Balboa. The standard unit of the currency of the Republic of Panama, it is divided into 100 centesimos.

Balfour Committee on Industry and Trade (1927). A report of this Committee favoured the consolidation of industry as a more "rational" means of reducing excess capacity than free competition. *See* **Rationalisation.**

Baltic Exchange. Abbreviated name of the Baltic, Mercantile and Shipping Exchange. Situated in the City of London, it was formerly a produce exchange concerned with products from the Baltic countries. Although it still deals in imported cereals, its main business now is with the chartering of ships, its members being merchants, brokers, shipowners, and shipbrokers. Most shipbroking business, however, is now done by telephone and not on the floor of the exchange.

Banca di Napoli. A commercial bank with branches throughout Italy and also in New York and Buenos Aires. Founded in 1539, it is one of the oldest banks in Europe.

Banca d'Italia. The central bank of Italy, founded in 1893. Since 1926 it has been the only bank in the country with the right to issue banknotes. Since 1959 its shares have all been held by other Italian banks and insurance companies, most of these being state-owned. Its head office is in Rome. It has a small number of branches.

Banca Nazionale del Lavore. The largest Italian commercial bank, with its head office in Rome. It has an interest in the Banque Européenne de Crédit à Moyen Terme (*q.v.*)

Banco do Brasil. The principal bank of Brazil.

Bancogiro. The transfer of a credit from the account of one customer to that of another of the same bank. *See and compare* **Postal giro.**

Bancor. For the international monetary conference at Bretton Woods (1944) the British delegation under Lord Keynes worked out a plan for international monetary co-operation which proposed an international currency with the bancor as unit. *See* **Bretton Woods Agreement; International Monetary Fund.**

Bandesco. A Spanish development bank formed by a consortium of Barclays and six other European and American banks.

Bani. A subunit of currency of Romania, 100 bani being equal to one leu.

Bank. A comprehensive term for a number of institutions carrying on certain kinds of financial business. Several types of bank are to be found in England: (*a*) trustee savings banks, which formerly restricted their business to accepting deposits, but which in recent years have widened their range of activities; (*b*) commercial (or joint-stock) banks which do most kinds of banking business—accepting deposits, allowing customers the use of cheques, granting credit by loan or overdraft, discounting bills of exchange, foreign exchange transactions, acting as agents for customers in the sale or purchase of stock exchange securities, acting as executors or trustees, and providing safe custody for valuables; (*c*) merchant banks which still to a considerable extent specialise in business connected with bills of exchange, especially the acceptance of foreign bills; (*d*) central banks, the main business of which is to carry out a country's monetary policy. There are also (*e*) investment banks, but these have never been popular in Great Britain. They acquire shares in limited companies on their own account and not merely as agents for their customers. Sometimes banks are established to undertake specialised banking functions for particular industries, as in France, where there are agricultural banks, a bank for building and public works, a cotton bank, and several others. In some countries, as for example the United States, the finance of house purchase by mortgage is undertaken by banks, but in Great Britain, though some such business is undertaken by the commercial banks, it is mainly in the hands of specialist building societies. *See also* **Banking; Banking Act 1979; Bank of England; "Big Four"; Central bank; Commercial bank; Investment bank; Merchant banks; Trustee savings banks.**

Bank acceptance. A bill of exchange that has been accepted by a bank, when it becomes a bank bill. *See* **Bill of exchange.**

Bank account. There are several types of bank account – deposit accounts, current accounts, loan accounts (qq.v.).

Bank advances. An item in the balance sheet of a commercial bank showing the extent of its lending to customers by loan or overdraft. Businesses in all branches of industry and commerce borrow working or circulating capital from the banks, which also lend to professional men and private borrowers. Bank advances form one of the less liquid assets of a bank and, together with investments, comprise about 75 per cent of the total assets of a bank. When suitable borrowers are to be found advances tend to increase at the expense of investments, but when industry is depressed investments increase at the expense of advances. Since increases in advances also increase bank deposits (*see* **Credit**) a restrictive monetary policy aims at checking bank lending. Apart, however, from temporary checks of this kind bank advances have increased steadily in recent times largely as a result of inflation.

BankAmericard. A credit card (*q.v.*) issued by the Bank of America, it was the first bank credit card to come into use. By 1970 over 8 million had been issued in California. There are reciprocal facilities for holders of the Barclaycard (*q.v.*). BankAmericard is the largest Visa credit card. *See* **Visa.**

Bank Bill. A bill of exchange which has been accepted by an accepting house of merchant bank or by a commercial bank in order to increase its negotiability.

Bank cash card. A bank customer's personal card for use in a cash dispenser (*q.v.*).

Bank chain. Branch banking in the United states is limited to only a few states. Two ways have been found for circumventing state legal restrictions on bank expansion: (*a*) by means of interlocking directorates, and (*b*) by the formation of holding companies. The former has led to the development of bank chains, and the latter to the growth of bank groups. In general the bank chains are smaller than the bank groups.

Bank charges. Commission charged by a bank to a customer for the management of his account. Usually no charge is made if a satisfactory credit balance is maintained.

Bank Charter Act 1826. An Act which (*a*) permitted the establishment of joint-stock banks in England provided they were situated outside a radius of 65 miles (104 km) from London; (*b*) allowed the Bank of England to open branches outside London; (*c*) prohibited the issue of banknotes for denominations under £5 in England. The act expressly exempted the Scottish banks, which were to be allowed to continue to issue notes.

Bank Charter Act 1833. An Act which removed the limitation of the rate of interest to 5% on bills of exchange for periods of up to three months, which in effect made it possible for bank rate to be raised above this rate. The Act also made Bank of England notes legal tender in England and Wales for amounts over £5.

Bank Charter Act 1844. One of the most important acts of Parliament affecting banking in England. It was passed by the government of Sir Robert Peel because of a demand for Parliament to control the issue of banknotes after a series of banking crises during 1825–37, which it was thought were due mainly to the overissue of banknotes by many banks. Before the Act was passed there was keen controversy between two schools of thought – the "currency school", which favoured a rigid control of the note issue, and the "banking school", which considered that a flexible note issue was required for an expanding economy. The Act showed the influence of the currency school. It divided the work of the Bank of England into two parts, an Issue Department and a Banking Department. The Issue Department was to be solely concerned with the note issue. A balance sheet – the Bank Return – had to be published each week. A small fiduciary issue was permitted to the Bank of England, but apart from that all notes had to be fully backed by gold or to a very limited extent by silver. The note issues of other banks of issue were not to exceed their average circulation during the twelve weeks immediately before the passing of the Act. No new bank was permitted to issue notes at all, and a bank was to lose its right to issue notes if it opened a branch in London or amalgamated with another bank. If any bank lost its right to issue notes the Bank of England was to be allowed to increase its fiduciary issue, but only up to two thirds of the value of the lapsed issue. The eventual result of this clause was to make the Bank of England the sole bank of issue in England, though this was not achieved until 1921. The Bank Charter Act of 1844 has never been repealed but an increase in the note issue has been achieved by a huge expansion in the fiduciary issue of the Bank of England which, with the permission of the Treasury, the Act of 1928 made possible. *See* **Currency and Bank Notes Act 1928.**

Bank consortium. A banking group, usually international in character, formed to make funds available for medium-term lending on the scale required to meet the needs of large, international concerns. The funds usually take the form of Euro-dollars. One of the earliest to be established was the Midland and International Bank (MAIBL) (*q.v.*), dating from 1964.

Bank credit. Banks lend by granting loans or overdrafts to customers, or lend to the government by the purchase of government stocks. When banks increase their lending this also increases their deposits. Unlike other lenders a bank does not require to possess what it lends. Since about 80% of money used in Great Britain today consists of bank deposits, an increase in bank credit is an increase in purchasing power. *See* **Credit.**

Bank credit transfer. *See* **Credit transfer.**

Bank deposits. The amount standing to the credit of the customers of a bank. Deposits become the property of the banker but must be repaid when asked for. Deposits are not held in trust but are borrowed from customers. Accepting deposits is the oldest function of a bank, and deposits still form the principal liability of a bank. British commercial banks accept deposits from their customers either on current account or on deposit or savings account, these terms in the United States being respectively demand and time deposits.

Bank deposits

Date	*£ million*
1844	50
1865	200
1894	600
1900	734
1913	962
1938	2,277
1945	4,692
1955	6,400
1960	7,236
1965	9,454
1967	10,129
1969	10,650
1971	12,055
1973	16,187
1975	22,783
1977	24,613
1979	31,122
1982	134,649
1983	166,111

Bank deposits on current account are of great economic importance, since they can be transferred by cheque from one person's account to another's and so serve as a means of payment. Bank deposits are the most important type of money today. In calculating the total of this kind of money it is usual to add together the deposits on both current and deposit accounts at the commercial banks, on the ground that transfers can easily be made from deposit to current accounts. Over the past twenty-five years bank deposits have increased enormously in all countries. The table shows the increase in the deposits of the London Clearing Banks.

Bank disclosure. Only when required to do so by a court of law is a bank compelled to supply information regarding a customer's accounts, except that all banks are required to inform the Inland Revenue of any interest credited to customers' deposit or saving accounts when the amount exceeds £25.

Bank draft. A cheque drawn on a bank. When a creditor is unwilling to accept a personal cheque in payment a bank draft can be used. Being drawn on a bank it is more acceptable than a cheque, the debtor having paid the bank for it in advance.

Banker and customer. At law the relationship between these two parties is that of debtor and creditor, bank deposits not being held in trust for the depositor but borrowed by the banker. In the collection of a customer's cheques the relation of banker and customer is that of principal and agent.

Bankers' bank. One of the functions of a central bank is to act as banker to the commercial banks. *See* **Bank of England.**

Banker's card. An alternative term for cheque card (*q.v.*).

Bankers' Clearing House. *See* **London Bankers' Clearing house.**

"Bankers' Club". A popular term for the meetings at Basle of the Bank for International Settlements (BIS) and the Group of Ten (*qq.v.*)

"Banker's dilemma". The name sometimes given to the compromise that a banker has to make between his concern for the liquidity of his assets on the one hand and his desire for profit-earning assets on the other. Liquidity of its assets gives a bank greater safety but the more liquid an asset the less profit it earns.

Bankers' Industrial Development Com-

pany. Founded 1930, its share capital was subscribed by the Securities Management Trust, a subsidiary of the Bank of England which has a controlling interest, the commercial banks and the merchant banks. The company was established to provide assistance to industry for longer periods than was the usual banking practice at a time when even some of the older and larger firms were feeling the strain of the Great Depression.

Banker's lien. A lien is the right to retain property which has been deposited by a borrower as security for a loan. Thus, a banker has a right to retain collateral deposited as security against a loan if the loan is not repaid, but a banker's lien does not cover securities left with the bank for safe custody.

Bankers' Provincial Clearing Houses. Formerly there were Clearing Houses in most large cities, but now the only Provincial Clearing house is that at Liverpool.

Banker's reference (or **opinion**). A trader who desires credit from his supplier may be asked for references. As one of his references he can give the name of his banker. Such a reference cannot be taken up directly as inquiry must be made through the supplier's own banker. A report by a banker on a customer is given in very general terms.

Banker, The. A journal devoted to topics of interest to those employed in banking.

Bank for International Settlements. A bank established in 1930 at Basle by representatives of the leading central banks, primarily to facilitate reparations payments under the Young Plan (*q.v.*) It came near to being liquidated on the establishment of the IMF but it has shown a remarkable capacity for adapting itself to changing circumstances, and is has proved itself to be a useful international banking institution. In 1948 it became banker to the Organisation for European Economic Co-operation, in 1950 to the European Payments Union, and in 1954 to the European Coal and Steel Community. Its importance increased very considerably during the 1960s when it became associated with the centre for central bank cooperation and the Group of Ten (*q.v.*), so that it appears to have fully justified its continued existence. It also acted as agent to the gold pool. It assists "swap" transactions between central banks. (*See* **Swap facilities.**) Regular monthly meetings are held at its office in Basle, at which the United States also is represented.

Bank giro credit. A system of credit transfer, it is a useful means of making payment through a bank especially by a person who has no current account. It is somewhat similar to a credit transfer. It is necessary for the payer to know the name of the payee's bank, and usually his account number. *See* **National giro.**

Bank group. *See* **Bank chain.**

Bank Holiday. Established by an act of 1871, sponsored by Sir John Lubbock. There are now eight bank holidays in England and Wales (New Year's Day being added in 1974 and May Day in 1978), seven in Scotland and nine in Northern Ireland. Bills due on these days are payable on the next working day, except in the case of Good Friday and Christmas Day, when they fall due the previous day.

Banking. In England banking had its origin with the London goldsmiths who in the seventeenth century began to accept deposits from merchants and others who, unlike the goldsmiths, had no place for the safe keeping of money and other valuables. The next stage in the development of banking came when the receipts for these deposits began to be used as a means of payment, later being superseded by the issue of banknotes. The goldsmiths also became lenders, at first of money and later of their own banknotes. Banking, at first merely a sideline to other business, expanded to such an extent that it had to be hived off from the ordinary business of the goldsmith and became a separate business in its own right .

The Bank of England (*q.v.*) was founded in 1694, principally for the purpose of lending money to the government, though it also undertook some ordinary banking business. At an early date it became the only bank in London with the right to issue banknotes, and until 1826 it was also the only joint-stock bank in England, all the others being private banks. Outside London banking developed as a sideline to the businesses of merchants or manufacturers, but there was little expansion of banking outside London until the Industrial Revolution. In 1821 there were 62 banks in London and 781 "country" banks, all private except the Bank of England. Joint-stock banks, apart from the Bank of England, could not be established in London until

1833.

During the years 1815–30 there were over 200 bank failures in England, but very few in Scotland, where many joint-stock banks in addition to the Bank of Scotland (founded 1695) had been established. The joint-stock banks proved better able to withstand financial crises, and this led to a great expansion of joint-stock banking in England, where by 1836 there were 99.

Large-scale banking developed in two ways: (*a*) by the opening of new branches, and (*b*) by the amalgamation of existing banks. During the half century 1840–90, the number of private banks in England fell from 321 to 155, though still outnumbering the joint-stock banks. Branch banking developed slowly. In 1865 the London and County Bank had 127 branches, but at that date there were only two other banks with more than 30 branches. In 1890 nine banks each had over 50 branches, these banks together having over 900 branches. Before 1913 bank amalgamations were mostly small affairs (*a*) between small country banks, (*b*) between private banks and joint-stock banks, and (*c*) between London banks and country banks, even though to have a branch in London often meant that a country bank had to sacrifice its right to issue banknotes. By 1913 branch banking was well established, thirty-seven joint-stock banks having between them a total of over 6000 branches. Although at that date there were still sixty private banks, these had a total of only 400 branches.

It was during the years immediately after the First World War that the "Big Five" were created as a result of further amalgamations among the larger banks. A Treasury Committee recommended that no further amalgamations should take place without its prior approval. No further important amalgamation took place until the merger of the National Provincial and the District in 1962. Then in 1968 the National Provincial and the Westminster to form the National Westminster, and Barclays took over Martins. This reduced the "Big Five" to the "Big Four": Barclays, Lloyds, Midland and NatWest. These control three of the four Scottish banks, the Bank of Scotland being the only independent commercial bank in Scotland. In 1958 each of the large English banks acquired an interest in a hire-purchase finance company.

Each of the "Big Four" has between 1000 and 2000 branches. The feature of the British banking system is a small number of banks, each with branches all over the country. *See also* **Bank; Branch banking.**

Banking Act 1945. An Australian act which empowered the Commonwealth Bank of Australia (now the Reserve Bank of Australia) to compel each of the Australian Trading Banks (that is, the Australian commercial banks) to maintain such deposits with it in a Special Account as it might require.

Banking Act 1979. An Act which prohibited institutions in the United Kingdom from accepting deposits unless authorised to do so by the Bank of England. Two types were delineated under the Act: (*a*) recognised banks offering a wide range of services, and (*b*) licensed deposit takers offering a narrow and specialised range of financial services.

Banking Department. One of the two departments into which the work of the Bank of England was divided by the bank Charter act 1844, the other being the Issue Department. *See* **Bank Return.**

Banking school. During 1825–37 a number of banking crises occurred in England, and these led to a demand for parliamentary intervention to control the issue of banknotes. There were two schools of thought, the currency school (q.v.) and the banking school, the former believing that strict measures were needed to restrict the note issues of the banks, whereas the members of the banking school believed that the note issue should not be so restricted but should be flexible and made to suit the needs of business at the time. Though the Bank Charter Act of 1844 showed the influence of the currency school, neither group foresaw the future development of the use of cheques, a more flexible monetary medium than the banknote.

Bank money. Bank deposits used as money, that is in an account where they are subject to withdrawal by cheque. *See* **Bank deposits.**

Banknote. A note issued by a bank for a sum of money which it promises to pay the bearer on demand. At the present time notes of four denominations are issued by the Bank of England – £5, £10, £20 and £50. The Scottish banks also issue

£100 notes. Before 1940 notes of higher denominations were issued by the Bank of England, since 1921 the only bank in England with the right to issue notes. Banknotes had their origin in England in the receipts issued by goldsmiths when money was deposited with them. At first banknotes were really only substitutes for money, their value being dependent on their ability to be exchanged on demand for gold coin of equivalent value. It was not until 1931, when English banknotes became inconvertible, that banknotes really became money in their own right. They can serve as money only so long as confidence in them is maintained. *See* **Bank of issue; Convertibility; Inconvertible banknotes.**

Bank of America. California is one of the few states in the United States which permits branch banking, but in no case are US banks allowed to have branches in more than one state. The Bank of America with over 1000 branches is the largest bank in the world and although it has over 100 branches abroad, all its American Branches, in spite of its name, are in the state of California. It has, however, a wholly owned subsidiary – Bank of America (International Service) in New York. Its associate, Banca di America e Italia, has 85 branches in Italy. It also has an interest in the Société Financière Européenne. The Bank of America was the first bank in the world to issue credit cards. *See* **BankAmericard.**

Bank of Canada. The central bank of Canada, it was established in 1934. Since 1935 it has been the sole bank of issue in that country. It was nationalised in 1938, It is located at Ottawa.

Bank of England. Founded in 1694 by a group of City of London merchants for the purpose of lending money to William III. It differed in two ways from other British banks to the time in being a joint-stock company and having limited liability. At first its business differed from that of its contemporaries in only one respect, namely that it was banker to the government, although in consequence its prestige stood higher than that of other banks. Gradually it developed into a powerful central bank with control over the policy of the other banks. Even within a hundred years of its foundation Adam Smith was able to say of it: "It acts, not only as an ordinary bank, but as a great engine of state". Its slow development as a central bank is not surprising when it is remembered that the first attempt to formulate a set of principles of central banking was not made until 1877 when Bagehot published his book, *Lombard Street.*

During the eighteenth century it continued to function very much like the other banks, and it was only after a succession of financial crises in the nineteenth century that it began to take to itself functions which are now regarded as those of a central bank. Excessive lending by the smaller banks, mainly in the form of overissues of banknotes, brought on the crises of 1825 and 1837, and resulted in many bank failures. In 1825 the Bank of England did nothing to relieve the crisis, but in 1837 it acted for the first time as lender of last resort.

These crises led to a demand for legislation to control the note issues of the banks, the result being Peel's Bank Charter Act of 1844. The aim of this Act was to restrict the note issue. It divided the work of the Bank of England into two departments: the Issue Department and the Banking Department. The Issue Department was to concern itself solely with the note issue. The Bank was permitted a fiduciary issue of £14 million, but all notes issued in excess of this amount were to be fully backed by gold or, up to 20 per cent of the total value, by silver. Other banks of issue, of which there were seventy-two in 1844, were not to exceed their average circulation during the twelve weeks immediately before the passing of the Act. No new bank was permitted to issue notes, and a bank was to lose this right if it opened a branch in London or amalgamated with another bank. The ultimate effct of this was to make the Bank of England the only bank in the country with the right to issue banknotes.

The Act of 1844 also compelled the Bank of England to publish a weekly balance sheet, the Bank Return (*q.v.*). In the financial crises of the later years of the nineteenth century the Bank of England developed more fully as a central bank and began to use its bank rate as an instrument of monetary policy. In the crises of 1847 and 1957 the Bank acted as lender of last resort, the government agreeing to indemnify it if in doing so it contravened the Act of 1844. By the end of the century the Bank of England was actively controlling the credit policy of the commercial banks.

The functions of the Bank of England can be briefly summarised: (a) it is now the sole bank of issue in England, though some Scottish and Northen Ireland banks retain the right to limited issues of notes; (*b*) it is the government's bank, and manages the national debt; (*c*) it is the bankers' bank, the commercial banks maintaining balances with it; (*d*) it acts as lender of last resort – an essential function of a central bank – that is, it is willing to lend to certain members of the money market when the commercial banks are unwilling to do so; (*e*) it supervises the activities of the financial and other markets, a function introduced in 1980 as recommended by the Wilson Report (*q. v.*); (*f*) in collaboration with the Chancellor of the Exchequer and the Treasury, it is responsible for carrying out the country's monetary policy; (*g*) it acts as agent for the Treasury in many matters affecting Great Britain's monetary relations with other countries through the Exchange Equalisation Account, the International Monetary Fund and the World Bank; (*h*) the country's gold reserves are stored at the Bank of England. It still continues to do a little ordinary banking business.

Through its subsidiaries the Bank of England gives assistance to industry. It has a large shareholding in United Dominions Trust. Through the Securities Management Trust it has a controlling interest in the Bankers' Industrial Development Company. It also has an interest in Finance for Industry (*q.v.*). In 1946 the Bank of England was nationalised. It has branches in Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle-upon-Tyne, Southampton and the Law Courts (London).

Bank of England Quarterly Bulletin. A quarterly survey of the current economic situation of the United Kingdom, first published in December 1960. It provides up-to-date statistics and articles on banking, monetary, and other financial matters.

Bank of France. *See* **Banque de France.**

Bank of Ireland. The oldest bank in Ireland, established in 1783, it never developed into a central bank. The Currency Act of 1927 set up a Currency Commission to supervise its note issue, this Commission being dissolved in 1942 when the Central Bank of Eire was established.

Bank of issue. A bank possessing the right to issue banknotes. This was a privilege which all early banks desired. Since 1921 the Bank of England has been the only bank of issue in England, and though some Scottish banks and some banks in Northern Ireland still retain this privilege the extent of these issues is strictly limited.

Bank of Italy. *See* **Banca d'Italia.**

Bank of London and Montreal. A bank established in 1958, with its head office in Nassau in the Bahamas, to explore banking possibilities in the West Indies. It is a fully owned subsidiary of Lloyds International Bank (*q.v.*).

Bank of Montreal. The largest commercial bank of Canada, it has over 950 branches at home and abroad, including branches at London, Paris, and Dusseldorf.

Bank of New York. Founded in 1784 by Alexander Hamilton, it is the oldest bank in New York.

Bank of Scotland. The oldest bank in Scotland, founded in 1695, a year after the establishment of the Bank of England. In spite of its name it has never acted as a central bank. It still issues its own notes, but the issue has to be fully backed by Bank of England notes of equivalent value. In 1958 it acquired an interest in North West Securities Ltd., a finance house. In 1969 it merged with the British Linen Bank to form the Bank of Scotland Group in which Barclays Bank has a 35 per cent interest. In 1985 it merged with Williams and Glyns (*q.v.*).

Bank post bills. A device introduced in 1738 and formerly employed to defeat highwaymen. Not being payable until seven days after sight such bills could not be cashed immediately like banknotes, and so banks could be warned to stop payment.

Bank rate. The minimum rate at which until 1972 the Bank of England, acting in its capacity as "lender of last resort", was prepared to discount – or more accurately, rediscount – first-class or bank bills of exchange, brought to it by members of the London money market. Bank rate, however, was of much greater importance than this, since it was the oldest instrument of monetary policy employed by the Bank of England, and many other rates of interest – for example, the rate charged by commercial banks on loans and overdrafts to customers, and also the rate on deposit accounts – moved up and down with bank rate. Some other financial institutions also found it necessary to vary their rates of interest with changes in bank rate – the deposit rate of finance houses, the rate of interest on mortgage loans of municipal corporations, and both the borrowing and deposit rates of building societies, though not necessarily with every change in bank rate. During the latter part of the nineteenth century the Bank of England employed bank rate in conjunction with open-market operations (*q.v.*) in order to expand or contract the supply of money, a high bank rate discouraging borrowing and a low rate encouraging it. In carrying out its monetary policy at that time the Bank of England regarded its bank rate as its principal instrument of policy, open-market operations being employed, so it was said, only "to make bank rate effective".

After 1931 it was argued that bank rate was not an effective instrument of monetary policy, a low rate not necessarily encouraging lending in a severe depression, and so not stimulating recovery. As a result bank rate fell into disuse. Between 1932 and 1951, when bank rate was revived, it remained unchanged at 2 per cent except for a brief period on the declaration of war in 1939. After 1951 there have been wide variations in bank rate. There was a wide difference of opinion regarding the effectivenes or otherwise of bank rate. Those who opposed the use of bank rate as an instrument of monetary policy pointed out that since its revival in 1951 it had always been accompanied by other instruments of policy – variations in hire purchase regulations, changes in purchase tax, the Treasury directive at first and special deposits more recently – the so-called "package deal" (*q.v.*). Some of those who favoured the use of bank rate pointed out, however, that it was often slow to take effect, as during the Great Depression of the early 1930s. It was said too that it had an important psychological effect as an indication of the intentions of the monetary authorities. The introduction of base rate (*q.v.*) in 1971 reduced the importance of bank rate, and in 1972, after 270 years as the regulator of interest rates in the UK it was superseded by minimum lending rate (*q.v.*). In 1981 it was decided that changes in MLR should no longer be publicly announced.

Bank Reconciliation Statement. *See* **Reconciliation statement, bank.**

Bank Restriction Act 1797. Until the Napoleonic Wars the Bank of England had continuously maintained the convertibility of its notes into gold on demand. The heavy drain on the Bank's resources, however, during that war compelled it to cease payment in gold, permission to do so being granted by an Order in Council. Banknotes in denominations of £2 and £1 were issued, the Act of 1797 making them legal tender. Cash payments were not resumed until 1821.

Bank restriction period. The period 1796–1819 during which Bank of England notes were not convertible for gold on demand.

Bank Return. The weekly balance sheet which the Bank of England has been compelled to issue by the Bank Charter Act of 1844. It is published every Wednesday, and is issued in two parts, one for the Issue Department and the other for the Banking Department.

The return for the Issue Department shows the extent of the note issue, the value of the notes in circulation and the reserve of notes held in the Banking Department. The assets of the Issue Department consist mainly of securities: government debt (loans made to the government by the Bank of England during the first hundred and fifty years of its existence, generally in return for a renewal of its charter, government securities (government bonds and Treasury bills), other securities (other first-class securities such as bank bills and fine trade bills). These securities, together with coin other than gold, provide the backing for the fiduciary issue (*q.v.*). No gold is now held in the Issue Department, most of the country's gold now being held by the Exchange Equalisation Account (*q.v.*).

The principal liabilities of the Banking Department are (*a*) capital, subscribed by the stockholders when the Bank of England was a public limited company; (*b*) the rest, the Bank's reserve, accumulated out of undistributed profits; (*c*) public deposits, the balance standing to the credit of government accounts; (*d*) bankers' deposits, the balances of the commercial banks; (*e*) special deposits (if any), compulsory deposits of the English and Scottish commercial banks demanded