

## The Bank of England

The Bank of England is the United Kingdom's central bank. It's not like a bank in your local high street. It has special functions that help keep the economy and financial system stable. It's also where we keep the Country's gold.

In 1694 King William III found himself running short of funds to finance his war against France. William Paterson and Michael Godfrey, two city merchants, proposed a public loan.

The scheme was to found a national bank which would lend its share capital to the government. Investors would receive a guaranteed return - with money being raised through a levy on shipping and alcohol. The proposal was brought to the notice of the Cabinet in 1693 by one Charles Montagu, and the plan was approved.

In just 11 days £1.2 million was raised by 1268 people and on 27 July 1694 the bank was incorporated by Royal Charter. Sir John Houblon, the grandson of a French Huguenot refugee, was appointed first governor - his picture appears on the back of some current £50 notes.

For the first forty years of its life the Bank rented premises to carry on its business, firstly, in the hall of the Mercers' Company in Cheapside and then moving to the larger premises of the Grocers' Company in Princes Street.

In 1734 it moved to purpose-built premises in Threadneedle Street. Over the next one hundred years the site was gradually extended until by 1828 the current outline was achieved.

Sir John Soane was one of England's greatest architects. His appointment in 1788 as 'Architect and Surveyor' to the Bank was the most important of his distinguished career. The Bank was his

main pre-occupation for the ensuing 45 years until his retirement. He extended the Bank's site and eventually enclosed it in 1828 with a windowless wall.

The structure of 'Soane's Bank of England' remained more or less untouched until it was demolished and a new building erected by the architect Sir Herbert Baker between the two World Wars.

The 'Old Bank' had been no more than three storeys high; Baker's new building rose seven storeys above ground and dropped three below to accommodate the extra staff required to tackle the Bank's rapidly increasing volume of work and responsibilities. Sir John Soane's massive curtain wall still forms the outer wall of the Bank.

The Bank has two core purposes - monetary stability and financial stability. Monetary stability means stable prices and confidence in the currency. The Bank sets interest rates to keep inflation low to preserve the value of money.

The Bank assesses the health of the financial system as a whole, and works with others to keep it stable. In exceptional circumstances acting as lender of last resort to deal with distressed banks.

The Bank issues most of the country's banknotes which have special security features to make them hard to copy so that fake notes don't undermine confidence in the real thing. Counterfeit notes are worthless.

The Bank of England has been issuing banknotes for over 300 years. Today it is easy to accept that a piece of paper that costs a few pence to produce is worth five, ten, twenty or fifty pounds.

Gaining and maintaining public confidence in the currency is a key role of the Bank of England and one which is essential to the proper functioning of the economy.