CABINET

EXCHANGE CONTROL BILL

MEMORANDUM BY THE CHANCELLOR OF THE EXCHEQUER

I now circulate the text of this Bill, approved in principle by the Lord President's Committee on the 26th July, 1946 (L.P. (46) 28th Meeting, Minute 4), and by the Legislation Committee on the 29th October (H.P.C. (46) 27th Meeting, Minute 4), subject to Cabinet concurrence. I also circulate a proof of the White Paper, to be published simultaneously with the Bill. This explains, in non-technical language, why we need Exchange Control, how it squares with our international obligations, and what the Bill contains.

2. This has not been an easy Bill to draft. But the Solicitor-General and I have discussed it exhaustively over many months, aided by my advisers of the Treasury and the Bank of England and by the Director of Public Prosecutions, and we are all agreed that nothing less stringent would give us the powers which is indispensable that the Government should possess in this field. My colleagues will notice that the Solicitor-General in his Paper (C.P. (46) 410) confirms my opinion on this point.

3. There is nothing much new in the examples quoted by the Solicitor-General to illustrate the stringency of this Bill. The Government have had these powers for seven years under the Defence (Finance) Regulations, and there have been no serious complaints at any time about the way in which they have been used. Indeed, our Exchange Control has attracted singularly little criticism during its seven years of life, and has served as a model for many other countries. We shall, of course, as stated in the White Paper, continue to administer this control with common sense and flexibility, and in such a way as not to hinder legitimate trade. But, if it is to be administered flexibly, the powers must be wide and strong, so as to avoid the need for continually referring to Parliament for amending legislation, to stop up new holes invented by clever legal advisers of scrupulous rich men.

4. I have given particular attention to the possibility of modifying the powers to determine "residence," which continue powers contained in Regulation 3C (3) and (4), but I am satisfied that it is not safe to do so; and observe that the Canadian Act entrusts similar powers to their Foreign Exchange Control Board. The control provided in Clause 6 over compensation sales (e.g., a payment to the creditor here of an American, who arranges for a "pro quo in America") is particularly desirable, and uses substantially the same language as the existing regulation—3C (2). There have been several successful prosecutions of wealthy people under this, and I hope to bring more offenders to justice shortly.

5. No doubt the Opposition will oppose this Bill, but they will not be on strong ground in doing so. Nor, in my view, provided that our case is clearly and forcibly presented, will they secure much popular support. The short case for this Bill is that without these powers we shall repeat the fiasco of the second...
Labour Government, or worse. As my colleagues know, we have, in any case, within the next few years, a very grave problem arising from our OVERDEFICIT. We can only hope to win through, and to maintain our financial stability and our exchange reserves, provided we can stop all anti-social "flights" of capital from this Island.

6. I ask my colleagues' consent to the very early introduction of this in the new Session.

Treasury Chambers, S.W.1.
31st October, 1946.
Exchange Control Bill.

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Sixth Schedule.—Orders not required to be laid before Parliament.
Confer powers, and impose duties and restrictions, in relation to payments, currency, debts, gold, securities, and the import, export, transfer and settlement of property, and for purposes connected with the matters aforesaid.

Be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

PART I.

GOLD AND FOREIGN CURRENCY.

1.—(1) Except with the permission of the Treasury, no person, other than an authorised dealer, shall, in the United Kingdom, and no person resident in the United Kingdom, other than an authorised dealer, shall, outside the United Kingdom, buy or borrow any gold or foreign currency from, or sell or lend any gold or foreign currency to, any person other than an authorised dealer.

(2) Where a person buys or borrows any gold or foreign currency in the United Kingdom or, being a person resident in the United Kingdom, buys or borrows gold or foreign currency outside the United Kingdom, he shall comply with such conditions as to the use to which it may be put or the period for which it may be retained as may from time to time be notified to him by the Treasury.

(3) In this Act—
(a) the expression "foreign currency" does not include any currency or notes issued by the Government or under the law of any part of the scheduled territories but, save as aforesaid, includes any currency

...
other than sterling and any notes of a class which are or have at any time been legal tender in any territory outside the United Kingdom, and any reference to foreign currency, except so far as the context otherwise requires, includes a reference to any right to receive foreign currency in respect of any credit or balance at a bank; and

(b) the expression "the scheduled territories" means the territories specified in the First Schedule to this Act so, however, that the Treasury may at any time by order amend the said Schedule, either by the addition or exclusion of territories or otherwise, and the said expression shall be construed accordingly.

Surrender of gold and foreign currency.

2.—(1) Every person who is in or resident in the United Kingdom and is entitled to sell, or to procure the sale of, any gold, or any foreign currency to which this section applies, and is not an authorised dealer, shall offer it, or cause it to be offered, for sale to an authorised dealer, unless the Treasury consent to his retention thereof or he disposes thereof to any other person with the permission of the Treasury.

The foreign currency to which this section applies is such foreign currency (hereafter in this Act referred to as "specified currency") as may from time to time be specified by order of the Treasury.

(2) If a person who has obtained the consent of the Treasury to his retention of any gold or specified currency, and has stated in an application for the consent that he requires it for a particular purpose, no longer requires the gold or currency for that purpose, the preceding subsection shall thereupon apply to him in relation to that gold or currency as if the Treasury had revoked their consent to his retention thereof.

(3) A person who acquires any gold or specified currency from an authorised dealer shall be treated for the purposes of this section as if the Treasury had consented to the retention by him of that gold or currency (subject, however, to any conditions notified to him in accordance with subsection (2) of the preceding section), and as if any statement made by him in an application for that gold or currency as to the purpose for which he requires it had been made by him in an application for the Treasury's consent to his retention thereof.

(4) Where a person has become bound under this section to offer or cause to be offered any gold or specified currency for sale to an authorised dealer, he shall not be deemed to
comply with that obligation by any offer made or caused to be made by him, if the offer is an offer to sell at a price exceeding that authorised by the Treasury, or without payment of any usual and proper charges of the authorised dealer, or otherwise on any unusual terms.

(5) Where a person has become bound under this section to offer or cause to be offered any gold or specified currency for sale to an authorised dealer and has not complied with that obligation, the Treasury may direct that that gold or currency shall vest in the Treasury, and it shall vest in the Treasury accordingly free from any mortgage, pledge or charge, and the Treasury may deal with it as they think fit, but the Treasury shall pay to the person who would but for the direction be entitled to the gold or currency such sum as he would have received therefor if he had sold it to an authorised dealer in pursuance of an offer made under this section at the time when the vesting occurred.

(6) In any proceedings in respect of a failure to comply with the provisions of this section, it shall be presumed, until the contrary is shown, that the gold or currency in question has not been offered for sale to an authorised dealer.

3.—(1) Every person in the United Kingdom by whom or to whose order (whether directly or indirectly) any gold or any specified currency in the form of notes is held in the United Kingdom but who is not entitled to sell it or procure its sale shall notify the Bank of England in writing that he so holds that gold or currency.

(2) The Treasury may direct any person in the United Kingdom by whom or to whose order (whether directly or indirectly) any gold or any specified currency in the form of notes is held in the United Kingdom, whether or not he is entitled to sell it or procure its sale, to cause that gold or currency to be kept at all times in the custody of such banker as may be specified in the direction.

PART II.

PAYMENTS.

4. Except with the permission of the Treasury, no person shall do any of the following things in the United Kingdom, that is to say—

(a) make any payment to or for the credit of a person who is resident outside the scheduled territories; or

(b) make any payment to or for the credit of a person who is resident in the scheduled territories by order
or on behalf of a person who is resident outside the scheduled territories; or

(c) place any sum to the credit of any person who is resident outside the scheduled territories:

Provided that where a person resident outside the scheduled territories has paid a sum in or towards the satisfaction of a debt due from him, paragraph (c) of this section shall not prohibit the acknowledgement or recording of the payment.

Payments outside the United Kingdom.

5.—(1) Except with the permission of the Treasury, no person resident in the United Kingdom shall, subject to the provisions of this section, make any payment outside the United Kingdom to or for the credit of a person who is resident outside the scheduled territories.

(2) Nothing in this section shall prohibit the doing of anything otherwise lawful by any person with any foreign currency obtained by him in accordance with the provisions of Part I of this Act or retained by him in pursuance of a consent of the Treasury.

Compensation deals.

6.—(1) Except with the permission of the Treasury, no person shall in the United Kingdom, and no person resident in the United Kingdom shall outside the United Kingdom, make any payment to or for the credit of a person resident in the scheduled territories as consideration for or in association with—

(a) the receipt by any person of a payment made outside the scheduled territories, or the acquisition by any person of property which is outside the scheduled territories; or

(b) the transfer to any person, or the creation in favour of any person, of a right (whether present or future, and whether vested or contingent) to receive a payment outside the scheduled territories or to acquire property which is outside the scheduled territories.

(2) Nothing in this section shall prohibit the making of any payment in accordance with the terms of a permission or consent granted under this Act.

PART III.

Securities.

7.—(1) Except with the permission of the Treasury, no person shall in the United Kingdom issue any security or, whether in the United Kingdom or elsewhere, issue any
security which is registered or to be registered in the United Kingdom, unless the following requirements are fulfilled, that is to say—

(a) neither the person to whom the security is to be issued nor the person, if any, for whom he is to be a nominee is resident outside the scheduled territories; and

(b) the prescribed evidence, is produced to the person issuing the security as to the residence of the person to whom it is to be issued and that of the person, if any, for whom he is to be a nominee.

(2) The subscription of the memorandum of association of a company to be formed under the Companies Act, 1929, or the corresponding Act in force in Northern Ireland, by a person resident outside the scheduled territories, or by a nominee for another person so resident, shall, unless he subscribes the memorandum with the permission of the Treasury, be invalid in so far as it would on registration of the memorandum have the effect of making him a member of or shareholder in the company, so, however, that this provision shall not render invalid the incorporation of the company; and if by virtue of this subsection the number of the subscribers of the memorandum who on its registration become members of the company is less than the minimum number required to subscribe the memorandum, the provisions of the said Acts relating to the carrying on of business of a company the number of whose members is reduced below the legal minimum shall apply to the company as if the number of its members had been so reduced.

8.—(1) Except with the permission of the Treasury, no security registered in the United Kingdom shall be transferred, and no other security shall be transferred in the United Kingdom, unless, in either case, the following requirements are fulfilled, that is to say—

(a) neither the transferor nor the person, if any, for whom he is a nominee is resident outside the scheduled territories; and

(b) the transferor delivers to the transferee at or before the time of the transfer the prescribed declarations as to his residence and that of the person, if any, for whom he is a nominee; and

(c) neither the transferee nor the person, if any, for whom he is to be a nominee is resident outside the scheduled territories; and

(d) except where the security is registered in the United Kingdom otherwise than in a subsidiary register the
Provided that—

(i) neither the transferee nor his agent shall be deemed to have committed an offence by reason only that the requirements of paragraph (a) of this subsection were not fulfilled unless the transferee or, as the case may be, his agent, knew or had reason to believe that those requirements were not fulfilled; and

(ii) neither the transferor nor his agent shall be deemed to have committed an offence by reason only that any of the requirements of paragraphs (c) and (d) of this subsection have not been fulfilled unless, in the case of a non-fulfilment of the requirements of the said paragraph (c), the transferor or, as the case may be, his agent, knew or had reason to believe that those requirements were not fulfilled.

(2) Except with the permission of the Treasury, no security other than a security registered in the United Kingdom shall be transferred outside the United Kingdom if either the transferor or the transferee, or the person, if any, for whom the transferor or transferee is or is to be a nominee, is resident in the United Kingdom.

(3) Except with the permission of the Treasury, no coupon shall be transferred—

(a) in the United Kingdom, unless neither the transferee nor the person, if any, for whom he is to be a nominee is resident outside the scheduled territories;

(b) outside the United Kingdom, if either the transferor or the transferee or the person, if any, for whom the transferor or transferee is or is to be a nominee, is resident in the United Kingdom.

9. Except with the permission of the Treasury, no person shall, in the United Kingdom, and no person resident in the United Kingdom shall, outside the United Kingdom, issue any bearer certificate or coupon or so alter any document that it becomes a bearer certificate or coupon.

10. Except with the permission of the Treasury, no person who is in or resident in the United Kingdom shall do any act which is calculated to secure, or forms part of a series of acts which together are calculated to secure—

(a) that a security which is—

(i) registered in the United Kingdom; or
(ii) transferable by means of a bearer certificate in the United Kingdom, becomes, or is replaced by, a security registered outside the United Kingdom or a security transferable by means of a bearer certificate outside the United Kingdom; or

(b) that a certificate of title to any other security, is issued outside the United Kingdom in substitution for or in addition to a certificate of title thereto which is in, or is or has been lost or destroyed in, the United Kingdom.

11. Except with the permission of the Treasury, no person resident in the United Kingdom shall do any act which is calculated to secure, or forms part of a series of acts which together are calculated to secure, that capital moneys payable on a security registered in the United Kingdom are paid outside the United Kingdom, or that, where the certificate of title to a security is in the United Kingdom, capital moneys payable on the security are paid outside the United Kingdom without production of the certificate to the person making the payment.

12. Except with the permission of the Treasury, no person concerned with the keeping of any register in the United Kingdom shall—

(a) enter in the register the name of any person in relation to any security unless there has been produced to him the prescribed evidence that the entry does not form part of a transaction which involves the doing of anything prohibited by this Act; or

(b) enter in the register, in respect of any security, an address outside the scheduled territories, except for the purpose of any transaction for which the permission of the Treasury has been granted with the knowledge that it involved the entry of that address; or

(c) do any act in relation to the register which recognises or gives effect to any such act as is mentioned in the two last preceding sections, whether done by a person in or resident in the United Kingdom or not.

13.—(1) Where—

(a) the holder of a security is a nominee and the person for whom he is a nominee is resident outside the scheduled territories; or

(b) the holder of a security is not a nominee and is resident outside the scheduled territories,
then, except with the permission of the Treasury, no person resident in the United Kingdom shall do any act whereby the holder becomes his nominee in respect of the security.

(2) Except with the permission of the Treasury, a person resident in the United Kingdom for whom the holder of a security is a nominee shall not do any act whereby—

(a) the holder, being a person resident outside the scheduled territories, holds the security otherwise than as his nominee; or

(b) the holder, not being a person resident outside the scheduled territories, holds the security as nominee for a person resident outside the scheduled territories.

(3) Where the holder of a security is a nominee, then, except with the permission of the Treasury, neither he, if he is a person resident in the United Kingdom, nor any person, being a person resident in the United Kingdom, through whose agency the exercise of all or any of the holder’s rights in respect of the security are controlled, shall—

(a) do any act whereby he recognises or gives effect to the substitution of another person as the person from whom he directly receives his instructions unless both the person previously instructing him and the person substituted for that person were, immediately before the substitution, resident in the scheduled territories and not elsewhere; or

(b) do any act whereby he ceases to be a person bound to give effect to the instructions of another person in relation to the security, unless the person who theretofore instructed him is resident in the scheduled territories and not elsewhere.

(4) Where the holder of a security is not a nominee and is resident in the United Kingdom, then, except with the permission of the Treasury, he shall not do any act whereby becomes the nominee of another person in respect of the security, unless that other person is resident in the scheduled territories and not elsewhere.

14.—(1) This and the next following section apply to any security except—

(a) a security which is registered in the United Kingdom otherwise than in a subsidiary register, and none of the dividends or interest on which is payable on presentment of a coupon; and

(b) any such other securities as may be prescribed,

and in the following provisions of this section and in the next succeeding section the expressions "security", "certificate
of title" and "coupon" mean respectively a security to which the said sections apply, a certificate of title to such a security, and a coupon representing dividends or interest on such a security.

(2) It shall be the duty of every person by whom or to whose order (whether directly or indirectly) a certificate of title is held in the United Kingdom, and of every person resident in the United Kingdom by whom or to whose order (whether directly or indirectly) a certificate of title is held outside the United Kingdom, to cause the certificate of title to be kept at all times, except with the permission of the Treasury, in the custody of an authorised depositary, and nothing in this Part of this Act shall prohibit the doing of anything for the purpose of complying with the requirements of this subsection.

(3) Except with the permission of the Treasury, an authorised depositary shall not part with any certificate of title or coupon required under this section to be in the custody of an authorised depositary:

Provided that this subsection shall not prohibit an authorised depositary—

(a) from parting with a certificate of title or coupon to or to the order of another authorised depositary, where the person from whom the other authorised depositary is to receive instructions in relation thereto is to be the same as the person from whom he receives instructions;

(b) from parting with a certificate of title, for the purpose of obtaining payment of capital moneys payable on the security, to the person entrusted with payment thereof;

(c) from parting with a coupon in the ordinary course for collection.

(4) Except with the permission of the Treasury, no capital moneys, interest or dividends shall be paid in the United Kingdom on any security except to or to the order of an authorised depositary having the custody of the certificate of title to that security, so, however, that this subsection shall not be taken as restricting the manner in which any sums lawfully paid on account of the capital moneys, interest or dividends may be dealt with by the person receiving them.

(5) Except with the permission of the Treasury, an authorised depositary shall not do any act whereby he recognises or gives effect to the substitution of one person for another as the person from whom he receives instructions in relation to a certificate of title or coupon, unless there is
produced to him the prescribed evidence that he is not by so doing giving effect to any transaction which is prohibited by this Act.

(6) Where a certificate of title which under this section should for the time being be in the custody of an authorised depositary is not in the custody of an authorised depositary, then, except with the permission of the Treasury, no person shall in the United Kingdom, and no person resident in the United Kingdom shall outside the United Kingdom, buy, sell, transfer, or do anything which affects his rights or powers in relation to, the security.

(7) Except with the permission of the Treasury, no person shall, in the case of a certificate of title with coupons (whether attached or on separate coupon sheets), detach any of the coupons otherwise than in the ordinary course for collection.

15.—(1) Where a certificate of title to a security is by the last preceding section required to be and is in the custody of an authorised depositary, the provisions of this section shall, except so far as the Treasury otherwise direct, have effect in relation thereto until—

(a) there are delivered to him the prescribed declarations as to the ownership of the security and the residence of the owners thereof; and

(b) in the case of a certificate of title which—

(i) would ordinarily be accompanied by coupons (whether attached or on separate coupon sheets); but

(ii) when it comes into the custody of the authorised depositary wants, in order to render it complete, any coupons which would not in the ordinary course have been detached for collection, there have also been deposited with him the coupons so wanting at the time when the certificate of title comes into his custody:

Provided that where the said declarations have been delivered to an authorised depositary and he has parted with the certificate of title, paragraph (a) of this subsection shall not again apply on the certificate coming into the custody of another authorised depositary or again coming into his own custody.

(2) Except with the permission of the Treasury, the authorised depositary shall not part with or destroy the certificate of title or do any act whereby he recognises or gives effect to the substitution of one person for another as the person from whom he receives instructions in relation thereto:
Provided that, where the person from whom an authorised depositary receives instructions in relation to any certificate of title becomes bankrupt in the United Kingdom or dies, this subsection shall not prohibit the authorised depositary from recognising the trustee in bankruptcy or personal representative as the person entitled to give instructions in relation to the certificate of title.

(3) The authorised depositary shall place any capital moneys, dividends or interest on the security received by him to the credit of the person by virtue of whose authority he received them, but shall not permit any part of the sums received to be dealt with except with the permission of the Treasury.

16.—(1) The Treasury may, if in their opinion there are circumstances rendering it necessary or expedient so to do, by order direct that this section shall apply to such securities as may be specified in the order, being securities on which capital moneys, dividends or interest are payable in a specified currency or as respects which the holder has an option to require payment of any capital moneys, dividends or interest thereon in a specified currency.

(2) Except with the permission of the Treasury, no person shall, in the United Kingdom, and no person resident in the United Kingdom shall, outside the United Kingdom, transfer, or do anything which affects his rights or powers in relation to, any security to which this section applies.

17.—(1) The title of any person to a security for which he has given value on a transfer thereof, and the title of all persons claiming through or under him, shall, notwithstanding that the transfer, or any previous transfer, or the issue of the security, was by reason of the residence of any person concerned other than the first-mentioned person prohibited by the provisions of this Act relating to the transfer or issue of securities, be valid unless the first-mentioned person had notice of the facts by reason of which it was prohibited.

(2) Without prejudice to the provisions of subsection (1) of this section, the Treasury may issue a certificate declaring, in relation to a security, that any acts done before the issue of the certificate purporting to effect the issue or transfer of the security, being acts which were prohibited by this Act, are to be, and are always to have been, as valid as if they had been done with the permission of the Treasury, and the said acts shall have effect accordingly.

(3) Nothing in this section shall affect the liability of any person to prosecution for any offence against this Act.
A.D. 1946.

**Part III.**

- **Application of Part III to secondary securities.**

18.—(1) This Part of this Act shall apply, with such modifications (if any) as may be prescribed, in relation to any such document as is mentioned in the following subsection, as if the document created, and were the certificate of title to, a security (hereafter in this Act referred to as a "secondary security").

(2) The documents referred to in the preceding subsection are any letter of allotment which may be renounced, any letter of rights, any deposit certificate in respect of securities (but not including a receipt by an authorised depositary for any certificate of title deposited in pursuance of this part of this Act), any warrant conferring an option to acquire a security and such other documents conferring, or containing evidence of, rights as may be prescribed.

19.—(1) In this Part of this Act, the expression "registered" includes inscribed, the expressions "registered in the United Kingdom" and "registered outside the United Kingdom" mean respectively, registered in a register in, and registered in a register outside, the United Kingdom, the expression "security which is registered in the United Kingdom otherwise than in a subsidiary register" means a security which is registered in the United Kingdom but is not, and cannot without the necessity for an entry in the register in the United Kingdom become, registered outside, or which is registered both in the United Kingdom and outside but on a transfer cannot, without the necessity for an entry in the register in the United Kingdom, become registered outside in the name of the transferee, and the expression "a register" includes any book, file or index in which securities are registered.

(2) For the purposes of any provision of this Part of this Act prohibiting the transfer of securities, a person shall be deemed to transfer a security if he executes any instrument of transfer thereof, whether effective or not, and shall be deemed to transfer it at the place where he executes the instrument.

(3) References in this Part of this Act to the person holding a certificate of title or coupon shall be construed as references to the person having physical custody of the certificate of title or coupon:

Provided that where the certificate of title or coupon is deposited with any person in a locked or sealed receptacle from which he is not entitled to remove it without the authority of some other person, that other person shall be deemed for the purposes of this provision to have the physical custody thereof.
(4) In this Part of this Act, the expression "holder"—
(a) in relation to a security transferable by means of a bearer certificate or to a coupon, includes the person holding the certificate or coupon; and
(b) in relation to a security which is registered in the name of a deceased person, or of any person who, by reason of bankruptcy, unsoundness of mind or any other disability is incapable of transferring the security, means the personal representative, trustee in bankruptcy or other person entitled to transfer the security.

(5) The holder of a security or coupon shall be deemed for the purposes of this Part of this Act to be a nominee in respect thereof if, as respects the exercise of any rights in respect thereof, he is not entitled to exercise those rights except in accordance with instructions given by some other person, and references in this Part of this Act to the person for whom the holder of a security or coupon is a nominee shall be construed as references to the person who is entitled to give instructions, either directly or through the agency of one or more persons, as to the exercise of any rights in respect of the security or coupon and is not in so doing himself under a duty to comply with instructions given by some other person:

Provided that—
(a) a person shall not by reason only that he has a controlling interest in a body corporate be deemed for the purposes of this subsection to be entitled to give instructions to that body corporate as to the exercise of rights in respect of any security or coupon of which it is the holder; and
(b) a person shall not be deemed to hold a security or coupon as a nominee by reason only that he holds it as trustee if he is entitled to transfer the security or coupon without permission from any other person.

(6) A certificate of title shall not for the purposes of this Part of this Act be treated as in the custody of an authorised depository if either—
(a) the depository has no notice of the nature of the certificate; or
(b) the certificate is deposited with him in a locked or sealed receptacle from which he is not entitled to remove it without the authority of some other person.

(7) Any requirement imposed by this Part of this Act that a certificate of title should be kept in the custody of an authorised depository shall, in the case of a certificate outside
PART III.

—cont.

Restrictions
on import.

the United Kingdom, be deemed to be satisfied if, by the
direction or with the assent of an authorised depositary, it
is in the custody of some other person who holds it on behalf
of and to the order of that authorised depositary and if the
last preceding subsection is satisfied in relation to that person
instead of the depositary.

PART IV.

IMPORT AND EXPORT.

20.—(1) The importation into the United Kingdom of—

(a) any notes of a class which are or have at any time

been legal tender in the United Kingdom or any

part of the United Kingdom; and

(b) any such other notes as may be specified by order of

the Treasury, being notes issued by a bank or notes

of a class which are or have at any time been legal
tender in any territory; and

(c) any Treasury bills; and

(d) any certificate of title to any security, including

any such certificate which has been cancelled and

any document certifying the destruction, loss or can­
cellation of any certificate of title to a security,

is hereby prohibited except with the permission of the

Treasury.

(2) In this section the expression "note" includes part of
a note and the expression "security" includes a secondary

security.

21.—(1) The exportation from the United Kingdom of—

(a) any notes of a class which are or have at any time

been legal tender in the United Kingdom or any

part of the United Kingdom and any notes issued

by the Government or under the law of any other

part of the scheduled territories; and

(b) any Treasury bills; and

(c) any postal orders; and

(d) any gold; and

(e) any certificate of title to any security, including any

such certificate which has been cancelled, and any
document certifying the destruction, loss or can­
cellation of any certificate of title to a security; and

(f) any coupon, including a coupon which has been can­
celled, and any document certifying the destruc­
tion, loss or cancellation of a coupon; and
(g) any policy of assurance, including any such policy which has been cancelled, and any document certifying the destruction, loss or cancellation of any such policy; and

(h) any foreign currency, any bill of exchange or promissory note expressed in terms of a currency other than sterling, including any such bill or note which has been cancelled, and any document certifying the destruction, loss or cancellation of any such bill or note; and

(i) any such articles exported on the person of a traveller or in a traveller’s baggage as may be prescribed, is hereby prohibited except with the permission of the Treasury.

(2) In this section, the expression “note” includes part of a note and the expression “security” includes a secondary security.

22.—(1) The exportation of goods of any class or description from the United Kingdom to a destination in any such territory as may be prescribed is hereby prohibited except with the permission of the Treasury, unless the Commissioners of Customs and Excise are satisfied—

(a) that payment for the goods has been made to a person resident in the United Kingdom in such manner as may be prescribed in relation to goods of that class or description exported to a destination in that territory, or is to be so made not later than six months after the date of exportation; and

(b) that the amount of the payment that has been made or is to be made is such as to represent a return for the goods which is in all the circumstances satisfactory in the national interest:

Provided that the Treasury may direct that, in cases to which the direction applies, paragraph (a) of this subsection shall have effect as if for the reference to six months there were substituted a reference to such longer or shorter period as may be specified in the direction, or as if the words “or is to be so made not later than six months after the date of the exportation” were omitted.

(2) For the purpose of satisfying themselves in the case of any goods as to the matters specified in subsection (1) of this section, the Commissioners of Customs and Excise may require the person making entry of the goods for export to deliver to the collector or other proper officer together with the entry such declarations signed by such persons as the
Commissioners may require, and where any such declaration has been so required the goods shall not be exported until it has been delivered as aforesaid.

(3) Any reference in this section to the destination of any goods includes a reference to the ultimate destination thereof.

**Part V.**

Miscellaneous.

**Duty to collect certain debts.**

23.—(1) Except with the permission of the Treasury, no person resident in the United Kingdom who has a right (whether present or future and whether vested or contingent) to receive any specified currency, or to receive from a person who is resident outside the scheduled territories a payment in sterling, shall do, or refrain from doing, any act with intent to secure—

(a) that the receipt by him of the whole or part of that currency or, as the case may be, of that payment in sterling, is delayed; or

(b) that the currency or payment ceases, in whole or in part, to be receivable by him:

Provided that nothing in this subsection—

(i) shall, unless the Treasury otherwise direct, impose on any person any obligation, in relation to any debt arising in the carrying on of any trade or business, to procure the payment thereof at an earlier time than is customary in the course of that trade or business;

(ii) shall, unless the Treasury otherwise direct, prohibit any transfer to a person who is resident in the United Kingdom and not elsewhere of any right to receive any specified currency or payment in sterling.

(2) Where a person has contravened the provisions of subsection (1) of this section in relation to any specified currency or payment in sterling, the Treasury may give to him or to any other person who appears to the Treasury to be in a position to give effect thereto (being a person in or resident in the United Kingdom) such directions as appear to the Treasury to be expedient for the purpose of obtaining or expediting the receipt of the currency or payment in question, and, without prejudice to the generality of the preceding provisions of this subsection, may direct that there shall be assigned to the Treasury, or to such person as may be specified in the directions, the right to receive the currency or payment or enforce any security for the receipt thereof.
24.—(1) Where—

(a) any permission or consent has been granted under this Act, or under any corresponding provision of the law in force in any territory comprised in the scheduled territories, subject to a condition providing that, or on the faith of an application stating an intention that, any goods should be sold outside the scheduled territories; or

(b) any statement or declaration has been made under any provision of this Act or any such corresponding provision as aforesaid that any goods are to be sold outside the scheduled territories; or

(c) any currency has been obtained in, or by any person resident in, the scheduled territories on the faith of an application stating an intention that any goods should be sold outside the scheduled territories,

then, except with the permission of the Treasury, no person resident in the United Kingdom who is entitled to sell or procure the sale of the said goods shall do, or refrain from doing, any act with intent to secure—

(i) that the said sale is delayed to an extent which is unreasonable having regard to the ordinary course of trade; or

(ii) that, on the said sale, any payment made for the goods is not made in the manner indicated by the condition, statement, or declaration, as the case may be.

(2) Where—

(a) any permission or consent has been granted under this Act, or under any corresponding provisions of the law in force in any territory comprised in the scheduled territories, subject to a condition providing that, or on the faith of an application stating an intention that, any goods should be imported from outside the scheduled territories into any part of the scheduled territories; or

(b) any currency has been obtained in, or by any person resident in, the scheduled territories on the faith of an application stating an intention that any goods should be so imported,

then, except with the permission of the Treasury, no person resident in the United Kingdom who is entitled to procure the importation of the said goods shall do, or refrain from doing, any act with intent to secure that the importation thereof is delayed to an extent which is unreasonable having regard to the ordinary course of trade.
(3) In any such case as is specified in paragraph (a), paragraph (b) or paragraph (c) of subsection (1), or paragraph (a) or paragraph (b) of subsection (2), of this section, the Treasury may give to any person resident in the United Kingdom who appears to the Treasury to be in a position to give effect thereto such directions as appear to the Treasury to be expedient for the purpose of procuring the sale of the goods in question and such payment therefor in the manner indicated by the condition, statement or declaration, or, as the case may be, for the purpose of procuring the importation of the goods, or, if it appears to the Treasury that such sale and payment as aforesaid or, as the case may be, the importation of the goods is not possible, such directions as appear to the Treasury to be expedient for the purpose of procuring the sale of the goods to such persons and in such manner, and payment therefor in such manner, as may appear to the Treasury to be desirable.

(4) Without prejudice to the generality of the provisions of the last preceding subsection, the power conferred thereby on the Treasury to give directions shall extend to the giving of directions that the goods shall be assigned to the Treasury or to a person specified in the directions.

(5) The powers conferred by the two last preceding subsections in relation to any goods shall extend to the giving of directions with respect to any goods produced or manufactured therefrom, and, where goods to be sold outside the scheduled territories or to be imported were to be produced or manufactured from other goods, to the giving of directions with respect to those other goods and any goods produced or manufactured from those other goods.

25.—(1) Where a person—

(a) has made any payment which is prohibited by this Act; or

(b) being bound under this Act to offer or cause to be offered any specified currency to an authorised dealer, has otherwise disposed of that currency,

the Treasury may direct him to sell or procure the sale of any property which he is entitled to sell or of which he is entitled to procure the sale, being property which represents, whether directly or indirectly, that payment or that specified currency, as the case may be, and may by the same or a subsequent direction specify the manner in which, the persons to whom and the terms on which the property is to be sold.

(2) Without prejudice to the generality of the provisions of subsection (1) of this section, the power conferred thereby on
the Treasury to give directions shall extend to the giving of directions that the property shall be assigned to the Treasury or to a person specified in the directions.

26.—(1) Where, under the preceding provisions of this Part of this Act, the Treasury has power to give directions that any right to receive any currency or payment in sterling or to enforce any security for the receipt thereof, any goods, or any other property shall be assigned to the Treasury, the Treasury shall also have power to direct that the right, goods or property shall vest in the Treasury, and it or they shall vest in the Treasury accordingly free from any mortgage, pledge or charge, and the Treasury may deal with it or them as they think fit.

(2) Where, in pursuance of directions under the said provisions, any right, goods or property is or are assigned to the Treasury or to a person specified in the directions, or any right, goods or property vests or vest in the Treasury in pursuance of directions given under subsection (1) of this section, the Treasury shall pay the net sum recovered by them in respect of the right, goods or property to the person making the assignment or, in the case of any right, goods or property vested in the Treasury under subsection (1) of this section, to the person who, but for the directions, would be entitled to the right, goods or property.

27.—(1) Except with the permission of the Treasury, no person resident in the United Kingdom shall transfer to a person who is resident outside the scheduled territories or who is to be a nominee for a person who is resident outside the scheduled territories any right to the sums assured by any policy of assurance, so, however, that where the person liable for the sums so assured makes any payment thereof to a person resident in the scheduled territories and not elsewhere, or makes, with the permission of the Treasury, any payment thereof to any other person,—

(a) he shall not be bound to inquire as to the residence of any person other than the person to whom or to whose order the payment is made; and

(b) the payment shall, to the extent of the sums paid, discharge him from his liability under the policy, notwithstanding that the payment is made to or to the order of a person who was not entitled thereto otherwise than by virtue of a transfer prohibited by this subsection.

(2) The preceding subsection shall apply to rights in any annuity or insurance granted under the Government Annuities Act, 1929, or to which either Part I or Part II of that Act
PART V.
—cont.

Settlements.

28.—(1) Except with the permission of the Treasury, no person resident in the United Kingdom shall settle any property, otherwise than by will, so as to confer on a person who, at the time of the settlement, is resident outside the scheduled territories, an interest in the property, or exercise, otherwise than by will, any power of appointment, whether created by will or otherwise, in favour of a person who, at the time of the exercise of the power, is resident outside the scheduled territories.

(2) A settlement or exercise of a power of appointment shall not be invalid by reason that it is prohibited by this section, except so far as it purports to confer any interest on any person who, at the time of the settlement or the exercise of the power, is resident outside the scheduled territories.

(3) In this section, the expression "settle", in relation to any property, includes a reference to the making of any disposition, covenant, agreement or arrangement whereby the property becomes subject to a trust, or (in the case of a resettlement) to a different trust, and for the purposes of this section a person shall be deemed to have an interest in property if he has any beneficial interest therein, whether present or future, and whether vested or contingent, or falls within a limited class of persons in whose favour a discretion or power in respect of the property is exercisable, and the expression "will" includes any testamentary disposition.

Companies.

29.—(1) Where there is served on any person resident in the United Kingdom a notice in writing that the Treasury wish any such requirements as are hereinafter mentioned to be complied with by any such body corporate not incorporated under the law of any part of the United Kingdom as is specified in the Second Schedule to this Act, and that person can, by doing or refraining from doing any act,—

(a) cause the body corporate to comply with any of the requirements; or

(b) remove any obstacle to the body corporate complying with any of the requirements; or

(c) render it in any respect more probable that the body corporate will comply with any of the requirements,
then, except so far as permission to the contrary may be given by the Treasury, that person shall do, or, as the case may be, refrain from doing, that act.

The requirements with respect to which such a notice may be given are as follows, that is to say, that the body corporate shall—

(i) furnish to the Treasury such particulars as to its assets and business as may be mentioned in the notice;

(ii) sell or procure the sale to an authorised dealer of any gold or specified currency mentioned in the notice, being gold or specified currency which it is entitled to sell or of which it is entitled to procure the sale;

(iii) declare and pay such dividend as may be mentioned in the notice;

(iv) realise any of its assets mentioned in the notice in such manner as may be so mentioned;

(v) refrain from selling, transferring, or doing anything which affects its rights or powers in relation to, any such securities as are mentioned in the notice.

(2) Except with the permission of the Treasury, no person resident in the United Kingdom shall do any act whereby a body corporate which is by any means controlled (whether directly or indirectly) by persons resident in the United Kingdom ceases to be controlled by persons resident in the United Kingdom:

Provided that this subsection shall not prohibit any person from selling any securities authorised to be dealt in on any recognised stock exchange in the United Kingdom if the sale takes place in pursuance of an agreement entered into in the ordinary course of business on that exchange.

(3) Except with the permission of the Treasury, no person resident in the United Kingdom shall lend any money or securities to any body corporate resident in the scheduled territories which is by any means controlled (whether directly or indirectly) by persons resident outside the scheduled territories.

(4) For the purposes of this section and of the Second Schedule to this Act, persons resident in the United Kingdom or outside the scheduled territories shall be deemed to control a body corporate notwithstanding that other persons are associated with them in the control thereof if they can together override those other persons.

(5) In this section the expression "security" includes a secondary security.
Exemption orders.

30. Any provision of this Act imposing any obligation or prohibition shall have effect subject to such exemptions as may be granted by order of the Treasury, and any such exemption may be either absolute or conditional.

Blocked accounts.

31. Where—

(a) under any provision contained in Part II of this Act, the permission of the Treasury is required for the making of a payment or the placing of any sum to the credit of any person resident outside the scheduled territories; or

(b) any payment falls to be made by an authorised dealer on the sale of any gold or specified currency by any such body corporate as is specified in the Second Schedule to this Act, being a sale made to comply with any requirement notified by the Treasury to a person resident in the United Kingdom under the provisions of Part V of this Act relating to such bodies corporate,

the Treasury may direct that the sum payable or to be credited shall be paid or credited to a blocked account only, and, where such a direction is given, the provisions of the Third Schedule to this Act shall have effect in relation to the payment or crediting of the sum.

Contracts, legal proceedings, etc

32.—(1) It shall be an implied condition in any contract that, where, by virtue of this Act, the permission or consent of the Treasury is at the time of the contract requisite for the performance of any term thereof, that term shall not be performed except in so far as the permission or consent is given or is not required:

Provided that this subsection shall not apply in so far as it is shown to be inconsistent with the intention of the parties that it should apply, whether by reason of their having contemplated the performance of that term in despite of the provisions of this Act or for any other reason.

(2) Notwithstanding anything in the Bills of Exchange Act, 1882, neither the provisions of this Act, nor any condition, whether express or to be implied having regard to those provisions, that any payment shall not be made without the permission of the Treasury under this Act, shall be deemed to prevent any instrument being a bill of exchange or promissory note.
(3) The provisions of the Fourth Schedule to this Act shall have effect with respect to legal proceedings, arbitrations, bankruptcy proceedings, the administration of the estates of deceased persons, the winding up of companies, and proceedings under deeds of arrangement or trust deeds for the benefit of creditors.

33.—(1) The provisions of the Fifth Schedule to this Act shall have effect for the purpose of the enforcement of this Act.

(2) Persons belonging to the following classes, that is to say—

(a) bankers, authorised dealers, authorised depositaries;
(b) persons to whom any powers of the Treasury under this Act are delegated;
(c) persons who, with the permission of the Treasury are in possession of documents which would, but for the permission, have to be in the custody of an authorised depositary;
(d) persons concerned with the keeping of any register in the United Kingdom; and
(e) persons entrusted with the payment of capital moneys, dividends or interest in the United Kingdom, shall comply with such directions as may be given to them respectively by the Treasury, being—

(i) in the case of any such persons, directions as respects the exercise of any functions exercisable by them by virtue of, or by virtue of anything done under, any provision of this Act; or
(ii) in the case of authorised dealers, such directions as aforesaid or directions as to the terms on which they are to accept gold or foreign currency or directions requiring them to offer their gold or specified currency for sale to the Bank of England on such terms as may be specified in any such directions.

34.—(1) This Act shall bind the Crown and shall apply to transactions by a Government department or other person acting on behalf of the Crown, and the Treasury shall not, by virtue of any contract made by them or on their behalf in relation to any securities, be under any obligation to grant any permission under Part III of this Act or any exemption from the provisions of the said Part III.

(2) In this section the reference to a Government department or person acting on behalf of the Crown includes a
PART VI.—cont.

Treasury orders.

35.—(1) Where the Treasury exercise any power to make orders under this Act they may also by order make such transitional provisions consequent upon the exercise of that power as appear to them necessary or expedient.

(2) Any order made by the Treasury under this Act (other than an order made only for the purposes specified in the Sixth Schedule to this Act) shall be laid before both Houses of Parliament immediately after it is made, and if either House of Parliament, within the period of forty days beginning with the day on which any such order as aforesaid is laid before it, resolves that the order be annulled, it shall thereupon become void, without prejudice, however, to the validity of anything previously done thereunder, or to the making of a new order.

(3) In reckoning any such period of forty days as aforesaid, no account shall be taken of any time during which Parliament is dissolved or prorogued, or during which both Houses are adjourned for more than four days.

(4) Notwithstanding anything in subsection (4) of section one of the Rules Publication Act, 1893, an order made under this Act shall be deemed not to be, or to contain, a statutory rule to which that section applies.

(5) An order made under this Act may be varied or revoked by a subsequent order.

Other powers of Treasury.

36.—(1) Any permission, consent or authority granted by the Treasury under this Act—

(a) may be either general or special; and

(b) may be revoked by the Treasury; and

(c) may be absolute or conditional; and

(d) may be limited so as to expire on a specified date, unless renewed.

(2) Any directions given by the Treasury under any provision of this Act—

(a) may be either general or special; and

(b) may be revoked or varied by subsequent directions; and

(c) shall be given to such persons and in such manner as the Treasury think appropriate, and if so given shall be valid for all purposes, except that no person shall be liable to prosecution for an offence against this
Act by virtue of the giving of the direction unless it was served on him or he knew or had notice of the giving thereof.

(3) The Treasury may, to such extent and subject to such restrictions and conditions as they may think proper, delegate or authorise the delegation of any of their powers (other than any power to make orders or to give authority to apply for a search warrant) to any person, or class or description of persons, approved by them, and references in this Act to the Treasury shall be construed accordingly.

(4) Any document stating that any permission, consent, authority or direction is given under any of the provisions of this Act by the Treasury, and purporting to be signed on their behalf, shall be evidence of the facts stated in the document.

37.—(1) Any expenses incurred under or by virtue of this Act by any Government department shall be paid out of moneys provided by Parliament, and any sums received under or by virtue of this Act by any Government department shall be paid into the Exchequer of the United Kingdom.

(2) Nothing in subsection (1) of this section shall be construed as limiting the operation of the enactments relating to the Exchange Equalisation Account.

38.—(1) The Treasury may by order or direction provide that, for such of the purposes of this Act as may be specified in the order or direction—

(a) any transaction with or by a branch of any business, whether carried on by a body corporate or otherwise, shall be treated in all respects as if the branch were a body corporate resident where the branch is situated; and

(b) the making of any book entry or other statement recording a debit against a branch of any business in favour of any other branch of that business, shall be treated as a payment to that other branch; and

(c) any property held by or on behalf of the person carrying on the business shall be deemed to be held by such of the branches of the business as may be determined in accordance with the order or direction, and any such order or direction which makes, for any of the purposes of Part III of this Act, such provision as is mentioned in paragraph (c) of this subsection may contain provisions declaring the circumstances in which a branch is to be treated as nominee for any other branch.
(2) Any reference in subsection (1) of this section to a branch of a business shall be deemed to include a reference to the head office of that business.

(3) Subsections (1) and (2) of this section shall apply in relation to any body of persons (whether corporate or unincorporated) carrying on any activity, whether for the purpose of profit or not, as they apply in relation to a business.

39. Where a person resident in the United Kingdom leaves the scheduled territories, the Treasury may, before, at or after the time he leaves the scheduled territories, direct, for such period as may be specified in the direction; payments by him or on his behalf and to him or to his credit and transactions in or in relation to securities or secondary securities in which he is in any way concerned shall, whether or not he continues to be resident in the United Kingdom, be subject to such restrictions as may be specified in the direction.

40.—(1) For the purposes of this Act a personal representative of a deceased person shall, unless the Treasury otherwise direct, be treated as resident in the territory where the deceased person was resident for the purposes in question at the time of his death, so far as relates to any matters in which the personal representative is concerned solely in his capacity as such.

(2) The Treasury may give directions declaring that for all or any of the purposes of this Act a person is to be treated as resident or not resident in such territories as may be specified in the directions.

41.—(1) In this Act, except so far as the contrary is expressly provided or the context otherwise requires, the following expressions have the meanings hereby assigned to them, that is to say:

"authorised dealer" means, in relation to gold or any foreign currency, a person for the time being authorised by an order of the Treasury to act for the purposes of this Act as an authorised dealer in relation to gold, or, as the case may be, that foreign currency;

"authorised depositary" means a person for the time being authorised by an order of the Treasury to act as an authorised depositary for the purposes of Part III of this Act;

"bearer certificate" means a certificate of title to securities by the delivery of which (with or without endorsement) the title to the securities is transferable;
"certificate of title to securities" means any document of title whereby a person recognises the title of another to securities issued or to be issued by the first-mentioned person, and in the case of any such document with coupons (whether attached or on separate coupon sheets) includes any coupons which have not been detached;

"coupon" means a coupon representing dividends or interest on a security;

"foreign currency" has the meaning ascribed to it by section one of this Act;

"gold" means gold coin or gold bullion;

"policy of assurance" means any policy securing the payment of a capital sum or annuity on the occurrence of a specified event which is certain to happen (though the time of happening may be uncertain) whether or not payment thereof is also secured on the occurrence of any other event;

"prescribed" means prescribed, for the purposes of the provision in question, by order of the Treasury;

"scheduled territories" has the meaning ascribed to it by section one of this Act;

"secondary securities" has the meaning ascribed to it by section eighteen of this Act;

"securities" means shares, stock, bonds, notes (other than promissory notes), debentures, debenture stock, units under a unit trust scheme and shares in an oil royalty;

"specified currency" has the meaning ascribed to it by section two of this Act;

"unit trust scheme" means any arrangements made for the purpose, or having the effect, of providing for persons having funds available for investment, facilities for the participation by them, as beneficiaries under a trust, in profits or income arising from the acquisition, holding, management or disposal of any property whatsoever;

"unit" means, in relation to a unit trust scheme, a right or interest (described whether as a unit, as a sub-unit or otherwise) which may be acquired under the scheme.

(2) Any provision of this Act (however worded) the effect of which is to prohibit the doing of any act where a person to or by whom the act is to be done or who stands in a specified relation to any property possesses any specified attribute as to residence or otherwise shall, where the act is
done to or by two or more persons or, as the case may be, where two or more persons stand jointly in that relation to the property, operate to prohibit the doing of that act if any of those persons possess that attribute; and any provision of this Act imposing an obligation on any person to do an act if he possesses any specified attribute as to residence or otherwise shall, in relation to any act which can only be done by two or more persons jointly—

(a) where all those persons possess that attribute, operate to impose a joint obligation on all of them to do the act; and

(b) where some only of them possess that attribute, operate to impose a separate obligation on each one of them who possesses that attribute to do all he can to secure the doing of the act.

(3) Any power conferred by this Act to prescribe the declarations which are to be furnished on any occasion shall include a power to require that the declarations shall be made by specified persons and shall be verified in a specified manner.

(4) Nothing in this Act shall be construed as requiring the Treasury to pay any sum otherwise than in sterling or otherwise than in the United Kingdom, and any provision of this Act requiring the Treasury to pay any sum to any person shall, where that sum is in specified currency, be construed as a provision that the Treasury shall pay to that person the amount in sterling which he would have received for the specified currency if he had sold it to an authorised dealer in pursuance of an offer made under section two of this Act at the time when the said sum is paid.

(5) The obligations and prohibitions imposed by this Act shall, subject to the express limitations contained therein, apply to all persons, notwithstanding that they are not in the United Kingdom and are not British subjects.

42.—(1) This Act may be cited as the Exchange Control Act, 1946.

(2) This Act shall come into force on such day as the Treasury may by order appoint, and different days may be appointed for different purposes and for different provisions thereof.

(3) Without prejudice to the generality of the provisions of this Act conferring power on the Treasury to make orders containing transitional provisions, an order under the last preceding subsection may revoke any of the provisions of the Defence (Finance) Regulations, 1939, and may make provi-
sion for the transition from any provision made by or under any such regulation to any corresponding provision made by or under this Act.

(4) It is hereby declared that this Act extends to Northern Ireland.

(5) This Act shall, with such modifications as His Majesty may specify by Order in Council, apply to the Isle of Man as if it were part of the United Kingdom and references in this Act to the United Kingdom shall be construed accordingly.

(6) His Majesty may by Order in Council direct that any of the provisions of this Act other than this subsection shall extend, with such modifications, if any, as may be specified in the Order, to any of the Channel Islands.

(7) Section eleven of the Currency and Bank Notes Act, 1928 (which empowers the Bank of England to require returns and sales of gold coin and bullion), is hereby repealed.
SCHEDULES.

FIRST SCHEDULE.

THE SCHEDULED TERRITORIES.

1. The United Kingdom.
2. Any Dominion within the meaning of the Statute of Westminster, 1931, except Canada and Newfoundland.
3. Any part of His Majesty's dominions, not being a Dominion within the meaning of the Statute of Westminster, 1931, or a part of such a Dominion.
4. Any territory in respect of which a mandate on behalf of the League of Nations has been accepted by His Majesty and is being exercised by His Majesty's Government in the United Kingdom or the Government of any Dominion.
5. Any British Protectorate or British protected state.
6. Egypt.
7. The Anglo-Egyptian Sudan.
8. Iraq.
10. Iceland and the Faroe Islands.

SECOND SCHEDULE.

FOREIGN COMPANIES.

1. The bodies corporate in question are bodies corporate in the case of which any of the following conditions is fulfilled—
   (a) that the body corporate is by any means controlled (whether directly or indirectly) by persons resident in the United Kingdom;
   (b) that more than one-half of the sums which, on a liquidation thereof, would be receivable by holders of share or loan capital would be receivable directly or indirectly by or for the benefit of persons resident in the United Kingdom;
   (c) that more than one-half of the assets which, on a liquidation thereof, would be available for distribution after the payment of creditors would be receivable directly or indirectly by or for the benefit of persons resident in the United Kingdom; or
(d) that more than one-half—

(i) of the interest payable on its loans and loan capital, if any; or

(ii) of the dividends payable on its preference share capital, if any; or

(iii) of the dividends payable on its share capital, if any, not being preference share capital,
is receivable, directly or indirectly, by or for the benefit of persons resident in the United Kingdom.

2. Where the identity of the persons by whom or for whose benefit any sum, assets, interest or dividends are directly or indirectly receivable depends on the exercise by a person resident in the United Kingdom of a power of appointment or similar power, the sum, assets, interest or dividends shall, for the purposes of this Schedule, be deemed to be receivable directly or indirectly by or for the benefit of persons resident in the United Kingdom.

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THIRD SCHEDULE.

1. In this Schedule, the expression "a blocked account" means an account opened as a blocked account at an office or branch in the United Kingdom in favour of any person by a banker authorised by the Treasury to open blocked accounts, and the expression "the banker" means, in relation to any person, a banker who opens a blocked account in favour of that person.

2. Where a direction is given that a payment is to be made to a blocked account only, then, subject to the next following paragraph—

(a) the manner in which the payment may be made shall be either—

(i) to the banker, with a direction that it is to be credited to a blocked account of that person (which direction may, in the case of a payment by means of a cheque or warrant, be made by marking the cheque or warrant with the words "blocked account of" (naming the person in question) or words to the same effect); or

(ii) by a crossed cheque or warrant drawn in favour of that person, marked with the words "payable only to blocked account of payee" or words to the same effect; and

(b) the sum collected shall be credited by the banker to a blocked account of that person.

3. Where a direction is given that a sum is to be paid or credited to a blocked account only, then, notwithstanding the direction, the sum may, with the consent of the person to whom it is to be paid or credited, and subject to the requirements of Part III of this Act,
A.D. 1946.

3rd Sch.
— cont.

be invested instead in the purchase for that person of any such
securities as may be prescribed for the purposes of paragraph (a) of
the proviso to the next following paragraph.

4. Any sum standing to the credit of a blocked account shall not
be dealt with except with the permission of the Treasury:

Provided that, subject to compliance with the requirements of
Part III of this Act—

(a) the whole or any part of any such sum may, at the request
of the person in whose name the account stands, be invested
through the banker in such securities as may be prescribed;
and
(b) nothing in this Schedule shall be construed as restricting the
manner in which the securities acquired may be dealt with.

5. Where a person in whose name a blocked account is standing
becomes bankrupt in the United Kingdom or dies, the banker may,
notwithstanding anything in paragraph 4 of this Schedule, transfer
the account to the name of the trustee in bankruptcy or personal
representative, but, save as aforesaid, no change shall, except with
the permission of the Treasury, be made in the name in which the
account stands; and where any such change is made (whether or
not the permission of the Treasury is necessary therefor) the account
shall remain a blocked account notwithstanding the change, and the
provisions of this Schedule shall apply accordingly.

6. Where—

(a) a sum is due from any person to any other person but the
Treasury direct that it shall be paid or credited to a blocked
account only; and
(b) the person to whom the sum is due nominates such an
account to the person from whom the sum is due,

the last mentioned person is under a duty to the person to whom
the sum is due to cause the sum to be paid or credited to that blocked
account, and the crediting of any sum to a blocked account in pursuance
of a direction of the Treasury shall, to the extent of the sum credited,
be a good discharge to the person from whom the sum is due.

Provided that in the case of a sum due under a contract this para-
graph shall not apply in so far as it is shown to be inconsistent with
the intention of the parties that it should apply.

FOURTH SCHEDULE.

LEGAL PROCEEDINGS, &c.

1. The provisions of Part II of this Act shall apply to sums required
to be paid by any judgment or order of any court or by any award
as they apply in relation to other sums, and it shall be implied in any
judgment or order of any court in the United Kingdom, and in any award given under the law of any part of the United Kingdom, that any sum required to be paid by the judgment, order or award (whether as a debt, as damages or otherwise) to which the said provisions apply shall not be paid except with the permission of the Treasury.

2. Nothing in this Act shall be construed as preventing the payment by any person of any sum into court but, except with the permission of the Treasury, no sum shall be paid out of any court, whether under an order of the court or otherwise, to or for the credit of any person who is resident outside the scheduled territories.

3. Without prejudice to the provisions of any enactments relating to the making of rules of court, rules of court—
   (a) enabling any person who is required by any judgment or order to pay any sum, if he apprehends that the payment of that sum is unlawful under this Act except with the permission of the Treasury, to pay that sum into court; and
   (b) declaring that payment of a sum into court by virtue of the preceding sub-paragraph, together with the delivery to the other party concerned of such evidence of the payment as may be prescribed by the rules, shall, to the extent of the payment, be a good discharge to the person making the payment; and
   (c) so regulating the process of execution which may issue in respect of any sum required to be paid by any judgment or order as to secure that unless it is shown, in such manner as may be prescribed by the rules, that the permission of the Treasury for the payment of the sum is not required under this Act or has been given without conditions, the proceeds of the execution will be paid into court, and, so far as is necessary for that purpose, varying the form of any writ of execution or other similar document or the duties of the sheriff or other officer to whom any such writ or other similar document is directed,

may be made, as respects the High Court, under section ninety-nine of the Supreme Court of Judicature (Consolidation) Act, 1925, as respects county courts, under section ninety-nine of the County Courts Act, 1934, and, as respects any other court by such authority as may be designated in that behalf by the Lord Chancellor:

Provided that—

(i) the form of any bankruptcy notice shall be such as may be prescribed by the Board of Trade; and

(ii) nothing in this section shall affect the provisions of section two hundred and six of the Supreme Court of Judicature (Consolidation) Act, 1925 (which requires rules of court for inferior courts to have the concurrence of the rule-making authority for the High Court).

4.—(1) In any proceedings in a prescribed court, a claim for the recovery of any debt shall not be defeated by reason only of the debt not being payable without the permission of the Treasury and of that permission not having been given or having been revoked.
(2) No court shall be prescribed for the purpose of this paragraph unless the Treasury are satisfied that adequate provision has been made thereto by rules of court for the purposes specified under the last preceding paragraph.

5. The provisions of the last preceding paragraph shall apply in relation to arbitration proceedings as they apply in relation to legal proceedings brought in a prescribed court.

6.—(1) In any bankruptcy, in the winding up of any company or in the administration of the estate of any deceased person (being a bankruptcy, winding up or administration carried on under the law of any part of the United Kingdom), a claim for a sum not payable without the permission of the Treasury shall, notwithstanding that the permission has not been given or has been revoked, be admitted to proof as if it had been given and had not been revoked:

Provided that nothing in this sub-paragraph shall be construed as affecting the application of the provisions of Part II of this Act to payments by any trustee, liquidator, personal representative or other person in any such bankruptcy, winding up or administration.

(2) The provisions of this Act restricting the making of settlements shall not apply to any deed of arrangement made for the benefit of creditors generally, and the provisions of sub-paragraph (1) of this paragraph shall apply in relation to proceedings under any deed of arrangement as they apply in relation to proceedings in bankruptcy.

7. A debt for the payment of which the permission of the Treasury is required under this Act shall, if in other respects it complies with the requirements of subsection (1) of section four of the Bankruptcy Act, 1914, be allowed to be a good petitioning creditor’s debt notwithstanding the said requirement if and to the extent that the debt can be satisfied either by a payment into court or by a payment to a blocked account.

8.—(1) The preceding provisions of this Schedule shall apply to Scotland subject to the modifications specified in this paragraph.

(2) For any reference to bankruptcy there shall be substituted a reference to sequestration, for any reference to a deed of arrangement there shall be substituted a reference to a trust deed for the benefit of creditors, and any reference to a judgment shall be construed as including a reference to a decree.

(3) For paragraph 3 of this Schedule there shall be substituted the following paragraph—

"3. Without prejudice to the provisions of any enactments relating to the making of rules of court, rules of court may be made—"

(a) enabling any person who is required by any judgment, decree or order to pay any sum, if he apprehends that the payment of that sum is unlawful under this Act except with the permission of the Treasury, to pay that sum into court; and"
(b) declaring that payment of a sum into court by virtue of the preceding sub-paragraph, together with the delivery to the other party concerned of such evidence of the payment as may be prescribed by the rules, shall, to the extent of the payment, be a good discharge to the person making the payment; and

(c) so regulating the doing of diligence for the purpose of enforcing payment of any sum required to be paid by any judgment, decree or order as to secure that, unless it is shown, in such manner as may be prescribed by the rules, that the permission of the Treasury for the payment of the sum is not required under this Act or has been given without conditions, any sum recovered by the diligence will be paid into court, and, so far as is necessary for that purpose, varying the form of any warrant or other document authorising the doing of diligence or the duties of the messenger-at-arms or sheriff officer to whom any such warrant or other document is directed."

(4) In paragraph 7 of this Schedule, for the words "subsection (1) of section four of the Bankruptcy Act, 1914, be allowed to be a good petitioning creditor's debt" there shall be substituted the words "section twelve of the Bankruptcy (Scotland) Act, 1913, be a debt in respect of which a creditor may present a petition for sequestration".

9.—(1) The preceding provisions of this Schedule shall apply to Northern Ireland subject to the modifications specified in this paragraph.

(2) In paragraph 3 of this Schedule, for the word "sheriff" there shall be substituted the word "under-sheriff" and for the words from "may be made" to the end of the paragraph there shall be substituted the words—

"may be made—

(i) as respects the High Court, under section sixty-one of the Supreme Court of Judicature (Ireland) Act, 1877, as amended by the Supreme Court of Judicature (Ireland) (No. 2) Act, 1897;

(ii) as respects the county courts, under sections seventy-nine and eighty-four of the County Officers and Courts (Ireland) Act, 1877, as amended by section ten of the County Officers and Courts Act (Northern Ireland) 1925, or under any enactment of the Parliament of Northern Ireland, whether passed before or after the commencement of this Act, repealing and re-enacting (with or without modification) those sections; and

(iii) as respects courts of summary jurisdiction, by the Lord Chief Justice of Northern Ireland or such other authority as may be empowered by any enactment of the Parliament of Northern Ireland, whether passed before or after the commencement of this Act, to make rules regulating the procedure and practice in courts of summary jurisdiction in Northern Ireland."
A.D. 1946.

4TH SCH. — cont.

(3) In sub-paragraph (1) of paragraph 6 after the word "trustee" there shall be inserted the word "assignee".

(4) In paragraph 7 of this Schedule, for the reference to the Bankruptcy Act, 1914, there shall be substituted a reference to section twenty-one of the Bankruptcy (Ireland) (Amendment) Act, 1872, as amended by the Bankruptcy Amendment Act (Northern Ireland) 1929.

(5) References in this paragraph to enactments of the Parliament of the United Kingdom shall be construed as references to those enactments as they apply in Northern Ireland.

FIFTH SCHEDULE.

ENFORCEMENT.

PART I.

General provisions as to evidence and information.

1.—(1) Without prejudice to any other provisions of this Act, the Treasury may give to any person who is in or resident in the United Kingdom directions requiring him, within such time and in such manner as may be specified in the directions, to furnish to them, or to any person designated in the directions as a person authorised to require it, any information in his possession or control which the Treasury or the person so authorised, as the case may be, may require for the purpose of securing compliance with or detecting evasion of this Act.

(2) A person required by any such directions as aforesaid to furnish information shall also produce such books, accounts or other documents (hereinafter referred to as "documents") in his possession or control as may be required for the said purpose by the Treasury or by the person authorised to require the information, as the case may be.

(3) Nothing in the preceding provisions of this paragraph shall be taken to require any person who has acted as counsel or solicitor for any person to disclose any privileged communication made to him in that capacity.

(4) Where a person is convicted on indictment for failing to give information or produce books, accounts or other documents when required so to do under this paragraph the court may make an order requiring the offender within such period as may be specified in the order to comply with the requirement to give the information, or to produce the books, accounts or other documents, as the case may be.

2.—(1) If a justice of the peace is satisfied by information on oath given by a person authorised by the Treasury to act for the purposes of this paragraph either—

(a) that there is reasonable ground for suspecting that an offence against this Act has been or is being committed and that evidence of the commission of the offence is to be found at any premises specified in the information, or in any vehicle, vessel or aircraft so specified; or
that any documents which ought to have been produced under the preceding paragraph and have not been produced are to be found at any such premises or in any such vehicle, vessel or aircraft,

he may grant a search warrant authorising any constable, together with any other persons named in the warrant and any other constables, to enter the premises specified in the information or, as the case may be, any premises upon which the vehicle, vessel or aircraft so specified may be, at any time within one month from the date of the warrant, and to search the premises, or, as the case may be, the vehicle, vessel or aircraft.

(2) A person authorised by any such warrant as aforesaid to search any premises or any vehicle, vessel or aircraft, may search every person who is found in, or whom he has reasonable ground to believe to have recently left or to be about to enter, those premises or that vehicle, vessel or aircraft, as the case may be, and may seize any article found in the premises or in the vehicle, vessel or aircraft which he has reasonable ground for believing to be evidence of the commission of any offence against this Act or any documents which he has reasonable ground for believing ought to have been produced under the preceding paragraph.

Provided that no female shall, in pursuance of any warrant issued under this paragraph, be searched except by a female.

(3) Where, by virtue of this paragraph, a person has any power to enter any premises, he may use such force as is reasonably necessary for the purpose of exercising that power.

(4) In this paragraph, the expression "a justice of the peace", in Scotland, includes the sheriff, and, in Northern Ireland, means a resident magistrate.

3.—(1) Any article coming into the possession of an executive authority (whether in consequence of the seizure of the article under or by virtue of this Act or otherwise) which the authority has reasonable ground for believing to be evidence of the commission of an offence against this Act may be retained for a period of three months or, if within that period there are commenced proceedings in respect of such an offence in which the article is, or can properly be, adduced in evidence, until the final determination of those proceedings.

(2) For the purposes of this paragraph, any person to whom any powers of the Treasury under this Act are delegated, or on whom any functions are conferred by, or by virtue of, this Act, including any constable, shall be deemed to be an executive authority.

(3) For the purposes of this paragraph, any proceedings shall be deemed not to have been finally determined so long as there is pending any appeal in the matter of the proceedings, and an appeal in that matter shall be deemed to be pending during the ordinary time within which such an appeal may be lodged, and, if such an appeal is duly lodged, the appeal shall be deemed to be pending until it is decided or withdrawn.

(4) The powers conferred by this paragraph in relation to any article shall be in addition to, and not in derogation of, any powers otherwise exercisable in relation thereto.
A.D. 1946.

5TH Sch.
—cont.

4. No person in or resident in the United Kingdom shall—
   (a) with intent to evade the provisions of this Act, destroy, mutilate, deface, secrete or remove any documents;
   (b) in furnishing any information for any of the purposes of this Act, make any statement which he knows to be false in a material particular, or recklessly make any statement which is false in a material particular;
   (c) obstruct any person in the exercise of any powers conferred on him by virtue of this Part of this Schedule.

PART II.
General provisions as to offences

1.—(1) Any person in or resident in the United Kingdom who contravenes any requirement imposed on him by or under this Act, and any such person who conspires or attempts, or aids, abets, counsels or procures any other person, to contravene any such requirement as aforesaid shall be guilty of an offence punishable under this Part of this Schedule:
   Provided that an offence punishable under Part III of this Schedule shall not also be an offence punishable under this Part of this Schedule.

   (2) Where an offence punishable under this Part of this Schedule has been committed by a body corporate any person who at the time of the commission of the offence was a director, general manager, secretary or other similar officer of the body corporate, or was purporting to act in any such capacity, shall be deemed to be guilty of that offence, unless he proves that the contravention was committed without his consent or connivance and that he exercised all such diligence to prevent the commission of the offence as he ought to have exercised having regard to the nature of his functions in that capacity and to all the circumstances.

   (3) Any person who commits an offence punishable under this Part of this Schedule shall be liable—
   (a) on summary conviction, to imprisonment for not more than three months or to a fine or to both;
   (b) on conviction on indictment, to imprisonment for not more than two years or to a fine or to both;

   and where the offence is concerned with any note, any currency, any security, any gold, any goods or any other property, the court may, if they think fit so to do, order the note, currency, security, gold, goods or property to be forfeited.

   (4) Except in the case of a body corporate convicted on indictment, the maximum fine which may be imposed for an offence punishable under this Part of this Schedule shall be—
   (a) on summary conviction five hundred pounds; and
   (b) on conviction on indictment one thousand pounds;

   so, however, that (in either case) where the offence is concerned with any note, any currency, any security, any payment, any gold, any goods or any other property, and does not consist only of a failure to give information or produce books, accounts or other documents with respect thereto when required so to do under Part I of this Schedule, a larger fine may be imposed not exceeding three times the amount or value of the note, currency, security, payment, gold, goods or property.
(5) In the application of this paragraph to Northern Ireland, the
expression "summary conviction" means conviction subject to, and
in accordance with, the Petty Sessions (Ireland) Act, 1851, and any
Act (including any Act of the Parliament of Northern Ireland) amending
that Act.

2.—(1) No proceedings for an offence punishable under this Part
of this Schedule shall be instituted, in England, except by or with the
consent of the Director of Public Prosecutions, or, in Northern Ireland,
except by or with the consent of the Attorney General for Northern
Ireland:

Provided that this sub-paragraph shall not prevent the issue or
execution of a warrant for the arrest of any person in respect of such an
offence, or the remanding in custody or on bail of any person charged
with such an offence.

(2) Proceedings against any person in respect of an offence punishable
under this Part of this Schedule may be taken before the appropriate
court in the United Kingdom having jurisdiction in the place where
that person is for the time being.

(3) Any proceedings under the Summary Jurisdiction Acts, or
the Summary Jurisdiction Acts (Northern Ireland), as for the time
being in force in Northern Ireland, which may be taken against
any person in respect of any offence punishable under this Part of this
Schedule may, notwithstanding anything to the contrary in those
Acts, be taken at any time within twelve months from the date of the
commission of the offence or within three months from the date on which
evidence sufficient in the opinion of the Treasury to justify the pro­
cceedings comes to the knowledge of the Treasury, whichever period
last expires, or, where the person in question was outside the United
Kingdom at the date last mentioned, within twelve months from the
date on which he first lands in the United Kingdom thereafter.

(4) For the purposes of this paragraph—

(a) a certificate of the Treasury as to the date on which such
evidence as aforesaid came to the knowledge of the Treasury
shall be conclusive evidence thereof; and

(b) a person entering Northern Ireland by land shall be deemed
thereby to land in the United Kingdom.

(5) This paragraph shall, in its application to Scotland, have effect
as if for the references to evidence sufficient to justify proceedings
there were substituted references to evidence sufficient to justify a
report to the Lord Advocate with a view to consideration of the question
of proceedings.

3.—(1) The maximum period of imprisonment that may be imposed
by a court of summary jurisdiction in England—

(a) in respect of the non-payment of a sum adjudged to be paid
by a conviction for an offence punishable under this Part
of this Schedule; or

(b) in respect of the default of a sufficient distress to satisfy any
such sum,
shall, in cases where the sum exceeds twenty pounds, be increased in accordance with the following scale, that is to say,—

Where the amount of the sum adjudged to be paid by the conviction, as ascertained by the conviction, does not exceed,—

Exceeds twenty pounds but does not exceed one hundred pounds ... ... ... ... Four months.
Exceeds one hundred pounds but does not exceed five hundred pounds ... ... Six months.
Exceeds five hundred pounds ... ... Twelve months.

(2) Where a person summarily convicted in England for an offence or offences punishable under this Part of this Schedule has been sentenced to a fine, or has on the same occasion been sentenced to two or more fines, and the sum sentenced to be paid exceeds five hundred pounds, any moneys recovered in respect of the sum sentenced to be paid shall be applied as follows—

(a) first, in payment to the person entitled thereto of any costs adjudged to be paid by the conviction or convictions, the amount of which is ascertained by the conviction or convictions;

(b) if the balance remaining after payment of the said costs does not exceed five hundred pounds, it shall be applied in accordance with the provisions of section five of the Criminal Justice Administration Act, 1914;

(c) if the balance so remaining exceeds five hundred pounds, so much thereof as is equal to five hundred pounds shall be applied in accordance with the provisions of the said section five, and the remainder shall be paid into the Exchequer.

(3) In this paragraph, the expression "sum sentenced to be paid" means the amount of the sum adjudged to be paid by the conviction or the aggregate amount of the sums adjudged to be paid by the convictions, and the expression "sum adjudged to be paid" has the meaning assigned to it by section forty-nine of the Summary Jurisdiction Act, 1879.

4. The maximum period of imprisonment that may be imposed by the sheriff in Scotland in respect of the non-payment of a sum imposed as a penalty on any person summarily convicted of an offence punishable under this Part of this Schedule shall, in cases where the sum exceeds twenty pounds, be increased in accordance with the following scale, that is to say—

Where the amount adjudged to be paid exceeds—

Twenty pounds but does not exceed one hundred pounds ... ... ... ... Four months.
One hundred pounds but does not exceed five hundred pounds ... ... ... ... Six months.
Five hundred pounds ... ... ... ... Twelve months.
PART III.
Import and Export.

1.—(1) The enactments relating to customs shall, subject to such modifications, if any, as may be prescribed to adapt them to this Act, apply in relation to anything prohibited to be imported or exported by any of the provisions of Part IV of this Act except with the permission of the Treasury as they apply in relation to goods prohibited to be imported or exported by or under any of the said enactments, and any reference in the said enactments to goods shall be construed as including a reference to anything prohibited to be imported or exported by any of the provisions of the said Part IV except with the permission of the Treasury.

(2) The references in this paragraph to the enactments relating to customs shall be taken as including section fourteen of the Post Office (Parcels) Act, 1882 (which applies to foreign parcels the said enactments and in particular those conferring powers of examination, seizure and forfeiture), and section three of the Post Office (Amendment) Act, 1935 (which authorises the extension of the said section fourteen to letters).

2. Any declaration required to be given under Part IV of this Act shall, for the purposes of section one hundred and sixty-eight of the Customs Consolidation Act, 1876 (under which making false declarations in matters relating to customs is an offence), be deemed to be a declaration in a matter relating to customs.

3. If anything prohibited to be exported by any provision of the said Part IV is exported in contravention thereof, or is brought to a quay or other place, or water-borne, for the purpose of being so exported, the exporter or his agent shall be liable to the same penalty as that to which a person is liable for an offence to which section one hundred and eighty-six of the Customs Consolidation Act, 1876, (which relates among other things to illegally importing prohibited goods) applies.

4. Without prejudice to any of the preceding provisions of this Part of this Schedule, any person who, on any occasion, is about to leave the United Kingdom or arrives in the United Kingdom (which person is hereafter in this paragraph referred to as "the traveller") shall, if on that occasion he is required so to do by an officer of Customs or an immigration officer—

(a) declare whether or not he has with him anything prohibited to be imported or exported by any of the provisions of the said Part IV except with the permission of the Treasury; and

(b) produce any such thing as aforesaid which he has with him, and the officer may examine or search any article which the traveller has with him for the purpose of ascertaining whether he is conveying or has in his possession any such thing, and, if the officer has reasonable grounds for suspecting that the traveller has about his person any such thing, search him, and may seize anything produced as aforesaid or found upon such examination or search as aforesaid as to which the officer has reasonable ground for suspecting that it is prohibited to be imported or exported by any of the provisions of the said Part IV except with permission of the Treasury:
Provided that no female shall be searched in pursuance of this paragraph except by a female.

5. Sub-paragraph (2) of paragraph 1 of Part II of this Schedule shall apply also to offences punishable by virtue of this Part of this Schedule.

SIXTH SCHEDULE.

ORDERS NOT REQUIRED TO BE LAID BEFORE PARLIAMENT.

1. Any orders declaring any currency to be specified currency.
2. Any orders excepting securities from the provisions of this Act relating to the deposit of certificates of title.
3. Any order directing that section sixteen of this Act shall apply to any securities.
4. Any order prescribing documents for the purpose of the provisions of this Act applying Part III thereof in relation to secondary securities.
5. Any order specifying persons who are to be authorised dealers or authorised depositaries.
6. Any order prescribing the declarations or evidence to be delivered or produced under this Act.
7. Any order prescribing the securities in which sums standing to the credit of a blocked account may be invested.
8. Any order revoking or varying any such order as is referred to in the preceding paragraphs.
To confer powers, and impose duties and restrictions, in relation to payments, currency, debts, gold, securities, and the import, export, transfer and settlement of property, and for purposes connected with the matters aforesaid.

CCLXVI—F. (14)

4th October 1946.
EXCHANGE CONTROL BILL

MEMORANDUM

Presented by the Chancellor of the Exchequer to Parliament
by Command of His Majesty
November, 1946

LONDON

HIS MAJESTY'S STATIONERY OFFICE

Cmd.
The need for Exchange Control

(1) The object of our system of exchange control is to enable us to pay our way abroad. To do this we must conserve and allocate our exchange resources and our overseas income in the interests of the community as a whole, so that we can be sure of being able to pay for essential food, raw materials and other goods and services which we must import. Before the war, the gap between our income from exports and the cost of our purchases abroad was filled by so-called "invisible exports"—interest and dividends on our investments abroad, payments for services such as shipping and insurance, and the like. But, during the war, many of our ships were sunk, and we had to sell a large part of our overseas investments, while our other income from abroad was much reduced by the diversion of man-power and industrial capacity from exports to the direct war effort. The Canadian and American credits are helping us to return, without an intolerable strain on our own people, to a peace-time economy; but it will clearly be necessary for a long time ahead to husband our resources very carefully, and to control payments to people abroad. Without such control we should be powerless to prevent a swift and fatal drain on our reserves, or to play our proper part in world trade.

(2) In particular we cannot afford to allow capital investment abroad unless this clearly serves the national interest; and everyone agrees that those speculative movements of short-term capital, often called "hot money", which so disturbed our pre-war international exchanges, are most undesirable and must in future be prevented. Since capital movements are not easy to distinguish from current transactions, we must supervise the whole range of foreign payments. That is the purpose of this Bill.

(3) The Bill, and our system of Exchange Control, are fully consistent with our obligations to the International Monetary Fund and under the Washington Agreement (Cmd. 6708 of 1945). Indeed, the Bill is a necessary condition of our fulfilment of these obligations. Among the purposes of the Fund, as set out in Article I, are

"... to promote exchange stability, to maintain orderly exchange arrangements among members, and to avoid competitive exchange depreciation. ... to assist in the establishment of a multilateral system of payments in respect of current transactions between members and in the elimination of foreign exchange restrictions which hamper the growth of world trade ..."

The restrictions imposed under this Bill are designed not to hamper world trade but to assist it, and particularly to maintain the value of sterling by preventing speculative attacks on it. The use of Exchange Control for these purposes was accepted at Bretton Woods. Article VI, Section 3, begins:

"Members may exercise such controls as are necessary to regulate international capital movements ..." In certain circumstances the Fund can expressly require the use of Exchange Controls under Article VI, Section 1 (a):

"A member may not make net use of the Fund's resources to meet a large or sustained outflow of capital, and the Fund may request a member to exercise controls to prevent such use of the resources of the Fund. If, after receiving such a request, a member fails to exercise appropriate controls, the Fund may declare the member ineligible to use the resources of the Fund."
The emphasis of the above Articles is on a liberal administration of Exchange Controls, so that genuine current transactions are not obstructed. But the right and, in some circumstances, the duty, of detecting and controlling capital transfers is fully recognised.

(4) Similarly the Bill is completely consistent with the obligations assumed under the Washington Agreement, and the recent Anglo-Argentine Agreements. Both Agreements provide for increasing freedom in the use of sterling for current transactions, but recognise that other sterling transactions may properly be controlled.

**How Exchange Control works**

(5) If we are to pay promptly for our imports, we must receive prompt payments for our exports; and all useful foreign exchange, however acquired, must, therefore, be surrendered to the Exchange Equalisation Account against payment in sterling. This is arranged through the banks, to whom much of the day-to-day administration of Exchange Control is delegated by the Treasury and the Bank of England. The Customs and Excise Department co-operate to ensure that exports outside the sterling area are properly invoiced, and that payment is duly received.

(6) The flow of imports into the United Kingdom is regulated, not by Exchange Control, but by Import Licensing, and it is through the import licensing machinery that we shall honour our undertaking to the United States and Canada not to discriminate against their exports. The British system of Exchange Control ensures prompt payment for all permitted exports. Many of these imports are paid for in sterling, because sterling is a stable and reliable currency, and a foreigner who acquires sterling for his exports to this country can spend it freely anywhere in the sterling area or convert it into his own currency. It is the policy of His Majesty's Government progressively to widen the area over which sterling currently acquired may be used. Our powers under this Bill will help us to fulfil the undertaking contained in the Anglo-American Financial Agreement, regarding the convertibility of sterling, after the 15th July, 1947, in respect of current transactions. Payments to sterling area countries are at present free from Exchange Control and this is not affected by the Bill.

**The legal framework of Exchange Control**

(7) Exchange Control at present operates under powers conferred by the Emergency Powers (Defence) Acts, as continued under the Supplies and Services (Transitional Powers) Act, 1945. The specific powers entrusted to the Treasury are contained in the Defence (Finance) Regulations (S.R. & O. 1939 No. 1620 as amended). These Regulations were added to and modified considerably between 1939 and 1942 and are not in suitable form for peace conditions. The Exchange Control Bill accordingly re-writes the powers, dropping those no longer required and adding a few new provisions (see paragraph 16). It is necessary to provide comprehensive powers of control, in order to check attempts at speculative capital withdrawals and other forms of evasion and trickery, and because the degree to which control is necessary may vary from time to time. The Bill, therefore, provides that the Treasury may regulate our external payments. But the Treasury's present powers to issue exemption orders will continue to be freely used, and Exchange Control will not be administered more stringently than hitherto.

(8) Foreigners may ask how the Bill affects them. Exchange Controls must clearly operate mainly on a territorial basis, rather than on that of nationality, since foreign exchange paid to a British national abroad is as
much lost as if it were paid to a foreigner. But, in practice, the foreigner is not normally asked to surrender currency of his own country and, if he settles here, he can enjoy the ordinary facilities of a British resident. When he returns to his own country he can draw his income from here on the same terms as though he had remained at home throughout. There is no discrimination against foreigners as such, but they must conform to our rules while they are here, just as they are expected to observe our rules of the road.

The Contents of the Bill

(9) Part I restricts dealing in gold and foreign currency except with authorised dealers (principally banks), and requires gold and most foreign currencies to be sold to them. The authorised dealers in turn are obliged to sell to and buy from the Exchange Equalisation Account. By this means official exchange rates are maintained and the central supply of exchange is fed.

(10) Part II prevents payments to persons outside the sterling area, except with Treasury permission. While it is necessary to supervise all types of payment, it is intended to issue Payments Orders (as hitherto) under Clause 30 exempting approved classes of payments, which the banks can then handle without formality.

(11) Part III maintains the existing control over the issue and transfer of securities where non-residents are concerned, and introduces a new control over foreign and bearer securities for reasons which are explained in paragraph 16. These controls are largely administered through the Stock Exchanges, and are essential to prevent the flight of capital in unauthorised investments abroad, and the dissipation of our remaining foreign investments. The present power to require foreign securities to be sold compulsorily to the Treasury has been dropped.

(12) Part IV continues present controls over import and export of currency notes, securities, etc., and provides the necessary powers to ensure that exports are properly paid for.

(13) Part V contains miscellaneous provisions concerning the prompt collection of debts, control of foreign subsidiaries, and ancillary matters. Clause 25 is a new power to prevent evaders of the control from continuing to enjoy the benefits of their evasion.

(14) Part VI contains, in addition to definitions and other formal provisions, the important power already mentioned to make exceptions by Treasury Order, and new powers (Clause 39) over emigrants which post-war conditions require.

(15) The Schedules are supplementary to the Clauses which refer to them and introduce no important changes.

Principal Changes in Exchange Control

(16) Several significant changes have already been mentioned, notably the abandonment of the power to require foreign securities owned by United Kingdom residents to be sold to the Treasury. This does not affect the position of securities already acquired by or placed at the disposal of the Treasury under the Financial Powers (U.S.A. Securities) Act, 1941. All references to "enemy" interests have also been dropped, as they are provided for in the Trading with the Enemy legislation. One important new control is proposed. During the war all readily usable foreign securities were registered with the Bank of England and those in this country not acquired or pledged by the Treasury, together with many British bearer securities, were removed to
Canada for safe custody. But they have now come back, and, under peace conditions, new safeguards against the transfer of British owned securities to foreign ownership, save for value received, are needed. Securities on a United Kingdom register can usually only be transferred with the co-operation of the British registrar, who is required to satisfy himself that the authorities have approved the transfer which he records. For the other securities it is proposed to introduce a parallel safeguard, by requiring them after an appointed date to be lodged with or to the order of an approved bank chosen by the owner of the security. The ownership of such securities will not be affected by these arrangements, and (if the securities are free of any suspicion of enemy ownership at any stage) the bank will collect dividends etc. for the owner: but the document of title will not pass out of the keeping of a bank until it is presented for redemption. It is hoped by these means without any burdensome restriction on the owners, to prevent illicit transfer of such securities. Arrangements will be made to meet the reasonable requirements of brokers, solicitors and others who may need temporarily to hold such documents.

Exchange Control and International Relations

(17) We are not alone in needing Exchange Control, nor is our system unique. It is paralleled by similar systems, not only throughout the Empire, but in many foreign countries. Most of these rest, at the moment, on war-time powers, but the foundations of the New Zealand control were laid by an Act of 1936, and in recent months Canada and Czechoslovakia have enacted legislation to put their controls on a peace-time basis. Other Governments are expected to do the same. It is the policy of His Majesty’s Government to co-operate with all Governments whose Exchange Controls are based on similar principles, with a view to promoting order in this complex and difficult field. Without orderly exchanges, the recovery of international trade, on which so much of our own prosperity depends, would be seriously endangered.