

Short History of Central Banks- From Bank of England (BOE) to Bank for International Settlements (BIS)

By Matthias Chang – Future Fast-Forward

“Give me control of a nation’s currency and I care not who runs the government.” [Who said this?]

Only a handful of Malaysians know about the history of BIS, the global Central Banks’ Central Bank. The real power (as always) is hidden and so we must understand the immense power of BIS.

Whosoever controls BIS, controls the global payment system and more, so much more!

Firstly, What You Need To Know About Bank of England (BOE)

Extracts from BOE Museum:

- *In the 17th century, early **banking business was carried out by people known as the goldsmiths**. They looked after and lent gold and silver to wealthy people, but they also charged really high interest rates. It was perfectly normal for the goldsmiths to charge interest rates between 20 and 30%. However, in 1672, Charles II decided to borrow loads of money from the goldsmiths to keep him in the extravagant lifestyle he’d become accustomed to, but then decided that because he was King, he didn’t need to pay it back. So he wrote a letter to the goldsmiths with words to the effect of:*
- *“Gentlemen, I’m an honest man but unfortunately I am unable to pay my debts back on this occasion. Sorry – will see what I can do.”*
- *As a result, goldsmith businesses collapsed and confidence in the sector dissolved. Any goldsmiths who didn’t go under were, understandably, very reluctant to lend to monarchs after that.*
- ***In 1693, William III was desperately trying to raise funds for wars against France. He went to the remaining goldsmiths to see if any of them would fund him. They all said no, so William had to come up with a new way of raising the money. The King discussed a number of ideas from the government, wealthy merchants and noblemen. But one of these came out on top. William Paterson, a Scottish merchant suggested that members of the public could lend £1.2 million to the government. People who signed up to this scheme effectively became shareholders in a new joint-stock company.***
- *The company was called ‘**The Governor and the Company of the Bank of England**’. People invested in it by purchasing ‘bank stock’ and the government paid them 8% interest. It was a good deal for the government as goldsmiths charged lending rates of more than twice that amount! The £1.2 million target was raised in just 11 days by 1,268 members of the public from all walks of life. **And we were formally established by Royal Charter on 27 July 1694.***

Extracts from Britannica

- ***A royal charter allowed the bank to operate as a joint-stock bank with limited liability. No other joint-stock banks were permitted in England and Wales until 1826. This special status and its position as the government’s banker gave the bank considerable competitive advantages. This special status and its position as the government’s banker gave the bank considerable competitive advantages. Bank Stock***

continued to be held in private ownership until 1946 when the Bank of England was nationalised). Most (more than two-thirds) contributed less than £1,000. As a proportion of the total amount raised, 25% came from 'esquires', 21% from merchants and 15% from titled aristocrats. Twelve per cent of the original subscribers were women. King William and Queen Mary (jointly) invested £10,000, the maximum permitted sum, as did a handful of others (including Sir John Houblon).

- The bank was located first in Mercers' Hall and then in Grocers' Hall, but it was moved to its permanent location on Threadneedle Street in the 1730s. By that time it had become the largest and most prestigious financial institution in England, and its banknotes were widely circulated. As a result, it became banker to other banks, which, by maintaining balances with the Bank of England, could settle debts among themselves. The bank was threatened by the economic instability that accompanied the French Revolution and Napoleonic Wars, **but its standing was also considerably enhanced by its actions in raising funds for Britain's involvement in those conflicts.**
- During the 19th century the bank gradually assumed the responsibilities of a central bank. In 1833 it began to print legal tender, and it undertook the roles of lender of last resort and guardian of the nation's gold reserves in the following few decades. **The bank was privately owned until 1946, when it was nationalized. It funds public borrowing, issues bank notes, and manages the country's gold and foreign-exchange reserves.**

Draw your own conclusions! Read the high-lighted words

Secondly, What You Need To Know About BIS

The BIS members are central banks of 63 jurisdictions: 34 in Europe, 16 in Asia, 5 in South America, 3 in North America, 3 in Africa, and 2 in Oceania.¹ The United States is represented by two members, the United States Federal Reserve System and Federal Reserve Bank of New York. The Central Bank of Russia is a member but its engagement with the BIS has been suspended since early March 2022

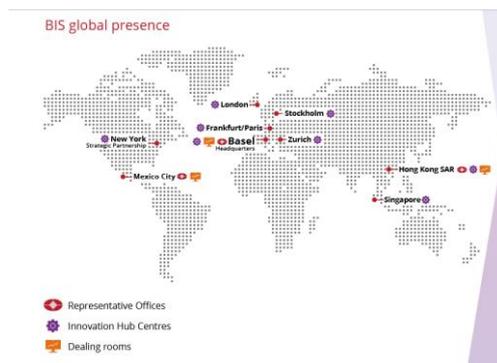


Let BIS speak for itself

- **The BIS was created in 1930 at the Hague Conference. A convention respecting the establishment of the BIS was signed between Belgium, France, Germany, Italy, Japan and the United Kingdom on the one hand and Switzerland on the other.**



- **The BIS is owned by 63 central banks, representing countries from around the world that together account for about 95% of world GDP. Its head office is in Basel, Switzerland and it has two representative offices: in Hong Kong SAR and in Mexico City, as well as Innovation Hub Centres around the world.**



- **In the late 1930s, international cooperation became difficult due to growing political and military tensions. During this period, the BIS was instrumental in shipping gold from Europe to the safety of New York, mostly on behalf of European central banks. In the aftermath of World War II, Europe's priority was stabilising the different national currencies before trade and foreign exchange restrictions could be gradually lifted. The European countries turned to the BIS to act as the technical agent for creating a European Payments Union.**
- **The success of the European Payments Union in restoring currency convertibility in Europe in 1958 meant that the Bretton Woods system was finally operational throughout the western world. A good deal of international cooperation was required to keep this system running smoothly.**
- **International monetary cooperation started to develop tentatively in the course of the 19th century. An early case was a £400,000 loan in gold coins from the Bank of France to the Bank of England which was facing a bank run, made in 1825 and facilitated by the Rothschilds. The Bank of England again borrowed from its French counterpart (and from the Hamburger Bank) in 1836 and 1839, and lent to it in return in 1847. In 1860-1861, because of the disruption from the incipient American Civil War, the Bank of France entered a series of swap agreements on specie with the Bank of England as well as the State Bank of the Russian Empire and De Nederlandsche Bank. That episode was recorded as the "war of the banks", ostensibly because of frictions between the Bank of France and the Bank of England about the transaction.**
- **A few years later, monetary cooperation took a novel form with a series of international monetary conferences devoted to better coordination of the coinage system, even though these initiatives, like the Latin Monetary Union started in 1865, did not extend to money other than coins, and therefore involved treasury and mint officials rather than bankers. At the Brussels Conference in 1892, German academic Julius Wolff submitted a blueprint for an international currency that would be used for emergency lending to national central banks and would be issued by an institution**

based in a neutral country. In 1893, French economist Raphaël-Georges Lévy suggested to establish an international central bank in Bern. In 1907, Italian statesman Luigi Luzzatti published an article in the Austrian Neue Freie Presse, referencing past examples of bilateral cooperation between central banks and emphasizing the need for more institutionalized cooperation at the international level

Some Historical High-lights

(compel to cite Wikipedia –because you believe in this source, but, I had verified endnotes sources)

The practice of formalized central bank cooperation made unprecedented advances among allies in the course of World War I. In 1916, the Bank of England and Bank of France made agreements on bilateral lending and established a direct telegraph line between their respective offices to facilitate communication. Similar formal agreements were made that year between the two banks and the Federal Reserve Bank of New York, and in 1917 the Bank of Italy opened an office in New York.

The decision to create the BIS took place in the context of negotiations over World War I reparations which plagued international relations in Europe throughout the 1920s. Following the Treaty of Versailles, a Reparation Commission was set up in January 1920 to determine the amount of German reparations. Conferences at Spa in July 1920 and London in March 1921 were followed by the occupation of the Ruhr in January 1923, and eventually the Dawes Plan approved at another London conference in July-August 1924. The latter allowed for a more constructive atmosphere, materialized in diplomacy by the Locarno Treaties in October 1925 and encouraging Montagu Norman, the influential governor of the Bank of England, to envisage the creation of what he described in September 1925 as "**a private and eclectic Central Banks' 'Club', small at first, larger in the future.**"

That vision had a first materialization at a meeting in early July 1927 which brought together Montagu, his friend Benjamin Strong, head of the Federal Reserve Bank of New York, Reichsbank president Hjalmar Schacht, and Bank of France vice governor Charles Rist at a private home on Long Island (the Bank of Italy had hoped for an invitation but was not included). A second meeting was scheduled in Algeciras, but was not held because of the bad health of Strong, who eventually died in October 1928.

American banker Owen D. Young (1874-1962) played a central role in the conception and establishment of the BIS. Central bankers Montagu Norman (for the UK) and Hjalmar Schacht (for Germany) were key protagonists of the BIS's creation and of its first decade of operations

A deadline for French repayment of its bilateral debt to the United States provided impetus for a new initiative, which took the form of a Committee of Experts appointed to work out a final settlement of the German reparations, known as the Young Committee for its chairman the American banker Owen D. Young. The committee first met at the Bank of France on 9 February 1929, then on 28 successive sessions ending on 7 June 1929 at the Hotel George V. The seven participating countries were Belgium, France, Germany, Italy, Japan, the United Kingdom and the United States.

The need for a jointly governed bank emerged in these discussions as a means to overcome information asymmetries and increase the likelihood that commitments would be effectively met, not least by helping the creditors to act collectively and facilitating the reinvestment of German payments into the German economy.

Under the Young Committee's consensus concept, made public on 10 March 1929, the bank would serve a threefold purpose as a trustee, bank, and international organization of central bankers: (1) receiving, managing, and distributing German reparation annuities as a trustee; (2) facilitating German transfers by issuing counterpart bills, notes, and bonds; and (3) serving national central banks by taking their deposits, granting them credit, and carrying

out currency and gold transactions on their behalf. An overall agreement on the future bank, with draft statutes prepared by the Bank of England's Charles Stewart Addis, was achieved by the Young Committee on 25 March 1929.

Political positions within the Herbert Hoover administration made it impossible for U.S. Federal Reserve System officials to be formally involved in the initiative, but the U.S. was still able to retain major influence in the proceedings because of a shared perception amongst negotiators that the project would fail without U.S. participation. Major figures of the U.S. financial world would participate in the joint bank, and act in close cooperation with the Federal Reserve Bank of New York. The leverage held by the U.S. allowed Young and J. P. Morgan Jr. to make sure that Americans would be in leadership position at the bank when it started operations, as indeed happened.

The BIS concept was agreed to in August 1929 at the first part of the Hague conference on reparations. The bank's Charter, Statutes, Trust Agreement, and Convention on its relations with the host country were subsequently drafted by a special Organisation Committee chaired by Jackson Reynolds, president of the First National Bank of New York, which met in the discreet location of Hôtel Stéphanie (part of which later became Brenners Park-Hotel & Spa [de]) at Baden-Baden from 3 October to 13 November 1929; the intense work was marred by the death of Delacroix from a heart attack during the proceedings. Aside from Reynolds, American participants in Baden-baden also included Melvin Alvah Traylor, president of the First National Bank of Chicago, Warren Randolph Burgess, Shepard Morgan, and Leon Fraser [de] (a legal expert with the Agent General for Reparation Payments), with J. P. Morgan Jr. monitoring the proceedings and advising from London.

As in the Paris discussions earlier in the year, the Baden-Baden committee had to reconcile the different visions for the future BIS, from purely a creation of central banks (as espoused by Italy's Alberto Beneduce and by Montagu Norman) to a supranational development bank with policy tasks such as developing world trade (as advocated by Schacht and UK Chancellor Philip Snowden). Other points of contention included the future institution's official language(s), for which the committee endorsed French, and location. For the latter, several delegates favoured London, but that was vetoed by the French who proposed Brussels instead, which in turn was vetoed by the British; after Amsterdam failed to gain sufficient support, a consensus was eventually found on Basel, which combined neutral country status and good railway connections. The founding texts of the BIS were then approved at the second part of the Hague conference, on 20 January 1930, with only minor changes from the Baden-Baden drafts such as the addition of English to French as official language. These texts included the constituent Charter and Statutes for the bank, and a Convention (intergovernmental agreement) between Germany, Belgium, France, the United Kingdom, Italy, Japan, the United States, and Switzerland, establishing the bank's special status on Swiss soil and committing Switzerland to grant the Charter and approve the Statutes. Thus the BIS was formally created in Rome on 27 February 1930.

BIS Committees (BIS Official Sources)

- The **Basel Committee on Banking Supervision** develops **global regulatory standards** for banks and seeks to strengthen micro and macro prudential supervision.
- The **BIS Committee on Payments and Market Infrastructures** establishes and promotes **global regulatory / oversight standards for payment**, clearing, settlement and other market infrastructures, and monitors and analyses developments in these areas.
- The **Committee on the Global Financial System** monitors and analyses issues relating to financial markets and systems.
- The **Markets Committee** monitors developments in financial markets and their implications for **central bank operations**.

- The **Central Bank Governance Group** examines issues related to the **design and operation** of central banks.
- The **Irving Fisher Committee on Central Bank Statistics** addresses statistical issues relating to **economic, monetary and financial stability**.

Draw your own conclusions and ask:

- **Are central banks truly independent or under foreign control?**
- **Only Central Banks are members of BIS, why?**
- **Who has more control and power over the central bank – our Minister of Finance or BIS**
- **Under the dictates of BIS, what is the principal role of Central Banks in the geopolitical chessboard?**
- **Who controls the BIS?**

I refuse to convince you on my conclusions and compel you to accept my views.

Why?

Because you have not even considered the factual matrix of central banks and to go behind the curtain and see who are the puppet masters.

Financial war has been unleashed by US and the West. Outright plunder of Russian central bank's funds. Sanctions imposed by US, but the whole world must comply! BIS enforces the unilateral sanctions regime for and on behalf of US and West.

BIS did F#@k all in spite of all the pious language in their official documents. So what good is there to be a member of the BIS and its Committees?

Finally, what do you know about BIS's Project Dunbar which Malaysia played an active role?

Was not even debated in our parliament. Did any politicians in parliament explain to you?

Zilch Did f#@k all!!!!!!

Addendum, please note: from NST
(https://www.nst.com.my/business/2022/07/811573/bank-negara-independent_

KUALA LUMPUR: Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz says the government cannot interfere with Bank Negara Malaysia's monetary policy, stressing that it will be "fatal" for the central bank to rely on government decision.

Tengku Zafrul added that the central bank was "independent of the government" and that government intervention in monetary policy decisions would affect financial market integrity.

"We cannot coordinate by law. It is also important when it comes to the trust in the markets. If there is any manipulation or interference from the government in any compound monetary policy decision, that will undermine the integrity of the markets as well," Tengku Zafrul told reporters at the launch of edotco Group's sustainability blueprint and report 2021 here today.

Need I say more?

Where is Bank Negara in the pecking order / hierarchy of the Ministry of Finance?

