NAME Federal Reserve Bank

No. 9503

9503

FILE CLOSED
B.L.A. 6/4/53

CANADA

DEPARTMENT OF THE SECRETARY OF STATE

OFFICE OF THE CUSTODIAN

ADDRESS ALL COMMUNICATIONS TO THE CUSTODIAN'S OFFICE

PLEASE REFER TO

FILE No.....

Ottawa, October 18th, 1940.

MEMORANDUM FOR DR. COLEMAN

Re: Canadian Securities and the Decree of the President of the United States

You will recall that several months ago I made the suggestion that it might be advisable to place the American authorities, namely, the Treasury Branch in Washington, on notice that all Canadian securities held to or for the benefit of enemies, regardless of the place of registration of such securities or the situs of the certificates themselves, become vested under Canadian law in the Custodian upon the date on which any particular security owner became an enemy and that, therefore, the Custodian's rights to the enemy interest in any such securities takes precedent over the control now being exercised by the American Treasury Department under the President's decree.

I have had numerous discussions with Mr. Gordon, Mr. Turk, Mr. Walker of the Foreign Exchange Control Board, and various members and officials of the New York Stock Exchange, concerning the effect of the President's decree. I was unofficially informed that Mr. Norman B. Davis of the Federal Reserve Bank in New York would welcome a discussion with representatives of the Custodian's office and the Foreign Exchange Control Board concerning the blocking of Canadian securities in the United States. I think that a discussion of this kind, and probably a further discussion in Washington, would be of inestimable value to the Custodian's office both from the standpoint of possible co-operation,

even if unofficial, and from the standpoint of avoiding future legal difficulties between the Canadian and American Custodians if the United States should go to war.

Ever since September 1939 this office has been endeavouring to find ways and means of completely tying up any enemy interest in Canadian securities. Various schemes have been tried and many difficulties in their administration encountered, the latest being the form letter of September 26th about which there is now a great deal of controversy, particularly by Canadian brokers and exchanges. The letter of September 26th is now clearly understood in New York, but it now appears that the New York brokers are of the opinion that the Canadian Custodian could tie up even bearer securities and payments thereon if he so desired, without duly affecting the marketability of such securities.

It appears that the President's decree and the regulations made thereunder have completely blocked securities and property belonging to persons in occupied territory and have required the filling out of so many forms that American financial institutions are now suffering from formitis, and an additional form to be signed on behalf of the Canadian Custodian would not in their opinion create any further difficulties to speak of.

As you know, the President's decree does not affect German and Italian property, but it does affect the property of persons residing in Latvia, Estonia and Lithuania, since these are considered to be occupied territory even though Russia is not officially at war. It would appear from

this that the President of the United States is going considerably further to protect the assets of persons residing in the occupied areas of Continential Europe than we have done. The regulations issued under the decree require, I am informed, that the property of all persons in occupied territory be reported to the Federal Reserve Banks by every person in the United States controlling such property. The Federal Reserve Bank will grant permission to sell securities but the proceeds from the sale are then automatically blocked. They may, of course, be used for re-investment purposes, in which case the substitute securities come under the decree. This regulation applies to all types of securities and it therefore follows that in Washington today there is available information indicating all Canadian securities, both registered and bearer, held to or for the benefit of persons in occupied territory. If this information could be obtained it would be extremely valuable since the Canadian companies, Governments etc., could be advised by the Custodian that particular securities were blocked, and their paying agents would then be informed and these securities would automatically leave the market..

I realize that this would still leave German and Italian securities, but at least the securities of those persons whose property is under the Custodian's protective custody would, it seems to me, be effectively protected against the possibility of the enemy smuggling the certificates themselves into the United States and disposing of same, they having stolen them from the rightful owners in occupied

territory.

In order that you may be fully informed possibly I should point out that at the present time the Custodian is requiring a non-enemy declaration by a reputable bank, brokerage firm, etc., on their transfer where the securities are registered in the names of nominees, etc., and if held to or for the benefit of persons residing in Continental Europe the particular transaction is referred to this office and must be specifically approved. In this way, in co-operation with the Foreign Exchange Control Board, the Custodian's office is indirectly controlling Swiss and French transactions which under present conditions are highly questionable in view of the situation of these two countries.

The position of German and Italian held securities may possibly be brought under the Presidental decree, or if the United States were to declare war would automatically be solved in so far as the New York market is concerned.

The regulations under the President's decree are extremely severe and the Assistant Secretary of the New York Stock Exchange has undertaken to forward to me a brief containing all of these regulations, which should be very interesting and should, no doubt, be considered before any meeting is held in either New York or Washington with representatives of the United States Government.

There is one other point that will no doubt occur to you, and that is the question of the importation from Europe into the United States of securities, in our case Canadian securities, seized in invaded territory. Under

the decree an embargo has been placed on the importing into the United States of securities from Continental Europe and from belligerent countries, including Canada. In the case of Canada the restrictions, I am advised, are not as strictly enforced unless the envelope or package in which securities might be imported does not show that it has not been censored by the Canadian authorities. The general policy is that the mails are examined and any securities found removed the addressee is then advised that the Treasury Branch is holding the securities and he must then establish a case as to the origin of such securities.

I discussed this matter very fully with Mr. L.T. Melly of Whyte, Weld & Co., Brokers of New York, and he has apparently collaborated with the Federal Reserve Bank in New York in the original set-up of their control system and appeared to be fully informed concerning these matters. He advises me that the United States Government is now attaching a seal to securities which for some reason have been examined but later given, what he calls, a clean bill of health.

The suggestion that the Custodian now control both registered and bearer securities has been discussed with Mr. Walker and with Mr. Gordon, and we all now agree that the time has possibly arrived when action along this line can be taken and a non-enemy declaration required on all transactions involving Canadian securities. I am at present in co-operation with Mr. Walker preparing such a declaration form and I trust that if it is approved by Mr. Gordon representing the Bank of Canada and the Foreign Exchange Control Board,

that the Custodian will approve of its issue and of its being enforced. I would appreciate your approval on this point.

In so far as the other matters outlined above and the question of arranging conversations with the American authorities, I would appreciate your views and if you are in favour of such discussions I would suggest that a representative of this office and the Foreign Exchange Control Board make the necessary arrangements through the Department of External Affairs if this is considered necessary. On this very point there is always the possibility that Washington would not feel justified in giving official co-operation, and it might jeopardize the whole scheme if the Department of External Affairs intervened to attempt to arrange an official meeting when an unofficial meeting might be arranged by the Bank of Canada with the Federal Reserve Bank, between whom there is, apparently, already a great deal of co-operation.

If you have the opportunity and are favourably inclined to my suggestion, it might be advisable to discuss the matter with Mr. Gordon or Mr. Towers before bringing the Department of External Affairs into the picture.

I think that if any meeting is to be held the sooner the better, in order that the Custodian's position in any event may be placed clearly before the American authorities in anticipation of their eventual entry into the war.

I would appreciate receiving your instructions in this matter.

Counsel.

Jan. 4/41

MEMORANDUM

Re: Federal Reserve Bank

I saw Dr. Coleman yesterday afternoon and discussed several topics, one of which was the above matter and the desirability of the Custodian's office obtaining, if possible, the co-operation of the Federal Reserve Bank and exchanging information with them concerning securities held to or for the benefit of enemies.

Some time ago I prepared a memorandum on this matter and submitted it to Dr. Coleman suggesting that informal negotiations be opened as soon as possible with the Federal Reserve Bank to obtain what I consider would be very valuable information as to the Canadian securities which are held by persons residing in countries blocked by the President's Decree.

Dr. Coleman stated that no decision had been made up to the present and I pointed out the desirability of doing somethin as soon as possible to place the Custodian in a stronger position as to his seizure in the event of the United States coming into war.

I feel that this matter is of sufficient importance that it should be dealt with as soon as possible.

Counsel.

4/1/41

GWM/H

January 20th, 1941

M E M O R A N D U M

Re Federal Reserve Bank

I feel that the position of the Canadian Custodian with regard to the position of the above named bank is gradually coming to a head and I think there is more need than ever for some discussion to take place either officially or unofficially with the bank in New York.

When I saw Mr. Wingate I asked him what the rumours were as to any probable action by Washington in further seizing assets. He told me that it was common gossip in financial circles that the President would shortly issue a decree freezing assets of all waring countries including Canada and England and a licensing system would then be set up. In an endeavour to obtain more information concerning this matter, he called Mr. ~~Sparks~~ Clark. of Sullivan & Cromwell, who handles the International Nickel's work with the Federal Reserve. Mr. Wingate was informed that the decree had been held owing to the Lease and Lend Bill dispute and while it was to have been issued this weekend, it will not likely be issued until the debate is completed.

Mr. ~~Sparks~~ Clark is a personal friend of Norman B. Davis, Jr., the head of the Federal Reserve Bank in New York and stated that he would be pleased to introduce me to Mr. Davis at any time for the purpose of an informal discussion.

I think that the Federal Reserve should definitely be put on notice concerning the effect of Canadian regulations in so far as securities held in the United States are concerned and that it is desirable to do this before any direct action to freeze such assets is taken particularly in view of the fact that Roumanian assets are going to be used to pay for the I.T.and ~~T~~. assets. It is conceivable that among these assets will be found shares which are legally vested in the

Canadian Custodian and on which the Federal Reserve have received no notice. This is a matter which I think is extremely pressing and should be handled either officially or unofficially as soon as possible.

G.W.McPherson

GWM/MG

Ottawa, January 24th, 1941.

GWM/H

MEMORANDUM FOR DR. COLEMAN

Re: Federal Reserve Bank

On October 18th last I handed to you a memorandum re "Canadian Securities and the Decree of the President of the United States". The steps which have been taken in the United States since that memorandum was dictated have supported the opinion expressed by me in that memorandum, and in view of more recent developments and rumors which are now current, and, in fact, appear to be more than mere rumors, it appears that the situation should again be brought to the attention of the Custodian.

Up to the present time the Federal Reserve Bank, who are enforcing the various decrees issued by the President of the United States freezing the assets of persons residing in the countries referred to in the various orders, have not been put on notice or officially advised by the Custodian that he has, under Canadian law, a definite and legal interest in any Canadian securities reported to the Federal Reserve Bank as being held in the United States to or for the benefit of residents of occupied or proscribed territory. In so far as Italy and Germany are concerned up to the moment of dictating this memorandum no decree, so far as I know, has been published freezing the assets of these countries.

In view of the almost certainty that the United States will shortly become involved in the war and that in such an event an American Custodian and Trustee

of Enemy Property will no doubt be appointed, I am of the opinion and would recommend that immediate steps be taken to put the Federal Reserve Bank and/or the Government of the United States on notice as to the effect of the Canadian Regulations. Unless this is done I believe that with the setting up of an American Custodian's office he will claim prior title to Canadian securities already reported to the Federal Reserve Bank and there will then develop many disputes between the two Custodians' offices which might have been avoided.

You will recall the famous case arising out of the last war known as the A.P.C. Case in which the Supreme Court held that the American Custodian was entitled to various securities seized in New York because he acted first. I realize that our Regulations are much wider than they were during the last war but in so far as the United States Government is concerned I am of the opinion that the failure to put that Government on notice might be interpreted as a material omission by the Custodian.

As I advised you in my former memorandum I have had various discussions with Mr. Gordon, Mr. Turk and Mr. Walker of the Foreign Exchange Control Board, and since my return from New York last week I have discussed the matter on two occasions with Mr. Walker. The Board had a meeting yesterday and considered a rumor that the President is shortly issuing a decree freezing the assets of all European countries and possibly of all belligerent countries. This was the rumor that I had heard of in New York and had checked through the International Nickel Company who stated that it was more than a mere rumor and

that the decree might be expected at any time. Mr. Walker advised me that at the meeting the Board considered the advisability of ordering that all Canadian non-resident owned investment companies bring into Canada their assets now in the United States. He also stated that Mr. Towers advised the Board that he was being kept informed as to the proposed decree and therefore he did not feel that the Board could take any steps to change the position in the United States just before the issuing of such decree. Mr. Walker therefore felt that if any action is to be taken it will have to be taken by the Custodian who has not officially been put on notice of the proposed decree. He particularly referred to the companies being managed by Mr. Redelmeier.

There are, in my opinion, several reasons why the Canadian Regulations should officially be brought to the attention of the United States Government and the Federal Reserve Bank. One is to establish a priority of interest in the securities in case the United States enters the war, and another is to obtain from the Federal Reserve Bank either officially or unofficially a list of all Canadian securities which have been reported. Such a list would greatly simplify the Custodian's work in New York relating in particular to the trading in Canadian securities. I would estimate that at least twenty-five per cent of my time and fifty per cent of Mr. Beckett's is spent considering evidence submitted by New York brokers to prove non-enemy ownership of Canadian securities.

You will recall the newspaper item concerning the Roumanian Telephone System whereby the I.T. and T. sold

their Roumanian interests and are to be paid in the United States from Roumanian assets blocked there. It is quite conceivable that some of these assets will include shares in Canadian companies which, under our law, the United States Government has absolutely no right to dispose of since they have vested in the Canadian Custodian as a result of the Order proscribing Roumania. Other transactions of this nature may be worked out and as a result the Canadian Custodian may lose considerable assets.

I do not like to bring this matter to your attention again since I know that you are extremely busy and we have discussed this question verbally and briefly on two occasions since the beginning of this year, but I do feel that it is of such importance that I would be derelict in my duty if I had not advised you again in a memorandum, in view of developments since my last memorandum, of the danger and the difficulty which may result if no action is taken.

I would appreciate your instructions in this matter.

Counsel.

DRAFT LETTER

GWM/M

Room 45A, Central Chambers,
Ottawa, February 8th, 1941.

Dear Sir,-

Re: Consolidated Regulations Respecting Trading with the Enemy (1939)

Under the above Regulations the Custodian is vested with all the property, rights and interests of enemies within Canada and such vesting includes securities issued by Canadian companies regardless of the situs of the securities or the registry office.

The definition of "enemy" includes persons residing not only in enemy territory but in enemy occupied and proscribed territory.

The various Executive Orders issued by the President of the United States have been brought to the attention of the officers of the Custodian's office and it appears that there may be a conflict as between such Executive Orders and the above Regulations in that the Executive Orders cover all of the assets in the United States of persons residing in certain proscribed territories, most of which territories are covered by the Consolidated Regulations.

In the administration of the Custodian's office many applications for the release of securities are filed and evidence considered, and the majority of these cases come through channels in the United States where the Executive Order has either frozen such securities or would freeze them if the Federal Reserve Bank were notified.

Information on the Custodian's files indicate that there are companies in Canada holding securities in the United States which technically should possibly be

reported to the Federal Reserve Bank as required by the Executive Orders but which have not been reported because they are held by New York agents to the credit of Canadian companies, the ownership of the Canadian companies not being known to such agents.

The officers of the Custodian's office feel that if the conflict of the Canadian Regulations was brought to the attention of the appropriate United States Federal authorities, with particular reference to the Federal Reserve Bank in New York, arrangements might be made by discussion between the Federal Reserve Bank and the officials of the Custodian's office to greatly facilitate the trading in Canadian securities on the New York Stock Exchange and Curb Exchange and to advise the Federal Reserve Bank of property which should be reported to it.

The Custodian would appreciate it if you would bring this matter to the attention of the Canadian Legation at Washington.

In view of the possibility of further executive orders there would appear to be considerable urgency in this matter from the standpoint of the work in the Custodian's office. Mr. McPherson, the Counsel to the Custodian, is fully informed concerning this question and he will be pleased to discuss it further with you at your convenience.

Yours very truly,

Under Secretary of State
and Deputy Custodian.

N. A. Robertson, Esq.,
Acting Under Secretary of State
for External Affairs,
OTTAWA.

Ottawa, February 8th, 1941.

GWM/M

MEMORANDUM FOR DR. COLEMAN

Re: Federal Reserve Bank

In accordance with your instructions I am enclosing a draft letter dealing with the above matter. I am also attaching a news item which appeared in the Morning Journal.

The point which particularly concerns the Custodian's office and would relieve it of considerable work is the possibility, by a formal or informal discussion with Federal Reserve officials in New York, of obtaining a list of Canadian securities which are blocked and we would then not have to watch for such securities or examine their title.

I have only drafted the letter since I anticipate you will desire to make some changes.

Counsel.

ATM

Federal Reserve

Ottawa, February 10, 1941.

Dear Sir,- Re: Consolidated Regulations Respecting Trading with the Enemy (1939)

Under the above Regulations the Custodian is vested with all the property, rights and interests of enemies within Canada and such vesting includes securities issued by Canadian companies regardless of the situs of the securities or of the registry office.

The definition of "enemy" includes persons residing not only in enemy territory but in enemy occupied and proscribed territory.

The various Executive Orders issued by the President of the United States have been brought to the attention of the officers of the Custodian's Office. It appears that there may be a conflict as between such Executive Orders and our Regulations in that the Executive Orders cover all of the assets in the United States of persons residing in certain proscribed territories, most of them territories to which our Consolidated Regulations apply.

In the administration of the Custodian's Office many applications for the release of securities are filed and evidence is considered. Many of these cases come from the United States.

Information on the Custodian's files indicates that there are companies in Canada holding securities in the United States which technically at least should possibly be reported to the Federal Reserve Bank as required by the

Executive ---

N. A. Robertson, Esq.
Acting Under Secretary of State
for External Affairs,
O t t a w a .

Executive Orders but which have not been reported because they are held by New York agents to the credit of Canadian companies, the ownership of the Canadian companies not being known to such agents.

The officers of the Custodian's office feel that if the conflict of the Canadian Regulations were brought to the attention of the appropriate United States Federal authorities, with particular reference to the Federal Reserve Bank in New York, arrangements might be made by discussion between the Federal Reserve Bank and the officials of the Custodian's office to facilitate the trading in Canadian securities on the New York Stock Exchange and Curb Exchange and to advise the Federal Reserve Bank of property which should be reported to it.

The Custodian will appreciate it if you will bring this matter to the attention of the Canadian Legation at Washington.

In view of the possibility of further executive orders there would appear to be considerable urgency in this matter from the standpoint of the work in the Custodian's office. Mr. McPherson, the Counsel to the Custodian, is fully informed concerning this question and he will be pleased to discuss it further with you at your convenience.

Yours very truly,

E. H. COLEMAN
Under Secretary of State
and Deputy Custodian.

MEMORANDUM

Re: Federal Reserve Bank

I attended a meeting in Mr. Donald Gordon's office at 2:30 P.M. regarding the above matter. The meeting was also attended by Mr. Walker of the Foreign Exchange, Mr. Wrong and Mr. Stone of External Affairs. They discussed Dr. Coleman's letter to Mr. Robertson, the letter being based on my memorandum concerning this matter.

Mr. Gordon thought, on opening the discussion, that the most important item was the non-resident holding companies. I, however, thought that the most important item to the Custodian is the question of trading in securities and relieving this office of considerable work by obtaining a list from the Federal Reserve. In so far as the non-resident companies are concerned Mr. Gordon thought that it was a major diplomatic problem but after considerable discussion it was decided that it should not be presented in a formal manner through the Department of External Affairs in Washington but should be discussed in the first instance in an informal manner with some official of the Federal Reserve to obtain his reaction. Mr. Gordon felt that the Bank of Canada were in a better position to discuss it with the Federal Reserve since they have a contact with them now, and the Federal Reserve might be more willing to discuss it informally with the Bank than with anyone representing the Custodian's office. I agreed with this suggestion entirely and as a result Mr. Gordon will break the ice and open the negotiations. It may then be necessary for a representative of the Board, and possible somebody from the Custodian's office, to go to New York and discuss the matter in greater detail if something along the line suggested in my memo can be worked out.

After considerable discussion all parties agreed that the information which I hope to obtain may be of considerable use both to the Board and to this office.

GMM/H
Dict. 27/2-41

Counsel.

Bank of Canada
OTTAWA

March 6th, 1941.

RECEIVED
MAR 7 1941

Memorandum of conversation with Mr. L. W. Knoke,
Federal Reserve Bank of New York.

Mr. Knoke called to refer to my letter of February 26th. He gave me the following answers:-

(a) If a Canadian company were to apply for a licence to export securities, enquiry would be made in regard to the beneficial ownership of the company. The fact that the company had Canadian domicile would not likely be sufficient for their purposes.

(b) If they found that the beneficial ownership was enemy occupied it is very questionable that they would grant a licence.

(c) He is very doubtful that they would accept representations from the Canadian Custodian of Enemy Alien Property but he mentioned one case in which the Treasury granted a licence for the proceeds of coupons in French ownership and the coupons were turned over to the Canadian Custodian. He pointed out this procedure covered coupons only and they had not had a case, so far as he knew, where the capital itself was involved.

COPY

Bank of Canada
OTTAWA

 March 6th, 1941.

He said that the Federal Reserve was merely acting as Agent for the Treasury. After some talk on the subject it was agreed between us that Knoke would put our questions specifically to the Treasury, as having been brought up by the Bank of Canada for rulings. He thought that this procedure would be preferable to either ourselves or any Canadian Government official making a direct approach to Washington at this time.

In regard to the second point in my letter he stated the list that the Federal Reserve Bank had would be of no use to us. All that they have is a list of names giving approximate values of securities which might be owned by people in occupied territories. There are no particulars about the kind of securities, nor any break-down of information which could be used along the lines we had in mind. Altogether, he indicated that the references which they had were pretty useless.

Knoke will communicate with me again after he has heard from the Treasury.

Deputy Governor

DG/Y

COPY

Victoria Building, 7 O'Connor St.,
Ottawa, March 18th, 1941.

LEGAL SEC.
GWM/M

Dear Sir,-

Re: Federal Reserve Bank

In accordance with your telephone request I wish to briefly summarize the information which the Federal Reserve Bank is presumed to have and which might be of considerable assistance to this office in the administration of the Consolidated Regulations Respecting Trading with the Enemy (1939) and, indirectly, to the Foreign Exchange Control Board.

Under the various executive orders of the President of the United States the assets situate in the United States of persons residing in specified countries have not only been frozen but presumably have been reported to the Federal Reserve Bank and, no doubt, include securities issued by Canadian incorporated companies.

Under the Consolidated Regulations the securities issued by Canadian companies, and beneficially owned by persons residing in enemy or proscribed territory, have vested under Canadian law in the Custodian regardless of the situs of the share certificates or the place of registry. It would therefore appear that there may have been reported, to the Federal Reserve Bank, Canadian securities which under Canadian law are legally owned by the Custodian and not owned by residents of those specified countries referred to in the various executive orders but at present blocked under such executive orders because the

share certificates are situate in New York and other financial centres in the United States.

The Custodian in administering his Regulations interferes to a considerable extent in the trading of Canadian securities on the New York markets, but in spite of such interference has received the whole-hearted co-operation of the officials of the various Exchanges, the various brokerage houses and other financial institutions, but the machinery considered essential to reasonably enforce the Canadian Regulations has imposed a great deal of detail work upon the New York financial agents which might be avoided if the Custodian could obtain a list from the Federal Reserve Bank of the Canadian securities frozen under the President's executive orders.

The Custodian's objective is principally to prevent the flow of financial resources to the enemy by the liquidation of Canadian assets from enemy owned or enemy confiscated securities, and at the same time to protect the assets vested in him and administer same as a trustee until the termination of hostilities.

It is therefore apparent that if the above list could be obtained it would be possible to inform the Canadian companies whose securities have been reported that these securities are to be blocked and the dividends frozen at the source, thus relieving the New York financial institutions from the necessity of endeavouring to have these frozen securities released from the effect of the Canadian Regulations, and applications would then only be made where the securities were directly enemy-owned or owned by persons not residing in countries covered by the executive orders, thus

greatly facilitating both the work of this office and the trading in securities on the New York Stock Exchange.

I do not consider it advisable to refer to express cases where the Custodian desires information or desires the granting of export licenses in order to permit Canadian holding companies controlled by him to bring their assets from New York to Canada, but this information could be supplied and specific applications made for special license if it is found that the Federal Reserve will cooperate in the matter. I think that the Custodian is in a better position not to have been refused a license than to apply for same and to be turned down.

In so far as any benefit to the Federal Reserve Bank is concerned this may be negligible at the present time, but if the United States enters the war as a belligerent and sets up a Custodian's office, the Canadian Custodian's office can, no doubt, be of considerable assistance in an exchange of information relating to enemy assets both in Canada and the United States.

There is another situation in addition to the trading in securities and the question of holding companies which has arisen in this office, and that is cases where the Federal Reserve Bank have permitted the payment to Canadian banks of interest on bonds of American companies where the beneficial owners reside in countries covered by the executive orders. The permission granted to the American paying agent is conditional that the money exported to Canada will be held here subject to the control of the Federal Reserve Bank. This is an embarrassing situation in so far as the Bank and the Custodian are concerned, since the Custodian advises the Bank

that the bonds being owned by persons in proscribed territory are vested in him and the income must be held subject to his control. The Bank therefore is in a quandary as to whose instructions should be followed and the only way the point can be cleared up, as I see it, is by discussion with the Federal Reserve.

On behalf of the Custodian I wish to thank you for the co-operation which you are giving to this office in this matter, and I am enclosing ten copies of the Regulations which might be of interest to the Federal Reserve Bank officials in considering this question.

Yours very truly,

(G. W. McPherson)
Counsel for the Custodian.

Donald Gordon, Esq.,
Deputy Governor,
Bank of Canada,
OTTAWA.

GWM/MG

April 8th, 1941

MEMORANDUM RE FEDERAL RESERVE BANK

I attended a meeting at Mr. Gordon's office in the Bank of Canada to-day when he reported on the result of his interview with officials of the Federal Reserve and of the Treasury, relating to the information desired by the Custodian.

Mr. Gordon states that Federal Reserve officials must be handled with kid gloves since they are not all pro British and no discussions should take place with them along the line of a possible United States Custodian, since some of them do not desire to get into the war and are very hesitant to take any action that might be considered as assisting directly Canada's war effort. In so far as obtaining of lists of securities reported is concerned, this is impossible, in view of the fact that the reports filed are not sufficiently detailed to give the numbers of the certificates, and in many cases not even the names of the companies are given.

As regards the export of securities to Canada this is a matter which they are prepared to discuss and Mr. Gordon is to let me have a copy of a memorandum he is preparing dealing with the discussions which he had and asking some questions which the Federal Reserve would like to have answered. Mr. Gordon has suggested that the ground has now been laid for my meeting the proper officials in New York on my next visit to discuss the matter further with them. The next time I go to New York I shall get in touch with Mr. Gordon and get an introduction by letter to the proper officials, which Mr. Gordon stated he would let me have at that time.

9503

G. Gordon

Foreign Exchange Control Board

Ottawa, April 8th, 1941.

WHEN REPLYING
PLEASE GIVE THIS REFERENCE
D. Gordon.

Confidential

G. W. McPherson, Esq.,
Counsel for the Custodian of Enemy Property,
7 O'Connor Street,
Ottawa.

Dear Mr. McPherson,

Referring to our conversation of today, I enclose copies of two confidential memoranda supplied to me by Knoke of the Federal Reserve Bank.

Yours sincerely,

Chairman (Alternate)

Enclosures.

The memorandum attached to your note of March 19 states "It would therefore appear that there may have been reported, to the Federal Reserve Bank, Canadian securities . . ."; and further on, "The machinery . . . has imposed a great deal of detail work upon the New York financial agents which might be avoided if the Custodian could obtain a list from the Federal Reserve Bank of the Canadian securities frozen under the President's Executive Orders." Further down it states, " . . . if the above list could be obtained it would be possible to inform the Canadian companies whose securities have been reported that these securities are to be blocked and the dividends frozen at the source."

As stated to you on the telephone on March 5, there are filed with us certain reports on Treasury Form TFR-100 "Relating to Property Situated in the United States on June 17, 1940 in which France or any National Thereof had any Interest on June 17, 1940". The same kind of reports were filed with us relating to the other blocked countries as follows:

	Covering property situated here on
Norway and Denmark	April 8, 1940
Luxemburg, Belgium and Holland	May 10, 1940
Latvia, Estonia and Lithuania	July 10, 1940
Rumania	Oct. 9, 1940
Bulgaria	March 4, 1941
Hungary	March13, 1941
Yugoslavia	March24, 1941

(reports for the last three named countries have not as yet reached us.) All these reports, as you will note, refer to property situated in this country on some past date. Changes

which have occurred since that past date are not known to us. Furthermore, I have looked up some of these reports and find, for instance in one case, that some of our private bankers held for account of a "national" of France:

$29,000 Canada Northern Power Corporation 5% Coll. Tr. "A" 5/1/53
$3,000 Canadian National Railway Company 5% 40 year guaranteed bonds 10/1/69
$729,000 Dominion of Canada 5% 30 year loan due 5/1/52
100 shares Bank of Montreal, Capital
100 shares Dome Mines Ltd., Capital
50 shares International Nickel Company of Canada Ltd., Common
1,000 shares Consolidated Mining and Smelting Co. of Canada Ltd.
4,000 shares Canadian Pacific Ry. Co. Ord.
80 International Petroleum Company Ltd. Coupon Shares.
28 shares Winnipeg Electric Company A
485 shares International Nickel Company of Canada Ltd.,
1,647 shares McLeod-Cockshutt Gold Mines Ltd. Capital.

No further particulars are given in any of these cases.

In addition to reports such as the above, we have quite a number where only the aggregate dollar value of securities held is shown but no names of the securities themselves.

COPY

April 1, 1941.

To: Mr. Knoke
From: H. H. Kimball

Subject: Canadian Custodian of Enemy Alien Property.

Mr. DuBois of the Treasury Department telephoned me today and said that he had reviewed the regulations relating to Trading With The Enemy under the Canadian Law and that he suggested we try to obtain the additional information hereinafter listed. In suggesting this additional information be obtained Mr. DuBois had in mind that the question which we have been asked is -

> "Would the Treasury Department issue a license authorizing the shipment from the United States to Canada of securities in which there is an interest affected by Executive Order No. 8389?".

The additional information which the Treasury would like is indicated by the following questions:

(1) Would the securities be those of Canadian Corporations only or would they include other securities such as those of United States corporations?

(2) Would the securities be those already vested under the Canadian regulations (already vested meaning that they are not physically in Canada but are otherwise subject to Canadian control), or would they be securities which would be vested on their arrival in Canada?

(3) Would the securities necessarily be held by any particular class of custodians in this country, for example, agencies of Canadian banks, or might they be held by any banks or brokers, etc.?

(4) Is it possible to give an approximate aggregate dollar value of the securities involved?

(5) Would the securities be owned by persons resident only in Canada or by persons resident in any other place? Particularly, would the securities include those owned by a "national" under our Executive Order who is resident in the United States but who is also an "enemy" within the meaning of the Canadian regulations?

The general purpose of the foregoing questions is simply to develop the scope of the operations which the Canadian Custodian contemplates, and any other information tending to indicate this scope would also be appreciated by the Treasury.

F

Victoria Building, 7 O'Connor St.,
Ottawa, April 9th, 1941.

LEGAL SEC.

GWM/M

Dear Sir,-

Re: Federal Reserve Bank

I have your confidential letter of April 8th with enclosures and wish to thank you for same.

I shall immediately prepare answers to the questions raised and prior to my next trip to New York get in touch with you and obtain the letter of introduction which you were so kind as to offer to write.

Yours very truly,

(G. W. McPherson)
Counsel for the Custodian.

D. Gordon, Esq.,
Chairman (Alternate)
Foreign Exchange Control Board,
O t t a w a.

GWM/MG

April 10th, 1941

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MEMORANDUM RE FEDERAL RESERVE BANK

The answers to the questions raised by Mr. Kimball in his letter to Mr. Knoke dated April 1st would be briefly as follows:

1. The securities which the Canadian Companies would be asking for permission to export from the United States into Canada would be securities held either for the account of the Canadian Company itself or for its customers and would no doubt include securities of Canadian, U. S. and other foreign Companies, and they would all be securities subject to the control of the Canadian Corporations.

2. The question of whether or not the securities would be those already vested in the Custodian would depend largely on the question of whether or not they are the assets of a Canadian Corporation, such Corporation being under the control of the Custodian, or securities issued by a Canadian Corporation which are already vested in the Custodian regardless of whether they are held for the account of a technical enemy Canadian Corporation or for the customers of a Canadian Corporation. In so far as Canadian securities are concerned, there would appear to be no difficulty since they are vested in the Custodian regardless of where the certificates are situated. As regards securities issued by American Corporations and held, for example, in New York to the credit of a Canadian Corporation, which Canadian Corporation in turn holds them to the credit of a person technically an enemy, the Canadian Custodian would argue that the property right or interest of the enemy in the account held by the Canadian Corporation is vested in him, and he, therefore, can give directions to the Canadian Company to bring such assets into Canada thus placing the certificates themselves under his control through the Company.

3. The securities would not be held by any particular class of trustees or Custodians in the United States but might be held by all kinds of agents, who of course, would be acting upon instructions received from Canadian principals who had deposited securites in the United States.

4. I think it is impossible at this time to give an approximate aggregate dollar value of the securities involved but in considering just a few of the Canadian Holding Companies which would be requested to bring their securities into Canada, I think it is sufficient to say that the value of the securities would be well up in the Millions of Dollars and without any basis at all for my estimate, I would say roughly Fifty Millions of Dollars worth of securities would be immediately affected.

5. The securities would not be beneficially owned by any persons resident in Canada other than the possibility of some internee having securities in the United States, which I think is highly improbable and I do not know of any case which would come within this category. In any event, the securities would not be beneficially owned by residents of the United States regardless of their nationality, unless in the future by some chance, American enemies or individuals were listed as enemies. The definition of enemy clearly indicates that the securities now under consideration would be owned by people resident in enemy or proscribed territory and a national of such territory who arrives in the United States and is a refugee would not be embarrassed by the Canadian Custodian, subject, of course, to his establishing his Bona Fides.

Bank of Canada

Ottawa, April 18th, 1941.

L. W. Knoke, Esq.,
Federal Reserve Bank of New York,
New York.

My dear Knoke,

This will introduce Mr. G. W. McPherson, Counsel for the Custodian of Alien Enemy Property in Canada. You will remember I spoke to you recently about various matters that might be discussed with Mr. McPherson and you kindly agreed to arrange to introduce him to the official of your bank who is dealing with these matters. I commend Mr. McPherson to you for your usual courtesies.

Sincerely,

Deputy Governor

Victoria Bldg., 7 O'Connor Street,
Ottawa, June 19, 1941.
Dict. 17/6/41.

Legal Section
GWM/JS

Dear Sir:

I wish to thank you and Mr. West for having arranged with the Bank of Montreal, New York Agency, to forward the copies of the President's recent Freezing Orders. These Orders arrived today, and will be used this afternoon at a meeting called to discuss same.

Your co-operation and the co-operation of your staff in this matter is greatly appreciated.

Yours truly,

(G.W. McPherson)
Counsel for the Custodian

Douglas S. Cole, Esq.,
Canadian Government Trade Commissioner,
British Empire Building,
Rockefeller Center,
New York, N.Y., U.S.A.

Victoria Bldg ,7 O'Connor Street,
Ottawa, June 19, 1941.

Legal Section
GWM/JS

Dict. 17/6/41.

Dear Sir:

On behalf of the Custodian, I wish to thank you for having forwarded by airmail, Special Delivery, copies of the recent Freezing Orders issued in the United States, as requested by me through Mr. Douglas Cole, the Canadian Trade Commissioner.

Your do-operation in this matter is greatly appreciated.

Yours truly,

(G.W. McPherson)
Counsel for the Custodian

Mr. Gordon R. Ball,
Agent,
Bank of Montreal,
64 Wall Street,
New York, N.Y., U.S.A.

Federal Reserve Bk

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N.Y.40

A.J.L. HASKELL
G.R. BALL
L.L. SINCLAIR
} AGENTS

CABLE ADDRESS,
"HOCHELAGA"

AGENCY

Bank of Montreal,

NEW YORK,
64 WALL STREET.

17th June, 1941

IN REPLYING
PLEASE QUOTE GRB

OFFICE OF THE
CUSTODIAN
RECEIVED
JUN 19 1941
PASS TO.....
TRANSFER TO.....
ANS'D BY | FILE

G. W. McPherson, Esq.,
Custodian of Enemy Property,
Room 45A,
Central Chambers,
Ottawa, Ont.,
Canada.

Dear Sir:

Late yesterday afternoon the Canadian Trade Commissioner's office telephoned and asked us to send you a copy of the Regulations calling for a report of property interest of all foreign countries and nationals thereof. A copy was despatched to you by air mail last evening and we have the pleasure of enclosing an additional copy for your files.

We might mention that the Federal Reserve Bank have informed us orally that these new regulations apply to "All countries outside of the United States".

Yours very truly,

G R Ball

DT
Encl.

Agent.

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OTTAWA, November 21st, 1940,
ROOM 45A, Central Chambers.

EM/R

Administration.

Dear Sirs:-

As requested, I am pleased to enclose herewith two (2) copies of the Consolidated Regulations Respecting Trading with the Enemy (1930), authorized by Orders in Council P.C. 3959, dated August 21st, 1940 and P.C. 5353, dated October 3rd, 1940.

Any information respecting these Regulations may be obtained by writing the Custodian of Enemy Property, Room 45A, Central Chambers, Ottawa.

Yours truly,

For A.H. Mathieu,
Assistant Deputy Custodian.

Federal Reserve Bank of New York,
NEW YORK,
N.Y.

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE OF THE CUSTODIAN
RECEIVED
JAN 29 1941
PASS TO.....
TRANSFER TO.....
ANS'D BY | FILE

IN REPLY PLEASE REFER TO SK:HJC

January 28, 1941.

Department of the Secretary of State,
Room 45A, Central Chambers,
Ottawa, Canada.

Attention: Mr. A. H. Mathieu, Asst. Deputy Custodian.

Gentlemen:

Receipt is acknowledged of your letter of January 22, informing us that you were forwarding to us 5,000 copies of your new "G" form, Canadian Declaration of Ownership.

This shipment has just been received, and we thank you for your attention to the matter.

Very truly yours,

per pro _____
(Safekeeping Department)

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From The Canadian Minister in the United States

Referred by direction of the Secretary of State for External Affairs

To THE SECRETARY OF STATE OF CANADA (CUSTODIAN)

.....
Under-Secretary of State for External Affairs

T. A. S.

Ottawa, September 30, 1941.

Treasury Department under the Freezing Order. I now enclose ten copies of Public Circular No. 6 and an accompanying Press Release, both Dated September 13th.

2. Public Circular No. 6 requires that persons holding blocked foreign bonds must obtain clearance certificates from Federal Reserve Banks. Persons who have held such securities since prior to September 15, 1941, are not expected to experience any difficulties in obtaining clearance certificates. Persons acquiring such securities after that date which do not bear a clearance certificate, will not find it easy to obtain a certificate and will be asked to trace the ownership of the securities since April 8, 1940.

I have the honour to be,
with the highest respect,
Sir,
Your most obedient, humble servant,
H. H. Wrong,
For the Minister.

The Right Honourable
The Secretary of State for External Affairs,
OTTAWA.

Referred to - F.E.C.B., Bank of Canada, Custodian and Finance.

TREASURY DEPARTMENT
Office of the Secretary
September 13, 1941.

PUBLIC CIRCULAR NO. 6
UNDER EXECUTIVE ORDER NO. 8389, APRIL 10, 1940, AS AMENDED, AND REGULATIONS ISSUED PURSUANT THERETO, RELATING TO TRANSACTIONS IN FOREIGN EXCHANGE, ETC.

(1) Any licenses which may be issued permitting the redemption or purchase for sinking fund purposes or other purchase for blocked accounts of bonds, debentures or similar obligations issued by governments of blocked countries, including political subdivisions, or by corporations organized under the laws of any blocked country, will be so limited as to allow such redemption or purchase only of such securities to which Treasury Department Form TFEL-2 has been previously attached or affixed by, or under the direction of, The Treasury Department.

(2) Applications for the attachment of Form TFEL-2 should be filed on Form TFE-2A with the Federal Reserve Bank for the district or with the Governor or High Commissioner of the territory or possession of the United States in which the applicant resides or has his principal office or agency. Copies of Form TFE-2A may be obtained from any such Federal Reserve Bank or Governor or High Commissioner or from the Treasury Department, Washington, D.C.

(3) Attention is called to the fact that persons acquiring any such securities on or after September 15, 1941, to which Form TFEL-2 has not been attached, are required in Form TFE-2A to furnish much more complete and detailed information concerning the past ownership of the securities than is required of persons who have owned such securities continuously since prior to September 15, 1941. Whereas the former are required on Form TFE-2A to trace the ownership of such securities from the person from whom they have acquired them.

(4) Any person acquiring any such securities under a contract made prior to September 15, 1941 even though delivery of the securities may have been effected on September 15, 1941, or within a reasonable time thereafter, need trace ownership only from the person from whom the securities were acquired, provided the Treasury Department is furnished with satisfactory evidence that the contract was made in the normal course of business through or with a domestic bank or broker or dealer.

E. H. Foley, Jr.
Acting Secretary of the Treasury.

This public circular affects Parts 130 and 131 and will be included in appendices to those parts.
Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, and Ex. Order 8832, July 26, 1941; Regulations, April 10, 1940, as amended June 14, 1941, and July 26, 1941.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Saturday, September 13, 1941.

Press Service
No. 27-51

As a further step to prevent the sale in this country of securities which have been looted abroad, the Treasury today announced that persons holding blocked foreign bonds should make application to the appropriate Federal Reserve Bank to have a clearance certificate attached to such securities. This will also prevent the depletion of blocked dollar balances through devious transactions in blocked foreign bonds and serve to carry out the other objectives of the freezing orders.

Hereafter any licenses issued under the freezing orders will limit the redemption, etc., of bonds, debentures or similar obligations issued by the government of any blocked country or by corporations organized under the laws of such country to securities bearing a clearance certificate on Treasury Form TFEL-2.

The Treasury stated that bona fide holders of such securities sinceprior to September 15, 1941 should experience little difficulty in clearing their securities. Persons acquiring such securities on or after September 15, 1941 which do not bear a clearance certificate may experience considerable difficulty in obtaining the attachment of such form and will be asked to trace the ownership of such securities since April 8, 1940.

It was emphasized that while the owners of such securities since prior to September 15, 1941, could continue to hold the securities after such date withour prejudicing their chances of obtaining the necessary clearance, anyone

acquiring such securities on or after September 15, 1941 should make certain that Form TFEL-2 had been attached prior to purchase.

Previous regulations issued by the Department have already imposed restrictions upon the importation of securities as well as on dealings in securities held abroad or bearing foreign stamps.

Details regarding the new requirement appear in Treasury Department Public Circular No. 6 issued today under the freezing orders.

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FEDERAL RESERVE BANK
OF NEW YORK
Fiscal Agent of the United States

[Circular No. 2396
March 12, 1942]

EXECUTIVE ORDER NO. 9095

Establishing the Office of Alien Property Custodian and Defining Its Functions and Duties

To all Banking Institutions, and Others Concerned,
in the Second Federal Reserve District:

For your information we quote below from a telegram received today from the Treasury Department:

The following is a text of Executive Order No. 9095 of March 11, 1942, establishing the Office of Alien Property Custodian and defining its functions:

EXECUTIVE ORDER

ESTABLISHING THE OFFICE OF ALIEN PROPERTY CUSTODIAN AND DEFINING ITS FUNCTIONS AND DUTIES

By virtue of the authority vested in me by the Constitution, by the Trading With the Enemy Act of October 6, 1917, as amended, by the First War Powers Act, 1941, and as President of the United States, it is hereby ordered as follows:

1. There is hereby established in the Office for Emergency Management of the Executive Office of the President the Office of Alien Property Custodian, at the head of which shall be an Alien Property Custodian appointed by the President. The Alien Property Custodian shall receive compensation at such rate as the President shall approve and in addition shall be entitled to actual and necessary transportation, subsistence, and other expenses incidental to the performance of his duties. Within the limitation of such funds as may be made available for that purpose, the Alien Property Custodian may appoint assistants and other personnel and delegate to them such functions as he may deem necessary to carry out the provisions of this Order.

2. All power and authority conferred on the President by sections 3(a) and 5(b) of the Trading With the Enemy Act of October 6, 1917, as amended, and by sections 301 and 302 of Title III of the First War Powers Act, 1941, approved December 18, 1941, except such powers and authority as were delegated to the Secretary of the Treasury by Executive Orders issued prior to February 12, 1942, and to the Board of Governors of the Federal Reserve System by Executive Order No. 8843 of August 9, 1941 (which powers and authority shall continue to be vested in and exercised by the Secretary of the Treasury and the Board of Governors respectively), are hereby delegated to and vested in the Alien Property Custodian. The memorandum of February 12, 1942, delegating to the Secretary of the Treasury certain powers and authority under said sections, is hereby revoked and canceled. Any and all action heretofore taken by the Board of Governors of the Federal Reserve System after February 11, 1942, in pursuance of Executive Order No. 8843 of August 9, 1941, is hereby confirmed and ratified. In the exercise of the authority herein delegated, the Alien Property Custodian shall be subject to the provisions of Executive Order No. 8839 of July 30, 1941, and shall designate a representative to the Board of Economic Warfare in accordance with section 6 thereof.

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(OVER)

3. Any property, or interest therein, of any foreign country or a national thereof shall vest in the Alien Property Custodian whenever the Alien Property Custodian shall so direct; and, in the case of any property, or interest therein, subject to the control of the Secretary of the Treasury, when the Alien Property Custodian shall notify the Secretary of the Treasury in writing that he has so directed, the Secretary of the Treasury shall release all control of any such property, or interest therein, to the Alien Property Custodian.

4. Any outstanding order, proclamation, regulation, ruling, license, or instruction issued pursuant to, or relating to the administration of, any power or authority vested in the Alien Property Custodian by this Order shall remain in effect unless and until amended or revoked by the Alien Property Custodian.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,
March 11, 1942.

The following is a text of a memorandum dated March 11, 1942, issued by the Alien Property Custodian:

Washington, D. C.
March 11, 1942

Memorandum for the Secretary of the Treasury:

There is hereby delegated to the Secretary of the Treasury all power and authority under sections 3(a) and 5(b) of the Trading With the Enemy Act, as amended, conferred upon me by the President by Executive Order dated March 11, 1942. This delegation is temporary, pending the staffing and organization of the Office of the Alien Property Custodian, and shall continue until revoked in writing in whole or in part at any time by me. This delegation shall not be construed as a limitation upon my authority to exercise such power and authority at any time.

LEO T. CROWLEY
Alien Property Custodian

The following is a text of a press release issued today in connection with the above-mentioned Executive Order and memorandum.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE
Thursday, March 12, 1942

PRESS SERVICE
No. 30-72

At a joint press conference held today by Secretary Morgenthau and Mr. Crowley, newly appointed Alien Property Custodian, concerning the President's Executive Order establishing the Office of Alien Property Custodian and defining its functions, it was pointed out that there would be no interruption in the various programs vital to the war effort which are now in the process of execution relating to foreign-owned and foreign-controlled property. It was also pointed out that Secretary Morgenthau and Mr. Crowley had worked in cooperation for the last several months on certain of these programs, and that this spirit of close cooperation would continue.

It was also stated at today's conference that in addition to the freezing control powers which were left in the Treasury Department by the President's Executive Order, other powers and authority which were previously vested in the Secretary of the Treasury would remain with the Secretary of the Treasury pending the staffing and organization of the Office of the Alien Property Custodian. Accordingly, there was released today the text of a memorandum to the Secretary of the Treasury dated March 11, 1942, issued by the Alien Property Custodian.

The text of the memorandum is as follows:

[The press release then quoted the text of the memorandum as set forth above]

Additional copies of this circular will be furnished upon request.

ALLAN SPROUL,
President.

FEDERAL RESERVE BANK
OF NEW YORK
Fiscal Agent of the United States

[Operating Circular No. 19
December 8, 1947]

REPORTS OF TRANSACTIONS IN FOREIGN EXCHANGE, TRANSFERS OF CREDIT, AND THE EXPORT OF COIN AND CURRENCY

To all Banking Institutions, and Others Concerned, in the Second Federal Reserve District:

This circular contains information as to the reports required to be filed with this bank by persons within the Second Federal Reserve District engaging in transactions in foreign exchange, transfers of credit, and the export of coin and currency, subject to the provisions of Executive Order No. 6560.

Executive Order No. 6560

1. There is set forth on pages 3 and 4 of this circular the text of Executive Order No. 6560 (hereinafter sometimes referred to as the "Order"), dated January 15, 1934, prohibiting, unless licensed or excepted as provided therein, transactions in foreign exchange, transfers of credit, and the export of coin and currency. Reference is made to the terms of the Order for information as to the extent of the prohibitions referred to, the persons and transactions subject to the Order, and other details.

Regulations of the Secretary of the Treasury

2. There is set forth on page 5 of this circular the text of Regulations[1] issued by the Secretary of the Treasury on November 12, 1934, granting the general license described therein, and requiring every person[2] engaging in any transaction, transfer, export, or withdrawal referred to in Section 1 of the Order to furnish to the Federal Reserve Bank of the Federal Reserve District in which such person has his

---

1 Provisions of the Order and the Regulations were later modified, in respect of matters not pertinent to the subject of this circular, by Executive Order No. 8389, as amended, pertaining to foreign funds control. Section 6 of Executive Order No. 8389 (the text of which appears on page 6 of this circular) continues in full force and effect the provisions of Executive Order No. 6560 and the Regulations of the Secretary of the Treasury not modified by Executive Order No. 8389.

2 The following persons are excepted from this requirement: (1) persons not carrying during any part of the reporting period, accounts abroad or accounts in the United States for non-residents thereof; and (2) persons whose aggregate transactions, transfers, exports or withdrawals, for their own account and the account of others, do not exceed $5,000 during any seven-day period.

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principal place of business, complete information relative thereto upon report forms prescribed by the Secretary of the Treasury. The Regulations provide for the furnishing of this information on a weekly basis, except as the respective Federal Reserve Banks permit the information in certain cases or classes of cases to be furnished on the basis of longer intervals.

Monthly reports by banks, bankers, and brokers or dealers in securities

3. Under the authority of the Regulations of the Secretary of the Treasury, the Federal Reserve Bank of New York permits each bank, banker, and broker or dealer in securities, whose principal place of business is within the Second Federal Reserve District, to furnish the information required by the Regulations for monthly periods ending on the last business day of each month. This information should be furnished on the prescribed report forms in accordance with the instructions contained on the forms. The completed reports should reach this bank not later than the seventh day following the end of the period covered by the report.

Quarterly reports by others

4. Under the authority of the Regulations of the Secretary of the Treasury, the Federal Reserve Bank of New York permits each exporter, importer, industrial or commercial concern, and other person (except a bank, banker, or broker or dealer in securities), whose principal place of business is within the Second Federal Reserve District, to furnish the information required by the Regulations for quarterly periods ending on the last business days of March, June, September and December in each year. This information should be furnished on the prescribed report forms in accordance with the instructions contained on the forms. The completed reports should reach this bank not later than the last day of the month following the end of the period covered by the report.

Requests for report forms

5. Requests for the prescribed report forms should be addressed to the Balance of Payments Division of the Research Department of this bank.

Effect of this circular on previous circular

6. This circular supersedes our Circular No. 3118, dated August 13, 1946, entitled "Reports of Transactions in Foreign Exchange, Transfers of Credit, and the Export of Coin and Currency."

ALLAN SPROUL,
President.

EXECUTIVE ORDER NO. 6560

REGULATING TRANSACTIONS IN FOREIGN EXCHANGE, TRANSFERS OF CREDIT, AND THE EXPORT OF COIN AND CURRENCY

By virtue of the authority vested in me by Section 5(b) of the Act of October 6, 1917 (40 Stat. L., 411) as amended by Section 2 of the Act of March 9, 1933, entitled "An Act to Provide Relief in the Existing National Emergency in Banking and for other Purposes", I, FRANKLIN D. ROOSEVELT, PRESIDENT of the UNITED STATES OF AMERICA, do declare that a period of national emergency continues to exist, and by virtue of said authority and of all other authority vested in me, do hereby prescribe the following regulations for the investigation, regulation, and prohibition of transactions in foreign exchange, transfers of credit between or payments by banking institutions as herein defined, and export of currency or silver coin, by any person within the United States or any place subject to the jurisdiction thereof:

SECTION 1. Every transaction in foreign exchange, transfer of credit between any banking institution within the United States and any banking institution outside of the United States (including any principal, agent, home office, branch, or correspondent outside of the United States of a banking institution within the United States), and the export or withdrawal from the United States of any currency or silver coin which is legal tender in the United States, by any person within the United States, is hereby prohibited, except under license therefor issued pursuant to this Executive Order; *provided, however,* that, except as prohibited under regulations prescribed by the Secretary of the Treasury, foreign exchange transactions and transfers of credit may be carried out without a license for (*a*) normal commercial or business requirements, (*b*) reasonable traveling and other personal requirements, or (*c*) the fulfillment of legally enforceable obligations incurred prior to March 9, 1933.

SECTION 2. *Possessions of the United States.* Except as prohibited in regulations prescribed by the Secretary of the Treasury, transfers of credit between banking institutions in the continental United States and banking institutions in other places subject to the jurisdiction of the United States (including principals, agents, home offices, branches, or correspondents in such other places, of banking institutions within the continental United States), may be carried out without a license.

SECTION 3. *Licenses.* The Secretary of the Treasury, acting directly or through any agencies that he may designate, and the Federal reserve banks acting in accordance with such rules and regulations as the Secretary of the Treasury may from time to time prescribe, are hereby designated as agencies for the granting of licenses as hereinafter provided. Licenses may be granted authorizing such transactions in foreign exchange, transfers of credit, and exports of currency (other than gold certificates) or silver coin in such specific cases or classes of cases as the Secretary of the Treasury may determine in regulations prescribed hereunder and rulings made pursuant thereto.

SECTION 4. *Reports.* The Federal reserve banks shall keep themselves currently informed as to foreign exchange transactions entered into or consummated, and transfers of credit made between banking institutions outside of the continental United States and banking institutions, in their districts, and report to the Secretary of the Treasury all transactions in foreign exchange and all such transfers of credit not permitted under Sections 1 or 2 hereof which are effected or attempted in their districts without a license.

SECTION 5. *Regulations.* The Secretary of the Treasury is authorized and empowered to prescribe from time to time regulations to carry out the purposes of this Order, and to provide in such regulations or by rulings made pursuant thereto, the conditions under which licenses may be granted by the Federal reserve banks and by such other agencies as the Secretary of the Treasury may designate; and the Secretary of the Treasury may require any person engaged in any transaction, transfer, export, or withdrawal referred to in this Executive Order to furnish under oath complete information relative thereto, including the production of any books of account, contracts, letters, or other papers, in connection therewith in the custody or control of such person either before or after such transaction, transfer, export, or withdrawal is completed.

SECTION 6. *Penalties.* Whoever willfully violates or knowingly participates in the violation of any provision of this Executive Order or of any license, order, rule, or regulation issued or prescribed hereunder, shall be subject to the penalties provided in Section 5(*b*) of the Act of October 6, 1917, as amended by Section 2 of the Act of March 9, 1933.

SECTION 7. *Definitions.* As used in this Executive Order the term "United States" means the United States and any place subject to the jurisdiction thereof; the term "continental United States" means the States of the United States, the District of Columbia, and the Territory of Alaska; the term "person" means an individual, partnership, association, or corporation; and the term "banking institution" includes any person engaged primarily or incidentally in the business of banking, of granting or transferring credits, or of purchasing and selling foreign exchange or procuring purchasers and sellers thereof, as principal or agent; and, for the purposes of this Order, each home office, branch, principal, agent, or correspondent of any person so engaged shall be regarded as a separate "banking institution".

SECTION 8. Section 8 of the Executive Order of August 28, 1933, Relating to the Hoarding, Export, and Earmarking of Gold Coin, Bullion, or Currency and to Transactions in Foreign Exchange, is hereby revoked.

This Executive Order and any rules, regulations, or licenses prescribed or issued hereunder may be modified or revoked at any time.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,
January 15, 1934.

TREASURY DEPARTMENT,
OFFICE OF THE SECRETARY,
November 12, 1934.

REGULATIONS

Relating to Transactions in Foreign Exchange, Transfers of Credit, and the Export of Coin and Currency

Article 1. These regulations are prescribed and issued under authority of Section 5(b) of the Act of October 6, 1917 (40 Stat. L., 411), as amended by Section 2 of the Act of March 9, 1933, and the Executive Order of January 15, 1934, Regulating Transactions in Foreign Exchange, Transfers of Credit, and the Export of Coin and Currency.

Article 2. Licenses may be granted, and a general license is hereby granted, to all individuals, partnerships, associations, and corporations, authorizing any and all transactions in foreign exchange, transfers of credit, and exports of currency (other than gold certificates) and silver coin. The general license herein granted authorizes transactions to be carried out which are permitted by the Executive Order of January 15, 1934 under license therefor issued pursuant to such Executive Order; but does not authorize any transaction to be carried out which, at the time, is prohibited by any other order or by any law, ruling, or regulation.

Article 3. In order that Federal reserve banks may keep themselves currently informed as to foreign exchange transactions and transfers of credit, as required in Section 4 of the Executive Order of January 15, 1934, every person engaging in any transaction, transfer, export, or withdrawal referred to in Section 1 of such Executive Order shall furnish to the Federal Reserve bank of the district in which such person has his principal place of business in the United States complete information relative thereto upon report forms prescribed by the Secretary of the Treasury, except that reports are not required to be furnished by (1) persons not carrying during any part of the reporting period, accounts abroad or accounts in the United States for non-residents thereof, or (2) persons whose aggregate transactions, transfers, exports, or withdrawals for their own account and the account of others do not exceed $5,000 during any seven-day period. Such information shall be furnished on a weekly basis except as the respective Federal Reserve banks permit the information in certain cases or classes of cases to be furnished on the basis of longer intervals.

These regulations and the general license herein granted may be modified or revoked at any time.

HENRY MORGENTHAU, Jr.,
Secretary of the Treasury.

APPROVED: November 12, 1934.
FRANKLIN D. ROOSEVELT.

SECTION 6 OF EXECUTIVE ORDER NO. 8389, AS AMENDED JUNE 14, 1941

Section 6. Executive Order No. 8389 of April 10, 1940, as amended, shall no longer be deemed to be an amendment to or a part of Executive Order No. 6560 of January 15, 1934. Executive Order No. 6560 of January 15, 1934, and the Regulations of November 12, 1934, are hereby modified in so far as they are inconsistent with the provisions of this Order, and except as so modified, continue in full force and effect. Nothing herein shall be deemed to revoke any license, ruling, or instruction now in effect and issued pursuant to Executive Order No. 6560 of January 15, 1934, as amended, or pursuant to this Order: *Provided however,* that all such licenses, rulings, or instructions shall be subject to the provisions hereof. Any amendment, modification or revocation by or pursuant to the provisions of this Order of any orders, regulations, rulings, instructions or licenses shall not affect any act done, or any suit or proceeding had or commenced in any civil or criminal case prior to such amendment, modification or revocation, and all penalties, forfeitures and liabilities under any such orders, regulations, rulings, instructions or licenses shall continue and may be enforced as if such amendment, modification or revocation had not been made.

This copy is to be placed in special folder in our cabinet indicating the nature of certificate to be given by Canadian institutions to the Federal Reserve Bank in the United States in order to cash coupons or called securities or to obtain the export of securities from the United States to Canada.

G.G.B.

Federal Reserve Bank

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Victoria Building,
7 O'Connor Street,
Ottawa, Ontario.

2340
Legal Section
GGB/SG

March 14, 1946.

Dear Sir:

I now enclose coupon No. 14 payable January 15, 1946, detached from 200 shares America-Canada Trust Fund payable in New York, and I have to advise you that none of the following has had an interest in these coupons at any time on or since April 8, 1940:

(i) The Government of Germany, Italy, Japan, Bulgaria, Hungary or Rumania, or any agent, instrumentality or representative of any such government;

(ii) Any individual who is a citizen or subject of Germany, Italy, Japan, Bulgaria, Hungary or Rumania and who at any time on or since December 7, 1941 has been within the territory of any such country or within any other territory while it was designated as "enemy territory" under General Ruling No. 11;

(iii) Any partnership, association, corporation or other organization which is organized under the laws of, or which at any time on or since December 7, 1941 has had its principal place of business in, any territory of Germany, Italy, Japan, Bulgaria, Hungary or Rumania;

(iv) Any partnership, association, corporation or other organization, situated within any foreign country, which is a national of Germany, Italy, Japan, Bulgaria, Hungary or Rumania by reason of the interest therein of any government or person specified in this paragraph.

I trust that your New York agents will be in a position to obtain the proceeds of the coupons and that we shall receive from you, in due course, a cheque for the amount.

Your continued co-operation in this matter will be greatly appreciated.

Yours very truly,

A. H. Mathieu,
Assistant Deputy Custodian.

The Manager,
Bank of Montreal,
O T T A W A.