

CHAPTER VIIEXCHANGE CONTROL IN PRACTICE

This chapter will deal with the working of Exchange Control and give some account of the functions of the Control Offices and their growth. To suggest that the system of control which replaced virtually free market conditions overnight fell at once into a smoothly working routine would be misleading; nevertheless, the Regulations whose evolution has been described in the chapter on the Defence (Finance) Regulations had become a corpus sufficiently full to enable those responsible to deal with the situation which arose at the beginning of September 1939. That, again, is far from saying that the executive was able to apply the body of Regulations by a process of simple reference: so much, indeed, will have been gathered from their continual extension and modification.

It is possible to recapture from contemporary documents something of the working of the official mind in the pressure of the days immediately before the break with old principles had to be made, and again after some months of active experience - and inevitable losses of exchange. It would be easy to take for granted the day-to-day work of offices which dealt with the flood of applications to acquire exchange or to transfer sterling; but some idea of the difficulties, not to say frustration, which beset the framers of Regulations and Orders should help also towards realisation of the complexities of supervision of the immense task.

Final arrangements made by the Treasury and the Bank immediately before and after the outbreak of war were recorded in the first two chapters: what follows is supplementary, but perhaps more fittingly included here, in the sense that it is asking and answering the practical question - what to do next? The first two documents quoted are last-minute decisions, taken after nearly a month's argument (the end of a much longer one) between the Bank and the Treasury. The first is Sir Frederick Phillips' opinion on 29th August 1939:-

"If and when we impose exchange control the decision is that foreigners who hold sterling balances should be allowed to use them in this country but should not be allowed to remit them abroad without permission.

The Bank of England suggest that we should give permission for all American balances to be withdrawn if the owners so desire.

As regards France, a provisional arrangement has been made whereby French owners of sterling balances will [may] pay them to an account of the Bank of France at the Bank of England and will receive francs from the Bank of France. Similarly, British holders of franc balances will be able to pay them to an account of the Bank of England at the Bank of France and receive sterling from the Bank of England.

The Bank of England suggest that H.M.G. should offer to other countries of the Sterling Bloc a similar arrangement to that with the French. I feel some doubt about this, for we should really not be offering any concession at all to these other countries. They can already, if they so desire, instruct their nationals to hand over their sterling balances to their own Central Bank and receive payment in the national currency, while an arrangement by which the Bank of England would buy British balances held abroad and pay for them in sterling is a concession to British holders of such balances who wish to withdraw them but is of no help at all to the foreign holders of sterling balances.

I think therefore that the best plan would be for us to ask the Bank of England to tell such foreign Central Banks as they desire of the arrangement made with the French, and to say that a similar arrangement is open to them if they so desire.

If the above is approved we should, I think, agree on our line of policy with the Foreign Office, to whom I have already written provisionally, but should not say anything to the Americans or to the French until the last moment, e.g. the Bank Holiday after the outbreak of war. We ought however to get an immediate decision if possible."

The second is a summarisation of the decisions finally taken (30th of August), initialled by Mr. Siepmann:-

"1. The decision is that foreign holders who wish to get rid of their sterling balances at zero will be free either to sell them abroad, or to apply for foreign exchange to our "control".

2. The Bank of England suggest that our "control" should provide foreign exchange to any American holder (of a zero balance in sterling) who applies for it. But he would also be free to sell his sterling in New York instead of to us, and we should not interfere with its transfer to another foreign account.

3. As regards France, the provisional arrangement is that French holders of sterling at zero will, so far as we are concerned, be free - like any other foreign holder - to choose course (i) or (ii). But as the French will probably requisition sterling, course (i) would be a breach of the French Regulations - and we propose to do nothing to prevent this. Only if the Frenchman voluntarily applies to us for foreign exchange do we propose to tell him that, by virtue of the arrangement, he can either get francs from us or from the Bank of France (or its authorised agents). There is nothing to prevent the Frenchman from then withdrawing his application, and making his own arrangements to get dollars instead, through a foreign market, in defiance of the French Regulations.

4. By offering to take official custody of the sterling balances belonging to their nationals, we assume towards these countries a very real obligation. We undertake, in effect, to pay them all out, on terms to be arranged. At present, we have no obligation to pay anything to a foreigner who wants to repatriate his money and offers it to us for sale.

In addition, the proposal implies an offer of mutual co-operation to promote the efficacy of the controls at either end. A clearing has, in any case, some technical advantages. If it can be made comprehensive, they are greatly enhanced.

But this requires the blocking of foreign balances, and our offer of a clearing to countries which requisition sterling almost amounts to a suggestion that they should ask us to block the balances of their nationals - which we could do at their request, but have decided not to do on our own initiative.

5. A "special account" offers only slight technical advantages, except to a country which requisitions foreign exchange. If we were left to choose the countries to be approached, we could not in present conditions usefully propose the special account procedure to any country except Canada. But if they were to requisition foreign exchange, we could then add any of the following -

Norway, Sweden, Finland,  
Holland, Switzerland, Belgium,  
Egypt, Greece, Argentine.

6. We are committed to the French already and there would be nothing new to say to them. The Bank Holiday would be time enough to tell the Americans, as there is nothing whatever that we want them to do (unless they publish a notice to their own people to say that "American holders of sterling can either fill up a form, asking the British control to give them dollars, or they can sell their sterling as usual in the New York market")."

As described in the chapter on the D.(F.) R., the edifice of Regulations began to rise, on its pre-war foundations, from the moment the new régime was put in force. That chapter gave an account of the main steps taken to protect reserves of foreign currencies and to prevent undermining through the transfer of sterling and reasons were given for the action taken. Vigilance was continuous, but only painful experience made plain what measures had to be adopted to prevent further leakage and eventually to close all but the smallest loopholes.

The greater part of the tightening-up regulations had been imposed well within the first year of war, and the Regulations of 17th July 1940 (Special Accounts, Blocked Sterling, etc.) really brought about the last fundamental changes in them. Two memoranda - one by Sir (then Mr.) Henry Clay for the War Cabinet, and an internal

one by Mr. Siepman - both written just previously, are therefore of particular interest. Sir Henry Clay, writing on "the place of Exchange Control in War Policy" began -

"Exchange Control is an element in a policy of maximising imports of war requirements. This policy has two aspects - negative and positive.

In its negative aspect it is directed to preventing an efflux of capital through the medium of exports which would otherwise be available to pay for imports; to preventing unnecessary imports; and to preventing credits to non-residents.

In its positive aspect it is directed to increasing the volume and/or value of exports, mobilising and selling foreign assets, and negotiating or exacting loans.

To be completely effective this policy would involve an exchange control which supervised every transaction with a non-resident, requiring a licence for every payment to a non-resident and collecting the proceeds of every payment by a non-resident.

The chief difficulty in the way of such a control (apart from administrative complications) is the double relation in which the United Kingdom stands to the rest of the world. From the sterling Empire and certain other countries it draws imports for which payment is normally accepted in sterling; from the rest of the world it draws imports only by paying in currencies or making some special, or abnormal, arrangement to pay in sterling.

As a corollary of paying for sterling area supplies in sterling, the United Kingdom has to meet the sterling area's need for currencies. This again is a normal peace-time arrangement which on occasions has involved a serious strain on London: sterling area countries will accept payment in sterling because they make all or most of their external payments by drafts on London.

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from which followed certain practical conclusions:-

"..... We should avoid dislocating the economy of countries on which we largely depended for our imports (e.g. by blocking their existing London balance). Since we wished to make payment

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for as large a part of our imports in sterling (or to borrow it), we should avoid doing anything which might lead non-residents to discredit it. Subject to the above considerations, we should aim at preventing waste of exports (visible and invisible) in transferring capital abroad, repaying loans and repatriating sterling securities, or in giving credits to non-residents. We should also try to stop leakage of capital from or via Empire countries and in unnecessary imports from them. But it might be that this would be less easy through methods of exchange manipulation than through direct curtailment of imports and/or expansion of exports..... What we can do is limited administratively by the fact that the U.K. writ does not run throughout the territory within which sterling is used. Sterling is an international currency used to make payments between foreign countries and held as an ultimate cash reserve for overseas banking systems; and the sterling area is a collection of sovereign states who will not necessarily take orders from the U.K. Government.

....."

All of which may seem obvious after so much subsequent experience, but much of which was far from being so at the time.

Existing policy was a compromise between conflicting desiderata: e.g., we forbade removal of residents' capital but left non-residents' balances free; we controlled most imports and some exports, "adjusted our policy to the susceptibilities of the Empire and neutrals"; by bilateral exchange agreements we were tying up non-sterling countries with which we traded, committing them to hold sterling; we were not coercing other Empire governments, but pressing them to impose controls identical with our own.

The memorandum ended with the following indications of the line of advance:

"Develop the system of 'identical' controls in the Empire. Blocking Empire balances seems to me politically impossible and economically a most dangerous risk; nor can I see what we should gain from it.

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We are left with the U.S.A. on which we cannot impose a bilateral arrangement; therefore extend selling of exports for dollars.

Direct methods of curtailing imports, assisting exports and negotiating credits are more likely to help than pure exchange manipulation.

For an effective policy a new organisation is needed devoted exclusively to the regulation of foreign payments of all sorts."

On 13th July 1940, four days before the issue of further important Regulations, Mr. Siepmann wrote\*:-

"1. Evasion is constantly being dealt with, by tightening the Regulations where they are found to be loose, and by stricter administration where they come to be applied. One limiting factor is that the strict application of completely effective foreign exchange regulations would require a vast bureaucracy constantly interfering with trade and business. The disadvantages of a defective control have to be weighed against those of preventive measures which tend to paralyse all movement for the sake of limiting such movements as would be harmful.

2. Until recently, we have had to contend chiefly with concealment, and not with the more active and organised forms of evasion. For detecting concealment we have relied mainly on the ensorship. Until January 1940, the American mail was not censored at all. Even now, only 20% is being examined, and the Canadian mail is not being censored at all. Our other weapons against concealment are publicity and intimidation. There has not been much publicity in an intelligible or popular form, and genuine pleas of ignorance continue to be received (but not accepted). The need for a few exemplary prosecutions and sentences was not met until quite lately, and the effect has been a violent spurt in the declaration of securities for registration.

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\*C.C.P. 361.4:103.

3. The talk of invasion has now started an exodus, which hitherto had been practically confined to the fur trade. If an exporter is allowed to leave the country, the machinery of export control fails to function, and we now have the problem of valuables. Similarly, import control ceases to function if an importer is allowed to go abroad and collect the goods or the money. Here we depend upon the protection of Exit permits and upon close liaison with the Passport Office. Hardly any attempt has yet been made to deal with "leakages" of this kind. One inevitable disadvantage of our control is that it has to operate on an Empire scale, with the result that evasion can take place through any point in the whole system. For political or technical reasons it may be difficult to exercise an equally watertight control in Egypt, Hongkong, Bombay and Singapore.

4. The exchange Regulations establish a physical control at the ports and a control of banking transactions. Evasion by exodus requires more than this, because it is mainly practised by way of the realisation or pledging of assets, and a control of assets would be a vast new undertaking.

5. Legal difficulties have hampered not only investigation and prosecution but also effective regulation. The limitation of our powers prevents us, for example, from dealing with -

- (i) book debts - by means of which money can be left abroad or paid to a third party,
- (ii) "compensation" - by means of which money gets transferred "without leaving the country",
- (iii) sterling remittances received from abroad - by means of which nominee holding companies and Trusts established in Canada or America succeed in diverting dollars from the Control,
- (iv) currency accounts held abroad by residents - by means of which (since we cannot close them) evasion continues even after it has been detected.

6. There are other "leakages" more serious than all forms of evasion put together. The exchange control is not designed, and has not the power, to control the rate at which our foreign assets are being drawn upon. This depends mainly upon the volume and distribution of our purchases abroad, i.e. upon the Exchange Requirements Committee and, to a smaller extent, the Import Licensing Board. Neither of these bodies is working



to any planned rate of consumption of our exchange resources. Neither can reject individual applications for which, individually, a case can be made out by the specialised Departments of Food and Supply but which together cost more than we can afford. The Exchange Requirements Committee does not even advise, as it might, on the amount and distribution of what we can afford in a given period. Consequently, civilian imports which could and should be curtailed are at present diverting large resources from the war effort that we might be making."

To judge from the last paragraph it is evident that inter-departmental liaison in Whitehall, however it may have improved later, was not very fully developed after nearly a year of war.

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The foregoing will have suggested the atmosphere of urgency in which not only new Regulations were made, but in which instructions, definitions and arrangements essential to the full enforcement of the Regulations multiplied. Repeated reference to such irritations would have weighted and confused the general account of the growth of the Regulations, but they cannot be entirely ignored as we pass on to a description of the work of the Control Offices.

The body of instructions now referred to deals principally with the status of individuals (residents, foreign nationals, evacuees, refugees, etc.) and with special arrangements for controlling the finance of certain commodities and industries in so far as it was necessary <sup>in doing so</sup> to purchase foreign currencies or to transfer sterling to non-residents. Such detail seems more suitably relegated to the comparative detachment of an appendix, and is accordingly to be found in the long Appendix (No. ....) to the present chapter.

Prior to the War the Bank's foreign exchange and gold transactions were carried out by a section of the Chief Cashier's office, and required a staff of about 35.

Responsibility for the administration of Exchange Control, including the registration of foreign securities, required an immediate and large increase in the staff of the section. In consequence, by Order of Court 2.11.39 the Foreign Exchange Section

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of the Chief Cashier's Office was reconstituted as a separate office (Foreign Exchange Office) in the Cashier's Department, while the special section which had been dealing with the registration of foreign securities was established as the Securities Registration Office in the Cashier's Department. By Order of Court 30.5.40 the Foreign Exchange Office and the Securities Registration Office were merged into one office under the title "Exchange Control Office".

By the <sup>middle</sup> ~~end~~ of 1940, however, the staff of the Exchange Control Office, which was operating as a group of sections each dealing with some aspect of control, had grown to approximately 1,000 (apart from filists and typists). A Deputy Chief Cashier (Mr E.N. Dalton) was then appointed by the Governors to review the functions of this Office and to report on its future organisation as an integral part of the Bank's departmental organisation. He reported on 18th December 1940 and his recommendations were:-

1. The creation of a group of Offices in the Cashier's Department under the general description "Exchange Control" and the appointment of a Deputy, Assistant and Assistants to the Chief Cashier (Exchange Control).
2. The maintenance of the Overseas & Foreign Department in its then existing form for the time being and the continuance of the Trade & Payments Section as a section of the Chief Cashier's Office.

The report was accepted by the Governors and Mr Dalton was then asked to draw up in detail a scheme for the organisation and administration of the Exchange Control, indicating the proposed new Offices. The Governors took the view, however, that the continuance of the Overseas & Foreign Department as a small department engaged in work so closely connected with that of the Cashier's Department <sup>was</sup> ~~was~~ an anomaly, and it was accordingly proposed to absorb it in the new organisation.

The "Cashier's Department (Exchange Control)" was established by Order of Court 27.2.41 and comprised:-

Dealing

Dealing & Accounts Office (ex FEO)  
 Regulations General Office  
 Export Permits Office  
 Acceptance Credits Office  
 Trade Control & Investigations Office  
 Securities Dealings Control Office  
 Statistics<sup>S</sup> Office  
 Glasgow Office  
 Securities Registration (and Vesting) Office  
 (including U.K.S.D. Canada)  
 Staff Register Office  
 Overseas & Foreign Office  
 Descriptions of the work of

Regis)  
 (with the exception of the Staff  
 the Control Offices  
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follow. Being to a large extent the accounts of Principals their character — inevitably tends to be subjective; but accurate accounts can only be obtained through such authorship. They have all had the benefit of scrutiny by <sup>an</sup> the Assistant Chief Cashier (Mr. Barker) who arranged for their compilation, collected them and made certain useful comments on them.

On the 21st February 1941 the Governor ordered that an internal committee be set up to supervise the administration of the Defence (Finance) Regulations.

The Court agreed (15.1.1942) that for convenience of administration the Securities Dealings Control Office and the Securities Registration (and Vesting) Office be merged into one Office under the title "Securities Control Office".

On the 19th February 1942 the Court agreed that from 1st March the Economics and Statistics Section of the Secretary's <sup>Dept</sup> ~~office~~, the Exchange Economy Section of the Overseas & Foreign Office and the Statistical Office should be merged into one Office in the Secretary's Department under the title "Statistics Office".

On the 27th August 1942 the Central Office was constituted and took over the staff previously employed in the Staff Register Office and that Section of the Regulations General Office which had been engaged on secretarial duties for departmental committees and

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for promulgating decisions to the Offices in the Control.

Health

Having regard to the continual strain to which they were subjected during the war, the health of the staff of the Control Offices remained on the whole remarkably good; though there were of course cases of long absence due to breakdown. Effects of war strain were, perhaps naturally, more evident in the first years of peace, when certain kinds of strain were relaxed, but not the volume of work. Delayed action no doubt had then begun to play its part.

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Dealing and Accounts Office

Pre-War

In order to understand fully the pattern and functions of the Office during the war, it is necessary to examine briefly the position immediately prior to <sup>1915</sup> ~~the~~ outbreak. In August 1939 the nucleus of staff round which was built the structure of the ~~present~~ Office formed the Foreign Exchange Section of the Chief Cashier's Office. Formerly it had ranked as a "post" in that Office, but the growing volume and importance of its work had made a degree of autonomy increasingly necessary, and at the 3rd September 1939 the Section was more or less self-contained, administered by two Principals, an Assistant to the Chief Cashier (who signed all work arising in the Section) and a staff of 26 divided roughly equally into Dealers, Foreign Exchange Routine and Gold Routine. In addition, the Section had its own typists and filists drawn from the Chief Cashier's Office.

The primary function of the Section was the carrying out of exchange and gold transactions (the latter in collaboration with the Bullion Office), both those arising from the day to day management of the Exchange Equalisation Account on behalf of H.M. Treasury and those initiated by or on behalf of Central Banks and other customers. Inevitably the Section was the focal point in the Bank for all matters connected with the London Market in foreign exchange and gold, and as a result an extensive internal and external information service was created; it was also closely in touch with conditions in foreign markets. The Section also dealt with changes in the Issue Department's holding of gold, insurance of notes and specie, and transactions in silver bullion on behalf of customers.

The summer of 1939 was very busy and the full energies of the staff were devoted to the task of coping with the work arising from "intervention", the shipment of the national gold reserves to places of safety and the preparation of plans for the steps to be taken in the event of war. As war approached, the pressure on  
sterling

sterling increased and eventually, after weeks of feverish activity, official support was withdrawn on the 25th August 1939.

There followed a week of some uncertainty and limited dealing during which final touches were put to plans already prepared. It was envisaged that the Section, whilst continuing to carry out foreign exchange and gold transactions on behalf of customers so far as exchange control might permit, would operate for the country's gold and foreign exchange resources. This additional function was provided for in the Currency Defence Act 1939, passed at the outbreak of war, which stated, inter alia, that the Account could be used in such a manner as the Treasury might think expedient for securing the defence of the realm and the efficient prosecution of any war in which His Majesty might be engaged.

Fundamentally very few changes in the mechanism of the Office were necessary for it was decided to use the same system and books of account; contacts with our correspondents abroad were already established and current accounts and arrangements for operating thereon already in existence. The Account, and consequently the Bank, from being concerned with only a proportion of the country's gold and foreign exchange resources was now to be responsible, under Treasury Authority, for them all; and in order to cope with the vastly increased amount of work that would result a number of London banks were also authorised by the Treasury to act as Authorised Dealers in foreign exchange\*; similarly six of the more prominent Bullion Merchants were appointed Authorised Dealers in gold. The public was still expected to conduct their foreign exchange business through the bank of their choice, but if that bank was not authorised it was required to cover its transactions daily with an Authorised Dealer, of which the Bank of England was one. Although a number of these non-Authorised Dealers did clear their day-to-day transactions directly with the Bank, the majority sought the services of one of the other Authorised Dealers, with whom in most cases they already had a working relationship for "clearing" and other

\*See also Chapter on "Authorised Dealers".

and other purposes. The Authorised Dealers in turn "bulked" their day-to-day transactions as far as possible and cleared with the Bank of England their daily totals of currency purchased and sold. In this way the number of transactions handled by the Bank was reduced to manageable proportions, for it will be appreciated that the books reflected the turnover of business of the whole of the United Kingdom and the net requirements of the rest of the Sterling Area. To simplify the daily settlement of these transactions the Bank opened at zero so called "deposit" accounts in the principal specified currencies with all the Authorised Dealers - accounts which were replenished or reduced as the occasion arose by bulk transfers. Thereafter the currency side of all day-to-day transactions was settled by means of these accounts, and this arrangement continued until the war was over.

#### Outbreak of War

To return, however, to the position at the outbreak of war. It was obvious that an increased staff would be necessary, and consequently 30 of the 70 new staff immediately allocated to the work of exchange control were added to the Section's existing staff of 30 to form the Dealing, Books and Statements, Foreign Exchange Routine and Gold Routine Sections of what shortly became a separate Office in the Cashier's Department known as the Foreign Exchange Office\*. In March 1941 the Sections already referred to were constituted as the Dealing and Accounts Office in the Cashier's Department (Exchange Control).

The original war-time staff of 60 was soon found insufficient to cope with the volume of work experienced, for within a very short time the number of daily transactions had risen to an average of 400; additional staff were continually drafted in until in April 1940, when the daily total of transactions had risen to between 600 and 700, they numbered 100 on the average; even with that number it was found necessary on most sections to work until at least

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\*Title changed: Court 2.11.1939.

least 9 p.m. The invasion of Norway, the over-running of the Low Countries and the fall of France naturally resulted in a decreased turnover of business, but the widening scope of the transactions undertaken on behalf of customers made it impossible to reduce effectively the number of staff employed. For a while the numbers remained at over 100 but were generally maintained at about 90/100 until resumption of banking relationships with the Continent at the end of the war necessitated a further small increase. This increase would have been vastly greater had the opportunity not been taken to mechanise the Office on the Hollerith System during 1943 - a period when the number of transactions passing through the Office was at a minimum. At the time mechanisation was undertaken, it was scarcely an economic proposition, but the system allowed for expansion at any time and it is estimated that when dealing was resumed again on a full scale it would have been necessary to employ some 20 additional staff had the old manual system of bookkeeping still been in existence. Fuller details of numbers of staff employed and transactions handled are given in Annex A.

The mechanism of foreign exchange dealing and accounting, involving, as it does, so much telephoning and cabling, is particularly susceptible to dislocation, and steps were taken early to meet the possibility of aerial attack on London. The Office was amongst the first to seek a permanent home in the Vaults where it remained until 1942, returning again for a short while during the later attacks in 1944/45. As a further protective step four of the offices were taken over of brokers in the Foreign Exchange Market whose former function ceased with the introduction of Exchange Control. These offices which were fully equipped with direct lines to the principal London banks were intended to be used in the event of the Bank's own Dealing Boards being destroyed. In practice, however, they were maintained and used for the purpose of collecting the day's reportings from the banks; and as the work was spread over them all, congestion in the Bank's Dealing Room was avoided. After the contraction of work in 1940 the number of offices so used was

reduced



reduced to two, and this arrangement continued in force until after the end of the war. Other air raid precautions were also taken and by means of duplicate statements, etc., sent out of the Bank each night to a place of safety, it would have been possible to reconstruct, at short notice, any records that might have been destroyed. The transfer of the Office to the Vaults has already been referred to, and during the nightly aerial attacks of the winter of 1940/41 it was found expedient to run the Office on a "shift" system. Except for a few key men, the staff of the Office was divided into two groups, each of which spent half the week at the Bank, sleeping beside their desks when their work was done, which was often not until nearly midnight. The one shift remained on duty until the other had arrived and in those days of constant travelling delays it was thus possible to maintain the efficiency of the Office unimpaired. The possibility of aerial attack more severe than that actually experienced, and of invasion, was considered and, with a view to avoiding the complete breakdown of the Control in all its aspects should the Bank be destroyed or London occupied, steps were taken to decentralise the work in case of need. The Glasgow Office\* of the Exchange Control came into being in June 1940, and as well as exercising "control" functions it was also able with the aid of banking facilities provided by the Royal Bank of Scotland to function as an almost independent dealing and accounting unit. Contact for the advising of figures for statistical purposes and the replenishment of currency accounts was established but was reduced to a minimum and could equally well have been maintained with a centre other than London. Preparations for the decentralisation of the work of the Office to other cities in the United Kingdom were made, but the need to put them into effect never arose.

#### Foreign Currency

For the first time the Bank were called upon to deal extensively in foreign notes and coin, their previous experience having been limited to a few transactions on behalf of their own customers.

\*See separate account in this chapter.

customers. From small beginnings it became necessary to employ a considerable number of staff to deal with such transactions, which whilst they were passed through the normal accounting machinery of the Office, also necessitated special books in which were recorded denominations, and such other information as the condition of the notes and their legal tender status in the country concerned. Some saving of time was made possible by the institution of weekly reporting and the opening of "deposit" accounts with the principal banks, as in the case of currency balances. In view of the severe restrictions on travel during the war the use of notes for ordinary purposes was not great and the very large turnover the Bank were called upon to handle arose from other causes, referred to elsewhere.

The German occupation of Western Europe, completed as it was in a matter of weeks, ruptured almost without warning banking relationships with the Continent. One consequence of this was that thousands of foreign exchange contracts due for settlement at or after the time the centres of payment fell to the enemy became incapable of fulfilment. In the 1914/18 war this situation was met by leaving the contracts in suspense until such time as settlement could be effected; the Bank was not then dealing in foreign exchange and the problem was purely one for bankers and merchants engaged in foreign business. In 1939, however, the Bank was directly concerned and at the end of May 1940 some 1,170 forward contracts in the currencies of the occupied countries were outstanding in the books of the Bank in addition to several hundred spot transactions, the fate of which was uncertain. As already explained, the Bank's books reflected only residual business and the number of individual foreign exchange contracts, the completion of which was interrupted by the events of that time, must have run into tens of thousands. A measure of clarification was urgently necessary, and in September 1940, after consultation with the Treasury, the Bank issued instructions which had as their object the cancellation of all outstanding contracts where it could be established that owing to war conditions no payment had taken place or could be expected to take place in the centre concerned. The

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"doctrine of frustration", as it came to be called, was an extension, into the realm of foreign exchange dealing, of the ordinary law of contract and it resulted in a measure of clearing up whilst the war was still in progress. A large number of contracts had, however, to remain in a state of suspended animation owing to uncertainty regarding the fate of payment orders. In anticipation of the end of the war the doctrine was further legally examined and more precise instructions issued to the banks as to the action to be taken when liberation of the centres concerned made it possible to ascertain what had or had not actually taken place. As part of the unravelling that took place when the war was over a reconciliation of the Bank of England's own accounts abroad necessarily involved <sup>much</sup> ~~more~~ work, which was further complicated by the introduction of blocking legislation in many of the countries immediately after their liberation.

#### Coupons

Another war time function of the Office was the handling of coupons and drawn bonds denominated in U.S. or Canadian dollars in the ownership of residents of the United Kingdom. This was effected under an arrangement lasting from 1941 until 1944 whereby the Bank were prepared to purchase and ship for collection in bulk to relieve holders of the risks attendant upon shipment and to ensure a maximum return from this valuable source of foreign exchange.

#### Bookkeeping

A milestone in the history of the Office was the introduction in August 1941 of an improved system of bookkeeping. This was made necessary by the expansion of the work and the desirability of using a recognised method of accounting intelligible to all, rather than that first introduced in 1931 and added to as the years passed, and only completely understood by those who had long experience of the Office. Again, in February 1943, some reorganisation and speeding up of the work was necessary in order to give effect to the decision to make market usance two instead of three days - the period fixed in September 1939. Another feature

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worthy of note was the growing disuse of the currency draft as a means of payment: such documents were particularly susceptible to loss under war-time conditions. Mail and cable transfer therefore became the normal and accepted method of transacting foreign exchange business; and this was one of the symptoms of the changed character of dealing in foreign exchange brought about by the war. The introduction of Special and Registered Accounts, which facilitated a resumption in the use of sterling as a medium of payment, the substitution of buying on Government account for private merchanting and the coming at a later stage of Lease-Lend were the principal factors, apart from the invasion of Western Europe, in the reduction of the number of foreign exchange transactions handled during the middle period of the war. Various Ministries used the Bank's services to open credits abroad; details of the expansion of the work and staff of the Credits Section which handled these operations are shown in <sup>Annex</sup> Appendix B.

The scope of the demands made on the Bank was very wide and every phase of the war was reflected in the work of the Office, from the abortive attempt by General de Gaulle's forces to land at Dakar in 1941 to the successful Allied landing on D-Day. In the latter connection the bulk of the work of providing the currency requirements of the invading armies, although undertaken by the Bank was not the direct responsibility of the Office but of a special panel created for the purpose; however, a number of the staff of the Office were employed on this panel. From small beginnings the provision of foreign exchange for "special purposes" became a distinctive war-time function of the Office and at times a major pre-occupation.

Liaison with the Government Departments concerned was established and special arrangements made to simplify exchange control procedure and facilitate transfers of currency and sterling in cases where considerations of speed and secrecy were of the highest importance. The provision of foreign notes - often those of enemy-occupied countries - was one of the features of this work  
and the

and the Bank were called upon to exercise considerable ingenuity in devising methods of procurement. Unusual and unorthodox methods had often to be employed and excursions into strange markets were frequent.

Although the biggest increase in the work under this heading was on behalf of Government Departments, the Bank became involved after the fall of France in 1940 in a large amount of work for the foreign governments that found refuge in the United Kingdom. Amongst the simpler operations carried out on their behalf was the transfer of funds for the payment of their diplomatic representatives abroad but in addition, especially where those who were shipowners or gold and dollar producers in their colonial empires were concerned, ~~we~~ <sup>the Bank</sup> were called upon to engage in a variety of complicated transactions including those involving gold or dollar reimbursement in respect of hard currency payments made on their behalf.

Special facilities were also made available to the U.S. Forces during their stay in this country. Quite apart from their military requirements it was found necessary to simplify, as far as possible, their private transactions; special arrangements were made for the exchange of dollar notes, the opening of American Accounts and the encashment of dollar drafts, in many cases without loss of exchange. In these arrangements the Dealing and Accounts Office was called upon to play a very large part, especially where U.S. notes and coin were concerned.

The work of the Notes Post reflects very clearly this increase in the volume of work on behalf of customers, and of Government Departments in particular. In the early days of the war the principal demand was for notes for travellers and when, as a result of the events of the summer of 1940, practically the whole of the Continent became inaccessible, the volume of business under this heading became almost negligible. Notwithstanding, as the figures given in Annex "C" clearly show, the work of the Notes Post increased by leaps and bounds. The figure of 30,000,000 notes counted in the year ended 30th June 1945 included 12,000,000 arising from the transfer of the "stock" of foreign notes from the Issue Office, but  
the remainder

the remainder resulted from a wide variety of transactions in the European theatre of operations to the provision of "purses" of foreign notes for allied airmen flying over enemy territory.

A special strain was often thrown on those responsible for this side of the work by the many orders which had to be executed with the utmost urgency and because, in view of the uses to which the notes were subsequently put, it was necessary to sort them, not only according to issues and denominations, but also according to whether they were old or new, clean or dirty, marked or unmarked, etc.

Periodically, large special operations were necessary when ~~the~~ <sup>the Bank's</sup> stock of any particular notes became too large and repatriation to the country of issue became necessary. With the liberation of Europe and the restoration of trade the pendulum swung the other way, and from 1945 onwards ~~the~~ <sup>the Bank's</sup> main preoccupation was with the new note issues of the liberated countries and the provision of business and holiday travel requirements.

### Gold

On the 4th September 1939 the London Bullion Market was closed; it reopened on the following day, quoting only the Bank of England's official buying prices for bar gold and gold coin, which prices were based on the outturn of gold shipped to New York. As a result of the requisitioning under the Defence (Finance) Regulations of resident-owned gold, there ensued a considerable flow of metal into the Bank, mostly through the medium of the Authorised Dealers in gold appointed in accordance with the provisions of the Defence (Finance) Regulations.

Following the German invasion of France and the Low Countries, there was a period of intense activity due to the urgent need (in view of the possibility of invasion of this country) of moving the bulk of E.E.A. and customers' gold held in London to New York and Ottawa. By utilising every available opportunity in the way of naval vessels and liners the position at the beginning of 1941 was that of the gold which would normally have been held in

the Bank

the Bank only approximately £10 million out of a total of approximately £220 million remained, the urgency being regarded as so great that shipments of as much as £40 million at a time were made on one vessel; consignments were invariably accompanied to the ports by representatives of the Bank\*.

From 29th May 1940 the Bank of England ceased to earmark gold in specific bars and regarded their customers' holdings as being represented by the equivalent number of fine ounces. The new system enabled all work connected with the handling, transport and holding of gold to be effected with considerably greater despatch and the benefits were found to be so considerable that the system was continued after the end of hostilities.

Another consequence of the invasion scare was that non-residents holding gold in the U.K. were anxious to export their holdings to places of greater safety. The U.K. authorities were not prepared, however, to allow such exports owing to the possibility of the gold subsequently coming into possession of the enemy. In order to meet the many requests received for permission to export non-resident-owned gold, however, a scheme (known as the "Foreign-Owned Gold Scheme") was drawn up whereby non-residents were enabled to lodge their gold with the Bank of England for shipment to the Bank of Canada, Ottawa. The gold was then to be held by the Bank of Canada in safe keeping in the name of the Bank of England who had undertaken, under the terms of the Scheme, to hold the gold at the disposal of the individual beneficiaries one month after the expiry of the Emergency Powers (Defence) Act 1939. A deduction of 5% was made from the gold deposited by the beneficiaries to cover the expenses of shipment to Ottawa. <sup>155</sup> Deposits <sup>were</sup> received under this arrangement, ~~totalled 155~~, valued at approximately £4½ million.

### Silver

In 1941 the Bank took over the responsibility for the purchase and sale of silver on behalf of H.M. Treasury, including the marketing of Indian silver which was formerly carried on by the

India

\*See also Chapter on "Gold".

India Office. All purchases abroad were shipped to London and eventually sold either to the Mint or the Market to meet their respective requirements.

It became increasingly difficult to meet the demand for silver by purchases abroad and accordingly it was decided to put in a requisition for Lend-Lease supplies. After considerable discussion with the American authorities, agreement was finally obtained to the supply of silver under the terms of Lend-Lease on condition that it was repaid ounce for ounce within five years of the President's Declaration of the Termination of the state of urgency. No payment was made for this silver but the proceeds of its sale were paid over to the Exchequer. In all, a total of approximately 88 million ounces of Lend-Lease silver was received\*.

In early 1942 the Bullion Dealers found that the stocks of gold from which they had been supplying industry were nearing exhaustion, and ~~consequently~~ <sup>but</sup> it was arranged the Bank should release sufficient gold from Treasury stocks to meet their requirements for essential purposes, subject to quarterly returns being made showing the uses to which the gold had been put.

In 1943, jointly with the Americans, a programme of gold sales in the Middle East and India was initiated, the primary object of which was to "mop up" surplus purchasing power in the countries concerned. <sup>the U.K.</sup> ~~This country~~, because of its greater proximity to the countries concerned, agreed to supply the whole of the necessary gold in the first place. Reimbursement in respect of the proportion of the gold deemed to have been sold on American Account was effected by the Americans setting aside the appropriate amounts of gold in New York for the Bank's Account.\*\*

This programme called for the shipment of a considerable amount of gold. The bulk of the shipments were made from London and the increased work in connection therewith necessitated the formation of a special sub-section on the Gold Post dealing entirely with shipping. It was decided that all shipments should be accompanied by a Bank representative until loaded on board,

necessitating

\*See also under "Silver" in part IV.

\*\*See also "Gold: Appendix".



necessitating on numerous occasions the use of borrowed staff. The most insistent demands for gold came from India and the total shipped there from London amounted to approximately £64½ million, all of which arrived safely with the exception of one consignment valued at approximately £420,000 lost by explosion in Bombay Harbour; some of this consignment <sup>was subsequently</sup> ~~having since been~~ recovered. The Middle East centres were mostly supplied from stocks held in Cairo which were replenished from time to time by shipments from other centres. The total amount of gold sold under this programme amounted to approximately £74 million.

In addition to the amounts of gold set aside for our account in New York as a result of this programme, we acquired further amounts in New York by the sale of dollars, surplus to our requirements, (accruing mostly as the result of U.S. expenditure in this country). The whole of the gold arising from these two sources amounting to approximately £170 million was, with the exception of a consignment valued at approximately £240,000 lost as the result of a collision in the North Atlantic, shipped home safely from New York during 1943 and 1944.

It is of interest to record at this stage the decision taken at the outbreak of war to cease insuring shipments of E.E.A. gold, a decision taken as a result of the Government's action in underwriting War Risks through the War Risks Insurance Office. This arrangement was also applied to customers' gold shipped at the risk of H.M. Treasury and, in all, a total of £1,282 million was shipped uninsured during the war period. Of this total three consignments totalling approximately £2.6 million were lost, of which approximately £2.0 million <sup>was</sup> ~~was~~ eventually recovered. It is estimated that a sum of approximately £60 million in premiums was saved as a result of this policy, a policy which has been followed since the cessation of hostilities.

In addition to the sales of gold under M.E. & I.

programme

programme, the Bank were called upon to supply sovereigns in the Middle East and elsewhere for "special purposes". Such purposes included the supplying of raiding forces, the provision of "iron rations", and subversive activities generally. The bulk of these sovereigns <sup>was</sup> ~~were~~ distributed from Cairo and supplies in that centre were replenished to a large extent by means of exchanges effected with the National Bank of Egypt of bar gold for sovereigns.

So far as work in connection with Exchange Control requirements was concerned, there is little to report for the early part of the period, activity being mostly confined to dealing with applications made by non-residents to sell gold held in London. In 1941 this type of work was extended to include the consideration of applications made by non-residents who had not taken advantage of the Foreign-Owned Gold Scheme for the export of gold held in London. Later on in the period consideration of applications for import and export licences for silver and of export licences for semi-manufactured gold was also made the concern of the Gold Post.

Towards the close of 1945 a scheme was initiated for the rehabilitation of the gold industry of the country by the release to the manufacturers of a "float" to be used for the manufacture of articles for export. The scheme was to be administered through the Authorised Dealers and, on proof of exportation, the amount exported was to be replaced ounce for ounce together with a 50% bonus. This scheme of course underwent considerable modification in the post-war years.

Although concerned mainly with the purchase and sale of foreign exchange and gold, the Office, ~~by reason of the fact that~~ <sup>because</sup> all operations affecting the Exchange Equalisation Account must pass sooner or later through its books, was involved in some degree with transactions outside its normal scope, <sup>and</sup> ~~which were~~ more particularly the concern of other offices. For example, one type of transaction envisaged when the Account was first opened, that of

\* See also Gold "Appendix . . . . ."

## ANNEX "A"

## STAFF BY MAIN SECTIONS (WITH NO. OF F.E. TRANSACTIONS).

Date	Principals	Routine Signatories	Dealers	Sub Offices	Gold Post	Credits	Books & Statements	Checkers	Notes (c)	Correspondence & Instructions - Staff	Accounts	Hollerith Section	Total	Average weekly (e) turnover of transactions
Planned	2	-	5	9	7				25			-	48	-
19.9.39	2	-	7	12	6	-	5		2	15	14	-	63	(d)
24.6.40	2	4	7	15	6	4	5		5(b)	22	33	-	103	(d)
30.6.41	2	3	6	15	5	10	9		5(b)	22	25	-	100	1,672
30.6.42	2	3	5	10	5	13	9		4(b)	21	17	-	89	1,643
30.6.43	2	3	6(a)	8	5	19	3	5	4	18	12	6	91	1,411
30.6.44	2	3	8(a)	7	9	22	3	4	12	14	10	5 (training)	99	1,393
30.6.45	3	3	6(a)	8	5	22	3	3	12	15	11	6	97	1,461

(a) Includes one clerk on "special duties" attached to Senior Dealer.

(b) Drafts work also undertaken by this Section; subsequently transferred to Correspondence Post.

(c) Staff borrowed for special counting operations excluded.

(d) Detailed statistics not available. As an indication, the no. of daily transactions rose from 204 on 5.9.39 to 660 on 1.4.40 after which there was a sharp fall owing to German invasion of Western Europe.

(e) Excluding transactions arising from partial deliveries under forward contracts. In the year ended 30.6.45 - the first for which figures are available - these averaged over 300 a week.

## ANNEX "B"

## CREDITS

## New Credits Established and Increases Advised

## Payments made

	New Credits Established and Increases Advised					Payments made					No. of Staff								
	£	Can\$	US\$	Other Currencies	Total	£	Can\$	US\$	Other Currencies	Total									
Half year ended 30.6.41	81	35	107	9	212	114	69	20	9	315	367	422	37	1,141	619	441	63	19	10
Year ended 30.6.42	1,385	96	68	24	1,573	1,462	56	30	25	4,317	3,331	846	74	66	13				
30.6.43	1,516	105	13	17	1,651	1,557	65	9	20	6,553	1,359	66	154	8,132	7,015	1,016	40	61	19
30.6.44	2,683	113	8	8	2,812	2,758	32	-	22	11,833	710	200	24	12,767	12,148	448	-	171	22
30.6.45	2,569	122	9	30	2,830	2,747	67	-	16	13,646	637	146	79	14,508	14,138	232	-	138	22

## ANNEX "C"

## NOTES

	No. of transactions affecting Notes Post	No. of Notes counted
Half year ended 30.6.41	973	under 700,000
Year ended 30.6.42	2,847	1,581,931
30.6.43	4,503	4,649,365
30.6.44	5,690	7,147,539
30.6.45	9,936	30,003,452

Regulations General OfficePeriod 3rd September 1939 - 28th February 1941

Although the Regulations General Office did not become a separate entity until 1st March 1941, it had its roots in the General Section of the Exchange Control Office which was formed at the outbreak of war.

In a highly industrialised and trading country and international financial centre such as the United Kingdom it was to be expected that the introduction of Exchange Control would give rise to innumerable problems. Apart from the registration of foreign securities and the dealing and book-keeping side, which were the concern of other offices of the Bank, the initial problem faced by the Exchange Control Office was the answering of a vast number of enquiries as to the general application of the Defence (Finance) Regulations. The duty of handling these enquiries and of dealing with applications to make payments abroad in foreign currency and sterling, to open acceptance credits, to export bank notes, foreign currency securities or gold and for exemption from the obligation to surrender specified currencies and gold <sup>- all this</sup> was allocated to the General Section, which was divided for this purpose into two main parts, dealing with correspondence and forms respectively. These parts were again subdivided to provide a certain amount of specialisation.

The original staff consisted mainly of men drawn from various offices of the Cashier's Department who had had some previous experience of foreign exchange or of the Overseas & Foreign Department as it then was. From the outset, however, they were augmented by temporary clerks recruited from members of the Foreign Exchange Market, who were available owing to the closing of the Market and who, by virtue of their particular experience, were of great value in the administration of the Regulations. The pressure of work was very heavy from the start and the staff had to be steadily reinforced, not only by temporary clerks but also by the transfer of men from other offices of the Bank, notably from the Accountant's Department. The benefit of this expansion of  
staff

staff was, however, more than offset by the increase in the work caused by the steady tightening of the Regulations during the following months.

The Russo-Finnish War, the over-running of Norway, France and the Low Countries, the introduction of the system of "canalised" sterling payments which necessitated entirely new methods of financing international trade, the imposition of the ban on the import of sterling notes, the blocking of certain types of transfer to non-residents, all created problems which brought large numbers of enquiries by letter and otherwise to the General Section. Wherever possible, powers were delegated to the banks to enable them to authorise applications falling within clearly defined limits. The increasing self-reliance of the banks in taking advantage of these powers and the policy of dealing with the public only through their bankers, helped materially in reducing the number of cases referred for decision. Nevertheless the period was one of long hours for the staff and several of the senior members averaged 65-70 hours per week, with fire-watching duties in addition.

#### The Formation of Regulations General Office

As seen earlier in this chapter, on the 1st March 1941 the Exchange Control Office was reorganised as a sub-department of the Cashier's Department and the work of the General Section, except that concerned with Acceptance Credits and the issue of Certificates C, was taken over by the Regulations General Office. It was necessary to make only minor adjustments in the organisation of the General Section in order to form the office, the organisation and functions of which are set out in Annex A. The new office dealt, not only with the aspects of the Regulations with which it was directly concerned, but also with all general matters and was, furthermore, the centre for both inward and outward mail for the whole department. Details of a slight reorganisation of the office which occurred later in the year 1941 are also given in Annex A. The purpose of this adjustment was to reduce the work of the senior men, who were overloaded, by inserting new grades of signatories to deal with the less difficult cases. No important

Change

change of this kind took place throughout the rest of the war.

The Work of the Regulations General Office.

Figures in Annex B give an indication of the volume of the work of the office during the war years; the main reasons for the changes in the volume are given below.

1941 The decline in the number of applications by form was probably due to international events and the increase of bulk buying by the Government. This decrease was, however, offset by the increase in the number of letters and the greater complexity of the cases.

Changes in the Regulations and modifications of administrative practice aimed at tightening the control brought added work to the Office. Powers were taken to control the sterling assets of persons formerly resident in the United Kingdom and of persons who escaped from enemy-occupied territory and settled outside the Sterling Area.

1942 When large contingents of U.S. Forces arrived in the United Kingdom it became necessary to provide special banking and remittance facilities for them, to give individual authority to open many thousands of U.S. registered accounts in their names and to examine returns supplied by the banks of large numbers of credits to these accounts involving other than the accountholders' pay and allowances. During this year the Office dealt with applications for remittances, principally to Canada, in respect of some 1,500 adults and 6,500 children who had <sup>been</sup> evacuated from the United Kingdom mainly because of the fears of a German invasion and, to some extent, with official encouragement. [See also "Evacuees"]

1943 During 1943 the volume of work was considerably reduced. Probably the most important causes were bulk purchasing by Government Departments, Lease Lend and the greater experience of the banks, which led them to use their delegated authority more fully. In October 1943 owing to the temporarily improved dollar position (largely the result of the presence of American troops) concessions were introduced in connection with the transfer abroad of certain capital

capital items which had hitherto been blocked. R.G.O. dealt with the applications for the release of the blocked funds of ex-enemies and others (which, however, were not as numerous as had been expected). During the year the Office took over two tasks from the Trade & Payments Group of the Overseas & Foreign Office, namely, the administration of Special and Spanish Accounts and the applications for shipping payments on account of the Norwegian Shipping & Trade Mission. The change-over did not cause a great increase in the work. The number of traders' accounts, e.g., foreign agents' commission accounts kept by merchants in their books, all of which required supervision by R.G.O., increased steadily during the year.

1944/45 The main feature of the year 1944 and the first half of 1945 was the liberation of Allied Territories and the end of the war. These events affected the R.G.O. in two main directions: the relief of the population of the liberated countries and the resumption and development of commercial relations with those countries. The re-establishment of full banking facilities with Belgium in October 1944 and with France in March 1945 naturally resulted in numerous enquiries relating to trade with those countries and to the sterling accounts of persons resident or formerly resident therein.

As firms began to prepare for their normal peace-time activities, an increasing number of applications were made for expenditure abroad on e.g., advertising, the establishment or reopening of agencies, branches or subsidiary companies, business travel or holding stocks abroad.

#### Staff

As might be expected, the technical nature of the work called for a more than average degree of intelligence and initiative among the staff, and in the R.G.O. it became necessary to build up a team of technicians with considerable weight at the top. It was essential for newcomers to the Office to gain "background" before they could become really productive, whilst new "Signatories" could not be created until they had had a very considerable experience of the work.

Early in 1942 a Course of Instruction was held to train clerks from other offices of the Bank as Authorisers of Sterling Transfer and Currency Forms. The "school" was conducted by one of the more experienced temporary clerks and was most successful. Further courses were arranged later to impart the general principles underlying the administration of the Regulations to as many clerks as possible, not only to the existing staff of the Control but also to new entrants drawn from other Offices of the Bank. Altogether eight courses had been held by the end of the war, attended by 155 students, most of whom were successful in passing an efficiency test.

In August 1942, R.G.O. (in common with all other Control Offices) took over from the Staff Register Office the various duties relating to internal staff management. One of the Assistant Principals was made responsible for the general administration, welfare and day-to-day movements of staff. This system worked well, ensuring the maintenance of that liaison between Principals and Staff so necessary for the smooth running of a large office.

#### Prohibition of the Import (& Export) of Bank Notes

Import Regulation 2B of the Defence (Finance) Regulations, introduced on 21st August 1940, prohibited the import into the United Kingdom of notes which were legal tender in the U.K. or any part of it: the Regulation applied to Bank of England notes and to the notes of the banks of issue in Scotland and Northern Ireland.

The primary object of this ban was to prevent the enemy benefiting from the large stocks of sterling notes (variously estimated at £10/£20 million and mainly of high denominations) which were known to have been held in countries then in enemy occupation. It also had the incidental effect of improving the efficiency of the Exchange Control, by preventing the settlement of sterling debts by the remittance of notes.



Exemptions were made in respect of the following notes, which could be freely imported into the United Kingdom:-

- (a) notes coming from Eire;
- (b) notes up to a maximum of £10 per person brought into the U.K. by travellers otherwise than from Eire;
- (c) notes in transit to the U.K. before the introduction of the Regulation;
- (d) notes in transit to the U.K. from certain countries (listed on the back of F.E.85) up to six days after the introduction of the Regulation.

Other notes entering the U.K. were liable to seizure and possible forfeiture. In order to maintain the value of sterling notes circulating in the Sterling Area, however, credit was given for such notes sent to the U.K. by the authorities of other Sterling Area countries, who were obliged to introduce restrictions on sterling notes more or less similar to those in force here.

The total imports of bank notes permitted between August 1940 and the end of September 1942 amounted to £2,534,528, or only about half what was expected. It represented about 3,000 individual applications, of which approximately a half came in the first few days after the introduction of Regulation 2B. The Treasury were most anxious not to penalise any holder who could give reasonable evidence of pre-zero ownership. In value the greater part of the notes came from the U.S.A. and Canada, Switzerland, Greece, Portugal, Brazil and China.

The Censorship control was by no means watertight: only 50% of the mail was then examined, while the Customs and Immigration Authorities, experienced as they were, had a difficult job. Import control was therefore incomplete.

Censorship control in the early days provided most of the work. This was partly because people ignored the terms of the Control's Notice (F.E.85) and sent their notes direct to their bankers in the U.K. instead of through a bank abroad. In such cases the Bank were generally prepared to release the notes to the addressee on application.

The Treasury agreed not to stop notes of up to £2 in value found in mail addressed by individuals abroad to individuals in the U.K. In all other cases the Censorship extracted the notes and replaced them with a slip informing the addressee that they had been seized under Regulation 2B.

When the amount seized was less than £25, the slip inserted by the Censorship indicated that the sender might apply to the Bank of England for the return of the notes. The Censorship then sent the notes to the Bank with a photostat copy of the covering letter. If the sender subsequently applied for the notes and the Bank agreed to release them, they were returned to him by registered post, uninsured, and the Bank declined to entertain any subsequent claim for them except such as could be made on normal banking grounds under suitable indemnity. Credit was never allowed to an account in the U.K. as an alternative to the return of the notes to the sender.

The photostat letter frequently gave a clue to the circumstances in which the notes were obtained or the intentions of the sender, and thus helped to decide whether they should be released,<sup>returned</sup> or impounded. If the Bank were satisfied that the sender had deliberately attempted to evade the Regulation, the case was referred to the Treasury, who usually decided to impound the notes. Most senders appeared to act in ignorance of the Regulation, however, and usually had their notes returned. Even where the notes appeared to have been purchased on the "black market" this fact alone was not considered sufficient grounds for impounding them.

In May 1942, in an effort to reduce the work, the Bank agreed with the Treasury to try the experiment of extending the administrative concession covering personal remittances from £2 to £10 for a period of six months. Notes sent as subscriptions to war charities were also admitted. From August 1940 to May 1942 £9,600 had been exempted under the £2 concession, of which £892:10: - in the last three months of the period. In the three following months £863 was allowed in under the £10 concession.

These figures showed that the experiment was justified and it was therefore decided to continue the practice.

There was a fairly large number of outstanding cases where senders had not applied for the return of notes, or had presumably not received notice of seizure. In such cases, where 12 months elapsed and no application or correspondence was received concerning the seizure, the impounding of the notes was usually authorised by the Treasury under conditions which provided for the case being re-opened should fresh evidence be received.

Sterling notes brought in by American troops were not regarded as a serious leakage. The circumstances in which such troops were drafted made it difficult for them to buy sterling notes before they left, and the American authorities co-operated by warning them that severe penalties would be inflicted for smuggling.

The exemption of notes imported from Eire was always a potential loophole and an instance arose after the trans-Atlantic air service to and from Foynes was opened. Most incoming passengers by this route changed planes at Foynes and came to the U.K., and there seemed to be some doubt as to whether they should not be treated by the Immigration authorities as passengers from Eire and allowed to bring in as many notes as they liked. This loophole was closed by S.R. & O. 2448 (1 Dec. 1942).

The usefulness of the Regulation was not of course to be measured by the small total amount of notes dealt with, but by its success in keeping the large amounts of enemy tainted notes out, and the figures appeared to show that the control had been effective.

The discount on "High Sum" notes remained very high, but £1 and 10s. notes, which could be used on board ship, rose in value in New York from \$1.80 to 3.80/90. Ships were not allowed to accept "High Sum" notes. The discount in the other principal foreign markets, Zurich and Lisbon, was about twice as high as in New York.

One problem was to prevent the illegal export of capital in note form. This could have been done either by a completely effective Export Control, or by making sure that there would be no market for the notes abroad. The only way of doing that seemed to be to make it impossible for such notes to re-enter the U.K.

There were only a very few prosecutions under the Regulation, and one under the Smuggling Laws.

High Sum notes presented an easy means of taking large sums out of the country in small bulk, and in April 1943 \*the Bank discontinued the issue of notes of any denomination over £5.

The Committee on Exchange Control Practice was somewhat concerned at the arrangement under which notes could be imported from Eire without limit. What was there to prevent the German Minister in Dublin from importing notes into Eire by diplomatic bag and then re-exporting them to the U.K.? The answer was that the Eire Ministry of Finance appeared to be quite trustworthy and gave satisfactory assurances. It was in any case impossible to control the border between Eire and Northern Ireland, and there was nothing to prevent an Embassy in the U.K. from importing notes in its diplomatic bag.

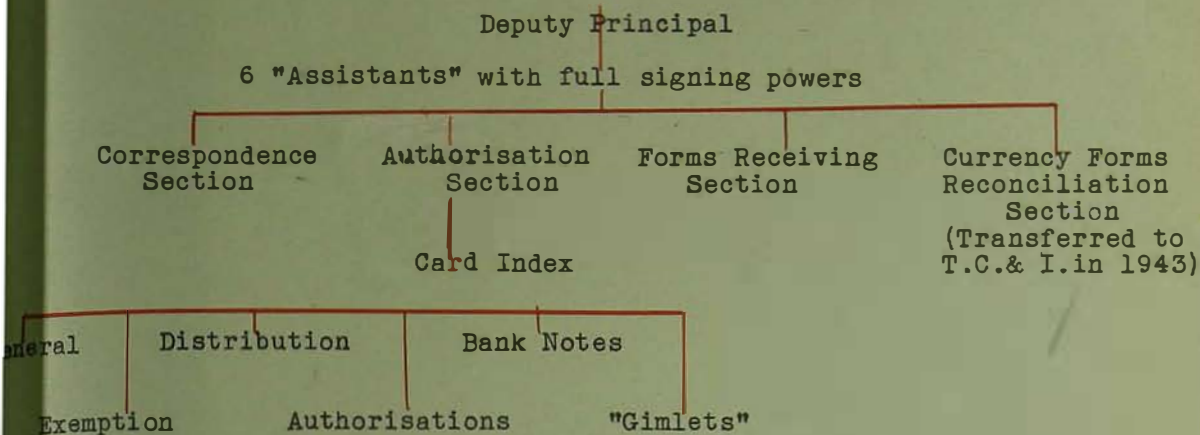
#### Export

This was a relatively simple matter. The export of bank notes (and of postal orders, gold, securities and foreign currency) without Treasury permission was prohibited by Regulation No.3 of the 3rd September 1939. In practice travellers were allowed to take out £10 in bank notes for their current expenditure.

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\*Court 22 April 1943.

ORGANISATION AND FUNCTIONS OF THE NEWLY-FORMED  
REGULATIONS GENERAL OFFICE, 1st MARCH 1941.



Principal Functions

Principal and Assistants

Interviewing individuals and representatives of firms, dealing with cases put forward by and for reference to Government Departments and dealing with numerous telephone calls. Signing all letters.

Correspondence Section

Distribution The opening and allocation of all mail addressed to the Control, and the despatch of the "Post" of all Offices of the Control (with the exception of the Securities Registration Office).

Exemptions Applications for exemption from the surrender of specified currencies and the registration of restricted securities.

Authorisations Enquiries relative to the purchase of foreign currency and the transfer of sterling abroad (as distinct from the lodgment of the appropriate forms).

Bank Notes Claims in respect of seized Bank Notes.

General The determination of residential status. The bearing of residential status on applications for permission to open Sterling Area Accounts. Enquiries relating to loans and overdrafts. Many requests for advice in connection with all types of sterling accounts, special operations thereon, the treatment of exceptional cases and, in particular, ~~some~~ companies

wishing

wishing to know what effect the introduction of new Regulations would have on their own financial arrangements and the adjustments which would be necessary.

"Gimlets" Enquiries relating to certain types of special business, e.g., films, cotton, oil, shipping and insurance.

#### Authorisations Section

Applications on the prescribed forms for the purchase of foreign currency or the transfer of sterling to foreign account. A card index giving details of the applications received was maintained.

#### Forms Receiving Section

Received the forms mainly over the counter and kept track of them until handed back to the lodging bankers.

#### Reconciliation Section

Acted as a link between the Dealing Room and the Statistics Office and reconciled the purchases of foreign exchange against the forms authorised.

The staff consisted of:-

37	Permanent Clerks (Men)
93	Temporary Clerks (Men)
<u>44</u>	Women Clerks
174	
==	

Reorganisation

Reorganisation later in 1941

- Principals - Administration and general signatories.
- 1st line Signatories - General signatories and <sup>have</sup> responsible for individual sections.
- 2nd line Signatories - General signatories.
- 3rd line Signatories - Restricted signatories, i.e., signing powers, <sup>those whose</sup> restricted to work of particular sections.
- Gimlets - Preparation of summaries of difficult cases for submission to higher authority.

## Sections

Distribution General Exemptions Bank Notes Forms Lodgment Authorisation Reconciliation  
 (Transferred to T.C. & I. in 1943)

The numbers of Staff were then:-

Permanent Men	43
Temporary Men	83
Women	<u>50</u>
	176
	<u><u>        </u></u>

Period	Average Number of Staff	Total Output of	
		Forms	Letters
1939 rd Sept.-3rd Oct.	47	15,647	4,000
1940 months to Feb.1940	91	123,300	17,000
" " Aug. "	133	175,200	18,500
1941 months to Feb.1941	146	105,100	21,500
" " 30th June	146	99,086	28,392
" " 31st Dec.	176	89,788	43,215
1942 months to 30th June	183 (47 Permanent Men (82 Temporary Men (54 Women	81,561	47,389
" " 31st Dec.	183	75,181	48,612
1943 months to 30th June	163 (39 Permanent Men (81 Temporary Men (43 Women	70,790	40,427
" " 31st Dec.	163	74,013	37,952
1944 months to 30th June	157 (43 Permanent Men (75 Temporary Men (37 Women	77,121	37,729
" " 31st Dec.	157	89,295	31,847
1945 months to 30th June	168 (37 Permanent Men (83 Temporary Men (48 Women	137,608	46,736
" " 31st Dec.	168	143,738	68,019
1946 months to 30th June	202	179,194	89,597



Export Permits Office

When the Defence (Finance) Regulations were introduced it was envisaged that control over the export of goods would have to be instituted if financial control were to be complete, and if exports were to earn the maximum amount of foreign currency needed for the war effort. It was, however, considered that the immediate imposition of full export control would throw too great a burden on industries already severely dislocated as a result of the war.

The Export Licensing system of the Board of Trade provided some measure of safeguard against the export of capital in the form of goods because licences were not granted for other than prima facie commercial transactions; but it did not require the exporter to obtain foreign currency for his goods. With this latter object in mind consideration was given to requiring exporters to invoice in foreign currency, but it was finally decided that the resultant changeover would be too drastic, particularly for small traders not familiar with foreign exchange practice: it might also have shaken confidence abroad in sterling. It was therefore agreed that a Regulation should be introduced which would require buyers in certain countries to pay for their imports from the United Kingdom either in foreign currency or in sterling acquired through approved channels at official rates.\*

From time to time the Treasury made orders under the Regulation covering exports to most non-enemy countries outside the Sterling Area, and in April 1941 the scope of the Regulation was extended to give H.M. Customs powers over goods despatched from any part of the Sterling Area irrespective of the date of export, provided that a resident in the United Kingdom had power to dispose of the goods.

The task of administering this Regulation was shared between the Export Permits Office and H.M. Customs, the former being responsible for ensuring compliance with the financial provisions and the latter for the correct valuation of the goods and the receipt  
within

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\*Regulation 5B: cf. chapter on Defence (Finance) Regulations.

within six months of the full sales proceeds.

Control under Regulation 5B was, with certain exceptions, exercised by means of Form C.D.3 (originally C.D.1). Exporters were required to complete for every shipment a Form C.D.3 in duplicate. On this they had to state the name and address of the seller or consignor; of the buyer or consignee; the nature of the goods; the amount and mode of payment and when it would be received. The Customs kept the original and returned the duplicate to the exporter, who retained it until he received payment for the goods. The duplicate, accompanied by a certified copy of the relative invoice or accountsales, was then presented to the exporter's bankers, who certified thereon the amount of the payment and manner in which it had been received. The certified duplicate and supporting documents were then sent to the Export Permits Office for examination. That Office checked the validity of any deductions made from the sale proceeds by the remitter which were not in respect of normal disbursements, and satisfied themselves that the method of payment and bankers' certification were in order. They then passed the certified duplicate to the Customs, where it was attached to the original of the Form, and when the Customs were satisfied that the goods were correctly valued the Control procedure was complete.

This was the normal procedure, varied to meet the needs of particular trades and methods of trading. The most important variation of procedure was perhaps that for goods shipped on consignment, where it was either impossible or impracticable for the exporter to identify payment with any particular shipment. In approved cases of this nature special arrangements were granted. Under these arrangements exporters were allowed to account for the disposal of the goods and the receipt of sale proceeds by periodic statements supported by documentary evidence; a reference number was given for incorporation in the Form C.D.3. The statements were submitted through the exporters' bankers, accompanied by certification that any remittances specified had been received through the proper channels. These statements were designed to give the Bank and the Customs full particulars of all stocks held abroad and of all trading operations in connection with their disposal.

Special

Special arrangements were originally instituted by the Export Permits Office but were later left to the Customs because of their powers of entry to the trader's premises where, if necessary, transactions could be checked against the exporter's books. The Bank's function in these transactions was the examination of periodic statements in order to ensure that proceeds of sale were not being used for unauthorised purposes, and to verify that the net amount received had been remitted in an appropriate manner. A progressive record of each case was kept for statistical purposes. After examination by the Office the statements were sent to the Customs, who carried out their valuation check. Varying forms of special arrangements were also devised to meet the difficulties of particular trades, e.g. Rubber, Tin and Coal Bunkering.

In addition to verifying the receipt of payment for goods, the Export Permits Office were responsible for granting exemption from the requirements of Regulation 5B. This branch of its activities covered a very wide field, including all cases where shipments were made without return of part or all of the payment. Among the types of cases dealt with were the export of samples by traders, the despatch of household and personal effects of persons taking up residence abroad, maintenance supplies and equipment sent to mines and estates owned here but operated abroad. In addition the Bank received numerous applications from individuals, firms and associations for permission to send gifts abroad. In the earlier days of the Control gifts of goods were seldom permitted, but about 1944 the supply position was somewhat easier and it was possible to be more lenient.

Although at first it was not practicable to allow exporters to offset sums due for export against funds owing to overseas buyers, they were later allowed to do so where the offsets did not conflict with the provisions of existing Payments Agreements with the importing countries. The offset of imports against exports presented considerable administrative difficulties, but arrangements were eventually made to allow this procedure in a few approved cases, subject to the submission of periodic accounts. In principle it was considered

considered undesirable to insist on the remittance of full proceeds and subsequent retransfer of funds where this could be avoided within the framework of Exchange Control procedure. As an interesting illustration of this, in 1941 the number of consignments lost in transit as the result of enemy action became so large that a standardised procedure was instituted for clearing the relative Form C.D.3 against proceeds of insurance claims. During the year ended June 1943 over 11,000 Forms were discharged under this procedure; the number fell to 6,000 in the following year and to 2,000 in the year ended June 1945. These figures reflect the initial success and final failure of the U-boat campaign.

Where exports from other parts of the sterling area were financed in the United Kingdom, a duplicate of the form completed in the exporting country was forwarded to the U.K. intermediary concerned for certification and submission to the Bank in accordance with normal C.D.3 procedure. The Export Permits Office took action - in conjunction with the Customs where necessary - if confirmation of the receipt of payment was not forthcoming within six months from the date of shipment. In 1944 all Colonial territories were requested to furnish the Bank with advices of shipment on behalf of United Kingdom intermediaries. Complementary arrangements were made where goods were exported from the United Kingdom and paid for to some other part of the sterling Area.

It was the practice of the Office to work closely with H.M. Customs in all matters relating to Export Control, and the Customs gradually took over certain of the work, which at the outset was handled by the Office, in connection with the checking of disbursements and supervision of special arrangements. Close liaison was also kept with the Export Licensing Department regarding all matters concerning it, particularly the export of jewellery, furs, and personal valuables, all of which were dealt with by a special committee set up by the Board of Trade.

Regulation 5B and the procedure necessary to observe it proved sound in principle and simple in operation. The main weakness was that Form C.D.3 was not then an actionable document, and sanctions against persons committing breaches of the Regulations were largely

largely confined to the prohibition or restriction of further exports.

The Office maintained a statistical record of all amounts received, subdivided under countries, currencies and commodities. ~~The proceeds, in specified foreign currencies and~~ ~~The following graph shows, in terms of sterling, the~~ ~~proceeds of United Kingdom exports to countries outside the sterling~~ ~~sterling, of exports from the Sterling Area from 1942 onwards were~~ ~~area~~ as follows -

	£ millions
1942	140
1943	130
1944	115
1945	145
1946	425
1947	665

The 1942 Committee on Exchange Control practice thought that after the War formalities would have to be reduced to a minimum, and that the system would therefore have to be modified; though they made no specific recommendations on these lines.



Statistics show that after the inception of Regulation 5B the build-up of export proceeds reached its peak in September 1941. The effect of the Government's export drive was at its maximum about the middle of 1940. The rapid increase shown up to September 1941 is explained by the gradual extension of Regulation 5B to additional countries, and by the time lag between the date of export of goods and the receipt of the sale proceeds. At that time also, stocks of export commodities were considerable and the manufacturing industry had not yet felt the full impact of the demands for manpower by the Services.

After September 1941, however, the shortage of raw

materials

materials and the increased diversion of manpower from industry made itself felt; and in addition much raw material and many manufactured goods were absorbed in our supplies to Russia. Events affecting the figures both before and after the 1941 peak were the loss of European markets following the German invasions of April and May 1940, Italy's entry into the war, the intensification of the U-boat campaign, the bombing of London and other U.K. ports and, later, the loss of Far Eastern markets with Japan's aggression.

The seriousness of the decline was obscured to some extent by rising prices, but after July 1942 only essential exports were permitted because of the reduction in labour and material and the lack of shipping. Although prices had increased by over 70%, nevertheless by the end of 1943 nearly three-quarters of our export trade had been sacrificed to the needs of the war effort.

Towards the close of 1943 and in the first half of 1944 our exports received a further setback owing to the Services' demand for shipping in preparation for the D-Day offensive.

Much of the sharp decline in the third quarter of 1944 was due to a fall in the proceeds of exports to the U.S.A.; but there was a rise of approximately £5,000,000 in the last quarter of that year, mainly attributable to textiles, whisky, and to a lesser degree to chemicals, dyes and the heavy industries. The extension of Regulation 5B during 1945 to various liberated countries with whom it was possible to re-establish trading relations helped to maintain this rise.

From a small nucleus the number of staff rose to 46 during 1941. This figure was gradually reduced to 31 at the end of 1943 mainly because of decreased exports, the mechanisation of some of the statistical records and the taking over by Customs of detailed examination of certain types of Forms and Statements. It remained at approximately this figure until 1945.

The following figures indicate the fluctuations in the numbers of staff and in the volume of exports as evinced by the numbers of the export control Form C.D.3:-

Period

<u>Period</u>	<u>No. of Forms</u>	<u>Period</u>	<u>Average No. of Staff employed</u>
July 1940 - June 1941	138,142	1941	42
" 1941 - " 1942	348,538	1942	43
" 1942 - " 1943	258,786	1943	31
" 1943 - " 1944	210,699	1944	31
" 1944 - " 1945	196,831	1945	32

HMM

Acceptance Credits Office

This office never carried a large staff, normally about 10, who were mostly oldish men, although the more routine work could well have been done by women, and was done by them after the war.

The volume of acceptances was of course never large because of the limited scope for trade (Bulk Buying by Government Departments) and, as the appended figures will show, the work of the Office tended to decrease *as the war continued*, mainly owing to the widening of the Sterling Area and the shrinkage of Eastern trade, but also because of the effects of Lend-Lease.

<u>Year</u>	<u>Staff</u>	<u>Average Number of Applications Weekly</u>
1940	13	3,500
1941	12	1,770
1942	10	950
1943	10	1,200
1944	9	1,000
1945	10	1,600

The year 1941 was somewhat exceptional, when the Office took over from Regulations General Office the work of authorising commercial overdrafts (see below). There were about 200 of these, dealt with by correspondence, a volume which remained fairly constant for some years.

During the war years names appearing on all applications were checked with the Ministry of Economic Warfare Black List of specified persons and Grey List of suspected persons. This list was kept in the form of a card index, the number of cards rising from 10,000 in 1941 to 22,000 in 1944. In 1942 the Office became a Central Enquiry Bureau for enquiries of this nature, and requests for verification from other Offices numbered 6,700 in 1943 and 9,300 in 1944.

In 1945 the number of cards in this index fell to 16,500 and reference to the index was finally discontinued about the end of that year.

Commercial



Commercial, etc., Credits

It was recognised from the early days of discussion of Exchange Control that it would be necessary to control the opening or granting of credits by banks to non-residents if unwanted drains on exchange resources were to be avoided. And in order to be effective the Control had to take place prior to the opening of the credit or the granting of the credit facility. Banks and Accepting Houses were notified of their duties by two undated memoranda, "Sterling Acceptance Credits" and "F.E.7", and later by a revised memorandum dated 8th January 1940.

Applications for permission to open credits were dealt with by the Acceptance Credits Office. At first the more important day to day questions, as well as questions of principle, were dealt with by a Committee under the Chairmanship of Mr. Bernard: representatives of the Treasury, the Ministry of Economic Warfare, the Trading with the Enemy Department and the Import Licensing Department of the Board of Trade, with the Chairman of the Accepting Houses Committee were members. As policy and practice became established this Committee ceased to function.

The Bank gave permission (on Form E.2) for the opening or advising of confirmed or unconfirmed credits and guarantees, under which a resident of the Sterling Area incurred a direct or contingent liability to make payment in foreign currency or to transfer sterling to a non-resident; commercial overdraft applications were dealt with by letter. Very few applications (of all kinds) were refused; though perhaps 40% of approved cases were presented for amendment later, and this occasioned much work.

A credit already approved by an Exchange Control in another Sterling Area country did not require the approval of the Bank of England, but it had to be registered at the Bank before the relative sterling drafts were accepted or paid or the foreign currency cover purchased in London. About a quarter of the applications received were of this character.

The term "credit" included bankers' facilities, which

were usually

were usually given for 60, 90 or 120 days, facilities for encashing drafts on banks and on traders, and also payments against documents under credit arrangements. All credits had to be related to definite commercial transactions.

In the early part of 1940, when trade with Europe was possible and the various import and other controls in this country were not functioning with full efficiency, the Bank dealt with about 5,000 separate applications a week. By 1942 the volume had fallen to an average of some 1,100 a week.

The applications concerned, broadly, three categories of credit: (a) for imports into the United Kingdom or some other part of the Sterling Area; (b) for exports from the U.K. or other parts of the Sterling Area; and (c) for goods moving between two countries outside the Sterling Area.

All the applications had to be examined from the point of view of enemy taint, and for this purpose the Bank was supplied with the confidential lists of the Ministry of Economic Warfare as well as the Statutory List, and later the U.S.A. Proclaimed List. In addition to this examination each application was considered from the normal Exchange Control point of view. On imports there were at first relatively few restrictions. It was recognised at once that any control of goods to be imported must be exercised through import licensing or some other restriction on dealing in the commodity; not by controlling the financial machinery of payment. Various commodity controls, either import licensing or confining dealings to the Ministry of Supply, were gradually extended until by 1942 practically every import was subject to one restriction or another. The Forms E.2 had to show that these restrictions were being complied with, and the Bank had therefore to know all about them. Credits for exports were first controlled in January 1940, as a complement to the introduction of control over the proceeds of certain exports. The purpose was to ensure that the funds, in cover of the credit which was being opened on behalf of non-resident buyer of the goods were derived from a source which ensured compliance with Regulation 5B, and also to ascertain that

none of the parties was on the above-mentioned lists or the Customs' Black List.

Credits for the third class of transactions were watched very closely in order to ensure that payment terms conformed, so far as it was possible to judge, with the exchange regulations in force in the various countries. In the early days most of this trade was on a sterling basis, but with the growth of bilateralism in the form of Payments Agreements and the like, and the temporary set-back during 1940 in the international status of sterling, the business tended to be conducted and financed more and more on a U.S. dollar basis.

The Committee on Exchange Control Practice thought that credits available by sight drafts or cash against documents, if covering U.K. imports or exports, might well be dealt with by the banks instead of by the Control direct.

The reason why the Bank's authority to open a credit had been thought necessary, notwithstanding the existence of an import licence, was that they alone were in a position to watch the interests of the Ministry of Economic Warfare, who did not issue their confidential lists of suspected persons to the other banks. An attempt was made to draw up a circular for the use of the banks, but the selection of names to be included presented so many difficulties that the attempt was dropped for the time. The Bank of England, with its close contacts with the various Government Departments and Controls, was also in a special position to receive and act on information regarding Government policy which could not be given to the commercial banks. The provision of the list of Authorised Dealers introduced another difficulty: the revised list was not ready for issue until July 1945.\*

On 11th November 1940 a "Ship Warrant Scheme" was introduced, under which banks were instructed not to finance shipments unless the vessel had been granted a warrant. This was obtainable if the ship had secured a Navicert, where that system applied, or furnished such information as might be required

\*Finally revised 1 Oct. 1947.

concerning voyages and cargoes. Ships sailing under the flags of the British Commonwealth (except Eire) and of certain other nations were exempted from these conditions, and there were other exceptions authorised by the Bank. In view of the Control over exports instituted in the U.S.A. restrictions on shipments by sea from the U.S.A. were withdrawn on 30th October 1942.

Trade Control & Investigations Office

Broadly speaking, the function of T.C. & I. was to supervise exchange control. <sup>The</sup> Investigations Section dealt with enquiries which resulted from submission by the Censorship. The General Section maintained liaison with <sup>H.M.</sup> Customs for imports and ~~also~~ scrutinised applications passed by banks acting as authorised dealers, and was also responsible for seeing that Currency proceeds of authorised sales of foreign securities were duly received.

Certain Sections examined the quarterly returns of permitted Currency Accounts retained by bankers, merchants and others; dealt with the approval of applications to remit profits and service charges to America, or controlled subsidiaries abroad of British companies or trading accounts between resident and non-resident firms.

During the first quarter of its existence as a separate office (i.e., up to the end of June 1941) the staff numbered 158 (108 men and 50 women). In May 1942, 15 women were transferred to R.G.O. with the Authorisations Card Index; in the following September, 5 men with the transfer of Traders' Accounts also to R.G.O.

Roughly half the staff were employed on trade and investigations; and a reduction in the volume of work on Censorship enabled the Investigations Section to give up 11 men, which, with sundry moves during the intervening quarter, reduced the staff to 116 by the end of June 1944. Further curtailments of work resulted in further reductions in staff; but by the end of 1945, with the transfer of the Authorisations Index back to T.C. & I. and the expansion of the work of the General Section, the staff <sup>still</sup> numbered 106 (56 men and 50 women).

Particulars of the work on the various Sections follow -

### Investigations

When breaches of the Regulations occurred it was necessary to pursue the offender. In cases considered suitable for prosecution the Control passed the results of their investigations to the Treasury; but the greater part of its efforts was directed towards educating the public.

The breaches came under two main categories: failure to surrender foreign currency or gold, or to make the prescribed return of foreign securities; and the export of capital without permission. Developments may be summarised as follows:

#### September 1939 to April 1940

In this period most of the offences took the form of not disclosing assets. There was little evidence of irregularities in capital export (though there was evidence of pre-war export). A survey was made of the activities of doubtful financial houses; and relations with banks and government departments were being built up.

#### May 1940 to December 1940

Following the German overrunning of Europe, capital export from the U.K. by such means as compensation payments and export of goods became of importance. The latter method was particularly difficult to check, partly because of the impracticability of accurate valuation of the goods exported, and partly because the exporters' declaration (Form C.D.3) was not an actionable document. Refugee sterling balances and book debts due from abroad received attention following the introduction of many new Regulations designed to tighten control.

#### 1941

Though compensation was on the increase (partly owing to ignorance of the Regulations) capital export by other means was less prevalent, and evidence of non-disclosure - including Trust funds held abroad - continued to cause much work. New Regulations governing the crediting of accounts of non-residents (Traders' Accounts) enlarged the scope of the work.

1942

Non-disclosure cases declined, but the presence in the U.K. of Canadian and U.S. troops and the R.A.F. training scheme in Canada contributed to a growth in compensation arrangements. Apart from this, cases tended to become more concerned with trading transactions (Traders' Accounts) and had less to do with private persons.

1943 and 1944

The re-opening of the Continent led to some revival in non-disclosure cases at the very end of 1944; otherwise this type of offence continued its natural decline. Prosecutions had become less frequent; a new form of compensation involving the acceptance of liability for repayment at a future date (and especially after the war) needed attention.

Throughout, the Postal and Telegraph Censorship provided the bulk of the evidence used, in the form of photostat copies of intercepted cables and letters. Not all overseas mail was, however, opened by the Censor: as much as 80% was being examined at the end of 1942, but the percentage varied considerably, according to other demands on the Censorship.

The number of cases received by the Bank from the Censorship were:-

<u>1941</u>	<u>1942</u>	<u>1943</u>	<u>1944</u>	<u>1945*</u>
222,528	136,535	76,750	53,237	46,187

Roughly half were found not to be worth pursuing, and many of the remainder were connected with matters already known to the Control. Some 10-12% of the total were eventually investigated, and of these a large number involved minor breaches of the Regulations only. Thus, much of the work was of indirect value only.

Less important sources of information were: the Canadian and U.S. Authorities (this was on an experimental basis and did not become regular); other Government Departments; and confidential reports from banks.

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\*To 4th October, after which no further cases received.

In order to safeguard the Bank's position enquiries into intercepted matter needing investigation were first made of the sender or addressee by the Censorship, prompted by the Bank. Only if the reply was not satisfactory were the Bank brought into open connection with the case and asked to continue the correspondence. Cases not arising from intercepts, however, were normally handled by the Bank from the beginning.

The financial results achieved by the investigations up to the middle of 1945 included the surrender of U.S.\$16 million and Can.\$5½ million, and the registration of securities valued at U.S.\$22 million and Can.\$15 million. Prosecutions were relatively few as the policy of the Treasury over most of the period - and particularly from 1942 onwards - was to institute proceedings only where deliberate intent could be shown and where the Director of Public Prosecutions was of the opinion that the offence could be fully proved in Court. Penalties at first were light, since magistrates were not conversant with the technicalities of Exchange Control: moreover, until May 1940 the maximum penalty was a fine of £100. Subsequently this was increased to three times the amount involved in the offence; and a prison sentence could be added.

By the end of May 1948 202 cases had been brought. Convictions were almost invariably secured, and total fines of £415,000 were levied, the largest individual monetary penalty being £50,000.

An allied activity was the scrutiny in Exchange Control interests of all applications to the Department of Overseas Trade by persons wishing to leave the country for business reasons. The Bank sometimes raised objection to the issue of an exit permit until such time as outstanding Control questions had been settled.

Much work was also done on Trusts established abroad with beneficiaries resident in the U.K. This was a complicated legal matter, since where non-resident Trustees refused to acknowledge the validity of the Regulations means had to be sought to determine or vary the Trusts. Few cases were successful, but these produced large sums.



Companies' Accounts

In November 1940 Regulation 5C was introduced and applied to companies owned abroad by British residents. In the majority of cases the assets of such companies were properly employed, and the profits due to the British owners were duly remitted to the U.K. Moreover, all companies whose shares were quoted on the London Stock Exchange were exempted from the provisions of the Regulation and this excluded most of the larger companies' non-resident subsidiaries. The use of the Regulation, therefore, was mainly to control private holding companies set up abroad to hold investments for the benefit of U.K. residents, usually with a view to avoiding U.K. taxation.

Such private holding companies were mostly domiciled in Canada, and their activities were therefore checked in co-operation with the Canadian Foreign Exchange Control Board. By the end of 1941 work on 120 companies of this type had been nearly completed, and a large part of their securities had been liquidated.

Attention was then turned to such trading companies as were affected by the Regulation. There was no desire to interfere with normal business, but only to procure the remittance of such portion of the ascertained profits as might be desirable - and this proportion varied according to the currency concerned. The Control also wished to be satisfied that liquid assets surplus to requirements were not retained indefinitely: for this purpose the regular submission of companies' balance sheets and accounts was required.

Although companies which were subsidiaries of parent companies having a Stock Exchange quotation were outside the Regulation, some attention was paid to them by the Control; and in particular, from 1943 onwards, to all companies in Canada controlled from the U.K., since in co-operation with the Canadian authorities every effort was made to procure the maximum remittance of Canadian dollars. The policy towards companies in the U.S.A. varied with the urgency of the need for U.S. dollars, and as this urgency grew less the companies were given more latitude.

By the end of 1944 some 830 trading companies were being supervised, and in the four years 1941-1944 U.S.\$20 million and Can.\$19 million, together with some gold and sundry other currencies, had been gathered in, the bulk from private holding companies.

#### Imports

Among the application forms (Form E) handed over to the Bank by the Commercial Banks after the relative payments had been made, were many relating to imports. These were sorted out and dealt with as follows:

Forms relating to imports into the U.K. (and into Eire if financed by a trader in the U.K.), accompanied in the majority of cases by copies of Customs entry forms and invoices, etc., were handed over to H.M. Customs and Excise, who exercised their own check on the arrival of the goods and the amount paid for them. Correct valuation was, of course, of great importance and some difficulty: overvaluation would afford a loophole for capital export. In cases where the transaction was financed by a U.K. trader the Customs and Excise Department also received from the Bank forms relating to goods of non-Sterling Area origin sold to non-Sterling Area purchasers.

Other import forms appropriate to their particular requirements were handed to certain Government controls, such as the Timber Controller and Machine Tool Control, etc.

Information relating to local imports financed in the U.K. was given to some of the Sterling Area controls.

All forms relating to transfers on behalf of residents of Eire (except those arising from imports into Eire financed in the U.K.) were passed to the Eire Department of Finance.

Securities Control1. Securities Registration Office

On the 25th August 1939, the first Treasury Order (S.R. & O. 1939 No. 950) relating to the control of securities was made. This Order prohibited all U.K. owners of any security payable or optionally payable in certain specified currencies (termed "restricted" securities) from dealing with them in any manner whatsoever without the prior permission of H.M. Treasury; in addition, owners were required to make a return of all such securities on Form S.1(A & B) to the Bank of England within one month.

The Securities Registration Office was established on the 28th August 1939 to administer this work. Altogether, well over a million Forms S.1, relating to some 20,000 securities were received, and lists were prepared showing the values (in foreign currencies) of the various securities registered according to the country in which the principal market for each security existed.

Dealings in London in "restricted" securities were not allowed except ~~as regards~~ <sup>in</sup> certain securities which, prior to the 3rd September 1939, had their principal market in that centre; during the war years, some 200,000 Transfer Forms (S.2) for "restricted" securities were authorised. The sale of restricted securities abroad was permitted, subject to the currency proceeds being sold to H.M. Treasury against payment of the sterling equivalent, and some 65,000 sale and redemption permits were issued in connection with such transactions.

The Securities Registration Office was also responsible for the administration of the "Acquisition of Securities" Orders under which owners of the securities specified therein were required to surrender them against payment of the sterling equivalent of their market value on the date of the Order. The following Vesting Orders were made:-

Country

<u>Country</u>	<u>No. of Acquisition Orders</u>	<u>No. of Securities Vested</u>	<u>No. of Lodgments</u>
U.S.A.	5	491	52,800
Canada*	6	95	63,500
India <sup>†</sup>	3	17	42,500
South Africa <sup>†</sup>	2	10	21,000

\*Part sterling securities.  
<sup>†</sup> Sterling securities only.

The bulk of the U.S. securities were sold in New York and part of the unsold balance was pledged as collateral for the R.F.C. Loan - see paragraph 6 below. Some of the Canadian securities were sold on Canadian markets and others direct to the Canadian Government. H.M. Treasury sent representatives to New York and Ottawa to supervise these sales.

Until the establishment of the Securities Dealings Control Office, the S.R.O. also supervised the issue of Export Permits (Certificate C), the export of securities (both sterling and foreign currency) except with Treasury permission being prohibited under Regulation 3 of the Defence (Finance) Regulations 1939.

## 2. Securities Dealings Control Office

It was not until May 1940 that the control of transactions in sterling securities was imposed by Regulation 3A of the Defence (Finance) Regulations 1939, when the above-named Office was set up to administer the provisions of the new Regulation. In the requirements of general terms <sup>^</sup> this Regulation ~~required~~ <sup>were</sup> that:-

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

without

without evidence prescribed by the Treasury.

The S.D.C.O. also took over the duty of issuing Certificates "C", not only for securities but also in respect of the export of bank notes, postal orders, gold and foreign currency.

As part of the new organisation "Cashier's Department, Exchange Control", on the 1st March 1941 the Securities Dealings Control Office became a separate entity and thereafter developed into an Office administering control over securities in the wider sense, i.e. over investment in general as distinct from control only over marketable securities.

Early in 1942, the Securities Registration Office and the Securities Dealings Control Office were amalgamated under the title of "Securities Control Office".

### 3. Policy

The following is a brief summary of the control of sterling securities (with a minimum of necessary reference to the governing Regulations), *the control* of "restricted" securities having already been covered in paragraph 1 (see also last paragraph).

#### A. Sales and Purchases

##### (i) By residents

No restriction was placed on the sale or purchase of sterling securities in the United Kingdom; apart from the completion of the necessary declarations as to residence and non-enemy interest on the relative Forms D and B, residents of the United Kingdom were permitted to undertake such transactions without formality. The sale of sterling securities outside the Sterling Area by residents of the United Kingdom was not allowed.

##### (ii) By non-residents

###### (a) Purchases

Non-residents were permitted to purchase sterling securities in the United Kingdom freely up to the 5th January 1940, after which date evidence was required that the purchase was a bona fide transaction for full value and that the consideration money had been provided from funds debited to an

account

account appropriate to the country of residence of the purchaser.

(b) Blocked Sterling

When Blocked Sterling Accounts came into existence (on the 23rd November 1940) the investment of such funds was restricted to certain Government securities and registration was permitted only in the name of the non-resident owner as of his permanent resident address abroad, or of a United Kingdom bank or its nominees.

(c) Forms M

As from the 10th January 1941, Forms M were issued where inscribed or fully-registered sterling securities were purchased by non-residents on a Stock Exchange in the United Kingdom with funds debited to an account appropriate to the country of the new owner; the Form M entitled the owner to sell the securities at any time on a United Kingdom Stock Exchange and have the proceeds credited to the same type of account. The Form M was not transferable and the facility did not extend to cover subscriptions to new issues, other than those of H.M. Government, or to the purchase of bearer securities, non-quoted securities, securities purchased with Blocked Sterling Funds or with the proceeds of the sale of other sterling securities (i.e. "switch" transactions where Form M was not already held in respect of the security to be sold).

(d) Sales

As from the 13th May 1940, non-residents wishing to sell sterling securities in the United Kingdom were required to obtain a Sale Licence (Form L) - unless of course a Form M was already held. The issue of such Sale Licences was contingent upon receipt of evidence, in the case of a registered security, that the security had been held continuously by the registered holder since the 2nd September 1939 and, in the case of a bearer bond, that it had been held continuously in the United Kingdom since that date or, if the security had been acquired

on or

on or after the 13th ~~May~~ 1940, that it had been obtained in accordance with the United Kingdom Regulations. Non-enemy declarations were also required.

Sale Licences were normally granted only for reinvestment in another sterling security of the same category and provided that the transaction was effected on a United Kingdom Stock Exchange and that the security to be purchased was not of shorter date than that to be sold. Securities restricted under Regulation 1 were, of course, barred from such switch transactions, and on the 22nd October 1943 the field of reinvestment was broadened to some extent to include any unrestricted sterling security quoted on the Stock Exchange which was irredeemable or not redeemable on a date earlier than ten years from the date of purchase.

Exceptions were sometimes made in the case of non-quoted sterling securities provided satisfactory evidence was produced that the price to be paid was fair value.

Subject to the completion of the appropriate Declarations concerning non-resident and non-enemy interest as required by Form D, the transfer of sterling securities abroad by one non-resident to another were normally approved provided the security to be sold had not been acquired by the seller in contravention of United Kingdom Exchange Control Regulations and that the purchaser was a bona fide resident of the same country.

#### B. Income

Apart from any overriding Regulation, such as Regulation 2A of the Defence (Finance) Regulations or a Trading with the Enemy Regulation, no restriction was placed on the remittance of income due to a non-resident owner. The original requirement was that such income should either be credited to a Sterling Account appropriate to the latter's country of permanent residence or actually remitted to that country over the exchanges; but as from October 1943 imported coupons and redemption monies have been payable either to the country of the owner or to the  
country

country of the collecting bank.

Such income, of course, was always freely available to the owner for any purpose within the Sterling Area.

### C. Redemptions

The proceeds of redeemed sterling securities were freely remittable to the non-resident owner thereof until the emergence of Regulation 3E on the 23rd November 1940. Thereafter redemption monies due to Argentina, Canada, Newfoundland and Switzerland were available only for credit to a Blocked Sterling Account. In the Spring of 1946 free remittance to Canada and Newfoundland was resumed and in the autumn of that year to Switzerland. Payment of redemption monies to Argentina was permitted some nine months later.

### D. Legacies

#### (i) Resident Estates

The transfer of sterling securities to non-resident legatees and to remaindermen was always permitted in satisfaction of an interest in an Estate or Trust of a Will or Intestacy and, where it was desired to provide funds for a remittance which had been, or would be, sanctioned, no objection was raised to the sale of such securities for the purpose, except in the case of specific requests. The restriction placed on the sale of securities specifically bequeathed was removed in September 1943 and thereafter non-resident legatees of resident Estates could take their inheritance either in the form of security or in cash remitted to the country of their permanent residence.

#### (ii) Non-resident Estates

While the transfer of sterling securities to non-resident beneficiaries was freely allowed, even in cases where the beneficiary in question was a resident of a country other than that in which the testator previously resided, sale of such securities for the purpose of remitting the proceeds to a non-resident was not normally permitted, since it was thought that a non-resident beneficiary ought not to receive better

treatment



treatment than the deceased testator would have been entitled to receive; however, a limited concession was made in that sales of securities were permitted for the purpose of paying United Kingdom Estate Duty and costs of administration to the extent that liquid funds and blocked funds were not available.

#### E. Settlement inter vivos

Control over the creation of settlements and the exercising of powers of appointment, otherwise than by Will, in favour of non-residents became effective as a result of the introduction of Regulation 3BA in October 1942 and covered any property whatsoever. Normally, such settlements or appointments were not allowed, although it must be pointed out that the Defence (Finance) Regulations 1939 gave no power to invalidate an executed document. Where securities were involved, however, their transfer was normally refused.

Subject to the overriding considerations of Regulation 3E and normal administrative practice relating thereto, transfers in full were allowed on the liquidation of a Trust provided -

- (i) The settlement in question was created before the 3rd September 1939 and was not enlarged thereafter.
- (ii) The payment fell due by reason only of the death of a life tenant or on a date specified in the settlement.
- (iii) The funds were not provided by the sale of sterling securities over which the beneficiary had power of disposal prior to the 13th May 1940.

#### F. Transfers of Real Estate

##### (i) Property in the United Kingdom

Under Regulation 3BA a resident was precluded from settling any property, otherwise than by Will, upon any Trust whereby a person, who at the time of settlement was a non-resident, might benefit.

##### (ii) Property Abroad

Normally no objection was raised to residents selling property abroad at a fair price, on the understanding that the currency proceeds were remitted to this country for  
the purpose

for the purpose of being made available to H.M.Treasury.

#### G. Nominee Companies

Sales of sterling securities belonging to Companies registered abroad but owned and controlled by United Kingdom interests were allowed under Licence for credit of the proceeds to Blocked Account. Such blocked balances were available for reinvestment in approved sterling securities on a somewhat broader basis than that usually accorded to blocked sterling balances.

Release of blocked sterling funds and remittance to the country of residence of the Company concerned was permitted in approved cases only for the purpose of meeting local expenses and taxes to the extent that local funds were insufficient for that purpose.

#### H. Import of Securities

The import of sterling bearer securities into the United Kingdom was first prohibited in September 1940 except with permission, which was generally given in the case of securities owned by nationals of, and sent from, sterling area countries, Canada, Newfoundland and Hong Kong, accompanied by a prescribed Declaration of Ownership non-enemy interest.

In other cases application for permission to import was subject to the completion of the appropriate Non-enemy Declaration accompanied by -

- (a) A statement of the purpose of import.
- (b) Evidence that the security had been owned by the current owner or by a resident of the same country since prior to the 2nd September 1939.

Except in the case of the securities imported for registration in the first instance, imports for the purpose of sale or safe custody were not normally permitted until the end of 1945.

#### 4. Authorisation of Forms and Permits

The approximate number of forms, etc., lodged for authorisation during the period under review was as follows -

Form

<u>Form</u>	<u>Description</u>	<u>No. submitted for Authorisation</u>
S.1	Registration of specified currency securities	1,200,000
S.2	<i>Transfer to Sterling</i>	<i>about 1,500,000</i>
S.6 )		
S.7 )	Sales and Redemption of currency securities abroad (except	62,331*
S.8 )	Canada)	
S.9 )		
S.10	Canadian securities sold or redeemed in Canada	22,698
S.11	Specified currency securities coverted abroad	9,216
S.12)	Sales abroad of unacquired vested	488
S.13)	securities	
D.	Transfers of Registered Securities	81,397
B.	Transfer of Bearer Securities	95,488
K.	Import of Bearer Securities	No record **
L.	Sales of Sterling Securities by Non-residents	<i>No record **</i>
M.	do.	5,026
X.	Applications for Certificate "C" (export of securities)	143,775

#### 5. U.K. Security Deposit

In 1940, when the danger of invasion was imminent, the bulk of the securities saleable abroad and held by banks in this country on behalf of United Kingdom residents was shipped to Canada. The first 448 boxes of securities left the United Kingdom on the 23rd June 1940 and were accompanied by a Principal and four clerks, who formed the nucleus of the Staff of the United Kingdom Securities Deposit set up in Montreal. A further 1,043 boxes followed and further small shipments were made from time to time.

The Bank's representatives arrived in Canada on the 1st July 1940. Additional staff was recruited locally but it was not until the 1st August that premises were ready for occupation and the work of unpacking and checking began. At the peak period the total Staff employed was 113, decreasing to 50 by the autumn of 1945.

The U.K.S.D. performed the following functions upon  
instructions

\*Includes 11,444 authorised by Share and Loan Department of the Stock Exchange. \*\* These were largely issued by banks and the Securities Co. had no

instructions received from the various U.K.banks -

- (a) Forwarded maturing coupons to the U.S./Canadian Agents of the banks.
- (b) Forwarded securities which were to be sold abroad to nominated banks/brokers.
- (c) Transferred vested holdings to the account of H.M.Treasury, shipping the U.S.vested securities to the Bank of Montreal, New York.

In order to enable dealings to be resumed on the London market in certain securities held by the United Kingdom Security Deposit, the Bank of England issued Security Deposit Receipts in bearer form against transfer of the securities to an account entitled "Bank of England S.D.R.Account". The Receipts were exchanged for the underlying securities when the securities arrived back in London. Over 50,000 such Receipts were issued.

#### 6. Reconstruction Finance Corporation Loan

In July 1941, an agreement was made under which the Reconstruction Finance Corporation undertook to make a loan to the British Government at 3%.

In order to provide the necessary collateral, H.M.Treasury borrowed the following shares belonging to United Kingdom owners -

- (a) United States subsidiaries of United Kingdom Insurance Companies.
- (b) Subsidiaries of certain other United Kingdom companies where the latter owned the controlling interest.
- (c) Securities of United States associate companies of certain United Kingdom companies where the holdings of the latter, although not amounting to control, were substantial.
- (d) Certain marketable holdings which were judged to be suitable for the purpose (including some Treasury-owned vested securities which had not been sold).

The terms of the Loan Agreement required all payments in respect of the Securities, whether capital or income, to be applied to the service of the loan; accordingly, previous owners lost their rights to the capital or income payments as such, but were compensated by H.M.Treasury <sup>by</sup> ~~to the extent of~~ payment ~~of~~ the sterling equivalent.

## 7. Staff

At the peak of the vesting period in May 1940, the Staff of the Securities Registration Office was 565.

The Securities Dealings Control Office commenced on the 13th May 1940 with a Staff of 88.

When the Securities Control Office was formed by the amalgamation of the above two Offices, the Staff totalled just over 500 but by the end of the war this figure dropped to about 200, including five Principals.

An account of the evolution of "Securities Control" (i.e. of the Regulations governing the right of disposal of securities as distinct from the description given above of the work of the Office concerned with its administration) forms the subject matter of Appendix ..... A certain (small) amount of duplication in description is unavoidable if reference to the main Regulations governing the policy of control is to be retained in paragraph 3. of the description of the work of the Office.

STATISTICS OFFICE

At the outbreak of war part<sup>\*</sup> of the staff of the Economics and Statistics Section of the Secretary's Office was seconded to the Exchange Control to form a Statistical Office within the Control, in order in the first instance that they might prepare statistics of applications for foreign exchange and of credits approved.

By the middle of 1940 the work had already developed to include the following: (a) analysing the purposes for which the E.E.A. gold and foreign exchange and security assets were being drawn upon and for which sterling was being paid outside the Sterling Area; (b) collating statistics (drawn largely from the records of other Offices) of (i) gold and foreign exchange income, (ii) gold, foreign exchange and security assets, and (iii) certain sterling liabilities; (c) summarising the operations on accounts permitted to be retained in requisitioned currencies; and (d) analysing the purposes for which the Exchange Control was approving credits.

Even before the end of 1939 the need was felt to have within the Bank some organisation sufficiently well armed with the facts to suggest ways of implementing the urgent need to economise exchange. Thus, an Exchange Economy Section<sup>\*\*</sup> was set up,<sup>also</sup> staffed partly from the Statistical Office, but mainly employing temporary labour. Before long the work of the Exchange Economy Section turned to building up current and future balance of payments estimates of the Sterling Area with certain non-Sterling Area countries and of the United Kingdom <sup>with</sup> certain Sterling Area countries. The work was based, inter alia, on the output of the Statistical Office, the purchasing programmes of the Government Departments and confidential trade accounts.

By the summer of 1941, the work of the Statistical Office had been further extended to include (a) the scrutiny and aggregation of returns from the Colonies and Dominions of their expenditure from funds drawn from London or from other sources; (b) the provision of analyses to the Dominion Central Banks of expenditure of exchange by the Sterling Area, with emphasis on each particular Dominion's own payments

<sup>\*</sup> And at first forming part of the Overseas & Foreign Office.

<sup>\*\*</sup> Including the Deputy Principal.

payments. The general analysis of credits approved had been abandoned as being not particularly profitable, though special ad hoc analyses were sometimes called for.

In March 1942 all three Offices <sup>(or Sections)</sup> were amalgamated to form the Statistics Office in the Secretary's Department, with consequent economy in labour and the provision of <sup>more</sup> adequate technical supervision.

At the time of amalgamation the Staff amounted to 53 (16 men, 34 women and 3 Principals). The new office systematized and extended the work on balances of payments (current and future). Co-operation with Empire Central Banks on statistical matters relating to Exchange Control was also extended. By its nature this work required highly skilled staff, of which in wartime there was an acute shortage and for which there was strong competition.

The preparation of statistical material in answer to enquiries from the Treasury and other Government Departments, the volume of which increased continuously; the close study (including the production of a comprehensive quarterly report) of balances of payments becoming ever more complicated and which had to be forecast several months ahead; the effort to keep up to date something more than a skeleton of the pre-war record of statistics (there was still a considerable flow of miscellaneous enquiries from within the Bank to be dealt with): all these ~~strained~~ <sup>in more</sup> the resources ~~of the~~ highly qualified personnel to the utmost; and the vital balance of payments work was only kept going at the expense of the other sections.

In 1945 and after, the return of men from the Forces and the Bank's selective scheme of recruitment and training began to afford some relief to this problem; but up to the time of writing (Summer 1948) the strain was still being felt. Separating those engaged, directly or indirectly, on balance of payments work from the others, the numbers of Staff at the undermentioned dates were:-

March

	March 1942		June 1945		June 1948	
	Balance of Payments	Other work	Balance of Payments	Other work	Balance of Payments	Other work
Principals	2	1	4	1	6	2
Men:						
Principal & Senior Clerks	4	1	6	1	2	-
Other	10	1	12	2	33	3
Women	23	11	24	9	45	12
	39	14	46	13	86	17

Effects of the aftermath of war can easily be seen in these figures. The numbers ~~rose~~ increased by 6 only in the first three years after amalgamation, but ~~rose~~ nearly doubled in the following three years, i.e., since the end of the war; and practically the whole addition was due to Balance of Payments work. The increase, it is true, reflects such measure of strengthening as the Staff had received from selected new entrants and trainees - but much more the enormous growth of the work. Although the number of men on Balance of Payments work had increased by 20 in the three years, those of supervisory rank had fallen by two.

#### Statistical Summary

During the war the Office continued to produce the Bank's Monthly Statistical Summary, which dated from 1929 (and in a shorter version from 1927), and was published from 1932 on the recommendation of the (MacMillan) Committee on Finance & Industry. The Summary had been generally accepted as a representative collection of financial statistics of the U.K. and its disappearance at the end of 1945 was the subject of a good deal of press comment.

Special war responsibilities prevented preparation of the Summary by St. Luke's Printing Works and an outside firm\* undertook the work, which they carried out most satisfactorily until <sup>the</sup> withdrawal of the Summary\*\* when the Central Statistical Office began to publish their more comprehensive Statistical Digest.

\*Messrs. Keliher Hudson & Kearns.

\*\*C.T. 21 November, 1945.



Overseas & Foreign Office

In its original form this Office was a section of the Chief Cashier's Office, but it attained full departmental status in 1932. Its functions were to study foreign monetary, financial and economic affairs, report on them and endeavour to anticipate future trends and developments; for the benefit of the Governors, the Advisers and the Treasury. Members were sometimes employed to conduct financial negotiations with foreign countries and to attend international conferences.

The research side of the Department was perforce reduced after the outbreak of war to the minimum compatible with maintaining an adequate supply of accurate and reliable information at the service of the Bank. At the same time its active participation in guiding the Treasury on financial policy and in negotiating and implementing financial agreements with various countries steadily increased.

On 27th February 1941 the Department was transferred, as an Office, to the Exchange Control. The main part of the Office then consisted of six sections, each covering a selected group of countries, and together covering all countries of importance in the world. In addition, there was one predominantly statistical section\* (later transferred to the Statistics Office) which was occupied with the international receipts and payments of the U.K. and other Sterling Area countries, and one section almost exclusively devoted to exchange control matters.

The section devoted to exchange control dealt with Dominion and Colonial Foreign Exchange Regulations and suggested measures for bringing these into line, where advisable, with the Bank of England's practice. Information was also made available for the Treasury, Colonial Office and banks in the U.K. as well as for the other offices of the Control. This section acted as a centralising agent to ensure co-ordination of policy for control matters bearing on Empire Regulations. To some extent it even acted

\* i.e. Exchange Economy Section (see also Statistics Office)

acted as a liaison between the Colonial Controls.

The activity of that section alone (some 10% of the staff of the Office, excluding filists) was scarcely sufficient to have justified the transfer of the whole Department to the Control; but it was felt, no doubt, that in current circumstances all its work did have a bearing on Exchange Control matters. And insofar as it was broadly concerned with the Bank's share in carrying out the Government's foreign financial policy, it was inevitably concerned with the Exchange Control aspects of that policy. This was, however, ancillary to the main purpose of the Office, which was that of a corporate adviser on foreign affairs in a broad general sense. The Office was not concerned with control as such, but with fitting in the concomitants of control (or, alternatively, making use of them) in the formulation and execution of the Bank's general policy in foreign financial affairs.

The work of the Office developed rapidly in the immediate post-war period, with a gradual increase to pre-war proportions in the documentation received from foreign countries. The number of visitors from foreign Central Banks and the calls on the staff for visits abroad, not only for the purposes of study but to act as advisers to H.M.Treasury on such bodies as Joint Economic Committees, increased greatly. The Office thus returned by degrees to its pre-war function of studying the economic and financial conditions of all countries of the world, though it continued to concern itself to some extent with specific Exchange Control problems. It remained an Office in the Exchange Control Department, whose title by the way was altered in November 1948 to "Exchange Control and Overseas". At the same time a Deputy Chief Cashier was appointed to take over the administration of the Office. The section of the Office which had earlier been devoted to Exchange Control in relation to the Dominion and Colonial Foreign Exchange Regulations was early in 1949 transferred to the Central Office of Exchange Control.

AcM

Its origin

The Section traces its descent from the four filists who were employed by the Foreign Exchange Section of the Chief Cashier's Office before the war.

On the 4th September 1939 its staff was increased to six. This increase had been planned in advance as part of the pre-zero arrangements under which the staff of the Foreign Exchange Section was augmented by selected individuals, who formed the original nucleus around which the Foreign Exchange Control staff structure was subsequently built.

Its early difficulties

At the outset the difficulties with which this small Section was faced were almost overwhelming. Firstly, the mass of papers which descended upon it was enormous and there was little likelihood of obtaining additional help quickly because the number of trained filists in the Bank at that time was strictly limited.

Secondly, the new work was of an entirely different kind from that to which it was accustomed. It had been used to dealing with documents which had to be grouped under a relatively small number of "subjects" and to indexing them in such a way that all those relating to some particular aspect could be brought together at any time to present a complete and consecutive story. This kind of work had still to be done, in fact its volume increased considerably, but additionally the Section had now to keep track of papers relating to thousands of firms and individuals. An entirely new procedure had to be devised to meet the situation.

A new procedure is introduced

The system eventually decided upon was a numerical one based on that in use in the Chief Accountant's Correspondence Office and it was put into operation on the 20th November 1939. Existing correspondence was sorted and numbered, the series of numerical reference "marks" running from 1 EC 1 to 1 EC 1000, 2 EC 1 to

2 EC 1000 and so on. Subsequently new marks were allotted whenever correspondence was entered into with firms or individuals with whom the Control had had no previous dealings.

In order to keep track of files drawn from the Section, a record of the destination to which each file had been sent was made on a pink card which replaced it in the cabinet and the file's subsequent movements were indicated by "yellow tickets" which were ultimately attached to the pink card. Whenever a file passed from one Section to another of the Foreign Exchange Office - which the Control had become on the 2nd November 1939 - it was necessary for the sender to attach a yellow ticket to it. This, having served the initial purpose of an address label, was detached when the file reached its destination and forwarded to the Filing Section to indicate the file's present whereabouts in case it was needed by a third party.

An amalgamation becomes necessary

On the 30th May 1940 <sup>when</sup> the Foreign Exchange Office and the Securities Registration and Vesting Offices were amalgamated to form the Exchange Control Office, ~~and~~ the two Filing Sections which had developed independently had to be fused. Much additional work was entailed by applying the numerical mark system to the Securities Registration and Vesting Office papers. The combined staffs of the two offices totalled 1,131 but the Filing Staffs still only numbered 43 (32 and 11 respectively) when the two Sections were brought together on the 7th June.

It was decided to use an S.R.mark for the correspondence relating to the new Section. At the behest of certain other Sections of the Control, a similar procedure had by then unwillingly been adopted and, in consequence, besides the original EC marks, AA and XP marks were being used for correspondence relating to the Investigations and Export Permits Sections respectively.

This separatist attitude was ultimately proved to be mistaken because it became increasingly evident that a decision made by one part of the Control was of interest to others and information

contained in letters received by one Section was often valuable to another. At a later date it was decided to drop AA, XP and SR marks in favour of new EC marks whenever additional papers were added to files bearing them.

~~Minimum Sectional Organization~~ Glasgow Office.  
*the setting up of*

On the 25th June, 1940, an office ~~was set up~~ in Glasgow, as an offshoot of the Control in London, ~~to~~ served the convenience of firms and individuals in Scotland and Northern Ireland.

The Filing Section spared three experienced filists from its slender resources to start the new Section but the senior of the three returned as soon as local circumstances permitted.

The filing system in use at Head Office was employed and a block of E.C.marks (21 EC 1 to 25 EC 1000) was allocated to the new Section.

At the outset an "information service" was introduced between the two Sections and has always been maintained.

The procedure, which was then devised and which is still in force, is for the Section at Glasgow to advise Head Office of the name of the person or firm to which each mark is allotted. A cross reference card is then raised in London and any correspondence into which offices at Head Office enter relating to that person or firm is filed under the same mark and Glasgow is advised accordingly. Labels are then affixed to the files in both Sections indicating the existence of their counterparts. Furthermore, the Glasgow Section is advised whenever offices in London enter into correspondence ~~with~~ ~~with~~ with firms and individuals in Scotland and Northern Ireland, and the same procedure is followed.

Under this system it is a simple matter for files kept by both Sections to be made available in London or Glasgow as circumstances may require.

The method adopted to train additional staff

Mention has already been made of the lack of trained reserves on which the Section could call for assistance. A few women were found, whose previous filing experience in the Chief

Accountant's Correspondence Office was very valuable, but it was evident that the staff could only be sufficiently increased by training raw recruits. The traditional method of qualification, which consisted of telling a new recruit to go and sit by ~~the~~ <sup>another filist</sup> and learn what she does could not be employed because ~~she~~ <sup>the other girl</sup> had too much to do already and quite possibly was not very sure of what she was doing anyway.

The most sensible way of dealing with the situation seemed to be to break down the filing procedure into a number of simple processes and, for the time being at least, to institute a chain belt system under which separate groups would consult the card indexes for mark references; write reference cards, cross-reference cards and "pinks"; draw files from the cabinets and write "yellows"; deal with the receipt and despatch of files and documents to and from the offices; sort files and "yellow tickets" and put them away and so on.

When subsequently, in the fullness of time, a sufficient number of clerks had been moved round and learned all the processes it was hoped to reorganise the Section again on general lines. By this means it was found possible to make fairly rapid progress in building up the staff of the Section to a number which bore a reasonably appropriate relationship to the volume of work with which it had to deal. The Annex shows what was accomplished in this field between the 7th June 1940 and the 1st March 1941.

In later years, when the staff had been built up and the Section had been reorganised, one of the "General" Sections was used as a Training Section on which a semi-permanent nucleus of instructors, chosen for their ability in imparting information as well as for the extent of their knowledge of the work, took newcomers through all aspects of Section procedure, checked their work and assessed their individual potentialities as filists. The wastage rate on account of lack of aptitude has always been found to be high: some are temperamentally unsuited to the work, others have insufficiently good memories or their intelligences are either not good enough or of the right kind to enable them firstly, to absorb

P.T.O.

the amount of detailed information involved or, secondly, to follow the clues when difficulties arise. ~~It is perhaps not generally realised that,~~ To be really good, a filist needs to have the imagination and analytical mind of a detective.

Organisational Structure in June 1940

At this time the Section was divided into a number of Sections as follows:-

1. Confidential
2. Post
3. Letter Book and Subject Index
4. Exchange Control (EC and XP)
5. Securities Registration (SR)
6. Trade Control & Investigations (AA)
7. Cabinets.

The Confidential Section dealt with the Subject Files containing letters and memoranda on policy etc. matters and other papers of a kind which needed indexing.

The Post Section sorted the incoming post and distributed it to the respective Sections for processing. It subsequently acted as the "despatch point" from which files, etc. were sent out to the various parts of the Control and its staff wrote the necessary yellow tickets and pink cards before the files were despatched.

The Letter Book and Subject Index Section detached one flimsy copy of each outgoing letter and made up the Letter Book files which were circulated to the Principals of the Control for information purposes. It studied all correspondence for precedent rulings and carded them in precis to provide a means of tracing files subsequently from the subject of the correspondence when the relative names could not be recalled.

The other Sections dealt with the "case" files under their respective marks. The monotonous duties, of sorting yellow tickets and attaching them to the pink cards, of examining returned files and putting them away, were, however, dealt with by the Cabinet

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Section. The Section was staffed on a rota basis which, under existing conditions, was thought to be the best way of ensuring that all the juniors took their turn on these unpopular tasks and that no one remained on them too long.

A document distribution system is devised for the Control and the Filing Section is re-organised.

A proper observance of the yellow ticket system throughout the Control was vital to the Filing Section but it was at that time very difficult to achieve because technical problems took up all the time and energies of the staff directing the various Sections of the Exchange Control Office, and also because their staffs were being rapidly increased by Temporary Clerks of both sexes who knew nothing of the Bank and its ways and who were slow to learn the procedure and to appreciate its importance.

At the end of January 1941 Mr.Laverack was given the task of studying the organisation of the various Sections of the Control and the methods employed. He was required subsequently to make a report to Mr.Bolton (then Principal of the Exchange Control Office) and to pay particular attention to the volume and distribution of paper passing through the Control and also to the system in operation in the Filing Section. <sup>It was while</sup> ~~while~~ he was engaged on his researches <sup>that</sup> Mr.Dalton made certain recommendations for reorganising the Control whereby the Exchange Control Office became the Cashier's Department (Exchange Control) on the 1st March. ~~1941~~.

~~Under this re-organisation the large Sections dealing with specific aspects of Exchange Control became Offices.~~

It has been estimated that at the time Mr.Laverack produced his Report the number of files each registered under a distinctive mark had reached approximately 100,000 and comprised about 2 $\frac{1}{4}$  million documents. The results of referencing and cross referencing had produced a card index of upwards of 250,000 cards. The Staff of the Section had by then increased to 130.



Mr. Laverack's proposals, which were very detailed, on the one hand set up in all the Control Offices a uniform distribution system which paid particular regard to the needs of the Filing Section and on the other revised the procedure and organisation of the Filing Section and introduced some new methods.

In the offices his task was to devise a means of maintaining an unbroken record of the passage of individual files from hand to hand.

He sought to do this by several means:-

- (a) setting up a Distribution Section in each office which would be the focal point through which all letters and files coming into and going out of the office would pass, and which could be made responsible for seeing that the yellow ticket system was being properly observed.
- (b) ensuring that all incoming letters acquired a file reference identity as soon as possible by having them sent immediately to the Filing Section.
- (c) simplifying the yellow ticket system by making it necessary for a yellow ticket to be written only when it passed from one Section ~~to another~~ or from one Office to another.
- (d) introducing log books in which individual correspondence clerks were required to enter particulars of the files coming into their custody and of the destinations to which they sent them.
- (e) setting up Register Sections to maintain "log books" of files dealt with by Principals.

Mr. Laverack also sought to reduce the amount of work entailed in keeping accurate records of files which were away from the Filing Section by introducing a "Suspense" procedure to stop hoarding by correspondents. Under this procedure files relating to cases which had been dealt with initially, and in respect of which further information was awaited, could be returned to the Filing Section and be earmarked to be returned to the person concerned on a specified date. In the meantime the file would be available to the

filists or, if need be, to a third party on the understanding that it was returned on the specified date to the person who placed it in Suspense.

Another innovation was the introduction of a chit on which written requests for files could be made, which came to be known as the P.R. (Previous required) Slip. Hitherto such requests had been made either by telephone or by runner. Besides considerably reducing the calls made on the services of runners this had an organisational advantage in the Filing Section and also cut down the volume of telephone work in the Filing Section and the Telephone Exchange.

In the Filing Section a general reorganisation was effected. Besides a number of detailed procedural changes the main alterations were as follows:-

- (a) The AA, SR and XP Series of marks were discontinued and where necessary file amalgamations were progressively made. When files under these marks were amalgamated or new letters added, the existing mark was dropped in favour of a new EC mark and the main index cards altered accordingly.
- (b) The other Sections engaged on "case" file work were amalgamated and then reformed into new Sections under alphabetical designations.
- (c) A Distribution Section was set up with duties analagous to those in the Offices.

Under the new scheme the organisational arrangement of the Sections was as follows:-

1. Confidential
2. Distribution
3. Letter Book & Subject Index

P.T.O.

4. Alphabetical Section A - B
5. do. C - E
6. do. F - H
7. do. I - L
8. do. M - P
9. do. Q - S
10. do. T - Z
11. Cabinets
12. Suspense.

Mr.Laverack's proposals were put into effect on the 12th May 1941 and, except for minor amendments, remained unchanged throughout the War.

It was, however, considered to be desirable to ensure that the Filing Section's records were as complete as possible when the new Scheme was put into operation. A census was accordingly made of all correspondence which was not in the possession of the Filing Section on the 9th May 1941. On that day the Offices were required to write a yellow ticket for each file in their possession at 3 p.m. and send these yellow tickets to the Filing Section.

An indication of the extent to which files were then circulating and of the work entailed in keeping track of their movements is given by the fact that 3,038 files were returned as being in the possession of the Offices. When another census was taken on the 10th January 1942 the number had increased to 4,658. The Staff of the Section comes under Exchange Control Management

From the days when its nucleus worked for the Foreign Exchange Section of the Chief Cashier's Office, the staff of the Section had remained part of the staff of that Office for administrative purposes. Since the beginning of the War it had looked to the Principals of the Staff Register Section of the Control for support and advice in matters connected with the work and for supplies and equipment but to the Chief Clerk of the Chief Cashier's Office in all matters of domestic staff administration.

After the formation of the Cashier's Department (Exchange Control) in March 1941, it was recognised as being anomalous for a Section to work for one Office and be attached to another.

It was accordingly agreed that on the 1st September 1941 the Staff, which then numbered 144, should leave the jurisdiction of the Chief Cashier's Office and come under that of the Staff Register Office.

At the same time it was considered desirable to maintain as much flexibility as possible between the Filing Sections working for the Chief Cashier's Office, Trade & Payments Section, Overseas & Foreign Office and the Control. It was accordingly agreed to regard all the filists in these Sections as being merged in a common pool and that the various Offices should accept the arbitration of a Superintendent who was placed in charge of the pool in order that she might be in a position to judge the relative needs of the several Sections. This has proved to be a wise decision and its results have been beneficial both to the Bank and to the Staff. Owing to its size and its experience of training filists the Exchange Control Section became the nursery from which the other Sections, including the one at Glasgow, obtained replacements and it has often been called upon to render a like service to filing groups in other Departments. Its value to the Bank in this respect is obvious, while its Staff have benefited by the resultant increase in the number of the more interesting jobs and of the field of opportunity.

The premises occupied by the Section during the War

There would be little point in dealing at length with the moves made by the Section from the small room which it occupied in the West Wing of the second floor on the 4th September 1939 via the fourth floor and sub-vault to its present premises in the East Wing of the second floor. No history of the Section would, however, be complete without a reference to its sojourn in the Lecture Hall on the Sub-Vault floor.

P.T.O.

When the Bank was hit by a bomb during the night of the 9th September 1940 the Section was occupying premises on the fourth floor almost immediately below the point of impact. The Section was tied to its files, and it was several days before the cabinets could be transferred to emergency quarters (in the Lecture Hall). Other parts of the Control returned to their original quarters above ground as and when their premises were repaired and made habitable, but because of the volume and weight of its records the Filing Section remained below stairs until it was transferred to its present quarters on the 27th July 1942. During the two years that it spent there, the Staff never became reconciled to working below ground, and were acutely conscious of their exposed position with nothing but the Garden Court above them. Nevertheless these circumstances were not allowed to affect their work which, raid or no raid, was continued to a late hour at night for months on end while they occupied these premises.

The formation of the Section's Administrative Staff

On the 4th September 1939 the Foreign Exchange Filing Section was in the charge of two "Women" Senior Clerks, who were answerable to the "Woman" Principal Clerk in charge of the Chief Cashier's Office Filing Section, of which, until the 1st September 1941, it was an offshoot. On the latter date the Section

acquired

acquired a separate identity and was transferred to the Control.

The day to day management of the Section devolved upon these three women and the burden of solving the organisational and other problems imposed by the new conditions was largely borne by them. The Senior Clerks were regarded as being jointly responsible for the work of the Section as a whole but the junior of the two was more directly responsible for the management of the Confidential Section which dealt with the policy etc., files.

As the section expanded and, as has already been described, sub-sections were formed to deal with various kinds of activity, women had to be selected to take charge of them and to assist the senior filists generally. A few able assistants were discovered but in too many cases reliance had to be placed on older women who, for one reason or another, were not always suitable for such positions. Nevertheless the work had to be done <sup>with</sup> ~~and the management should have to utilize~~ the Staff available. The difficulties with which the Senior Filists had to contend were considerably increased by this staffing problem, and the effect on the Section was of long duration because, under wartime conditions, it was years before they could be replaced by more suitable people.

During the intervening years the three Senior Filists had all achieved some measure of promotion, and when the Section was transferred to the Control their services received further recognition. The senior became a Superintendent, with the wider terms of reference previously mentioned, and the other two became Deputy Superintendent and Principal Clerk (Special Duties) respectively, and assumed the local responsibility for the management of the Section.

By this time it was apparent that the re-organisation carried out in May was producing successful results. It therefore seemed appropriate to envisage, as an ultimate objective, a staff

structure in which the Deputy Superintendent and her aide-de-camp would have two or more Principal Clerks as immediate assistants and in which, also, each Sub-Section would be managed by a Section Leader and her deputy. These, it was thought, would be Principal Clerks and Senior Clerks respectively on the more important sections and Senior Clerks and Grade I Clerks respectively on the others.

The sectional arrangement was then as follows:-

- 1. Confidential
  - 2. A-B
  - 3. C-E
  - 4. F-H
  - 5. I-L
  - 6. M-P
  - 7. Q-S
  - 8. T-Z
  - 9. Letter Book and Subject Index
  - 10. Suspense
  - 11. Counter
  - 12. Distribution
  - 13. Cabinets
  - 14. Staff Post
- Collectively known as  
the "General Section"

It was evident that it would take a long time for the Section to build up a proper complement of seniors for, besides the Deputy Superintendent and her aide-de-camp, it then numbered only 7 Senior Clerks and 6 Grade I Clerks among its staff of 152.

As evidence of the Staffing difficulties under which the Section was working at the time, it is recorded that five only of these Senior Clerks had done any filing before the war. Two of them were now acting as assistants to the Deputy Superintendent and the other three were working on the Confidential Section because its work demanded more experience and a higher degree of filing skill than that of the General Section. Three of the Sections were led by Senior Clerks and four by Grade I Clerks: the other Section Leaders and all the deputies were either middle-aged Temporary Clerks or young and, therefore, junior Permanent Clerks.

P.T.O.

The progressive release for all forms of National Service of women who had often been with the Section long enough to become really useful, and the general staff shortage, delayed the formation of really efficient administrative staff for a long time.

During the four years which passed before the war ended the thirteen Senior Women increased to twenty-two (2 Principal Clerks, 12 Senior Clerks and 8 Grade I Clerks), and an experienced Principal Clerk was transferred from another filing section to help the seniors. By August 1945 the staff of the Section had been reduced to 132.

Before the conclusion of hostilities the Filist in Charge had been accorded the rank of Superintendent and her two deputies in charge of the Confidential and General Sections respectively had been given the status of Deputy Superintendents. A new section had also been formed to deal with the files of Bankers and other large Institutions. These had been withdrawn from the Alphabetical Sections because they were in such demand in different parts of the Control that new methods had to be devised to deal with them. Otherwise there were few changes in the organisational structure of the Section or in the disposition of its Administrative Staff.

#### Conclusion

This account of the formation of the Exchange Control Filing Section and of its growth and development during the war has shown that, throughout its history, it has been staffed and managed by women and that women have played a large part in building up its organisation and procedure. It was the Senior Filists who met the problems at first hand and who sought for and usually found the solutions.

There has always been a working partnership with men, both in the organisation of the work and in the administration of the staff but they have mostly remained in the background and have given their help and support when major decisions have been involved

P.T.O.



or when their authority has been needed to uphold a point of view or to put changes into effect.

The evolution of what must now have become one of the largest Filing Sections in this country, under wartime conditions and in circumstances for which there were no precedents, is an outstanding example of the important part which women now play in the work of the Bank. Moreover, the manner in which difficulties were met and overcome and the devotion to duty displayed by the Staff were in the Bank's best traditions.

Figures showing fluctuations in the volume of work done by the Exchange Control Filing Section and in its Staff during the war years (1939-1945)

Week Including	Approx. No. Files	No. Files sent to Offices Weekly			No. Files Retd. Weekly Dealt with & put away	Outgoing Letters Examd. for Subject Index	Staff of Section	Staff of Control* (Excluding Filists)	
		With new Letters	On Request	Total					
4.9.39							6	78	
1.3.40	12,000						28	343	
7.6.40	30,000						43	1,131	Amalgamation with Securities Registration & Vesting Office
1.9.40	52,000						84	1,068	
1.3.41	88,000						117	1,299	Formation of Cashiers Dept. (Exchange Control)
12.5.41	100,000						130	1,176	Reorganisation of Section
1.9.41	125,000						144	1,151	Section transferred to the Control
1.3.42	150,000						150	1,123	
4.5.42	160,000	2,350	4,350	6,700	6,200	2,000	161	1,049	(An analysis of the work done by the Section was not maintained before this date)
1.9.42	180,000	2,200	3,500	5,700	6,000	2,050	174	1,010	
1.3.43	200,000	2,000	4,600	6,600	7,000	1,750	166	892	
1.9.43	220,000	1,600	3,000	4,600	5,000	1,200	156	835	
1.3.44	230,000	1,750	3,350	5,100	5,250	1,300	165	814	
1.9.44	250,000	1,250	2,250	3,500	4,600	1,000	143	813	
1.3.45	260,000	1,500	2,550	4,050	5,450	1,150	144	822	
1.9.45	290,000	1,900	2,500	4,400	4,550	1,600	135	809	

\*These figures have been added to give an indication of the extent of the territory in which the Sections files were circulating.

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BRANCH CONTROLS

For the convenience of the local banking and commercial communities most of the Branches of the Bank of England <sup>began</sup> ~~commenced~~ to undertake exchange control work in November 1939. Branch Controls were established at Manchester, Birmingham, Liverpool, Bristol, Leeds and Newcastle (i.e., all Branches except Plymouth and Southampton) and were operated by existing Branch staff, representatives of whom had previously visited Head Office for a course of instruction. The Branches did not deal with the investigation of breaches of the Regulations or with the granting of exemptions, but most other aspects of exchange control work were undertaken within the limits of the authority granted by Head Office. This authority, which was necessarily restricted somewhat rigidly in the early days, was gradually extended as the staff gained experience. Teleprinter communication with Manchester, Liverpool and Leeds was established during 1941, and by this means and by correspondence and periodic visits to Head Office the staff were enabled to obtain advice on day-to-day problems and to keep up to date with the administrative effects of changes in policy. The number of staff engaged on exchange control work at the Branches was (excluding Glasgow) increased from 20 in all at the beginning of 1943 to 28 at the end of 1945.

In June 1940 an Office of the Exchange Control was established in Glasgow, in order to deal with applications and enquiries from the Scottish banks and its activities were later extended to Northern Ireland. (Both these offices are described <sup>in the</sup> ~~as~~ accompanying note on the Glasgow Control).

As a precautionary measure against the possibility of invasion and the consequent breakdown of communications a decentralisation scheme was drawn up in August 1940 in agreement with the Treasury, and arrangements were made for the operation of Emergency Controls at nine centres, viz. Belfast, Birmingham, Cardiff, Liverpool, Nottingham, Bristol, Newcastle, Manchester and Leeds. In the last four places mentioned the Bank's Branch premises

were to be

were to be used, and at the other centres outside premises were obtained. Work was put in hand, telephones were installed, furniture, stores and stationery bought and delivered, and billeting possibilities examined. Decentralisation staff scheduled<sup>s</sup> were drawn up, members of the staff were given provisional warning of possible transfer in an emergency and transport arrangements were made through the Establishment Department.

Late in 1943 the Treasury agreed that the decentralisation scheme should be would up; and accordingly steps were taken to dispose of the premises rented at Liverpool, Birmingham, Nottingham and Cardiff.

The operation of the Branch Controls was most successful, and it was considered that the degree of decentralisation thus achieved was adequate to meet ~~the~~ wartime requirements. It was suggested, however, that it might be desirable to delegate wider powers to the banks after the war and that it might, in consequence, be necessary to set up a separate agency in Belfast and to strengthen the staff at the existing Branch Controls.

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The Glasgow Office

When Hitler invaded the Low Countries and the Bank prepared to decentralise, in case London should become untenable, it was decided that the Exchange Control Department should be split over various centres, each of which would be self-supporting. Scotland was not only a distinct unit but was also farthest away, and Glasgow was selected as the most suitable place not only in which to start the new programme and so gain experience for subsequent decentralisation, but also in which to cater at once for the convenience of the Scottish community.

The Office, opened in June 1940, was designed to be a complete replica on a smaller scale of the Control in London, and to that extent it has always been more autonomous than the smaller units operated at certain of the Bank's branches. (Glasgow has always been administered by two Principals with Exchange Control experience, which cannot be said of the Branches). Details of the early history and subsequent development of the Glasgow Office are given in the memorandum entitled "Review of the first three years' work of the Glasgow Control", written in July/August 1943 for the Chief Cashier (Appendix ).

The original Staff was slightly over 40 but by the end of October 1940 it had decreased to 33, because at that time it had been possible to gain practical experience of the type and volume of work to be handled and numbers could be adjusted accordingly. By October 1941 exchange control had become much wider and more complex and the Staff needed was 42, but a year later it had fallen again to 37 and by October 1943 to 30. Owing to the decline in overseas trade as the war progressed and to the fact that exchange control was by then as nearly a matter of routine as such a thing can ever be, in January 1944 the numbers went down to 29 for a short time, but since then they have gradually increased and were up to 36 before the end of 1945.

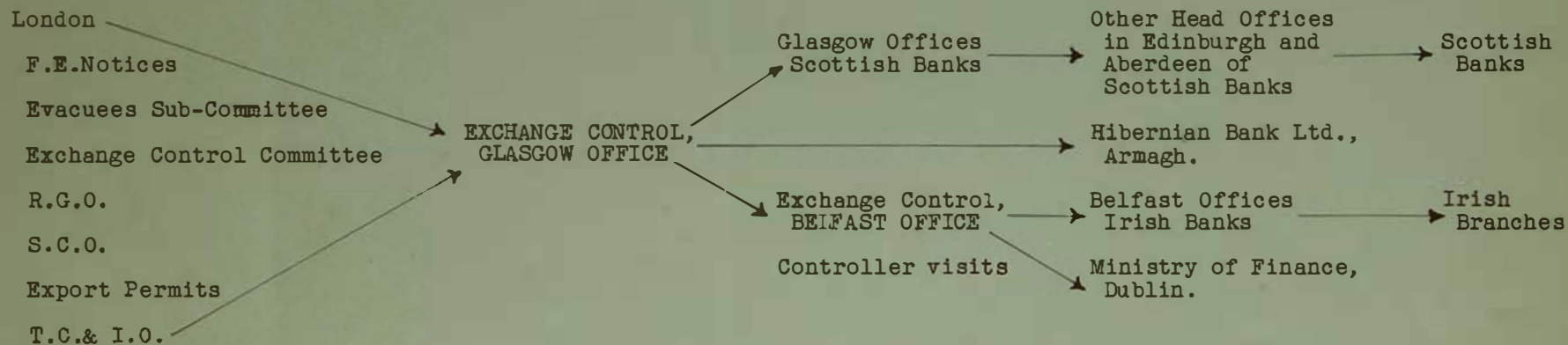
The regular reports of the work of the Office (which were made quarterly at first, and later at longer intervals) included detailed statistics showing how the volume of letters and forms

increased

increased, and the attached two diagrams are intended to show as simply as possible the way in which the work was handled. There is little more to be said here except perhaps to point out that relations between the Bank of England/<sup>and</sup>the Scottish banks have grown more cordial with the years, so that when difficulties arose from time to time the necessary personal contacts were available to enable them to be overcome by friendly discussion - a happy relationship which applied also to dealings with the Navy and the Railway authorities when they and the Glasgow Control together had to handle special consignments of currency. These shipments usually had to be dealt with at very short notice and under conditions of great secrecy and it can safely be said that all three parties concerned felt that each could be relied upon to play their part to the full, without complaint and with entire absence of fuss.

DIFFUSION OF INFORMATION REGARDING EXCHANGE CONTROL POLICY AND PRACTICE  
FROM BANK OF ENGLAND, LONDON, VIA BANK OF ENGLAND, GLASGOW, TO THE  
BANKERS IN SCOTLAND AND NORTHERN IRELAND

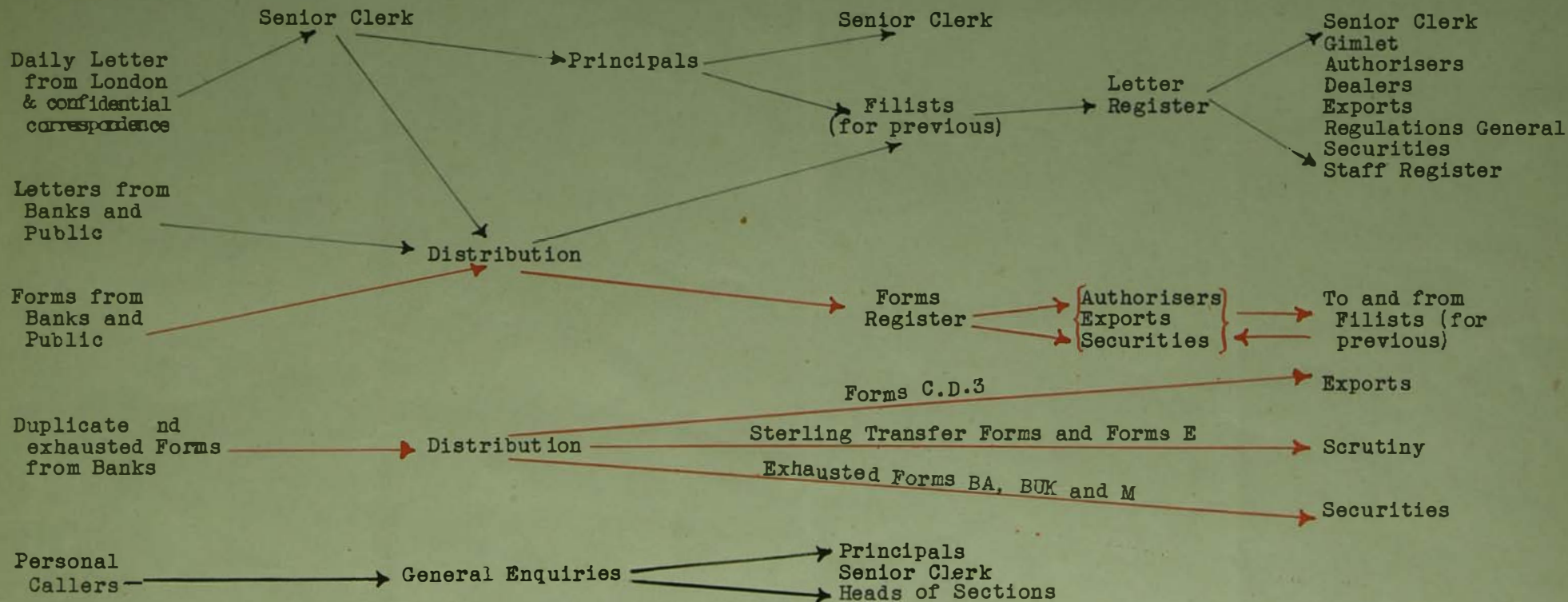
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N.B. In addition, notices issued by Foreign Exchange Committee and British Bankers' Association are sent direct to the Head Offices of the Scottish Banks and via London correspondents of Irish Banks.

F.E.Notices in bulk are sent direct from printers to Scottish and Irish Banks to save time instead of being delivered via Exchange Control Office, Glasgow, who send advance copies to the Glasgow and Belfast Offices of the Banks concerned.

METHOD OF DEALING WITH LETTERS, FORMS AND PERSONAL CALLERS  
AT THE EXCHANGE CONTROL OFFICE, GLASGOW.



Blue - Letters  
Red - Forms  
Black - Callers



WORK STATISTICS

GLASGOW

<u>Period</u>	<u>Currency and Sterling Transfer Forms dealt with</u>	<u>Securities Control Forms dealt with</u>	<u>Export Control Forms</u>		<u>Correspondence</u>		<u>Number of Staff</u>			
			<u>Authorised</u>	<u>Scrutinized</u>	<u>Received</u>	<u>Despatched</u>	<u>As at</u>	<u>Men</u>	<u>Women</u>	<u>Total</u>
Year ended:							End of:			
							June 1940	25	2	27
June 1941	27,288	6,049	1,895	12,414	12,037	13,396	June 1941	23	14	37
June 1942	24,824	11,426	995	32,083	18,802	14,589	June 1942	23	14	37
June 1943	21,220	7,765	466	21,087	14,620	11,725	June 1943	17	13	30
June 1944	21,133	6,130	805	15,266	12,866	10,510	June 1944	14	13	27
June 1945	21,978	6,029	1,349	11,556	14,912	12,070	June 1945	15	17	32