

A Report of British Banking
written by Mr. R. Kotkasaari

According to the letter of the Board of the Bank dated 2/2.1954 I went up to London to make progress in my studies of the practice and theory of English and British Banking. I studied in three different Banks during those three months in London, at the Midland Bank Overseas Branch 8/3-9/4, Bank of England 12/4-23/4 and two days at their Branch in Birmingham and finally 26/4-31/5 at the National Provincial Bank, 10 days at the Overseas Branch, 9 days at the Head Office Administration and Inspection Department and the rest of the time at their Knightbridge Branch with an Inspector. I had 33 evening lessons at the Berlitz School of Languages.

Let me now tell you in this my report of some points, which I consider to be worth writing. I am sure that for you, the Hon. Members of the Board, most of this is wellknown, but I think that there is something new for my colleagues anyhow.

Daily Mail.

It is usual for the early morning clerk on each section to arrive early in the morning to open and distribute the mail before the rest of the staff arrive. The Mail comes from the Post Office in two sections, registered and unregistered. All letters are sorted to the various sections unopened the origin of the letters being shown by stamps and post-marks. The various sections then subdivide the letters to the sub-sections which are handled by separate clerks. The registered letters are sorted in a small enclosure by several specially detailed clerks and are handed out after sorting against initials for the numbers concerned. At night, each section has to show that it has recorded all the envelopes in books set aside for the purpose.

At one time almost all the letters sent out by a Bank were written in the Correspondence or Mail Department, but over the last thirty years there has been a tendency towards de-centralisation. Therefore at present almost all the technical correspondence concerning large departments such as Documentary

Credits, Securities and the Bills Department are written by typists within the Department itself and merely dispatched by the Mail Department. When however, it is necessary for a letter to be sent in a foreign language, the draft is prepared in the section concerned and sent to the Mail Department for translation. Letters are sent out regularly in the four chief European languages, French, Spanish, Italian and German.

Amongst the remittances, which are handled in the Inward Mail are cheques. In spite of the restrictions quite a number of cheques are sent abroad and come to The Overseas Department to be credited to sterling accounts of foreign and colonial banks.

The cheques are handled by the Cash Department on what is known as a Cash basis. That is to say, they are not passed to the accounts until they are definitely paid. The incoming cheques are separated into their classification as to whether they are Town, Metropolitan, Country or Agents cheques, the last group being those drawn on Scotland and Ireland. They are then retained until the requisite number of days has elapsed, which would normally cover the return of any unpaid cheque. Where a cheque is unpaid the item is taken out of the work and the cheque returned to the Customer.

Cables.

The Cable Department is responsible for the telegraphic messages to and from the Bank, the important duty of coding and decoding the outward and inward messages. During the war all messages had to be sent in plain language. The speeding up arrangements of the Cable Companies render it possible to send messages to New York to receive the reply in as short a time as five minutes, and even this time has been reduced for special transactions. The Branches have to obtain clear instructions from the remitter as to the type of cable by which the message is to be sent -e.g. urgent, full, code, deferred, night letter or European letter-because the general practice, in default of such instructions, is to send the message by the cheapest means, although some Overseas Departments will not send a message until they have got instructions regarding the type of transmission to be used. The message should be authenticated by means of a "Test Number". The correspondent will not act on the message unless the test "breaks down" correctly.

During the Middle Ages cargoes of goods were financed so that there was a type of sea-loan designed to enable merchants to convert their goods into cash without themselves going abroad. The owner of the goods received a loan secured by a pledge of the goods to a merchant who was taking them abroad to sell. The owner of the goods took the risk involved in the market contingencies in the foreign port. If the proceeds were insufficient then the borrower had to make up the deficit. If there were profits then he received them. The lender was not under the obligation to pay the borrower if the ship and its cargo were lost.

The modern exporter, who has sold and drawn a bill upon the buyer is secure against two types of risk, which were borne by the exporter of the Middle Ages, who borrowed on the pledge of the goods. The modern trader has already sold the goods and is therefore secured against market fluctuations. Furthermore he can insure the goods against loss and his Bill is discounted at competitive rates.

For internal trade, the bill has gone somewhat out of fashion and although it has sound reasons for its continuance and the discount market would indeed like to see a greater use of this flexible instrument of commerce, it may be said that the Banks, as a whole, prefer the overdraft as a means of granting credit.

Nowadays the role played by the accepted Bill of Exchange in international commerce is striking. Viewed from the standpoint of foreign transactions the Bill of Exchange affords a cheap and safe means of settling debts. When the seller of goods has drawn his Bill, he will discount it with a bank straightaway even before the draft has been accepted by his debtor. Provided that the bank knows the drawer of the Bill very well there will be little risk because the drawer becomes responsible in the event of dishonour by the acceptor.

Before the First Great War all the transactions in foreign exchange were "spot" transactions, i.e. for sale or purchase at once. Great fluctuations in the foreign exchanges have caused traders to buy and sell "forward" for safeguarding their positions as far as fluctuations are concerned.

The Banks will provide this facility in return for a small commission. Banks regard speculation in exchange as quite a legitimate form of banking enterprise, although their capabilities have been much reduced by Exchange Control. The London Foreign Exchange market consists of dealers and brokers. Dealers are in the Foreign Departments of the Banks but brokers are specialists whose work is bringing together buyers and sellers amongst the dealers. Dealers operate in the market only through brokers. A dealer is prepared to buy or sell forward exchange either for a fixed rate or for delivery during a stated period at the customer's option. All deals (i.e. all purchases and sales) are recorded as they take place in the dealer's position sheet. The dealer has thus before him all the time an up-to-the-minute record of his position in any currency and the rates he quotes are influenced by his position in the currency in question at the time of quotation. For example, if the dealer is long in New York (i.e. has a surplus of dollars) he will be more open to suggestion of "Shading" a rate (making a finer quotation) for a sale of U.S. dollars.

In most countries dealers, perhaps for several days, will deliberately "go long" that is, hold uncovered a balance of foreign currency overbought or "go short" that is sell more of a foreign currency than they possess in the hope of a favourable movement in the rate allowing them to buy in to cover at a large profit. "Running a Position" as it is called is quite foreign to British Practice. In England the dealer endeavours to finish each day with a "Square Book", which means that all purchases and sales, both spot and forward are balanced as nearly as it is practicable.

"Bank of England Official Limits" gives the "stops" at which the Bank of England has stated, that it will sell or buy the currency and thus placed definite restriction on the amount the rates may fluctuate. All transactions are now undertaken through brokers, as I said before, the Bank of England also uses the market for its operations.

Notes are purchased and sold by dealers for their own account and at their own risk at any rates at which they

can do business. Foreign students are not allowed to visit the Dealers' Room at the Midland Bank. At the National Provincial Bank or NP as it is called in London I had the opportunity to study the work of Dealers three days and I found it very interesting.

Since the two wars, the acceptance business has been concentrated more with the joint stock banks and the bills drawn emanate through the credit facilities granted by the banks and the credits opened are of various types:

a) Documentary, when the provisions of the credit call for presentation of stipulated documents,

b) Clean, where no documents are called for,

c) Fixed, where they are exhausted once the stipulated amount has been drawn,

d) Revolving, where the terms of the credit provide for automatic renewal of the facility-e.g. the total amount may be unlimited but there may be a limit on amounts to be outstanding at any one time, or a limit as to the amount to be drawn in a specified period or only one amount may be allowed to be outstanding at any one time,

e) Sight, where payment has to be made at sight, on demand or on presentation,

f) Acceptance, where the drawing is at a usance requiring acceptance by the drawee,

g) Confirmed or Unconfirmed,

h) Revocable or Irrevocable.

Documentary Credits (Midland and NP)

All the Banks have the same system of handling documents. There are two separate Departments for this sort of credit, import and export. The Banks in London do not adapt the "Uniform customs and practice for commercial Documentary Credits fixed by the Congress of the International Chamber of Commerce" and therefore all documents are rubberstamped with the notice "Kindly note this Credit will be operated in accordance with the current London Practice". The representatives of London Clearing Banks have their meeting once a month to discuss the interpretations that eventually will occur in "London Practice" which is under development all the time and has never been

printed. There are signs that the interpretation of the terms common in the U.S.A. is gaining increasing acceptance in British Practice.

One of the most important tasks of a Branch when dealing with Documentary Credits is the examination of the documents and deciding whether or not the terms of the credit have been complied with. It is very important to afford Branch Managers an opportunity of contacting firms in their locality, possibly enabling them to secure new accounts and furthermore to assist the beneficiary by enabling him to have his documents dealt locally thus ensuring that any irregularities are corrected before the documents are dispatched to London. Many valuable accounts have been obtained by Branches through the contacts made in handling Documentary Credits. There are always a Duplicate advice for the Branch records. Any amendments to the Credit are addressed to the Branch in duplicate, the original for despatch by the Branch to the beneficiary.

One query which frequently arises in connection with credits is that Unconfirmed Credit advice sometimes indicates in the body of the Credit that it is the irrevocable credit of a foreign bank. Whilst to the initiated this is perfectly logical, it puzzles many people and the explanation is that banks abroad issue their own irrevocable credits and use London banks as advising agents but that the London banks are not, themselves, requested to issue their irrevocable credits which would entail the advising of the foreign banks irrevocable credits with addition of the London Banks' confirmation that the obligations under credit would be fulfilled. The position is that a London bank can at any time cancel a credit which does not bear its own confirmation and if this should happen the beneficiary must depend upon the foreign bank for payment. A particular care must be taken to see that the exact description of the goods as shown in the credit appears on the invoice that the prices correspond and that the correct price basis is given, e.g. loco factory, FOB, C&F, Cif etc., and furthermore that the name of the correct place or port is also designated. If the total shipment of the goods under credit is not being made and the credit allows partial shipments in the absence of any prices or other governing factor

such as goods of varying qualities, the amount drawn must be pro-rata to the quantity actually despatched. Whilst no price may be specified in the credit the possibility of goods being sent which are of a quality inferior to that ordered must be considered.

Bills of Lading must be issued by Steamship Companies or their accredited agents. B/L issued by Forwarding Agents are not acceptable and B/L which are subject to the terms or conditions of a Charter Party cannot be accepted. "Stale" Bills of Lading are not usually acceptable. B/L are considered "Stale" when they cannot be despatched to reach the port of destination before the arrival of the goods they represent. For short voyages it would be unreasonable to be too rigid, and therefore B/L covering journeys between Great Britain and the Continent are usually accepted provided they are dated not more than a week or ten days prior to the documents being taken up. Where shipped or on Board Bills of Lading are called for one should make quite sure that those presented do in fact evidence shipment on the vessel named. Frequently it happens that although a B/L may commence with the word "Shipped" phrases appear later such as "or received for shipment" or "substitute" which completely nullify the effect of the word "shipped". Unless these clauses are deleted or cancelled by a "shipped or Received on board" stamp, duly initialled appearing elsewhere on the B/L, the document is only a received for shipment B/L and is not a good tender where an on Board Bill of Lading is required. It is not the bank's practice in Credit advice to specify "Clean" Bills of Lading. Any B/L bearing detrimental clauses is unacceptable. The Shipping Company sometimes considers it necessary to insert a clause for its own protection. "On deck" shipment is inadmissible unless specifically mentioned in the Credit. If Freight paid B/L are asked for, it is not sufficient for them to be marked "Freight payable at ---" (being port of shipment) are moreover the deduction of freight from the amount invoiced does not satisfy the requirement of freight paid B/L. Where the goods are invoiced on C&F or Cif basis, it is essential to see that the B/L evidence prepayment of freight or a receipted freight account is tendered.

Mate's receipt is given by the mate of the vessel on which the goods are to be loaded and it acknowledges receipt of the goods for loading on that vessel. In some cases it must be given up in exchange for the B/L when these are issued. This is not an invariable rule, however, and in some trades the Mate's Receipt is required in addition to the B/L. The Mate's Receipt is not a document of title to goods.

Air Consignment Notes are receipts for goods transported by air and are not negotiable instruments nor do they convey a legal title over the relative goods. A Bill of Lading and the Air Consignment Note are both documents evidencing a contract of international carriage. However, they have marked contracts, not only in their legal status, but also in their evolution. The Bill of Lading was known to merchants of many lands centuries ago and the laws which govern it are practically universal. There are certain exceptions such as the giving of full negotiability to the Bearer Bill of Lading by USA. A Bill of Lading represents the goods, it has transferability and gives rise to rights of action. Whilst the consignor's part of the air consignment Note enables the holder to sue for damages if there is re-direction without his authority, this right relates only to the period of transit. There is no right to sue the carrier for breach of his contract. The Air Consignments Note does not represent the goods and its deposit cannot create a pledge. That would enable the bankers to be secured in the event of his customer's insolvency.

An Insurance Certificate cannot be accepted if a Policy is required. Insurance should always be covered in the same currency as that in which the credit is expressed.

Guarantees, given by Bill Office in order to obtain acceptance or payment of drafts sent for collection (usually drawn under a Credit) mainly relate to irregularities in documents as follows:

Draft amount exceeding sum available under Credit (Full amount)

Insurance being limited to shipment in a first class steamer or not covering all marine and war risks or being limited to under deck shipment. (Full amount)

Insurance not being covered by a first class Company or Lloyds (Do not pass)

Goods being on a Railway Bill of Lading instead of on ocean B/L. (Full amount)

Alterations in B/L not being initialled, B/L not being signed

or only signed by rubber stamp. Number of copies issued not being stated, one or more sets of documents accompanying draft, whereas Credit requires one or more sets to be sent direct to drawees. (No entry)

Absence of negotiating Bank's Cert. (that all terms of the Credit have been complied with). (No entry)

Clauses on B/L e.g. "Packages frail" (Full amount)

"Bags burst and repaired", "Secondhand barrels", "Number of packages in dispute", (No entry)

Description of goods not in accordance with terms of Credit. (Very many of these guarantees) - (Full amount)

Guaranteeing payment for shortage in shipment (usually timber) to be determined by remeasuring at Port of discharge. Usually a fixed maximum amount is stated. (Full amount).

Particulars of shipment (marks, numbers etc.) varying on different documents. (Full amount)

Absence of specific document, e.g. Policy (Full amount), Weight Note, Invoice Specification, etc. (No entry)

Credit calling for an average weight or measurement whereas documents show minimum/maximum weights. (Full amount)

B/L not marked "Freight paid on Cif-Shipments" (No entry)

Drawees name and place of drawing not agreeing exactly with the Credit details, (No entry)

Bill negotiated through a Bank other than that through which Credit opened. (No entry)

Insurance effected in currency under a Sterling Credit. That is a very common irregularity. (Full amount)

Documents covering only partial shipment not specifically allowed under the Credit. (Full amount)

Credit expired. (Full amount)

Bank of England.

The "Bank", which means the Bank of England, was brought under public ownership under the Act of 1946. The full title of the Bank "The Governor and Company of the Bank of England" remains unchanged. The Court of Directors - the governing body - now consists of a Governor, Deputy Governor and sixteen (formerly twenty four) Directors, all appointed by the Crown. The terms of Office of the Governor and Deputy Governor are now five years and of the Directors four years (but four are

required to retire each year on the 1st March), all, however are eligible for re-appointment to their former or any other Office. Members of the Commons House of Parliament, Ministers of the Crown, persons serving in a Government Department in employment in respect of which remuneration is payable out of moneys provided by Parliament and aliens within the meaning of the British Nationality and Status of Aliens 1914 to 1943 are ineligible to hold the Office of Governor, Deputy Governor or Director. To assist the Governors the Court of Directors has authority to appoint certain of their number to devote their services exclusively to the Bank. Not more than four Directors may be so employed and are called Executive Directors. The Court of Directors have their meeting not less than once a week. The Governor (or in his absence the Deputy Governor) has the authority to summon a meeting at any time when in his judgement circumstances require it. Normally the weekly meeting is held on Thursday and not less than nine members must be present to constitute a quorum. And on every Thursday at 11.45 all the messengers from different banks come to the Bank of England (basement) to look at the notice board, to see if the discount rate has been changed.

Under the Act of 1946 the Treasury may give such directions to the Bank as, after consultation with the Governor, they think necessary in the public interest.

There are Standing Committees, which are appointed annually. The most important of these is Committee of Treasury which normally meets ^{every} Wednesday. It consists of the Governor and five members of the Court of Directors. This Committee is consulted by the Governors on all matters of an important nature and is kept fully informed by them of the Bank's affairs. It reports direct to the Court of Directors.

Other Standing Committees are:

The Audit Committee which meets quarterly and is responsible for the conduct of the work carried out by the Bank's Audit Department. This Department examines and audits the work of the Offices of the Bank and of the Branches.

The Staff Committee meets monthly or as occasion may require and deals with appointments and other matters which

relate to the Staff of the Bank. Its members make regular visits of inspection to the various Offices.

The Committee on Permanent Control of Expenditure meets quarterly and scrutinises the various items of the Bank's Expenditure.

The Committee on St. Luke's meets monthly and controls the Bank's Printing Works which are responsible for the printing of the Bank Notes, Dividend Warrants etc. prepared in connection with the Bank's management of the National Debt and for other printing work undertaken by the Bank.

For the furtherance of good relations between the Directors and the Staff there is a Council composed of members (Directors and senior officers) appointed by the Court and elected members of all grades of the Clerical Staff. The Court has agreed to take no final decision regarding any change in the terms and conditions of service of the Clerical Staff or of any section of it without prior reference to this Council.

Then there is a small number of Advisors, who assist the Governors and Heads of different Departments, in matters upon which they are specialists and in some cases, carry out certain duties which require the representation of the Bank.

The Inspector of the Offices and Branches, whom I met at his Office, investigates, on the direction of the Governors any activity of the Bank and puts forward proposals for improvement in methods and/or organisation.

The Chief Cashier deals with all the banking functions of a Central Bank, in particular of Notes, the keeping of the Government accounts and the accounts of British bankers and of Dominion and Foreign Central Banks, the discounting of Bills and granting of Advances, the making of investments and the purchase and sale of gold etc.. He arranges for the issue of Treasury Bills and longdated borrowings of the British Government and undertakes similar services for other Customers, including Government and Public Bodies.

Also under the Chief Cashier is the Cashier's Department (Exchange Control and Overseas) which is concerned with the Control of Foreign Exchange and the management of the Exchange Equalisation A/C on behalf of H.M. Government and

in its Overseas and Foreign Office, with relations with foreign Central Banks, the Bank for International Settlements, the various international bodies such as the International Monetary Fund and the study of financial and economical conditions all over the world.

The Chief Accountant is responsible for the management of the Stocks domiciled at the Bank which comprise the greater part of the National Debt, together with certain Government-guaranteed and a number of Colonial and Corporation Stocks. The work includes the recording of all holdings of such Stocks, their transfers etc. the preparation and despatch of dividend warrants, the registration of probates and powers attorney.

The Secretary undertakes the usual secretarial duties to the Governors, the Court of Directors and Committees keeps the General Ledger accounts of the Bank and prepares the balance sheet for presentation to the Court of Directors. In his Department is the Statistics Office where information of an economic and statistical nature is collected and analysed and the Bank Note Office which keeps the Register of Bank Notes.

The Chief of Establishments, the Head of the Establishment Department is responsible for all matters relating to the Staff, the Bank premises both in London and in the Provinces and the domestic organisation of the Bank in general.

One form of de-centralised activities is the Country Branches, which are situated in Birmingham, Bristol, Leeds, Liverpool, Manchester, Newcastle and Southampton. They hold the Bankers' and Governments' balances in their respective districts and acts as centres for the distribution and withdrawal of currency. At the Country Branches the arrangements for the clearing of local cheques are under the control of a Clearing Bankers' Association the work of which is supervised by a representative of the Bank of England. The Branches are responsible for the receipt of all Revenue collections in their respective districts and for advising the Head Office of the total amount of such payments for the credit of the various Government accounts.

With the exception of Southampton, all the Branches have Foreign Exchange Control Sections, the purpose of which is to de-centralise the work of London, for Example the Birmingham Branch, which I visited, handle applications they

receive from local Bankers, Companies, business men, who go abroad for business and need extra currency etc. The Branch acts with certain limits. It has to give advice to all queries which may arise in its district. The Manager of a Branch is called an Agent. He is a man who does not take part in the routine-work of the Bank. He has special tasks only for ex. he gives reports of different aspects in the commercial life, orders from abroad to companies, prices in Export and Import, retail sale, what people are saying about the Budget, what the local papers are writing about companies etc. in his district a.s.o.

There is no legal ratio in England to control the relationship either between the cash reserves of the banks and deposits or between the volume of credit and capital resources nor is there any legal obligation to keep on deposits with the Bank of England a stated percentage of deposits. Traditionally however, the banks before the last war were in the habit of keeping reserves of cash and deposits at the Bank of England of something like 10% of their deposit liabilities although there was a good deal of "Window Dressing" particularly at the time of the half-yearly and monthly balance sheets. This process, known as "window-dressing" means, that the ratio was artificially raised to the required minimum by calling in funds lent at short term in the London Money Market.

The British Government borrows from the Banks in the form of long and short term securities, which the banks keep in their portfolios about 70% of their resources, leaving 30% to other institutions. Treasury Bills are issued by the British Government, which the money market operators have taken up as a means of short-term finance. Every week a number of these bills is offered to the market operators and to other institutions, which have surplus funds. Treasury Bills running on "tender" are bills taken up by financial institutions and those on "tap" are bills taken up by the Public Departments having funds to invest. The Bills are redeemable in 91 days and issued in amounts of £ 5,000, 10,000, 25,000, 50,000 and 100,000, tenders are invited and

the best figures, i.e. the highest figures per cent are accepted.

So on the 9 th April, when I was studying the work at the Chief Cashier's Office the Lords Commissioner of Her Majesty's Treasury gave notice that tenders will be received at that Office at the Bank of England the 15 th April at 1 p.m. for Treasury Bills to the amount of £ 230,000,000. Each Tender must be for an amount not less than £ 50,000. Tenders must be made through a London Banker, Discount House or Broker. Notification will be sent by post on the same day as Tenders are received, to the persons, whose Tenders are accepted in whole or in part. Payment must be made not later than 1.30 p.m. (Saturday 11.30 a.m.) on the day on which the relative Bills are to be dated. Tenders must be made on the printed forms.

Issue Office (Bank of England)

There are about 250 women(sorters) employed at this Department. The busiest time is before Easter, Christmas and especially during the summerholiday time, when the notes are in fast circulation.

All the notes meant to be destroyed will be made worthless by punchmachines, so one pound notes and ten shillings notes will get 6 holes (2 on the names and 2 on the amount) and five pound notes five holes. One pound and ten shilling notes will be punched in a bundle of 100 and five pound notes in a bundle of 50. All the small pieces of the notes, which are taken off by the machines are collected in bags to be destroyed. There are some sortingmachines at this Department but they are not so effective and notes are sorted by hand about 25-30% quicker. At the Bank of England Branch in Birmingham I studied this sort of work too and noticed that all the notes were punched before they were sent to the Head Office. Senior Lady Clerk is charged with the sorting work at the Branch so the cashier or cashiers have only the service of the customers. She takes in the morning from the strongroom the unsorted notes with the sub-agent(second man in the Branch).

Bank Note Office (Bank of England).

All the mutilated or defaced notes will be transferred

to the Bank Note Office, whose task is to destroy them. Here again the notes are controlled and furthermore every five pound note has to be removed from the books, which work is entirely done by men. Before that, the five pound notes will be handled by the girls with "Punch Card Machines", which draw up the lists of all notes according to their number. By help of these lists the remove work goes very quickly. Each five pound note has its own square in the book and the clerk, using the little rubberstamp (his initials) at the other end of his "pen" makes his mark in the book. The work is done twice, because the senior man, the controller, does the same work and marks his initials on the same square.

The new notes at the Bank Note Office are not in the Bank's Return (Position) and the whole stock of new notes is only "paper". So are they in Branches too. When the Office or Branch needs new notes then an entry will be made.

When the banks have need of notes, their representatives take them at a certain time by car from the basement Department of the Bank Note Office. Key-holders to these rooms are only the men, who work there and their chiefs. All the gates are shut, when the notes are taken to the cars and everything seemed to be very well safeguarded.

All mutilated and defaced notes are examined by two men at this Department. There is no rule about, how much must be left of a note, which can be exchanged to the full value. A person, who is in possession of mutilated or defaced notes has to fill in a Bank of England form (B), enclose the notes, and

1) Hand it to his Banker for transmission to the Bank of England, or

2) Lodge it personally at the Bank of England.

The Banks do not undertake to exchange mutilated notes through the medium of the Post.

These are the enquiries, which I read on the Form (B):

1. How many notes are enclosed?
2. What is the number of the notes?
3. On what date did the applicant receive the note?
4. From whom was the note received?
5. a) Was the whole note received?
b) Was the note enclosed in an envelope when received?

6. In what circumstances was the note damaged?
Give the date, time and place of the occurrence.
7. What has become of the missing portion of the note?
8. Was the damage to the note witnessed?
9. Give the name and address of some person in good repute in your neighbourhood, who is well acquainted with you and can vouch for your good faith.
10. For use of Witness to Accident:
 - a) Did you see the note whole before it was damaged?
 - b) Can you vouch for the complete destruction of the missing portion?

The applicant undertakes, in the event of the missing portion of mutilated note being presented and paid within 12 months from the date of his or her application to repay to the bank of England the value of the note. The applicant should call for a reply after a lapse of 10 days.

Overs and shorts in Cash.

Bank of England.

A record must be made of all errors by way of "overs" or "shorts" in cash. Every individual discrepancy involving an amount in excess of one pound is to be reported to the Branch Banks Office in the "Daily Letter" on the day of the occurrence. On the last working day of March, June, September and December a statement of all errors, which have occurred during the past quarter must be sent to the Branch Banks Office on a form. Overs are to be credited to a Drawing A/C entitled "Over and Found Money". During the first week of January, April, July and October the amount, which has accumulated during the previous quarter is to be advised to Head Office by a separate entry in Daily Summary of H.O. Credits. All shorts in cash must be made good on the day of their occurrence by means of advances from Branch Expenditure A/C. After the Branches concerned have been authorised to treat amounts short as expenses in their books, but not until then, the totals are to be included in the Analysis of Branch Expenditure under General Charges. Only those shortages from which such authority has been granted are to be included in the half-yearly claim from Head Office.

National Provincial Bank.

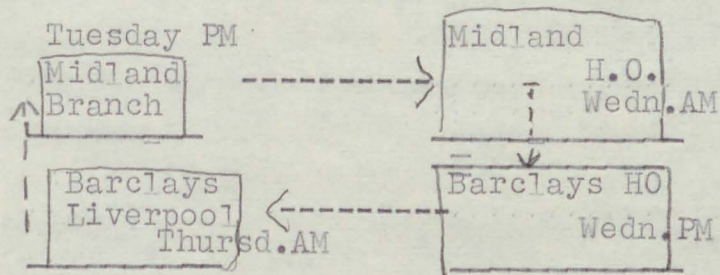
A record had to be made of all errors at this bank too. An amount in excess of five pound is to be reported to the Administration Department at the end of the second working day. The developement of the fact is to be reported to Head Office if it is £ 5.0.0 - 9.19.11 during 14 days, if it is over £ 20.0.0 during one month. If a cashier's record book shows more than 20 errors in a year, a copy of that must be sent to the Administration Department. There was altogether during 1/1-30/11.53 concerning the Head Office and 1316 Branches "overs" £ 3.949.2.9 and "shorts" £ 9.161.8.3.

Clearing in London and in Provincial Centres.

The principal on which the Clearing House is conducted is the same as it was in the middle of the eighteenth century when "walk clerks" instead of going from one bank to another they chose a place for their settlement of debits and credits so that the net balances are transferred. And now the London Clearing House is an up-to-date-institution with modern typewriters, adding and listing machines. Millions of pounds are transferred during a day. There are 12 clearing banks. This is what takes place during a day in the Clearing House, which I visited one day:

- 9.00 a.m. General in Clearing (for cheques on Branch banks and on banks in Greater London)
- 10.15 a.m. Town in Clearing (for offices within City of London) for cheques, which are at the bank at 9.30
- 3.20 p.m. Town out Clearing "
- 4.15 p.m. Town in Clearing for cheques of £ 500 or more and Due Bills which are in the hands of the bank at 3.30
- 5.00 p.m. General Remittances.

Let us see how a cheque of £ 100.-- drawn Barclay's Liverpool is circulating.



If this cheque is unpaid Barclays Liverpool will send an unpaid voucher direct to Midland Branch, and Barclays Liverpool will be credited with £ 100.--

General Clearing	4-7 days	for a cheque
Town "	1-2 "	" "

The Clearing Houses operate in twelve principal towns and cities in England. In the seven towns where the Bank of England has its Branch Office the Branch has the Bankers' accounts and undertakes the supervision of the machinery for clearing cheques under control of the local Clearing Bankers' Association. The banks taking part in Clearing do not put their cheques into envelopes but hand over to the members of the Clearing House the bundles containing the cheques drawn on those banks. The recognised rule in country Clearing has always been that the presenting Banker is called upon to bear the loss of a Draft or cheque lost in transit after being paid at the Clearing House. This rule has been extended to the Metropolitan Clearing many years ago on the following grounds:

1. The presenting Banker is the only one who can and should be able to furnish particulars for the purpose of tracing the missing article.

2. He should also be in a position to obtain a duplicate from his customer if necessary. Nowadays a very large majority of the Banks are in favour of the paying Banker bearing the loss in the Town+Metropolitan Clearing and that in the Country Clearing the rule should remain as it always has been.

A client is not permitted to draw money on the strength of a cheque until that cheque has been cleared. But occasionally if the status of the customer is such that there does not appear to be any danger of loss, he may, at the discretion of the manager be permitted to draw against a cheque as soon as it is paid into his account without waiting those 3-7 days until it is cleared. But let me tell you, how the fraudsman or "Kite-flier" as it is called in England operates. He sets about building up his status by strengthening the bank's confidence in him. At first he operates his account in a perfectly straightforward manner. Never, never is he in red. Then he starts paying in a small cheque and securing permission to draw against it before it is cleared. Gradually the sums involved will increase until he hands in to his bank a cheque for a really big sum, immediately draws all or most of it and puts his skates on-----This is a well known trick and not many years ago a bank was cheated out of 70,000 pounds.

Midland Bank

Commercial Intelligence Department.

This Department, which is also called Foreign Trade Information Department, is divided into four sections:

- 1) Statistical Section
- 2) Information "
- 3) Merchandise "
- 4) Trade Contact "

The Statistical section have Index and Cross-Index Cards to record daily news for instance about Foundations of banks, amalgamations, suspensions of payments, liquidations, changes of directorships and managers, increase of capital etc,

At the Information section economic news regarding countries was extracted from papers. The fundamental paper perused and cut every morning is The Financial Times and supplementary news is extracted from The Times, The Public Ledger, The Manchester Guardian, The Daily Telegraph, The Morning Post, Agence Economique et Financiere (French), Neue Züricher Zeitung, The New York Times etc.

Daily the news-cuttings are attached to sheets, placed in a folder and circulated among managers. To accelerate the return of the cuttings to the Department for filing and to give early news on a wider scale the managers room is provided with marked copies of The Financial Times and The Times.

The Merchandise section deals with merchandise without bills and documents.

The Contact section brings importers abroad into contact with exporters at home or exporters abroad with importers at home.

Before the Managers set out for their periodical visits to various countries balance sheets of banks of countries to be visited are handed to the Position Section to enable them to bring the cards of statistics up to date and managers are provided with selections of Economic Reviews and articles and in many cases preliminary reports are prepared.

The Department receives monthly:

1400 Economic Reviews
550 Statements
500 Balance Sheets

Agency Arrangements (Midland Bank)

The work of this Department is concerned mainly with the provision and maintenance of services between the Branches and Correspondents and vice versa, whereby banking transactions of every kind may be expeditiously and correctly handled. "In case of need" would be the description in brief. On its work depends the smooth running of a number of other departments charged with the execution of Payment orders by mail and cable, opening of credits, issue of Letters of Credit, Travellers Cheques and Drafts, remittance of Bills for collection, in fact all Departments responsible for the issue of the Bank's instruments of payment. So these are all outward transactions. Inward transactions involving payment by the Bank Branches and Affiliations of Letters of Credit, Travellers Cheques, Drafts, Payment Orders etc. issued by Overseas Correspondents are similarly controlled by this Department.

To ensure that all facilities are utilised to the utmost it is necessary to make certain, that all parties (Agents or Branches or their customers are kept fully informed of the banking services, which are available to them. So the Agents have to receive; Authorised Signatures and Specimen Documents and Instructions, the Branches details of the arrangements and instructions relative to the issue of the instruments and the Customers lists of Correspondents etc. in which appear the names of the Banks they may use and instructions too.

The greater the number of these arrangements, the greater the volume of administrative work required to keep everybody up-to-date with documents and instructions. Some idea of the amount of work necessary to keep all in close touch with the facilities, which are available may be gathered these figures: The Bank has about 2100 Branches (of which 1350 are full Branches and the Affiliations in Scotland and Ireland another 500, let us say 2500 in all. Each one uses Midland Bank instruments. The Bank has about 16000 Overseas Correspondents. All the Branches have stocks of Travellers Cheques, some have Letters of Credit as well. The Stocks are kept up by the Department ready for bulk issue. Travellers cheques are also held by many Overseas Correspondents for issue to their customers. From the banks point of view this sale of Travellers Cheques abroad has much

to commend it over the old-time method of the issue of drafts to a particular town with the need for confirmation of issue provision of signatures and instructions etc. to Branches, which may be called upon to use them at very frequent intervals. The tr.cheques attained as an extremely handy exchange medium. There are about 500 foreign banks, which use to order tr.cheques from this Department. The operation of the British Exchange Control since the war has also called for the use of tr.cheques by travellers in preference to other instruments and this has brought with it a volume of issue three times as great as pre-war.

The issueing of one pound tr.cheques for use in Cunard Liners is special task, which occupies the attention of this Department.

The bank had just commenced Punch-Card Operations for travellers cheques. The new system will operate on Branch code numbers, not using the names of the Branches. When the Department receives advice of a lost cheque the clerks have to phone the Punch-Card Department to ensure that the cheque is outstanding and then make an acknowledgement to the Branch. A notice will be inserted in Head Office Circular and a confirmation of "Stop" to Punch-Card Department and then it can be refunded against indemnity and advised Punch-Card Dept.

Punch-Card Department will advise the totals of each account according to their records which should tally with Ledgers. Punch-Card Department will provide quarterly the balance of Foreign Bank holdings on 31st March, 30th June, 30th September and 31 December. Punch-Card Department will also advise half-yearly the number of denominations for each Branch, which the Department will agree from returns received from Branches, Affiliations and Foreign Banks.

Advance Department (National Provincial Bank).

The Officers at this Department are the accountant, the controllers, the chief controller and the Head of the Department. The Department itself is divided into Sections each consisting of a Sift and one or more assistants known as C.B:s. Each Section deals with applications and reports from all Branches in a particular geographical area. Sections are from A-P and the City. There are also

1) Statistical Section, which keeps records and files

for a) periodic and special records called from Branches or from sections,

b) past and current legislation and various matters of general interest and

c) The Law Book, which consists of certain Legal opinions and decisions.

2) Industrial Section, which analyses Prospectuses etc. on which the name of the Bank will appear.

3) Minutes Section, which writes up the Books in which the Directors record their Minutes.

4) War Legislation Section, which deals with all Trading with the Enemy matters.

5) Realisation Section, which deals with all advances, which are in course of forced liquidation.

The Department has a Resident Solicitor, whose hours of consultation are: Mornings 10.30-11.30 am and 2.30-4.00 p.m.

The Sift in every section is fed up with work. He works like a horse. He should first check the recording of the letters or interviews (notes) on the History slip. Up to date Balance sheet figures have to be typed on the face card. Balance sheet slips and Stock Exchange prices are to be checked. Any excesses of limit on Discretionary Power, loss or gain of material accounts should be noted. His main job is to present clearly to the person responsible for making a decision all the relevant facts. Thereby permitting the decision to be reached with the minimum delay. So the Sift is in charge with his section and he is responsible for seeing that its work reaches a high standard. He is also responsible for the training of his C.B:s and if the piece of work has been done by a C.B. alone with less than 3 months service in the Department it should not be put away until the Sift or the second man is satisfied that the record is neat, brief and to the point.

When the inspectors make their inspection visits to the Branches they pick up the "Bright boys", as they call them and when the inspector's report reaches the Staff department the "Bright Boy" will be transferred to the Advance Department. And so he starts as a C.B. After 1-2 years service he will be a Sift. He has opportunity to show his capacity for organisation and leadership, which will be taken into account when his next appointment is being considered. Usually they will be accountants

in Branches, inspectors at the Head Office, Branch managers and so on. A junior clerk, who starts at the bank when he is 16 or 17 of age has all the chances to become sometimes the Head of the whole Bank. When I am telling about clerks I mean men, because lady clerks in British Banks are almost entirely typists, sorters (of notes) and on secretarial duties.

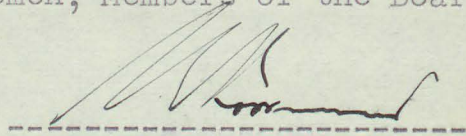
Inspection Department (National Provincial Bank)

There are about 30 Inspectors at this Department of the Head Office, whose job is to inspect the Branches. An inspector never inspects a certain Branch more than once. The Chief who is in charge of all inspection work of the whole bank gives the orders to inspectors. The inspectors work is to audit everything at the Branch from the previous inspection day. He gives a report, how the work has been done and also of everybody of the Staff working at the Branch, from the manager to the junior clerk. He will have a chat with everybody at his room at the Branch. The inspection of a Branch takes one or two sometimes three weeks if the Branch is a big one. The inspector's report is very important for the inspector himself, because the Chief Inspector compares his report with the previous report given by another inspector. One thing is very important, the Key-Book, which is held by the Administration Department and will be examined by the Inspector during the visit to a Branch. The Head Office have to know all the time, who are the key-holders of the safe or strong-room. If the cashier for example has a key to the safe he can never have the other one, which has to be used to open that particular safe.

I must say, that I enjoyed myself very much in London. I got every possible help from everybody at each bank, especially Mr. Cregeen, Mr. Parker and Mr. Hubbard at the Bank of England, Mr. Williamsson at the Midland and Mr. Drake at the National Provincial Bank were most pleasing personalities. They invited me to their homes, clubs and historic luncheon rooms. In connection with the well organised visit to the Birmingham Branch, the Overseas Department of the Bank of England arranged a visit to the Metropolitan Carriage and Waggon Factory, which represents the British heavy industry. By the way, let me tell you, that I had the Honour to sit on

the same chair at the lunch as His Majesty the King George V on 27 th September 1915 when he visited the factory. The factory employs about 6000 workers and had orders for one year but the Germans "come back" to the market seemed to cause some nervousness about their competitive offers, rebuilt factories with quite modern machines and equipment and on the other hand their own problems at the factories with intervention of different kinds in the work by the TUC. The subject in conversation in England was, "Is a worker entitled to overtime work although there is unemployment in the country".

It was a great pleasure to meet hundreds of people to exchange views in the heart of the bankers' world, to see people working wholeheartedly for a better future and most of all to be in London and fulfil one of my dreams. For all this I thank you Gentlemen, Members of the Board.



R. Kotkasaari,
Branch Office, Vaasa

My training programme :

Midland Bank Overseas Branch

Department	Entered	Completed
Cash	23.3	23.3
Inland Payments	9.3	10.3
Sterling Ledgers	5.4	5.4
Day Book & General Ledgers	6.4	6.4
Currency Ledgers	-7.4	-7.4
Exchange Control	11.3	12.3
For. Exchange	29.3	29.3
Foreign Money	8.4	9.4
Bills	24.3	25.3
Doc. Credits	-1.4	5.4
Securities	18.3	24.3
For. Trade Information	15.3	17.3
Cables	26.3	26.3
Corres. & Mail	30.3	30.3
Agency Arrangements	31.3	31.3
<u>Bank of England</u>		
Inspector's Office	12.4	12.4
Secretary's "	"	"
Bank Note Office	-"	-"
Chief Cashier's Office	13.4	13.4
Drawing Office	14.4	14.4
Bill "	14.4	14.4
Central Office	15.4	15.4
Overseas & Foreign Office	"	"
Issue Office	20.4	20.4
Branch Banks Office	21.4	21.4
Birmingham Branch	22.4	23.4
<u>National Provincial Bank</u>		
Overseas Branch:		
Credits	26.4	28.4
Bills	29.4	30.4
Travel & Cashiers	3.5	4.5
Dealers	5.5	7.5
Head Office:		
Administration Dt.	19.5	21.5
Inspection Dt.	17.5	18.5
Advance Dt.	10.5	14.5
Knightbridge Branch	17.5	31.5

LOQUI LOQUENDO DISCITUR

THE BERLITZ SCHOOLS OF LANGUAGES LIMITED

President
TH. DELPEUX



HEAD OFFICE
321 OXFORD STREET
LONDON W.1

TELEPHONES:-
MAYFAIR · 4624 · 4625

19th. May 1954.

Duplicate.

TO WHOM IT MAY CONCERN.

THIS IS TO CERTIFY that Mr. R. KOTKASAARI enrolled at this School on 18th. March, 1954 for a course of 33 private lessons in ENGLISH which he completed on 18th. May, 1954.

Mr. Kotkasaari attended regularly and punctually for his lessons and made good progress during the course.

p.p. THE BERLITZ SCHOOLS OF LANGUAGES Ltd.

W. S. Ueber

Director.

GOVERNOR

DEPUTY GOVERNORS

EXECUTIVE DIRECTORS

Internal Administration
Exchange Control
Money Market

ADVISORS

Auditor

Inspector

The Chief Cashier

The Chief Accountant

Secretary

Chief of Establishments

Banking Department

Accountant's Department

Secretary's Department

Printing Works (St. Luke's)

Establishment Department

11 Departmental Offices viz:-

9 Exchange Control Offices viz:-

14 Departmental Offices viz:-

4 Departmental Offices viz:-

Notes etc. Stationary

3 Departmental Offices viz:-

Process Offices

- Drawing Bullion Bill
- Discount Dividend Pay & Loans
- Intellers Issue Securities Treasury

Process Offices

- Regulations General Trade Control & Investigations
- Securities Control Acceptance Credits Dealing & Accounts Export Permits Overseas and Foreign

Subject Offices

- Consols Colonial & Corporation Transport Stocks 3 1/2% War Stock Conversion Stock Electricity "

Process Offices

- Dividend Dividend A/Cs " Preparation Power of Attorney Register Stock Returns

Subject Offices

- Secretary's Statistics Accounts & Costing Bank Note

Subject Offices

- Chief of Establishments sub-divided into -
- Staff Management " Training " Payments Premises Probationary Typing Welfare Office Central Mechanisation

Common Services Offices

- Chief Cashier's Branch Banks also 8 Branches

Common Services Offices

- Central Office Glasgow also 6 Branch Controls

Common Services Office

- Chief Accountant's Regent Arcade House General Office