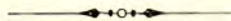
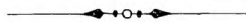


ABRIDGED TRANSLATION OF THE
REPORT OF THE GOVERNOR
AT THE
GENERAL MEETING OF THE SHAREHOLDERS
OF THE BANCA D'ITALIA
HELD IN ROME ON THE 28th MARCH, 1931.



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Gentlemen,

United by a common sense of deep regret, we feel present among us today Bonaldo Stringher, the great Governor of the Banca d'Italia. He died on the 24th December last year with the peace of mind which could only be given by the consciousness of having performed his duty without limitation. His extensive and steady work, often through hard and difficult times, was entirely devoted to the good of our country, with silent perseverance, with tenacious and sure faith, and with unceasing enthusiasm, which never wavered in the face of obstacles or on account of weariness. Bonaldo Stringher was always youthful in his work as he was always wise having a wonderful and so rightly appreciated equilibrium. Of him many in Italy and abroad have written worthily, emphasizing the most important of his vast achievements, and all, without exception, feel that his departure has left a void which cannot be filled.

When in 1900 he took over the direction of the Banca d'Italia, nobody would have dared to hope that he might, in the course of his existence, accomplish so great and almost miraculous a task, especially in consideration of the important events which followed one another during the thirty years in which, with a constantly firm hand, with readiness of perception and decision, with absolute devotion to the State, and with an infinite sense of kindness and equity, he held the most delicate and the highest command of

Italy's economy and finance. His Annual Reports at the General Meetings of Shareholders are not only historic documents unparalleled for knowledge, acuteness of observation and clearness of insight, but are also the clearest evidence of his complete faith as a citizen in the future of his country. This object he held ever in his mind with unswerving tenacity, entirely devoting to it his great mind, his noble soul and the full prestige which accrued to him through his exemplary life.

In his first Report at the Meeting of the Shareholders held on the 25th March, 1901, he outlined an act of faith rather than a programme, marking once and for all the invariable policy for whoever may have the great honour of directing the Central Bank. I beg to recall that programme with the devotion of a faithful pupil:

Scrupulous observance of the laws and statutes ruling the Bank;

Co-ordination of the Bank's interests with the economic interest of the country;

Independence of action, with the greatest respect for the authority of the State.

Prior to being called to act, Bonaldo Stringher had made himself intimately acquainted with the functions of a Central Bank, by quietly and efficiently cooperating in setting out the rules contained in the Bank Act of 1893. When placed in command of the leading note issuing bank, after having held with exceptional ability the post of Director-General of the Treasury, Bonaldo Stringher was fully prepared for his new office, having had the experience of great difficulties, which had been overcome thanks to the proved devotion to the State of men like Sonnino and Luzzatti and himself. On the wrecks of error and guilt,

they built up the new edifice of Italy's Central Bank, solid in its foundations, simple in its architectural lines, and open on all sides to the livening lights of national confidence. Bonaldo Stringher found the Bank with a body structurally sound but weak in resources, in spite of the hard initial reconstruction work performed by Signor Giuseppe Marchiori. He showed immediately his sure intuition and his quickness in passing from a scrupulous analysis to a synthesis of the economic, financial and monetary problems. By patient cures he brought about a recovery of the Bank, thus co-operating to the country's economic and financial revival. It is sufficient to recall his precious contribution in preparing and carrying out the conversion of the Rentes. The crisis of 1907 was unquestionably overcome thanks to the wise strictness of Bonaldo Stringher in resisting the pressing appeals made from all quarters to the note-issuing Bank, while endeavouring to enforce the liquidation of every position which was apt to damage the sounder part of the country's productive organisation.

In the period between 1909 and 1913 he completed the great work of restoration, by giving a valuable impetus to the development and evolution of Italian industry.

Meanwhile the circulation of bank notes, rigidly controlled, had attained a large proportion of reserve cover, at the rate of 68 %, so that the outbreak of war, in 1914, found Italy in satisfactory currency and banking conditions, such as to avoid any immediate serious damages to the nation's economy. The Banca d'Italia effectively contributed, with real patriotic fervour, to the various provisions of an exceptional nature imposed by the war, avoiding, however, a too rapid expansion of the note circulation by resisting the strong and insistent claims from political and economic quarters.

Let us also remember Signor Stringher's action in controlling the exchange ever since 1914 and, subsequently, through the National Institute of Exchange, over which he presided from its inception.

When a true history of the Great War is written, we will know and appreciate what a miracle has been accomplished by Italy in sustaining, with her modest financial resources, the immense burden of nearly four years hard fought war. Bonaldo Stringher was certainly the most tenacious contributor to that miracle. Immediately after the war, owing to the enormous difficulties, which were made greater through the weakness of successive Governments, Signor Stringher's efforts to defend the currency found no support, and it was only thanks to the sound financial policy adopted by the Fascist Regime and, in particular, to the decided will of the Prime Minister, that his work found unqualified approval and active support.

More recently the merits of the great man shone in his contribution to the unification of the note issue, to the restoration of the convertibility of notes and the stabilisation of the lira, both in the preparatory and in the conclusive stages. In this work I had the privilege of appreciating daily his immense value and enthusiastic ardour.

Fate accorded to Bonaldo Stringher the satisfaction of witnessing the results of his long and unique labours, the general consent and praise and the deep gratitude of the contry and of the Bank, but it did not allow him an even short period of cloudless and restful peace, for which he used to long as the closing stage of his noble and active life.

It is a duty, which is deeply felt by all of us, to make every effort to follow his teachings with a keen determination to lead

our glorious institution ever forward on the path clearly set out by him.



With the approval of the Royal Government, the Board, by unanimous vote, have called to succeed me in the post of General Manager of the Bank, Signor Pasquale Troise, whose intelligence and competence of administrative and financial problems in many years of active work at the Finance Ministry, assures to the Bank a valuable and wise co-operation. Together with Signor Introna, the Deputy General Manager, the Directorium of the Bank depends on the active and intelligent collaboration of the staff, to whose devotion I wish to pay from this moment a warm tribute.

Addressing myself to you today for the first time as Governor, it is my duty to refer to a balance sheet which closes the wise administration of the late Governor Bonaldo Stringher to whom I had the great honour to be a faithful and devoted assistant.



The monetary and financial events which made themselves acutely felt in the autumn of 1929 had a greater bearing and more serious consequences on the world economy during 1930.

In spite of the speedier rhythm of modern life, the unbalanced condition existing between production on one hand and consumption on the other, accompanied by a disproportionate development of production, does not permit quick reactions or unexpected relief. Still one must not overlook the tendency shown in the first months of 1931, leading to a better understanding of the position in the various markets.

The development of the crisis in 1930 was almost uniform in every country. Several events in international markets, although they may not be considered to have affected concurrently the position, have contributed to deepen in one way or another the depression. Among these, the raising of customs tariffs by certain countries beginning with the United States, the disturbance in India, the events in South America, the situation which has arisen in China owing to the civil war and to the depreciation of silver, the characteristic intervention of Russian production in the international market.

The monetary factor had a lesser influence in determining the features of 1930, since an abundance of available capital was the outcome of the considerable set-back in economic activity. The corresponding fall in prices and the continued inflow of gold into France have contributed, in the past year also, to call special attention to the question of the world distribution of gold. This was probably rather due to enquiries concerning the origin of the fall in prices than to the setting out of programmes for a more or less near future, in view of the difficulty of connecting the gold movements with the development of economic and financial relations among the various countries. At the present moment another aspect of the crisis attracts more directly the general attention and that is the way in which the falling-off of economic activity affects, either directly or through the growth of unemployment, State finances, by reducing the yield of many receipts while increasing expenditure in respect of provisions adopted by the various Governments in aid of a considerable part of the population. The burdens of State budgets cause a greater responsiveness to all matters concerning the reduction of armaments. In these circumstances the reception accorded to the Naval Agreement

which was reached quite recently can be easily appreciated, since it is a certain augury of a not distant re-examination of all problems concerning the size of military organisations in the various countries. In the strictly financial field I trust in the benefits to be derived from the frequent intercourse through the Bank for International Settlements between representatives of the leading central banks. In that field it should always be of mutual advantage to secure that sincere collaboration which should gradually develop. Under the auspices of the Bank for International Settlements there is a tendency to extend internationally the acceptance market, and through the Royal Decree of the 8th August, 1930, we are also enabled to make use of it for the benefit of banking operations affecting our export trade.

The tendency which is developing in countries more largely supplied with gold in favour of long term loans, as a natural outlet for their surplus capital should, if actually carried out, be beneficial in relieving the depression affecting the purchasing power of many markets, and lead to a different distribution of the existing gold supplies.



The intense depression which occurred abroad was extended more or less rapidly and strongly to the Italian market, causing a halt in the process of adjustment at the initial stage of recovery. Nor could it be otherwise, considering our peculiar economic features, the sensitiveness to external influences and the still unaccomplished restoration.

However, it must be admitted that our economic organisation has effectively withstood the pervading depression thanks to the provisions adopted in good time by the Government in order to

minimise the effects of the crisis and more recently to prepare the ground, as far as possible, for its gradual solution.

Concerning the budget, we may recall the signs of « weariness » as defined by the Prime Minister, which appeared in the latter months, when the world economic depression was being more acutely felt. For the financial year to June 30th, 1930, the actual receipts amounted to 19,897 million lire against an expenditure of 19,746 millions, with a surplus of only 151 million lire as compared with an estimated surplus for the year of 258 million lire, and a surplus of 555 million lire in the financial year 1928-29. The present financial year has marked from its start a disproportion between receipts and expenditure, which, however, is perfectly natural and although not exceeding the direct and normal effect of the contributing factors, which are in varying degrees common to all other countries, was bound to induce the Government to seek immediate remedies to curtail its growth, awaiting the time when the receipts will be more normal, while in the meantime the public authorities are endeavouring to cut down all items of expenditure.

The rate of our exchange did not vary on the whole very considerably from year to year. In 1930 the average monthly rate of the dollar moved between 19.08 and 19.10 lire, whereas the daily rates moved between 19.07 and 19.10 lire. In 1929 the corresponding figures were 19.09 and 19.10 in the first case and 19.09 and 19.11 in the second, which shows that both the highest and the lowest level were in the past year below the corresponding rates of the previous year. It may be said that the fluctuations of the exchanges were maintained generally within limits not differing from those of the preceding year, although in every instance the highest levels were somewhat below.

The process of curtailing the note circulation was further developed in 1930. The amount of bank notes outstanding at the end of the year viz. 15,680.5 million lire, was by 1,093.8 millions below the amount outstanding on the 31st December, 1929, a reduction almost as great as that of the two preceding years combined.

Considering the whole of the circulation of notes and coin, the reduction which took place in the course of the year amounted to 1,030 million lire, having dropped from a total of 18,845.9 to 17,815.9 million lire.

Extending our survey to the period 1914-1930 it will be seen that the total circulation of notes and coin at the end of 1930, amounting to 17,815.9 million lire, compared with a circulation on the 31st December, 1914, of 3,959.5 million old lire, which is equal to 14,515.9 millions of the present lire, an increase of 22.7 per cent.

The values of our foreign trade in 1930 show a considerable reduction as compared with the preceding year, the excess of imports having fallen from 6,428.8 to 5,209.7 million lire. Imports of merchandise declined from 21,700 to 17,300 million lire and exports from 15,200 to 12,100 million lire, so that in round figures the value both of imports and exports shows a reduction of about one fifth and also the trade debt to other countries has been reduced approximately at the same rate. As regards the volume of our foreign trade, the reduction, as compared with 1929, was at the rate of 7.7 per cent. for imports, and about 10.8 per cent. for exports.

The part played by the general fall in prices on such results is obvious, and it will be seen that it has also affected, though not to the same extent, the volume of trade or in other words

the amount of commodities interchanged, which is attributable to the well-known causes of the reduced purchasing power and of the higher protective measures adopted by the markets absorbing our production, at a time when also the home consumption was reduced.



The leading features of the condition of the home manufacturing activity are the following: a reduced importation of raw materials and a reduced consumption of coal and motive power; an increase of unemployment, though relieved, especially in the larger factories, by the distribution of the available work over a larger number of operatives through a more extensive operation of short-time work; a falling off in railway and maritime traffic. The industrial malaise was augmented by the increase of stocks and their automatic depreciation on account of the general fall in prices, by the greater risks due to the larger number of failures and the unwillingness of trading customers to meet their payments owing to their necessity of obtaining larger credit facilities, and finally on account of the naturally keener competition among producing concerns. Still, the crisis does not seem to have affected all industries uniformly, since some of the larger sections show a moderate progress as compared with the production of the previous year.

The Italian industrial body has indeed devoted every energy to react against the consequences of the crisis, in order to preserve for its manufactures the position which it has laboriously gained in the international market.

Meanwhile, all efforts are being made for adjusting production on balanced conditions both vis-à-vis the value of the currency and the capacity of the demand for consumption. The revision of costs

which is a fundamental element for a much desired recovery, is proceeding unabated with beneficial effects on the technical and financial efficiency of industry.

As regards the remuneration of the operatives, the corporative organisation has made it feasible to direct and assist in this painful but inevitable process of revision, avoiding disputes and clashes, thanks to the spirit of discipline and co-operation among employers and employees by which it has been possible, having due consideration for their respective interests, to reach equitable solutions inspired by the vision of the vital necessities of industry and indeed of the whole national economy.

In spite of the fall in the prices of produce, agriculture has proceeded, though with considerable sacrifices, in bringing about technical improvements and in developing the most important branches of the production of food-stuffs for export. However, the reduced prices having made more severe the competition of foreign produce, the sales in foreign markets were seriously hindered. The adverse weather conditions of the past year affected both the quantity and quality of the home crops.



The leading legislative provision of the year concerning the bank-note circulation was without question the Decree Law n. 1693 of December 26th, 1930.

By the said Decree, in the first place (Art. 1) the exclusive privilege of our Bank of issuing notes was extended until the 31st December, 1950, and the value of the notes as legal tender for the payment of any amount was equally extended until that date. As a matter of fact, when holding our last Extraordinary

Meeting on the 18th June, 1928, and adopting a resolution extending the duration of the Company until the end of 1950, (Art. 4 of the new Statutes approved on that occasion), the privilege of issuing notes conferred upon the Banca d'Italia had not yet expired, since, under the terms of Royal Decree Law n. 2158 of September 27th, 1923, it fell due at the end of last year. Hence the extension by the new Decree to the new term which had already been adopted by the Bank for its existence. Art. 2 of the Royal Decree extends until the 31st December, 1935, the validity of the provisions contained in the Royal Decree n. 1377 of June 17th, 1928, by which the agreement concluded between the Government and the Bank, following the currency reform, were sanctioned. Thus the present terms both as regards the rate of the circulation tax and the division between the State and the Bank of the earnings of the reserve equivalent to gold held by the Bank. As is known, on one hand the Treasury receives the full net earnings of the part of our reserve corresponding to the 90 million dollars handed by the Treasury to the Bank in 1926 against cancellation of a proportion of the State debt in notes then outstanding; while on the other hand the net interest on the currencies equivalent to gold received by the Bank when the currency reform was carried out in 1927, was to be halved between the State and the Bank until the end of the past year, subject to the establishment of new rules to be adopted for the future. Under the new provision it is ensured that no change will be made prior to the 31st December, 1935.

Art. 4 of the Decree, in anticipation of a new convention being concluded for the Treasury services performed by the Bank, prolongs until the end of 1932 the duration of the rules which are now in force in that respect, with an option on both sides of

terminating in advance with a notice of at least six months. The same article fixes at 21.9 million lire per annum the Treasury contribution to meet the Bank's expenses in respect of these services.

By Art. 3 the existence of the Istituto di Liquidazioni is extended for five years until the end of 1935 and the provisions which were adopted in order to guarantee the Bank's credit with the Istituto are equally extended. Consequently the Bank and the State will be called for a further period of five years to contribute towards a speedy liquidation of the items which the Istituto has the charge of realising; the former by handing over both the surplus of its net profits and the interest on Government securities received from the Istituto for reducing its outstanding liabilities; the latter, by continuing to give up three quarters of the yield of the circulation tax, and to pay for the benefit of the Istituto the interest on redeemed Government securities as previously undertaken, now funded at the yearly figure of 135 million lire.

A further provision concerning the Bank is contained in Art. 5 of the Royal Decree Law n. 1162 of August 8th, 1930; by which a reduced stamp duty is required for bills of a maturity not exceeding 90 days, issued by Italian or foreign firms and accepted by Italian banks thereto authorised by the Finance Minister. Under the said article the Banca d'Italia is empowered to purchase or discount, sell or re-discount at market rates such drafts issued by Italian or foreign firms of noted solvency and accepted by first-class Italian banks.

As regards the circulation of coin, mention may be made of the Royal Decree n. 1148 of July 18th, 1930, authorising in principle the minting of gold coins of 50 and 100 lire, fixing the fineness, the weight, and the limits for loss of weight, but postponing to a further provision the fixing of other details relating thereto.

From the 1st March, 1930, to the 28th February, 1931, 155 credit institutions were cancelled from the register at the Finance Minister or otherwise released from the control required under the law for the safeguarding of savings. Of these, 51 were closed owing to liquidation, 69 gave up voluntarily the collection of deposits and 35 were merged. During the same period one new bank was created and 37 were identified and reported to the Ministry for inscription in the register. Therefore by the end of February, 1931, the number of institutions subject to control under the above-mentioned law were 3,962, of which 1,375 were joint-stock banks and bankers, 200 savings banks, pawnbroking establishments, communal agricultural banks, etc. and 2,387 rural banks.

During the year, 194 demands for opening new branches were made by 28 banks and 30 savings banks. After examination, the Banca d'Italia gave its approval for the creation of 73 branches and withheld it for 75, while the balance are still under consideration.

Here I wish to point out our consideration and sympathy for the smaller banks, which in certain quarters are wrongly considered as doomed to be absorbed by the larger banks. We recognize the useful functions fulfilled by the smaller banks, whose activities could not be equally well performed by the larger ones. In view of their purely local nature, and in view of the necessity of decentralizing credit, they serve a useful purpose in the interest of national economy. I naturally refer to those smaller banks, some of which may be regarded as family concerns, based on sound tradition, which never go beyond their true sphere of action, avoiding all kinds of speculative activity and remaining therefore within the strict rules of purely banking operations. These banks

are apt, among other things, to assist in the development of domestic industries which is wisely supported by the Government.

The number of applications by deposit banks for authority to grant agricultural credit were 23, of which 19 were granted and 4 refused.

During the year the control over banking institutions was as strict as in previous years. In addition to the minute examination of returns and balance-sheets, 475 inspections were made of which 266 at joint stock and co-operative banks, 53 at private bankers and 156 at rural banks. Thus in the last four years the number of inspections carried out reached altogether 1,615.



At the end of the year 1930 the outstanding transactions of the Syndicate for advances against industrial securities amounted to 671,2 million lire, as against 662,4 million lire on the 31st December, 1929. In the year 1930, the fresh operations performed by the Syndicate amounted to about 347 million lire, bringing the total transactions of the Syndicate from its inception to 4,206.1 million lire. Although the rate of interest allowed on the debentures issued by the Syndicate was reduced during the year from 5 to 4 per cent. the subscriptions were increased by 51 millions and at the beginning of the present year the limit of 300 million lire for the said debentures to be issued was reached. This shows that, if necessary, the Syndicate will be able to depend on private savings for increasing its resources in order to continue its moderating action on money rates for the benefit of the home industries.

The amount of bills of the Syndicate re-discounted at the Banca d'Italia was contained within the limit of 400 million lire

prescribed under the existing legislation, the said re-discounts at the end of the year totalling 399,5 million lire.

★ ★

As in previous years, the National Institute of Exchange has effectively provided to secure the foreign currencies required to meet Treasury payments outside the Kingdom, both for the normal needs of public departments, for the discharge of the war debts to Great Britain and the United States of America, and for the service of the 7 per cent. Government dollar loan.

Moreover, the Institute in accordance with the terms of the convention made with the Finance Ministry, on the 31st January, 1927, provided also in 1930, to a greater extent than in the previous year, to supply public bodies and private companies which benefited from the exchange guarantee, with foreign currencies required to meet the interest and sinking fund in respect of foreign loans the proceeds of which had been originally transferred to the Treasury.

★ ★

The Bank for International Settlements started its operations on the 17th May, 1930. It was officially opened on the 20th: therefore today it is about ten months old. The Bank is authorised to deal in 46 currencies which, in accordance with Art. 21 of the Statutes, are recognised by the Board as satisfying the practical requirements of the gold or gold exchange standard.

In June 1930, the Bank accepted to act as trustee for the 5 $\frac{1}{2}$ per cent. German Government International Loan of 1930.

The proceeds of the loan issued in the various markets were subsequently placed at the disposal of the Bank, which, in turn,

credited, through the intermediary of the respective central banks, the beneficiary Governments.

The Bank has also taken over the function of paying agent of the German Loan of 1924 (Dawes' Loan), and provides, therefore, to collect and pay the sums required for the service of the said loan. Later, in July 1930, the Bank agreed to act as trustee for the Austrian Government 7 per cent. International Loan of 1930.

In addition to its activities arising from international agreements, the Bank has developed its business in the purely banking field. Comparing the figures of its returns, a considerable growth of its deposit and investments will be seen. Since one of its scopes is, as is known, to promote the co-operation of central banks and afford new facilities for international financial operations, the Bank, though faithful to the rules laid down by its Statutes for maintaining its liquidity, has endeavoured to bring about, through its operations, the transfer of capital from the markets where it is abundant to those where it is lacking, with the object of acting as a levelling agent of international money rates.

As regards the actual co-operation among central banks we may recall the words of the President of the Bank, Mr. Gates McGarrah, in a speech delivered at the Academy of Political Sciences in New York on the 14th November, 1930, « Until the very recent past Central Banks have tended to work in isolation and in ignorance of what each was about to do. Because of the delicate unity of the international credit structure, such isolation is injurious and often results in the unintentional neutralisation by one central bank of the salutary efforts of another ».



Having ensured the establishment of order by strong and rightful policy in the whole of the territory of Tripolitania up to the extreme boundary of Fezzan, the intense work of colonisation, stimulated and sustained by large and well planned Government provisions promises to provide the Colony with a well-proportioned economic backbone. But at the present moment, when everywhere the problem of adjusting productive power is extremely delicate, the Tripoli Government is endeavouring to contain all activities within restricted limits.

In Cyrenaica economic conditions during the past year were not assisted by favourable political circumstances. But the natural wealth of the old Roman colony will inevitably find its natural exploitation through the spirit of initiative of the mother country and the valorisation outlined in the Government programme, as soon as the possession of the whole territory, now secured through the occupation of Kufra, is an accomplished fact.

In Somaliland the year's agricultural production was normal both in the native lands and in the zone of concessions of Genale. The favourable conditions of agriculture were beneficial to trade in spite of the generally adverse features, thus helping towards the economic organisation which was mentioned in the previous report. The Banca d'Italia is confident in a speedy and progressive realisation of the economic values of Somaliland, thanks to the wise organisation of the Government of the Colony and to the qualities of the colonisers who have given numerous proofs of their energy and initiative, encouraged by the example of the noble Prince of Savoy who has created and organised the grandiose scheme of reclamation on the Uebi Scebeli.

The branch of the Bank in Rhodes, while following keenly the agricultural revival of the Italian islands in the Aegean Sea to which the Government in the last years has given special attention, has actively assisted trade and local industry, which are affected by difficulties of a local as well as a general nature. Recently the construction of a new building has been started in order to give a worthy office to the Bank in the principal town of the Italian possession.

The administration of the Banca d'Italia is anxious to confirm at this meeting the desire of inspiring its activities in the Italian colonies with a spirit of the closest consideration of the peculiar requirements of each of them.



The total clearings for the year 1930 amounted to 664,445 million lire, with a decrease of 77,501 million lire as compared with 1929.



At the end of 1930, the shares of the Bank were inscribed in the name of 10,747 shareholders of which 10,593 owning 496,301 shares were domiciled in the Kingdom, and 154 holding 3,699 resided abroad.



The cash turnover, in 1930, aggregated about 468,000 million lire as against 481,000 million lire in the previous year, including receipts for L. 234,331,835,930 and payments of L. 234,181,585,990.

The reserve held against the notes outstanding and the other sight liabilities of Bank (demand drafts, interest-bearing current

accounts, and Treasury current account) included the following items on 31st December, 1930, (in million lire):

Gold in hand.....	5,291.8	55.03 %
Other gold assets:		
Balances abroad.....	3,073.6	
Foreign Treasury Bills. <u>1,253.9</u>	<u>4,327.5</u>	<u>44.97 %</u>
Total Reserve	<u>9,624.3</u>	<u>100.00 %</u>

It will be seen that the ratio of gold to the total reserve was 55.03 per cent. whereas twelve months before it amounted to 50.18 per cent.

At the end of December 1930, the sight liabilities combined amounted altogether to 18,101.4 million lire, and the ratio of reserve to the above was 53.17 per cent. as against 55.13 per cent. at the end of 1929. The actual gold holdings, however, were equal to 29.26 per cent. of the sight liabilities combined, as against 27.67 per cent. at the end of December 1929. Considering the above mentioned figure of the aggregate sight liabilities, the legal minimum of reserve required, at the rate of 40 per cent., is equal to 7,240.6 million lire, and therefore there was a surplus of reserve available, equal to 2,383.7 million lire, showing a reduction of 453.9 millions as compared with the previous year.

Altogether in the course of the year the reserve in gold or its equivalent has moved from 10,341.3 to 9,624.3 million lire, showing a reduction of 717 millions, which compares with a reduction of 729.5 millions in 1929 and 1,035.1 millions in 1928. This shows that in spite of the conditions of our balance of international payments, which is affected, like in almost every other country, by economic difficulties, the decline of the Bank's reserve has become steadily less. Moreover, consideration should be given

to the fact that the withdrawal of notes by the Bank during the year reached the figure of 1,093.8 million lire, as against 1,402.7 million lire in the two preceding years together.



The average amount of bills discounted in 1930 was 3,008.2 million lire as against 3,741.0 million lire in 1929. The highest level was reached on the 10th January with 4,003.7 million lire. The above figures include, as usual, the bills re-discounted by the Syndicate for advances against industrial securities which, during the past year, were reduced from 449.1 to 399.5 million lire. During 1930, the number of bills discounted was 1,716,629 for an aggregate sum of L. 12,423,519,669 showing a decrease of 319,294 in the number, and L. 2,840,874,188 in the amount of discounts, as compared with the previous year. The above totals include 1,271.5 million lire in respect of bills rediscounted to the Syndicate for advances against industrial securities. Outside that figure, bonds and coupons discounted amounted to L. 1,619,000. Bills discounted below the bank rate were in the proportion of 13.56 per cent. of total discounts, as against a ratio of 18.83 per cent. for the year 1929.

The average discount rate for 1930 was 5.91 per cent. as against 6.55 per cent. in 1929, and 5.59 per cent. in 1928.

During the past year, the Bank rate was at 7 % until the 2nd March. On the 3rd March the rate was reduced to 6 $\frac{1}{2}$ %, on the 24th April to 6 %, and on the 19th May to 5 $\frac{1}{2}$ %.



In 1930, the total advances against securities granted by the Bank amounted to L. 18,985,414,724 as against L. 21,453,821,059 in the preceding year, thus a reduction of L. 2,468,406,335.

The normal assets of the Bank, including discounts, advances and deferred payments at the clearing houses, at the end of December, 1930, were altogether 5,810.1 million lire, as against 6,233.9 million lire twelve months before, showing a reduction of 423.8 million lire. In the preceding months the reduction of the said assets was even greater as compared with the corresponding months of the year 1929.



The credit of the Banca d'Italia with the Istituto di Liquidazioni, which at the end of 1929 amounted to 851 million lire, was reduced on the 31st December, 1930, to 626 million lire.



The average circulation of notes in 1930 was L. 15,929,432,500, as against an average for the previous year of L. 16,496,081,300, showing a reduction of 566.6 million lire. On the 31st December, 1930, the total amount of notes outstanding was 15,680.5 million lire as against 16,774.3 million lire on the 31st December, 1929.



The buildings owned by the Bank for premises at the end of 1929, were inscribed in the balance-sheet at L. 149,105,635. During 1930, additions for L. 15,292,686 were made in respect of payments

for building works in various towns, L. 3,746,348 for buildings purchased for the branches of Ivrea, Asmara and Rhodes and for the head office, and L. 3,321,623 in respect of extensions in other buildings. Deducting from the total of L. 171,466,292 a sum reimbursed of L. 124,635 and a sum of L. 5,000,000 for amortisation of buildings recently purchased or constructed, viz. L. 5,124,635, the premises account brought forward in the balance-sheet is L. 166,341,657 or L. 17,236,022 more than the figure appearing on the 31st December, 1929, with an excess of L. 41,341,657 over the statutory limit. However, this excess is covered by the investment in premises of a part of the shareholders' special reserve (46 million lire).



Considering the Bank's results for the year 1930, we find that the gross profits earned by the branches amounted to L. 269,184,123 showing a decrease of L. 74,223,287 as compared with the previous year, while the profits of the head office were » 168,927,716 with a reduction of L. 15,801,559 as against 1929, the aggregate gross profits of the year being thus » 438,111,839 or L. 90,024,846 less than in 1929.

The gross earning from discounts were L. 177,577,874 with a decrease of 65.5 million lire as compared with the year 1929, owing both to the lower interest rates and to the smaller amount of bills discounted.

Re-discounts brought forward from last year's balance-sheet amount to L. 34,290,065 as against L. 36,619,804 carried forward in the previous year.

The gross interest on advances amounted to L. 71,623,606 with a decrease of 27.3 million lire as compared with the figure for 1929, owing, as in the case of discounts, to the reduced amount of transactions and the lower interest rate charged thereon. The interest from deferred payments at the clearing houses was L. 6,167,716 as compared with 7.1 millions in the previous year.

The profits from foreign transactions were reduced from 90 million lire to L. 41,269,176. It is unnecessary to point out that the difference is especially due to the reduced earnings of the balances abroad contained in the Bank's reserve, owing to the general fall in money rates on foreign markets, in addition to the fact that such balances were diminished in the course of the year. In fact, the interest on the reserve originally held by the Bank was reduced from 10.4 million lire in 1929 to 3.7 millions in 1930, whereas the Bank's participation in the earnings of the reserve consisting of foreign currencies received at the time of the stabilisation of the lira fell from 79.6 to 37.6 million lire.

Sundry receipts, including commissions for an amount of L. 3,965,751, yielded altogether L. 87,064,767, showing an increase of 55.1 million lire over the corresponding figure for 1929. In addition to a supplementary contribution of the Treasury of 18.9 million lire for the services performed by the Bank on its behalf, a sum of 45.8 million lire was realised in respect of unpaid bills written off in previous balance-sheets.

The interest on investments amounted altogether to lire 47,389,577, including L. 35,854,310 in respect of Government securities, the corresponding figures for 1929 having been 43.4 and 32.8 million lire respectively.

The gross expenditure for 1930, including taxes and amortisations, was L. 364,602,549, which is L. 89,739,403 less than the 1929 total.

Administration expenses, including Treasury services, accounted for L. 114,644,165, exceeding by 89 million lire the previous year's amount. The above figure includes every remuneration to the staff which required for the year 88.4 million lire or 9.9 million lire more than in 1929. The printing of notes, excluding the remuneration to the staff engaged on this duty, cost nearly L. 4,311,699, or 2.1 million lire less than for the year 1929. However, considering that the Treasury is now liable for the cost of part of the notes covered by interest-bearing reserve the earnings of which it shares with the Bank, the actual outlay for the Bank on the manufacture of notes was L. 1,575,208 in 1930, as against 3.1 millions in the year 1929.

The outlay for taxes was L. 19,150,923 or about 8 million lire less than in 1929.

The interest allowed on private deposits amounted to L. 21,464,898, with a reduction of about 11.7 million lire as compared with the corresponding figure for 1929. This is due to the lower rate allowed, as well as to the reduced average amount of the deposits held in the year.

The interest on the Treasury deposits accounted for lire 23,330,278, while the interest allowed on the account of the Internal Debt Sinking Fund Office amounted to L. 2,037,845, and the interest on the balances of the National Institute of Exchange was L. 1,452,052.

The amount written off on various amortisations has been L. 67,472,000, which is 9.9 million lire less than last year's allocation.

Now, deducting from the gross profits of 1930, which, as already mentioned, amounted to L. 438,111,838
 the gross expenditure aggregating » 364,602,549
 the net profit to be divided is L. 73,509,289
 which is L. 285,433 less than the net profit for 1929.

The Board of Directors of the Banca d'Italia having considered the report of the Auditors, in accordance with the terms of the Decree of the 27th September, 1923, propose that the above net profit be distributed as follows:

- L. 13,874,116 to the State, as participation to the profits exceeding 5 per cent. on paid-up capital, in equal measure as for the years 1922 to 1929;
- » 30,000,000 to the shareholders as dividend, equal to the one distributed for the years 1922 to 1929, at the rate of 60 lire on each of the 500,000 shares;
 - » 8,655,094 to the Shareholders' Special Reserve;
 - » 281,060 to the Credito Fondiario (Real Estate Mortgage Institute) of the late National Bank, being interest at the rate of 4 per cent. in respect of the reserve transferred to the Banca d'Italia in the year 1913;
 - » 20,699,019 balance payable, as in previous years, to the Reserve set against the credit of the Banca d'Italia with the Istituto di Liquidazioni, in accordance with Art. 3 of the Decree of the 6th November, 1926.
- L. 73,509,289.

Gentlemen,

The result of the past balance-sheet may be considered as fully satisfactory to the Banca d'Italia since, although safeguarding rigidly its own interest, it could not shrink from the dutiful burden of giving its assistance towards the work of revision and restoration entrusted to it in the supreme interest of the nation.

With a clear conscience I am able to assure you that the function of the Banca d'Italia of regulating the money market has been carried out with the greatest prudence and with a careful valuation of each event as it arose.

The thirty years work of the great Governor Stringher has ended in a period when the position is still critical, although it may be expected that by spontaneous reliefs and solutions or with opportune and inevitable controls, and by reasonable assistance, the position may soon be rendered normal.

I wish you to know that, on every occasion, the Banca d'Italia has enjoyed the highest consideration of the Prime Minister, who has always supported us with his fullest trust and with the great power of his wonderful judgment, for which I beg to express to him our most grateful appreciation.

In the hard work which awaits us I trust in your confidence and depend on the loyal co-operation of all other banks, beginning with the savings banks, to assist, as far as possible, in overcoming the difficult period which I believe is nearly at its end.

You may rest assured that in all circumstances the Banca d'Italia will always be worthy of its great traditions.

V. AZZOLINI.

Governor.

BALANCE-SHEET.

December 31st, 1930

PROFIT AND LOSS ACCOUNT.

BANCA

AUTHORISED CAPITAL
OF WHICH IS PAID-UP

BALANCE SHEET,

LIABILITIES.			
Gold in Hand		L.	5,296,775,326. 41
Other Gold Assets:			
Balances Abroad.	L. 3,073,578,290. 05		
Foreign Treasury Bills	» 1,253,907,247. 24		
		L.	4,327,485,537. 29
Total Reserve		L.	9,624,260,863. 70
Gold deposited abroad, due by the State		»	1,784,323,406. 78
Cash in Hand		»	710,972,959. 83
Inland Bills		»	3,946,005,152. 85
Bills for Collection		»	33,295,978. 84
Advances to Customers {	Against Government Securities and mortgage Bonds..... L. 1,660,992,045. 85		
	Against Silk and Cocoons..... » 720,119. 00		
		L.	1,661,712,164. 85
Investments (Government Securities owned by the Bank).....		»	1,160,320,525. 59
Gov.^t Securities held on behalf of the Internal Debt Sinking Fund Office		»	125,000,000. 00
Cr. Accounts in the Kingdom:			
Deferred Payments at Clearing Houses.....	L. 202,388,105. 29		
Other Accounts.....	» 84,436,356. 42		
		L.	286,824,461. 71
Interest Due (by the Treasury) for account of « Istituto di Liquidazioni »		»	527,018,587. 82
Shareholders' uncalled Capital		»	200,000,000. 00
Premises		»	166,341,657. 52
Credit with « Istituto di Liquidazioni »		»	626,229,713. 71
Other Assets:			
« Credito Fondiario » Fund	L. 30,000,000. 00		
Investment of Extraordinary Reserve	» 32,485,000. 00		
» Shareholders' Special Reserve	» 74,388,283. 79		
» Employees' Pension Fund	» 202,977,659. 72		
Other Debtors.	» 790,329,819. 20		
		L.	1,130,180,762. 71
Securities and other valuables deposited		L.	21,982,556,235. 91
		»	28,203,341,232. 94
Amounts written off in past years		L.	50,185,897,468. 85
		»	283,196,920. 92
		L.	50,469,094,389. 77
		L.	50,469,094,389. 77

ITALIA.

L. 500,000,000.

L. 300,000,000.

31st December, 1930 - IX - E. F.

ASSETS.

Notes in circulation	L.	15,680,457,550. 00
Demand Drafts Outstanding	»	700,588,765. 01
Current Accounts	»	1,420,357,956. 36
Treasury Current Account	»	300,000,000. 00
		<hr/>
	L.	18,101,404,271. 37
Capital	»	500,000,000. 00
Statutory Reserve	»	100,000,000. 00
Extraordinary Reserve	»	32,500,000. 00
Special Security Accounts	»	33,464,174. 41
Treasury Fixed Deposit Account	»	1,385,880,509. 33
Treasury « Istituto di Liquidazioni » Interest Account	»	540,000,000. 00
« Internal Debt Sinking Fund Office » Current Account	»	190,539,119. 60
» » » » Securities Account	»	125,000,000. 00
Other Liabilities:		
Shareholders' Special Reserve	L.	78,280,299. 66
Shareholders' Special Reserve Invested in Premises	»	46,000,000. 00
Other Creditors	»	775,978,572. 10
		<hr/>
	L.	900,258,871. 76
Net Profits for the Year	»	73,509,289. 44
		<hr/>
	L.	21,982,556,235. 91
Securities and other valuables deposited	»	28,203,341,232. 94
		<hr/>
	L.	50,185,897,468. 85
Amounts written off in past years	»	283,196,920. 92
		<hr/>
TOTAL	L.	50,469,094,389. 77

PROFIT AND YEAR

		Dr.		
Expenditure	Expenses in respect of:	Administration	L. 114,644,164. 62	
		Board of Directors, etc.	» 1,874,122. 28	
		Transport of specie and other valuables	» 1,065,590. 01	
		Printing of notes	» 1,575,207. 67	
		Premises Account	» 2,481,545. 41	
		Stamps and commissions on foreign business	» 180,577. 93	
			L. 121,821,207. 92	
		Taxes	Circulation tax on notes	L. 3,443,499. 85
			Circulation tax on demand drafts..	» 365,812. 86
			Income Tax	» 9,788,133. 10
	Real Estate Tax		» 1,099,090. 22	
	Bank Shares transfer tax.....		» 1,901,966. 00	
	Weights and measures control tax.		» 1,044. 40	
	Stamp duties		» 252,261. 08	
	Contribution for Government supervision.		» 190,625. 00	
	Other tributes.....		» 2,108,490. 36	
			L. 19,150,922. 87	
	Unpaid bills	» L. 140,972,130. 79		
	Amounts written off	» 71,471,437. 38		
	Interests and annuities	» 67,472,685. 34		
Charities and other contributions	» 75,282,256. 38			
Contribution to Employees' Pension Fund	» 797,900. 15			
	» 8,606,739. 15			
	L. 364,602,549. 19			
Net profit to be divided.....	» 73,509,289. 44			
	L. 438,111,838. 63			

DISTRIBUTION

Dividend on 500,000 shares at the rate of L. 60 per share	
Annual contribution to the Reserve Fund of « Credito Fondiario »	
State participation to the profits exceeding 5 per cent. on paid-up capital To Shareholders' Special Reserve	
To Istituto di Liquidazioni under Art. 4 of R. Decree No. 2158 of the November 6th, 1926	

ARTOM VITTORIO.
CORNAGLIOTTO GIUSEPPE.
MAROCCO DOMENICO.
RAVANO EMANUELE.
VIALI LEOPOLDO.
Auditors.

ALESSANDRO RIPETTI.
p.p. Chief Accountant.

LOSS ACCOUNT

1930 - IX - E. F.

		Cr.			
Profits from the Year's business	Re-discounts carried forward from previous year.....	L.	36,619,804. 00		
	Year's discounts	»	175,248,136. 06		
			L.	211,867,940. 06	
	less: re-discounts carried forward..	»	34,290,065. 91		
			L.	177,577,874. 15	
	Interest on advances.....	»	71,623,605. 83		
	Interest on Cr. accounts	»	10,872,220. 46		
	Commissions.....	»	3,965,751. 20		
	Interest, discount and exchange profits on foreign business, less re-discount charges.....	»	41,269,175. 72		
	Other profits	»	83,099,045. 90		
		L.	388,407,673. 26		
Profits from Investments	Interest on Government Securities.....	L.	35,854,309. 92		
	Interest on « Credito Fondiario » Fund	»	1,200,000. 00		
	Revenue on real estate.....	»	5,852,807. 48		
	Interest on investment of Colonial Branches Fund	»	500,000. 00		
	Profits arising from the liquidation of late noteissuing banks	»	3,982,459. 27		
		»	47,389,576. 67		
By Istituto di Liquidazioni, circulation tax on notes outstanding on its behalf.....	»		2,314,588. 70		
			L.	438,111,838. 63	

OF NET PROFIT

.....	L.	30,000,000. 00
.....	»	281,060. 00
as in previous year.....	»	13,874,116. 26
.....	»	8,655,093. 76
27th Sept., 1923 and Art. 3 of R. Decree No. 1832 of	»	20,699,019. 42
TOTAL NET PROFIT TO BE DISTRIBUTED.....	L.	73,509,289. 44

VINCENZO AZZOLINI.
Governor.