

## Volume III

### After the Gold Standard, 1931-1999

1953 November 9

**Report of L. J. M., eleven pages in length, entitled 'The London Gold Market', which outlined of a scheme for the re-establishment of the London Gold Market prior to the restoration of full convertibility of sterling.**

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Part I: Market Technique [...]

Each day at 11am (or such other time as might be agreed) the price of gold on the basis of supply and demand would be fixed in sterling terms in shillings and pence per fine ounce in multiples of one halfpenny by the members of the London Bullion Market. [...]

Gold dealt in at the fixing would consist of bars of such weight, fineness, melting and assay as would conform to the "Specification of Bars acceptable on the London Gold Market". Other bars would be dealt in subject to the payment of an agreed charge to cover the cost of converting them into good delivery bars. [...]

The normal practice would be for all deals in the Bullion Market to be conducted in sterling terms. This would not prevent individual transactions as between non-resident buyer/seller and Authorised Dealers in gold being conducted on a dollar basis. [...]

Direct access to the London Bullion Market would be reserved to the members of the market (i.e., at present the six houses specified in paragraph 13 below who acted as brokers in gold before the war and who, with the Bank of England, are the present authorised dealers in gold under the Exchange Control Act). [...]

The London Bullion Market consists of six members. There is neither committee nor constitution. The six firms in question are members not by election or test but by custom and tradition. The market at the outbreak of war consisted of -

(a) Four brokers -

S. Montegu & Co.

Mocatta & Goldsmid

Sharps & Wilkins

Pixley & Abell

most of whom were dealers as well, and

(b) Two dealers -

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N. M. Rothschild & Sons

Johnson Matthey & Co.

who, in addition to refining and fabricating, also acted in the capacity of brokers.

The significance of membership of the market was the right to take part in the gold fixing and, as brokers, to handle the business of non-members of the market for which a commission was charged. Rothschilds took the Chair and the "fixing" took place at their premises. Regulations, e.g., regarding the specifications of good delivery bars, were drawn up by agreement of the six, the Bank being consulted, and were issued by the Rothschilds. Other banks dealt actively in gold but were not members of the market. [...]

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**Source:** *BoE Archives*, ADM14/37, 806/3, no. 23.