

MR BALFOUR  
MR COLMBY  
MR COOKE  
MR GALPIN  
MR GEORGE  
MR HOLLAND  
MR MORGAN  
MR SANGSTER  
MR SOMERSET  
MR WALKER

Mr. Nardoch  
see m/s  
Two questions. note attached.  
Df.

Copies to Mr Fforde  
Mr Dow  
Mr Blunden  
Mr Page  
Mr Loehnis  
Mr Quinn  
GPS  
DGPS

i) pt. see p.2

ii) Has any plan been made for partial application of controls (eg. para (1) alone) as a demonstration (cf. French measures recently) of 'doing something' rather than an attempt - which will anyway lead to

CONTINGENCY PLANS FOR INFLOWS CONTROLS maximum coverage? If not, wouldn't it be good thing to do so?

As required by the Treasury, the proposals for inflows controls have been brought to an advanced state of readiness and, by the end of next week at the latest, we expect them to be in a form suitable for introduction at very short notice (i.e. within 48 hours of any decision to go ahead).

Copies of two Bank of England Notices, EC 1 and EC 82, which set out the controls in detail are attached. (The controls would take effect by publishing a "trigger" notice (entitled a commencement notice) which would be issued at the same time as EC 1 and EC 82 and would establish the "operative date" referred to in the latter notices - a copy of the latest proof of this notice is also attached.)

Essentially, the controls would restrict the ability of non-residents of the scheduled territories\* to place additional sterling funds in the UK for the purposes of interest-bearing investment. Trade flows would, however, be virtually unaffected.

As it is intended that the controls should be administered with a minimum of additional official resources (perhaps a further 15 people within the Bank, temporarily seconded from other duties, and no-one extra at the Treasury) much of the work would be delegated to banks recognised under the Banking Act 1979, who would be named Exchange Control Agent Banks, and to Exchange Control Securities Agents, who would consist of recognised banks, licensed deposit-takers and most

EC 1  
paras.  
2 & 3

EC 1  
para.4

\* The scheduled territories would be redefined to comprise the UK, Channel Islands and Isle of Man; the Republic of Ireland and Gibraltar would not be included.

of the established groups of financial intermediaries which qualified as Authorised Depositories when outward controls were in existence (solicitors and chartered accountants will, however, be excluded).

The main ingredients of the controls are as follows -

EC 82 paras. 4, 5 & 6 (1) There would be a ban upon the payment of interest by recognised banks and licensed deposit-takers on any increase in sterling deposits of non-residents, on or after the operative date. Banks etc. would, however, be permitted, if they wished, <sup>(a)</sup> to pay interest on all pre-zero funds, whether or not they had previously been interest-bearing, and <sup>(b)</sup> to reconstitute drawn down balances without the interest ban applying.

*Why?*

*(a) invites cheating on rate of interest, while (b) undoes some of effect of ban.*

EC 82 para.7 (2) The National Savings Bank would be free to take deposits without restriction and to continue paying interest to non-resident depositors but the National Giro would be subject to the same constraints as banks, as would all other bodies listed in Schedule 1 of the Banking Act 1979

EC 82 para.4 (3) other than local authorities and building societies - a copy of the Schedule is also attached for information. (It is necessary to exempt the National Savings Bank from the restrictions mainly because they have no easy means of separately identifying non-resident depositors.)

EC 82 para.8 (3) Buildings societies and local authorities would be prohibited from taking any additional sterling funds from non-residents as would all other UK public and private

EC 82 paras. 4 & 27 sector bodies, companies and individuals (with the minor exception of members of commodity markets).

EC 82 para.9 (4) Non-residents would be prohibited, with effect from the operative date, from acquiring any additional holdings of

(a) British Government and Government guaranteed securities;

(b) local authority and public corporation securities;

EC 82 paras. 10 & 11

- (c) Treasury bills;
- (d) sterling certificates of deposit;
- (e) stock or shares of companies, and units of unit trusts, specialising in the investment of funds in the securities listed in (a) to (d) above.

These securities would become "controlled securities". Investors would be free to reinvest the proceeds of sale of such securities held prior to the operative date in further controlled securities (there would also be minor exemptions for distributions under wills, trusts, etc.).

EC 82 para.21

EC 82 paras.  
16 to 18

Monitoring these restrictions would require the re-introduction of the system of requiring the purchasers of stock to complete residential declarations. There would also be prohibitions on the export of certificates of title to all controlled securities and a ban on any further conversions of stock from registered to bearer form.

- (5) Non-residents would not be allowed to acquire further commercial bills as investments (our powers in this respect are not all that satisfactory and we would be mainly relying upon a request to the banks not to facilitate the acquisition of commercial bills by non-residents for investment purposes, though this would be backed up by a prohibition on payments by residents to non-residents in respect of sale, discount or maturity proceeds of bills acquired, on or after the operative date, "other than in the normal course of financing international trade").

EC 82 paras.  
24, 25 & 26

EC 82 paras.  
28 & 29

- (6) Agent banks (i.e. recognised banks) and those licensed deposit-takers which engage in foreign currency business, will be permitted to take foreign currency deposits or borrow foreign currency provided that they do not increase any "switched in" position, or reduce any "switched out", prevailing immediately prior to the operative date, nor reduce an open "long" position in foreign currencies or increase an open "short" position.

EC 82 para.27 (7) Other residents of the scheduled territories would be prohibited from borrowing foreign currencies from any source except for certain specific purposes (permission would be given for them to borrow foreign currency for overseas investment, as commodity margins, for merchanting transactions and for financing exports under the ECGD fixed rate export scheme and, possibly, to finance other exports, but not for other purposes).

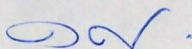
EC 82 paras.  
30 & 31

See commencement  
notice

EC 82 para. 34 (8) International bodies, but not central banks, will be totally exempted from the restrictions. We shall also be giving specific exemptions to a small number of official bodies outside the scheduled territories which are required by local legislation to keep the bulk of their funds in sterling assets (e.g. the Gibraltar Note Security Fund).

(9) In parallel with these restrictions, "statistical banks" (i.e. those banks and financial institutions which have agreed to conform to the Bank's reserve and credit control requirements and to provide statistics) would be required to make non-interest-bearing special deposits with the Bank equal to any increase in their non-resident sterling liabilities from the operative date (in accordance with the terms of the scheme agreed with the banks in 1972, though it was then envisaged that the deposits should bear interest at market rates).

At the same time those recognised banks and licensed deposit-takers which are not yet statistical banks will be told that, at a time other banks were subject to constraints, they would not be expected significantly to increase their non-resident sterling business.



Financial Structure and Institutions Division  
14 November 1980

D A C Nendick (4761)

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**Exchange Control Act 1947**

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Notice to  
Exchange Control Agent Banks,  
Exchange Control Securities Agents  
and to other persons concerned

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**Exchange Control Agent Banks  
Exchange Control Securities Agents  
Scheduled Territories  
Determination of Residence**

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STRICTLY CONFIDENTIAL  
UNLESS AND UNTIL  
PUBLISHED

This Notice is issued by the Bank of England to draw attention in convenient form to the law contained in the Act and Treasury Orders made thereunder, and (by virtue of powers delegated by HM Treasury under Section 37 of the Act) to give certain authorities and directions. It should be construed accordingly.

References to any other Notice issued by the Bank of England should be read as referring to the issue of that Notice in force at the time.

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**Exchange Control Act 1947**

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Notice to  
Exchange Control Agent Banks,  
Exchange Control Securities Agents  
and to other persons concerned

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**Inflows**

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*STRICTLY CONFIDENTIAL  
UNLESS AND UNTIL  
PUBLISHED.*

This Notice is issued by the Bank of England to draw attention in convenient form to the law contained in the Act and Treasury Orders made thereunder, and (by virtue of powers delegated by HM Treasury under Section 37 of the Act) to give certain exemptions, permissions, consents, authorities and directions. It should be construed accordingly.

The Scheduled Territories now comprise only the United Kingdom, the Channel Islands and the Isle of Man. References in this Notice to residents should be read as meaning individuals, firms or companies who, for Exchange Control purposes, are resident in the Scheduled Territories and include, in relation to businesses, head offices or branches situated in the Scheduled Territories. References to non-residents should be read as meaning individuals, firms or companies who, for Exchange Control purposes, are resident outside the Scheduled Territories and include, in relation to businesses, head offices or branches situated outside the Scheduled Territories.

References to any other Notice issued by the Bank of England should be read as referring to the issue of that Notice in force at the time.

Permissions given in this Notice are subject to the condition that they shall not apply in any case where it is so directed by or on behalf of HM Treasury.

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## Introduction

1 This Notice EC 82 should be read in conjunction with the Notice EC 1 and the Commencement Notice to EC 1 and EC 82 which notifies "the operative date". HM Treasury have revoked the Exchange Control (General Exemption) Order 1979 and made new Orders under the Exchange Control Act 1947. The effect of the new Orders is that transactions prohibited by the Act require permission except insofar as they are covered by total or partial exemptions. The transactions which are not exempted are those which are conducive to the inflow of funds into the United Kingdom. This Notice and the Notice EC 1 set out the exchange control arrangements being introduced to control such inflows. This Notice gives the new rules affecting:

- (a) banks in the United Kingdom (including the Channel Islands and the Isle of Man) and other residents who hold sterling accounts or sterling balances or who are concerned with transactions for and with non-residents in certain securities, described in the Treasury Orders as "controlled securities", and certain financial instruments;
- (b) borrowing by residents of sterling from non-residents or foreign currency from any source.

The Notice EC 1 provides information about Exchange Control Agent Banks, Exchange Control Securities Agents, the Scheduled Territories and Determination of Residence.

2 The following new Treasury Orders come into effect on "the operative date" (the full titles of the Orders include the year in which they are made—see the Commencement Notice to EC1 and EC82):

- (a) The Exchange Control (General Exemption) (Revocation) Order
- (b) The Exchange Control (Scheduled Territories) Order
- (c) The Exchange Control (Gold and Foreign Currency) Order
- (d) The Exchange Control (Payments and Credits) Order
- (e) The Exchange Control (Securities) Order
- (f) The Exchange Control (Prescribed Evidence) Order
- (g) The Exchange Control (Import and Export) Order
- (h) The Exchange Control (Miscellaneous Exemptions) Order

3 A number of transactions are wholly unaffected by the new restrictions and can continue to be carried out freely. These include:

- (a) the purchase and sale of foreign currency (but see paragraph 28 for restrictions on the dealing positions of banks);
- (b) payments for goods or services;
- (c) transactions in ordinary shares unless they are included in the definition of controlled securities (eg, investment trusts whose principal business consists of portfolio investment in controlled securities)—see paragraph 10;
- (d) transactions in foreign currency securities;
- (e) the lending of foreign currency by residents to non-residents;
- (f) transactions in gold coin and gold bullion.

No authorised dealers in gold or foreign currency have been appointed and Section 2 of the Exchange Control Act 1947 is not operative so that there is no obligation to offer gold or foreign currency for sale thereunder; it is not operative in relation to gold by virtue of an exemption or in relation to foreign currency because no foreign currency has been specified. Section 3 also is not operative. The restrictions operative under Sections 5, 6 and 7 do not affect the recording of payments received from non-residents for the provision of goods or services. Section 15, under which the deposit of certificates of title to certain securities can be required, and Section 16 are not operative. Section 23, concerning payment for exports, is not operative because no territory has been prescribed. There are complete and unconditional exemptions in respect of duties and prohibitions imposed by Sections 4(4), 21, 24, 25, 28, 29 and 30 of the Act.

## Non-Resident Sterling Accounts and sterling balances held for non-residents

### General

4 Permission under the Exchange Control Act 1947 is required for the placing in the Scheduled Territories to the credit of non-residents of loans or deposits

received from non-residents on or after "the operative date" and interest on loans or deposits from non-residents, whenever received. Permission is also required for payments by residents of interest on all loans and deposits from non-residents, whenever received, and the crediting in the Scheduled Territories or payment of sums otherwise due in connection with the acceptance or retention of such loans and deposits, except by way of repayment of principal. Subject to the terms of paragraphs 5 and 6 below, the necessary permissions are hereby given for Exchange Control Agent Banks, institutions from time to time granted a licence to carry on a deposit-taking business within the meaning of the Banking Act 1979 (referred to henceforth in this Notice as "licensed deposit takers") and institutions and persons from time to time listed in Schedule 1 to the Banking Act 1979 (excluding Building Societies and local authorities—see paragraph 8) to place sterling received, as from the opening of business on "the operative date", from residents and non-residents to the credit of accounts of non-residents ("Non-Resident Sterling Accounts"), including additions to sterling balances already held for non-residents. Any other resident (excluding Building Societies, local authorities and members and clearing houses of commodity markets—see paragraphs 8 and 9 below) who wishes to take sterling deposits from non-residents must apply to the Bank of England for permission under the Exchange Control Act 1947. Sterling deposits and balances held for non-residents may be repaid at any time.

### Payment of interest to non-residents

5 Where a balance on a Non-Resident Sterling Account or any other balance held for a non-resident exceeds, after the opening of business on "the operative date", the level at which the balance stood at the opening of business on "the operative date", no interest may be paid on the excess amount except with the permission of the Bank of England. Interest may continue to be paid on balances held as at "the operative date" but the rate of interest payable on such balances may not be increased to compensate for the loss of interest on the excess; nor may any other payment be made for this purpose.

6 Increased rates of interest on such balances may be paid by banks or institutions only if they do not exceed the rates payable by them on comparable resident accounts. Where a number of different sterling accounts are held by one bank or institution for the same non-resident customer, the excess on which interest may not be paid (see paragraph 5 above) is the amount exceeding the aggregate of all that customer's accounts with the bank or institution concerned taken together as at the opening of business on "the operative date". For the purpose of this calculation, debit balances should be ignored. Subject to the foregoing and to the provisions of paragraph 5 above, interest may be paid on an existing current account not formerly earning interest, all or part of a balance on a current account may be transferred to a deposit account and the terms of a deposit may be amended. In all cases, however, the rate of interest must conform with the terms of this Notice.

### National Savings Bank

7 Permission is hereby given for the National Savings Bank to pay interest on balances held for non-residents in excess of the amounts held as at "the operative date".

### Building Societies and local authorities

8 With effect from "the operative date", Building Societies and local authorities may not take further deposits from non-residents (except under Save-as-you-earn contracts which Building Societies have entered into before "the operative date"). Building Societies and local authorities may continue to maintain accounts of non-residents which were opened prior to "the operative date" but, for the time being, such accounts may be credited only with interest accruing on the accounts. Notwithstanding these restrictions, however, a Building Society or local authority may effect any transfer between different types of accounts held for the same non-resident depositor. Deposits and balances held for non-residents may be repaid at any time.

### Sterling margins in commodity market transactions

9 The necessary permissions are hereby given for members and clearing houses of commodity markets to accept required margins [ie, initial margins ("deposits"), difference or variations margins and additional margins] to be held in sterling to cover existing and new sterling contracts undertaken for

non-residents. Permission is also given for members and clearing houses of commodity markets to pay interest on such margins to non-resident clients. Any other sterling balances (including any sterling to cover foreign currency contracts—see also paragraph 30) held for non-residents by members and clearing houses of commodity markets must be segregated from required margins and held subject to the terms of paragraphs 5 and 6 above. The rate of interest on required margins may not be increased to compensate for losses on these sterling balances nor may any other payment be made for this purpose. Sterling margins and any other sterling balances held for non-residents may be repaid at any time.

### The acquisition of controlled securities by non-residents

#### General

- 10 The expression "controlled securities" is defined in the Exchange Control (Securities) Order , to mean the following securities:
- (i) securities denominated in sterling issued by Her Majesty's Government in the United Kingdom, the Government of Northern Ireland or the Government of the Isle of Man, including Treasury Bills;
  - (ii) securities denominated in sterling the payment of interest on which is guaranteed by Her Majesty's Government in the United Kingdom or the Government of Northern Ireland;
  - (iii) securities denominated in sterling issued in the United Kingdom by any local authority, public authority or nationalised industry or undertaking in the United Kingdom;
  - (iv) Certificates of Deposit denominated in sterling;
  - (v) units in an authorised or unauthorised unit trust resident in the Scheduled Territories whose trust deed or instrument permits investment of more than 50 per cent. of the value of the trust fund assets in any securities referred to in sub-paragraphs (i), (ii), (iii) or (iv) above or in sub-paragraph (vi) below or in units in other unit trusts which are controlled securities by virtue of this sub-paragraph;
  - (vi) stock or shares in any company resident in the Scheduled Territories whose principal business is portfolio investment in securities referred to in sub-paragraphs (i) to (v) above and whose assets (including the assets of its subsidiaries within the meaning of the Companies Act 1948) consist as to more than 50 per cent. by value of securities referred to in sub-paragraphs (i) to (v) above or stock or shares in other companies which are controlled securities by virtue of this sub-paragraph. (See also the Note to paragraph 11.)
- 11 With effect from "the operative date", except for transactions entered into prior to that date, the issue to non-residents or their nominees of controlled securities, or the transfer from residents to non-residents or their nominees of such securities, irrespective of the maturity date and whether or not there is a fixed maturity date, is prohibited unless the subscription or consideration monies derive from the sale or redemption proceeds of an existing non-resident holding of such securities. Where this condition is satisfied, but subject also to the terms of paragraphs 12-23 below, permission is hereby given for the issue or transfer to non-residents or their nominees of controlled securities.
- Note.** The Exchange Control (Securities) Order exempts from the prohibition referred to in this paragraph any transfer of stock or shares in a company if the transferor and the person (if any) for whom he is a nominee do not know and have no reasonable cause to suspect that the assets of that company and its subsidiaries consist as to more than 50 per cent. by value of controlled securities.
- 12 Conversions of controlled securities are not affected. Where the terms of the conversion offer allow for part of the consideration to be in cash and there is a delay between receipt of the funds and reinvestment, no interest may be paid on such balances.
- 13 The restrictions described in paragraph 11 do not apply to National Savings Certificates, Premium Savings Bonds, Save-as-you-earn contracts maintained by the Department for National Savings or to Ulster Savings Certificates.

- 14 Except in the specific circumstances set out in paragraph 21, permission will not normally be given for the export in bearer form of any controlled securities. Permission is hereby given to Exchange Control Securities Agents to arrange for the export of certificates of title to registered controlled securities beneficially owned by non-residents. All exports of controlled securities should be accompanied by a written declaration made by, or on behalf of, an Exchange Control Securities Agent (or, in the case of a transfer of a controlled security authorised under the terms of paragraph 21, by a written declaration made by, or on behalf of, an Exchange Control Securities Agent, solicitor, advocate or écrivain) to the effect that the export of the security(ies) is in accordance with the terms of this Notice.
- 15 To facilitate the acceptance of their signatures and stamps, Exchange Control Securities Agents should indicate the classification under which they derive their authority, eg, "Exchange Control Agent Bank", "member of The Stock Exchange", etc. (see paragraph 3 of the Notice EC 1).

#### Issues, transfers and the registration of controlled securities

- 16 Except with permission (see paragraph 18), no issue or transfer of controlled securities, or registration of controlled securities transferable by delivery of bearer certificates, may be effected without one of the following declarations which must be made in writing to the person issuing the security and/or to the person concerned with keeping the register:

#### Either (i)

To be signed by, or on behalf of, the person(s) to whom the security is to be issued or transferred or in whose name(s) it is to be registered—see paragraph 17.

#### Or (ii)

To be signed by, or on behalf of, an Exchange Control Securities Agent—see paragraph 17.

"I/We, the person(s) to whom these securities are to be issued or transferred or in whose name(s) these securities are to be registered am/are resident in the Scheduled Territories and am/are not acquiring these securities as nominee(s) for any person(s) resident outside the Scheduled Territories."

"The person(s) to whom these securities are to be issued or transferred or in whose name(s) these securities are to be registered is/are resident outside the Scheduled Territories or acting as nominee(s) for a person or persons so resident and either:

- (a) the consideration monies which have been or will be paid for the issue or transfer of these securities have been or will be derived from the proceeds of sale or redemption of "controlled securities" within the meaning of the Exchange Control (Securities) Order beneficially owned by a person resident outside the Scheduled Territories; or
  - (b) the transferor in transferring these securities is acting as nominee for a person resident outside the Scheduled Territories or is resident outside the Scheduled Territories and is the beneficial owner of these securities; or
  - (c) the holder of these securities (which are transferable by delivery of a bearer certificate) holds them on behalf of the person(s) in whose name(s) they are to be registered."
- 17 The declaration referred to in paragraph 16(i) above must be signed by, or on behalf of, the person(s) to whom the security is to be issued or transferred or in whose name(s) it is to be registered. The declaration referred to in paragraph 16(ii) above must be signed by, or on behalf of, an Exchange Control Securities Agent.
- 18 Notwithstanding the terms of paragraphs 16 and 17 above, permission is hereby given for issues and transfers of registered controlled securities, without the delivery of either of the declarations referred to in paragraph 16, **subject to the condition that** an Exchange Control Securities Agent is satisfied that the facts are such that the appropriate declaration can be properly made and the relative application or transfer form bears the stamp and signature of that Exchange Control Securities Agent (see paragraph 15). The person issuing the security and/or the registrar may accept such a stamp and signature in lieu of the prescribed evidence.



19 Permission is required under Section 10 of the Exchange Control Act 1947 for the issue of any bearer certificate or coupon relating to a controlled security. Permission under that Section is hereby given, subject to the terms of paragraphs 16-18 above, for the issue of letters of allotment in respect of controlled securities but **not** for the issue of bearer certificates in exchange for registered holdings of controlled securities; such permission will not normally be given. Sterling Certificates of Deposit may likewise be issued subject to the terms of paragraphs 16-18 above. Permission will not normally be given for the export in bearer form of any controlled securities—see paragraph 14.

20 Permission is required for any resident to do any act whereby, without the need for any entry in a register, the beneficial ownership of a controlled security, whether in registered or in bearer form, passes to a non-resident. Permission is hereby given for any Exchange Control Securities Agent to arrange or approve such changes in beneficial ownership from resident to non-resident, provided that in each case that Exchange Control Securities Agent is satisfied that the consideration monies which have been or will be paid have been or will be derived from the proceeds of sale or redemption of controlled securities within the meaning of the Exchange Control (Securities) Order beneficially owned by a person resident outside the Scheduled Territories. Permission will not normally be given for the export in bearer form of any controlled securities—see paragraph 14.

21 Notwithstanding the terms of this Notice, Exchange Control Securities Agents and solicitors\* resident and practising in the Scheduled Territories may authorise the transfer and export (see paragraph 14) of any controlled securities to non-residents in accordance with the terms of:

- (a) wills or arising out of intestacies of persons who were resident at the time of their death; or,
- (b) trusts set up under wills or intestacies of persons who were resident at the time of their death; or,
- (c) settlements inter vivos created before "the operative date" by persons who were resident at the time of the making of the settlements, provided that there has been no enlargement of the settlement concerned on or after "the operative date".

#### Recording of addresses by registrars

22 Registrars may, without formality, in respect of holdings of controlled securities, record addresses outside the Scheduled Territories which are in substitution for other addresses outside the Scheduled Territories or record addresses in the Scheduled Territories which are in substitution for any address, whether in or outside the Scheduled Territories. They may also record addresses outside the Scheduled Territories where the declaration referred to in paragraph 16(ii) is given by, or on behalf of, an Exchange Control Securities Agent (or the relative subscription application or transfer form bears the stamp and signature of an Exchange Control Securities Agent—see paragraph 18) or where it is evident that a transfer has been authorised under the terms of paragraph 21. In any other case of a holding of controlled securities where a registrar is requested to record an address outside the Scheduled Territories and that address is in substitution for an address within the Scheduled Territories, permission is hereby given for the new address to be entered in the register, **subject** to the registrar having first obtained written confirmation from an Exchange Control Securities Agent to the effect that the beneficial owner of the securities is non-resident.

#### Transfers between registers

23 Permission is required for a controlled security which is registered in the Scheduled Territories to be transferred to a register outside the Scheduled Territories; such permission will not normally be given. Persons concerned with the keeping of registers in the Scheduled Territories may make entries in such registers in respect of:

\*In this paragraph "solicitors" should be read to include advocates practising in the Isle of Man and advocates and écrivains of the Royal Courts of Jersey and Guernsey practising in the Channel Islands being in each case persons resident in the Scheduled Territories.

- (a) any transfer of a controlled security from a register in the Scheduled Territories to another register in the Scheduled Territories; or,
- (b) any transfer of a controlled security from a register outside the Scheduled Territories to a register in the Scheduled Territories

where the name(s) and address(es) of the person(s) in whose name(s) the security is to be registered remains the same.

#### Bills of exchange, promissory notes and similar financial instruments denominated or payable in sterling

24 The financial instruments which are affected by the Exchange Control (Payments and Credits) Order comprise any of the following instruments denominated or payable in sterling:

- (i) any bill of exchange (excluding cheques, but not other sight bills of exchange, and excluding banker's drafts);
- (ii) any promissory note (excluding bank notes and currency notes); and
- (iii) any other instrument which confers or evidences a right (whether conditional or unconditional) to be paid or to obtain, or to draw on any person for, a sum of money with or without interest, being a right capable of being transferred by delivery of the instrument with or without endorsement including any such instrument which is governed by the law of a country outside the Scheduled Territories. With effect from "the operative date", except as permitted in paragraph 25, payment to or for the credit of non-residents or by order or on behalf of non-residents of sums representing the sale, discount or maturity proceeds of such instruments is prohibited nor may any such sums be paid to the credit of non-residents.

25 Permission is hereby given for payments to or for the credit of non-residents in respect of postal orders, money orders, Post Office warrants and warrants issued by the Director of Savings, dividend warrants and redemption warrants and warrants issued by the Paymaster General. Exchange Control Agent Banks are also given permission to make payments on their own behalf to, and to authorise payments by other residents to, non-residents and to place sums to the credit of non-residents in respect of the sale, discount or maturity proceeds of any bill of exchange or promissory note which, to the best of the belief and knowledge of the bank concerned, has been:

- (a) continuously owned by a non-resident since "the operative date"; or
- (b) acquired by a non-resident in the normal course of financing international trade.

26 The purpose of the restrictions in paragraph 24 and of the permissions given in paragraph 25 is to deter the acquisition by non-residents of sterling bills of exchange, promissory notes and other similar instruments as investments. Exchange Control Agent Banks and other intermediaries are asked not to make such sterling instruments available to non-residents in circumstances where this purpose would be defeated.

#### Borrowing by residents of foreign currency from any source and of sterling from non-residents

##### New borrowing

27 With effect from "the operative date", no resident may, except with permission, take foreign currency deposits or borrow foreign currency, for any purpose, from any person. Permission is also required for the placing in the Scheduled Territories to the credit of non-residents of sterling loans or deposits received from non-residents on or after "the operative date".

28 Permission is hereby given to Exchange Control Agent Banks to take foreign currency deposits or borrow foreign currency from any source on any day provided that in each case the Exchange Control Agent Bank has not at the close of business on any day since the day preceding "the operative date":

- (a) increased the amount of its spot liabilities covered by forward assets in all foreign currencies taken together (ie, switched in on a covered basis); or
- (b) reduced the amount of its spot assets covered by forward liabilities in all foreign currencies taken together (ie, switched out on a covered basis); or

- (c) reduced the amount by which its assets both spot and forward in all foreign currencies taken together exceed its liabilities both spot and forward in all foreign currencies taken together; or
- (d) increased the amount by which its liabilities both spot and forward in all foreign currencies taken together exceed its assets both spot and forward in all foreign currencies taken together

except to the extent that this arises from the completion of contractual obligations outstanding at the close of business on the day preceding "the operative date".

- 29 Permission, similar to that given in paragraph 28 to Exchange Control Agent Banks, has also been given by letter to certain "licensed deposit takers" which deal in foreign currency on a scale sufficient to warrant the granting of such permission.
- 30 Permission is hereby given for members and clearing houses of commodity markets to accept required margins [ie, initial margins ("deposits"), difference or variations margins and additional margins] in foreign currency to cover existing and new foreign currency contracts undertaken for non-residents (for similar permissions relating to sterling contracts, see paragraph 9). Interest on, and repayment of, foreign currency margins may be made in foreign currency at any time.
- 31 Permission will normally be given to residents who apply to borrow foreign currency from any source for the purpose of financing investments outside the Scheduled Territories or for the purpose of acquiring assets denominated in foreign currency. Application should be made in the first instance to Exchange Control Agent Banks who are hereby authorised to give such permissions provided they are satisfied that the applicant intends to use the foreign currency for one of the purposes stated in this paragraph and the applicant makes a written declaration to that effect. Cases of doubt should be referred to the Bank of England. Interest payment on, and repayments of, such loans may be made in foreign currency at any time.
- 32 Applications for residents to borrow foreign currency for other purposes may be made to the Bank of England but permission is unlikely to be given where the borrowing is required solely for domestic purposes. Permission will not normally be forthcoming in respect of the borrowing by residents of sterling from non-residents which has not been provided for in this Notice.

#### **Existing borrowing**

- 33 Permission is hereby given for residents with borrowing outstanding as at "the operative date" in foreign currency from any source or in sterling from non-residents to pay interest on such loans on such terms as have been agreed with the lender prior to the date of this Notice. Such loans may be repaid at any time.

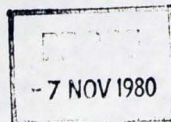
#### **International organisations**

- 34 The following international organisations are exempt from the provisions of this Notice:
  - A
    - (i) The European Economic Community
    - (ii) The European Coal and Steel Community
    - (iii) The European Atomic Energy Community
    - (iv) The European Investment Bank.
  - B The United Nations and the specialised agencies thereof (including The International Monetary Fund and The International Bank for Reconstruction and Development).
  - C
    - (i) The International Development Association
    - (ii) The International Finance Corporation
    - (iii) The Caribbean Development Bank
    - (iv) The Inter-American Development Bank
    - (v) The Asian Development Bank
    - (vi) The African Development Fund.

STRICTLY CONFIDENTIAL UNLESS AND UNTIL  
COMMENCEMENT NOTICE TO EC 1 AND EC 82 PUBLISHED

Exchange Control Act 1947

Notice to  
Exchange Control Agent Banks,  
Exchange Control Securities Agents  
and to other persons concerned



## Inflows

### Date of commencement

- 1 This Commencement Notice is issued today to bring into operation the provisions of the Notices EC 1 and EC 82, with which it is being distributed.
- 2 In the Notices EC 1 and EC 82, the expression "the operative date" means the date of this Notice.
- 3 The following Treasury Orders are now in operation:
  - (a) The Exchange Control (General Exemption) (Revocation) Order 1980
  - (b) The Exchange Control (Scheduled Territories) Order 1980
  - (c) The Exchange Control (Gold and Foreign Currency) Order 1980
  - (d) The Exchange Control (Payments and Credits) Order 1980
  - (e) The Exchange Control (Securities) Order 1980
  - (f) The Exchange Control (Prescribed Evidence) Order 1980
  - (g) The Exchange Control (Import and Export) Order 1980
  - (h) The Exchange Control (Miscellaneous Exemptions) Order 1980.

Where, in the text of the Notice EC 82, reference is made to any of the new Treasury Orders, the figures "1980" should be inserted after the word "Order"; the paragraphs concerned are those numbered 2, 10, 11, 16, 20 and 24.

### Reference to the Bank of England

In any case of difficulty, enquiries may be made to the Bank of England either in writing to Room B, Exchange Control, Bank of England, New Change, London, EC4M 9AA, or by telephone (01-601 4136/4359/4404/4229).

### Supplies of Notices

- Further supplies of this Notice and of the Notices EC 1 and EC 82 can be obtained from the address referred to in paragraph 4.6.

### Miscellaneous

The Notice EC 84 dated 24 October 1979 and Supplement No. 1 thereto are cancelled. Those parts of that Notice and Supplement which are still relevant are reproduced in paragraphs 7 and 8 for guidance.

Because of the provisions in Part III of Schedule 11 to the Finance Act 1974, which reduce liability to stamp duty on certain transactions by persons resident outside the Scheduled Territories, it remains necessary to continue the appointment of Authorised Depositaries under the Exchange Control Act 1947 until alternative provisions can be enacted. Such Authorised Depositaries have no exchange control functions unless they are Exchange Control Securities Agents (see paragraph 3 of the Notice EC 1).

Any application that may be necessary in respect of validation under Section 18 of the Act may be submitted to the Bank of England.

Bank of England