

The Basel arrangements of the 1960s

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

The defence of the Bretton Woods system of fixed exchange rates gave the governors' meetings in Basel their first great test. In March 1961, after the revaluation of the Deutsche Mark and the Dutch guilder, speculation turned against sterling. Meeting in Basel, the central bankers agreed to hold sterling and to recycle the funds that flowed out of London through short-term credits to the Bank of England. This so-called Basel Agreement of 1961 was the first of a series of support operations for sterling that the governors organised in Basel during the following years.¹

The London gold pool, created in the autumn of 1961, followed the same logic. Eight central banks agreed to intervene jointly in the London gold market to keep the price of gold close to the official parity of 35 US dollars per ounce, sharing the gold sales and purchases according to agreed quotas. The arrangements were negotiated and supervised at the monthly meetings in Basel, with the BIS playing an operational role in the accounting. The pool kept the market price stable for several years until the devaluation of sterling in November 1967 and the speculation that followed made its defence impossible. In March 1968 the participants abandoned it and introduced a two-tier gold market, in which central banks continued to transact among themselves at the official price while the private market price floated.²

The sterling crisis gave rise to further arrangements. After the devaluation of 1967, the central banks negotiated in Basel the so-called Basel Group Arrangements of 1966 and 1968, under which they provided medium-term facilities to the Bank of England to offset fluctuations in the sterling balances held by the countries of the sterling area. Under the arrangement of 1968, the United Kingdom gave dollar-value guarantees for the official sterling holdings of these countries, while the BIS acted as intermediary for the facility. The arrangements marked an orderly retreat of sterling from

its role as a reserve currency, managed by the central bankers in Basel without a formal intergovernmental treaty.³

These operations taught a lesson that later generations of central bankers have repeated. The informal network that met in Basel could mobilise large sums within days, because the governors knew each other personally and trusted the discretion of the meetings. The same network was, however, powerless when the underlying imbalances of the Bretton Woods system grew too large. The suspension of the convertibility of the dollar into gold in August 1971 and the transition to floating exchange rates in 1973 ended the era of the gold pool and the sterling arrangements. The BIS emerged from this transition with a new agenda: the supervision of international banks and the monitoring of the fast-growing Euro-currency markets.⁴

1 Notes

1. On the Basel Agreement of March 1961 and the support for sterling, see Toniolo, 2005, chapter 10; Catherine R. Schenk, *The Decline of Sterling: Managing the Retreat of an International Currency, 1945–1992*, Cambridge, 2010. To be verified. ↩
2. On the London gold pool (1961–1968) and the two-tier market of March 1968, see Toniolo, 2005, chapter 11; Barry Eichengreen, *Globalizing Capital: A History of the International Monetary System*, 2nd ed., Princeton, 2008. To be verified. ↩
3. On the Basel Group Arrangements of 1966 and 1968 (the "Basel facility" for the sterling balances), see Schenk, 2010; Toniolo, 2005, chapter 11. Dates and details to be verified. ↩
4. On the end of the Bretton Woods system and the reorientation of the BIS towards the Euro-currency markets, see Toniolo, 2005, chapter 12; on the Euro-currency Standing Committee established in 1971, see the BIS history pages. To be verified. ↩

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/basel-the-basel-arrangements-of-the-1960s