



Finance Act 1932

1932 CHAPTER 25

PART IV

EXCHANGE EQUALISATION ACCOUNT

24 Establishment of Exchange Equalisation Account

- (1) There shall be established an account, to be called " the Exchange Equalisation Account," which shall be under the control of the Treasury and shall be used for the purposes specified in this Part of this Act.
- (2) The Treasury may, if at any time they think it expedient so to do, cause the Exchange Equalisation Account (in this Part of this Act referred to as " the Account ") to be wound up forthwith, and the Account shall in any event be wound up not later than six months after the date on which the Commons House of Parliament resolve that the Account is no longer required for the purpose for which it was established.
- (3) The Treasury may cause any funds in the Account to be invested in securities or in the purchase of gold in such manner as they think best adapted for checking undue fluctuations in the exchange value of sterling.
- (4) There shall be issued to the Account out of the Consolidated Fund, or the growing produce thereof, at such times and in such manner as the Treasury may direct such sums, not exceeding in the aggregate one hundred and fifty million pounds, as the Treasury may determine, and all the assets of the Exchange Account shall be transferred to the Account at such time as the Treasury may direct.
- (5) For the purpose of providing for the issue of sums out of the Consolidated Fund under the last preceding subsection or for the repayment to that Fund of all or any part of any sums so issued, the Treasury may raise money in any manner in which they are authorised to raise money under and for the purposes of subsection (1) of section one of the War Loan Act, 1919, and any securities created and issued to raise money under this subsection shall for all purposes be deemed to have been created and issued under the said subsection (1).

Status: This is the original version (as it was originally enacted).

- (6) The Bank of England may advance to the Treasury any sums which the Treasury have under this section power to raise.
- (7) The Account shall in every year until it is wound up be examined by the Comptroller and Auditor-General in such manner as he, in his discretion, thinks proper with a view to ascertaining whether the operations on and the transactions in connection with the Account have been in accordance with the provisions of this Part of this Act, and he shall certify to the Commons House of Parliament whether in his opinion, having regard to the result of the examination, the operations on and the transactions in connection with the Account have or have not been in accordance with the provisions of this Part of this Act.

25 Application of Account, transfers thereto, and c

- (1) There shall be paid to the Issue Department of the Bank of England out of the Account such sum not exceeding eight million pounds as is in the opinion of the Treasury equal to the amount of the net loss which by reason of variations in rates of exchange has been sustained in connection with the credits obtained by the Bank of England from the Bank of France and the Federal Reserve Bank of New York on the first day of August, nineteen hundred and thirty-one.
- (2) For the purpose of any valuation of the assets held in the Issue Department of the Bank of England, being a valuation made before the winding up of the Account—
 - (a) gold held in the Department shall be taken to be of the value of three pounds seventeen shillings and tenpence halfpenny for every ounce troy of the standard fineness specified in the First Schedule to the Coinage Act, 1870 (hereafter referred to as " the fixed value "); and
 - (b) assets in currencies other than sterling held in the Department shall be valued at the rate of exchange prevailing at the date of each valuation.
- (3) Whenever any gold is purchased or sold on account of the Issue Department during the existence of the Account, the amount by which the price of the gold exceeds the fixed value thereof shall, in the case of a purchase, be made good to the Issue Department from the Account, and, in the case of a sale, be made good to the Account from the Issue Department.
- (4) Immediately before the Account is wound up, the amount by which the market value (as agreed between the Bank and the Treasury) of the gold then held in the Issue Department exceeds its fixed value shall be made good by the Department to the Account.
- (5) If on any sale of assets in currencies other than sterling held in the Issue Department (whether the sale occurred before the establishment of the Account or occurs at any time during the existence of the Account), or on any valuation during the existence of the Account of any such assets, it appears that by reason of variations in rates of exchange occurring at any time after the twenty-first day of September, nineteen hundred and thirty-one, there has been any depreciation or loss in connection with those assets, the amount of the depreciation or loss shall be made good to the Issue Department from the Account, and if on any such sale or valuation as aforesaid it appears that by reason as aforesaid any appreciation or gain has arisen in connection with any of the said assets, the amount of the appreciation or gain shall be made good from the Issue Department to the Account.

- (6) Where under this section any amount is to be made good from or to the Account, there may, in lieu of a payment in cash, be transferred from or to the Account securities equivalent in value, in the opinion of the Treasury, to that amount.
- (7) It is hereby declared that in subsection (3) of the last preceding section of this Act and in section three of the Currency and Bank Notes Act, 1928 (which relates to the securities to be held in the Issue Department), the expression " securities " includes securities and assets in currency of any country and in whatever form held.

26 Winding up of Account

On the winding-up of the Account the assets thereof shall be applied in such manner as the Treasury may direct for the redemption of debt, and the Treasury shall thereupon cause to be laid before Parliament a statement of the sum so applied, and of the sums issued out of the Consolidated Fund to the Account, together with a report by the Comptroller and Auditor-General with respect to such matters in relation to the Account as he thinks fit.