,088	207,873,500
Total Bank of England issue	1,066,111	£928,295,600
Post Office issue		
Payments in full	1,060,516	38,363,760
Aggregate	2,126,627*	£966,659,360

*CLASSIFICATION OF SUBSCRIPTIONS ACCORDING TO AMOUNT (BANK & POST OFFICE ISSUES)

scriptions from	5% War Loan		4% War Loan		Aggregate for both Loans	
	No. of subscribers	Amount subscribed £	No. of subscribers	Amount subscribed £	No. of subscribers	Amount subscribed £
o £50	1,100,522	25,748,870	2,806	140,300	1,103,328	25,889,170
£50 and not er £100	404,974	39,351,075	6,140	614,000	411,114	39,965,075
£100 and not er £500	471,861	194,501,400	8,663	2,771,450	480,524	197,272,850
£500 and not r £1,000	90,038	85,592,120	3,493	2,618,350	93,531	88,210,470
£1,000 and over £5,000	46,683	176,140,700	2,945	6,179,000	49,628	182,319,700
£5,000 and over £25,000	9,866	159,466,390	658	5,673,800	10,524	165,140,190
£25,000 and over £100,000	2,231	109,260,395	54	2,611,500	2,285	111,871,895
£100,000	452	176,598,410	12	2,050,100	464	178,648,510
	2,126,627	966,659,360	24,771	22,658,500	2,151,398	989,317,860

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5% AND 4% WAR LOANS

In addition there were received the following amounts for the purpose of rounding off holdings resulting from conversions (as explained below) -

	No. of subscribers	Amount of Stock created
5% War Loan		
Bank of England issue	170,644	£8,176,922:19: 7
Post Office issue	19,414	171,148:18: 4
Aggregate	190,058	£8,348,071:17:11

A feature of the new procedure followed in the issuing of this Loan was that Bankers all over the kingdom were authorised to accept subscriptions and to issue in respect thereof special receipts furnished to them by the Bank of England for the purpose.

These receipts were not negotiable and contained a statement that Allotment Letters, Inscription receipts, Deed Certificates or Bonds, as the case might be, would be sent in due course to the applicant by post. Where so desired, Bankers and others could obtain Bearer receipts to enable them to take up their Bonds at the Bank. Allotment Letters were issued with tally and counterfoil for the various instalments, which could be paid at any of the receiving Bankers. A small amount of Scrip was issued for the convenience of Jobbers in exchange for Allotment Letters, which also were not negotiable.

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5% AND 4% WAR LOANS

Contrary to the practice hitherto followed no register was prepared by the Banking Department for the Chief Accountant of applicants for fully paid allotments of Inscribed or Registered Stock; instead, the application forms, together with an index card recording particulars, were passed to the Chief Accountant and the Stock was raised in the Bank's books directly from these forms; and, as regarded instalment allotments, the operation of inscription was greatly simplified by the virtual abolition of the Scrip Certificates, the Stock being raised direct from instructions given upon the back of the Allotment Letters. Vast quantities of Scrip had hitherto been prepared, involving great waste of material, time and trouble. Frequently such Scrip had served no purpose, being merely collected from one side of an office and lodged for inscription on the other. Scrip was not again used in a Government Loan during the period reviewed.

Indemnity for Trustees

As in the case of the 4½% War Loan, Trustees were indemnified from liability in respect of any loss arising from borrowing money or selling securities for the purpose of subscription to the Loan.

Bank of Ireland

The Bank of Ireland prepared and issued their own warrants in respect of interest on early applications,

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5% AND 4% WAR LOANS

but this only applied to full payments as all instalment applications through the Bank of Ireland were forwarded to and dealt with by the Bank of England.

The Treasury accepted responsibility for Bonds and Certificates during transmission between the Bank of Ireland and the Bank of England.

Some 8,500 applications were received from the Bank of Ireland, totalling about £8,200,000.

For the Banking Department the new Loans Office at 5 and 6, Lombard Street was now available.

In the Chief Accountant's Department, it soon became clear that the existing methods were no longer adequate. The system built up by pre-War experience passed into temporary disuse. Much detail not strictly necessary was ignored and the system was simplified to the utmost. It was found, for example, that by the preparation of special books, one entry might be made to serve in place of five or six entries hitherto required. The carrying through of the various changes was much facilitated by the absence of daily Market dealings, which did not begin until the 26th March.

The conversions were dealt with first and almost completed before the cash applications were taken in hand.

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5% AND 4% WAR LOANS

A fresh complication had been introduced on the 26th January. In nearly every case the conversion of 4½% War Loan and Exchequer Bond holdings naturally resulted in holdings of 5% War Loan which were not multiples of £50. An opportunity was accordingly offered to owners of such broken amounts to obtain at the issue price such further amounts of Stock, being less than £50, as would raise their total holding to a multiple of £50. This announcement was made to popularise the issue and added largely to the work thrown on the Bank. Advantage of the opportunity was widely taken, no less than 190,058 such applications being received for a total of £8,348,072 Stock.

The additional Stock was to be available for transfer with the previously converted Stock after the 2nd July. It is satisfactory to record that no instance occurred of a wrong amount of Stock being taken.

In dealing with the enormous task involved in the registration of the cash applications, the need of extra space at once became apparent, and large premises, which later proved inadequate, were accordingly taken at Moorgate Hall. The premises consisted of one very large room, 210 feet long, with distempered walls, bare floors and no fittings or light. The electricians at once began to arrange for the lighting, which was completed in five days.

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Having obtained the room, the next step was to get a Staff. It was decided to employ temporary female labour in the daytime, and with this object in view, the Women's Service League was approached and a notification issued to other Women's agencies; also to the Staff of the Head Office, asking for help. On the first day (5th February 1917) 32 women were engaged, and this number was increased daily until after some three weeks it reached 365. Admission to the Staff was but little restricted, an applicant only having to satisfy the Bank that she was respectable and sufficiently educated to be capable of doing the elementary work required of her. Necessarily the standard was not a high one, and the results may therefore be regarded as satisfactory; for the work was done and the public served without the occurrence of any very serious mistakes. After the departure of the women each evening, their place was taken by a Staff composed of Civil Servants, Insurance Office Clerks and Clerks from other Banks, etc., whose hours were from 5 p.m. to 11 p.m. or later. On the 5th February 1917 this temporary male Staff numbered 210, but was increased until the maximum evening Staff employed on inscription at Moorgate Hall reached 417. A permanent Staff of seven men from the Head Office superintended the work of this large day

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and evening Staff, a task which kept them employed until nearly midnight throughout the week and until 6 o'clock on Sundays. These superintendents were, however, relieved of a great part of the routine work by the appointment of some 20 to 30 of the more capable women as leaders of Sections, an arrangement that proved successful. The Grocers' Hall in Princes Street was also utilised.

On Sunday, the 26th March 1917, two months after the Prospectus was issued, the great effort was completed; and the 6,000 unbound Sections of ledger and the million index cards were collected from the various outlying offices into the Bank, ready for transfer operations which were to open on the next day.

It may here be mentioned that out of 1,670,000 applications and conversions requests, no less than 120,000 were defective and involved much additional labour.

It was decided to use the £4:10/-% Stock ledgers for conversion into £5% and £4% Stocks, the accounts thus brought into the new Loans by conversion being stamped "B" and "C" according to whether they were to be converted into £5% or £4% Stock. It is estimated that a saving in opening some 600,000 accounts was thus effected, and being introduced at a time when every moment was valuable, the plan was of great service

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5% AND 4% WAR LOANS

to the Bank. The £4:$\overset{s}{10}$/-% ledgers at one time contained the registration of four distinct kinds of Stock, viz.,

£4:$\overset{s}{10}$/-% Stock
do. "B" Stock
do. "C" Stock
£5% War Stock.

Eventually the £4:$\overset{s}{10}$/-% and "C" Stock were eliminated from the ledgers, which became part of the £5% War Series. The shortening of the system necessarily involved some risks, and it is to the credit of the Staff, then largely composed of temporary men and women, that the results justified this novel procedure.

5% EXCHEQUER BONDS 1919/1922

As further funds were still needed notwithstanding the success of the big Loan and the entry of America into the War on the 5th April 1917, a new daily issue of 5% Exchequer Bonds was begun in this month, the Bonds being repayable at par on the 1st April 1922 or, on three months' notice being given by the holder, on the 1st October 1919. Bonds of this issue could be surrendered at their face value, with due allowance for accrued interest, in satisfaction of amounts due on account of Death Duties, Excess Profits Duty and Munitions Exchequer Payments, provided

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5% EXCHEQUER BONDS 1919/1922

that, in the case of Death Duties, the Bonds had formed part of the estate of the deceased continuously up to the date of death from the date of the original subscription or for six months prior to the date of death, and, in the other cases, that they had been held continuously by those liable for the payments since the date of the original subscription or for six months prior to the date when the payment in question became due.

The Bonds remained continuously on issue for about 5 months but were not a very great success, only £78,259,400 being applied for through the Bank. There was a corresponding issue through the Post Office of Bonds in amounts of £5 and upwards.

Bankers were again allowed to post-date their drafts for 15 days.

Exchequer Bonds were now so widely held that attention was called to the Stock Exchange practice of quoting them ex accrued interest and adding the full amount of such interest.* The Income Tax Act of 1842 authorised purchasers to deduct Income Tax from the accrued interest so paid; but this provision was treated as a dead letter. The result was that a purchaser had to pay Income Tax on the full amount of the first dividend which he received, although he

*Perhaps a survival of the days when an Exchequer Bill would be issued for, say, £100 with 3½d. a day interest.

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5% EXCHEQUER BONDS 1919/1922

had received no allowance for tax on the interest paid by him to the seller.

It was suggested that Exchequer Bonds would be more popular with the public if they were quoted as other Government securities, allowance for accrued interest being made in the current price; or that, if they were quoted ex interest, the purchaser should be allowed to deduct tax from the accrued interest, as contemplated in the Act above-mentioned.

The Bank of England, after consultation with the Treasury and the Inland Revenue Authorities, approached the Stock Exchange Committee, who were found to be willing to agree to either of these courses. Objections were, however, raised by the Discount Market who dealt on a considerable scale in Exchequer Bonds. They contended that when they dealt in Exchequer Bonds their profits consisted very largely of accrued interest; that they paid Income Tax on their profits; and that therefore if they received the accrued interest, less tax, they would be paying tax twice over. It was therefore decided not to alter the existing method of dealing, and this was applied to dealings in National War Bonds and Treasury Bonds.

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In September 1917 the Bank informed the Treasury that with the co-operation of the other Banks they could undertake an early issue of short Bonds over the counters of Banks throughout the United Kingdom, it being understood that the Chancellor advocated an issue on these lines, whereby ability to obtain immediate delivery of a Bond would be an extra inducement to subscribe. Whilst the Bank were perfectly willing to promote such an issue the Governor urged that the advantages thereof had been over-estimated; alternative attractions, proposed by him, were accordingly offered instead, viz.,

(1) Interest on the Bonds was to accrue from the date upon which payment was actually received by a Banker, instead of from the date on which the money was credited to the Exchequer. This concession did away with what had been a prolific source of irritation in the past.

(2) Bonds were to be issued in denominations of £50 and upwards.

Besides these advantages, the Bonds carried the same rights as the 5% Exchequer Bonds just withdrawn as to availability for Death Duties, Excess Profits Duties and Munitions Exchequer Payments, and, when registered (unlike the Exchequer Bonds which were transferable in multiples of £5) were made transferable in multiples of a penny.

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Holders of the first three Series of 5% and 4% Bonds were given the option of converting their holdings into 5% War Loan 1929/47 and 4% War Loan 1929/42 respectively.

In the event of future issues (other than issues made abroad or of short-dated securities) being made for the purpose of carrying on the War, National War Bonds of the first, second and third Series were to be acceptable at par, plus accrued interest, as the equivalent of cash.

Provision was made in the Prospectus of the fourth Series for the conversion of 4½% War Loan, 5% Exchequer Bonds, 1919, 1920 and 1921, and 6% Exchequer Bonds, 1920, into National War Bonds during the continuance of the issue.

The First Series

The first Series were issued on and after the 2nd October 1917, viz.,

5%	Bonds	repayable	1st	October	1922 @ 102%	Issue price 100%
"	"	"	"	"	1924 @ 103%	
"	"	"	"	"	1927 @ 105%	
4%	"	"	"	"	1927 @ 100%	

The 4% Bonds were tax free.

Previous to the issue, on the 27th September, Mr. Lloyd George had addressed the Bankers in the Bank Court Room.

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The Prospectus included a list of 62 Bankers through whom applications could be lodged, but the omission of the names of the remaining Banks raised energetic protest, as inclusion in the list implied a right to the privilege of holding subscription moneys for 15 days. Although the Prospectus could not be altered, this privilege was afterwards extended to Indian and Colonial Banks having Offices in London, and to a few other Bankers. This was the first occasion on which a Government Loan Prospectus appointed the Bankers of the United Kingdom agents for the receipt of subscriptions for transmission to the Bank of England.

The remuneration of Banks and Stockbrokers in connection with Government issues was a matter which was given some prominence at this juncture, as some of the receiving Banks, not content with the temporary possession of the subscription money, went so far as to charge for the collection of cheques, or, where application forms bore the stamp of a Broker, exacted a special commission. These practices were quickly suppressed.

Certain Banks moreover were found to be obliterating the stamps of Stockbrokers on application forms passing through their hands and substituting their own, thereby securing the commission. The Birmingham Stock Exchange in particular complained of this to the Chancellor of the Exchequer, at whose request the Bank of

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England investigated the matter, and for some time were obliged to scrutinise all forms to see that the abuse had ceased.

Another point that arose at this time had regard to the quotation on the Stock Exchange of new securities while the subscription lists were still open, it being argued in some quarters that should the public see "markings" showing the Loan at a discount they would be deterred from subscribing at par; but the Bank dissuaded the Chancellor from taking any steps to keep this information from the Press because -

(1) The amount of the discount was then negligible,

(2) Publication of prices is a public safeguard, and

(3) Suppression of the information would exaggerate its importance.

To return to details of the first Series of National War Bonds launched at the beginning of October. It was soon evident that the issue was proving a success, as by the tenth day of issue 27,900 applications had been received for a total of £35,241,000: indeed a steady flow of applications continued practically throughout the period of issue, its tendency being even to increase as time passed. On the 29th December the Bank announced that they would accept under discount at 4% Treasury Bills not having more than six months to run in

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payment for War Bond applications.*

A total of £616,193,692 through the Bank and £25,132,410 through the Post Office for Bonds of the first Series had been secured when the Bonds were withdrawn on the 30th March 1918 and replaced by a second Series.

This result was not secured without an energetic campaign of advertising, which by the end of 1917 it was found advisable to institute, and for which the National War Savings Committee assumed responsibility.

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*The following table shows the amounts of Treasury Bills and War Expenditure Certificates discounted in respect of applications for National War Bonds of all Series -

TREASURY BILLS AND WAR EXPENDITURE CERTIFICATES DISCOUNTED O/A NATIONAL WAR BONDS

National War Bonds	Total discounted		Rate of discount
First Series (2nd October 1917 to 30th March 1918)	£13,732,000 £632,200	Treasury Bills War Expenditure Certificates	4% to 1st March $3\frac{1}{2}$% 2nd March to 30th March
Second Series (2nd April 1918 to 30th September 1918)	£653,000 £36,600	Treasury Bills War Expenditure Certificates	$3\frac{1}{2}$%
Third Series (1st October 1918 to 18th January 1919)	£2,589,000 £1,000	Treasury Bills War Expenditure Certificates	$3\frac{1}{2}$%
Fourth Series (1st February 1919 to 31st May 1919)	Nil		Nil
Totals	£16,974,000 £669,800	Treasury Bills War Expenditure Certificates	

Bank Rate 5% throughout.

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The campaign continued until January 1919. Among other innovations "Tanks", at first of an obsolete pattern, but afterwards of an up-to-date make, were used to attract the public, to whom they were at this time quite unfamiliar.

The first "Tank" experiment was made in Trafalgar Square during a fortnight of December 1917. A small hut about 8 feet square was erected, in which two Bank of England representatives and Post Office girls received subscriptions from the public who, after paying their money, were directed to the Tank where their receipts were stamped with a special "Tank" stamp. A second visit to Trafalgar Square was paid in March 1918.

The success of the first experiment resulted in a similar campaign being conducted all over the country and in other parts of the London district. Nearly 60 different towns in England and Scotland were visited by "Tanks" (with two Bank of England representatives to receive the applications). A number of towns in Wales were also visited. Seven parties from the Bank toured the London district. Subscriptions were received until 8 or 9 o'clock in the evening.

The applications made through the "Tanks" no doubt included many which would in any case have passed through the hands of the Banks, but the device was undoubtedly successful in raising a considerable amount

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which would not otherwise have been easily forthcoming. There were, for example, a large number of subscriptions made in gold coin, including one in Trafalgar Square, an old man's savings, consisting of about £700 in sovereigns, some of which had been issued prior to the reign of Queen Victoria. Rivalry between different localities was also stimulated. The provincial centre at which most money was collected was Glasgow.

Between the 11th December 1917 and the 27th April 1918 over £55,000,000 Bank of England subscriptions were obtained in the provinces.* From the 4th to the 9th March 1918, 1,104 applications covering £4,144,300 were received in Trafalgar Square. There was also a form of campaign known as "Business Men's Weeks". That of the 4th to the 9th March 1918 was said to have produced about £130 millions (London £75 millions).

In the case of the London Clearing Banks the percentage of total applications to Deposit and Current Accounts (of the 31st December 1917) was roughly calculated as nearly 25% and the other Banks did not show results much dissimilar.

The day-to-day system, successful at first, entailed continuous effort all the year round, and this was difficult to sustain, especially in the holiday season.

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*In October 1918 there was a "Gun Week" in Trafalgar Square which raised nearly £32 millions, and in December a number of provincial towns were visited by Bank of England representatives in connection with "Gun Tours".

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With a view to popularise the Bonds a policy of cheap money was introduced: Treasury Bills and Bankers' deposit rates being reduced to 3½% and 3% respectively. The danger of this course was lessened by the prohibition to export capital, at any rate so far as that prohibition was effectual.

When any large Government Stock dividends were distributed the warrants were now usually accompanied by a circular urging the recipient to invest the money in National War Bonds. On one occasion, when the 5% War Loan December dividend was about to be paid, the Chancellor (Mr.Bonar Law) asked the Bank to furnish the Director of Publicity with a list of persons holding amounts of £25,000 Stock and upwards, but the Bank, very loth to violate their strict practice of secrecy in such matters, were able to convince him of the undesirability of the proposal, and it was dropped.

As usual, a Post Office issue of National War Bonds was concurrent with that of the Bank, but from the 1st January 1918 to the end of the third Series there was an additional form of issue under the designation of Nominative National War Bonds 1927, and of the denomination of £5. These were supplied by the Post Office but issued through the Banks, and were designed to meet the convenience of people who would not fill up a form of

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application, but who would (it was hoped) readily buy a security obtainable without formalities in exchange for cash. These Bonds were sold fairly freely during the "Tank" campaign, but on the whole did not prove very successful.

It may here be noted that up to the end of November 1917, Post Office issues were usually quoted on the Stock Exchange at a price less by about ½% than that for corresponding Loans issued through the Bank of England. This discrimination against the Post Office was represented as being due to the facts that the market in Post Office Bonds was less active and that before the Bonds could be transferred to the Bank of England register the trouble and delay of lodging them at the Savings Bank, West Kensington, had to be incurred. Arrangements were accordingly made by the Bank with the Controller of the Post Office Savings Bank whereby Jobbers might lodge Post Office Bonds with the Bank, and receive in exchange registered holdings (Book Stock) in the Bank's books, available for transfer on the third day from the date of the deposit of the Bonds.

Second and Third Series

A second Series of National War Bonds was issued on the 2nd April 1918, and this was replaced by a third Series six months later (1st October 1918 to 18th January 1919). During the second Series a further

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saving of labour was introduced into the working of "Tap" Loans by a better co-ordination of the Cashier's and Accountant's Departments whereby some duplication of work was avoided. (See Report to Deputy Governor 15th July 1918).

Second Series

5% Bonds repayable 1st April	1923 @ 102%	Price of issue 100%
" " " " "	1925 @ 103%	
" " " " "	1928 @ 105%	
4% " " " " (Income Tax oompounded)	1928 @ 100%	do. to 22.4.18 thereafter 101½%

Amount subscribed through the Bank £482,666,729

Third Series

5% Bonds repayable 1st Sep.	1923 @ 102%	Price of issue 100%
" " " " "	1925 @ 103%	
" " " " "	1928 @ 105%	
4% " " " " (Income Tax compounded)	1928 @ 100%	Price of issue 101½%

Amount subscribed through the Bank £493,970,725.

Fourth Series

The fourth and final Series was "on tap" from the 1st February to the 31st May 1919.

5% Bonds repayable 1st Feb.	1924 @ 102%	Price of issue 100%
" " " " "	1929 @ 105%	
4% " " " " (Income Tax compounded)	1929 @ 100%	do. 101½%

Amount subscribed through the Bank £75,663,171.

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Holders of United Kingdom 3 year 5½% Convertible Gold Notes and 5 year 5½% Convertible Gold Bonds issued in the U.S.A. were given the option of converting into National War Bonds of the fourth Series. By the 31st August 1921 £9,843,678:10:5 fourth Series Bonds had been so raised. (See also Chapter IV).

A novel feature was introduced with this Series, viz., registered coupon Bonds devised with a view to meeting the wishes of those who preferred holdings in registered form but also wished their dividends to be taxed before receipt. It was an adaptation of the system in force in France, where holdings could be either registered, "mixte" or bearer. The registered coupon Bonds were issued only in the same denominations as the bearer Bonds. A certificate of ownership was issued to holders in respect of each separate Bond, and interest was paid by coupons attached to the certificates. Each Bond was transferable by deed, but only in its entire amount.

The demand for Bonds of this category was but small, 167 applications only, for £627,650, being received.

When it was decided to close the issue of the fourth Series on the evening of the 31st May 1919, information to this effect was given in confidence to

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all receiving Bankers; some of these made use of the information to send in large applications on the last day in their own names. Two Scotch Banks in particular applied for £500,000 and £200,000 respectively, and having admitted that their applications were due to the prior knowledge gained from the information above referred to, were required to withdraw them.

The amount of cash subscriptions from all sources to National War Bonds of all four issues was for a total of £1,731,726,376 Bonds.

ATTEMPTS TO FUND A PART OF THE FLOATING DEBT

Early in October 1918 the Governor, Sir Brien Cokayne, (Lord Cullen), began to consider the possibility of attempting funding operations, either before or soon after the end of the War. A Memorandum dated the 10th October, giving in full the arguments for and against such a course, is reproduced in full as an appendix. It is evident that the considerations in favour of an early Conversion Loan outweighed those against it, as in November and December a definite proposal took shape. This was to issue a 4% Consolidated Stock, redeemable by means of a Sinking Fund of 2½% within 60 years: and holders of the 4½% War Loan, the 5% Exchequer Bonds of 1919, 1920, 1921 and 1922, the 6% Exchequer Bonds 1920,

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ATTEMPTS TO FUND A PART OF THE FLOATING DEBT

the 5% National War Bonds, first, second and third Series, were to be offered an exchange into the new Loan at the rate of £130 4% Consols in exchange for each £100 nominal of the Stock or Bonds converted. Treasury Bills issued prior to the date of the Prospectus were also to be accepted on the same basis. This scheme* was sufficiently advanced to warrant the preparation of a Prospectus, to be issued on the 14th January 1919; but the proposal appears to have been dropped about Christmas time.

The matter of funding was kept before the Chancellor from October onwards, but on the 28th May 1919 he was still undecided whether or not to postpone the issue of a new Loan until the Autumn. The Governor then succeeded in persuading him that the existing opportunity to issue a large voluntary Loan was one which might not recur for a long time.+

The Chancellor had an estimated deficit for the current year of £250 millions to meet; and about £1,030 millions of Treasury Bills and £460 millions of Ways and Means Advances were outstanding.

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*Vide C. C. P. 81.

+The Deputy Governor, Mr. Norman, in April 1919, rather favoured a compulsory Loan to be taken by taxpayers pro rata to their tax returns. On the other hand, they were to be freed from the fear of a capital levy. Vide C.C.P.71c.127c.

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VICTORY AND FUNDING LOANS

National War Bonds were therefore withdrawn (on the 31st May) and the large funding operation attempted with the issue of Funding Loan and Victory Bonds on the 13th June.

The two issues were made concurrently. Funding Loan and Victory Bonds both bore interest at 4%; the former was issued @ 80 (running yield 5%) and was redeemable 1960-1990; the latter was issued @ 85 (yield £4:14: -) and was redeemable by annual drawings at par commencing on the 1st September 1920. It was hoped that Victory Bonds would attract many of those who had desired a Premium Bond issue, while the Funding Loan was designed to appeal to those who cared more for eventual capital appreciation than for immediate advantage. There was an undertaking in the Prospectus of each Loan to set aside each half-year 2¼% of the original amount of the Loan, and after paying interest on the amount outstanding, to devote the balance to redemption purposes.

Both issues were made available for paying Death Duties, Funding Loan being accepted at the issue price and Victory Bonds at their full nominal value - a considerable advantage at the time.

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Payment for both issues might be made in -

(1) Treasury Bills[ø] under discount @ 3½% per annum

(2) 4½% War Loan

(3) 5% Exchequer Bonds 1919, 1920, 1921, 1922

(4) 6% " " 1920 or

(5) National War Bonds of first, second or third Series.

(items 2–5:) at par in multiples of £50 with balance in cash

(The conversion of No. 5 was of no particular advantage to the State and was not pressed.)

Victory Bonds were issued in Bond form only. The Bonds however could be registered as to principal, and were transferable by deed only. It was understood that many Banks would lend to intending applicants at ½% under Bank Rate with a minimum of 4½%. The Bank of England had agreed to advance to Bankers and approved applicants on these terms. (Vide Committee of Treasury Minutes 11/6/1919.)

The result of the issues, which closed on the 12th July 1919, was as follows -

	No. of applications through Bank of England	Total of cash applications	Conversions	Aggregate
Funding Loan	136,833	*£288,967,799	£120,143,801	£409,111,600
Victory Bonds	162,422	+£287,919,088	£71,612,757	£359,531,845
		£576,886,887	£191,756,558[x]	£768,643,445

*Including £18,433,050 paid for by Treasury Bills.

\+ " £311,200 " " " " "

[x]Of which National War Bonds £161,867,553.

[ø]Vide Treasury Minute 28th June 1919.

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Applications by Banks in their own names amounted to £43,281,000 Funding Loan and £74,511,500 Victory Bonds.*

The campaign in favour of the Loans was energetically conducted and the signing of Peace (28th June) was helpful. Nevertheless, the fact that the Government was felt to be extravagant in expenditure, together with social unrest, had an unfavourable effect upon the willingness of investors.

A disconcerting feature of these Loans was their rapid depreciation in price as soon as dealings were commenced, and certain applicants who had paid only the 5% deposit found that it was more to their advantage to forfeit the money already paid than to meet the subsequent instalments. The usual hold over such allottees accordingly vanished, and in some cases allotments were forfeited.+ In one or two instances thought deserving of special consideration the £5 deposit paid was exchanged for a £5 Bond of the Post Office issue.

The total of Treasury Bills fell away until at one time only £628 millions were outstanding, but the difference from their level previous to the Loans was more than made up by the increase of Ways and Means Advances (under all heads) to no less than £935 millions.

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*Approximate figures. These totals doubtless include a number of applications on behalf of clients.

+Such allotments were sold, the Government bearing any loss in excess of the amount of the deposit.

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The position hardened with the reintroduction on the 14th July of sales of Treasury Bills at fixed rates, rather higher than those previously offered, and which again moved upwards in October and November. But the budget deficit turned out to be so much greater than expected that the fresh money raised by the Loans hardly more than sufficed to fill the gap between Revenue and Expenditure, and the Banks' £110 millions helped to cause further expansion of credit.

With these Loans the pre-War practice was reverted to (on the recommendation of the Royal Commission on Income Tax) of deducting tax at the source on all holdings yielding over £5 per annum.

It was estimated that the number of Victory Bonds to be issued would be nearly 1,000,000 and the method to be adopted at the annual drawing had early to be considered. A chief desideratum for this purpose was that Bonds of the smaller denominations should be grouped, and this was agreed to; but to facilitate the arrangement it was necessary to ensure that, not only the grand total of Bonds issued but also the total of each denomination should be a multiple of £1,000. This having been effected by means of a few arbitrary allotments and by arrangement with certain large holders, it was possible to group Bonds as follows -

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Bonds	of	£50	in	groups	of	20
"	"	£100	"	"	"	10
"	"	£200	"	"	"	5
"	"	£500	"	"	"	2

With the close of the last big fresh money Loan it may be of interest to quote the following paragraph from "Germany's Capacity to Pay", H.G.Moulton and C.E.McGuire (1923), regarding the German War Loans.

"The loans were nine in number.

"Their terms varied considerably. They were "issued in two forms, long-term and short-term bonds. "The former class carried 5 per cent. and were issued at "from 97½ to 99, redeemable at the option of the Treasury "after Oct. 1, 1924. The short-term securities ranged "from 5-year certificates, redeemable after 3 years, to "15-year bonds redeemable at the option of the Treasury "after 6 years, but automatically converted to lower "rates of interest after 1927. The interest rates never "exceeded 5 per cent., and were often held to 4½ per cent.: "the securities were issued at 97½ and 98."

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A similar extract as regards American War Loans may be given from "Federal Reserve System in Operation" by E.A.Goldenweiser (pp.25/26) -

Amounts of Liberty and Victory Loan Issues, and Rate of Interest, Together with Dates of Their Flotation.

	Amount	Rate of Interest, per cent.	Date
First Liberty Loan	$1,989,456,000	3½	June 15, 1917.
Second Liberty Loan	3,807,865,000	4	Nov. 15, 1917.
Third Liberty Loan	4,175,650,000	4¼	May 9, 1918.
Fourth Liberty Loan	6,964,581,000	4¼	Oct. 24, 1918.
Victory Loan	4,495,373,000	4¾	May 20, 1919.
Total	$21,432,925,000		

For purposes of comparison there may be added the Rates charged by Federal Reserve Banks on Paper Secured by United States Obligations, Rates Borne by the Securities, and the Discount Rate on Commercial Paper at the Federal Reserve Bank of New York.

Date	Rate charged on commercial paper, per cent.	Rate charged on paper secured by government obligations, per cent.	Bond rate, per cent.
June 15, 1917.	4	3½	3½
Nov. 15, 1917.	4	3½	4
May 9, 1918.	4¾	4¼	4¼
Oct. 24, 1918.	4¾	4¼	4¼
May 5, 1919.	4¾	4¼	4¾

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5¾% EXCHEQUER BONDS 1925

With the opening of 1920, when the Victory Bond lists had been closed six months, the Government were faced with the necessity of meeting some £200,000,000 Exchequer Bonds maturing during the year, of which £150,000,000 was represented by the 6% Exchequer Bonds due in February. Some £35 millions of Exchequer Bonds had already matured in the previous October.

On the 24th December 1919 the Governor wrote to the Chancellor, strongly urging that the Floating Debt should not be further added to in order to repay these Bonds. He suggested an issue of 5% 5 year Bonds, on "tap", at an appropriate discount.

....."An investment for a longer period, such as "10 or 20 years will not appeal to the majority of the "present holders of the 6% Exchequer Bonds while your "objection to borrowing at present rates for any but a "very short period would apply more forcibly to such an "issue than to a 5 year Bond."

....."I suggest 5% as a nominal rate because a 5½% "Bond would compete more directly with the proposed 5½% "Housing Bonds and there is perhaps some virtue in not "extending the present maximum nominal interest on "Government securities. I also think that repayment "at par rather than at a premium would to some extent "avoid competition with the existing War Bonds."

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$5\frac{3}{4}$% EXCHEQUER BONDS 1925

At the time of this letter National War Bonds were being offered at a price to yield 6% and it was feared that a similar yield would have to be given to a new issue.

....."It is quite clear that a renewal for a shorter "period such as one, two or three years, would not be "possible even on anything like a 6% basis, as the Ex- "chequer Bonds and War Bonds maturing in 1921, 1922 and "1923 are all being <u>offered</u> at prices which yield nearly "$6\frac{1}{2}$%."

The issue actually made was of $5\frac{3}{4}$% Exchequer Bonds, at par, and repayable in 1925. A holder might, however, give notice during January of 1921, 1922 or 1923 requiring repayment on the 1st February of the year following that in which notice was given.

The application lists opened on the 20th January and closed, for conversion applications, on the 14th February, and, for cash applications, on the 28th February.

The conversions were in respect of -

6% Exchequer Bonds 1920

3% Exchequer Bonds 1920

5% Exchequer Bonds 1920

holders of which were offered like amounts of the new Loan in exchange for their maturing Bonds.

Conversion options were exercised to a total nominal value of £99,531,151, i.e. about 50% of the 1920 maturities; cash applications amounted to £67,215,864 (nominal): both figures were larger than had been expected.

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$5\frac{3}{8}$% EXCHEQUER BONDS 1925

The period for which Bankers could post-date their drafts was reduced on the occasion of this issue to seven days.

The whole of the subscription money was payable on application, and the management of this issue was a relatively simple matter.

5-15 YEAR TREASURY BONDS

There was no further issue until the end of April, when the task of reducing the debt falling due within the next year or two was again taken up. It was considered that the financial position would be eased enormously if repayment of a large part of the Floating Debt could be postponed for five years, and the issue on the 30th April of 5-15 year Treasury Bonds (an invention of the Bank) was an endeavour in this direction at a cost which it was hoped might be below the cost of the remaining Floating Debt and which could hardly be above it.

Issued at par (the whole of the money being payable on application) with interest payable half-yearly on the 1st May and the 1st November, the Bonds were to be repayable at par on the 1st May 1935, or on the 1st May in any one of the years 1925 to 1934 inclusive at the option of the Treasury or of the

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5-15 YEAR TREASURY BONDS

holder on notice having been given by either party in April of the year preceding that of repayment.

Interest was to be at the minimum rate of 5% per annum, but there was provision for additional interest during the period ending the 1st May 1925, as follows -

"If and when during any half-year ended 1st "May or 1st November, the Treasury Bills issued to the "public were sold to them at an average rate of discount "exceeding 5½ per cent., and under 6½ per cent., per "annum, then additional interest will be payable on the "interest date next succeeding such 1st May or 1st "November at the rate of 1 per cent. per annum.

"If and when such average rate of discount "on Treasury Bills was 6½ per cent. per annum or over, "then the additional interest will be at the rate of "2 per cent. per annum."

This arrangement was designed to prevent capital depreciation when rates for short money were high and at the same time to protect the taxpayer against the burden of paying a higher rate than 5% per annum over a long period.

The hopes that were entertained for the success of the issue were by no means fully realised;

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5-15 YEAR TREASURY BONDS

the total of the original issue (withdrawn 30th October* 1920) and of a seoond (Series "B" 1st November 1920 - 30th April 1921) was only £23,646,550, of which £20,800,000 was represented by cash applications and the balance by conversions. Probably the shifting interest rate was too oomplicated an arrangement to appeal to the ordinary investor.

Holders of 5% Exchequer Bonds 1920 had the option of conversion at par into the Series "B" Bonds. On the 2nd April the two Series were amalgamated.

3½% CONVERSION LOAN

Such an amount was little enough towards the repayment of National War Bonds, over £600,000,000 of which were maturing between October 1922 and September 1925, and a Conversion Loan on a large scale became inevitable. It was desirable that any new Stock created for this purpose should not be of such a character as to afford direct comparison with such issues as the 5% War Loan or 4% Funding Loan, and it was therefore decided to issue a 3½% Conversion Loan irredeemable for 40 years and thereafter redeemable at par at the option of the Government.

*In this month and in January 1921 £30,000,000 of Local Loans Stock was issued to the public, chiefly in connection with the Government's Housing Programme - and in January a further £3,500,000 was allotted to the National Debt Commissioners.

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3½% CONVERSION LOAN

By making the Stock redeemable after 40 years it would be possible, should opportunity arise, to deal with the Stock concurrently with the Funding Loan, the earliest date for the redemption of which was the 1st May 1960.

Provision against depreciation was made by means of a Sinking Fund, a sum equal to not less than 1% of the amount of the Loan outstanding at the close of any half-year during which the average daily price of the Loan had been below 90 being set aside for the purchase during the succeeding half-year of Stock for cancellation.

The application lists were open from the 26th April to the 28th May 1921, and the total amount of National War Bonds (Bank issue) converted was a little over £164,000,000,* which was "helpful though of course "inadequate".+ No cash applications were invited. The conversion terms were -

			For each £100 surrendered	
5% National War Bonds	1922	received	£163	Conversion Loan
do.	1923	do.	£162	do.
do.	1924	do.	£161	do.
do.	1925	do.	£160	do.

The popularity of the conversion was much greater in the case of the shorter dated Bonds, very

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*£164,067,322 National War Bonds were converted into £266,085,713 3½% Conversion Loan.

+Cable to Federal Reserve Bank, New York, 31/5/21.

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3½% CONVERSION LOAN

little of the 1924 and 1925 issues being surrendered.

The Bank considered that the need for funding was so paramount that no opportunity of doing so should be lost* and that the mere fact of funding was more important than the interest charge. The offer was thought by many to be too generous, though the terms - the yield on conversion was approximately £5:12:10 - were justified by current Market rates,* and the result of the issue can scarcely be regarded as affording much support to this view.

After the Prospectus was issued it was decided to exempt the interest on this Loan from Corporation Profits Tax, and a Clause confirming this decision was included in a Finance Bill.

The Bank's charge for carrying through the conversion was £200 per million on the total amount converted, a specially low rate owing to the large proportion of Currency Note holdings dealt with which it was regarded as unwise to treat separately. Advertising and postages were also charged.

5½% TREASURY BONDS, 1929.

Another attempt to provide for early maturities was made by the daily issue on and after the 12th July 1921 of 5½% Treasury Bonds 1929. There were two Series

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*Vide Governor's letters to Mr. Strong 3/5/21 and 23/5/21.

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$5\frac{1}{2}$% TREASURY BONDS 1929

of these, the first issued at 97% and the second at 98%.

Interest was free of Corporation Profits Tax and the Bonds were convertible at the holder's option on the 1st April or the 1st October 1922, into $3\frac{1}{2}$% Conversion Loan at the rate of £146 Conversion Loan for each £100 of Bonds converted.

Moreover, as regards the first Series, on giving notice not later than 26th July 1921, holders of 5% Exchequer Bonds and 5% National War Bonds maturing between the 5th October 1921 and the 1st September 1923 had the option of surrendering their holdings and receiving in exchange like amounts of Treasury Bonds together with a cash payment of £3:10: - or £4 per cent., according to the maturity of the particular security surrendered.

The 5-15 year Treasury Bonds had been transferable in multiples of £5; the $5\frac{1}{2}$% Bonds, however, were transferable in multiples of a penny.

The issue was conducted on exactly similar lines to the issues of 5-15 year Treasury Bonds, and Bankers were again allowed the privilege of remitting funds by means of drafts post-dated 5 days, to which limit the concession first granted in the 5% and 4% War Loans of 1917 had been reduced in May 1920.

During the issue of the 5% War Loan representations were made to the Chancellor on behalf of Colonial

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5½% TREASURY BONDS 1929

Banks' as the result of which the Bank were authorised to extend the privilege to British Banks operating in any part of the Dominions. At a later date the Bank had been further authorised to include such British Banks in Egypt as had been specially appointed by the Treasury as agents for the receipt in that country of applications for National War Bonds.*

When the 5½% Treasury Bonds were on issue, a request from the Peninsular & Oriental Banking Corporation that their name might be added to the list was the occasion for reviewing the whole situation, and, whilst agreeing to accede to the request of that Bank during the continuance of the current issue, it was decided that after the termination thereof the privilege should be confined to the Banks specifically named as agents in the Prospectus.

The result of this issue of 5½% Treasury Bonds

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*National War Bond Coupons paid in Egypt. During 1918 National War Bonds amounting to over £5,000,000 were sold in Egypt and owing to the delay and risk in sending coupons to London for payment an arrangement was come to between the Treasury and the National Bank of Egypt and the Anglo-Egyptian Bank whereby these Banks were empowered to pay the coupons in Egypt. From time to time a list of coupons paid, duly certified by an official of the Egyptian Government, was sent through the Foreign Office to the Treasury, who notified the Bank of England and the amount was paid forthwith to the London Office of the respective Banks. The coupons, duly cancelled, were despatched from Egypt later, when convenient. The two Egyptian Banks indemnified the Treasury accordingly.

The arrangement was modified in 1920 when the Bank of England were instructed by the Treasury to pay, when notified by the London Offices of receipt of a cable from Egypt of the amount paid, thus saving loss of interest on the money held up.

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5½% TREASURY BONDS 1929

was in striking contrast to that of the last "tap" Loan, the 5-15 year Bonds. The Bonds produced some £10 millions from the 12th to the end of July, £6½ millions only in August, but in September no less than £40 millions were raised, this figure including a subscription of £10,000,000 from Lloyds Bank. The conversions, however, were rather less satisfactory. The final results were -

Bank of England issue	Series "A"	Series "B"	Total
For cash	£56,166,535:17:11	£93,929,648:19: 7	£239,520,564: 1: 9
By conversions	£89,424,379: 4: 3		
Post Office issue			
For cash	£2,783,614: -: -	£1,440,975: -: -	£5,639,171:15: 9
By conversions	£1,414,582:15: 9		
			£245,159,735:17: 6

Where the work done by the Bank has been referred to in the foregoing account of the various War Loans, it has been chiefly though not entirely that of the Banking Department that has been described. While, however, both Banking and Accountant's Departments are engaged upon the

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preliminary stages of a Loan, it is of course the latter Department upon which the management of the issues finally devolves. Consequently, while the Staff of the Accountant's Department at the beginning of the War was no more than about 300, in July 1919 it was more than 10 times as great, counting temporary assistance, men and women. But the increase in the work of the Accountant's Department may perhaps best be shown by the undermentioned comparison in the amount of Government Stock registered at the Bank and the number of accounts. (A table showing full details of the expansion year by year will be found in the pocket of the binding.)

	Capital Amount	Number of Accounts
1914	£725,120,685	158,502
1921	£5,227,986,749	2,907,530

The following figures illustrate the expansion of the work of inscription of the various War Loans. When the 3½% Loan was being inscribed, about 1,700 applications were dealt with each evening. The number was increased to 6,000 in the case of the 4½% Loan, and during the 5% Loan 1929/47 a total of 55,000 a day was reached at one period.

Some further notes may here be made as to the effect of the War Loans in certain directions in the Accountant's Department.

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Correspondence

As may easily be imagined, the amount of correspondence dealt with rose enormously, pari passu with the increase in the remainder of the work, but was particularly heavy when fresh issues were being made. Queries arising in connection with individual conversions were responsible for many thousands of letters. The Chief Accountant's Office was quite insufficient in space to deal with such a mass of correspondence and temporary premises had therefore to be acquired. Finally the Section moved to the Auction Mart, Tokenhouse Yard, in May 1919.

Dividends

Throughout the issue of Government Loans an ever increasing strain was put upon the Section of the Dividend Office usually known as "the Shutting". It had been found necessary in November 1915, in connection with the 4½% War Loan, to borrow from the Printing Department the two top floors of Tabernacle Street and to employ a Staff composed of outside Bankers' Clerks, etc. Most of the borrowed men knew nothing about the work and there were very few of the Bank's Staff available to explain it.

By the completion of the issue of the £6% Exchequer Bonds the number of dividends to be prepared exceeded 2,000,000, or about double the pre-War total.

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For the preparation of the first dividend on £5% War Stock, due the 1st June 1917, the additional space and the Staff of women of Moorgate Hall were requisitioned. The evening Staff was also supplemented during this period by men from other Banks and Insurance Offices, etc. The whole dividend, comprising about 1,500,000 accounts, had to be written, i.e. dividend book and duplicate dividend book, warrants and envelopes. The experiment of working day and night shifts in the Accountant's Department was introduced on the 28th August. Later, in October 1917, further premises were acquired at 60, London Wall, and at Finsbury Court, and the evening Staff on dividend preparation work amounted to 1,000 persons. The number of accounts on which dividends had to be prepared for the December 1917 dividend rose to 1,615,000. By this time, moreover, the total number of dividends which had to be prepared annually had increased to 4 million. Early in 1919 efforts were made to abolish overtime in the preparation of dividends and with this end in view the Staff of temporary women employed at Moorgate Hall was brought up to about 1,100 and double shifts of work were arranged, half the Staff working from 8 a.m. to 3 p.m. and the other half from 3 p.m. to 10 p.m. The plan was successful and was continued until the end of the "daylight saving" period on the 27th September 1919, when premises at Imrie House became available and part of the

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Staff was housed there in the day, 600 being located at Moorgate Hall and Finsbury Court and 500 at Imrie House. The number of extra temporary women was afterwards allowed to decrease, but at the end of August 1921 some 900 were still retained in the service to deal with preparatory work in connection with dividends and other matters, such as the writing of Powers of Attorney, Register Certificates and the sorting etc. of dividend warrants. At this date the number of dividends to be paid annually had nearly reached 7,000,000. The pre-War total was under 1,000,000. The increase in the work of preparing and paying dividends is also indicated by the undermentioned comparisons.

Dividend Increase

	1914	1921
Total number of Government Loans	4	42
Number of such Loans in both Stock and Bearer form	3	33
Estimated number of warrants	900,000	4,750,000*
Estimated number of coupons	1,500,000	6,500,000
Estimated amount	£14,750,000	£205,000,000

*A large number of dividends on Stock are now paid to Bankers direct by means of one warrant, or this figure would have been very much higher.

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It may be well shortly to describe some charges in practice and in the incidence of transfer work that had their origin in the War period.

By an arrangement made between the Bank and the Treasury in January 1917, all fees payable to the Bank of England for the following services were abolished in respect of Government Stocks:-

Issue of Powers of Attorney.

Verification of Stock Receipts.

do. Stock Account Balances.

Inscription of Bearer Bonds or Stock Certificates.

Issue of Bearer Bonds in exchange for Inscribed Stock or other Bonds.

Transfer of Registered Stock.

Exchange of Inscribed for Registered Stock.

Although the waiving of these fees conferred a benefit upon the Stockholders, it caused the Bank additional work the magnitude of which may possibly not have been foreseen when the concession was made.

The withdrawal of the restraining influence of the stamp duty and fee resulted in a large increase in the number of daily applications for Powers of Attorney and also in the percentage of them never returned completed to the Bank. These unproductive applications formed (by 1921) one third of the total number received, a fact which naturally raises the presumption that they were often made as a precaution against a very remote contingency.

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It may here be mentioned that in 1915, in view of the passing of the War Facilities (Execution of Trusts) Act 1914, the Bank consented to consider general Powers of Attorney even though the original document were not permanently lodged in their custody; the examination of each general Power of Attorney necessitated a very careful scrutiny and analysis by a Staff of some seniority, none of whom, however, was experienced in legal phraseology and procedure. When the facility became more widely known it was noticeable that such documents were lodged for examination in increasing numbers, even where the donor of the Power of Attorney was in this country and could complete a Bank form of Power of Attorney.

Exchange between Inscribed Stock and Bearer Certificates was now freely employed in connection with Market operations to an extent that it is safe to say would never have been adopted if penalised by the payment of the small fee.

The easiness of transfer between Book and Deed Stock resulted in a large number of such operations, the motive for which in many instances would appear to be a merely trivial or temporary convenience afforded to the Stockholder or his agent.

Under the terms of the Government Stock Regulations 1918 and arrangements made with the Treasury,

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many other restrictions were relaxed, and this in almost every case naturally added to the amount of clerical labour thrown on the Bank as Registrar; for example, it became allowable to raise accounts in the names of a large number of joint holders; to describe such holders as Trustees of a particular Trust or Estate; and designated accounts in the same names, previously limited to four, were allowed up to any reasonable number that might be required. These facilities have been largely made use of, particularly by Scotch Stockholders.

Up to the time of the issue of the 4½% War Loan, comparatively few Stockholders had availed themselves of the provisions of the Finance Act 1911 under which Stock could be registered as transferable by Deed, but with the influx of enormous numbers of Stockholders from the Midland and Northern districts, a great demand arose for this form of holding. This demand shewed a further increase with the issue of the £5% War Loan, and at the 31st August 1921 no less than 1,340,000 holdings were registered as transferable by deed, as against 1,000 amounts so held in 1914. A separate Office entitled "Transfer by Deed Office" was created in June 1919.

The General Card Index, which was instituted in 1907, contained in 1914 under 400,000 cards; this number at the end of the War had increased to 4,250,000.

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Under the authority of the War Loans Supplemental Provisions Act 1915, free transfer of War Stocks was allowed between the books of the Bank of England and the Post Office Register. Large numbers of Stockholders availed themselves of the facilities thus afforded. It was arranged that Stock issued by the Post Office should be represented by an entry in the Bank's books in the name of the C.R.N.D. (Report by Governor to Committee of Treasury, 26/11/1919.)

It is estimated that from the beginning of the War until the Armistice the Bank issued 31 million Loan Prospectuses, 35 million application forms and 34 million other Loan forms. Of these the Bank produced about 20% themselves. The chief outside firms assisting the Bank were Waterlow & Sons Ltd., W.H.Smith & Co., Blades, East & Blades and Hudson & Kearns Ltd.

The following securities were surrendered in payment of Duties (i.e. Death Duties, Excess Profits Duties and Munitions Exchequer Payments) from the 6th April 1917 to the 31st August 1921 inclusive, viz:-

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	£ s d
5% Exchequer Bonds 1919	135,320: -: -
5% do. 1920	1,387,215:17: 3
5% do. 1921	423,120: -: -
5% do. 1922	19,522,411: 1: 8
6% do. 1920	130,810: -: -
5% Exchequer Bond Certificates "B" 1919/21	3,000: -: -
5% do. 1920	70,800: -: -
6% do. 1920	200: -: -
5% War Loan 1929/47 Bond Certificates	7,400: -: -
4½% do. Certificates "B"	12,200: -: -
5% War Loan 1929/47	23,303,420:13:10
4% do. 1929/42	594,968: 5: 7
4% National War Bonds 1927 - 1st Series	11,946,482: 8: 9
5% do. 1922 do.	31,207,378: 2: 5
5% do. 1924 do.	1,083,255: 8: 1
5% do. 1927 do.	19,863,600:17: 1
4% do. 1928 - 2nd Series	3,284,567: 2: 4
5% do. 1923 do.	19,104,311:12: 3
5% do. 1925 do.	257,528: 9: 5
5% do. 1928 do.	11,005,281:18: 6
4% do. 1928 - 3rd Series	1,842,934: 2: 3
5% do. 1923 do.	16,281,040:17: -
5% do. 1925 do.	575,930:19: 8
5% do. 1928 do.	15,412,495: 4: -
4% do. 1929 - 4th Series	67,350: -: -
5% do. 1924 do.	3,050,311:15: 9
5% do. 1929 do.	3,006,174:14: 4

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COSTING

On the 13th August 1919 the Committee of Treasury decided that an expert in Costing should be employed to estimate the expenses of the management of Stocks by the Bank. This decision was arrived at in order that the Bank authorities might be furnished with definite Cost figures on which to base future terms of remuneration for the management of British Government Stocks, to succeed the temporary ones to which in September 1919 the Bank had agreed for the years 1920 and 1921.

Messrs. Deloitte, Plender, Griffiths & Co. were requested to investigate the conditions and to draw up a plan for a complete system of Cost Accounts in respect of Stocks management.

On the 27th February 1920 they submitted to the Governors a detailed Report and recommendations based thereon. Under this scheme St. Luke's Printing Works and the Works Department were to be treated as separate outside concerns whose charges would be paid by the Bank on periodical presentation of their accounts for work done.

St. Luke's Printing Works already had a Cost System in force, and steps were now taken to place the book-keeping of the Works Department on such a footing as to facilitate the operations of the Costing Section in allocating each charge for work done to its proper subdivision of the Bank's activities.

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WAR LOANS

COSTING

Among other preliminary steps taken, an actuarial estimate was made of the half-yearly charge required to meet the future liability for Pension in due course for each member of the pensionable Staff. The amount actually paid in Pensionsin each half-year is not applied to Cost Accounts, such Pensions having become payable in respect of services rendered in the past and not in the current accounting period.

A valuation was also taken of all furniture and office fittings, and tables were compiled for depreciation, at rates varying with the nature of the fitting. This was done to afford a basis for another branch of overhead charges.

A Costing Section under the Chief Accountant, at first employing two specially selected clerks, began regular work on the accounts of the half-year commencing the 1st March 1920 and produced its first tabulated Report dealing with this half-year in November 1920.

The Cost figures of this, and of the following half-year (that ending the 28th February 1921) proved, as was previously suspected, that the management of British Government Stocks was carried on by the Bank at a loss, under the terms then in force.*

As from the 1st January 1921 the Costing Section took in hand the "Cost" of the Issue of New Silver

*This discovery led to an improvement in the terms for the fiscal year 1921/2.

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COSTING and the Collection of Old Silver, and as from the 1st March 1921 the "Cost" of Issue and Payment of Bank of England Notes, and of the Management of Currency Notes.*

*From the 1st January 1922 Banking operations were taken into Cost Accounts, and on the 1st March 1922 it was deemed expedient to take the Cost Accounts out of the hands of the Chief Accountant and place them in charge of the Auditor.

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TREASURY BILLS.

From the outbreak of War until April 1915 no departure was made from the pre-War custom of issuing Treasury Bills by public tender, and during this period several large issues of bills mostly at six months' date were made at low rates of interest, varying from £1:12: 3 to £3:15: 6 per cent. per annum. Table 1 Series I in the "Appendix" gives particulars.

This method was reverted to from April to June 1917. In the interval between these two periods and subsequently the alternative method of daily sales at advertised rates, of which particulars will be found in Table 2 of the Appendix, was followed.

On the 13th April 1915 it was announced that from the following day Treasury Bills in denominations of £1,000, £5,000 and £10,000 would be on sale daily for unlimited amounts at fixed rates of discount, bills at three, six or nine months' date being offered at 2¾% 3⅝% and 3¾% respectively. These rates were liable to immediate alteration at any time without notice, but, except that twelve months' bills at 3¾% were also placed on offer early in May, there was in fact no alteration until 9th August when the rates for all currencies were raised to 4½%.

In October 1915 the tightening of money commenced and, following the Bank's decision to borrow at 4½%, rates for Treasury Bills were raised on the 27th October to 4¾% (three months) 4⅞% (six months) and 5% (nine and twelve months) and again on the 12th November

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TREASURY BILLS.

to 5% for all currencies. [Moreover, the Clearing Bankers agreed shortly afterwards not to lend money for any period under 4½%.]

Bills remained "on tap" from day to day and although rates dipped below 5% during three months in the spring of 1916 (when the Bank of England rate to Bankers was reduced to 4%) they were 5% for all currencies again in June; and in July, when nine months' bills were discontinued, 5½%, 5¾% and 6% were the respective rates in force for other currencies.

These rates ruled until September when a flat rate of 5½% was introduced with a view to diverting as much money as possible from Treasury Bills to the new 6% Exchequer Bonds 1920 about to be issued. The increasingly large amount of outstanding Treasury Bills, the total by this time (26th September) having reached £1,019,355,000, had aroused grave apprehension, but notwithstanding the reduction in rates and the fact that an extra ½% was obtainable from an investment in Exchequer Bonds, the amount of Treasury Bills outstanding continued to increase.

Prior to the War the purchase of Treasury Bills was almost entirely confined to Banks and financial houses but the new system of sales at advertised fixed rates of discount soon appealed to the ordinary investor. One reason for their attractiveness was that not only were they not taxed at the source but for some time the Inland Revenue

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Authorities held that they were not taxable at all.*

On the 4th January 1917 the sale of Treasury Bills was temporarily withdrawn in preparation for the 5% and 4% War Loans. The outstanding amount thereupon rapidly declined, reaching a minimum of £451,674,000 (on the 2nd April) for the third year of the War.

Treasury Bills to the amount of £130,711,950 were tendered as subscriptions to the new War Loans in the terms of the Prospectus.

The issue of Treasury Bills again soon became imperative and on the 23rd March 1917 it was announced that sales of Treasury Bills would shortly be resumed on the tender system in denominations of £1,000, £5,000 and £10,000 as before and drawn for three, six or twelve months. (Vide Table 1 Series II).

In addition to the definite amounts of Treasury Bills offered for sale by tender, applications were received on and after the 28th April for limited amounts at advertised fixed rates of discount being lower than the average rates of issue by tender during the preceding week. In order not to attract money to Treasury Bills from a new issue of 5% Exchequer Bonds (commenced on the 13th April) it was also decided that applications for these "Intermediate" Treasury Bills would only be received from Banks and Discount Houses and for a minimum of £25,000 each. (Table 2 Series II).

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*Although most holders accepted a ruling of the Chancellor that tax was payable the question was not finally settled until 3rd June 1921 when the House of Lords gave a decision covering every aspect of the dispute. (Vide Law Reports, Current Digest 1921 p.297.)

Under a notice dated the 10th March 1916 the capital and interest of Bills issued after that date were freed from taxation if the Bills were in the "beneficial owner-"ship of persons who are neither domiciled nor ordinarily "resident in the United Kingdom". A further announcement was issued on the 14th August 1916, somewhat extending the concession.

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TREASURY BILLS

The system of issuing large amounts by tender weekly concurrently with "Intermediate" Bills was continued until mid-June, when three and six months' bills at 4½% were again placed "on tap". (Table 2 Series III). The suspension on the 20th June of the tender system restored the Treasury Bill procedure to much the same as it was when the daily sales were discontinued on the previous 4th January. Instead, however, of the bills being applied for and taken up on the same day (as was previously the case) they had now to be applied for on the business day preceding that upon which they were required.

Up to the time of the reinstatement of the "tap" system the total of Treasury Bills had steadily increased to over £600,000,000 and although the sale of National War Bonds commenced on the 2nd October the tide of Treasury Bills was not stemmed. The £1,000 million mark was again touched on the 6th November 1917, and the total at the end of the year was £1,058,175,000 or only slightly less than at the beginning. The rate had been reduced to 4% on the 28th December.

Towards the end of 1917 an arrangement was made between the Bank of England and the Committee of Clearing Bankers, whereby the Bankers were to take up on or after the 3rd December, if called upon to do so, Special 4½% Treasury Bills due the 31st December 1917 up to a total of £50 millions. They were to reinvest at the current rate by the 2nd January 1918 a similar amount in Treasury Bills due the 30th June 1918, and were to receive an undertaking that such Bills should be convertible

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TREASURY BILLS

on demand into Currency Notes and be discountable, at the rate of issue, for any unexpired period. The Banks were to maintain, as far as possible, their existing holdings of Treasury Bills and their deposits at the Bank of England in addition to this Special holding. The amount of bills to be taken by each Bank was to be determined by the proportion of £50 millions to the aggregate deposits on the date of making up nearest to the 1st November.

This arrangement was doubtless made to relieve the Bank of England to some extent in their Advances to the Government to meet the War Loan and other dividends due at the beginning of December and January. The Ways and Means Advances at that period were round about £150 millions, even after the Bankers had given assistance. Their help, however, was limited to taking up £20 millions of 4½% bills on the 4th December, which were duly repaid on the 31st, and the Banks were not called upon to carry out their undertaking to renew for six months.

(On the 24th August 1917 it was announced that periodical issues of British Treasury Bills would be placed on the Money Market of the United States, the total amount then authorised being $150,000,000.)

The year 1918 opened with a 4% rate and over £1,000 million bills outstanding, small amounts of which were being surrendered from time to time for discount on special terms into the National War Bonds still on issue. Except that the rate fell away to 3½%

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TREASURY BILLS.

in mid-February much the same position was maintained throughout the year, although in the autumn, with first expectations of peace, the total went somewhat ahead again, the year closing at £1,094,740,000.

With the prospect in the new year (1919) of an early declaration of peace it appeared evident to the Bank that (as it was thought at the time a comparatively free market in gold would soon be re-established) steps should be taken to protect the gold standard by raising money rates, and the Governor urged as a first measure the raising of the rate for Treasury Bills.

Meantime there was a War Bond Campaign in January which was the means of reducing the Government's indebtedness to the Bank by £95,000,000.

Towards the end of March nothing further had been done and the Chancellor was again urged to raise the rate for three months' bills promptly but gradually and to offer six and twelve months' bills at sufficiently higher rates to effect some spreading of maturities over the year. Support had (on the 19th March) been withdrawn from the American Exchange, which made the occasion a suitable one for the adoption of this policy and indeed rendered it the more necessary. The 3½% rate was nevertheless left undisturbed until the 2nd June when the public issue of bills was entirely suspended in preparation for the "Victory" and "Funding" Loans.

On the 15th July the daily issue of Treasury

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Bills was resumed in order to maintain the salutary effect of the Funding Loans. With a view to spreading maturities the Chancellor offered two months' bills at $3\frac{5}{8}$%, three months' at $3\frac{1}{2}$% and six months' at 4%.

The two months' bills, however, were on issue for only one month. On the 20th March 1920 twelve months' bills replaced those of six months', but shortly afterwards (30th April 1920) the twelve months' bills were withdrawn, and thereafter until 12th March 1921 three months' bills alone were issued, and these not in lower denominations than £5,000. The Chancellor was averse from raising money rates in accordance with any pre-arranged scheme, but the Bank's continuing desire for higher rates gradually took effect as will be observed from Table 2 Series III showing the "fixed" discount rates from the 19th June 1917 to the olose of the year 1920.

After the Victory and Funding Loans in the summer of 1919 the amount of Treasury Bills outstanding was £769,672,000 but this total was soon increased again and by the end of the year was £1,106,150,000. At the close of the year 1920 the total was £1,102,109,000.

The system of offering three months' Treasury Bills in fixed amounts by tender was once more introduced in April 1921. Tenders were at first received on Thursday and afterwards on Friday in each week, for bills to be dated on any business day in the following

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week. The bills were in denominations of £5,000 and £10,000 whilst no tender could be for a less amount than £50,000. In addition to these "Tender" Bills, applications were received for "Additional" Bills to be dated the business day next succeeding the day of application at advertised rates which were based on, but less than, the average rate at which similar bills were sold by tender on the preceding occasion.

Soon after the new system was initiated the "fixed" rate for twelve months' bills was reduced from 6% to 5¾% (27th April) and again, on the 24th June, to 5½%. Bills of this maturity were withdrawn entirely a week later and were replaced by six months' bills at the same rate. These in turn were withdrawn on the 8th July. Thereafter both the "Tender" Bills and "Additional" Bills were issued for periods of three months only.

As soon as the Tender system was re-introduced, rates of discount gradually moved in favour of the Government, the first issue of bills being allotted at the average discount of £5:19: 3·95 in April, whilst the corresponding figure in the last week of August was £4:13: -·38 as shown in Table 1 Series III.

The total amount of Treasury Bills outstanding on the 31st August was £1,177,697,000.

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TREASURY BILLS.

APPENDIX

TABLE 1. BILLS ISSUED BY PUBLIC TENDER.

Series I

Date of Bills	Amount	Average Rates of Discount									Prospectuses Issued
		3 months			6 months			12 months			
1914											
19th Aug.	£15,000,000				£3	13	1				
26th "	15,000,000				£3	15	6				
16th Sept.	15,000,000	£7,500m*			*£2	18	6	+£3	8	3	
7th Oct.	15,000,000	£7,500m+			£3	9	3				
21st "	15,000,000				£3	14	11				
4th Nov.	15,000,000				£3	13	7				
17th "											£3:10/-% War Loan 1925/28
1915											
23rd Feb.	20,000,000	£10,000m* £10,000m+			*£1	12	3	+£2	17	1	
5th Mar.											£3% Exchequer Bonds
30th "	15,000,000				£2	13	11				
6th Apl.	15,000,000				£3	2	1				
13th "	15,000,000				£3	14	4				
	£155,000,000										

Series II

Date of Bills	Amount	Average Rates of Discount									Prospectuses Issued
		3 months			6 months			12 months			
1917											
3rd Apl.	£50,000,000	£4	11	9.84	£4	14	4.89	£4	18	7.07	
12th "											£5% Exchequer Bonds 1922
17th "	50,000,000	£4	13	8.38	£4	15	11.34	£4	19	4.39	
24th "	50,000,000	£4	16	2.9	£4	17	10.02	£4	19	11.21	
1st May	20,000,000	£4	15	-.56	£4	16	10.05	£4	19	10.64	
8th May	20,000,000	£4	14	7.93	£4	15	9.21	£4	17	9.27	
15th "	25,000,000	£4	15	8.95	£4	16	1.7	£4	17	4.06	
22nd "	20,000,000	£4	14	6.65	£4	14	9.37	£4	17	1.86	
29th "	30,000,000	£4	14	10.6	£4	14	11.27	£4	17	4.29	
5th June	40,000,000	£4	15	6.35	£4	15	8.38	£4	17	4.85	
12th "	25,000,000	£4	14	8.3	£4	14	9.64	£4	17	4.31	
19th "	25,000,000	£4	15	2.1	£4	15	2.5	£4	17	4.87	
	£355,000,000										

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APPENDIX

TABLE 1. BILLS ISSUED BY PUBLIC TENDER.

Series III

Date of Bills	Amount	Average Rates of Discount									Prospectuses Issued
		3 months			6 months			12 months			
1921 25th/30th April	£50,000,000	£5	19	3.95							£3½% Conversion Loan
2nd/7th May	50,000,000	£5	14	5.64							
9th/14th May	50,000,000	£5	12	11.18							
17th/21st May	45,000,000	£5	11	2.81							
23rd/28th May	45,000,000	£5	14	11.02							
30th May/ 4th June	55,000,000	£5	13	1.83							
6th/11th June	55,000,000	£5	12	1.06							
13th/18th June	40,000,000	£5	12	2.28							
20th/25th June	40,000,000	£5	10	1.06							
27th June/ 2nd July	55,000,000	£5	6	8.89							
4th/9th July	60,000,000	£5	7	3.34							
11th/16th July	55,000,000	£5	3	6.64							£5½% Treasury Bonds 1929
18th/23rd July	60,000,000	£4	19	4.57							
25th/30th July	50,000,000	£4	8	3.31							
2nd/6th Au .	60,000,000	£4	8	7.82							
8th/13th Au .	50,000,000	£4	10	10							
15th/20th Au .	45,000,000	£4	15	3.8							
22nd/27th Au .	45,000,000	£4	14	10.62							
29th Aug./ 3rd Sept.	50,000,000	£4	13	-.38							
	£960,000,000										

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TREASURY BILLS.

APPENDIX

TABLE 2. BILLS ISSUED AT ADVERTISED RATES.

Series I

Bills dated	Rates per cent. per annum				Prospectuses issued	Maximum & Minimum Amounts outstanding in each year*
	3 mos.	6 mos.	9 mos.	12 mos.		
1915						
1 Apl.						Minimum £77,150^{m}
14 "	2¾	3⅝	3¾	–		
8 May	2¾	3⅝	3¾	3¾		
21 June					£4:10% War Loan 1925/45	
9 Aug.	4½	4½	4½	4½		
27 Oct.	4¾	4⅞	5	5		
12 Nov.	5	5	5	5		
29 Nov.					French 5% Rentes	
16 Dec.					£5% Exchequer Bonds 1920	
31 Dec.						Maximum £395,565
1916						
3 Jan.						Minimum £391,379
24 Mar.	4½	4¾	4¾	5		
27 May					£5% Exchequer Bds. 1920/21	
16 June	5	5	5	5		
14 July	5½	5¾	–	6		
27 Sept.	5½	5½	–	5½		
29 "					£6% Exchequer Bonds 1920	
4 Oct.					French 5% Rentes	
7 Dec.						Max. £1,154,659^{m}
1917						Maximum 1917
3 Jan.						£1,138,826^{m}
4 "	(Sales suspended)					
11 "					£5% War Loan 1929/47	
" "					£4% War Loan 1929/42	

Series II

"INTERMEDIATES"

Bills dated	Rates per cent. per annum				Prospectuses issued	Maximum & Minimum Amounts outstanding in each year
	3 mos.	6 mos.	9 mos.	12 mos.		
1917						Minimum 1917
2 Apl.						£451,674^{m}
12 "					£5% Exchequer Bonds 1922	
30 "	4⅝	4⅝	–	4⅞		
7 May	4⅝	4⅝	–	4$\frac{15}{16}$		

*The figures are entered against the dates on which these respective extremes were reached.

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APPENDIX

TABLE 2. BILLS ISSUED AT ADVERTISED RATES

Series III

Bills dated	Rates per cent.per annum 2 mos.	3 mos.	6 mos.	12 mos.	Prospectuses issued	Maximum & Minimum Amounts outstanding in each year*
1917						
20 June	–	4½	4½	–		
4 July	–	4¾	4¾	–		
1 Oct.					£5% & £4% National War Bonds Series I	
26 Nov.					French 4% Rentes	
28 Dec.	–	4	4	–		
1918						
15 Feb.	–	3½	3½	–		
28 Mar.					£5% & £4% National War Bonds Series II	Minimum 1918 £944,686,000
15 Apl.						
30 Sept.					£5% & £4% National War Bonds Series III	Maximum 1918 £1,135,512,000
23 Oct.						
11 Nov.					French 4% Rentes	
1919						
31 Jan.					£5% & £4% National War Bonds Series IV	
2 June	(Sales suspended)					
12 "					Victory Bonds & Funding Loan	Minimum 1919 £616,373,000
14 July						
15 "	3⅜	3½	4	–		
16 Aug.	–	3½	4	–		
7 Oct.	–	4½	5	–		
8 Nov.	–	5½	5½	–		Maximum 1919 £1,130,359,000
19 Dec.						
1920						Maximum 1920 £1,149,517,000
12 Jan.						
19 "					£5¾% Exchequer Bonds 1925	
20 Mar.	–	5½	–	5½		Minimum 1920 £1,043,398,000
10 Apl.						
15 "	–	6½	–	6½		
30 "					£5% 5-15 Year Treasury Bds.	
" "	–	6½	–	–		Minimum 1921 (up to 31st August) £1,085,504,000
1921						
10 Mar.						
12 "	–	6	–	6		
23 Apl.	–	5⅝	–	6		
26 "					£3½% Conversion Loan	
27 "	–	5⅝	–	5¾		
30 "	–	5⅜	–	5¾		
14 May	–	5¼	–	5¾		
23 May	–	5⅛	–	5¾		
6 June	–	5¼	–	5¾		
24 "	–	5	–	5½		
1 July	–	5	5½	–		Maximum 1921 £1,246,457,000
5 "						
8 "	–	5	–	–		
11 "	–	4⅞	–	–	£5½% Treasury Bonds 1929	
18 "	–	4⅝	–	–		
25 "	–	4⅛	–	–		
8 Aug.	–	4¼	–	–		
15 "	–	4½	–	–		
22 "	–	4⅜	–	–		

*The figures are entered against the dates on which these respective extremes were reached.

CHAPTER III

WAR EXPENDITURE CERTIFICATES

In May 1916 a rather novel form of short-term borrowing was proposed. This was the issue of a bill or certificate of two years' maturity. In the oourse of negotiations over this form of security the Bank raised the question of their position in the event of their paying, without negligence, Exohequer Bonds, Treasury Bills, or the new certificates, bearing a forged endorsement; and they secured a letter from the Treasury, (No.13792-16, dated the 1st June 1916) containing an assurance (similar to one given in 1905) that in the event of loss being suffered by the Bank as the result of fraud, without contributory negligenoe, the Treasury would be prepared to ask Parliament to make good the loss.

The oertificates were offered to the public on the 3rd June 1916 in denominations of £1,000, £5,000 and £10,000. On and after the 26th June denominations of £100 and £500 were also obtainable. The price of the oertificates was at first fixed at 90% (yield £5: 8: -), but on the 14th July this was reduced to 89%, following the raising of the Bank Rate to 6% on the previous day.

The reduction does not seem to have been very successful in stimulating sales, £13,871,600 certificates having been issued, out of a total of £29,878,500 before this change was made. From the 2nd Ootober the certificates suffered from the competition of the 6% Exohequer Bonds, in the next three months only about £6,400,000

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WAR EXPENDITURE CERTIFICATES

certificates being issued. The certificates were discontinued on the 1st January 1917. The total was made up as follows -

15,815	@	£100	=	£1,581,500
1,918	@	£500	=	959,000
4,948	@	£1,000	=	4,948,000
1,686	@	£5,000	=	8,430,000
1,396	@	£10,000	=	13,960,000
				£29,878,500

Of this total £6,317,500 certificates were surrendered under discount in payment for subscriptions to the 5% and 4% War Loans issued in January 1917, and £632,200 certificates were similarly cancelled in payment for National War Bonds, first Series.

CHAPTER III

THE REMUNERATION RECEIVED BY THE BANK OF ENGLAND FROM H. M. GOVERNMENT FOR THE ISSUE AND MANAGEMENT OF THE FUNDED AND UNFUNDED DEBT

A full account of the negotiations between the Bank and the Government arising out of the enquiries made by the Select Committee on Public Expenditure, appointed in 1917, is to be found in Folders 72A and 63 of the C.C. Private File, the latter of which contains the Report, dated 25th September 1919, of a Committee appointed by the Court to consider the question of the disposal of the Bank's Special War Profits and whether an application to increase the Capital of the Bank was desirable. It is not necessary therefore to deal with the subject here in great detail.

At the beginning of the war the terms for the Management of the Funded Debt were £325 per million for the first £500 million and £100 per million thereafter. Up to that time, however, the remuneration received for the issue of loans had always given the Bank a profit. After the outbreak of war the Bank offered to conduct, for out-of-pocket expenses only, the issue of all loans made for the purpose of prosecuting the war, and in August 1915 the Bank pressed for an increase in the allowance for the Management of the Funded Debt in excess

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of the first £500 million. After various suggestions the new terms were fixed at £325 per million for the first £500 million and £175 in place of £100 per million thereafter. The Treasury stated that the concession relating to out-of-pocket expenses of Issue was not made the basis of the Bank's claim for higher Management terms. This perhaps is not entirely borne out by the correspondence. (v.C.C.P. 72 fo.127)

As to what constitutes an out-of-pocket expense it may be noted that no very exact definition of the term was ever laid down; but Lord Cunliffe appears to have intended it to exclude all Overhead Charges, (unless rent of an office specially hired be regarded as coming within that description). Owing to the fact that the Bank had at this time and much later no costing system, it would in any case have been impracticable or at least very difficult to estimate at all closely the greater part of the Overhead Charges; but it seems likely that the Committee on Public Expenditure hardly realised (what was the fact) that the Bank had been and were very moderate in their estimates, allowing the Government the benefit

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of the doubt on all occasions of uncertainty, since their Report mentions that the Bank have received "full out-of-"pocket expenses on Staff and other items".

The absence of a costing system at once placed the Bank at a disadvantage when the Governor was called upon in September 1917 to justify the terms of Management to the Committee on Public Expenditure, before a Sub-Committee of which he gave evidence. In the evidence, and in the correspondence which followed, the Bank contended that no alteration should be made in the terms received for the Management of the Funded Debt until after the war, when it was admitted some reduction should be possible; but with regard to Treasury Bills the Bank soon agreed that an immediate reduction was justifiable.

It may be of interest to summarise the considerations upon which the Bank chiefly relied in support of their general position:-

(a) Profit on bullion

It was pointed out that after the first 18 months of the war, the Bank had surrendered to

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the Government all profits on the purchase or sale of gold bullion or coin (see Chapter on Gold and Silver).

(b) Currency Notes

The work in connection with these had been done gratuitously and had cost, it was estimated, £20,000 a year up to October 1917.

(c) Deed Stock

The introduction of a third form in which stock might be held tended to increase expenses.

(d) Out-of-pocket expenses for issuing loans

It was claimed that a far greater sum was saved by this concession than would be produced by a reduction from £175 to £150 per million of the Management Charge for stock in excess of £500 million.

(e) Treasury Bills

Reference was made to the fact that the lowest charge in London for issuing loans was ¼%. (True, for very much smaller sums.)

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(f) Government Debt of £11,015,100

The Bank drew attention to the low rate of interest they were receiving. (This point produced a great deal of controversy.)

(g) Guarantees

Certain guarantees in America and Holland had been undertaken free of charge.

(h) Underwriting

A share in underwriting British Government Notes issued in America had been taken without charge.

(i) Foreign remittances

Made free of cost.

(j) 3½% War Loan

Advances had been made at 1% below Bank Rate at the original price of issue and without margin. The result was estimated to produce a loss to the Bank of at least £260,000. (The actual loss exceeded £400,000)

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THE REMUNERATION RECEIVED BY THE BANK OF ENGLAND FROM H.M.GOVERNMENT FOR THE ISSUE AND MANAGEMENT OF THE FUNDED AND UNFUNDED DEBT

(k) American Dollar Securities Committee

Out-of-pocket expenses only were recoverable in this instance also.

(l) Public Deposits

There was considerable discussion on this subject, in the course of which the Bank stated that only the Exchequer balance should be taken into consideration, and asserted that a smaller proportion of these deposits could be invested than is the case when dealing with ordinary deposits.

(m) Depreciation in Securities

The Bank stated that they now held only Government Securities and that these had severely depreciated.

In March and July 1918 the Bank proposed certain reductions as a temporary measure, but the Report of the Committee, while acknowledging that "the economy "secured from 1917 to 1918 inclusive is undoubtedly very "substantial" recommended that before acceptance the

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THE REMUNERATION RECEIVED BY THE BANK OF ENGLAND FROM H.M. GOVERNMENT FOR THE ISSUE AND MANAGEMENT OF THE FUNDED AND UNFUNDED DEBT

Treasury should further consider the terms in consultation with the Bank. As a result of the subsequent negotiations a Committee of Directors, on the 20th December 1918, accepted the Treasury's suggestion that the most satisfactory solution would be the refund by the Bank of the balance retained by them of their "Excess Profits" for the five years ending February 1919. The sums paid over under this arrangement amounted in all to £2,579,619:16: 6.*

Fresh negotiations were instituted at the end of this period, when in view of the difficulties of providing reliable figures to form a basis for discussion, the Treasury suggested that the Bank's accounts should be examined confidentially by an independent accountant, a proposal the Bank did not accept.

Finally it was decided that for the years 1919/20 and 1920/21 a reduction from £175 to £150 per million should be accepted for the Management of the Funded Debt in excess of £500 million. Treasury Bills were to be charged for at the rate of £100 for the first £50 million issued, and at £25 for the next £500 million

*Reference to the surrender of Excess Profits was made by the Governor at the General Court held the 20th March 1919. The arrangement was announced to the House of Commons on the 26th March 1919.

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issued; any amount in excess of this figure to be free of charge.

The original terms, the chief suggestions submitted by the Bank for their modification and the arrangements finally accepted, down to the 28th February 1921, are briefly summarised on the accompanying schedule.

It will be observed that proposed adjustments in these charges involved the terms for Ways & Means Advances on one or two occasions. These Advances are however dealt with in detail in a separate chapter.(Chap.II)

The temporary settlement thus arrived at was not regarded as entirely satisfactory by the Bank for reasons which are fully set forth in the Report of the Committee above referred to, and which need not therefore be repeated here. (Vide Chapter XII)

A second statement is appended covering the remuneration received by the Bank for the issue of War Loans.

SCHEDULE

THE BANK OF ENGLAND. 1914—1921.

CHAPTER III

	Before 1892	*1892 to 1915	August 1915	Bank's 1st proposal (after Report of 22.1.18) made 1.3.18 (as temporary measure)	Bank's 2nd proposal made 11.7.18 & 26.8.18 (as temporary measure)	Treasury suggestion accepted by Bank (Committee on Special Profits &c.) 20.12.18.	Bank's suggestions for temporary arrangements for 1.3.19/28.2.20 vide letters 13.3.19, 6.5.19 and 17.6.19.	Agreed terms for years 1st April 1919/20 & 1920/21 vide Minute October 1919
Funded Debt Management	When debt exceeds £600 million: £300 per million for 1st £600 million £150 per million thereafter (£450 per million if under £400 million)	£325 per million for 1st £500 million £100 thereafter (minimum £160,000)	£325 per million for 1st £500 million £175 thereafter	£325 per million for 1st £500 million £150 thereafter (to include Regd. Exchequer Bonds & National War Bonds)	1st proposal unchanged	All Classes Refund of balance of Excess Profits for 5 years ending 28.2.19. Relying on opinion of Attorney General, Bank did not press for Indemnity against possible legal position as regards Bank Stock holders	No change from 1915	£325 per million for 1st £500 million £150 thereafter (excluding Bearer Bonds: see below)
Issue of Loans	Separate remuneration (Said by Lord Cunliffe to be £73 per million for 1888 Convn. Scheme & £1,250 per million for earlier issues)	Separate remuneration	Out-of-pocket expenses	No change	No change			Out-of-pocket expenses were to be accepted until end of War, but were specially extended to certain further Loans
Treasury Bills	£100 per million on amount outstanding 1 December excluding cost of printing & paper	£200 per million on amount outstanding 31 March including cost of printing & paper 1906 £200 per million on maximum amount outstanding during Financial year	Same as 1906	£100 per million for 1st £50 million £25 thereafter	For 1917/18 & until end of War "any "reasonable modi- "fication" of first proposal		£100 per million for 1st £50 million issued £25 per million thereafter (13.3.19) (6.5.19) £100 per million for 1st £50 million issued £25 per million for next £500 million issued Nil thereafter (year 1st March 1919/20)	Suggestion of 6.5.19 accepted as for the two years.
War Expenditure Certificates (Issued June 1916)				Included with Treasury Bills	£12:10: - per million			
Exchequer Bonds & subsequently National War Bonds (Bearer Bonds only)	£100 per million on amount outstanding 1 Dec. in Financial year preceding year of management	£100 per million on amount outstanding 31 Mar. in Financial year preceding year of management	Same as 1892/1915	£50 per million			Not mentioned, but 1915 terms apparently claimed by implication	No change from 1915 i.e. £100 per million
Ways & Means					Reduction in Ways & Means charges (1% only on amount by which total advances whether Ways & Means or Treasury Bills exceed total borrowings)		(17.6.19) Modification in Government's favour	
Deficiency Advances		Half Bank Rate maximum 3%						

*An arrangement stated to have been made to secure Bank about £200,000 a year.

AMOUNTS OF CAPITAL OF GOVERNMENT SECURITIES

	1914	No. of Accounts	1915	No. of Accounts	1916	No. of Accounts	1917	No. of Accounts
Consols	521,431,893	133,386	521,276,628	137,267	272,454,770	105,883	272,137,114	106,358
£2:10s/-% Annuities	29,546,361	5,623	29,552,885	5,722	21,557,627	4,593	21,488,256	4,625
£2:15s/-% Annuities	3,781,370	1,052	3,753,020	1,092	2,689,193	957	2,668,907	962
Annuities for Terms of Years (Capital Amounts)	115,840	149	110,922	138	108,881	136	98,122	133
Terminable Annuities	18,354,572	14	18,354,572	14	18,354,572	14	17,813,351	13
Local Loans	72,932,778	13,741	75,425,352	14,130	75,425,799	14,690	75,498,157	16,401
Guaranteed 2¾%	50,394,440	4,145	50,662,830	4,485	50,706,660	4,726	50,635,811	5,702
Guaranteed 3%	28,491,704	371	32,573,194	505	34,702,261	831	34,915,262	1,173
Guaranteed Land 1921	71,727	21	69,635	20	70,377	21	70,144	20
3½% War Stock			199,793,176	84,798	62,592,253	38,158	62,562,065	37,394
4½% War Stock			885,500,040	391,456	880,[illegible]89,836	496,280	19,042,962	59,321
5% Exchequer Bonds 1920					203,734,425	75,842	41,796,625	25,825
do. 1919					38,353,700	17,757	18,330,075	6,620
do. 1921					135,566,000	44,975	82,713,910	12,949
6% Exchequer Bonds 1920							129,958,565	85,428
5% War Stock 1929/47							2,005,026,931	1,513,000
4% War Stock 1929/42							51,820,715	28,083
5% Exchequer Bonds 1922							78,281,400	20,801
5% Nat. War Bonds 1922 (I)								
do. 1924 (I)								
do. 1927 (I)								
4% do. 1927 (I)								
5% do. 1923 (II)								
do. 1925 (II)								
do. 1928 (II)								
4% do. 1928 (II)								
5% do. 1923 (III)								
do. 1925 (III)								
do. 1928 (III)								
4% do. 1928 (III)								
5% do. 1924 (IV)								
do. 1929 (IV)								
4% do. 1929 (IV)								
4% Funding Loan 1960/90								
4% Victory Bonds								
5¾% Exchequer Bonds 1925								
do. "B"								
do. "C"								
5/15 Yr. Treasury Bonds "A"								
do. "B"								
3½% Conversion Stock								
5½% Treasury Bonds 1929								
do. "B"								
do. 1930								
5% do. 1927								
4½% do. 1932								
	725,120,685	158,502	1,817,072,254	639,627	1,796,906,354	804,863	2,964,858,372	1,924,808

FOR THE YEARS 1914-1922 (INCLUSIVE)

1918	No. of Accounts	1919	No. of Accounts	1920	No. of Accounts	1921	No. of Accounts	1922	No. of Accounts
272,105,001	106,417	269,768,457	105,392	269,665,305	105,693	269,514,539	105,777	269,607,477	105,173
21,488,791	4,584	21,433,504	4,544	21,420,783	4,500	21,371,110	4,494	21,332,400	4,420
2,668,907	962	2,674,835	966	2,628,335	982	2,613,335	996	2,532,839	1,018
97,870	128	89,499	121	79,618	111	77,266	107	74,839	103
17,238,867	12	14,693,993	11	14,015,165	11	13,309,800	9	12,310,574	8
76,030,360	17,127	76,187,325	17,229	76,441,638	17,618	136,841,229	25,346	212,761,109	34,727
50,533,007	5,871	50,673,078	6,011	50,589,519	6,023	50,605,501	6,017	50.701,879	6,016
39,646,130	1,280	44,945,046	1,388	50,097,285	1,456	53,539,138	1,533	55,343,136	1,571
68,860	20	79,915	23	72,602	23	84,586	33	95,769	46
62,559,041	36,565	62,563,431	35,596	62,536,711	34,859	62,573,619	34,158	62,578,042	31,780
15,534,945	52,339	12,132,179	44,312	12,417,484	42,911	12,411,823	42,359	12,417,518	41,227
38,025,035	26,419	36,599,048	24,223	24,906,580	12,120				
16,508,210	6,566	16,096,245	5,489						
75,195,225	12,503	70,515,395	10,591	70,341,520	11,199	18,759,930	8,100		
129,152,335	84,562	118,495,903	73,807						
1,993,038,015	1,330,074	1,961,230,618	1,352,602	1,919,999,008	1,356,115	1,867,696,614	1,358,607	1,848,754,745	1,343,944
53,997,620	24,524	58,613,817	24,991	66,111,336	25,529	65,764,109	24,865	64,851,393	24,540
53,911,625	20,552	34,185,055	16,902	35,193,076	15,884	34,022,065	15,185		
216,611,305	88,460	197,250,775	80.459	197,929,337	81,679	133,219,413	61,324	43.558,872	44,834
25,593,174	18,693	24,025,268	17,403	26,099,345	17,103	22,167,823	14,436	22,167,317	13,266
240,679,021	257,795	202,963,152	229,926	208,117,495	217,249	201,890,117	209,763	199,632,714	190,069
114,284,917	24,650	106,107,647	22,362	96,228,673	20,564	88,156,742	19,579	84,992,632	17,872
233,583,434	73,134	211,056,343	61,294	207,214,448	59,661	127,490,790	46,353	110,600,187	35,588
12,560,752	12,007	11,052,370	10,400	11,663,621	10,326	8,537,482	8,832	8,500,608	8,225
182,793.759	212,150	146,488,686	163,022	145,656,755	154,729	139,929,496	149,692	138,171,536	135,898
51,981,140	16,879	48,958,676	12,615	45,013,715	11,686	41,553,146	11,008	39,513,314	10,027
		154,842,244	49,593	148,948,358	49,084	93,722,502	39,152	87,436.551	34,814
		16,943,885	12,992	18,101,473	13,005	14,215,453	11,295	14,163,651	10,601
		232,087,874	254,465	230,570,468	239,329	220,295,714	231,784	217,633,666	212,224
		26,783,504	8,697	25,241,052	8,146	23,123,018	7,707	21,851,552	7,124
		28,435,610	13,000	26,262,699	12,080	20,582,505	10,315	20,736,154	9,464
		42,327,842	45,000	41,715,199	44,843	48,841,286	44,462	66,955,261	42,445
		5,477,968	2,100	5,564,932	2,087	5,132,000	1,919	4,772,164	1,831
		392,618,464	122,697	402,552,293	111,025	400,911,854	114,870	397,915,520	115,576
		344,297,000	97,439	344,297,000	95,988	342,576,000	93,826	340,786,000	89,494
				147,105,032	116,052	133,489,143	107,983	133,287,785	100,578
						30,654,136	2,080		
								286,493	184
				9,604,150	12,316	22,896,887	22,432	23,419,910	21,966
						258,544,658	35,455	474,937,308	69,624
						146,962,272	27,176	169,416,334	32,412
						93,929,648	8,303		
								133,262,638	7,978
								109,505,752	2,490
								67,133,521	5,662
3,996,087,346	2,434,273	5,042,694,651	2,927,660	5,014,202,010	2,911,986	5,227,986,749	2,907,330	5,543,999,160	2,814,819

Loan	Total from all Registers		Of which Bank of England	Issued Date	Issued Price	Redeemable Date	Redeemable Rate	Dividends due	Available for Payment of Duties	Available for Payment of Profits	Interest Free from Corporation Profits Tax	Stock Interest paid without deduction of Tax at source	Interest free of Income Tax to Foreign residents	Forms of Issue (Bank of England) Interchangeable without fee: Inscribed	Regd.	Bearer	Holdings (B.of E. Issue) transferable in multiples of: Stock	Bonds	Post Office Issue
3½% War Loa 1925-1928		£350,000,000	£350,000,000	17 Nov. 1914 5 Mch '15	95	1 Mar.1925 to 1 Mar.1928	100	1 March 1 September	No	No	No	No	No	Yes	No	Yes	1d.	£100	No
3% Exchequer Bonds		£50,000,000	£50,000,000	~~21 June 1915~~	£3:19/-%	24 Mar.1920	100	24 March 24 September	No	No	No	No	No	-	-	Yes	-	£100	No
4½% War Loan 1925-1945	Cash Bank of England Conversions Cash Post Office	£576,553,620 313,635,273 10,642,690	£571,139,400																
		£900,831,583		21 June 1915	100	1 Dec.1925 to 1 Dec.1945	100	1 June 1 December	No	No	No	No	No	Yes	No	Yes	1d.	£100	Yes
5% Exchequer Bonds		£238,015,105	£206,291,700	16 Dec. 1915	100	1 Dec.1920	100	1 June 1 December	Yes	No	No	Yes	Yes	Yes	Yes	Yes	£5	£100	Yes
5% War Loan 1929-1947	Cash Subscriptions do. to round up holding Ty.Bills & War Expre.Certs.	£836,454,260 8,348,072 130,205,100	£928,295,600 8,176,923																
	Conversion - £779,113,283 4½% War Loan £266,427,095 Exchequer Bds.	820,112,465 280,446,919	£1,077,957,716																
		£2,075,566,816	£2,014,430,239	11 Jan. 1917	95	1 June 1929 to 1 June 1947	100	1 June 1 December	Yes at 95%	No	No	Yes	Yes	Yes	Yes	Yes	1d.	£50	Yes
4% War Loan 1929-1942	Cash Subscriptions Ty.Bills & War Expre.Certs.	£22,046,000 612,500	£22,658,500																
	Conversion of - 4½% War Loan @ par Exchequer Bds. do.	23,198,910 6,560,840	£29,759,540																
		£52,418,250	£52,418,040	11 Jan. 1917	100	15 Oct.1929 to 15 Oct.1942	100	15 April 15 October	Yes	No	No	Income Tax compounded		Yes	Yes	Yes	1d.	£50	No
5% Exchequer Bonds		£82,274,435	£78,281,400	12 Apl. 1917	100	1 Apl.1922	100	1 April 1 October	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	£5	£100	Yes
5% National War Bonds 1922 1st Series	Cash Subscriptions	£244,634,387	£235,351,727	1 Oct. 1917	100	1 Oct.1922	102	1 April 1 October	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	1d.	£50	Yes
5% National War Bonds 1924 1st Series	Cash Subscriptions	£18,438,016	£16,636,331																
	Conversion of - 4½% War Loan at par Exchequer Bds. do.	837,102 9,487,925	£9,452,720																
		£28,763,643	£26,089,051	1 Oct. 1917	100	1 Oct.1924	103	1 April 1 October	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	1d.	£50	Yes
5% National War Bonds 1927 1st Series	Cash Subscriptions	£258,566,789	£244,519,329																
	Conversion of - 4½% War Loan Exchequer Bonds	2,313,171 4,265,690	£5,339,431																
		£265,145,650	£249,858,760	1 Oct. 1927	100	1 Oct.1927	105	1 April 1 October	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	1d.	£50	Yes
4% National War Bonds 1927 1st Series	Cash Subscriptions	£119,686,305	£119,686,305																
	Conversion of - 4½% War Loan Exchequer Bonds	479,065 659,285	1,138,350																
		£120,824,655	£120,824,655	1 Oct 1917	100	1 Oct.1927	100	1 April 1 October	Yes	Yes	No	Income Tax Compounded		Yes	Yes	Yes	1d.	£50	No
3% Exchequer Bonds 1930		£15,640,000	£15,640,000	Jan. 1918	100	28 Jan.1930	100	28 January 28 July	No	No	No	No	No	No	No	Yes		£100	No
5% National War Bonds 1923 2nd Series	Cash Subscriptions	£240,537,898	£235,020,368	28 Mar. 1918	100	1 Apl.1923	102	1 April 1 October	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	1d.	£50	Yes
5% Exchequer Bonds 1919		£38,353,700	£38,353,700	2 June 1916		5 Oct.1919	100	5 April 5 October	No	No	No	Yes	Yes	Yes	Yes	Yes	£5	£100	
do. 1921		£135,566,000	£135,566,000	do.		5 Oct.1921	100	5 April 5 October	No	No	No	Yes	Yes	Yes	Yes	Yes	£5	£100	
6% Exchequer Bonds 1920		£161,000,525	£148,651,700	2 Oct. 1916	100	16 Feb.1920	100	16 February 16 August	No	No	No								

Loan	Total from all Registers		Of which Bank of England	Issued Date	Issued Price	Redeemable Date	Redeemable Rate	Dividends due	Available for Payment of Duties	Available for Payment of Profits	Interest Free from Corpora-tion Profits Tax	Stock Interest paid without deduction of Tax at source	Interest free of Income Tax to Foreign residents	Forms of Issue (Bank of England) Interchangeable without fee: Inscribed	Regd.	Bearer	Holdings (B.of E. Issue) transferable in multiples of: Stock	Bonds	Post Office Issue
5% National War Bonds 1925 2nd Series	Cash Subscriptions Conversion of 4½% War Loan do. Exchequer Bds.	£13,547,474 135,735 46,480 £13,729,689	£12,475,209 £145,964 £12,621,173	28 Mar 1918	100	1 Apl.1925	103	1 April 1 October	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	1d.	£50	Yes
5% National War Bonds 1928 2nd Series	Cash Subscriptions Conversion of 4½% War Loan do. Exchequer Bds.	£190,791,394 355,366 198,585 £191,345,345	£183,195,464 £489,667 £183,685,131	do.	100	1 Apl.1928	105	1 April 1 October	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	1d.	£50	Yes
4% National War Bonds 1928 2nd Series	Cash Subscriptions Conversion of 4½% War Loan do. Exchequer Bds.	£51,976,226 31,397 20,266 £52,027,889	£51,975,686 £52,203 £52,027,889	do.	101½	do.	100	1 April 1 October	Yes	Yes	No	Income Tax Compounded		Yes	Yes	Yes	1d.	£50	No
5% National War Bonds 1923 3rd Series	Cash Subscriptions	£179,846,435	£173,781,365	30 Sep. 1918	100	1 Sep.1923	102	1 March 1 September	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	1d.	£50	Yes
5% National War Bonds 1925 3rd Series	Cash Subscriptions Conversion of 4½% War Loan do. Exchequer Bds.	£20,713,653 145,554 70,600 £20,929,807	£18,947,153 £178,739 £19,125,892	do.	100	1 Sep.1925	103	1 March 1 September	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	1d.	£50	Yes
5% National War Bonds 1928 3rd Series	Cash Subscriptions Conversion of 4½% War Loan do. Exchequer Bds.	£284,705,730 811,644 2,537,710 £288,055,084	£272,686,035 £3,184,150 £275,870,185	do.	100	1 Sep.1928	105	1 March 1 September	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	1d.	£50	Yes
4% National War Bonds 1928 3rd Series	Cash Subscriptions Conversion of 4½% War Loan do. Exchequer Bds.	£28,556,603 16,064 13,005 £28,585,672	£28,556,172 £29,500 £ 28,585,672	do.	101½	do.	100	1 March 1 September	Yes	Yes	No	Income Tax Compounded		Yes	Yes	Yes	1d.	£50	No
5% National War Bonds 1924 4th Series	Cash Subscriptions	£29,814,190	£28,183,460	31 Jan. 1919	100	1 Feb.1924	102	1 February 1 August	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	1d.	£50	Yes
5% National War Bonds 1929 4th Series	Cash Subscriptions Conversion of 4½% War Loan do. Exchequer Bds.	£44,453,732 488,189 155,815 £45,097,736	£42,022,893 £583,135 £42,606,028	do.	100	1 Feb.1929	105	1 February 1 August	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	1d.	£50	Yes
4% National War Bonds 1929 4th Series	Cash Subscriptions Conversion of 4½% War Loan do. Exchequer Bds.	£5,456,9 8,414 5,961 £5,471,319	£5,456,819 £14,500 £5,471,319	do.	101½	do.	100	1 February 1 August	Yes	Yes	No	Income Tax Compounded		Yes	Yes	Yes	1d.	£50	No
4% Funding Loan 1960/1990	Cash Subscriptions Conversion of 4½% War Loan do. Exchequer Bds. do. Nat.War Bds.	£288,967,799 1,037,614 18,860,240 100,245,947 £409,111,600	£278,291,118 £114,327,346 £392,618,464	12 June 1919	80	1 May 1960 to 1 May 1990	100	1 May 1 November	Yes at 80 per cent	No	No	No	Yes	Yes	Yes	Yes	1d.	£50	Yes
4% Victory Bonds	Cash Subscriptions Conversion of 4½% War Loan do. Exchequer Bds. do. Nat.War Bds.	£287,919,088 601,212 9,389,939 61,621,606 £359,531,845	£274,998,900 £69,298,100 £344,297,000	do.	85	Annual Drawings	100	1 March 1 September	Yes	No	No	No	Yes	No	Regd. Bonds	Yes		£50	Yes
5½% Exchequer Bonds	Cash Subscriptions Conversion of Exchequer Bds.	£67,215,864 99,531,151 £166,747,015	£56,852,664 £91,064,829 £147,917,493	19 Jan. 1920	100	1 Feb.1925	100	1 February 1 August	No	No	No	No	Yes	Yes	Yes	Yes	1d.	£50	Yes
5-15 Year Treasury Bonds		£23,142,965	£9,604,150 £7,207,990 £2,832,383 £19,644,523	3 May 1920	100	1 May 1935 or before	100	1 May 1 November	No	No	No	No	No	Yes	Yes	Yes	£5	£50	Yes
3½% Conversion Loan		£266,085,713	£164,057,687 £14,464,248 £178,521,935	26 Apl. 1921	Conversion of National War Bonds	1 Apl.1961 or after at Govt. option	100	1 April 1 October	No	No	Yes	No	No	Yes	Yes	Yes	1d.	£50	Yes

Loan	Total from all Registers		Of which Bank of England	Issued		Redeemable		Dividends due	Available for Payment of		Interest Free from Corporation Profits Tax	Stock Interest paid without deduction of Tax at source	Interest Free of Income Tax to foreign Residents	Forms of issue (Bank of England) Interchangeable without fee			Holdings (B. of E. Issue) transferable in multiples of		Post Office Issue
				Date	Price	Date	Rate		Duties	Profits				Inscribed	Regd.	Bearer	Stock	Bonds	
5½% Treasury Bonds 1929 Series "A"	Cash Subscriptions Conversions	247 958 107 ~~£285,856,284~~ ~~52,940,785~~ 90 838 962 £338,797,069	£56,166,536 £93,929,649	1 Jly. 1921	97	1 Apl. 1929	100	1 April 1 October	No	No	Yes	No	No	Yes	Yes	Yes	1d.	£50	Yes
do. Series "B"			£150,096,185 £90,795,737 £240,891,922	1 Oct. 1921	98	do.	100	1 April 1 October	No	No	Yes	No	No	Yes	Yes	Yes	1d.	£50	Yes