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From Bob
Prime Minister (2)

PA

Quite nice idea.

MUS 4/5

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

30 April 1982

Michael Scholar Esq.
10 Downing Street
LONDON
SW1

Dear Michael,

BULLION GOLD SOVEREIGNS AND HALF SOVEREIGNS

The Chancellor thought the Prime Minister might like to know that, in agreement with the Royal Mint and Bank of England, we are planning this year to have a bulk minting of bullion half sovereigns for the first time since 1915.

Like bullion sovereigns, these bullion half sovereigns are to be produced by the Royal Mint to the order of the Treasury, with the profits from sales going to the Exchange Equalisation Account. Sales of bullion sovereigns from the Exchange Equalisation Account represent a way of making a small turn on the gold we hold in the reserves. Sales, almost entirely overseas, have been running at around 1 to 3 million a year in recent years, yielding the reserves a profit that has recently run at about £5 million a year.

Following a recent review of this operation we have decided it is necessary, because the present building is insufficiently secure, to re-provide the sovereign production unit in the Mint at Llantrisant. It is proposed to adapt an existing building in a safer location in the centre of the site and move the equipment to it. The Mint will meet the capital cost through its Trading Fund and reflect that cost in the charge it makes for future sovereign production under contract with the EEA. Stocks of sovereigns are at present high, and will easily see us through the period of re-provisioning of production, which could take around 3 years starting later in 1982.

The proposal to produce half sovereigns resulted from the same review. It involves minting a quantity of half sovereigns over the next few months, before the production unit has to be closed for transfer. Some of these half sovereigns would be for sale this year; and some would go to build up a small stock for sale over the next 3 years before the new production unit opens. We believe that, in contrast to sovereigns, half

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sovereigns are more likely to be sold in the UK than abroad, with the main appeal being to collectors and to the jewellery trade. And, at above £25-£30, a half sovereign might become a christening gift (perhaps a topical idea this year, with a prospective Royal christening).

The half-sovereign will compete in size with the 1/10 Krugerrand. In addition to the extra profits we hope to secure for the reserves from this exercise, it seems right that purchasers both in the domestic market and overseas should have the opportunity of buying a British gold coin of this size rather than one minted abroad.

Yours sincerely,

Jill Rutter

JILL RUTTER
Private Secretary