UK delegation meetings before Bretton Woods conference

T 231 / 261

R & L. Ltd. Gp 684

TREASURY.

EXCHANGE CONTROL

eR

File begins 1941 Ends .....

INDEX HEADINGS

Main E.X.C. Control

Committees

Cross

Secretariat

EC.

97

SUBJECT

DEFENCE (FINANCE) REGULATIONS

Securities Restrictions Committee

SECRET

(Circulate under cover and notify REGISTRY of movement).

desecretized

CLASS No T 231

PIECE No 261

1941

PRESERVE

FORMER PAPER		Referred to	Date of Outgoing Letter
P.A			
Rgd 4/9/41 JB.			
BUNDLE			
12 JAN 1961 E.C.C.S.			
~~3 APR 1962~~			
Bundle as above PO	4-4-62		
ECCS 16 DEC 1974			
~~a) Retain at Registry~~	9/1/75		
a) Bundle	9/1/75		

After completion refer to

ENTER NOTES OF RELATED FILES ON PAGE 2 OF JACKET.

TREASURY
20 OCT 1939
File F14464/07/05. Last Trace

Bank of England
29th September 1939.

Dear Sir Richard Hopkins,

As you may remember, we have always had it in mind to set up a small informal Committee here to advise on the administration of the Securities Regulations on the same lines as the two Committees which are already dealing with Exchange Control and Credits respectively. The functions of the Committee would of course, like the functions of the other two, be merely advisory and decisions would rest with the Treasury.

After consulting Rowe-Dutton we decided that it would be advisable to set up this Committee now and we have accordingly, also after consultation with Rowe-Dutton, approached certain people. The Committee would, as at present envisaged, be composed as follows -

Mr.Bernard - Chairman
Mr.Rowe-Dutton
Mr.T.J.Carlyle Gifford of Messrs.Baillie & Gifford.
Mr.E.H.Lever of the Prudential Assurance Co.Ltd.
Mr.W.K.Whigham of Robert Fleming & Co.Ltd.
Mr.R.P.Wilkinson, Deputy Chairman, Stock Exchange.

I should be glad if you would let me have your formal approval of these arrangements in due course.

Yours sincerely,

M.S.Gaitskell

Sir Richard V.N.Hopkins, K.C.B.

...securities was the 9th October but it would be about the end of the month before they could be properly sorted out. It was, moreover, inevitable that some of the returns would have been duplicated and this would not come to light until after a Vesting Order had been made. The first task before the Committee was to determine the categories into which it would be most

O.K. / a New Sub File
Finance/07, then
Keep pc.
20/x

765
R & P.

Mr. Rowe-Dutton

19th October, 1939.

Dear Mr. Deputy.

I am sorry that through an accident a long delay has elapsed before my reply to your letter of the 29th September regarding a small informal Committee set up to advise on the administration of the Securities Regulations. We of course approve the arrangements.

Yours sincerely.

(Sgd.) R. V. N. HOPKINS

B.G.Catterns, Esq.

...soon as possible what securities they would be able to take over in the different currencies, their value and marketability. The closing date for sending in returns was the 9th October but it would be about the end of the month before they could be properly sorted out. It was, moreover, ...the Treasury to know

N: Britain
S:: F. Philips
of the West

SECRET

all the registered holdings of some 300 securities, it will cost us a lot,

SOW

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the First Meeting, held 5th October 1939

Present
Mr.D.G.M.Bernard (Chairman)
Mr.T.J.Carlyle Gifford
Mr.E.H.Lever
Mr.E.Rowe-Dutton
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.A.S.Craig
Mr.A.S.G.Hoar (Secretary)

Members had before them -

(1) A memorandum by Mr.Craig explaining the range of securities covered by returns already received at the Bank and the preliminary classification so far accomplished;

(2) An alphabetical list (in two sections, called "main" and "first supplementary") of securities returned on the first 25,000 forms received;

(3) Further alphabetical lists of what appear to be the best of the securities in the above list, classified according to the principal currency of payment in each case.

In thanking Members of the Committee for giving their services, the Chairman reminded them that the functions of the Committee were advisory and that it would not be called upon to take any executive decisions.

He said it was important for the Treasury to know as soon as possible what securities they would be able to take over in the different currencies, their value and marketability. The closing date for sending in returns was the 9th October but it would be about the end of the month before they could be properly sorted out. It was, moreover, inevitable that some of the returns would have been duplicated and this would not come to light until after a Vesting Order had been made. The first task before the Committee was to determine the categories into which it would be

most

most advantageous to group the securities to enable them to be readily dealt with. The U.S. securities were by far the most numerous and valuable and he would be grateful if special attention were given to classifying these as quickly as possible.

In the course of a discussion on U.S. securities it was agreed that the publication of a Vesting Order would have a depressing effect on the Market but that this would be lightened if the Order included some 200 or 300 securities rather than a few and if liquidation of the vested securities were effected in a manner as restrained and unhurried as possible.

The Committee felt that if there were to be a heavy liquidation of shares in New York it would be essential that contact be made with people there who were experts in the shares concerned and who would be able to advise on the most profitable way of disposing of them.

The Chairman said that, with a view to quiet and orderly liquidation, sales of the restricted securities abroad were being encouraged but owners were not being forced to sell. The Committee expressed approval of this policy.

In regard to American securities, the Committee thought it might be advisable to group them into Bonds - Government, State and Municipal - Rails, Industrials and Utilities. But to commence with members agreed to go over the lists of securities and indicate those which in their opinion were -

(a) Readily marketable,

(b) Not readily marketable, but possibly saleable by negotiation,

(c) Relatively and actually worthless.

Members of the Committee also agreed to prepare a list (independently of the existing lists compiled from securities which had been registered) of about 200 most readily marketable American securities This list would be valuable for the purpose of reference.

NEXT MEETING. It was agreed that the next Meeting should be held on Thursday, 12th October 1939, at 2.45 p.m.

SECRET

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the Second Meeting, held 12th October 1939

Present Mr.D.G.M.Bernard (Chairman)
Mr.T.J.Carlyle Gifford
Mr.E.H.Lever
Mr.E.Rowe-Dutton
Mr.W.K.Whigham
Mr.R.P.Wilkinson
Mr.A.S.Craig
Mr.A.S.G.Hoar (Secretary)

During the past week Mr.Carlyle Gifford, Mr.Whigham and Mr.Wilkinson had compiled lists of American dollar securities which they considered most readily marketable. Mr.Lever had marked the lists supplied at the last Meeting with an indication of the grading he would apply to the securities with which he was familiar.

The Minutes of the last Meeting were approved and signed by the Chairman.

The Chairman thanked the Members of the Committee concerned for their assistance with the lists of readily marketable securities. He said that so far it had only been possible to work on Mr.Whigham's list, which had been received first. Market values had been calculated of those securities contained in 600,000 out of the approximately 800,000 forms of return which had hitherto been lodged at the Bank and these he announced to the Committee.

The next stage would be to make a similar analysis and tabulation of Canadian dollar securities. The total of such securities available would, of course, be much smaller.

The Committee then considered various points in connection with the machinery for putting a Vesting Order into operation.

(a) Vested

(a) Vested securities held in the United Kingdom: appointment of agents for the delivery of such securities into the control of the Bank of England.

It was agreed that -

(1) Vested securities should be placed at the disposal of the Bank of England through banks or stockbrokers and not by the owners direct.

(2) It would be advisable to appoint certain banks and the Share & Loan Department of the London Stock Exchange as agents for the Bank of England.

(3) Banks appointed as agents should receive from their own branches the necessary documents for delivery of the securities.

(4) Banks not appointed as agents should send the documents direct to the Bank of England.

(5) Stockbrokers who are members of the London or Associated Stock Exchanges or of the Provincial Brokers' Stock Exchange should send the documents to the Share & Loan Department of the London Stock Exchange.

(6) Other stockbrokers should send the documents direct to the Bank of England.

(7) The commission payable to both banks and stockbrokers, for delivery of the vested securities, should be at a flat rate of 1/8% for both bearer and registered securities.

(8) Banks appointed as agents and the Share & Loan Department should be remunerated on the basis of the actual work involved.

(b) Vested securities held in America.

It was agreed that -

(1) It would be preferable to interfere as little as possible with the present deposit arrangements for the securities until the time came for those securities to be sold for the account of the Government.

(2) An endeavour should be made to find some legal way of avoiding double payment of the Stock Transfer Tax, i.e. (i) when the security is vested and (ii) when it is subsequently sold for the Government.

(c) Price

(c) Price to be paid to the present owners of securities when they are taken over by the Government.

The Chairman pointed out that in Paragraph 1 (2) of the Defence (Finance) Regulations Order 1939 it was laid down that vested securities should be taken over at a price specified in the Vesting Order which "in the opinion of the Treasury is not less than the market value of the securities on the date of the making of the Order".

It was agreed that -

(1) Securities for which a wide quotation of price existed should be avoided in the first Vesting Order. If and when it came to vesting such securities, steps should be taken to consider each security on its merits and assure a reasonable price to the present owners.

(2) Mr.Rowe-Dutton should consult the Treasury Solicitor with regard to a possible amendment of the provision in the Treasury Order that the price must be not less than the market value on the date of the Vesting Order and that he should consult the Securities Restrictions Committee on the draft of any amendment which was proposed. If such an amendment were not considered necessary, however, it was agreed that the spirit of the Treasury Order would be complied with if the Vesting Order took the closing bid price of the day before the Vesting Order was issued.

(3) In cases where securities had more than one market, the relevant price for consideration would be that ruling in the controlling market.

After discussion, the Committee agreed that no special steps could usefully be taken at this stage to accelerate the liquidation of restricted securities by encouraging their sales abroad.

NEXT MEETING. The date of the next Meeting was fixed on Thursday, 19th October, at 2.45 p.m.

SECRET

Mr. Lyle Allen 28/3

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the Third Meeting, held 19th October 1939

TR
28 OCT 1939
File
F14464/07/07

JCS

Present Mr.D.G.M.Bernard (Chairman)
Mr.T.J.Carlyle Gifford
Mr.E.H.Lever
Mr.E.Rowe-Dutton
Mr.W.K.Whigham
Mr.R.P.Wilkinson
Mr.A.S.Craig
Mr.A.S.G.Hoar (Secretary)

The Minutes of the last Meeting were approved and signed by the Chairman.

The Chairman said that the calculations of market values of securities which had been registered with the Bank of England had now been extended to the whole of the approximately 800,000 forms of return which had been lodged. He gave the figures, in confidence, for the U.S.A. and Canadian securities which appeared on the "A" lists supplied by Mr.Whigham (i.e. lists of the "best" securities as indicated by market price and volume of transactions). Mr.Whigham's lists were now being compared in detail with those supplied by Mr.Carlyle Gifford, Mr.Lever and Mr.Wilkinson and the Committee would shortly be able to consider the result.

The Committee then discussed the following questions.

I. THE MOST SUITABLE DAY FOR MAKING A VESTING ORDER

It was agreed that, in order to provide time for the necessary calculations of price to be made and for full information to be communicated to the Press for publication on the next morning, the best day for making a Vesting Order would be a Saturday - after the close of the New York market.

II. THE

II. THE PRICE AT WHICH VESTED SECURITIES WOULD BE TAKEN OVER

It was agreed that -

1. The price should include, in the case of Bonds:

(a) the market price;

(b) accrued interest without any deduction for Income Tax.

In the case of Equities, no adjustment for interest would, of course, be necessary.

2. On the understanding that cash payments would be available immediately after the issue of the Order (allowing the normal few days for examination of the surrendered securities), accrued interest need be calculated only up to the date of the Order.

3. For the broken period between the last interest payment and the date of the Vesting Order, accrued interest could be calculated as a direct proportion of the normal interest payment.

4. The Vesting Order should quote the price as a single all-in figure, but should state that accrued interest up to the date of the Order was included.

5. There should be one price paid for each security irrespective of whether the actual documents were held in London or New York.

6. The market price used should be the closing bid price on the day of the Vesting Order, or, in cases where no sales took place on that day, an arbitrarily fixed price related to the last sale which had taken place.

III. NEWFOUNDLAND SECURITIES

The Chairman said that there had been some difficulty in determining whether Newfoundland securities should be registered with the Bank of England, owing to the fact that there was some distinction in practice between the Newfoundland dollar (which was not specifically mentioned in the Defence Regulations) and the Canadian dollar, although they were for most purposes identical.

The

The feeling of the Committee was that there were few, if any, Newfoundland securities which would be useful from a vesting point of view and that there was no need at the moment to take special care that such securities should be registered.

IV. AGENTS FOR THE DELIVERY OF VESTED SECURITIES TO THE BANK OF ENGLAND

1. The Chairman referred to the decision recorded in paragraph a(2) of the Minutes of the last Meeting. He said he now felt that it would not be necessary to appoint any banks as Agents, but, when they sent in their returns of the vested securities they had accepted, certain of them (e.g. the Clearing Banks) might be asked to retain the securities in their custody and hold them at the disposal of the Bank of England.

The Committee expressed their approval of this course.

2. The Chairman asked whether, in an explanatory notice with regard to the Vesting Order which would be issued to banks and stockbrokers, it would be useful, or advisable, to make specific mention of members of the Association of Stock and Share Dealers.

Mr.Wilkinson said that the Share and Loan Department of the London Stock Exchange would not be prepared to receive securities from members of that Association and it was agreed that it would be advisable, in the notice in question, to leave them covered by the general description of "Other Stockbrokers" - in which category they would be eligible to receive commission if registered at Somerset House.

V. SECURITIES HELD IN NEW YORK

1. With reference to paragraph b(2) of the Minutes of the last Meeting, and after discussion of information which had been made available, the Committee agreed that it would not be possible to avoid double payment of the Stock Transfer tax, i.e.

once

once when the securities were vested and again when they were subsequently sold for the Government.

2. It was further agreed that securities deposited in America should be held to the order of H.M Treasury immediately on vesting.

NEXT MEETING. It was agreed that the next Meeting should be held on Thursday, 26th October 1939, at 2.45 p.m.

SECRET

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the Fourth Meeting held 26th October 1939

Present: Mr.D.G.M.Bernard (Chairman)
Mr.T.J.Carlyle Gifford
Mr.E.H.Lever
Mr.E.Rowe-Dutton
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.A.S.Craig
Mr.A.S.G.Hoar (Secretary)

MINUTES

The Committee reconsidered certain questions discussed at the previous Meeting regarding the price at which vested securities would be taken over from their present owners. The decisions previously reached were modified in certain respects and a fresh record of the Committee's opinion was made.

(The revised second page of the Minutes of the Third Meeting has since been circulated to all members).

SECURITIES HELD IN NEW YORK

The Committee were of the opinion that:-

1. In the case of securities held in New York for the account of a bank in the United Kingdom, the Bank of England could make payment in respect of vested securities on receipt of that bank's certificate that the securities in question were held by them to the order of the Bank of England.

2. In the case of securities held in New York for the account of individual residents in the United Kingdom, the Bank of England could make payment to that individual in respect of vested securities on receipt of an advice from the New York bank that the securities in question were held to the order of the Bank of England.

SUGGESTION

SUGGESTION THAT H.M.GOVERNMENT MIGHT ACQUIRE A SUBSTANTIAL AMOUNT OF SECURITIES FROM INSTITUTIONAL HOLDERS IN ADVANCE OF THE VESTING ORDER

The Committee reached the conclusion that it would be difficult for H.M.Government to acquire a considerable amount of securities without undesirable publicity and that, in consequence, the suggestion was not practicable. At the same time they expressed the view that increased sales of restricted securities abroad would be an advantage.

The Chairman said that figures of sales of restricted securities abroad during the month of October would shortly be available, when it would be possible to see whether the rate of sales was increasing or not.

NEXT MEETING. It was agreed that the next Meeting should be held on Thursday, 2nd November 1939, at 2.45 p.m.

G.H.S. Pinsent, Esq., C.M.G.,
British Embassy,
Washington.

File

1st November, 1939.

My dear Jerry,

I have been wondering whether to send you the Minutes of an informal Committee held at the Bank which discusses questions arising out of American Securities. Most of these questions are of such a domestic character that it seems unfair to trouble you with them, but one or two may be of interest to you especially in the last Minutes.

Accordingly, I enclose a complete set for your information.

I also enclose copy of a note for which Phillips asked about the accounting machinery. This was done in a great hurry and may not be completely accurate in detail. It is now being vetted at the Bank and if they make any alteration I will let you have a revise.

Yours ever,

E. ROWE-DUTTON

G.H.S. Pinsent, Esq., C.M.G.,
British Embassy,
Washington.

---

were adequate safeguards against the leakage of registered securities through purchase by foreigners resident in the United Kingdom.

The Chairman pointed out that exemption given to a

765
10a (cambridge)

7th November, 1939.

My dear Jerry,

I enclose copy of the Minutes of the 5th Meeting of the Securities Committee.

I do not know whether we are likely to meet again now that Whigham and Gifford have left London, but I shall send you Minutes of further meetings, if and when they are held.

Incidentally, the Minutes as circulated to the members in general contain no reference to Whigham's departure.

Yours ever,

E. ROWE-DUTTON

G.H.S. Pinsent, Esq., C.M.G.,
British Embassy,
Washington.

were adequate safeguards against the leakage of registered securities through purchase by foreigners resident in the United Kingdom.

The Chairman pointed out that exemption given to a

Bank of England

TREASURY
9 NOV 1939
F14464/07/07

6th November, 1939.

Rowe Dutton 2/11
Mr Rowe
F.C.S.

With Mr.Bernard's Compliments.

The copy of the Minutes which will be signed and the three attached copies are the only ones containing a reference to the U.S.A. visit. In the copies sent to the other members of the Committee the section dealing with that visit has been omitted.

The provisional copy of the Minutes sent on 4th November should be destroyed.

SECRET

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the Fifth Meeting held 2nd November 1939.

Present: Mr.D.G.M.Bernard (Chairman)
Mr.T.J.Carlyle Gifford
Mr.E.H.Lever
Mr.E.Rowe-Dutton
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.A.S.Craig
Mr.A.S.G.Hoar (Secretary)

MINUTES

The amended Minutes of the Third Meeting and the Minutes of the Fourth Meeting were approved and signed by the Chairman.

RESTRICTED SECURITIES HELD BY FOREIGNERS RESIDENT IN THE UNITED KINGDOM

Mr.Wilkinson said that it did not seem to be generally known that foreigners resident in the United Kingdom were exempt from registering their securities. He wondered whether it might not be advisable to make an announcement to that effect.

Mr.Rowe-Dutton said that he did not wish the exemption of foreign-held securities to be given publicity as it did not apply to all foreigners.

Mr.Lever then raised the question of whether there were adequate safeguards against the leakage of registered securities through purchase by foreigners resident in the United Kingdom.

The Chairman pointed out that exemption given to a foreigner resident in the United Kingdom was in respect only of those securities which he held prior to 26th August and that it would

would not apply to securities subsequently purchased unless they were bought from another exempted foreigner or from a non-resident.

The Committee felt that a close watch should be kept on transfers to prevent any leakage of restricted securities in the way indicated by Mr.Lever.

VISIT OF COMMITTEE MEMBERS TO NEW YORK

The Chairman said that the Minutes of the Committee's Meetings had impressed H.M.Treasury with the necessity for expert examination in New York of the possibilities of disposing of securities in America. At their invitation Mr.Whigham had consented to travel to New York within the next few days to investigate the situation and at his (Mr.Whigham's) request Mr.Gifford had agreed to accompany him.

The Chairman expressed the Committee's appreciation of the action of these gentlemen in consenting to go to New York on this mission.

Mr.Whigham said that it was, of course, difficult to see from this side what would be the best course to take in disposing of securities in New York but it was commonly held that a Vesting Order would make a difficult market. Consequently, although procedure by means of a Vesting Order would ensure that the present security holders received a good price, H.M.Treasury might in fact incur a serious loss. He intended, therefore, to seek out alternative methods of dealing with the matter.

Mr.Gifford pointed out that relations between Wall Street and Washington were an important factor to be taken into consideration. The Administration would not necessarily look with approval on the use of what in the past have been the usual channels for disposing of securities in the United States.

EXTENT TO WHICH REGISTERED HOLDINGS OF RESTRICTED SECURITIES ARE HELD IN AMERICA

The Chairman mentioned that examination of the lists of registered

registered securities which had been completed showed that, of the total number of holdings which had been registered, the number actually deposited in America was a smaller proportion than had been anticipated.

SALES OF RESTRICTED SECURITIES ABROAD

The Chairman said that sales of U.S.securities were increasing slightly. He intended, however, to convey to certain newspapers, unobtrusively, that it was desirable to remove any misunderstanding that might exist with regard to obtaining permission to sell abroad. If it were more widely known that permission was granted almost automatically it might help to accelerate the rate of sales.

NEXT MEETING It was agreed, provisionally, that a Meeting should be held next Thursday, the 9th November 1939, at 2.45 p.m. If it were found that there was insufficient business to transact, the Meeting would be cancelled by telephone.

SECRET

Mr Lever
701

07/07

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the Sixth Meeting held 23rd November 1939

Present

Mr.D.G.M.Bernard (Chairman)
Mr.E.H.Lever
Mr.D.L.Pollock
Mr.E.Rowe-Dutton
Mr.R.P.Wilkinson

Mr.A.S.Craig
Mr.C.C.Hamilton (Secretary)

The Minutes of the Fifth Meeting were approved, and signed by the Chairman.

1. First Reports from Mr.Whigham.

The Chairman said that messages had been received from Mr.Whigham who was in Washington at that time and had had discussions with Mr.Morgenthau, Junior, and with the Chairman of the Securities Exchange Commission and his colleagues. After careful consideration he had come to the conclusion that the proper course to adopt was to vest certain securities immediately He had sent a suggested list of 67 securities, the value of which registered with us was just over £200 million. The Chairman added that Mr.Whigham was preparing an informal statement which he suggested should be published in the Press at the same time as the Vesting Order so as to allay as much as possible any fears in New York that following the Vesting Order there would be a large quantity of securities offered for sale in New York. The Chairman also said that Mr.Whigham was returning to New York that afternoon and meantime the question of the immediate vesting of securities was receiving the most careful consideration by the Treasury.

2. Sales of restricted securities.

The Chairman stated that these continued to be satisfactory, amounting to about £1 million a day.

Mr.Wilkinson expressed the view that the New York market was taking all it could absorb.

Mr.Rowe-Dutton asked whether the effect in New York of vesting any securities might not be to depress the whole market. The Committee felt that the vesting would probably have that effect.

3. "Switching" of Securities.

The Chairman explained that "switching" had been prohibited because Residents coming into possession of any of the Specified Currencies were compelled under the regulations to offer them to the Treasury and also because of administrative difficulties. He said that questions on the subject had been raised from time to time and he asked whether that decision was causing much inconvenience and annoyance.

Mr.Wilkinson said that he had been approached on this subject by several members of the Stock Exchange. Some business was being lost because "switches" were not permitted but he agreed that we should not change our policy if we considered that the Government's interests were best served by withholding permission. Mr.Lever concurred.

4. Evasions by sales to exempted residents.

The Chairman said that after the matter had been discussed at a previous meeting he had written to Mr.Wilkinson asking that the nationality of the buyer of Restricted Securities should be declared when permission was applied for to sell. He said that Mr.Wilkinson had stated that there were great difficulties in the way. He had therefore dropped the matter but would like to hear Mr.Wilkinson's views.

Mr.Wilkinson said that there were objections to taking that course and promised to submit a memorandum.

5. In reply to a question from Mr.Wilkinson, the Chairman confirmed that it was intended to issue a reminder of the obligation to register securities when a similar notice was

issued regarding Gold and Foreign Exchange.

6. Mr.Wilkinson also enquired as to the possibility of negotiating with syndicates in New York to take blocks of securities. The Chairman stated that Mr.Whigham had so far said nothing in that connection, but would doubtless explore the possibilities.

RET

S1: F. Phillips

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the Seventh Meeting held 14th December 1939.

PRESENT

Mr.D.G.M.Bernard (Chairman)

Mr.E.H.Lever

Mr.D.L.Pollock

Mr.E.Rowe-Dutton

Mr.R.P.Wilkinson

Mr.A.S.Craig

Mr.C.C.Hamilton (Secretary)

The Minutes of the Sixth Meeting were approved, and signed by the Chairman.

1. Visit of Mr.Whigham and Mr.Gifford to New York

The Chairman said that Mr.Whigham and Mr.Gifford were now on their way home to report, as H.M.Treasury wished to discuss the situation with them; they were expected to arrive next week. The New York market was lifeless; there was a feeling of uncertainty there, and less inclination to take a "bullish" view on war orders.

2. Oriental Consolidated Mining Company

Mr.Wilkinson mentioned that this Company was proposing to go into voluntary liquidation, and suggested that we should look into the question of vesting the shares so as to ensure receiving the dollars payable to the shareholders.

3. Voluntary sales of securities to the Government

The Chairman said that Mr.Lever had previously raised the question of acquiring securities privately from holders and he asked him whether he thought that it would be

possible

possible to get large blocks of shares offered voluntarily for sale to the Government, in particular by the Insurance and Trust Companies; and whether, in Mr.Lever's opinion, the present depressed state of the New York market would be likely to influence holders against selling.

Mr.Lever thought that an appeal to sell securities to H.M.Treasury would meet with good response from patriotic motives, and pointed out that the loss on selling now at a low price was to some extent offset by the exchange profit.

Mr.Rowe-Dutton said that sales by individual companies were competing with one another and suggested that more satisfactory results might be obtained if such sales were co-ordinated in the hands of H.M.Treasury.

Mr.Lever agreed, and said that he would look into the figures of the Insurance Companies' "free investments" and would try to make some suggestions for acquiring securities without vesting.

4. Extent of British resources in dollar securities

Mr.Lever said that the totals of dollar securities registered seemed rather disappointing.

Mr.Wilkinson agreed.

The Chairman said that the final figures were likely to be more; returns from the Channel Islands and the Colonies would add somewhat to the total.

5. Sale of blocks of securities in U.S.

Mr.Lever suggested the possibility of arranging for the disposal of securities in New York in large blocks.

The Chairman

The Chairman said that some interests there might be glad to take large blocks even at market prices to keep them off the market. He asked Mr.Wilkinson what he thought was the capacity of the New York market to absorb sales from abroad.

Mr.Wilkinson said that it was impossible to give any figure. Mr.Lever thought that a successful liquidation of the vested securities would largely depend on the extent to which the Americans were willing to assist this country.

SECRET

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the Eighth Meeting held 12th January 1940.

Present

Mr.D.G.M.Bernard (Chairman)
Mr.E.H.Lever
Mr.E.Rowe-Dutton (accompanied by Mr.D.L.Pollock)
Mr.R.P.Wilkinson

Mr.A.S.Craig
Mr.C.C.Hamilton (Secretary)

The Minutes of the Seventh Meeting were approved, and signed by the Chairman.

The Chairman referred to two points arising out of the Minutes:

1. The Oriental Consolidated Mining Company had now decided to go into liquidation and persons who had registered their holdings had been circularised regarding the sale of the currency proceeds to H.M.Treasury.

2. Some disappointment had been expressed at the last meeting at the totals of U.S.dollar securities registered. The total was now $1,054 million (including Jersey and Guernsey) for about 1,700 securities though, owing to sales and lower prices, that total was now on the high side.

I. The visit of Mr.Whigham and Mr.Gifford to New York.

The Chairman said that he had hoped that Mr.Whigham and Mr.Gifford would have been able to be present at the Meeting. He must therefore explain that they reported to the Treasury on their return from New York, and that Mr.Gifford was returning alone early the following morning to America as, for family reasons, Mr.Whigham was unable to leave the country and

and this also accounted for his absence that day. The necessary discussions which Mr.Gifford had to have that afternoon prevented him from attending the Meeting.

The Treasury was sympathetically inclined to vesting, and wished to enquire into the possibility of placing blocks of securities. The New York market was very dull and the better market which had been expected in the New Year had not materialised. Opinion was divided as to whether a large or a small number of securities should be dealt with in one vesting order; it was,however, generally accepted that when a vesting order was made sales would drop off for a period.

II. Sales of British-owned $ Securities in New York.

The Chairman confirmed, in reply to a question from Mr.Lever, that sales were still falling off.

Mr.Rowe-Dutton asked what would be the effect of stopping sales of registered securities between British holders. After discussion, the Committee felt that, though such a measure might, by depriving British sellers of their London market, tend to increase sales in New York, the effect would only be to weaken the market still further if the volume was of consequence.

It was decided to examine the records to see to what extent sales were taking place between resident holders.

III. Cancellation and re-issue scheme for American Certificates.

The Chairman said that he had discussed this scheme (whereby certificates are cancelled in this country and new ones issued in America) with Mr.Adshead of Schröder's and Mr.Benta of The National City Bank of New York. He had told them that the usual charge of $\frac{1}{4}\%$ on the value of the securities was quite out of the question, but that if they could reduce it to a rate worth our while we would be willing to take advantage of the scheme.

They

They had suggested that the best way would be to have a fixed charge per certificate (cabling costs to be additional). He had told them that he would get into touch with them when a Vesting Order was made and Mr.Banta had promised to communicate then with his principals in New York and get a special rate for the Bank of England.

IV. Vested Securities held as security for a loan.

The Chairman drew attention to the difficulties that might arise when a holding which was deposited in the United States as security for a dollar advance was vested, and particularly when the holding was one of a number of Securities held against the advance. In the latter case, the American bank might be unwilling to release the vested holding unless the whole of the loan were repaid, and the market value of the vested holding might well be insufficient for this purpose. After discussion, the Committee felt that each case would have to be treated on its merits as it arose.

The question of vested securities held against sterling advances, raised by Mr.Lever, was thought to be rather different, the Chairman pointing out that the Treasury had power to take the security and pay the holder in sterling, whether the payment covered the advance or not.

V. Scope of a Vesting Order.

Mr.Lever suggested that the possible difficulties arising from a vested security being one of several held against an advance might be an argument for making the vesting list as wide as possible. The Chairman agreed, but said that we had to consider the amount of sterling that should be paid out at one time.

Mr.Wilkinson thought that such sterling payments could not be called inflationary as they would be made direct to investors who would, in the majority of cases, immediately seek to re-invest them.

SECRET

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the Ninth Meeting held 1st February 1940.

Present

Mr.D.G.M.Bernard (Chairman)
Mr.E.H.Lever
Mr.E.Rowe-Dutton (accompanied by Mr.D.L.Pollock)
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.A.S.Craig
Mr.C.C.Hamilton (Secretary)

The Minutes of the Eighth Meeting were approved, and signed by the Chairman.

I. Control of a U.S.company resulting from vesting.

The Chairman said that he had asked Mr.Gifford to report on the drawbacks to the Treasury acquiring sufficient shares in any one company in the U.S. to give it control. His reply showed that the question was a difficult one and the position by no means clear, but there was no possibility of such a position arising with the securities selected for inclusion in the first Vesting Order, as in none of the stocks concerned would the amount vested be sufficiently large.

II. American securities with different prices in New York and London.

The Chairman said that the Regulations had resulted in a small secondary market being created in London as British residents desiring to acquire securities in restricted currencies could only purchase them from other residents. In some cases the prices had risen several points above the parity in the principal market abroad. When the Treasury acquired securities by a Vesting Order it was laid down in the Defence (Finance) Regulations Section 1(2) that the price paid must be "a price

"a price which, in the opinion of the Treasury, is not less than "the market value of the securities on the date of the making of "the Order". The question therefore arose as to whether the Treasury should take into consideration the London price when making an Order.

Taking American securities: the U.S.Steel Corporation was an example, and perhaps rather an extreme one. There the London price was nearly 4% higher than New York and it had been much more. But dealings in London on this basis were confined to 3% of the total issued shares which was the proportion registered at the Bank of England. Of the 60 + 1 (U.S.Steel) securities suggested for a first vesting 3 were quoted in London above the New York price, 3 below, and the + 1 (U.S.Steel) was also in the former category. He thought that as the London price was made by dealing in only a very small proportion of shares, the New York price being the open market price should be adopted for vesting.

Mr.Wilkinson also thought that, as New York was the true market, the price ruling there should be the one taken. Mr.Whigham agreed.

Mr.Rowe-Dutton said that while he agreed that we should be justified from the legal standpoint in taking the New York price, there would be practical difficulties. The person whose holding was vested was in fact selling to the Treasury in London and it therefore seemed difficult to ignore the London price. It could be argued that the holder was entitled to a price equivalent to the best he could obtain in any market, including London. There would certainly be protests if holdings here were taken over at a price considerably less than that at which they could have been sold in London on the day prior to vesting.

Mr.Lever pointed out that if the Treasury paid the London price (when that was the higher) it would be faced with an immediate loss.

Mr.Whigham said that the London price existed only because permission was given for sales here and the best way to settle the matter was therefore to cease giving such permission: There would then be no London price.

The

The Chairman said that in the past two weeks the number of applications for permission to sell in London restricted securities from one resident to another had amounted to 2,367 and 2,200 respectively. These had been granted in accordance with paragraph 8 of Notice (S.3) issued by the Bank of England at the end of August reading -

"Permission will be granted until further notice for the transfer "of securities of these classes (securities now registered) to "persons resident in the United Kingdom, provided that an "application has, prior to the transfer, been made to and "approved by the Bank of England".

He added that in addition to raising the difficulty of the vesting price, which was now being discussed, these transfers opened a loophole for evasion of the Regulations. He also pointed out that if such transfers were prohibited there would be a tendency towards more sales abroad. He asked Mr.Wilkinson what he thought would be the effect of giving notice that sales between residents would no longer be permitted.

Mr.Wilkinson thought that the effect on the New York Market would be almost as depressing as a Vesting Order.

Mr.Whigham thought that no appreciable drop was likely; moreover, in his opinion, the effects of a Vesting Order, of the scope now under consideration, would be less drastic than was generally feared.

Mr.Wilkinson said that it had been represented to him that the weakness of the New York Market was largely due to the trickle of sales from here, that the Treasury should step in as "best buyer" to stop that trickle, and that the New York Market would then show an immediate recovery.

P.T.O.

Mr.Whigham thought that the influence of foreign selling was greatly exaggerated and that the main cause of the present weakness of the market was the falling-off in new business reported by the various companies, and to political causes.

After further discussion, it was agreed that securities having a higher price in London than in New York should be omitted from the first Vesting Order, and that after that Order was made, notice should be given that permission would no longer be granted for sales of U.S.securities between residents in the U.K.; this would mean the disappearance of the London price and the removal of the difficulty as far as future Vesting Orders were concerned.

Mr.Whigham said that vesting should not be left until too close to the date on which the Government would require to realise the securities: the longer the interval between vesting and selling the better. He thought that the first Vesting Order should be made soon. Mr.Lever agreed.

III. De-restriction of certain securities.

The Chairman said that suggestions had been received that a number of restricted securities might be released from the provisions of the Regulations. A list of securities, showing the grounds on which they might be considered for release, was before the Committee; it was, however, proposed to remove from the list the Brazilian, Danish and Egyptian securities included therein. He supposed that it would be agreed that securities which were unlikely to be of any use should be released.

The Committee agreed and the Chairman said that further detailed consideration would be given to the matter.

SECRET

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the Tenth Meeting held 15th February 1940.

PRESENT

Mr.D.G.M.Bernard (Chairman)
Mr.E.H.Lever
Mr.E.Rowe-Dutton (accompanied by Mr.D.L.Pollock)
Mr.R.P.Wilkinson

Mr.A.S.Craig
Mr.J.H.Bryer
Mr.C.C.Hamilton (Secretary)

The Minutes of the Ninth Meeting were approved, and signed by the Chairman.

I. Sales of American Securities between U.K.residents.

The Chairman said that the question of stopping sales of American Securities between U.K.residents had been discussed at the previous Meeting from the point of view of the effect on the New York market; he would now like the matter to be considered with regard to the effect here. He asked Mr.Wilkinson how such action would affect the Stock Exchange.

Mr.Wilkinson said that it would mean losing a certain amount of business, though it would still be possible to sell in New York. He thought, nevertheless, that sales between U.K. residents should be stopped when it was thought politic to do so.

The Chairman confirmed, in reply to a question from Mr.Lever, that it was not intended to take such action until after the first Vesting Order.

II. First Vesting Order.

The Chairman, asking that the information should be treated in the strictest secrecy, announced that the date of the first Vesting Order had been fixed for Saturday, 17th February,

when

when it was proposed to vest 60 Securities. Arrangements had been made for full details to be published in the Press on Monday morning. In order to allay as far as possible any fears in New York as to the effect of the Vesting Order on the market, it had also been arranged to issue to the Press, for communication to America, a statement which had been prepared by Mr.Whigham and Mr.Gifford in New York as most suitable for the purpose. He read to the Committee the proposed statement, which said that the object of vesting was "to ensure that realisation of Securities in American markets shall be orderly and that the total volume of sales from the United Kingdom, including sales of both vested and non-vested Securities, should over a period of time continue at about the average volume of recent months".

Mr.Lever asked whether the notice did not, perhaps, go too far. If sales were kept at about the average level since the beginning of the war, it would take about 26 weeks to dispose of the $115 mn. worth of Securities vested by the first Order. Was the Treasury prepared to restrict its activities to that extent?

The Chairman pointed out that the phrase "over a period of time" gave considerable latitude.

Mr.Lever also thought that the notice implied that the Vesting Order was being made in order to keep sales down and for the benefit of the New York market.

Mr.Rowe-Dutton said that it was in fact to the advantage of the New York market that the Order was being made now. The purpose of vesting now, before funds were actually needed, was to avoid the possibility of having at a later date to vest and sell in a hurry: to that extent the Vesting Order was being made for the benefit of the New York market.

III. Arrangements

III. Arrangements in New York.

The Chairman said that the Bank of Montreal had been appointed the Bank of England's Agent in New York in connection with the custody of vested Securities. Sales would be under the direction of Mr.Gifford, who was remaining there for that purpose.

SECRET

071/07

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the Eleventh Meeting held 29th February 1940.

Present

Mr.D.G.M.Bernard (Chairman)
Mr.E.H.Lever
Mr.E.Rowe-Dutton
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.A.S.Craig
Mr.J.H.Bryer
Mr.C.C.Hamilton (Secretary)

The Minutes of the Tenth Meeting were approved, and signed by the Chairman.

I. Mr.Gifford's visit to New York.

The Chairman said that the announcement in the Press that Mr.Gifford was in New York as the Treasury representative in charge of sales of vested securities emanated from America: it had resulted in his being inundated with enquiries.

II. Sales of American Securities.

The Chairman said that sales were maintaining a satisfactory level. The Vesting Order seemed to have provided a certain stimulus.

III. Sales of Dollar Securities in Dublin

Mr.Rowe-Dutton said that he had some grounds for thinking that there might recently have been an increase in sales of dollar securities in Dublin. He would regard with suspicion the development of a market there and he asked Mr.Wilkinson whether in fact there had been such an increase.

Mr.Wilkinson said he would enquire into the matter.

IV. American Securities with a higher price in London than in New York.

The Chairman said that the Committee would remember that the stopping of sales of American securities between U.K. residents had been under consideration as a means of eliminating the price differential between London and New York with the resulting difficulty in fixing a vesting price for securities for which the price in London was higher than that in New York. He had been reluctant to stop these transactions which exceeded for all restricted securities 2,000 a week. He had therefore asked Mr.Wilkinson to draw the attention of the members of the Stock Exchange to an answer given by the Financial Secretary to the Treasury on 22nd February in the House of Commons in which it was clearly stated that the price of the American securities acquired by the Treasury by the Order of 17th February was based on the price in the New York market. A notice to this effect had been issued and reproduced in the Press. He was glad to say that the London price of the securities in question was no longer at a premium over the New York price.

V. Effect of the Vesting Order on the New York market.

The Chairman said that he had asked Mr.Gifford for his impressions of the effect of the Vesting Order on the New York market and of the future outlook. Mr.Gifford had cabled that there seemed to have been no adverse effect, the market showing no definite trend but reacting readily to fresh news; the underlying position appeared to be sound, but he did not feel able to give any forecast of the future.

VI. Vesting of Bonds dealt in "flat" plus interest.

The Chairman said that as regards bonds dealt in "flat" plus interest in New York, it was stated in the Press Notice that the single Vesting Price included gross interest up to the date of settlement; the question arose whether having regard to the New York terms this interest was subject to United Kingdom Income Tax, in which

which case it should be shown separately in the Vesting Price. After discussion it was agreed, at Mr.Rowe-Dutton's suggestion, that the matter should be referred to the Inland Revenue authorities.

VII. De-restriction of certain Securities.

The Chairman asked Mr.Wilkinson whether he had any comments on the Press Notice, a copy of which had been forwarded to him, which it was proposed to issue in connection with the Securities (Exemption) Order.

Mr.Wilkinson suggested that instead of asking holders to surrender their registration certificates relating to the de-restricted securities, it should be stated that no action need be taken and that these securities might now be dealt in freely without permission. He undertook to see that the attention of the members of the Stock Exchange should be drawn to the list of the securities affected when it was issued.

It was agreed to amend the Press Notice.

VIII. The next Vesting Order.

The Chairman said that the question of another Vesting Order would soon be requiring attention; it was intended that the second Order should be issued not less than six weeks after the first Order.

Mr.Whigham suggested that Mr.Gifford should be asked to prepare a list of securities in consultation with Messrs J.P.Morgan & Co. The next Order might include some Preferred Stocks and Bonds, so as to provide a wider field for sales.

Mr.Rowe-Dutton said that the widening of the field by a further Vesting Order would have the advantage of removing to some extent the grounds for the complaint that there had been discrimination in the selection of securities.

IX. American Certificates: scheme for cancellation here and re-issue in America.

The Chairman said that he had been in touch with the group of Banks concerned with the scheme for cancelling certificates here and re-issuing new ones in America. They had offered to reduce their

their normal charge of ½% on the value of the securities to ¼%, or alternatively to make a charge of £2.50 per certificate, but he considered that the cost was excessive. The saving, so far as Vested securities were concerned, was mainly in convenience and in time, as we would not insure securities shipped to America.

The Committee agreed that the rate was too high and the Chairman said that efforts were being continued to obtain a further reduction.

X. Vesting of holdings not registered at time of first Vesting Order.

The Chairman pointed out that the Order of the 17th February vested only those holdings of which returns had already been made to the Bank of England; it had been intended to issue a subsequent Order vesting holdings registered after that date. The value of the latter holdings amounted already to about £300,000 and the question arose as to what price should be paid to the holders if the market price should rise; it seemed clear that they should not be allowed to benefit by having failed to make their returns by the proper date. The difficulty was that holders were entitled under the Regulations to "not less than the market value of the securities on the date of the making of the Order". After discussion, the Committee agreed that if the price should fall the holdings should be taken over at the lower price; if the price should rise the Treasury should take over the holdings at the price named in the first Vesting Order, by direct correspondence with each owner concerned with a view to purchase from him without an Order or Direction.

SECRET

EC|S7

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the Twelfth Meeting held 14th March 1940.

Present

Mr.D.G.M.Bernard (Chairman)
Mr.E.H.Lever
Mr.E.Rowe-Dutton (accompanied by Mr.D.L.Pollock)
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.A.S.Craig
Mr.J.H.Bryer
Mr.C.C.Hamilton (Secretary)

The Minutes of the Eleventh Meeting were approved, and signed by the Chairman.

I. Mr.Gifford's work in New York.

The Chairman said that Mr.Gifford had asked for Mr.David McCurrach, Assistant Secretary of the Alliance Trust, Dundee, who was well known to him and whom he considered very suitable, to go to New York as his Assistant. The Directors of the Trust Co.had agreed to release him for this purpose and it had been arranged for him to leave for New York to-morrow.

II. Sales of American Securities in New York.

The Chairman said that sales of non-vested securities were still maintaining a satisfactory level. Sales of vested securities, under Mr.Gifford's direction, were also taking place: no details of the prices at which the sales had been made were yet available. The market had taken these operations well.

III. Sales in Canada of Securities owned by U.K.Residents.

The Chairman said that the Canadian Authorities were

now

now prepared to allow their residents to purchase monthly a limited amount of Canadian domestic securities from U.K.residents as part of the arrangements between the two Governments for providing Canadian dollars to pay for H.M.Government's war purchases in Canada.

It was proposed to issue permits, available for one month, up to the amount authorised by the Canadian Authorities and the question arose as to how these permits were to be apportioned to applicants.

It was agreed that the monthly ration should be worked out at a daily figure and permits granted daily on that basis, small applications being granted in full and larger ones on whatever reduced basis proved necessary. If it were found that a number of the permits granted were not being acted on, the question might be considered of increasing the total amount for which permits were issued each month.

IV. Sales of Canadian Securities by direct negotiation.

The Chairman said that it had also been suggested to him by the Canadian Authorities that it should be possible to arrange more important sales by direct negotiation, and instances had been given of securities of which it would be possible to place large blocks.

Mr.Whigham said that an offer should be obtained before any steps were taken on this side. He also thought that it should be possible to sell at better than the market price when it was known that the buyer wanted to acquire a large block. The Committee agreed.

V. American Certificates: Scheme for cancellation here and re-issue in New York.

The Chairman said that negotiations had been conclude the group of Banks concerned with the scheme for cancelling

certificat

File

certificates here and re-issuing new ones in America. They had now agreed to reduce their normal charge of ¾ per cent. on the value of the securities to .3 per cent., and daily use was being made of their services.

SECRET

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the Twelfth Meeting held 14th March 1940.

Present

Mr.D.G.M.Bernard (Chairman)
Mr.E.H.Lever
Mr.E.Rowe-Dutton (accompanied by Mr.D.L.Pollock)
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.A.S.Craig
Mr.J.H.Bryer
Mr.C.C.Hamilton (Secretary)

The Minutes of the Eleventh Meeting were approved, and signed by the Chairman.

I. Mr.Gifford's work in New York.

The Chairman said that Mr.Gifford had asked for Mr.David McCurrach, Assistant Secretary of the Alliance Trust, Dundee, who was well known to him and whom he considered very suitable, to go to New York as his Assistant. The Directors of the Trust Co.had agreed to release him for this purpose and it had been arranged for him to leave for New York to-morrow.

II. Sales of American Securities in New York.

The Chairman said that sales of non-vested securities were still maintaining a satisfactory level. Sales of vested securities, under Mr.Gifford's direction, were also taking place: no details of the prices at which the sales had been made were yet available. The market had taken these operations well.

P.T.O.

III. Sales in Canada of Securities owned by U.K.residents.

The Chairman said that the Canadian Authorities were now prepared to allow their residents to purchase monthly a limited amount of Canadian domestic securities from U.K. residents as part of the arrangements between the two Governments for providing Canadian dollars to pay for H.M.Government's war purchases in Canada.

It was proposed to issue permits, available for one month, up to the amount authorised by the Canadian Authorities and the question arose as to how these permits were to be apportioned to applicants.

It was agreed that the monthly ration should be worked out at a daily figure and permits granted daily on that basis, small applications being granted in full and larger ones on whatever reduced basis proved necessary. If it were found that a number of the permits granted were not being acted on, the question might be considered of increasing the total amount for which permits were issued each month.

IV. Sales of Canadian Securities by direct negotiation.

The Chairman said that it had also been suggested to him by the Canadian Authorities that it should be possible to arrange more important sales by direct negotiation, and instances had been given of securities of which it would be possible to place large blocks.

Mr.Whigham said that an offer should be obtained before any steps were taken on this side. He also thought that it should be possible to sell at better than the market price when it was known that the buyer wanted to acquire a large block. The Committee agreed.

P.T.O.

V. American Certificates: Scheme for cancellation here and re-issue in New York.

The Chairman said that negotiations had been concluded with the group of Banks concerned with the scheme for cancelling certificates here and re-issuing new ones in America. They had now agreed to reduce their normal charge of ¾ per cent.on the value of the securities to .3 per cent., and daily use was being made of their services.

SECRET

07/07

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the 13th Meeting held on the 11th April 1940.

PRESENT

Mr.D.G.M.Bernard (Chairman)
Mr.E.H.Lever
Mr.E.Rowe-Dutton
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.A.S.Craig
Mr.C.C.Hamilton (Secretary)

The Minutes of the 12th Meeting were approved and signed by the Chairman.

I. Sales in Canada of Securities owned by U.K.residents.

The Chairman said that a start had now been made with the issuing of permits for the sale in Canada of securities owned by U.K.residents. The permits were at present being issued at the rate of about $75,000 per day and the system was working quite satisfactorily. No progress had yet been made as regards larger sales by direct negotiation, which had also been suggested by the Canadian authorities.

II. Second Vesting Order.

The Chairman announced that it had been arranged to vest on Saturday, the 13th April, about 110 American dollar securities, the value of which was approximately $110 million. The proposed list of securities had included some Norwegian and Belgian bonds which had fallen heavily in the last day or two as a result of political developments; he thought that these should now be excluded. He proposed also to exclude a Canadian security on the grounds that the New York price was considerably lower than the price obtainable in Canada.

The Committee agreed.

The Chairman referred to an earlier decision of the Committee to avoid vesting securities for which the London price was higher than the New York price and said that the price of U.S.Steel, one of the securities which it was proposed to vest on Saturday, had varied a good deal recently, the London price being sometimes fractionally higher than the New York price. The difference, however, was so small that he proposed to ignore it and proceed with the vesting.

Mr.Wilkinson agreed, and pointed out that the Stock Exchange had had a specific warning on the subject of dealing in American securities at higher prices than those prevailing in New York.

III. Sales of Vested Securities by Mr.Gifford.

Mr.Lever enquired as to the progress of sales of vested securities by Mr.Gifford and the prices at which these sales were being made.

The Chairman gave the Committee figures of the amount sold up to the end of the previous week, and said that on the whole the prices obtained by Mr.Gifford appeared to be slightly better than those at which vesting had taken place.

IV. Press forecasts of vesting.

The Chairman said that the "Daily Express" had published a statement that a second calling in of American securities would take place within the next ten days. He asked Mr.Whigham whether he thought that the New York market would be affected by reports of this kind.

Mr.Whigham thought that it would not be affected in the slightest degree and Mr.Wilkinson pointed out that the reputation of the "Daily Express" for accuracy did not stand very high.

SECRET

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the 14th Meeting held on the 2nd May 1940.

Present: Mr.D.G.M.Bernard (Chairman)
Mr.E.H.Lever
Mr.E.Rowe-Dutton (accompanied by Mr.D.L.Pollock
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.F.G.E.Sheehan
Mr.C.C.Hamilton (Secretary)

The Minutes of the 13th Meeting were approved and signed by the Chairman.

I. **Securities registered after the making of a Vesting Order.**

The Chairman drew the attention of the Committee to a new Order in Council giving the Treasury new powers with regard to holdings of securities registered too late to be covered by the relative Vesting Orders. The minimum price at which these holdings would be transferred to the Treasury could now be either that fixed in the original Vesting Order or the market price on the day on which they were acquired by the Treasury, whichever were the less. It was the intention to take over at the price specified in the original Vesting Orders such of these holdings as had already been registered at the Bank: no general policy for the future had yet been decided.

The surrender of securities covered by the second Vesting Order was proceeding satisfactorily: about 75-80% had already been delivered.

II. **Sales of Vested Securities by Mr.Gifford.**

The Chairman said that details had now been received of sales by Mr.Gifford up to the end of March. The net amount realised, after payment of the relative sales and transfer taxes and brokerage fees, was only a trifle less than the gross cost of acquiring the securities.

The Committee considered that this was most satisfactory.

II. **American Dollar Securities held in Australia and in the Colonies.**

The Chairman said that the approximate value of the 19 American dollar securities and the International Nickel Shares which
I. the Australian authorities were requiring their residents to sell within six months was approximately $5½ million. A similar procedure was contemplated with regard to holdings in the Colonies of those dollar securities which had been vested in the United Kingdom: the value of the securities named in the first two Vesting Orders so held was approximately $5,500,000, an amount which did not seem to justify setting up the machinery for Colonial vesting.

Dollar issues of Australian Securities.

The Chairman said that the value of the holdings of dollar issues of Australian Government and State loans registered was approximately $60 million, or about 35% of the total issued. A further quantity was held by Insurance Companies and some no doubt by
ta Australian residents etc.so that not much more than 50% could be held
ac n the United States. He desired the Committee's views on the ossibilities of selling such a large amount on the American market.

P.T.O.

SECRET

Mr.Higham thought that the American investor was no longer interested in overseas investments and that no considerable sales could be effected in the United States without breaking the price considerably. Mr.Lever agreed.

V. Mr.Gifford's stay in New York.

The Chairman announced that Mr.Gifford had now agreed to stay in New York as long as might be required. The Committee expressed their appreciation of Mr.Gifford's continued services, entailing as it did severance from his interests in this country.

VI. Sales of Securities in Canada by U.K.residents.

The Chairman said that it had been found that the amounts realised by sales of securities in Canada by U.K. residents had fallen a good deal below the total for which permits had been issued. This was partly due to over-estimates by applicants of the price at which they would be able to sell. The Canadian authorities had increased the limit up to which permits might be issued from £1½ million to £2½ million per month.

VII. U.K.investments in currencies not already covered by the Restrictions and Returns Order.

The Chairman asked whether British residents had any considerable interest in investments in Portuguese currency.

Mr.Wilkinson thought that there was very little such investment; British interests were almost entirely in the sterling issues.

Mr.Lever said that institutional investments in Portuguese currency, apart from the investments which were obligatory for the purpose of their business, were insignificant.

The position as regards investments in the Philippine Islands was also discussed with a view to considering whether they were sufficient to warrant calling for registration.

VIII. U.K.holdings of Swiss securities.

The Chairman said that although Swiss securities to the value of Sw.Fcs.7 million had already been sold by residents in the United Kingdom, securities to the value of about Sw.Fcs.23 million still remained, and he would like to see more sold as the political position of Switzerland might deteriorate and sales become impossible. We had, however, no machinery in Switzerland for selling these securities should we vest them.

Mr.Wilkinson said that the Swiss market was a very narrow one, which would not stand any considerable selling pressure.

It appeared that the best action, if it were possible, might be to encourage holders to sell, and it was agreed, after discussion, to compile a list of the larger holdings with a view to investigating the possibility of doing so.

SECRET

07/07

file

Mr P Pollock
Mr Loyd
Mr Bs.

SECURITIES RESTRICTIONS COMMITTEE

MINUTES OF THE 15TH MEETING HELD ON THE 23RD MAY 1940.

Present: Mr.D.G.M.Bernard (Chairman)
Mr.E.Rowe-Dutton
Mr.D.L.Pollock
Mr.W.K.Whigham
Mr.R.P.Wilkinson
Mr.F.G.E.Sheehan
Mr.E.V.M.Stockdale

The Minutes of the 14th Meeting were approved and signed by the Chairman.

I. Securities included in the two Vesting Orders which have been issued.

The Chairman drew the attention of the Committee to the fact that securities equivalent to 99.2% of the registered holdings included in the first Vesting Order had been surrendered, and 98% of the shares and 90% of the bonds had been sold to the Treasury under the second Order.

It was observed that in some cases more securities had been surrendered than were registered on the date of the Order, but in others many had not been surrendered.

The Committee recommended stronger action to obtain delivery of the securities which had not yet been delivered. The "overs" were explained to be due to sales under permits granted not having been effected when the Order was made, and certain Jersey registrations.

The Chairman mentioned that steps had already been taken to this end and agreed that further action should be taken immediately. Mr.Pollock suggested that the Trade Control and Evasions Section at the Bank should make the final examination of outstanding cases prior to their being referred to H.M.Treasury for possible action.

The Chairman reported that since the date of the last Vesting Order sales of restricted securities had fallen away considerably, and since the recent collapse of the New York market, Mr.Gifford had kept out of the market.

The Committee examined a statement of the sales of vested and non-vested securities.

The Committee examined a graph showing the heavy fall in values in New York which has led to this condition.

II. Late registrations.

The Chairman reported on the large number of late registrations under the first Vesting Order which by a recent amendment to the Regulations the Treasury were now able to acquire at a price not less than the price of the Vesting Order or the price on the date of making an order to cover their late registration, whichever is the lesser. It was agreed that the question of the price at which these should be acquired must remain in abeyance in the light of the market condition in New York.

P.T.O.

III. Circular issued by L.W.Eady & Co.

The Chairman read an extract from a circular issued in New York by a firm of outside brokers which described the official marketing of dollar securities by British residents as very astute.

IV. Trusts formed abroad but wholly owned by British Residents.

The Chairman mentioned that endeavours to bring within the Control the securities belonging to Trusts formed abroad but wholly owned by British residents met with considerable difficulty, although in several cases the parties had voluntarily registered their securities. The necessary machinery to this end was, however, being considered, the immediate intention being to obtain shares of a class already vested. Mr.Pollock mentioned that the Chancellor had made a statement in the House of Commons on this point, but Mr.Wilkinson considered this to be insufficient.

V. Clearance Charges.

The Chairman referred to letters received at the Bank of England from three Banks in London who have asked to be reimbursed in respect of the delivery charges made by the New York bank when handing to the Bank of Montreal securities deposited in New York. Whilst the amounts are small the Chairman pointed out the importance of the principle involved, The Bank of Montreal have invariably refused to meet this charge which they state should be borne by the owner.

Mr.Whigham was of the opinion that the Treasury should pay the expense without prejudice as the amounts are small, particularly as the seller here has no dollars for the purpose. Moreover, the seller is getting less than the Vesting Order price if he is called upon to pay.

Mr.Pollock referred to the Vesting Order and Treasury Direction stating that the securities are to be delivered free of all charges, and to the arrangements which have heen made in the United Kingdom whereby the banks absorb any delivery expenses in their 1/8% commission.

The Committee then agreed that the charge should properly be borne by the customer or custodian of the securities.

After a short discussion on deceased holdings the proceedings terminated.

SECRET

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the 16th Meeting held on the 13th June 1940.

PRESENT:- Mr.D.G.M.Bernard (Chairman)
Mr.E.H.Lever
Mr.E.Rowe-Dutton
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.A.S.Craig
Mr.F.G.E.Sheehan
Mr.C.C.Hamilton (Secretary)

The Minutes of the 15th Meeting were approved and signed by the Chairman.

I. Delay in the surrender of Vested securities.

The Chairman recalled that it had been agreed at the previous Meeting that further action should be taken immediately to obtain delivery of vested securities which had not yet been surrendered. Further steps had now been taken and the number of holdings outstanding on the first Vesting Order had been reduced to 250, in respect of all of which correspondence was passing; there were about 570 holdings outstanding in respect of the second Vesting Order and correspondence was proceeding with regard to some 300 of these cases.

We were now permitting the sale in New York of those holdings of the securities named in the Vesting Orders which had been registered too late to be affected by the Orders. This permission was being given because, owing to the fall in prices, the holders would not be making a profit out of their delay in registering.

II. Vesting of Canada 4% 1940-60 Stock.

The Chairman announced that the Canadian Government had decided to call their 4% 1940-60 Loan on the 15th June for redemption on the 1st October; the amount of this Loan outstanding was about £19 million, of which about £15 million was in the hands of U.K.Residents. A Vesting Order covering the latter holdings would be made on the 14th and published simultaneously with the notice of redemption. The price at which the Stock would be transferred to the Treasury would be a fixed sum representing par plus interest (£1%) to the 1st July, less tax (7/6), i.e. £100:12:6, unless the market price on the day of the Vesting Order should exceed that in which case the market price would be taken.

III. Dollar securities held by residents in India.

The Chairman recalled that the Australian authorities had adopted the method of requiring their residents to sell their marketable dollar securities in New York, instead of acquiring them by means of a Vesting Order. Although the amounts involved had been small the immediate effect on the American markets had been unfavourable. The Indian authorities had not yet called for returns, but were at present inclined to follow the Australian example. He wondered whether such action might not have a very unfavourable effect on the New York market as the Indian holdings might well be substantial.

The Committee agreed to recommend that the first step to be taken in India should be the calling for returns and that any other action should be deferred until these had been received and examined.

P.T.O.

IV. Dollar securities held in the Colonies.

The Chairman said that although full returns had not yet been received it was already clear that the amount of dollar securities held in the Colonies was small. It was proposed to deal with them by giving instructions in due course to holders to sell those securities which had been named in the first two United Kingdom Vesting Orders.

V. The next Vesting Order.

The Chairman said that Mr.Gifford was preparing a fresh list of securities for vesting; the issue of another Vesting Order in the immediate future, however, was not contemplated.

It was agreed that Vesting Orders should be made as circumstances demanded, without reference to the market level of prices.

VI. De-restriction of certain securities.

The Chairman said that securities expressed in the currencies of certain countries which had been occupied by Germany were now of little value, and he thought that they should be de-restricted. Permission for the sale abroad of such securities would still be required under a new Regulation recently introduced.

Mr.Whigham and Mr.Lever asked whether there was sufficient gain from de-restriction to offset the loss of control.

The Chairman said that the proposed de-restrictions would save considerable correspondence and the congestion of valuable vault space at present occupied by the Sl Forms.

Mr.Wilkinson said that it would also greatly assist the Stock Exchange, whose work was much encumbered by the filling up of forms.

After discussion it was agreed to recommend the de-restriction of Belgian, Norwegian, Dutch and Swedish securities and also of Brazilian sterling loans, which were not likely to have a market abroad which would justify our vesting them.

SECRET

Securities Restrictions Committee

Minutes of the 17th Meeting held on 18th July, 1940.

PRESENT: Mr.D.G.M.Bernard (Chairman)
Mr.E.H.Lever
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.F.G.E.Sheehan
Mr.C.E.MacNamee (Secretary)

The Minutes of the 16th Meeting were approved and signed by the Chairman.

1. Sales in New York by Mr.Gifford.

The Chairman drew the attention of the Committee to the fact that the sale of Vested Securities in New York was proceeding quietly and owing to the state of the market was being confined to Bonds and Preference Shares. It was estimated that approximately £44,000m of Vested Securities remained to be sold based on values at the time the Vesting Orders were made.

II. Dollar Securities held by residents in India.

The Chairman recalled that at the last Meeting the Committee had recommended that the first step to be taken should be the calling for returns, and informed the Committee that an Order had since been passed requiring returns of dollar securities to be made. Vesting in India would be arranged in conjunction with us. The Vested Securities would be taken over and paid for by H.M.Treasury.

III. Shipment of Securities to Canada.

The Chairman explained that the ban of the 18th June 1940 on dealings in restricted securities was imposed to enable the Bank to collect the securities and despatch them to Canada. The basis used to compile Lists 1, 2 and 3 was explained to the Committee.

Mr.Wilkinson asked whether, as regards the Continentals in List 3, the selection was based on the value of the securities if they fell into enemy hands or the value to the Government. The Chairman stated that the value to the Government was the primary factor and the value to the enemy secondary.

The Chairman read the reply which was to be given to a question in the House and informed the Committee that the 11 Clearing banks, 8 Scottish banks, certain Accepting Houses and members of the Eastern and Overseas Banks Associations had been asked to deliver the securities in their custody to the Bank; it was now proposed to approach the American banks and the Swiss bank; Mr.Wilkinson was asked if the Share and Loan Department would be prepared to act for stockbrokers, and replied that they would, but only for members of the London Stock Exchange, and explained that as regards the Provincial brokers, few of them dealt in American securities.

It was observed that 1,307 boxes had been despatched, of which 96% (bulk) had been received from the Clearing banks; of the 203 boxes received from the Scottish banks 96 came from Scotland.

IV. The United Kingdom Security Deposit.

The Chairman informed the Committee of the location, accommodation and staff of the Depository, and observed that it was hoped

hoped to complete the checking of the securities in about six weeks.

V. Permission to sell to non-residents.

The Chairman read the notice which it was proposed to issue intimating that sales of securities already held abroad would be permitted.

Mr.Lever suggested that this permission should be amended to include securities subsequently exported abroad by owners who could obtain physical possession of them. Mr.Whigham observed that sales abroad would be encouraged owing to the increased American tax of 16½%. The Committee agreed and the Notice was amended accordingly.

The Chairman in reply to a question from Mr.Wilkinson stated that it was not proposed to permit sales between residents at a future date and pointed out that in normal times 500 of such permits were passed each day and that the Depository could not cope with them.

VI. Vesting Orders.

The Chairman stated that future Vesting Orders would probably be limited to about 75 securities valued at about $75,000,000. Payment would be likely to be one month after receipt of the necessary documents; this would enable instructions to be mailed to the Depository.

Mr.Wilkinson asked if a small percentage would be added to the Vesting price to compensate for the delay. The Committee favoured the suggestion.

VII. Commission to Stockbrokers.

The Chairman informed the Committee that it had been suggested to him that the banks appeared to have advance information of Vesting Orders with the result that Stockbrokers did not receive a fair proportion of the commission paid on the second Vesting Order. He stated that no bank had prior knowledge of a Vesting Order, and that brokers received 20% of the commission paid on the first Vesting Order and 21% on the second.

The Chairman pointed out to the Committee that as all securities at the Depository were now held to the order of banks, it would be necessary to consider future procedure to ensure that, as regards payment of commission, the Stockbrokers received equitable treatment. Mr.Wilkinson, in reply to a request, agreed to give the matter consideration.

VIII. De-restriction.

The Chairman reminded the Committee that at the last Meeting the question of de-restricting certain securities received consideration, and informed them that it was proposed to de-restrict Government, Provincial and Municipal issues of Belgium, Holland and Norway; the matter presented certain difficulties and would be referred to the Treasury.

1. S.E: Collaterals
2. Coupons.

07/07 PA

Bank of England
7th August 1940.

Dear fforde,

Today - Thursday

We are having a meeting of the Securities Committee to-morrow afternoon at 3.30. I do not think there are any questions on which a decision will have to be taken. I do, however, propose to bring before the Committee the question of securities that have been sent to Canada in error. It may be that some people have deliberately sent their securities over there in error and will want them to be sent to New York for sale. Should we deliver them free of charge, or should we make a charge equivalent to what it would have cost the owner had he himself sent the securities across the Atlantic?

Another point I want to discuss is the question of giving Barings the names of holders of Argentine securities. We have told them they can buy securities out of the sinking fund. It is difficult to do this in the open market and they want to get into touch with the owners who have registered with us. The point is somewhat delicate. It may be that all we can do is to give them the names of the banks with whom the owners of the securities deal and thus leave any communication from Barings to the owners of the securities to be made through such banks. We should not thus be revealing the names of the owners which had come to our knowledge by reason of registration under the Defence Regulations.

Yours sincerely,

D. Fullerton

A.fforde, Esq.

2. Purchases on behalf of Sinking Funds

The Chairman told the Committee that the Bank had been asked to disclose the names and addresses of holders of Argentine Sterling Bonds in order that, when sales were not adequate to meet

SECRET

07/07 ✓ Mr Kipping Mr Bailey m. item

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the 18th Meeting held on 8th August 1940.

PRESENT: Mr.D.G.M.Bernard (Chairman)
Mr.Arthur fforde
Mr.E.H.Lever
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.F.G.E.Sheehan
Mr.C.E.MacNamee (Secretary)

The Minutes of the 17th Meeting were approved and were signed by the Chairman.

1. Sales of Restricted Securities in New York

The Chairman informed the Committee of the progress of sales of non-vested securities during the past two weeks and of Mr.Gifford's sales of vested securities.

2. Sales abroad

The Chairman recalled that at the last Meeting the Committee had been informed that permission to sell securities abroad would be granted provided that the securities in respect of which the applications were made were actually abroad. Since then legislation in the U.S.A., introduced to prevent the sale of securities by Enemy Countries, stipulated that securities must be in the U.S.A.before any sale would be permitted, and also prohibited the cancellation of certificates outside the U.S.A. and their re-issuance in the U.S.A. As an exception to this, however, cancellation in London and re-issue in New York was subsequently permitted provided all such transactions received the approval of the Bank of England.

3. Sales by or between residents

The Chairman stated that the position of certain Canadian securities was being examined with a view to permitting sales between residents if the only market for such stocks was in London and, in addition, to allow purchases for sinking fund purposes provided it was usual for such purchases to be effectedin London against sterling. It was hoped that this would assist the market. Mr.Wilkinson agreed that it would be of great assistance.

4. Purchases on behalf of Sinking Funds

The Chairman told the Committee that the Bank had been asked to disclose the names and addresses of holders of Argentine Sterling Bonds in order that, when sales were not adequate to meet the sinking fund requirements, holders might be circularised. Mr.Whigham and Mr.Lever agreed with the Chairman that the informat disclosed to the Bank should be treated as confidential. Mr.Wilkinson said that the market were always able to contact with holders of such securities. It was agreed that some form of Pres notice should meet the case.

5. Securities despatched to the Depository

The Chairman pointed out that a number of holdings, the property of non-residents, had been sent to the Depository i error and it was possible that the Bank would receive instructi to deliver these holdings in America for the purpose of sale on behalf of the non-residents. The result would be that such

P.

SECRET

non-residents would receive more on a sale as insurance costs to America would be eliminated. He desired to know how the Committee would react to a suggestion that some charge should be made to nullify any gain thus accruing. After discussion, the Committee favoured no charge being made.

Mr.fforde asked whether any facilities were contemplated to ensure that persons who normally depended on periodical advances against the securities which had been shipped could continue to obtain such advances.
Mr.Wilkinson observed that jobbers might also require advances from the banks against securities which had been handed to the Share and Loan Department. It was pointed out that banks were still able to make advances against the securities which had been delivered by them and that provisions had been made to enable members of the Stock Exchange to lodge with their bankers any securities against which they were likely to require an advance. These securities were therefore received from the banks instead of from the Share and Loan Department.

6. Work of the Securities Registration Office

The Chairman told the Committee that, despite the fact that there had been no Vesting Order since the 13th April, the work of the Securities Registration Office continued to keep a staff of about 400 occupied.

The following figures for the period since the end of March were quoted:-

	April	May	June	July 1-24
New Registrations.	8,000	6,300	18,000 (which included Canada 4%)	
Sale Permits	3,200	1,600		
Letters received		4,700	5,900	5,100
" despatched		4,500	4,300	6,000

The Committee was invited to inspect the vaults in which the work connected with the registration forms was carried on; the Members were impressed by the number of forms and the work involved in this connection.

SECRET

07/07

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the 19th Meeting held on the 5th September 1940

Present: Mr.D.G.M.Bernard (Chairman)
Mr.W.K.Whigham
Mr.R.P.Wilkinson

Mr.F.G.E.Sheehan
Mr.C.E.MacNamee (Secretary)

The Minutes of the 18th Meeting were approved and were signed by the Chairman.

1. U.S.dollar securities

The effects of the continued recovery in the New York market on the value of Vested and non-Vested securities and Mr.Gifford's sales of Vested Securities in New York were noted.

2. Resumption of sales abroad

The Chairman informed the Committee that all the securities which had been shipped to Canada had arrived safely and that it was proposed to permit the resumption of sales abroad of these securities after the end of September.

3. Issue of Deposit Receipts

The Chairman informed the Committee that the feasibility of issuing a type of Deposit Receipt in respect of securities shipped to Canada which would pass by delivery on the London market was being considered and that a copy of the proposal would be submitted to Mr.Wilkinson with a view to overcoming the technical difficulties which exist. He added that it was proposed to issue these Certificates here for securities which had been shipped to Canada where the only or principal market was in London, and to extend it to such stocks as International Nickel Company of Canada shares, Canadian Pacific Railway shares and various Australian dollar issues in respect of which the London price was much higher than the New York equivalent.

The list of stocks covered by the Certificates of Deposit would, at first, be short but could be added to subsequently if necessary.

4. Sales between residents of restricted securities not shipped to Canada.

The resumption of sales of restricted securities between residents was discussed by the Committee and a list of such stocks was examined. The Chairman observed that there was no reason to maintain the ban on securities which had not been shipped, and that the removal of it would be much appreciated by the market. Mr.Wilkinson agreed.

5. Marine Trust Fund

The Chairman informed the Committee that a Marine Trust Fund was being established in connection with American marine business placed with British companies in London. The Insurance Companies were contributing a substantial sum in dollars and the Treasury likewise in exchange for sterling. It was proposed where practica to arrange for funds requiring investment to be taken over by the Treasury in exchange for suitable Vested securities.

FR4464/08/025/01

P.T.O.

50/50

6. Subsidiary Companies

The Chairman informed the Committee that arrangements had been made to enable British Companies to have the securities representing their holdings in subsidiary companies forwarded to the United Kingdom Security Deposit for safe custody.

7. Cancellation scheme

The Committee approved the suggestion that the facilities for the cancellation of American share certificates in London and their re-issuance in New York should be available to British Nationals only as the extension of these facilities to holdings of emigrant refugees might imply that we were satisfied as to non-enemy interest.

8. Stock Powers

6.

The Chairman stated that, although not legally entitled to do so, we were still requiring the execution of stock powers for securities shipped to Canada. We desired to put the securities in negotiable form so as to facilitate sales abroad and to expedite the delivery of and payment for securities affected by a Vesting Order. If required, the Bank would give a written undertaking not to effect a transfer except as a result of a Vesting Order or at the request of the owner.

9. Examination of vested securities held in Canada.

The Committee were informed that the Bank of Montreal, New York, would arrange to take over all future Vested Securities from the United Kingdom Security Deposit and have them examined in New York for negotiability. This would greatly assist the work of the Depository when a Vesting Order was made.

SECRET

07/07

Mr Hardy
Mr Crabbe
Mr Cambridge Gale

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the 20th Meeting held on the 10th October 1940.

PRESENT: Mr.D.G.M.Bernard (Chairman)
Mr.E.Rowe-Dutton (accompanied by Mr.Arthur fforde)
Mr.W.K.Whigham
Mr.R.P.Wilkinson
Mr.F.G.E.Sheehan
Mr.C.E.MacNamee (Secretary)

The Minutes of the 19th Meeting were approved and were signed by the Chairman.

1. Sales of restricted securities

The details of the sales of Vested and non-Vested securities since the last Meeting were examined. The Chairman said that Mr.Gifford's sales during that period had, in most instances, resulted in a small profit as compared with the Vesting Price.

2. Vesting of Canadian Securities

The Chairman informed the Committee that, since the last Meeting, Mr.Gifford had paid a brief visit to this country and had just arrived back in New York. The necessity of vesting some Canadian securities had now become pressing and he was pleased to say that Mr.Gifford, at the request of the Treasury, had undertaken similar offices in Canada to those which he was already discharging in New York. As his assistant he had selected Mr.Innes Stewart, who would proceed to and stay as long as required in Canada, whereas Mr.Gifford would only be there as and when his presence was needed.

3. Resumption of sales between residents

The Chairman acquainted the Committee with the present position with regard to the resumption of sales of certain restricted securities between residents and submitted for their information a list of the securities to which it was proposed to apply the "Certificate of Ownership" scheme.

4. De-restriction of Securities

Mr.Rowe-Dutton, in reply to a question by the Chairman, stated that the Order de-restricting specified Government, Provincial and Municipal Issues of Belgium, France, Holland and Norway would come into force on Friday, the 11th October 1940.

5. Dollar Loans

The Chairman, referring to a letter received from the Treasury with reference to a question to be asked in the House by Sir John Mellor, enquired whether it was the normal peace-time practice of many investment trust companies to carry substantial dollar loans as a hedge against exchange risks on their dollar investments. Mr.Whigham stated that this was not his experience. Mr.Wilkinson said he had no personal knowledge.

P.T.O.

6. Compensation for delay in payment of Vesting Price

The Chairman stated that, in the case of previous Vesting Orders, a delay of 16 days ensued before the first payment; in future this would be increased to a calendar month owing to administrative difficulties. It was proposed to add a month's interest to the market price of the equities to compensate for this delay and he desired to know the Committee's views as to the percentage equitable.

IV. Mr.Rowe-Dutton said that, whereas in the previous Vesting Orders, accrued interest was allowed on bonds up to the date of the first payment, in future, it was proposed to adopt the attitude that the delay in payment did not entitle the holder to interest at the rate paid on the surrendered bonds; he was merely out of his money for re-investment purposes from the date of the Vesting Order when the Treasury became the owner and interest should be allowed on the basis of the yield on the potential re-investment. After discussion the Committee were of the opinion that an addition to the market price of a sum equivalent to one month's interest at the rate of 2½% p.a., i.e., based on the interest obtainable upon re-investment in a Government Loan, would be fair for all types of securities, - bonds, Preference and Commom Shares.

7. Expenses claimed by banks o/a securities shipped to Canada

The Committee was informed that certain banks had submitted claims for expenses stated to have been incurred through the packing, collection, etc., of securities for shipment to Canada. The Chairman stated that the Treasury had only undertaken to pay all costs and accept all risks from the time the securities left their place of deposit and that the claims did not appear to be justified. The Committee favoured the suggestion that payment of the claims should be refused.

8. Vesting

The Chairman stated that Vesting Orders were contemplated covering certain Canadian securities, "B" registrations and that India was contemplating vesting certain securities in U.S.currency held by their residents.

SECRET

07/07

file

Withdrawn file

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the 21st Meeting held on the 24th October 1940

Present: Mr.D.G.M.Bernard (Chairman)
Mr.E.H.Lever
Mr.E.Rowe-Dutton (accompanied by Mr.Arthur fforde)
Mr.R.P.Wilkinson

Mr.F.G.E.Sheehan
Mr.C.E.MacNamee (Secretary)

The Minutes of the 20th Meeting were approved and were signed by the Chairman.

1. Sales abroad

The Committee studied the figures showing the currency proceeds of sales abroad of Vested and non-Vested securities since the last Meeting and it was observed that the volume was small: the Chairman stated that Mr.Gifford would endeavour to expedite the sale of Vested securities.

2. Vesting of Canadian Securities

The Chairman, after reminding the Members that at the previous Meeting they were informed that the time was approaching when some Canadian Securities would have to be vested, told them that, as a result of recent discussions with Mr.Towers of the Bank of Canada and Mr.Gifford, a Vesting Order affecting about 60 securities would be made on Saturday, the 26th October, 1940. These had been selected with care by Mr.Gifford in consultation with the Canadian Authorities; the securities were easily marketable and the individual totals were small.

3. Grand Trunk Railway Perpetual 4% Consolidated Debenture Stock

The Chairman also stated that a further Vesting Order would be made on the 26th October in respect of a sterling stock, i.e., Grand Trunk Railway Company of Canada Perpetual 4% Consolidated Debenture Stock; £24,624,455 stock was outstanding, and of this a small proportion was held by non-residents. He also informed the Committee that the price at which this stock was to be vested had to be carefully considered. He pointed out that the London Market quotation was 100 - 106, but that the last deal recorded was at 103¾. In response to a request by the Chairman, Mr.Wilkinson agreed to furnish a figure which would be equitable and stated that for this purpose he would establish, by an enquiry in the Market on Friday, the correct price at which to make a transfer of this stock between a willing buyer and a willing seller. This request, he stated, was quite common and that the figure quoted would be slightly above the middle price. After some discussion the Committee agreed that this figure would be applicable.

The Chairman then read a notice intended for the information of the British Press which had been prepared by the Bank of Canada and telegraphed from Canada by Mr.Gifford. It was on similar lines to the one published at the time of the first American Vesting Order.

P.

4. The allowance made in the price for the month's delay in payment.

The Chairman recalled that at the last meeting the Committee were of the opinion that an addition to the market price of a sum equivalent to one month's interest at the rate of 2½% p.a.would be fair for all types of securities but said that to avoid Income Tax difficulties the Press Announcement would merely state that allowance had been made in the price for the fact that one month elapses from the date of the Acquisition Orders to the first payment date. He said that we were certain to be asked what this allowance was and asked Mr.Rowe-Dutton what reply should be given to such enquiries. Mr.Rowe-Dutton stated that an explanation should not be given but if pressed, we could confidentially disclose the basis of the calculation.

5. Subscription of proceeds to Government Loans.

The Committee were informed that arrangements had been made whereby holders of securities affected by the Vesting Orders could divert the consideration money to subscriptions for current Government Loans. An appeal for distribution to such holders had been prepared and would be available to all banks and stockbrokers.

SECURITIES RESTRICTIONS COMMITTEE

09/09

Minutes of the 22nd Meeting held on the 19th December 1940.

Present:- Mr.D.G.M.Bernard (Chairman)
Mr.E.Rowe-Dutton
Mr.R.P.Wilkinson
Mr.W.K.Whigham

Mr.F.G.E.Sheehan
Mr.C.E.MacNamee (Secretary)

---

1. Sales of Vested and Non-vested Securities.

The currency proceeds of sales of American Securities - Vested and Non-Vested - were considered. It was noted that, since the last Meeting, the volume of sales in both categories had increased appreciably. The Chairman remarked that the sale of Vested securities by Mr.Gifford had been accelerated; proceeds of these sales now exceeded $88 million.

Sales of Vested Canadian securities had realised Can.$9 million, approximately 15% of the total Vested.

2. Vesting Order of 14th December 1940.

A schedule giving full details of the stocks affected by the 7th Vesting Order was shown to the Committee and the Chairman regretted that it had not been possible to submit this list to the Members for their consideration prior to the making of the Order. Mr.Whigham stated that the stocks had been well selected.

The Chairman observed that after each Vesting Order, the prices on the New York market had eased.

3. Late Registrations.

The Chairman stated that, unless there was an appreciable drop in the value of securities, late registrants were being permitted voluntarily to surrender their holdings and accept the Vesting Price.

Special Directions would be issued to holders who refused to surrender on these terms.

4. Security Deposit Receipts.

The Committee were informed that on the 16th December 19 a further list of restricted securities had been published in respect which sales between residents were allowed. Security Deposit Recei will be issued for holdings of these securities which are now held s the United Kingdom Security Deposit. In answer to an inquiry by th Chairman, Mr.Wilkinson stated that the market had, in fact, been an for the issue of these Receipts and that additional business had th resulted.

5. Commission.

Mr.Wilkinson enquired whether any steps could be tak ensure that stockbrokers received the commission on their clients holdings of Vested securities which had been shipped to Canada a held to the order of banks. The Chairman replied that we were position to interfere; it rested entirely with the client and t could, if he desired, instruct his bankers to deliver the holdi stockbroker for subsequent surrender.

P.

6. Mr.Innes Stewart.

The Chairman stated that Mr.Stewart had created a go impression in Canada and was doing very good work.

SECRET

SECURITIES RESTRICTIONS COMMITTEE

Minutes of the 23rd Meeting held on the 9th January 1941

Present:- Mr.D.G.M.Bernard (Chairman)
Mr.E.Rowe-Dutton
Mr.R.P.Wilkinson
Mr.F.G.E.Sheehan
Mr.C.E.MacNamee (Secretary)

Absent:- Mr.E.H.Lever
Mr.W.K.Whigham

1. Sales of American and Canadian Securities

The Committee studied the figures of sales abroad of American and Canadian securities both Vested and Non-Vested. It was observed that whereas the volume of private sales had decreased that of Vested Securities showed a marked increase.

2. Vesting Orders

The Chairman informed the Committee that a further Vesting Order in respect of American Securities would be made on the 11th January 1941. This Order would affect holdings of U.S.Government Securities as well as others.

3. Vesting of Sterling Securities

The Chairman, having in mind the Grand Trunk Order, asked Mr.Wilkinson how a jobber who had a "short" position when a Vesting Order affecting a sterling security was made was able to close his position. Mr.Wilkinson was of the opinion that the jobber was justified in offering the Vesting Price in settlement of the bargain but, should the purchaser be a person not subject to our Regulations, special consideration should be given to enable the jobber to complete his bargain.

The Chairman also asked Mr.Wilkinson whether it was considered that we were prejudicing the position of non-resident holders by vesting a sterling security and thus severely restricting the market in that security. Mr.Wilkinson stated that the holder's position was similar to that of a holder of an issue which had been steadily reduced by the application of sinking fund monies

and

impr-

and that our action did not necessarily provide grounds for complaint. He considered, however, that they should be made aware of their resultant position and be allowed to surrender their holdings voluntarily at the Vesting Price.

4. Investments in current Government Loans

The Chairman stated that the result of the appeal to holders of Vested Securities to subscribe the whole or part of the consideration money to current Government issues had been disappointing. Only a small amount had been subscribed to Government Loans through applications lodged prior to the due date of payment, but it was believed that a number of holders subscribed to the Loans on receipt of their money.

Bank of England
London, E.C. 2

4th September, 1941.

Dear Gambling,

In accordance with the request received over the telephone this morning, I send you a copy of the Minutes of the twelfth Meeting of the Securities Restrictions Committee which was held on 14th March 1940.

Yours sincerely,

D.W. Ellerman

A.S.Gambling, Esq.

Miss Hall
To complete the file

Miss Langhorne,

You will see that the

1/4 % commission is vested

securities can expect at the

annual meeting of this Co.

It is not really relevant for

post war planning, as we expect all of

that ally made