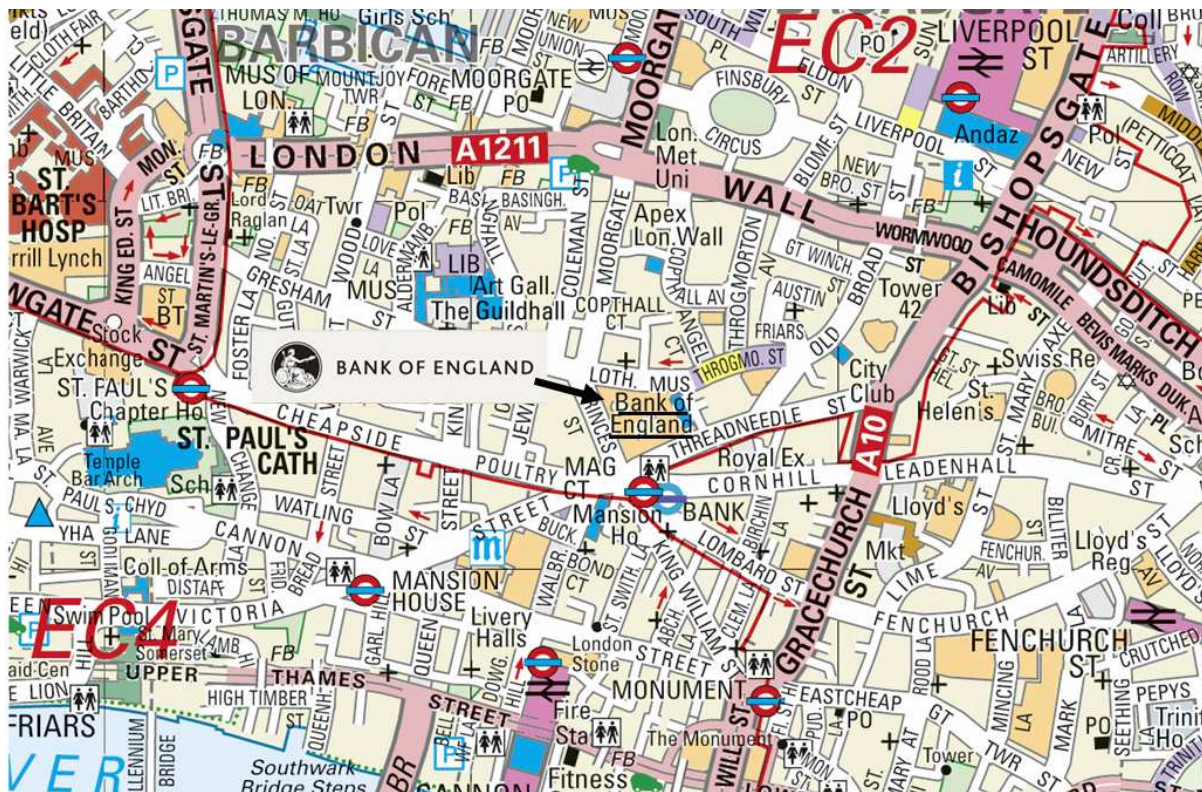




City of London

Bank of England



England's crushing defeat by France, the dominant naval power, in naval engagements culminating in the 1690 Battle of Beachy Head, became the catalyst for England's rebuilding itself as a global power. England had no choice but to build a powerful navy if it were to regain global power. No public funds were available, and the credit of William III's government was so low in London that it was impossible for it to borrow the £1,200,000 (at 8 per cent) that the government wanted.

In order to induce subscription to the loan, the subscribers were to be incorporated by the name of the Governor and Company of the Bank of England. The bank was given exclusive possession of the government's balances, and was the only limited-liability corporation allowed to issue bank-notes. The lenders would give the government cash (bullion) and also issue notes against the government bonds, which can be lent again. The £1.2m was raised in 12 days; half of this was used to rebuild the Navy.



SEALING OF THE BANK OF ENGLAND CHARTER. 1694.

SIR JOHN HOUBLON.
Governor.

SIR JOHN SOMERS.
Lord Keeper.

MR. MICHAEL GODFREY
Deputy Governor.



1694: The Bank of England's first charter

The royal seal of the joint monarchs, William and Mary, was affixed on 27th July 1694. The document laid down the conditions under which the Governor and Company of the Bank of England were to operate.



close X

As a side-effect, the huge industrial effort needed, from establishing iron-works to make more nails to agriculture feeding the quadrupled strength of the Royal Navy, started to transform the economy. This helped the new Kingdom of Great Britain – England and Scotland were formally united in 1707 – to become powerful. The power of the navy made Britain the dominant world power in the late eighteenth and early nineteenth centuries.

The Bank's headquarters has been located in London's main financial district, the City of London, on Threadneedle Street, since 1734. It is sometimes known by the metonym The Old Lady of Threadneedle Street or simply The Old Lady, a name taken from the legend of Sarah Whitehead, whose ghost is said to haunt the bank's garden. The busy road junction outside is known as Bank junction.

The Bank of England, formally the Governor and Company of the Bank of England, is the central bank of the United Kingdom and the model on which most modern central banks have been based. Established in 1694, it is the second oldest central bank in the world, after the Sveriges Riksbank, and the world's 8th oldest bank. It was established to act as the English Government's banker, and to this day it still acts as the banker for HM Government. The Bank was privately owned and operated from its foundation in 1694. It was nationalised in 1946.

In 1998, it became an independent public organisation, wholly owned by the Treasury Solicitor on behalf of the Government, with independence in setting monetary policy.

The Bank is one of eight banks authorised to issue banknotes in the United Kingdom, but has a monopoly on the issue of banknotes in England and Wales and regulates the issue of banknotes by commercial banks in Scotland and Northern Ireland.

The Bank's Monetary Policy Committee has devolved responsibility for managing the monetary policy of the country. The Treasury has reserve powers to give orders to the committee "if they are required in the public interest and by extreme economic circumstances" but such orders must be endorsed by Parliament within 28 days. The Bank's Financial Policy Committee held its first meeting in June 2011 as a macro prudential regulator to oversee regulation of the UK's financial sector.

