

APPENDICES: DEFENCE (FINANCE) REGULATIONS

The two appendices to the chapter on the evolution of the D.(F.) R. may appear at first sight to cover the same ground; but in reality ^{Ch. 21} [^] exercise two complementary functions. The first, with the title "Defence (Finance) Regulations", endeavours to trace the evolution of the guiding principles of Exchange Control from just before the outbreak of war until the end of 1945. It gives, as stated in the introductory paragraph, "a brief outline of the most important provisions of the Regulations in their chronological order". It is complementary to Chapter III in the sense that in it the Regulations are ~~repeated~~ given in their correct chronological sequence without duplication of the causes which lay behind the framing of this or that Regulation, ^{and} which are [^] fully described in Chapter III. ^{II} (B)

The second appendix, which is both more complete and more up to date, was issued in September 1947. Its title, "Exchange Control in the United Kingdom", does not necessarily suggest greater completeness; but, together with notes which it contains on Exchange Control practice elsewhere in the Sterling Area, it provides a more comprehensive view of the scope of control as exercised at the date of its issue, and indeed since. The second appendix, which is perhaps between three and four times the length of the other, is more suitably regarded as a consolidation of operative orders - a guide to what the Regulations did or did not permit - after the experience of the war.

APPENDIX II(A)DEFENCE (FINANCE) REGULATIONS

A large number of Regulations were issued and a still greater number of Statutory Rules and Orders were made in application of the powers thus obtained. The following is a brief outline of the most important provisions of the Regulations in their chronological order. A complete set of Statutory Rules & Orders, indexed under subjects, has been filed with the Secretary.

Consolidations of the Regulations were issued on the following dates:-

3rd September 1940
 1st January 1941
 3rd June 1941
 11th November 1941
 14th October 1942

S.R. & O. Date and NumberChief Regulations*

- | | |
|--------------------------------------|---|
| <u>25th August 1939</u>
No.950 | 1. Mobilisation of foreign exchange resources. Treasury may prohibit sale or transfer of securities marketable outside the U.K. and owners may have to make a return to the Bank of England. Treasury may acquire such securities, at not less than market value, if held by residents. |
| <u>3rd September 1939</u>
No.1067 | 2. Only Authorised Dealers to deal in foreign currencies or gold.
3. No one to take or send out of U.K. bank notes, postal orders, gold, securities or foreign currency. Exception - Authorised Dealers, or to meet -
(a) reasonable requirements of trade or business carried on in U.K.;
<div style="text-align: right; margin-top: 10px;">(b) contracts</div> |

*Sub-section numbers are given only where necessary to assist reference.

- (b) contracts before 3rd September 1939;
- (c) reasonable travelling or other expenses.

Travellers must declare holdings, if asked.

No one to make any payment or acknowledge any debt as consideration for receiving a payment or property outside the U.K.

- 4. Residents to offer gold coin and bullion to Treasury unless held for non-residents, or required to perform a contract before 3rd September, or needed for reasonable requirements of trade in U.K. other than that of dealing in gold.

Sec.11 of Currency & Bank Notes Act, 1928, is suspended.

- 5. Residents to offer to Treasury certain foreign currencies. Exemptions as in 4.
- 6. Treasury to control new Capital Issues or renewals or postponement of date of maturity. Includes P.N. of a Local Authority.
- 8. Treasury may obtain such information as may be required.

21st September 1939

No.1251

- 1. Treasury may exempt securities from provisions of Regulations.
- 2. Treasury may divest themselves of securities vested.
- 3. Treasury may impose consequential restrictions on making of payments, etc. by bankers.
- 5(5) Control over payment for exports foreshadowed. Customs may require declaration showing sum to be received, etc.

23rd November 1939

No.1620

3(1AA) No person shall transfer any security from a register in U.K. to one outside U.K. or substitute a security outside the U.K. for one in U.K.

4. If anyone who should have offered gold to Treasury has not done so, Treasury can take it over.

5. Provisions in 4 above extend to foreign currency. Provides for forfeiture of goods exported if declaration to Customs is false.

6. Security not invalid because consent to its issue by Treasury has not been given, or conditions of issue not complied with. Definition of securities enlarged.

9. Treasury to pay for goods seized under Defence Regulations market value, according to Treasury at time of seizure, in sterling.

7th March 1940

No.291

5B. Introduction of Control over payment for exports. Prohibited export of whisky, furs, tin, rubber and jute to U.S.A., South America (except Argentine), Belgium, Netherlands, Netherlands East Indies and Switzerland unless full value (a) has been paid in U.S. dollars, belgas, guilders, Swiss francs, or sterling bought after 3rd September 1939 against these currencies from an Authorised Dealer, or (b) will be so paid within six months from date of export.

30th April 1940

No.608

1. Provision for vesting of securities registered late.

12th May 1940

No.708

3A. Restricted acquisition of securities from non-residents and prohibited transfer of securities to non-residents (Treasury Bills excluded).

3B. Stopped

7th June 1940

No.892

11th June 1940

No.929

17th July 1940

No.1254

24th July 1940

No.1329

15th August 1940

No.1484

3B. Stopped the issue of Bearer Bonds or other securities transferable by delivery.

5B. Extended export control of 7th March 1940 to all goods. Treasury may prescribe the manner of payment for exports to any country.

9. Enforcement. Provision of fines for offences.

3C. No payment to be made to a person resident outside the Sterling Area.

Prohibition of compensation transactions. No payment to be made to a resident of the Sterling Area as consideration for the receipt of a payment or acquisition of property outside the Sterling Area. Persons who have been resident in U.K. since 3.9.39 to be treated as resident until otherwise directed.

3D. Canalisation of payments. Treasury may set up "Treasury Special Accounts", with a view to payment into such accounts of sums due to persons resident in the territory in question, i.e. a "territory with respect to which no agreement is in force for the regulation of payments between the United Kingdom and that territory".

10. Definition of Sterling Area.

2A. Treasury may block assets including gold and securities of any country or of residents of any country to prevent action detrimental to U.K. economy.

3C. Treasury may determine country of residence of any person for the purpose of the Regulation.

4. & 5. Requirement of offering gold and foreign exchange to Treasury to apply to persons who have been in the U.K. since 3rd September 1939.

20th August 1940

No.1514

2B. Restricts importation into U.K. of bank notes that are legal tender in U.K. (see Statutory Orders for exceptions).

27th September 1940

No.1732

2C. Restricts importation into the U.K. of Sterling Bearer Securities.

5(2B) No one who has been in, or resident in, the U.K. since 3rd September 1939 and is entitled to receive any foreign currency to which this Regulation applies shall do anything to delay its receipt or to cancel the payment in that currency.

No.1740

6A. No body corporate resident in U.K. may "transfer any trade, business or undertaking to a person not resident in U.K."

19th November 1940

No.1989

3E. Provides for "Blocked" Sterling Accounts, which can only be operated with Treasury permission. But blocked funds can be invested in securities specified by the Treasury.

5C. Control of foreign companies. Non-"quoted" companies in U.K. which control whether directly or indirectly companies abroad must cause those companies to comply with any requirements of the Treasury regarding disposal of assets outside the ordinary course of business.

4th April 1941

No.474

3B. Prohibits alteration of securities from "registered" to "bearer".

30th May 1941

No.755

1A. Treasury may direct sale of securities which had not been vested through failure to make the necessary return.

3C. No

3C. No one may "make any payment to, or place any sum to the credit of" a non-resident. (This clause was added to tighten up the effect of the Regulation issued on 17th July 1940.)

5(2B) Extended to include payments due in sterling. (See S.R.& O.1940, No.1732).

10. Owner of security includes a Trustee.

15th August 1941

No.1199

3C(2A) Control of ex-enemy accounts.

Treasury may block such accounts.

7AA. Treasury authority to increase Fiduciary Issue to continue for 4 years from date when originally given or until Regulation ceases to be in force, whichever first occurs.

11th November 1941

No.1779

3C(2B) Control of accounts of persons leaving the U.K. for permanent residence outside the Sterling Area. Treasury may block such accounts.

23rd February 1942

No.304

3C(2A) Provision for persons leaving enemy countries to take up permanent residence in the Sterling Area. This Regulation will not apply to accounts opened by such persons after they have become residents of the Sterling Area.

27th March 1942

No.572

8. The Treasury may require British subjects resident outside the Sterling Area to furnish information regarding their property or income.

14th October 1942

No.2096

3BA. Restriction on settlements. Treasury permission required to settle any property, otherwise than by will, in favour of residents outside the Sterling Area.

10th

10th August 1943

No.1141

7AA. Substitutes 6 for 4 years in provision made on 15th August 1941.

24th January 1945

No.73

7AB. Bank of England may call in its notes for £5 and upwards upon payment of their face value. Such notes when called in shall cease to be legal tender.

21st March 1945

No.313

2. Restrictions on dealings in foreign currency do not apply to Sterling Area currencies.

14th August 1945

No.1001

7AA. Treasury authority to increase the Fiduciary Issue to continue so long as the Regulation remains in force.

EXCHANGE CONTROL IN THE UNITED KINGDOM

(With comparative notes on exchange control practice in various other sterling area countries)

Note: The marginal notes refer to the United Kingdom Defence (Finance) Regulations 1939 as subsequently amended.

1. INTRODUCTION

Reg. 10 (Reg. 10) A fundamental part of the British exchange control system is the existence of the sterling area, all members of which have imposed similar systems of control within their own territories. The sterling area includes, in addition to the United Kingdom, the following territories (excluding Canada and Newfoundland):-

- (a) Every Dominion.
- (b) Every other part of His Majesty's Dominions.
- (c) Every territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom or in any Dominion.
- (d) Every British protectorate or protected state.
- (e) Iraq.
- (f) Transjordan.
- (g) Iceland and the Faroe Islands.

Reg. 2A (Reg. 2A) Payments within the sterling area are, with few exceptions, completely free. The exceptions at present are that restrictions are imposed in Australia, New Zealand, India, Burma and Iraq on payments to other parts of the sterling area and restrictions are imposed in India on payments to or from other sterling area countries. Restrictions are also imposed on the use within the sterling area of excessive sterling balances accumulated by various countries both inside and outside the sterling area during and after the war. Control is exercised by blocking under Regulation 2A in agreement with the other countries concerned.

Reg. 8A Regulations in force in all parts of the area aim at controlling payments to persons outside the area. References to "non-residents" in this memorandum apply to persons regarded as resident outside the sterling area for exchange control purposes.

By general agreement amongst sterling area countries, the decision as to whether a transaction to which a resident of the sterling area is a party shall be approved under the Defence (Finance) Regulations rests with the country in which the person concerned is normally resident even though the assets involved (bank balances, securities, gold, etc.) are held in some other sterling area country.

The object of exchange control is to conserve gold and non-sterling area currency reserves and income and to ensure that they are used to the maximum national benefit. In its present form in the United Kingdom the general rule is that payment may be made to a non-resident (in sterling or non-sterling area currency) for all approved operations on current account; capital transfers are, however, restricted in varying degrees.

Exchange Control in the United Kingdom is at present administered by virtue of emergency powers under the Defence (Finance) Regulations which, broadly speaking, are used by the Treasury to mobilise gold, non-sterling area currencies and other

(Reg 2)

non-sterling area assets of residents of the United Kingdom, to control payments and transfers in the United Kingdom of assets to and from non-residents and to restrict the withdrawal by non-residents of their capital assets in the United Kingdom. The Exchange Control Act, which is designed to replace the Defence (Finance) Regulations, will come into force on the 1st October 1949. Under the Defence (Finance) Regulations the Treasury are the only dealers in the currencies of countries outside the sterling area and gold although, in practice, they have delegated these functions to the Bank of England and a selected list of banks and bullion dealers by whom the day to day administration is carried out. Dealings in non-sterling area currencies and gold must be conducted at official rates where applicable.

There was a general easing of exchange control restrictions with the end of war conditions but a severe tightening up has recently taken place because of the acute shortage of U.S. dollars in the sterling area and the virtual exhaustion of the American dollar loan to the United Kingdom.

2. MOBILISATION OF GOLD, NON-STERLING AREA CURRENCIES AND OTHER NON-STERLING AREA ASSETS

The following requirements are imposed upon United Kingdom residents: - (Reg 4 + 5)

- (i) To offer for sale to H.M. Treasury their holdings of gold and of certain non-sterling area currencies (known as "specified currencies") of which the country has or may have the greatest need. The following currencies are so specified. Official rates are quoted for many of them: -

Argentine Pesos
Brazilian Cruzeiros
Canadian Dollars
Czechoslovak Crowns
Danish Kroner
Escudos
Francs of the following territories -
Metropolitan France (which includes Corsica and Algeria)
Monaco
French West Africa (Senegal, Mauretania, French Sudan, French Guinea, the Ivory Coast and Dahomey)
French Equatorial Africa (Gabon, the French Congo, Ubangi-Shari, the Chad Province)
Madagascar and its dependencies
Reunion
French Somali Coast
French Guiana
Guadeloupe
Martinique
St. Pierre and Miquelon
Indo-China
New Caledonia
French Establishments of Oceania
Condominium of the New Hebrides
The Protectorates of Morocco and Tunisia
The French Mandated Territories of Cameroon and Togo
Francs of Belgium, Luxembourg and Belgian Congo
Netherlands Guilders
Netherlands East Indies Guilders
Netherlands West Indies Guilders
Newfoundland Dollars
Norwegian Kroner
Panamanian Dollars
Philippine Pesos

Pondicherry Rupees
 Swedish Kronor
 Syrian and Lebanese Pounds
 Swiss Francs
 United States Dollars
 Uruguayan Pesos

Exemption from surrendering specified currencies is granted in approved cases, principally where the currencies are required to meet current expenses in connection with trade with non-sterling area countries or the maintenance of a business or property outside the sterling area. In such cases the holder is required to account for the currency expended by submitting periodical returns. Non-sterling area nationals are given exemption from surrendering the currency of their country of nationality (or other country in the same "monetary area").

Surplus specified currencies and all gold acquired by authorised dealers in sterling area countries outside the United Kingdom are normally sold to an authorised dealer in the United Kingdom. The surrender of gold is not, however, required in certain sterling area countries (notably in the Middle East) where gold is a recognised medium of exchange. In those countries however imports as well as exports of gold are usually strictly controlled. Traditional trans-frontier movements of gold are normally permitted but particular care is taken to prevent non-residents from taking advantage of the inflated price of gold in these countries by selling gold in them in order to obtain the local currency and thereby sterling cheaply.

(Reg 1.1A)

(ii) To register with the Bank of England certain non-sterling area currency securities known as "restricted securities" and sterling securities of certain Empire countries of classes specified by H.M. Treasury and to surrender such securities against sterling as and when they are "vested" in H.M. Treasury by Treasury order.

Most of the readily marketable U.S. and some Canadian dollar securities registered with the Bank of England were so acquired by the Treasury during the war years, as well as the Indian, South African and Canadian sterling securities that were registered with the Bank of England. Non-sterling area nationals are exempted from registering and selling to H.M. Treasury securities which are denominated in the currency of their country of nationality (or other country in the same "monetary area"). The powers requiring "restricted securities" to be registered with the Bank of England and to "vest" such securities will not be retained in the Exchange Control Act but they will be available for use if required unless and until Regulation 1 of the Defence (Finance) Regulations is revoked.

Upon the coming into force of the Exchange Control Act special restrictions will apply to dealings in a new class of securities to be known as "prescribed securities" which will take the place of "restricted securities" under the Defence (Finance) Regulations. "Prescribed securities" will be those payable or optionally payable in U.S., Canadian or Newfoundland dollars, Swiss francs or Swedish kronor. Dealings in these securities for sterling will be freely permitted between United Kingdom residents. United Kingdom residents will be allowed to buy "prescribed securities" for sterling from residents of other parts of the sterling area but not to sell "prescribed securities" to such residents. United Kingdom residents will, however, be allowed to sell "prescribed securities" in

the appropriate market outside the sterling area provided that they surrender the specified currency proceeds of sale to an authorised dealer in the United Kingdom or (except where Canadian dollar securities are concerned, if they wish, to "switch" their securities, i.e., replace them by the purchase of other securities expressed in the same currency. The sale in Canada of securities expressed in Canadian dollars will be permitted only on condition that the proceeds of sale are surrendered to an authorised dealer. United Kingdom residents will also be allowed to reinvest the redemption proceeds of "prescribed securities" except those expressed in Canadian dollars.

Powers have been taken in the new United Kingdom Exchange Control Act under which bearer securities and any securities which are transferable in registers outside the sterling area will have to be deposited with (or held to the order of) an authorised depository (i.e., broadly speaking, one of the principal banks in the United Kingdom). Transactions in securities that are transferable in sterling area registers are already adequately controlled under existing powers.

The "switching" of "restricted securities" outside the sterling area is already permitted in certain sterling area countries outside the United Kingdom.

- (iii) To account to the United Kingdom Control for gold, specified currencies and "restricted securities" held through personal holding or nominee companies incorporated outside the United Kingdom. (Reg 5C) Reg-5C

Some measure of control is also exercised over the assets of non-sterling area subsidiaries of resident trading concerns in order to ensure that surplus funds are remitted to the United Kingdom. This does not imply that permission would not be given for the subsidiary to plough in profits if the circumstances appeared to warrant it.

- (iv) To bring home within a given period and by prescribed methods the full value (less authorised deductions) of exports from the United Kingdom to countries outside the sterling area. The machinery for ensuring that these requirements are fulfilled devolves principally upon the Commissioners of Customs & Excise but exemptions are granted by the United Kingdom Control acting on behalf of H.M. Treasury and the responsibility for verifying the manner in which payment is received falls upon the banks. Similar control is exercised in conjunction with other sterling area Controls over goods exported from any territory in the sterling area for which payment is to be received in the United Kingdom. Broadly speaking, this type of control is exercised throughout the sterling area by making it a condition of the export of goods to non-sterling area countries that a form of declaration (C.D.3 Form) must be completed before export, setting out the approximate time and manner in which payment for the goods is to be received. The duplicates of these forms are passed to the banks in order that they may verify the method by which payment is eventually received. In a few sterling area countries, exports to certain countries are exempted from control for special local reasons (e.g., to facilitate trans-frontier trade which is financed in notes, and does not lend itself to control through banking channels). (Reg 5B) Reg-5B
- (v) To secure without delay the payment of amounts due from outside the sterling area in specified currencies or in sterling. (Reg 5(2B)) Reg-5 (2B)

3. CONTROL OF PAYMENTS AND TRANSFERS OF ASSETS TO AND FROM
NON-RESIDENTS

The following transactions are prohibited except with permission:-

(Reg. 3)

- Reg. 3
(i) The physical export of sterling bank notes, postal orders, gold, securities and foreign currency (i.e., any currencies other than sterling).

Such items taken or sent out of the United Kingdom must be accompanied by a certificate to be exhibited to the Immigration Officer or the Customs to show that permission for the export has been obtained. As an exception, special permission need not be obtained for the export, inter alia, of:-

- (a) Notes in any currency (sterling or other) taken or sent to Eire or the Channel Islands.
- (b) Sterling area currency (notes or coin) sent (but not taken) to a country in which it is legal tender.
- (c) Not more than £5 in sterling bank notes and the equivalent of £10 (or sometimes less) in foreign currency (i.e., any currency other than sterling) taken out by travellers to any destination. The sterling notes which are allowed to be taken out by travellers to any destination are intended for use only on board a British ship or aircraft or upon the traveller's return to the United Kingdom. Permission is rarely given for the export of more than £5 in sterling notes.

- (ii) The making of any payment to a non-resident either in foreign currency or in sterling.

[Reg. 3(1) & 2(1)]

Reg. 3C(1)
2(1)
Permission must be obtained from the Bank of England (as agent of the Treasury) or from authorised banks acting on behalf of the Treasury by residents of the United Kingdom in every case before they effect payments in sterling or non-sterling area currency to the accounts of non-residents or purchase the currency of a territory outside the sterling area. Approved payments to certain non-sterling area countries, e.g., the Argentine and Brazil, may normally be made only in sterling. Generally speaking, payments to non-sterling area countries in the currency of the country concerned are permitted, inter alia, if the currency is one which is acceptable in payment for United Kingdom exports to the country concerned.

Residents holding or receiving non-specified currencies are normally permitted to make payments therefrom on their own behalf for any purpose in the country of the currency concerned.

The following are the main purposes for which remittances may normally be made by United Kingdom residents to countries outside the sterling area:-

- (a) Settlement of current commercial debts.
- (b) Credits in favour of non-residents to finance the movement of goods in any part of the world within the framework of the general restrictions on payments involving non-residents.

- (c) Temporary advances by way of loan or overdraft to enable non-residents to meet drawings under credits in favour of sterling area exporters (permission is not given for advances to be made to non-residents against the deposit of Government or other securities or the deposit of foreign currencies).
- (d) In fulfilment of certain contracts (e.g., insurance premia, licence and patent fees, etc.)
- (e) Income arising from investments in the United Kingdom, e.g., interest, dividends, rents and profits earned since the introduction of exchange control by non-resident-owned United Kingdom companies (after full provision has been made for United Kingdom taxes), etc.
- (f) Withdrawals from the accounts of non-residents with Building Societies in the United Kingdom and proceeds of encashment of National Savings Certificates.
- (g) Travel expenses for bona fide business purposes and also (since April 1946) for personal purposes. The allowance of exchange for personal purposes (reduced as from the 28th August 1947 from £75 per annum for an adult and £40 per annum for a child to £35 for an adult and £20 for a child) is, however, to be withdrawn on the 1st October 1947. Thereafter, subject to very occasional exceptions, exchange for personal purposes will be provided only for students who qualify for exchange for education outside the sterling area or for persons requiring to go outside the sterling area for their health whose lives would be endangered if they were to remain in the United Kingdom.
- (h) Education at schools or universities outside the sterling area (but after the end of 1947 remittances will not be permitted for education below university level).
- (j) Maintenance of dependants outside the sterling area (within reasonable limits) in resumption or continuation of remittances under long-standing arrangements. New commitments to make regular maintenance remittances to dependants may be undertaken only by close relatives and, if justified, on compassionate grounds. Single payments on compassionate grounds may, however, be made by any relative of the beneficiary or any person under an obligation to him. Regular maintenance remittances to British subjects living temporarily outside the sterling area may be made normally only where they qualify for exchange for business, educational or health purposes or on the grounds of extreme hardship.
- (k) Legacies from the estates of deceased residents of the United Kingdom.
- (m) Capital repaid in accordance with the terms of a contract such as a matured mortgage, drawn or matured securities, surrender or maturity value of life or endowment policies.
- (n) Remittances by sterling area nationals who emigrate to a non-sterling area country. Such persons are allowed to remit up to £5,000 out of their own funds to the country to which they emigrate. In order to prevent abuse of the concession by persons who have no intention of living permanently outside the sterling area, remittances may normally be made only in four equal annual instalments and emigrants continue to be treated as resident in the sterling area for a probationary period of four years.

[Reg. 3c(2B)]

- (o) Remittances by non-sterling area nationals who leave the United Kingdom to take up permanent residence in their own country or elsewhere outside the sterling area. Such persons are redesignated "non-resident" and are normally allowed to remit to their new country the full amount of their liquid resources (cash and bank balances) held in the sterling area. Their balances may, however, be blocked in part if they include excessive amounts of capital.
- (p) Subscriptions up to five guineas per annum to learned to technical clubs or societies (including professional and religious bodies) which render instructional service to their members.

Exchange is no longer provided for wedding or similar gifts.

[Reg. 3c(2B)]

Permission to make payments outside the sterling area (and also inside the sterling area) is withheld from sterling area nationals who remain outside the sterling area in order to evade their obligations under the Defence (Finance) Regulations and are treated as "Quitters", i.e., have their sterling balances and income blocked by direction of H.M. Treasury.

- (iii) The transfer of securities to non-residents. Below is stated the general position but there are certain other restrictions not detailed.

[Reg. 3A(2)]

(a) "Restricted Securities"

Transfers to non-residents of "restricted securities" are normally permitted provided the full proceeds are received either in a specified currency which is sold to an authorised dealer in the United Kingdom or in sterling remitted from the country of the transferee or available for transfer to that country. The new arrangements for "prescribed securities" which, under the Exchange Control Act, will take the place of "restricted securities" have already been described in paragraph 2(ii) above.

(b) Other Securities

In general transfers to non-residents are permitted only if the full proceeds are received in the currency of the country of the transferee or in sterling remitted from that country or available for transfer to it. (This requirement is waived in order to permit the reinvestment in the United Kingdom of the proceeds of authorised sales of non-resident-owned securities.)

[Reg. 3c(1A) + 3c(2)]

- (iv) The making of payments by residents to other residents either on behalf of non-residents (other than by a bank in the ordinary course of business) or associated with the receipt by any person (particularly a resident) of any consideration (actual or contingent) outside the sterling area; the main object is to ensure that any payment within the sterling area effected on behalf of a non-resident is covered by a remittance to the sterling area from his country of residence or in funds available for transfer to that country and is not made out of "resident funds". The powers to prevent payments from being made in association with the receipt of any consideration, actual or contingent, outside the sterling area are used to prevent the subsidiaries in the sterling area of non-sterling area companies from financing their

operations mainly by borrowing in the sterling area against the security of guarantees given by the parent companies. It is felt that such non-resident companies may reasonably be expected to remit to the sterling area the greater part of the funds required by their subsidiaries. Additional powers have been taken in the Exchange Control Act to ensure that no loans (guaranteed or otherwise) are made to the resident subsidiaries of non-resident companies without permission.

- (v) Transfers to and from accounts of non-residents with persons other than banks usually referred to as "Traders Accounts". [Reg. 3C(1), 3C(1A), 3F(2, 6)]
Reg. 3C(1)
" 3C(1A)
" 3F 2(b)
- (vi) The settling of property or an interest therein on non-residents other than by Will. (Reg. 3BA)
Reg. 3BA
- (vii) Agreements to do in the future what is now contrary to the Defence (Finance) Regulations. (Reg. 9B)
Reg. 9B

4. RESTRICTIONS ON THE WITHDRAWAL BY NON-RESIDENTS OF CAPITAL ASSETS IN THE UNITED KINGDOM

In order mainly to prevent withdrawal by non-residents of pre-war capital invested in the United Kingdom, the following measures have been introduced:-

- (i) The sale or transfer in the United Kingdom of securities by non-residents is prohibited except with permission. [Reg. 3A(1)]
Reg. 3A(1)
Permission to sell would not normally be given except for the purpose of reinvestment in certain British Government securities or in other sterling securities which are not redeemable at a date earlier than the maturity date of the securities sold or ten years from the date of purchase, whichever is earlier. "Switching" into very short-dated securities is not allowed because this would provide an easy means of circumventing the restrictions on capital payments since no restrictions are imposed upon the transfer outside the sterling area of the redemption proceeds of sterling securities.

Most sterling area countries impose restrictions on the sale of securities in their territory by non-residents similar to those in force in the United Kingdom.

- (ii) As it was considered impracticable to restrict sales in the United Kingdom by non-residents of other assets than securities, the proceeds of sale of certain of these assets are blocked.

Under the Defence(Finance) Regulations the Treasury (or the Bank of England on its behalf) are given the power, when dealing with applications to transfer sums to non-residents, to approve subject to the condition that payment is made only to a Blocked Sterling Account. When payment is so made the crediting of the blocked account constitutes a good discharge for the amount paid. [Reg. 10(2) + 3E]
Reg. 10(2)
" 3E

Balances on Blocked Sterling Accounts are available only for investment in certain British Government and other sterling securities, although exceptions are sometimes made where refusal to allow the balance to be used to effect remittances to the accountholder or to meet his commitments in the sterling area would cause him real hardship, e.g., destitution. Funds blocked in most sterling area countries may be transferred to blocked account in the United Kingdom.

When the blocked sterling procedure was originally introduced at the end of 1940 it was applied not only to the proceeds of sales of certain assets by non-residents but also to most other forms of capital payments due to non-residents. Present policy is to avoid as far as possible increasing deferred demand liabilities to non-residents, and therefore certain forms of capital payments which are contractual obligations (e.g., maturity or redemption proceeds of sterling securities, legacies and maturity and surrender values of insurance policies) may now be transferred to non-residents.

Items payable to non-residents that are still subject to general blocking include:-

- (a) The proceeds of the sale of investments in real property - but a non-resident would normally be allowed to transfer up to £5,000 of the sale proceeds of a house and personal effects bought for his personal use whilst in the sterling area, i.e., not bought as an investment.
- (b) Funds invested before the introduction of exchange control in United Kingdom subsidiaries and branches of non-resident concerns - such investments may be represented by capital and reserves, profits retained in the business or indebtedness on inter-company account.
- (c) Capital distributions on the sale or winding-up of companies.
- (d) Capital payments due under settlements created since the introduction of exchange control.

5. RESTRICTIONS ON THE TRANSFERABILITY OF STERLING AS BETWEEN NON-RESIDENTS

eg. 30(1) [Reg. 30(1)] In order to limit as far as possible unofficial markets in sterling and thus help to maintain official rates, it was found necessary upon the introduction of exchange control, to place restrictions on the uses to which non-residents could put their sterling balances (other than those already effectively controlled by blocking). Non-sterling area countries were grouped together for exchange control purposes into "monetary areas" and, generally speaking, non-resident-owned sterling which was not blocked could be used only for payments in the sterling area or for transfer to another resident (e.g., a bank) in the owner's country of residence or other country in the same "monetary area" and could not normally be otherwise disposed of without special permission. This arrangement necessitated the designation of all non-resident accounts in the United Kingdom according to the country of residence of the owner. By degrees it became possible to allow sterling held on non-resident account to be used more widely for payments outside the sterling area until, by the 15th July 1947, in accordance with the terms of the American Loan Agreement, sterling on non-resident account could be used (subject to certain safeguards) to make payments for "current purposes" to practically any country in the world. Shortly afterwards, however, it proved impossible to continue to allow sterling to be transferred to the U.S.A. and other countries in the "American Account area" and to Canada and Newfoundland from other sterling area countries outside these groups because of the increasing shortage of U.S. dollars.

In sterling area countries outside the United Kingdom, balances in local currency on non-resident account have continued to be segregated into different "monetary areas" by reference to the country of residence of the accountholder. Local sterling area currencies are not used to the same extent as sterling for payments between non-residents but transfers in local sterling area currency between different "monetary areas" are permitted on occasion by the sterling area exchange control authorities concerned in consultation with the United Kingdom Control.

6. PROHIBITION OF THE IMPORT OF STERLING AND OTHER NOTES AND STERLING BEARER SECURITIES

(Reg. 2B+2C)

Reg. 2B
" 2C

Restrictions on the import of sterling notes and sterling bearer securities originally designed to prevent the enemy from obtaining value for looted property have been preserved in a considerably modified form as an instrument of post-war exchange control policy because of the many opportunities provided for evasion by notes and bearer securities. The import of various non-sterling area currencies is also restricted. The restrictions on the import of these currencies (mainly of European countries) were imposed shortly after the occupation of Europe by the Allied Forces and in order to check the immense traffic in these currencies against sterling which soon developed. The present position is that no restrictions are imposed on the import of sterling notes or foreign currencies from Eire or the Channel Islands but travellers from other countries are allowed to bring into the United Kingdom only £5 in sterling notes and only small amounts of the non-sterling area currencies of which the import is restricted: neither these currencies nor sterling notes may be sent to the United Kingdom except from Eire and the Channel Islands. Sterling area countries outside the United Kingdom also restrict the import of sterling notes but not their own currency or foreign currencies unless necessitated by local conditions. The restrictions on the import of sterling notes into the United Kingdom and on the import of certain foreign currency notes into the countries of issue have led banks in sterling area countries outside the United Kingdom to restrict their purchases of these notes to the amounts that can be disposed of locally, e.g., by sale in small amounts to travellers. The restrictions on the import of non-sterling area currencies into the United Kingdom will not be retained when the Exchange Control Act comes into force.

The present control over the import of bearer securities will be extended under the new Act to apply to all securities except those which are fully registered both as to principal and interest and for which all the registers are in the sterling area.

7. PROHIBITION OF THE ISSUE OF BEARER SECURITIES

(Reg. 3B)

Reg. 3B

The issue as well as the import of bearer securities (including coupons for the payment of interest or dividends on securities) is prohibited except with permission granted by or on behalf of the Treasury. Permission is given for the issue of bearer securities (as distinct from coupons) only -

- (a) to replace bearer securities which have been lost or destroyed (but only if there are no facilities for registering the securities);
- (b) in accordance with foreign Government refunding or reorganisation plans.

"De-registration", i.e., the conversion back to bearer of bonds marked as "registered" in particular names is not normally permitted.

Permission is never given for the issue of entirely new coupon sheets and the renewal of existing coupon sheets is permitted when they are exhausted only -

- (a) for ordinary companies to cover a period of not more than five years:
- (b) under foreign Government refunding or reorganisation plans for whatever period is necessary:
- (c) for existing foreign Government bonds to cover period to maturity.

Bank of England,
1st September 1947.

BLOCKED STERLINGRegulations

There were several ways in which accounts might be blocked. They could, of course, be blocked under the T.W.E. Act (with which we are not here concerned) or under Regulation 2A of 24th July 1940 by General or Special Direction of the Treasury as part of a wider prohibition against acting on instructions from a country which might be exposed to pressure from another State. Ordinary Chinese accounts were blocked under this Regulation. In its original form it was first used in the case of the Baltic States, and in a wider form in the case of Iraq, Persia and Siam when circumstances had made it necessary. Steps had been taken in May 1940 to counter the outflow of non-resident capital by placing restrictions on the sale of sterling securities.

The next step came on 19th November 1940 (Regulation 3E) which provided that certain payments due to non-residents might only be made to a blocked account. Examples of such payments were proceeds of securities sold or redeemed, legacies from resident estates, capital payments arising out of settlements, proceeds of the sale of real estate or moveable assets in the U.K., and proceeds of the surrender before maturity of life or endowment assurance policies and bonuses thereon, etc.

The alternatives of allowing transfer or refusing it would have meant that the drain on the reserves would continue or that a debtor would be unable to obtain a good discharge of his debt, while the creditor would run the risk of loss through the debtor's bankruptcy or fraud. Regulation 3E took a middle course. Payments could be made by the resident debtor, but only if the non-resident creditor were prepared to allow the amount to be credited to a blocked sterling account. Balances on a blocked account were not transferable or available for any purpose except for investment in certain approved sterling securities; the interest on these was transferable to the non-resident account holder, but the securities could not be sold

sold. It was for the creditor to choose whether or not he would accept payment on these terms. Most creditors did so, in which case there was no possibility of compensation arrangements.

There were five special classes of persons, whose sterling accounts it had been difficult to control, and who had been responsible for the loss of a considerable amount of reserves, particularly in U.S. and Canadian dollars. These classes were:

1. Ex-enemies.

Persons who had escaped from enemy or enemy-occupied territories to neutral territory directly or via the Sterling Area. (If the ex-enemy were a resident he would not have the latter alternative, since once inside the Sterling Area he would not have been allowed to leave it.). Once an ex-enemy's account had been cleared of enemy taint by the T.W.E. Branch it could no longer be designated as that of, say, a resident of Germany, and it was necessary to re-designate it according to the holder's new country of residence. As this was usually the U.S.A. or Canada the creation of further U.S. or Canadian sterling meant a loss of exchange to the Control either directly or indirectly.

2. Pseudo-ex-enemies.

Persons formerly resident in enemy or enemy-occupied territory, but who had never been regarded by the T.W.E. Branch as enemies, usually because they had left that territory prior to its becoming enemy territory. The same considerations applied to the sterling holdings of these persons as to those of ex-enemies.

3. "Quitters".

British subjects who, having gone abroad temporarily before the outbreak of war had subsequently decided to remain abroad permanently, or British subjects who had been allowed to leave the U.K. since war broke out and showed no signs of returning to this country.

Such

Such persons were, however, treated as quitters only if they failed to fulfil any obligations they might have under the Defence (Finance) Regulations, or if they attempted to contravene those Regulations.

4. Transmigrant Refugees.

These were nationals of enemy or enemy-occupied territories who had resided temporarily in the U.K. and had subsequently taken up permanent residence outside the Sterling Area.

5. Other foreign nationals who had left the U.K. to take up residence abroad in a country not their own.

The Control's policy had been to release the sterling balances of such persons to them in the country to which they had gone.

Ex-enemies and pseudo-ex-enemies were dealt with by Regulation 3C(2A), introduced on 15th August 1941 and amended on 23rd February 1942. This regulation had the effect of blocking automatically the sterling accounts of ex-enemies and of permitting the blocking by specific direction of the accounts of any particular pseudo-ex-enemy. Once blocked these accounts were only available to meet the personal commitments of the holder in the Sterling Area and subject to the permission of the Bank of England.

Regulation 3C(2B) of 13th November 1941 covered the remaining three categories and gave power to block their accounts also. Transmigrant refugees and other foreign nationals were permitted to use their blocked sterling balances for commitments in the Sterling Area, subject to the Bank's permission. Any balance blocked under this Regulation was ordinarily eligible for transfer to a 3E blocked account or for investment in approved sterling securities. Quitters' accounts were blocked by direction of the Treasury only.

The general effect of these two Regulations was to give power to minimise the risk of compensation transactions and to take penal action against quitters.

Looked at from the aspect of ultimate intention there may be said to have been three categories of blocked sterling:

1. Sterling blocked under Regulation 3C to prevent the transfer of securities, real estate, etc., i.e., sterling which at the

time

time of blocking there was no intention of subsequently releasing, though later some of it was in fact released.

2. Sterling blocked simply because if it had not been the Control would have had to provide foreign exchange with which they could not afford to part, and which was unblocked as soon as they could afford to do so. In this category came the ex-enemies', pseudo-ex-enemies' and transmigrants' sterling, proceeds of the redemption of securities, the profits of commercial companies, film royalties, etc.(except as regards Switzerland, Canada and the Argentine).

3. Sterling belonging to quitters. Here blocking might have been effected from Exchange Control motives, but was in fact imposed as a penal measure. There would be no unblocking for these persons as a class, but only individually and then by direction of H.M.Government.

Apart from the blocking of sterling there may be said to have been another form of blocking undertaken as a measure of co-operation with the U.S.Authorities when the U.S.Freezing Order of June 1941 was introduced. This order was designed to prevent the evasion of the U.S.Foreign Funds Control through the medium of accounts with banks in the U.K.

U.K.banks who held on behalf of non-residents U.S.dollar balances or securities or gold located in the U.S.A.were required to obtain permission from the U.K.Control before acting on any instructions regarding such holdings. Applications were considered in the light of the Regulations issued by the U.S. Treasury, and of confidential arrangements made with them. Parallel action was taken throughout the Sterling Area.

After the passing of the Lend-Lease Act in March 1941 it became administratively possible to interpret the Regulations with a greater latitude, and by the Autumn of 1943 this was being done to a considerable extent. The Regulations themselves, however, were not altered.

In

In general, blocked accounts played a minor role in the payments arrangements: they were not relied upon as a major instrument of exchange control because at best they only deferred a liability.

Important steps to reduce the amount of existing balances blocked under Regulation 3E, 3C(2A) and 3C(2B) and to limit future additions to a minimum were introduced in October 1943. The relaxations permitted are not easy to summarise and can best be studied by reference to the Bank of England's Notices to Banks Nos. F.E.203, 204 and 205 of 22nd October 1943.

Only three other measures for tightening up this Control were introduced after 1941. On 23rd February 1942 the amendment to Regulation 3C(2A) was introduced, under which persons treated as residents in enemy territory, though never having been enemies, might have their accounts subjected to Treasury supervision unless they became residents of the Sterling Area and subsequently opened their accounts there. The amendment became necessary owing to the stream of refugees from the Far East to the Americas before the Japanese advance. The banks were given authority to make remittances from such accounts at the rate of £15 per head monthly, subject to a maximum of £50 for a family. Alternatively the account-holder could apply for redesignation as a resident of his new country, if his income were large enough to make it worth his while; for then he could receive his dividends (from approved sterling securities and from other sources).

The next instance was similar. Non-resident British subjects had been permitted to have transferred to them the interest and dividends on their sterling investments. Considerable pressure had been brought to bear on H.M. Government to arrange that no British subject abroad should in war-time draw more than a fixed maximum of unearned income from sterling sources. Accordingly, on 27th March 1942, the Treasury introduced Regulation 8(1A), which gave them power to direct that such persons resident outside the Sterling Area should furnish the Treasury with particulars of their property and income. It is believed that only in a very few cases was action taken.

Release

Release of Blocked Sterling

→ central

After Lend-Lease aid had been operating for *a year or more* a consequent material increase in our reserves of dollars and gold* gave some anxiety to the U.K. authorities lest a too rapid increase in the near future should have unfortunate political reactions in the U.S.A., and perhaps lead to curtailment of Lend-Lease aid. Revision of blocked accounts practice formed part of the measures proposed to offset the rapid accumulation (c.f. "Use of Reserves"). The ideal would have been to free all blocked accounts, but it was clear that some would still have to remain under control. In a letter (7.10.1942) to the Treasury Mr. Cobbold divided blocked accounts into two main categories:

1. Proceeds of realisation of capital assets in the U.K. (maturities, realisations, mortgages, etc.).
2. Payments legally due by residents to non-residents (legacies, alimony, service charges, etc.).

Category 1 was like non-residents' blocked securities and was not easily to be released: Category 2 caused some resentment abroad (varying from country to country) and a desirable change in practice could be made. In the autumn of 1942 when discussions began, ignoring "an unknown potential quantity in accounts blocked under Regulations 3C(2A) and 3C(2B) and in accounts held by or subject to the Custodian of Enemy Property"... sterling blocked under Regulation 3E amounted to £15½ millions. The increase in remittances to the U.S.A. consequent on the raising of all restrictions on category 2 was estimated at about £10 million in the first year and £3 million in subsequent years. Of these figures £7 million and £1½ million respectively represented profits. Over and above this there was about £12½ million Film Companies' sterling awaiting

*From \$385 million at the end of 1941 to \$600 million at the end of 1942. They more than doubled during the next year.

awaiting transfer.

The disposal of film sterling was an important step in the desired direction. *The question has been discussed within the Bank as early as August 1941, and by June 1942* representations had been received on behalf of certain U.S. Film interests for a release of some of their blocked sterling. Pending rather long negotiations (involving also questions of taxation, future quotas, etc., with which we are not concerned here) token amounts were released; but it was undoubtedly the intention of the Bank at the time to "dispose entirely of the unremittable film sterling accounts", and a reply (6.10.1942) to a cable from Washington (27.9.1942) states that "we certainly hope to get rid of the bulk of blocked film balances...."

By the end of October it had been decided to release the whole of the sterling balances accumulated by the American "agreement"^{*} companies (up to 24th October) as a result of the restrictions imposed under the Film agreements of the previous three years. The amounts to be transferred in respect of 1942-43 revenues was left for further discussion. The decision was announced in the press on 30th October.

Subsequent arrangements (May 1943) made individual U.K. subsidiaries responsible for all actions coming within the scope of the D(F.)R. They should apply, through their bankers, to the Bank of England "for such permissions as will enable them to carry on their normal business". The policy/^{now}would be to write off such liabilities as they arose rather than defer them for a further period.

The 100% release covered all rents and royalties, but only such profits and dividends "as would ordinarily be transferably on our normal profit rules."** (The negotiations are on record in F.E.234.4).

Meanwhile the possibility of releasing other accounts blocked under 3E was being actively considered.

The

*of October 1939, between H.M.G. and the eight largest American film companies. Further detail in Appendix ... *under "British Film Industry"*

**The total released was £12.5 million, of which £10.9 million in November 1942.

The first stage in release was reached on 27th January 1943, when the following changes were introduced:

Profits

Transfers by resident subsidiaries or branches to their American parent companies were no longer limited to the pre-war level, nor did the Bank insist that profits should be transferred only out of current earnings and not from reserves.

Service Charges

Where there was a pre-war agreement, and the Bank were satisfied that valuable services continued to be rendered under it or on a basis established by pre-war practice, free transfer was allowed if the Inland Revenue were satisfied.

On the other hand if there were no pre-war agreement, or an agreement had been made since the outbreak of war without the Bank's permission, transfer was normally to be refused. If pressure were exerted payment might be made to a blocked account. Before this, cases were decided on their merits and their transfer was allowed or refused, and there was no blocking.

Alimony and Allowances under a war-time Court Order could be transferred.

On 18th February 1943 the Bank wrote to the Treasury to suggest getting rid of all blocked sterling, with the sole exception of that blocked under the Quitters' Regulation, but including sterling blocked under 2A dealing with particular territories and under 3E for particular reasons and individual cases, "This would mean getting rid of 3C2A and redesignating as accounts of their new country of residence all accounts of refugees coming from non-Sterling Area countries and blocked under 3C2A or 3C2B. We should not abolish Regulation 3E as it seems advisable to retain powers to block in certain individual cases, but we should transfer all sterling arising from legacies, etc., and also from maturing capital payments

payments. This would involve a change of practice about switching by non-residents from one security to another, and we should refuse to allow switches from a longer-dated into a shorter-dated security."

The Exchange Control Treasury Committee dealt with the whole subject on 25th May and came to a number of decisions. Some of these decisions were made effective at once administratively, but it was not until October 1943 that F.E. Notices (Nos. 203, 204 and 205 ~~and 206~~) were issued.

Decisions reached in May were briefly as follows:

The principles of Regulation 3A were not to be disturbed. So far as possible uniformity of treatment in releasing blocked sterling was to be accorded to all non-residents wherever resident. Priority in unblocking should be given to items where a demand for transfer at a later date was to be anticipated.

Unblocking was not extended to cases where the owner of the funds was resident in Canada, Newfoundland, Switzerland or the Argentine.

With the exception of British nationals, the accounts of individuals who had taken up permanent residence in non-enemy territory, blocked under Regulation 3C(2A), might be released and redesignated as of the territory in question provided *they included*

- (a) ~~They included~~ no third party funds, and
- (b) ~~They included~~ no items whose transfer was not normally permitted

Accounts of British nationals were not to be released unless they returned to the Sterling Area, but maintenance remittances were to be continued where the account-holder had reached a non-enemy country outside the Sterling Area.

Foreign nationals (other than refugees) who had been resident in the United Kingdom were allowed, on taking up permanent domicile outside the Sterling Area, to transfer the amount of their balances at the outbreak of war plus any items of a remittable nature which had accrued since. Transmigrant refugees could transfer the equivalent of gold and currency sold to H.M. Treasury or of vested securities. Thereafter they received the same treatment as other foreign nationals. In both cases any sums not available for

transfer

transfer, including third party monies, were blocked under Regulation 3C(2B).

Similar treatment was given to funds already blocked under Regulation 3C(2B) except in the case of "quitters".

British women marrying non-residents and taking up permanent domicile abroad were given the status of their husbands and allowed to transfer up to £2,000, any excess balance on their account being blocked under Regulation 3C(2B).

In all cases any balance remaining blocked under Regulation 3C(2B) was transferable to a 3E Blocked Sterling Account and could be invested in approved securities.

As regards accounts blocked under Regulation 3E the treatment accorded to residents of the U.S.A. was to be extended to other countries in the matter of Companies' Profits, Service Charges under pre-war arrangements, and Alimony; and discretion could be exercised in respect of voluntary separation payments and Service Charges where no pre-war agreement existed.

Proceeds of real estate, houses, furniture, personal effects, etc., could be transferred within a limit of £5,000 per beneficiary, so long as the principles of Regulation 3A were maintained.

The proceeds of surrendered life policies issued pre-war and withdrawals from accounts with Building Societies were to be allowed free transfer to all countries.

Legacies on resident estates could be transferred, though the question of remaindermen and settlements inter vivos was reserved.

It was also agreed in principle that the proceeds of drawn and matured sterling bonds held by non-residents should be released, while on legacies the Treasury agreed in principle with the Bank's suggestions on the understanding that the Bank could assure the Treasury that it was more difficult to maintain the distinction between cash legacies and security legacies than the distinction between security legacies and securities in general.

The

The revision of October 1943 was intended to allow as far as possible a non-resident to withdraw capital payments received by him provided that they did not result from action on his part or undertaken on his initiative.

As a corollary to the release of blocked funds, realisation of investments made with them and withdrawal of the proceeds was naturally permitted.

An exception to the release of funds had to be made in the case of Switzerland, Argentina, Canada and Newfoundland, since any releases would have had the result of increasing the sterling holdings of the Governments or Central Banks of these countries, which were not willing to accept such additions.

The October revision ^{provided} ~~gave~~ the opportunity to liberalise payments under wills, etc. Transfer in full was now approved to non-resident beneficiaries under not only wills, but trusts, settlements, etc., again with the exception of residents of Switzerland, Argentina, Canada and Newfoundland. The principles of Regulation 3A were, however, maintained in that the sale, for the purpose of withdrawal of the proceeds, of securities acquired through a specific legacy or by a residuary legatee or remainderman was not allowed where the beneficiary had had power of disposal prior to 13th May 1940 (the date when restrictions on non-resident sales had been imposed).

The new instructions (F.E.203, 204, and 205), while retaining the principle that the actual despatch of payments might only be made to the country concerned, permitted collection and payment of the proceeds to be credited to the account either of an ultimate beneficiary or of the foreign correspondent who remitted the items for collection or for whose account securities were held by a U.K. banker.

This meant that although a Registrar could not change an address from, say, Chile to Switzerland, or send to Switzerland a dividend warrant due to Chile, a Chilean beneficiary could collect through a banker in Switzerland and thereby receive Swiss registered sterling, equivalent to Swiss francs.

Equally

Equally, since capital payments to Swiss, Argentine, Newfoundland or Canadian account were blocked, it meant that a Swiss holder of a drawn bond could receive credit in blocked sterling or, e.g., by collection through a bank in Lisbon, receive sterling over Portuguese Special Account.