

Gold receipts and issues

Since early in the 1939-45 War all gold has been acquired by the Reserve Bank, and the export and use of gold has been subject to regulation by the Commonwealth Government. All trading banks in Australia, Deputy Master of the branch of the Royal Mint in Perth, and three private refining companies are authorised under the Banking (Gold) Regulations to deal in gold on behalf of the Reserve Bank. The Melbourne Mint ceased to deal in gold in 1964. The Royal Australian Mint at Canberra is not authorised to receive and issue gold.

Details of the production of gold, subsidy payable, etc. are given in the chapter Mineral Industry.

Price of gold

The following table shows the average prices of gold, the average values of the sovereign's gold content in London, and the sovereign's Reserve Bank buying price in Australia for the years 1961-62 to 1965-66. The average price of gold in Australia is fixed by the Reserve Bank and at present reflects the parity value of Australian currency established in conformity with the *International Monetary Agreements Act 1947*.

PRICE OF GOLD: LONDON AND AUSTRALIA, 1961-62 TO 1965-66

Year	London		Australia		
	Average price per fine oz	Average value of sovereign's gold content	Average price per fine oz	Sovereign	
				Reserve Bank buying price	Equivalent to a premium on mint par value of—
	£stg s. d.	£stg s. d.	\$	\$	per cent
1961-62 . . .	12 10 1	2 18 10	31.25	7.25	267.8
1962-63 . . .	12 10 6	2 19 0	31.25	7.25	267.8
1963-64 . . .	12 10 9	2 19 1	31.25	7.25	267.8
1964-65 . . .	12 11 8	2 19 3	31.25	7.25	267.8
1965-66 . . .	12 11 8	2 19 3	31.25	7.25	267.8

In December 1951 arrangements were made whereby producers could sell a proportion of newly-mined gold for industrial purposes on overseas premium markets. Under these arrangements gold is acquired by the Reserve Bank in the usual manner and sold, at the Bank's buying price, to an association representing gold producers participating in the scheme. The association pays the Bank's handling charges and the costs of preparation of the gold and makes arrangements for export and sale. Profits earned by the association after meeting administrative expenses are distributed to members in proportion to the quantity of gold delivered to the Reserve Bank. Until August 1952, when permission was given for the export of fine gold, gold exported under this arrangement was not to exceed a fineness of 22 carats ($\frac{11}{18}$ ths).

The average prices per fine ounce in Australian currency obtained for gold exported under this scheme for each month during 1965-66 for which there were sales were: July, \$31.452; August, \$31.458; September, \$31.527; October, \$31.427; November, \$31.327; December, \$31.315; January, \$31.326; February, \$31.311; March, \$31.343; April, \$31.414; May, \$31.437 and June, \$31.425.

The Australian note issue

In 1901 notes in circulation in Australia consisted of bank notes payable in gold coin and issued by the trading banks, and Queensland Treasury notes. Bank notes circulated in all States except Queensland, but were not legal tender except for a brief period in 1893 in New South Wales. There were, however, some restrictions on their issue or other provisions for the protection of the public Queensland Treasury notes were issued by the Queensland Government and were legal tender in that State. Notes of both categories continued in circulation until 1910, when the *Australian Notes Act 1910* and *Bank Notes Tax Act 1910* were passed by the Commonwealth Parliament. The *Australian Notes Act 1910* prohibited the circulation of State notes as money and the *Bank Notes Tax Act 1910* imposed a tax of ten per cent per annum on 'all bank notes issued or re-issued by any bank in the Commonwealth after the commencement of this Act, and

not redeemed'. These Acts put an end to the issue of notes by the trading banks and the Queensland Treasury. The *Reserve Bank Act* 1959 expressly prohibits persons, including States, from issuing bills or notes payable to bearer on demand and intended for circulation.

The *Reserve Bank Act* 1965 authorised the Bank to issue Australian notes in denominations of \$1, \$2, \$5, \$10, \$20, or \$50, or in any other denomination that the Treasurer, by instrument of writing published in the Gazette, determines. The Act provided that each note of the previous currency should have the value in dollar currency set out in the following table:

10s.	.	.	.	\$1
£1	.	.	.	\$2
£5	.	.	.	\$10
£10	.	.	.	\$20
£20	.	.	.	\$40
£50	.	.	.	\$100
£100	.	.	.	\$200
£1,000	.	.	.	\$2,000

The Act came into force on 14 February 1966, and notes of \$1, \$2, \$10, and \$20 denominations were issued forthwith as legal tender to any amount throughout Australia. A description of these notes is published in Year Book No. 52, page 678.

On 29 May 1967 \$5 notes were issued throughout Australia and the Territory of Papua and New Guinea. The \$5 note was designed by Gordon Andrews, the designer of the other dollar notes already in circulation. On the front is a portrait of Sir Joseph Banks (1743–1820), with an assemblage of Australian flora. Sir Joseph Banks accompanied Captain James Cook on his voyage to Australia in 1770, personally meeting the cost of the scientific equipment and staff that were with him. He collected and wrote about Australian flora and over a long period enthusiastically encouraged and financed others to carry out scientific investigations in Australia in a variety of fields. On the back Mrs Caroline Chisholm is portrayed against a background composed of illustrations of women and children of her time and of ships and Sydney streets of the period. Caroline Chisholm (1808–1877) was a pioneer in encouraging the migration of women and families from England to Australia. The \$5 note, which measures 150-mm by 75-mm, is basically mauve in colour with the main features being overprinted in black. The paper contains a watermark portrait of Captain Cook and an embedded metal thread running down near the centre.

Gold reserve against the note issue

The *Australian Notes Act* 1910 provided that the Treasurer should hold, in gold coin, a reserve of an amount not less than one-fourth of the notes issued up to \$14,000,000 and an amount equal to the excess over \$14,000,000. In 1911 this provision was amended and the Treasurer was required only to hold, in gold coin, an amount not less than one-fourth of the total amount of Australian notes issued. In June 1931, to permit further shipments of gold to meet short-term obligations in London, an amendment to the Commonwealth Bank Act provided for the reduction of the gold reserve for the two years ended 30 June 1933 to not less than 15 per cent. The reserve was to be increased, by graduated steps, to 25 per cent by 30 June 1935. In May 1932 a further amendment to the Commonwealth Bank Act provided that the reserve might be held 'in gold or in English sterling or partly in gold and partly in English sterling'. English sterling was defined as 'currency which is legal tender in the United Kingdom, and included (a) balances standing to the credit of the Bank at the Bank of England or at any other of its bankers in London; (b) Bills of Exchange or advances secured by Bills of Exchange which (i) are payable in the United Kingdom in currency which is legal tender in the United Kingdom; (ii) will mature in not more than three months, and the security for the payment of which bills is, in the opinion of the Bank, satisfactory; and (c) Treasury Bills or other securities of the United Kingdom which will mature in not more than three months'.

The statutory reserve against the note issue was abolished by the *Commonwealth Bank Act* 1945 which provided that the assets of the Note Issue Department should be held in gold, on deposit with any bank, or in securities of the Government of the United Kingdom or of the Commonwealth or a State. This provision was continued in the *Reserve Bank Act* 1959.

Australian notes in circulation

AUSTRALIAN NOTES IN CIRCULATION, JUNE 1962 TO 1966

(\$'000)

Denomination	Last Wednesday in June—				
	1962	1963	1964	1965	1966
\$1 and 10s.	25,150	26,276	27,550	28,396	32,204
\$2 and £1	135,880	138,104	141,290	143,308	138,164
\$10 and £5	379,584	386,136	390,728	392,980	369,247
\$20 and £10	307,136	310,578	304,964	297,479	309,713
£20	4	4	4	2	2
£50	60	58	56	45	43
£100	72	64	62	41	41
£1,000	7,680	8,224	5,656	164	..
<i>Held by banks</i>	117,280	125,938	133,710	138,783	154,117
<i>Held by public</i>	738,286	743,506	736,600	723,631	695,298
Total	855,566	869,444	870,310	862,414	849,414

Reserve Bank—Note Issue Department

The following statement shows particulars of liabilities and assets of the Note Issue Department of the Reserve Bank as at 30 June 1965 and 1966.

RESERVE BANK OF AUSTRALIA: NOTE ISSUE DEPARTMENT
LIABILITIES AND ASSETS, 30 JUNE 1965 AND 1966

(\$ million)

Liabilities	1965	1966	Assets	1965	1966
Notes on issue(a)	862.4	835.3	Gold and balances held abroad (including money at short call)	381.1	435.0
Special reserve—			Other overseas securities	174.1	134.8
Premium on gold sold	9.5	9.5	Government securities (including Commonwealth Treasury bills)	337.8	296.2
Other liabilities(a)	21.3	21.5	Other assets	0.2	0.2
Total	893.2	866.2	Total	893.2	866.2

(a) Notes of a denomination not exceeding one pound which have been on issue for more than twenty years and notes of a denomination exceeding one pound which have been on issue for more than forty years are not included in the item Notes on issue but are included in the item Other liabilities.

Until June 1951 all profits of the Note Issue Department, with the exception of \$4,000,000 and \$2,400,000 paid to the capital accounts of the Rural Credits Department and Mortgage Bank Department respectively, were paid to the Commonwealth Consolidated Revenue Fund. For the years 1951–52 to 1955–56 the profits were distributed as follows: (a) \$1,000,000 per annum to the capital accounts of the Commonwealth Trading Bank (prior to 3 December 1953 the General Banking Division of the Commonwealth Bank) and the several departments of the Commonwealth Bank, distributed two-sevenths each to the Commonwealth Trading Bank, Mortgage Bank Department and Industrial Finance Department and one-seventh to the Rural Credits Department, and (b) the balance to the Commonwealth Consolidated Revenue Fund. Since 1955–56 the profits have been paid to the Commonwealth Consolidated Revenue Fund. Profits of the Note Issue Department in 1965–66 amounted to \$31,070,000.

Rates of exchange

In the following table the par of exchange (based on par values agreed with the International Monetary Fund) and average telegraphic transfer selling rates of exchange for Sydney on a number of overseas countries are shown. Generally, the averages, which are averages of daily quotations, are based on rates quoted by the Commonwealth Trading Bank. Where these were not available, rates used by the Department of Customs and Excise in converting import values to \$A for purposes of calculating customs duty are shown.

OVERSEAS EXCHANGE RATES: PAR OF EXCHANGE AND AVERAGE TELEGRAPHIC TRANSFER SELLING RATES FOR SYDNEY ON OVERSEAS COUNTRIES, 1965-66

Country	Basis of quotation	Australian decimal currency equivalents		Country	Basis of quotation	Australian decimal currency equivalents	
		Par of exchange (a)	Selling rate, 1965-66			Par of exchange (a)	Selling rate, 1965-66
Belgium . . .	Francs to \$A1 . .	56.022	55 07	Japan . . .	Yen to \$A1 . .	403.226	401.02
Canada . . .	Dollars to \$A1 . .	1.211	1.1984	Netherlands . .	Guilders to \$A1 . .	4.054	4.004
Ceylon . . .	Rupees to \$A1 . .	5.333	5.266	New Zealand . .	\$A to £N.Z.100 . .	248.294	249.08
China . . .				Norway . . .	Kroner to \$A1 . .	8.000	7.92
(mainland) . .	New Yuan to \$A1 . .	(b)	2.74	Pakistan . . .	Rupees to \$A1 . .	5.333	5.284
China (Taiwan)	Dollars to \$A1 . .	(c)	44.70	Portugal . . .	Escudos to \$A1 . .	32.200	31.92
Denmark . . .	Kroner to \$A1 . .	7.736	7.66	Singapore . . .	Dollars to \$A1 . .	3.429	3.395
Fiji . . .	\$A to £F100 . .	224.226	226.00	South Africa . .	Rands to \$A1 . .	0.800	0.795
Finland . . .	Markkas to \$A1 . .	3.584	3.59	Sweden . . .	Kronor to \$A1 . .	5.794	5.724
France . . .	Francs to \$A1 . .	5.529	5.436	Switzerland . .	Francs to \$A1 . .	(b)	4.800
Germany, Fed. Rep. of	Deutsche Marks to \$A1 . .	4.480	4.45	United Arab Republic . .	£E to \$A1 . .	0.390	0.478
Hong Kong . .	Dollars to \$A1 . .	6.415	6.371	United Kingdom . .	\$A to £Stg100 . .	250.00	251.00
India . . .	Rupees to \$A1 . .	5.333	5.470	United States of America . . .	Dollars to \$A1 . .	1.120	1.1130
Italy . . .	Lire to \$A1 . .	700.00	692.00	U.S.S.R. . .	Roubles to \$A1 . .	(b)	1.004

(a) As at 30 June 1966, established under International Monetary Fund Agreement. (b) Not a member of the International Monetary Fund. (c) No par value established.

VOLUME OF MONEY
VOLUME OF MONEY: AUSTRALIA, JUNE 1962 TO 1966

(Source: Reserve Bank of Australia)

(\$ million)

June—	Notes and coin in hands of public	Deposits of public with all cheque-paying banks(a)		Deposits with all savings banks(b)	Total volume of money
		Current	Fixed		
1962	810	2,569	1,039	3,428	7,845
1963	818	2,646	1,147	3,906	8,517
1964	815	2,917	1,380	4,444	9,556
1965	814	2,977	1,688	4,858	10,337
1966	783	3,033	1,898	5,223	10,938
December(c) 1966 . .	909	3,294	1,981	5,502	11,686

(a) Excludes Government and inter-bank deposits, but includes deposits of the public with the Reserve Bank. (b) Interpolated 'weekly average' based on end of month figures. (c) Excludes one Wednesday.

BANKING

The Australian banking system has developed along the lines of the British system with widespread branch banking conducted by relatively few banks.

Development since federation

With federation in 1901 the new Commonwealth Parliament was given power, under section 51 of the Commonwealth Constitution, to legislate with respect to 'Banking, other than State Banking, also State Banking extending beyond the limits of the State concerned, the incorporation of banks, and the issue of paper money'. In 1911 the Commonwealth entered the field of banking, with the establishment of the Commonwealth Bank of Australia, which conducted both trading bank and savings bank operations. A separate Commonwealth Savings Bank was established in 1928.