

SECURITIES AND OTHER ASSETS

Original (by Ogley)
Sited and considered
inland; in the future
not to be
1942

In considering Registration and Vesting the Bank were concerned with obligations placed on persons resident in the United Kingdom, and in this context a non-resident meant any person resident outside the United Kingdom. For the purpose of the control of dealings, however, a non-resident was a person resident outside the Sterling Area: operations between residents of the Sterling Area were made as free from control as possible.

The main function of the Registration and Vesting side of the Control was to mobilise certain claims which the United Kingdom had on persons outside the Sterling Area. The main function of the Securities aspect of the Control was control of the mobilisation by non-residents of their claims on the Sterling Area and the prevention of the further accumulation of such claims, e.g., if there were a flight of capital.

When Exchange Control began there was virtually no control of securities. Capital could be exported through the security market. There was neither a ban on the transfer of other than restricted securities from resident to non-resident holders nor on the sale of non-resident owned sterling or "specified"-currency securities in the London market against payment to non-resident account. This meant that when non-residents mobilised their claims ~~some~~ part of the foreign currency gained from the mobilisation of our foreign assets was lost.

The opportunity to introduce comprehensive Security Control came in May 1940, when the Germans were overrunning the Low Countries. On the ground that there was great danger of their realising large quantities of looted securities, it was possible to put through legislation which in other circumstances the Stock Exchanges and other interested parties might have opposed.

Restricted Securities

RESTRICTED-SECURITIES-

On the 25th August, 1939, in preparation for mobilisation for war purposes of British assets in and claims on certain foreign countries, H.M.Treasury "specified" the currencies of the following countries:

Argentina	Netherlands East Indies
Belgium	Norway
Canada	Sweden
France	Switzerland
Holland	United States of America

and holders of such currencies were thereafter required to offer them to H.M.Treasury against sterling. As a corollary H.M.Treasury took powers to acquire at any time securities likely to be marketable outside the United Kingdom, at a price not less than the market price (in the opinion of H.M.Treasury) at the date of making an Order.

An Order of the 26th August, 1939, was issued prohibiting owners of securities of which the principal or income was payable in any of the currencies mentioned above, or in respect of which the holder had an option to require payment in such currencies, from dealing in the securities without the permission of H.M.Treasury. Corresponding Orders were made in the Channel Islands on the 1st September, 1939.

The Order of the 26th August, 1939, also required returns to be made to the Bank of England, within one month of the date of the Order, of securities of the classes mentioned which were "owned" by persons resident in the United Kingdom. (For the Channel Islands returns could be made to Agents in Jersey or Guernsey, but subsequently the acceptance and registration of such forms was diverted to the Bank of England). Separate Orders were made covering the Isle of Man, the work in connection therewith being handled by the Bank of England.

On the 25th September, 1939, the period for effecting "registration" was extended to the 9th October, 1939. On the 3rd September, 1940, other currencies were added to the list of "specified currencies" and securities payable or optionally payable therein were added to the list of "restricted" securities.

Certain

Certain Continental securities were "de-restricted" after the fall of France and, on the inclusion of the Belgian Congo in the sterling area, securities which were restricted merely because of a right to payment or an option to demand payment in Congolese francs were de-restricted.

On subsequent additions to "specified" currencies, the relative securities were not restricted. Securities which in January 1945 were subject to Regulation 1 were those in respect of which principal or interest were payable in or optionally payable in the currency of:

Argentina	Norway
Belgium	Panama
Canada	Philippine Islands
France	Portugal
Holland	Sweden
Netherlands East Indies	Switzerland
Netherlands West Indies	United States of America
Newfoundland	

It was not possible to "restrict" securities other than by description and this inevitably resulted in bringing within Regulation 1 many securities which were not really marketable outside the United Kingdom, many being in default both as regards principal and interest and many in which any option on a specified currency was either inoperative or unattractive.

Under paragraph 6 of the original Order a return was not required of securities where the Treasury were satisfied that the only interested persons resident in the United Kingdom were interested merely as trustees. The Banks interpreted this, and the explanatory notice issued, as an authority not to make returns where they themselves were satisfied that the conditions were fulfilled. The clause was revoked (not retrospectively) on the 15th August, 1940.

In many cases it was found that owners of restricted securities had placed them in trust with non-resident trustees under conditions which precluded the securities being made available to the Treasury. On 30th May, 1941, Regulation 10 was therefore amended to include in the definition of "owner"..... "any trustee or person entitled to enforce performance, or revoke or vary with or without the consent of any other person, or to control the investment of the trust monies." Later, the definition of "owner" included any

person

person who had power to sell or transfer, or who had custody of securities or who received, either on his own or any other person's behalf, interest or dividends thereon, or who had any other interest therein.

This definition was so wide that securities in which there was no real beneficial U.K. interest might become subject to Regulation 1; but arrangements were made (under the authority of Regulation 5A) for exempting securities in appropriate cases.

Regulation 1 applied to any person resident in the United Kingdom, or who on 3rd September 1939 was on any British aircraft or vessel, and to all British Nationals, wherever resident, except those resident in a Dominion. It was not, however, in practice applied to British nationals permanently resident outside the United Kingdom. Nationals of certain foreign countries who were indeed resident in the United Kingdom were specifically exempted either in respect of all securities or securities payable in particular currencies.

The "Return" Forms were sorted by securities.*

Reference to the actual Forms (which had been sent to Roehampton) for purposes of checking, information, etc., was somewhat inconvenient. An index of owners and securities held was desirable, and a "Forms Card Index" ultimately provided a card for every return of restricted securities which had been made, and gave the names of all the holders, the security, the registration number and the section on which the relative Form could be found.**

An owner was required to obtain permission before transferring his security. If he wished to sell abroad, permission was given on condition that the foreign currency proceeds were offered to the Treasury. /

Alternatively

*By 9th October 1939, 800,000 forms had been received. Thereafter a large number continued to be lodged; but a weekly average rate of receipt of 500-600 in mid-1942 had fallen to 150-200 by the end of 1943, by which time a total of $1\frac{1}{4}$ million forms covering over 20,000 different securities had been lodged.

**The number of cards in the Index was over 1,600,000.

/ Approximately 65,000 Permits in respect of Sales and Redemptions had been issued up to the end of 1944: of these 11,000 were issued by the Stock Exchange, London, under authority delegated to them.

Alternatively, if a holder wished to sell to another U.K. resident permission (Form S.2) was given until 18th June 1940. Form S.2 took the place of the original Registration Form and maintained the record of the current owners of restricted securities. Residents of the U.K. were Subject to consent of the local control, allowed to buy restricted securities from, but not sell them to, residents of other parts of the Sterling Area. Securities so purchased had to be registered with the Bank of England.

An owner who wished to exchange for other securities, with or without a foreign currency cash payment, according to a plan of reorganisation or exchange, was given permission provided that any currencies received were surrendered and any new securities registered: but if the holder had an alternative right to accept cash instead of securities and would not be penalised by so doing, he was required to accept the cash.* Additionally, from October 1939 until March 1940 the sale of Canadian securities in Canada for reinvestment in Canada was allowed, as the Canadian authorities at that time did not permit outright sale.

Holders had to make application for permission to accept repayment of securities. There was no covering power in the Regulation, but the procedure proved a convenient method of obtaining an Export Licence for securities held in the United Kingdom and for notifying and checking the surrender of foreign currency receipts.

On 18th June 1940, in connection with the shipment of securities to Canada, all dealings in or transfers of restricted securities owned by residents of the U.K. were prohibited. On 18th July, by which time the removal of the securities to Canada was practically complete and the need for secrecy had disappeared, an announcement of the reason therefor was given by the Chancellor, and permission was given for sales abroad of securities which had been deposited outside the U.K.

On

*Approximately 8,000 Permits in respect of exchanges had been issued up to January 1945.

On 25th November 1940 a list was issued of securities (none of which was held in the U.K. Securities Deposit, Montreal) transfers of which between residents of the United Kingdom would be permitted.

On the 30th November permission was resumed for the sale abroad of restricted securities, including those held by the U.K.S.D., on the usual condition as to surrender of the proceeds against sterling.

On the 16th December a further "London list" was issued of securities of which transfers between residents would be permitted and included therein were securities held in the U.K.S.D.: for these it was necessary to issue a special Security Deposit Receipt which could be delivered on the London Market. Broadly speaking, permission for dealing in London between residents was confined to securities for which London had been the sole or principal market before the war. Additional securities were placed on the list from time to time, on application through the Stock Exchange; but the resumption of dealings between residents was not allowed in the case of securities for which there was a market abroad and which therefore would, if sold, yield foreign currency. Many securities naturally remained for which there was no market abroad but in which interest in the United Kingdom had not been sufficient to impel holders to put forward requests.

Of the various classes of securities, returns of which had been made to the Bank of England, the Treasury took steps from time to time to acquire some payable or optionally payable in U.S. dollars, Canadian dollars or Argentine pesos.

The Securities were selected by the Treasury on the advice of the Bank of England. The Bank had also to undertake the work of receiving and checking securities and making payment for them, and of claiming and collecting dividends due to the Treasury as well as the refund of British and American taxes thereon.

115,000

115,000 holdings of 570 U.S. dollar securities were vested under six Acquisition Orders,* and 19,000 holdings of 118 Canadian dollar securities under two Orders (26th October 1940 and 26th January 1942).** The bulk of the U.S. securities was sold in the American market for dollars.† Certain of the vested U.S. securities not realised by July 1941 were pledged as part collateral for the loan from the R.F.C.

Canadian securities vested under the Order of 1940 were sold in the Canadian Market for Canadian dollars, except for a small balance remaining unsold. Securities acquired under the 1942 Order were transferred to the Canadian Government against a reduction in that Government's holding of sterling.

Securities vested could be delivered either in London, to the Bank of England, or abroad (Canadian securities to the U.K.S.D., American to the Bank of Montreal, New York.)

The vesting of certain Argentine internal loans towards the end of 1941 was a measure arranged specially to meet the difficulties of a Notice of redemption or conversion which gave holders a very short period in which to exercise their option to require repayment. Holdings were vested by means of individual Treasury Directions and arrangements for redemption (even where the time limit had expired) were made with the Argentine Central Bank. The proceeds of redemption were used in reduction of sterling balances held by the Argentine Central Bank.

From time to time the Colonies gave the Colonial Office information as to restricted securities held by their residents, and such

*17th February 1940, 13th April 1940, 16th November 1940, 14th December 1940, 11th January 1941, 19th April 1941.

**Where dividends were declared or paid between the date of the Vesting Orders and the date of transfer of the securities surrendered it was necessary to claim the appropriate amounts from the holders on behalf of the Treasury. 40,000 such claims were made.

†Naturally sales depressed the securities market; but in any case the trend was downward. The following Dow-Jones Averages compare three periods in 1940-1 with a date in January 1945, after general recovery. (Quoted by the Investors' Chronicle of 13th January 1945.)

	<u>Rails</u>	<u>Industrials</u>	<u>Utilities</u>
Mid April 1940	31.06	149.66	25.24
" January 1941	29.65	133.49	20.53
" April "	27.72	116.15	18.17
10th January 1945	51.03	155.67	26.47

such information was passed to the Bank. No action to vest colonial holdings was taken, however.

In April 1940 instructions were issued to residents of the Commonwealth of Australia requiring them to sell their holdings of 20 designated U.S. securities. In January, 1941, in view of the small amount of such securities still remaining and the fact that in many cases the securities were physically held in London, arrangements were made for them to be acquired by H.M. Treasury through the Bank of England. The amount involved was about \$100,000.

On the 10th March 1941 an Order was issued vesting holdings of residents of India of 24 U.S. securities (including 11 U.S. Government Bond Issues) and these also were acquired by H.M. Treasury against sterling, the countervalue in rupees being paid to the holders by India. The vesting and receipt of securities, and payment for them, was carried out by the Bank of England; the amount involved was \$3 million.

Vesting Orders covered only holdings of securities of which returns had already been made at the date of the Relative Order; holdings registered after the date of the Order were acquired from time to time by the issue of individual Treasury Directions.

Late ~~registrants~~ were not permitted to profit by their failure to register. Where the market price of the securities was the same as or higher than the price named in the Vesting Order as reduced by dividends paid in the interim, the price of the securities was adjusted accordingly. Where the market price was lower than the original vesting price (as reduced by dividends paid in the interim) holders were required to sell within 15 days.

In August 1941 Treasury Directions were issued to owners of securities where returns were subject to the Amendments made to Regulation 1 by the Order in Council of 30th May 1941, i.e., late ~~registrants~~ as at that time. The Directions required instructions for sale within 15 days.

Treasury Directions were issued in September 1944 to individual holders of certain American and Canadian securities which had been the subject of previous Vesting

Orders

Vesting Orders, where returns had not been made until after the date of the Vesting Order and where the current market price was not more than 5% lower than the price established in the relative Vesting Order. The Directions vested the securities in the Treasury at an adjusted vesting price.

Sales by the Treasury in the U.S.A. were handled by a Treasury representative in New York (Mr. Gifford, later ^{by} Mr. McCurragh); and those in Canada first by Mr. Gifford in co-operation with the Bank of Canada, later by the Bank of Canada alone, in both cases keeping in touch with the Treasury and the Bank. The Treasury representative also supervised the securities remaining unsold and kept the Treasury, through the Bank, fully posted thereon.

H.M. Treasury also used the powers under Regulation 1 to acquire holdings of certain Canadian, Indian and South African sterling securities for repatriation under arrangements with the respective Governments. Between the 14th October 1939 and the 15th January 1943 six Vesting Orders were made covering Canadian Government sterling securities and Canadian National Railway securities guaranteed by the Canadian Government, three Orders covering Indian Government sterling securities and Government-guaranteed obligations of the Indian Railways and two Orders covering South African Government stocks.*

The sales to India and Canada were used to reduce the sterling balances of those countries, while the sales to South Africa were made against gold.

No returns of these sterling securities had previously been required, and therefore Restrictions and Returns Orders were made simultaneously with the Acquisition Orders; but delivery of the documents of title was accepted in lieu of a Return.** Delinquent holders were reminded of their obligations and, where necessary, powers were used to transfer the securities by a certificate issued to the registrar under Regulation 1(5).

In

* Approximately 300,000 holdings were taken over and sold to the Governments concerned.

** Where, however, securities were surrendered after the first payment date Returns were required: such cases were comparatively few.

In 1940, on the possibility of invasion of this country, it was considered advisable to ship to Canada the bulk of securities saleable abroad which were held by banks on behalf of residents. Arrangements were discussed in confidence with the "Big Five" and banks were supplied with lists of the securities which it was decided to ship.³ The securities were either to be delivered to the Bank of England, London, or concentrated by the banks at their own branches in Birmingham, Bristol, Leeds, Liverpool, Manchester, Plymouth and Glasgow, from which they were collected by the Bank of England. All dealings in restricted securities, irrespective of their place of deposit, were suspended on the 18th June 1940. At the same time clearing banks were instructed to hold at the disposal of the Treasury all securities of the descriptions to be notified to them by the Bank of England, and full indemnity was given against all risks from the time when the securities were removed from their ~~usual~~ places of custody until such time as they were returned.

Later, similar instructions and indemnities were given to the ~~Eastern~~, Canadian, American and merchant banks and also to the Share and Loan Department of the Stock Exchange, which was authorised to include in the operation securities held by its members.

The first 488 boxes of securities were sent to Canada on the 23rd June 1940 under the escort of one Principal and four Clerks from the Bank of England, who were to form the nucleus of the staff of the United Kingdom Security Deposit in Montreal.³³ A further 1,043 boxes were sent to the Deposit later, and subsequent small shipments were made from time to time.

No

³The securities included 1,000 U.S., 400 Canadian, 20 Argentine and 100 Continental: selection was according to value of total amounts of individual securities registered, except that all Canadian and U.S.bearer bonds payable in dollars were included.

³³The Bank's representatives arrived in Canada on the 1st July 1940: further staff was recruited locally with the assistance of the Bank of Canada, but it was not until the 1st August that premises were ready for occupation and the work of unpacking and checking. Total staff, originally 75 ^{at one time} rose to 113.

No announcement as to the operation had been made at the time, but on the 18th July the Chancellor of the Exchequer announced in the House of Commons that an Order in Council had been made to empower the Treasury to give instructions as to the custody and disposition of securities held in the United Kingdom, that to facilitate the continuance of realisation of American and other securities marketable outside the United Kingdom the bulk of such securities was now being held in Canada pending realisation, and that no action was at present contemplated as regards other securities since similar conditions did not arise. He also stated that while the issue of permits for sales abroad would be resumed in respect of securities deposited by their owners outside the United Kingdom, this would not be possible as regards others for some few weeks.

It had not been possible to check the securities before shipment, and arrangements were therefore made whereby the interests of U.K. banks would be taken care of by a panel of 34 men from Canadian banks when the boxes were unpacked.*

Where securities were sold abroad with permission, a transfer into other names desired, or formalities in connection with decease of a holder needed, deliveries of securities from the U.K.S.D. to banks and brokers abroad were made on signed request forms from the depositing banks. Facilities were also provided for transfer in the U.K.S.D. between the dossiers of the various depositing banks.

To enable dealings in London in securities held by the U.K.S.D. to be resumed the Bank of England issued Security Deposit Receipts which could be used for delivery on the market. These receipts were in bearer form and were exchangeable for the securities themselves. The work of issuing the Receipts and of "splitting" them subsequently was considerable.**

Towards the end of 1940 the problem of using direct investments in the U.S.A. was under discussion. Many difficulties were apparent; the value to the English parent of its U.S. subsidiary was in many cases very different from the value of the subsidiary when

*Checking was completed on 30th September 1940: an idea of the size of the operation can be gathered from the fact that over 70 miles of tape were used in tying up the securities and 6,000 query forms had to be sent out in connection with discrepancies.

**Upwards of 50,000 Security Deposit Receipts had been issued by the end of 1944.

when divorced from the parent, while values to be given to patent rights, trade names, etc., could not easily be assessed.

Steps were taken to collect data on direct investments and negotiations took place during the early part of 1941. During this period arrangements were completed for the sale of the majority of the shares of American Viscose Corporation (owned by Courtaulds) to a U.S. syndicate which, after re-organisation of the Corporation, marketed the new issue on the New York Stock Exchange. The sterling price to be paid to Courtaulds by H.M. Treasury was later settled by arbitration.

Further, the Brown & Williamson Tobacco Corporation (owned by British American Tobacco Company) borrowed £40 million from the Reconstruction Finance Corporation against future earnings. Of this amount £25 million was paid over to the British American Tobacco Company and sold to the Treasury.

In June 1941 the R.F.C. was authorised to make loans to foreign governments against the deposit of American securities as collateral, and an agreement was made on the 21st July 1941 for a loan^{of £425 million} by the R.F.C. to the British Government against collateral consisting of specified securities.* On the 29th July 1941 the Treasury received powers for giving effect to the agreement through the Financial Powers (U.S.A. Securities) Act.

By individual Treasury Directions under the Financial Powers Act and the U.S.A. Securities Order of the 5th August 1941 the Treasury borrowed from U.K. holders shares in the following, which were to be used as collateral for the R.F.C. loan:-

- (a) U.S. subsidiaries of U.K. insurance companies.
- (b) Subsidiaries of certain other U.K. companies where the latter owned the controlling interest.
- (c) Securities of U.S. associate companies of certain U.K. companies where the holdings of the latter, although
not

*The rate of interest was 3%. The total borrowed was eventually £390 million: amount outstanding at the end of 1945 approximately £249 million.

not amounting to control, were substantial.

(d) Certain other marketable holdings judged to be suitable.*

Certain of the U.S. securities acquired by the Treasury under Vesting Orders but not yet sold were also pledged, and in addition the income of U.S. branches of U.K. insurance companies was acquired for the service of the loan.

Holders were given Receipts carrying a provisional right to the release of the underlying securities at some undetermined future date.

The terms of the loan agreement required all receipts in respect of the securities, whether capital or income, to be applied to the service of the loan. The previous owners (or "placers at disposal") therefore lost their rights to the capital or income payments as such, but the Treasury paid them such sums as appeared (to the Treasury) to be their sterling equivalent.**

There were also operations in consequence of capital re-organisations, stock dividends, mergers and redemptions. Among these were the Celanese Corporation merger of December 1941; the exchange of shares of Firth-Sterling Steel in July 1942; the capital re-organisation of W.R. Grace & Company in December 1943; the redemption of Celanese Corporation Prior Preference Shares in April 1944 and stock dividends paid by John Morrell & Company, Standard Oil Company (New Jersey) and (several) by Celanese Corporation of America. e

Until the 17th November 1941 owners of securities thus placed at Treasury disposal were not able to sell; but at that date they were informed that application might be made to the Bank for permission to sell such securities abroad,† Clause 7 of the loan agreement, however, made the prior consent of the R.F.C. necessary on each occasion. Although such consent could reasonably be expected, subject to the proceeds being applied in amortisation of the loan, the procedure f

* About 10,000 holdings of the various securities were in due course placed at Treasury disposal.

** Approximately 25,000 payments were made annually in respect of capital and income.

† Applications averaged about 2 per month.

procedure would have been cumbersome, and the Treasury therefore issued a list of securities which they would be prepared to acquire outright on payment of the sterling equivalent of the price which in the opinion of the Treasury was the closing market price in New York on the last business day prior to receipt of the application.[‡] Shares so acquired became Treasury-owned and the loan collateral was not disturbed.

On 21st May 1942 \$700 million of the sterling balances owned by Canada were converted into a loan by the Canadian Government to the British Government. After that date U.K.holders of Canadian "restricted" securities were not permitted to sell them except either to U.K.residents for sterling, where the accepted market was in the United Kingdom, or in Canada for Canadian dollars to be surrendered to H.M.Treasury against sterling. The proceeds of any such sales in Canada, and also of the redemption or repayment of any U.K.-held Canadian restricted or non-restricted securities, were applied towards amortization of the loan.

Non-restricted Securities

The first control over non-restricted securities was that imposed by Regulation 3, which related to the export of all securities, as amended by Order No.1067 of the 3rd September - cited as the "Defence (Finance) Regulations Amendment Order 1939".

S.R.& O.1939 No.1620 of 23rd November effected a logical extension and controlled the transfer of a security from a register in to a register outside the United Kingdom, and ^{also} acts calculated to secure substitution of a security which was either outside or registered outside the United Kingdom for one which was in or registered in the U.K. Such transfers would obviously be equivalent to an export. Transfers to registers in the Sterling Area were exempted. Originally

[‡]860 applications were received during the month following the announcement of the offer; and an average of 40 a month subsequently.

Originally certificates authorising the export of securities could be issued by an authorised bank. The promulgation of Regulation 3A on the 12th May 1940 gave the opportunity to issue (11th July 1940) a Notice (F.E.72) giving detailed instructions, and of concentrating in the Bank of England authority for the issue of such certificates.

"Securities" for the purpose of Regulation 3 included life and endowment policies, coupons and any documents of title relating to securities.

It was found that many of the requests were in respect of routine shipments, e.g., of registered certificates where the registers were in the Sterling Area or of transfer deeds being sent to parts of the Sterling Area for signature and return. On the 16th January 1942, therefore, requirements were simplified, and the necessity was abolished to obtain a certificate for the export to any destination of National Savings Certificates, Post Office Savings Bank books and registered and inscribed stock certificates where all the registers were in the Sterling Area, or for exports to destinations within the Sterling Area of sterling insurance policies and of securities that could be registered only in the Sterling Area.

Certain documents such as powers of attorney and documents in connection with probate, letters of administration, sale of land, etc., while not requiring a certificate, might cover some act for which permission was required. Such documents were liable to interception by the Censor and arrangements were made, in order to facilitate their despatch abroad,* to mark, on application, documents which were unobjectionable.

Until the 8th January 1940, although a resident was not permitted to transfer, without permission, funds to a non-resident, there was nothing to prevent a transfer of securities which were not "restricted", and a non-resident to whom they were transferred could sell the securities in the United Kingdom and withdraw the proceeds to his own country. Accordingly S.R. & O. 1939 No. 1827 was issued effective

* Applications for certificates averaged 800-900 per week^{up} to January 1942; thereafter the weekly average was 300-400.

effective 8th January 1940 prohibiting such transfers without permission. For the purpose of the Order residence meant residence in the Sterling Area.

Permission could be given by the Bank of England, the Stock Exchange or an authorised bank if the transfer represented a bona fide purchase for full value for which the purchase price had been paid from non-resident funds. Transfers without consideration could be authorised only by the Bank of England.

Non-residents still remained free to dispose of non-restricted securities in the United Kingdom and withdraw the proceeds, and also to obtain remittance of proceeds of redemption of sterling securities in their beneficial ownership, interest on sterling securities registered in their names or the names of their nominees and interest on sterling bearer securities collected for them by a U.K.bank having custody of the securities.

It was evident that in some cases the non-resident interest was likely to be by no means genuine and therefore a Notice was issued requiring holders of securities to obtain permission for a change of address from resident to non-resident or to give a mandate for payment of dividends to a non-resident address. It was also provided that permission must be obtained for the transfer of securities from a U.K.register to a register outside the Sterling Area.(S.R.& O.1939 No.1620 had prohibited such transfers to a register outside the United Kingdom but transfers to Sterling Area registers had been exempted by a separate Notice.)

A Notice issued to the public stated that registrars in the United Kingdom might not register transfers into the name of a non-resident unless approval by or on behalf of the Treasury had been given, but this was not legally correct. The Regulations had restricted the acts of holders and not those of registrars. For the time being no instructions were issued to registrars, who were merely informed generally through the

Press by the Treasury as to the procedure to be followed: a convenient occasion was awaited for amendment of the Regulations.

Regulation 1 had restricted dealings in certain securities by residents of the United Kingdom and had required returns of such securities to be made. Securities of the same class owned by persons resident outside the United Kingdom were not "registered" with the Bank of England. Many such securities, however, were held here and others were imported, so that dealings therein between non-residents took place regularly. These were known as dealings in "free stock". Early in 1940 the volume of such dealings and types of firms outside the Stock Exchange, through which many such dealings were passing, gave rise to suspicion that some of the securities might be of enemy origin, or indeed looted securities.

The problem became more pressing after the invasion of Denmark and Norway and it was decided that every transfer of securities should be subjected to some examination. The exigencies of the moment allowed the imposition of a restraint which for some time had been felt to be necessary but which had been deprecated as likely to be damaging to London's position as a financial centre. In the circumstances the new provisions were accepted by the market. The U.S. Treasury was also advised before the Regulation was issued, but did not comment.

In general terms Regulation 3A (13th May 1940) required that -

- (a) before any transfer of a security took place the Treasury should be satisfied that all persons having an interest in the security before transfer were residents of the Sterling Area;
- (b) permission on behalf of the Treasury was necessary before any security or interest therein could be transferred to a non-resident;
- (c) no interest in a security might, without permission, be created in favour of a non-resident;
- (d) a registrar might not register a transfer of securities without evidence prescribed by the Treasury.

Opportunity

Opportunity was also taken to revise and include the provision against transfer of a security from a register in the United Kingdom to a register outside the Sterling Area, and to preclude a registrar from entering a non-resident (except in substitution for another) without permission.

Transfers of funds to non-residents in respect of interest, dividends, and proceeds of sale or redemption of securities were also made subject to approval.

Declarations had to be completed for every transaction and the list of persons empowered to support such declarations was strictly limited. Where any person interested as transferee was a non-resident, there was provision for evidence of payment in the proper manner or of legal cause for the transfer.

Where any non-resident had an interest as transferor, permission on behalf of the Treasury to the sale or transfer had to be obtained. Until 23rd May 1940 the Stock Exchange, London, had authority to give such permission, but apart from this permission could until October 1942 only be given by the Bank of England.

Until 23rd May 1940 also licences to permit sales of non-resident owned securities and withdrawal of the proceeds were freely granted where full satisfaction was available as to circumstances and ownership. By that date, however, unloading by non-residents showed beyond a doubt that if licences for sales continued freely to be given too heavy a drain on foreign exchange resources would ensue.

Acceptance by the U.S. authorities set a precedent for future policy on similar questions. If the U.S.A. would agree that their residents should not realise their sterling holdings while the United Kingdom could continue to realise U.S. dollar holdings, other foreign countries would equally have to accept the position.

The granting of licences for non-resident sales was therefore suspended except in cases of hardship or for re-investment which was unobjectionable from the Exchange

Control

Control viewpoint, or to cover repayments of loans granted by Sterling Area creditors where it appeared that repayment by other means was not practicable.

Although Regulation 3A applied to all securities, securities subject to Regulation 1 were not, in practice, additionally subjected to the formalities of Regulation 3A.

Residents of the U.K. wishing to purchase or sell abroad non-restricted securities - generally speaking those payable in "soft" currencies - were required to obtain permission from the Bank of England. Purchases were not normally allowed. Sales were originally allowed somewhat freely, but as the Latin American countries began to accumulate sterling balances sales in those countries were conditioned on the repatriation of the proceeds. Subscriptions to new issues abroad were not allowed. (The withholding of permission in this case was not under powers inherent in Regulation 3A, since there was no existing security to be transferred or in which to create an interest. Regulation 3C, however, gave power to give or withhold permission for making payment.) The net effect of these rulings was to encourage remittance to the United Kingdom of currencies which, not being "specified" under Regulation 5, could not be requisitioned.

The Regulations had been well planned and framed, but experience proved that the provisions covered many transactions in which there was no real Foreign Exchange Control interest, and the forms necessary in connection therewith consumed a great amount of time and labour on the part of the Market, the banks and the Bank of England. The phrase "interest in securities" was so wide and so liable to differences of interpretation that efforts had to be made to find a more specific definition which, while continuing to bring under examination the transactions with which the Control were concerned, would allow transactions which could have little or no effect on the exchange position to go through with a minimum of formality.

Eventually, Regulation 3A was completely revised and re-written so as to disregard any interest of a non-resident which did not make the non-resident in effect a true owner. In effect the revised Regulation required permission to be obtained for transfers of

of securities to or from non-residents, or residents acting as nominees of non-residents, while allowing transfers which were purely between residents to go through on simple declarations.

The opportunity was also taken to strengthen and clarify provisions covering registration of bearer securities, and to include a restriction on payments to non-residents or their nominees in respect of redemption or repayment of securities. At the same ^{time} authority to approve certain transfers involving non-residents was extended to the London Stock Exchange, which achieved a certain amount of decentralisation.

At the end of May 1940, permission for non-resident sales for purpose of withdrawal of proceeds having been discontinued, it was felt that non-resident owners should not be compelled to retain indefinitely against their wishes the securities which they might be holding, but that they should be given the facility of exchanging them for such others as they might prefer to hold. Licences were accordingly granted for sale and re-investment in the United Kingdom (Form L.)

It was a normal requirement that sales and purchases should be made through a recognised Stock Exchange, as such transactions could be expected to be genuine, while transactions outside Stock Exchanges might conceal some fictitious transfer or an underpayment or overpayment. The facility of switching was not extended to either purchases or sales of securities subject to Regulation 1.

At first permission was given for sale for re-investment in similar categories of securities, but with experience the scope was gradually widened. Up to November 1940 re-investment in short-dated securities was not allowed, since redemption proceeds would have been freely available to a non-resident; but from 23rd November 1940 to 22nd October 1943, when withdrawal of redemption proceeds was not permitted, re-investment in short-dated securities was no longer open to the same objection.

By October 1942 experience had proved that it was practicable and reasonable to allow re-investment in almost

all

all domestic securities, but necessary to restrict the sale of domestic securities for reinvestment in overseas securities or in bearer securities (the latter might be used as a method of evasion of control). In the authority (20th October) extended to appointed agents power to issue licences for such "switches" was included.

A year later Exchange Control was being relaxed in various other directions, and on 22nd October 1943 the practice of refusing to permit reinvestment in bearer or overseas securities was discontinued; but with removal of the restriction on withdrawal of redemption proceeds reinvestment in short-dated securities had again to be prevented. The practice was therefore established of allowing sales for reinvestment in any purely sterling securities with a life of 10 years or longer to maturity, and authority was extended to the appointed agents to approve licences for such purposes.

With the removal of "interest in a security" from Regulation 3A, a transfer of, e.g., the right to receive income from a security would not require Treasury permission unless it was in contravention of Regulation 3C. A Regulation (3BA) was therefore made requiring a resident to obtain permission before settling (otherwise than by will) any property in circumstances in which a person non-resident at the time would have any interest, present or future, vested or contingent. This was a great improvement on the old provisions, since there were cases in which residents might form, in favour of non-residents, a trust consisting of the residents' interest (in e.g., an inheritance) in conditions which could not be held to be "a transfer of an interest in a security".

In the discussions leading up to Regulation 3A it ^{had been} ~~was~~ evident that if all securities were registered or inscribed in the United Kingdom control would be greatly facilitated. Regulation 3B was therefore introduced making the issue of new bearer securities or the conversion of registered into bearer securities subject to permission (which was not given except in one or two isolated cases).

Later, the prohibition was extended to the issue of coupons and to the alteration of any bond or document of title so as to give transferability by delivery.

Issue of new coupon sheets was originally allowed whenever coupons were exhausted, but later the period covered by such new coupons was restricted in general to 5 years so as to

limit

limit the size of the problem to be handled later.

Encouragement was given to registration of bearer securities wherever possible and a stamp duty concession was eventually granted by the Inland Revenue.

In the Spring of 1940, on the German invasion of the west of Europe, it was considered that though acceptance of an outright ban on the import of all securities would be difficult to secure, it would be practicable to restrict the import of bearer securities payable or optionally payable in sterling so as to deprive the enemy of any benefit therefrom.

Regulation 2C required permission for the import of bearer securities payable or optionally payable in sterling. Power was given to the Sterling Area Controls and to Canada, Newfoundland and Hong Kong to authorise imports into the United Kingdom of such securities owned by their residents: in other cases an import licence from the Bank of England was necessary.

In general, import was allowed of securities in resident ownership, or of non-resident securities, for registration, encasement or redemption, but not for other purposes.

Regulation 3A did not control the issue by a company of new securities in the name of a non-resident, although it did preclude the entry without permission of a non-resident address. However, it would have been an offence against Regulation 3C for a resident to subscribe for a new issue, since thereby a payment would be made to a resident (the registrar) on behalf of a non-resident.

Notices (F.E.150 and 151) were issued on the 18th June 1941 to clarify the position of subscriptions to new issues on behalf of non-residents.

"Securities" for the purposes of the original Regulation 3A included life and endowment assurance policies. The provisions, however, gave great concern to the insurance companies owing to the difficulty of satisfying the Treasury

as to the absence of non-resident interest before a transfer, assignment or re-assignment was made. Eventually life and endowment assurance policies were excluded from the Regulation except for the paragraph dealing with transfers to or in favour of non-residents; and the Securities Validation Bill was passed on the 26th February, 1942, with the express object of enabling the Treasury to validate in desirable cases any transfers, assignments or re-assignments which might at some time prove to have been invalid.

Towards the end of 1940 it was felt that although it was necessary to prevent withdrawal of non-resident capital already existing it would be advisable to accept new investment and to give an assurance that it could freely be withdrawn when required. This might amount to borrowing abroad "short", but would encourage friends abroad in their wish to lend money for the war effort and help in the savings campaigns being conducted with British communities in foreign countries. It was realised that any such facility could not be confined to Government securities or even to real investment, and the risk of encouraging foreign speculation in, e.g., gold mining or oil shares on the London market had to be taken.

On the 10th January 1941 a Notice was issued informing banks that on and after that date, where a non-resident invested his own sterling funds in the purchase on a U.K. stock exchange of any registered or inscribed security payable only in sterling, a licence would be given, unlimited as to time, which would permit re-sale on a U.K. stock exchange and the recrediting of the proceeds to the same type of account as that which had been originally debited with the cost of purchase.

The Bank of England (F.E.151) notified banks that they would normally be prepared to issue such a licence (Form M) in respect of subscriptions to new issues of British Government securities, while consideration would be given in the case of other new issues. In practice, for other than British Government stocks a licence was given where the issue was available to any subscriber at an established and unprivileged price, but not where the issue was to, or preference was given to, a limited class of persons, such as existing
shareholders

shareholders. In the latter case, an issue being normally made at a price somewhat lower than the market price of the old securities, a non-resident was only allowed to sell securities to cover the difference between the old market price and the privileged new issue price.

On the issue of the new Regulation 3A and extension of certain authorities to appointed agents the opportunity was taken to delegate (by F.E.191) to them the authority to issue licences although new issues were still dealt with by the Bank of England.

Licences were not given in respect of bearer securities. All British Government securities and practically all domestic securities were available in registered or inscribed form, while securities which were only obtainable in bearer form were in the main foreign securities which on the one hand were saleable abroad and on the other might represent a foreign asset. The Form M machinery was designed to confine the facility to the original investor: it was not intended to be transferable.

Before the issue of Regulations 3A and 2C the question was discussed of obtaining such information as might be available about bearer securities which might have fallen into enemy hands, and on which many people in this country might possess information. Although the Trading with the Enemy Department were most directly concerned it was not thought suitable for them to prepare and disseminate the information, and the Stock Exchange was unable to undertake the work. A Notice was therefore sent to banks inviting them to forward particulars to the Bank of England, preferably through paying agents. As information was received lists were compiled and copies sent to the stock exchanges, to the central banks in Canada and South Africa, to all related stock exchanges both in the Empire and the U.S.A., and to the U.S. Treasury. The lists were ^{also} reproduced by the Exchange Telegraph Company and distributed by them to their subscribers.*

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*Five lists were issued covering over 1,000 separate securities (nearly 2 million bonds or shares).

The lists, though necessarily incomplete and unreliable were unwieldy. Their importance was also reduced later by the control of the import into the United Kingdom of sterling bearer securities and by restrictions imposed in the U.S.A. In any event, by early 1942 it was evident that the labour and material required in the preparation of further lists would not be justified; but such information as continued to come to hand was recorded and notified to paying agents. It could be of use perhaps in the immediate post-war period.

Investments other than Marketable Securities

The control of securities had necessarily to cover investments not represented by marketable instruments, but the machinery set up under the Regulations to cover marketable securities could not be applied to such forms of investment. It was essential to simplify procedure and also to decide what was an investment and what was more in the nature of a deposit.

Procedure was simplified by regarding holdings and accounts registered at a certain date with non-resident addresses as being in non-resident ownership; thereafter any additions would have to be made from an appropriate type of non-resident account, while withdrawals could be made only to a type of account appropriate to the country of residence.

Detailed instructions were issued to the Post Office (18th June and 29th August 1941), Trustee Savings Banks (27th June 1941), other Savings Banks (18th August 1941) and Building Societies (9th September 1942).

Instructions to Building Societies regarding non-resident share, loan and deposit accounts raised complicated questions because of the different types of accounts involved. It was difficult to decide whether certain investments were securities for the purposes of Regulation 3A or not. Applications involving non-residents had therefore been dealt with individually, but from 9th September 1942 it was decided to treat all these accounts as deposits and to base procedure on that already in operation for the Savings Banks.

Blocked Sterling

Regulation 3A permitted some anomalies. For instance, although a non-resident could not sell securities here and withdraw the proceeds, yet, if his securities were held through a United Kingdom personal holding company,* the company as a resident could sell the securities and then, on winding up the company, the non-resident could obtain remittance of the value. And, although a non-resident could not sell securities of a Real Estate company and withdraw the proceeds, yet if he owned Real Estate itself he could sell and withdraw the proceeds. Again, although a non-resident held securities could not be liquidated by sale, redemption proceeds were freely withdrawable.

In November 1940 an addition was made to Regulation 10 (the definition Regulation) providing that any consent or permission granted might be made subject to conditions. Arrangements were then made to direct certain payments to non-residents to a Blocked Sterling Account to be opened under the provisions of Regulation 3E, which was issued on the 23rd November for this purpose.

The types of payments normally blocked were -

- (i) Redemption proceeds of sterling securities.
- (ii) Cash distributions on the sale or winding up to companies or dissolution of partnerships.
- (iii) Legacies and capital payments arising out of wills, trusts, settlements, etc.
- (iv) Proceeds of sale of Real Estate, personal effects, etc., or other movable assets in the United Kingdom otherwise than goods imported for sale in the ordinary course of trade.
- (v) Loans against and the surrender proceeds of insurance policies ~~the~~

*e.g. Some non-residents, including U.S. film stars, and financiers, had personal holding companies registered in U.K., I.O.M. and Channel Islands. These were designed for taxation purposes and did provide a means for evasion of Exchange Control as it then existed. Also some solicitors appeared to specialise in detecting loopholes in the Control for the benefit of their clients, or managed complicated discretionary trusts through which non-residents might be successful in obtaining funds from the U.K.

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(but the free transfer of the proceeds of matured policies was permitted).

Payment to Blocked Sterling Account provided a good discharge to the debtor, which was important.

A general Notice explain^{ing}~~ing~~ the new Regulation and procedure was issued, and another to Registrars and Company Secretaries.

The number of banks authorised to maintain Blocked Sterling Accounts was very limited. Banks not on this list were subsequently allowed to maintain "global" Blocked Sterling Accounts with the authorised banks so as to meet the objection that otherwise customers' security business might be diverted from non-authorised to authorised banks. With this point in mind and also to save unnecessary book-keeping a "by-pass" procedure was established in December 1940 under which direct investment in approved securities could be made by banks (and later by solicitors) without the formality of first passing the funds through a Blocked Sterling Account.

No interest was allowed on blocked sterling balances. The funds on such accounts were only available for investment in the United Kingdom. By Treasury Order investment was permitted in certain Government stocks; any other investment or disposition of the funds required permission of the Bank of England. Income on securities purchased with blocked sterling funds was available for remittance to the account-holder, and the securities purchased were subject to the general restrictions imposed on dealing with non-resident owned securities.

Until 13th May 1940 payments to beneficiaries under wills, trusts, settlements, etc., were freely remittable to non-resident beneficiaries even if the payment involved the realisation of capital. The procedure under the original Regulation 3A, however, required disclosure of "all persons interested" and licences for sale of the securities had to be obtained where any such person was a non-resident. Although it was doubtful that pecuniary legatees were "interested", it was probable that other types of beneficiaries were so, and licences for the sale of securities could therefore be withheld or given conditionally.

The position was still unsatisfactory, however, as some such payments, which for reasons of exchange control needed to be

prevented

prevented, could be made freely, while on the other hand the legitimate winding up of estates or trusts might be rendered difficult if not impracticable.

The blocked sterling Regulations of 23rd November 1940 were partly designed to permit the winding up of estates, etc. while restricting payments therefrom to non-residents, and were ^{largely} largely successful.

Payments under wills, etc., were directed to blocked sterling except for a concession of £100 if granted by the Bank of England, and the fact that no amounts below £5 were blocked. Blocking at first was not applicable to residents of Canada, as their Government had arranged to increase their programme of repatriation of securities. Later the position was reviewed at the request of the Canadian Foreign Exchange Control Board, and it was decided to apply the blocked sterling procedure to residents of Canada, as from 3rd February 1942.

With regard to the U.S.A., where individual States merely reacted by imposing the same limitations as adopted by the United Kingdom - if, for example, non-resident legatees were allowed to receive securities but not cash - there was in general no real disability, since a U.K. resident could freely realise in the U.S.A. any securities he received from an American estate. However, the State of California (and possibly others) enacted legislation to escheat legacies in certain circumstances, e.g., the blocking in the U.K. of legacies due to residents of California. In February 1942 it was accordingly decided to allow transfers of legacies to the U.S.A. in full and retrospectively; though for the time being this facility of remittance was not given to British subjects resident in the U.S.A., who were allowed merely the concession of £100.

"Remaindermen", those not entitled to a legacy direct but who received some payment on the occurrence of a particular event (e.g., death of a life tenant) were not treated as legatees: payments to non-residents in such circumstances

circumstances continued to be blocked and the £100 concession did not apply.

Transfer to non-resident beneficiaries of non-restricted securities against the share of an estate or trust to which they were entitled, was normally allowed. In the case of restricted securities, it was at first thought that transfer of these to non-residents could be prevented or, if allowed, that the securities could be retained subject to Regulation 1; but it was eventually agreed to treat restricted securities on the same basis as a cash legacy. This was conditional upon the merits of the case, e.g., transfer to a Canadian legatee of any restricted security would be allowed, but transfer to a U.S.pecuniary legatee of a Canadian security would be refused, as it would represent a sale by the estate to the U.S.and therefore clash with the normal policy adopted in dealing with Canadian securities held by residents.

It was originally the practice to allow the transfer of remittable sterling only to the country in which the deceased had resided: any other transfers to non-residents were directed to Blocked Sterling Account. But from July 1943 the transfer of such funds was permitted to the type of account appropriate either to the country of residence of the deceased or to that of the beneficiary.

Transfer abroad was conditional on the balance not including any funds arising from the sale of securities or from other transactions for which payment would normally be directed to Blocked Sterling Account. The amount authorised for remittance was the net amount after provision for debts, duties, etc., in the United Kingdom.

Where possible, resident legatees of non-resident estates were required to receive their legacies either in the appropriate currency or from funds which would have been remittable to the estate, but where this appeared impracticable payment was allowed from blocked sterling funds, or in the last resource by a transfer or sale in the United Kingdom of securities.

Otherwise sales of securities by a non-resident estate were allowed only for the normal purpose of re-investment - for account

either

either of the estate of the beneficiaries.

Until the 13th May 1940 payments to non-residents of interest or dividends or cash bonuses (as well as proceeds of sale or redemption) on securities beneficially owned by them could be transferred to non-resident account without specific approval. This provided a channel for the irregular remittance abroad of resident-owned funds.

From the 13th May, with the issue of the new Regulation 3A and instructions to banks, Registrars, etc., it proved possible to remedy this defect and require permission for such transfers to non-resident account.

With the arrangements in July 1940 for canalising non-resident sterling and the opening of Registered and Special Accounts it was necessary to direct dividend payments through the same channels as other sterling payments; e.g. as transfer of sterling could not be made from a Brazilian Special Account to a Swiss Registered Account it followed that dividend warrants sent to Brazil should not be credited on collection to Swiss account. As a corollary, the export of sterling bearer securities was closely supervised so as to prevent attempts to collect income or redemption monies through a "harder" centre.

A comprehensive Notice was therefore issued on 14th October 1940 giving full instructions to Registrars, paying bankers and collecting bankers, which provided for collection of interest and dividends due to non-residents, both where items were sent abroad and then forwarded to the United Kingdom for collection and where collection was made in the United Kingdom direct under mandate or by reason of there being nominees, etc. In general the principle of allowing down-grading but not up-grading was followed. Thus, payments due to Special Accounts could not be credited to Registered Account, while payments to "other" countries could not be credited to Special Accounts. Neither might payments due to one of the two Registered Account countries, Switzerland and the U.S.A., ^{be} credited to the other.

Collecting

Collecting bankers were required to obtain declarations as to non-resident interest in imported items and as to the absence of direct or indirect enemy interest since the 3rd September 1939; while in the case of items to be credited to Swiss or U.S. account there was a special declaration certifying that the beneficiaries were bona fide residents of the particular country.

These arrangements covered not only income but (until and in so far as amended by the blocked sterling arrangements in November 1940) the collection of redeemed, matured or drawn securities.

A Notice issued on 23rd November 1940 in connection with blocked sterling amended the requirements as regards redemptions, etc., but left those concerned with income substantially intact.

Arrangements were made in August 1943 by the Trading with the Enemy Department for a special form of declaration to be completed in respect of coupons, warrants, drawn bonds, etc., imported from Switzerland or Sweden or to be collected for credit to residents of those countries. The Trading with the Enemy Act gave no power to call for declarations, and therefore the relative instructions (F.E.200) were issued under the authority of the Defence (Finance) Regulations as part of the machinery for collection of payments due to non-residents. Subsequently these arrangements were extended to Spain and Portugal.

The Instructions of 14th October 1940 appeared to work very satisfactorily, but pressure on the Bank by the Trading With the Enemy Department and the Ministry of Economic Warfare to tighten up Declaration A and B in respect of coupons received from abroad for collection was thought likely to lead to a revision of the ~~existing~~ existing procedure.

The stringent control over transfers of registered and inscribed securities prevented the unauthorised registration of non-resident addresses, which would have resulted in the automatic despatch of dividend warrants outside the Sterling Area. Those warrants which were sent outside were, it was assumed, due to bona fide non-residents if they resulted from a transfer of stock or shares after May 1940: warrants sent outside the Sterling Area as a result of instructions given earlier were sifted by the collection

machinery

machinery of Declarations A and B. Registrars sending warrants outside the Sterling Area were required to lodge schedules (instead of ordinary applications on sterling transfer forms) with paying banks, because it could not be known until the warrants were received back from abroad for what types of non-resident account payment would be claimed. The collecting bank in such cases had the responsibility of getting the necessary Declarations A and B before presenting the warrants; and the paying bank was required to see before paying the warrants that the collecting bank's stamp on them indicated that the proceeds would be credited to a type of non-resident account consistent with the information supplied on the Registrar's schedules. This machinery was evolved with the help of the Big Five and worked very smoothly.

Dividend instructions in favour of residents were acted upon by Registrars without formality. Banks in the United Kingdom which received direct from Registrars, under mandate from the stockholders, interest or dividends which they were required to credit to non-resident accounts, were permitted to credit such accounts only if the stockholder's name was that of their non-resident customer; if their customer was not the stockholder they were required to satisfy themselves that the mandate in favour of their customer was a permitted one.

The payment of sterling coupons imported from neutral Europe presented great difficulties owing to the possibility of enemy taint. Declarations A and B were inadequate safeguards: certain Swiss banks were very lax in making declarations as to freedom from enemy taint. Both M.E.W. and T.W.E. were most anxious to have stricter declarations, counter-signed by a recognised authority such as the central bank in the neutral country.

The value of dividends, etc., transferred to non-residents was probably less than £20 million a year, of which the U.S.A. took a fairly large proportion.

Switzerland

Switzerland and Portugal also were substantial creditors. H.M. Treasury had an arrangement with the Bank of Portugal, who collected coupons to be exported from Portugal and accepted declarations from persons they were prepared to trust.

Liaison and General

In calling for the surrender of proceeds of redemption of securities payable in a "specified" currency the authority was Regulation 5. The same authority was used in compelling surrender of income on foreign currency securities.

Although not actually dealing with securities, Regulation 5(2B) was effective in ensuring that holders of securities in respect of which^a payment was due either in sterling or in a "specified" currency exercised their rights and obtained either remittance of the sterling or the "specified" currency - the latter of course to be surrendered under Regulation 5.

As Regulation 5(2)B provided that residents should not without permission "do or refrain from doing any act with intent to secure that the receipt in whole or part of any payment in specified currency or in sterling was delayed or ceased in whole or part to be receivable by the resident or receivable in the particular currency or in sterling", holders of securities who were offered less than the full amount in satisfaction of their claims for capital or interest had to seek permission to accept less. This probably prevented some undesirable transactions.

The Regulation did not, however, apply to payments which were or might become due in foreign currencies not "specified" under Regulation 5; and therefore there was no control over arrangements for the scaling down of capital or interest where payments were due solely in such currencies.

Under Regulation 6, subject to exemptions, permission of the Treasury was necessary for the making of an issue of capital ~~in the United Kingdom~~ or a public offer of securities for sale in the U.K. The Regulation was administered by the Capital Issues Committee and decisions were given by the Treasury.

Regulation 6A required the consent of the Treasury before a U.K. body corporate transferred any trade, business or undertaking or central management or control thereof out of the United Kingdom. Permission was most frequently conveyed through the Bank of England. It would in any case most frequently happen that the proposition would be for a sale or transfer of securities which might or might not involve permission under Regulation 3A, and that the approach made would be to the Bank for that reason.

The closest co-operation was necessarily maintained with the London Stock Exchange, the banks and the market generally. In spite of natural reluctance to accept the imposition of restrictions and formalities and, in many cases, additional work and responsibilities, the greatest helpfulness was experienced throughout; and these institutions gave great assistance in the planning as well as in the putting into effect of new Regulations and procedures. The London Stock Exchange undertook responsibility for relaying instructions, etc., to the Associated Exchanges and the Provincial Brokers' Stock Exchange.