

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM**Office Correspondence**Date April 7, 1941To Chairman EcclesSubject: Large British gold transactionFrom W. R. Gardner *WRG*STRICTLY CONFIDENTIAL

Last week it was noted in Current Comments that the gold which the British Empire had sold to the United States during the first quarter of 1941 was \$110,000,000 less than the available gold reserves of the United Kingdom at the end of 1940 plus gold production of the Empire during the first quarter of 1941. This difference was attributed to the retention of gold in South Africa and British gold payments to Canadians. It was subsequently learned that through March 25 the British had not paid over any gold to the Canadians, although they had planned to pay them \$620,000,000 in gold in 1941. Apparently the difference was attributable solely to the retention of gold in South Africa.

On April 4 approximately \$130,000,000 of gold was sold to the Stabilization Fund and the proceeds deposited to British account. It is a fair conclusion that this gold represented mostly the accumulation of South African production in recent months. The transaction remains, however, highly confidential.