
FOREIGN BANKING LAWS AND REPORTS

NATIONALIZATION OF THE BANK OF ENGLAND

The Bank of England, chartered as a private corporation on July 27, 1694, passed to the ownership of the British Government under the terms of the Bank of England Act, 1946, which received the Royal Assent on February 14. On March 1, the "appointed day" set by the Treasury, the Bank began operations as a Government institution and the new Court of Directors, whose appointment by the King was announced a few days earlier, held its first meeting. The Governor, Deputy Governor, and 13 of the former directors were reappointed and three new directors completed the roster of 16.

The bill for nationalization of the Bank was introduced in Parliament on October 10, 1945, and inaugurated the socialization program announced by the Labor Party in the election campaign of the preceding summer.

The text of the Act and its three schedules is given herewith.

THE BANK OF ENGLAND ACT, 1946

An Act to bring the capital stock of the Bank of England into public ownership and bring the Bank under public control, to make provision with respect to the relations between the Treasury, the Bank of England and other banks and for purposes connected with the matters aforesaid. (February 14, 1946.)

Be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

1—Transfer of Bank stock to Treasury. (1) On the appointed day

(a) the whole of the existing capital stock of the Bank (hereinafter referred to as "Bank stock") shall, by virtue of this section, be transferred, free of all trusts, liabilities and incumbrances, to such person as the Treasury may by order nominate, to be held by that person on behalf of the Treasury;

(b) the Treasury shall issue, to the person who immediately before the appointed day is registered in the books of the Bank as the holder of any Bank

stock, the equivalent amount of stock created by the Treasury for the purpose (hereinafter referred to as the "Government stock").

(2) The Government stock shall bear interest at the rate of three per cent per annum; and the equivalent amount of Government stock shall, in relation to any person, be taken to be such that the sum payable annually by way of interest thereon is equal to the average annual gross dividend declared during the period of 20 years immediately preceding the 31st day of March, 1945, upon the amount of Bank stock of which that person was the registered holder immediately before the appointed day.

(3) The Government stock may be redeemed at par by the Treasury on or at any time after the 5th day of April, 1966, after giving not less than three months' notice in the London Gazette of their intention to do so.

(4) After the appointed day, no dividends on Bank stock shall be declared but in lieu of any such dividends the Bank shall pay to the Treasury, on every 5th day of April and of October, the sum of 873,180 pounds, or such less or greater sum as may from time to time be agreed upon between the Treasury and the Bank.

(5) The incidental and supplemental provisions set out in the First Schedule to this Act shall have effect with respect to the Government stock and to the sums payable to the Treasury under the last foregoing subsection.

2—Court of directors of the Bank. (1) On the appointed day, all persons who are, immediately before that day, holding office as Governor, Deputy Governor or director of the Bank shall vacate their office, and on and after that day there shall be a Governor, a Deputy Governor and sixteen directors of the Bank, who shall be the court of directors.

(2) The Governor, Deputy Governor and other members of the court of directors shall be appointed by His Majesty.

(3) The provisions of the Second Schedule to this Act shall have effect as respects the tenure of

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office, qualifications and employment of members of the court of directors and meetings of the court.

3—Consequential provisions as to constitution and powers of the Bank. (1) So much of any enactment as limits the duration of the Bank as a body corporate shall cease to have effect.

(2) As from the appointed day every member of the court of directors of the Bank shall be a member of the said body corporate, notwithstanding that he holds no Bank stock, and accordingly the members of the said body shall be the members for the time being of that court together with the person who for the time being holds the Bank stock on behalf of the Treasury.

(3) As from the appointed day His Majesty may revoke all or any of the provisions of the charters of the Bank except insofar as they incorporate the Bank, and thereafter, subject to the provisions of this Act, the Bank shall be constituted and regulated in accordance with so much of the said charters as remains unrevoked and such other charters as may from time to time be granted by His Majesty and accepted on behalf of the Bank by the court of directors.

(4) The enactments set out in the Third Schedule to this Act are hereby repealed as from the appointed day to the extent specified in the third column of that Schedule.

4—Treasury directions to the Bank and relations of the Bank with other banks. (1) The Treasury may from time to time give such directions to the Bank as, after consultation with the Governor of the Bank, they think necessary in the public interest.

(2) Subject to any such directions, the affairs of the Bank shall be managed by the court of directors in accordance with such provisions (if any) in that behalf as may be contained in any charter of the Bank for the time being in force and any by-laws made thereunder.

(3) The Bank, if they think it necessary in the public interest, may request information from and make recommendations to bankers, and may, if so authorised by the Treasury, issue directions to any banker for the purpose of securing that effect is given to any such request or recommendation.

Provided that:

(a) no such request or recommendations shall be made with respect to the affairs of any particular customer of a banker; and

(b) before authorising the issue of any such

directions the Treasury shall give the banker concerned, or such person as appears to them to represent him, an opportunity of making representations with respect thereto.

(4) If, at any time before any recommendations or directions are made or given in writing to a banker under the last foregoing subsection, the Treasury certify that it is necessary in the public interest that the recommendations or directions should be kept secret, and the certificate is transmitted to the banker together with the recommendations or directions, the recommendations or directions shall be deemed, for the purpose of section two of the Official Secrets Act, 1911, as amended by any subsequent enactment, to be a document entrusted in confidence to the banker by a person holding office under His Majesty; and the provisions of the Official Secrets Acts, 1911 to 1939, shall apply accordingly.

(5) Save as provided in the last foregoing subsection, nothing in the Official Secrets Acts, 1911 to 1939, shall apply to any request, recommendations or directions made or given to a banker under subsection (3) of this section.

(6) In this section the expression "banker" means any such person carrying on a banking undertaking as may be declared by order of the Treasury to be a banker for the purposes of this section.

(7) Any order made under the last foregoing subsection may be varied or revoked by a subsequent order.

(8) This section shall come into operation on the appointed day.

5—Interpretation. For the purposes of this Act

(a) the expression "the Bank" means the Bank of England;

(b) the appointed day shall be such day as the Treasury may by order appoint, not being later than three months from the date of the passing of this Act.

6—Short title. This Act may be cited as the Bank of England Act, 1946.

FIRST SCHEDULE

INCIDENTAL AND SUPPLEMENTAL PROVISIONS AS TO THE GOVERNMENT STOCK AND SUMS PAYABLE BY THE BANK TO THE TREASURY

1. The principal of and interest on the Government stock, and any expenses incurred in connec-

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tion with the issue or redemption thereof, shall be charged on and issued out of the Consolidated Fund of the United Kingdom or the growing produce thereof (hereafter in this Schedule referred to as "the Consolidated Fund").

2. There shall be paid to the Bank and the Bank of Ireland out of the Consolidated Fund such sums in respect of the management in any financial year of the Government stock as may be agreed upon between the Treasury and those Banks respectively.

3. The interest on the Government stock shall be payable on the 5th day of April and the 5th day of October in each year.

4. A full half year's interest on the Government stock shall be payable on whichever of the dates mentioned in the last foregoing paragraph occurs first after the appointed day, and shall be deemed to have accrued from day to day during the six months preceding that date.

5. The interest on the Government stock shall be paid out of the permanent annual charge for the National Debt.

6. Section 47 of the Finance Act, 1942 (which empowers the Treasury to make regulations as respects the transfer and registration of stock and registered bonds of the descriptions specified in Part I of the Eleventh Schedule to that Act), and any regulations made thereunder which are in force immediately before the appointed day, shall have effect as if the Government stock were included among the stocks mentioned in the said Part I and among the stocks to which the said regulations apply.

7. Where immediately before the appointed day any dead person is registered in the books of the Bank as the holder or one of the joint holders of any Bank stock, any Government stock purporting to be issued to him, or to him and the other joint holders, shall be deemed to be duly issued to his personal representatives, or to the survivors or the personal representatives of the last survivor of the joint holders, as the case may be; and, in the case of administrators, as well as in the case of executors, this paragraph shall have effect notwithstanding that there is no grant of representation to them until after the appointed day.

8. The Government stock issued in substitution for any Bank stock shall be held in the same rights and on the same trusts and subject to the same powers, privileges, provisions, charges, restraints and liabilities as those in, on or subject to which

the Bank stock was held immediately before the appointed day, and so as to give effect to and not revoke any deed, will, order, mandate, notice or other instrument or testamentary or other disposition disposing of or affecting the Bank stock, and every such instrument or disposition shall take effect with reference to the whole or a proportionate part, as the case may be, of the substituted Government stock.

9. Trustees, executors and all other holders in any representative or fiduciary capacity of any Bank stock may hold, dispose of or otherwise deal with the Government stock issued in substitution therefor in all respects as they might have held, disposed of or otherwise dealt with the Bank stock.

10. Paragraphs 3, 4 and 5 of the Second Schedule to the National Loans Act, 1939 (which applies certain enactments to securities issued under that Act), shall have effect as if references to securities issued under that Act included references to the Government stock.

11. The Government stock shall be subject to the provisions of the National Debt Act, 1870, so far as is consistent with the tenor of this Act.

12. The Treasury may, for the purpose of providing any sums required by them in order to redeem the Government stock in accordance with section one of this Act, raise money in any manner in which they are authorised to raise money under the National Loans Act, 1939, and any securities created and issued to raise money under this paragraph shall be deemed for all purposes to have been created and issued under that Act.

13. The sums paid by the Bank to the Treasury in lieu of dividends on Bank stock shall be paid into the Exchequer, and issued out of the Consolidated Fund at such times as the Treasury may direct, and applied by the Treasury to the payment of any interest which would apart from this paragraph have fallen to be paid out of the permanent annual charge for the National Debt.

14. In charging the profits and gains of the Bank for the purposes of income tax for any year of assessment, the sums paid by the Bank as aforesaid in that year shall be allowed as a deduction.

SECOND SCHEDULE

SUPPLEMENTAL PROVISIONS AS TO COURT OF DIRECTORS

1. The term of office of the Governor and of the Deputy Governor shall be five years.

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2. The term of office of the directors shall be four years, and four of them shall retire each year on the anniversary of the appointed day:

Provided that, of the directors appointed to take office on the appointed day, four shall be appointed to hold office until the first anniversary of that day and shall then retire, four shall be appointed to hold office until the second anniversary of that day and shall then retire, and four shall be appointed to hold office until the third anniversary of that day and shall then retire.

3. A person who has held the office of Governor, Deputy Governor or director shall be eligible for re-appointment to that office or for appointment to any other of those offices.

4. A person shall be disqualified for holding the office of Governor, Deputy Governor or director if

(a) he is a Member of the Commons House of Parliament or a Minister of the Crown, or a person serving in a Government Department in employment in respect of which remuneration is payable out of moneys provided by Parliament; or

(b) he is an alien within the meaning of the British Nationality and Status of Aliens Acts, 1914 to 1943; or

(c) he is subject to any disqualification which may be imposed by the charter of the Bank;

and a person shall vacate any such office if he becomes subject to any such disqualification.

5. Where the office of a director is vacated under the foregoing paragraph, or by death or resignation, a person appointed to fill the vacancy shall hold office until the time when the person in whose place he was appointed would regularly have retired, and shall then retire.

6. Not more than four of the directors may be employed to give their exclusive services to the Bank.

7. The following provisions shall have effect as respects any meeting of the court of directors held on or after the appointed day but before a charter making provision for the matters dealt with by

this paragraph has been granted and accepted under this Act:

(a) the meeting may be called by the Governor or Deputy Governor in such manner as he may determine;

(b) a quorum shall consist of not less than eight directors together with the Governor or Deputy Governor;

(c) when a quorum is present the court may act notwithstanding that a vacancy exists among the members of the court.

THIRD SCHEDULE

ENACTMENTS REPEALED

Session and chapter	Short title	Extent of repeal
5 & 6 W. & M. c. 20	The Bank of England Act, 1694	Section 25
8 & 9 Will. 3. c. 20	The Bank of England Act, 1696	Sections 30, 32, 45 and 49
7 Ann. c. 30	The Bank of England Act, 1708	Sections 60, 61, 70 and 77
8 Ann. c. 1	The Bank of England Act, 1709	The whole Act
3 Geo. 1. c. 8	The Bank of England Act, 1716	Section 38
15 Geo. 2. c. 13.	The Bank of England Act, 1741	In section 8, the words from "disabled" to "Parliament, or be"
39 & 40 Geo. 3. c. 28	The Bank of England Act, 1800	In section 13, the words from "and also subject" to the end of the section; in section 15, the words from "subject to redemption" to "and not otherwise"; section 16
3 & 4 Will. 4. c. 98	The Bank of England Act, 1833	In section 1 the words from "for the period" to the end of the section; in section 14 the words from "subject nevertheless" to the end of the section
7 & 8 Vict. c. 32.	The Bank Charter Act, 1844	Section 27 except insofar as it authorises the redemption of the debt due from the public to the Bank of England
33 & 34 Vict. c. 71	The National Debt Act, 1870	Section 72
55 & 56 Vict. c. 48	The Bank Act, 1892	Subsection (1) of section 7