

MEMORANDUM FOR THE CABINET BY THE
HON. MINISTER OF ECONOMIC PLANNING AND FINANCE

Note Security Fund Investments

As Honourable Ministers are aware the issue of currency notes in Malta is regulated by the Currency Notes Ordinance, 1949. This law requires that all the currency notes in circulation should be backed by an equivalent amount of investments plus a reserve of 10% of the face value of the notes. These securities are credited to a special fund called the Note Security Fund. All dividends, interest or other revenue derived from such investments are paid into another account called the "Currency Note Income Account" to which are charged all the expenses in the preparation, transport and issue of currency notes as well as a sum equal to one per centum of the amount of the Note Security Fund. At the end of each financial year any surplus in the Currency Note Income Account is transferred to the Consolidated Revenue Fund whilst any deficiency in the Account has naturally to be met from an appropriation out of the Consolidated Fund.

2. Section 8(4)(iii)(b) of the Ordinance further provides (a) that the whole or part of the moneys in the Note Security Fund in excess of 110 per centum of the face value of the currency notes in circulation shall be transferred to the Consolidated Revenue Fund and (b) that the annual appropriation out of the Currency Note Income Account of 1 per centum of the Fund shall be wholly or partially discontinued for so long as it shall appear that the necessity for such annual appropriation no longer exists.

3. As a result of an appreciable increase in the middle market value of investments held on account of the Note Security Fund it is expected that, provided that the current position is more or less maintained, at the end of the present financial year the total assets of the Fund will be in excess of 110 per centum of the face value of the currency notes in circulation. Government can therefore carry out the two transactions referred to in paragraph 2 above which are expected to yield an extra £588,000 to revenue.

4. Revenue has been falling during the last few months and the prospects of avoiding a deficit on the 31st March next are not good. The additional income will therefore come in at a very appropriate time and will help to some extent to ease the position. Hon. Ministers are therefore requested to advise His Excellency to obtain the sanction of the Secretary of State for implementing the proposed measures as contemplated in section 8(4)(iii)(b) of the Currency Notes Ordinance.

31st December, 1962.