

Volume III

After the Gold Standard, 1931-1999

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Memorandum concerning the case of Emile Katz, seen as a contravention of the statute stipulated in the Exchange Control Act of 1947 prohibiting the private ownership of gold. This document indicates both the nature of prosecutions for holding gold and the exemptions that existed to the regime.

The Case of Emile Katz

Emile Katz was brought before the magistrates at Bow Street on Friday, the 28th October, to answer a charge of being in possession of gold which he should have offered for sale to the Treasury.

The gold was in the form of a lump and two small sheets. The interest in the case turned on the definition of bullion within the meaning of the Exchange Control Act. We had already been told that if the decision of the Court went against the defendant there would be an appeal, and the Public Prosecutor was also considering similar action if the case went against the Crown.

Mr Newman, of the Mint, had been subpoenaed by the prosecution to give his definition of "gold bullion". This was that all gold was bullion unless it was in wholly-manufactured form. This definition suited us - we had in fact always held that view. Mr Barry, of the Office of the Controller of Public Prosecutions, has asked if I would attend at the Court in order to assist the magistrate over any points which might arise in connection with the administration of the Exchange Control Act insofar as it affected gold. This request was later confirmed by the Treasury.

The gold in the form of a lump had been derived from scrap, whereas the two pieces of sheet had been bought from Johnson, Matthey & Co. Ltd., Authorised Dealers in gold, and the Defence tried to prove that, by reason of our practice during the last ten years of permitting scrap to be ploughed back into the industry, we had condoned this dealing in scrap, and we could not therefore suddenly change our minds and bring a man before the Courts as a criminal. The agreement which we made with the trade in the early days of the war was, of course, designed to enable the trade to continue its work and pre-supposed that the scrap would remain in the hands of the genuine traders. No attempt was made however to prove that Katz was a genuine trader, primarily, I think, because Johnson Matthey had accepted his bona fides to the extent of selling some sheet gold to him.

Volume III

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I had been told by Barry, before the case started, that the magistrates found it difficult to accept sheet as bullion. We can therefore regard his final opinion that all gold other than wholly-manufactured articles is bullion with some satisfaction. His decision that Katz should offer the bar to us for sale also implied that he did not regard him as a genuine member of the trade, although this was never contested by the Prosecution.

The magistrate's decision that the sheet gold should be retained by Katz was also right on the evidence produced, because Katz had, on his own declaration, bought it from an Authorised Dealer.

The fine of £1 was regarded as purely nominal.

The matter cannot, however, be allowed to rest here. We must consider firstly whether our attitude towards dealings in scrap gold remains unchanged and secondly whether we shall in future require Authorised Dealers to obtain an undertaking in writing from their customers that gold sold to them, whether emanating from the Bank of England or not, is required for the customers' own use in trade; in other words, that the gold is not going to be re-sold to a third party. This may put Johnson Matthey in a worse position than, say, Sheffield Smelting and other members of the Federation of British Bullion Dealers, who, not being Authorised Dealers, will not be required to obtain such a declaration but who will, nevertheless, be handling scrap gold.

These points require careful consideration and will be commented on at some length in a further memorandum.

It must not be assumed that Johnson Matthey were necessarily negligent in selling sheet gold to Katz - if indeed they did. It might well be that Katz acquired the sheet from them against the surrender of scrap gold. There was, however, no doubt from the evidence given by Johnson Matthey's representatives that they regarded Katz as a member of the trade.

It would be difficult for me to express an opinion on this, as no evidence was produced to the contrary; but I was certainly left with the impression, having seen Katz and knowing that the gold was found tucked away in a safe deposit, that his connection with the jewellery trade was extremely remote.

Source: *Bank of England Archives*, C43/144, 1946/2, no. 127.