

FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, August 6, 1942

**To All Banking Institutions, and Others Concerned,
in the Eleventh Federal Reserve District:**

For your information, there are reproduced herein text of General Orders No. 123 issued on July 3, 1942 by Thomas H. Green, Brigadier General, A. U. S. Executive; General Regulations relating to securities, and Amendment No. 1 to Regulations relating to currency, issued on July 3, 1942 and July 13, 1942, respectively, by Charles M. Hite, Acting Governor of Hawaii; and two press releases issued on July 3, 1942.

Yours very truly,

R. R. GILBERT

President



TERRITORY OF HAWAII
OFFICE OF THE MILITARY GOVERNOR
Iolani Palace
Honolulu, T. H.

3 July, 1942

General Orders
No. 123

Securities

1. By virtue of the power vested in the Military Governor of the Territory of Hawaii, the Governor of the Territory of Hawaii is hereby authorized to make and administer regulations relating to perforation, destruction and custody of all securities physically located in the Territory of Hawaii, subject to such restrictions and limitations as may be promulgated by the Congress, President, or Secretary of the Treasury.

2. Whoever is found guilty of violating any of the provisions of such regulations, shall, upon conviction, be fined not more than five thousand dollars, or, if a natural person, may be imprisoned for not more than five years, or both; and any officer, director, or agent of any corporation who knowingly participates in such a violation may be punished by a like fine, imprisonment, or both.

By order of the Military Governor:

(Signed) THOMAS H. GREEN
Brigadier General,
A. U. S. Executive.

Executive Chambers
Honolulu, T. H.
July 3, 1942

REGULATIONS RELATING TO SECURITIES

These regulations are issued under the authority vested in the Governor of Hawaii pursuant to Executive Order No. 8389, as amended; Section 5(b) of the Trading with the Enemy Act, as amended by Title III of the First War Powers Act, 1941; General Orders No. 123, Office of the Military Governor, July 3, 1942; and pursuant to all other authority vested in the undersigned Governor of Hawaii:

TITLE I

Perforation of Securities

(1) On or before August 1, 1942, all securities within the Territory of Hawaii shall be perforated with the official symbol "H" by a domestic bank in such Territory, or by such other persons as may be designated. Every person shall satisfy himself that all securities within his possession or custody in the Territory of Hawaii on August 1, 1942, and at all times thereafter, have been fully perforated with the official symbol "H." Machines for perforating securities with the official symbol "H" will be furnished to such domestic bank.

(2) All securities hereafter brought into the Territory of Hawaii shall be immediately delivered to a domestic bank, or to such other person as may be designated, for perforation with the official symbol "H."

(3) No security which has been perforated with the official symbol "H" may hereafter be exported or otherwise physically taken from the Territory of Hawaii unless Form TFEL-2, issued pursuant to Executive Order No. 8389, as amended, has been previously attached to such security. Application for the attachment of Form TFEL-2 may be filed with the Office of the Governor of Hawaii on Form TFR-H 28 by the person having custody or possession of the security. Such application shall set forth a complete description of the security and the circumstances surrounding its exportation or shipment from the Territory of Hawaii.

TITLE II

Custody of Securities

(1) Subject to the provisions of section 3 hereof, all securities within the Territory of Hawaii whether held in safe deposit boxes or otherwise, except securities issued by private corporations

organized under the laws of and having their principal place of business in the Territory of Hawaii, are hereby required to be placed, on or before August 1, 1942, in a securities custody account with a domestic bank in the Territory, and after August 1, 1942, no person other than a domestic bank shall have physical possession or custody of any such security within the Territory.

(2) Any domestic bank receiving or holding securities pursuant to section (1) of this Title shall hold such securities for the account, or pursuant to the instructions, of the depositor. Securities held in any custody account with a domestic bank pursuant to these regulations may be freely purchased, sold, traded, pledged, hypothecated, or otherwise dealt in, and may be freely transferred from one securities custody account to another in the same or different domestic banks; **provided, however,** that such securities shall remain in a securities custody account with a domestic bank in Hawaii; and **provided further,** that no person other than a domestic bank shall receive or obtain physical possession or custody of any such security as the result of any such transaction.

(3) In lieu of deposit on or transfer to a securities custody account with a domestic bank, securities may be deposited with the Treasurer of the Territory of Hawaii, or with such other person as may be designated. Subject to such conditions as may be specified, such securities shall be held for the account or pursuant to the instructions of the depositor.

(4) Unless otherwise exempted by special license, each domestic bank in the Territory of Hawaii, the Treasurer of the Territory of Hawaii, and such other persons as may be specified, shall file a report in triplicate on Form TFR-H 400 with the Office of the Governor of Hawaii with respect to all securities held pursuant to these regulations at the close of business on August 1, 1942. Such report shall be filed as soon as practicable and in no event later than August 15, 1942. Unless otherwise exempted by special license, weekly supplemental reports on Form TFR-H 401 shall be filed in triplicate with the Office of the Governor of Hawaii with respect to changes in such security holdings after August 1, 1942.

(5) All securities subject to the provisions of this Title which are hereafter brought into the Territory of Hawaii shall be immediately delivered to a domestic bank, the Treasurer of the Territory of Hawaii, or such other person as may be designated, for deposit in a securities custody account.

TITLE III

Destruction of Securities and Reissuance in the Continental United States

(1) Any person holding securities in a securities custody account with a domestic bank pursuant to Title II of these regulations, except securities issued by the Territory of Hawaii or by any county thereof, may instruct such bank to cause the cancellation or destruction of such securities and the subsequent issue of substitutes in the Continental United States, subject to the following terms and conditions:

- (a) Securities which are the direct obligation of the United States, obligations guaranteed by the United States, and those for which the United States Treasury Department acts as transfer agent may be delivered by any domestic bank to the Special Treasury Custody Committee in Hawaii for immediate cancellation or destruction and subsequent issue of substitutes in the Continental United States. Such destruction and issue of substitutes shall be subject to all the provisions and conditions set forth in the "Procedure for Treasury Custody and Destruction of Currency and Securities in Hawaii" approved by the Acting Secretary of the Treasury on March 3, 1942.
- (b) Any other securities may be delivered by any domestic bank to the Special Treasury Custody Committee in Hawaii for destruction. The bank delivering any such security to the Committee shall execute and file with the Committee a report in sextuplicate on Form TFR-H 26. The fact of destruction will be certified upon said report and the Committee will thereupon retain one copy for its purposes, forward one copy to the issuer of each security so destroyed and, by separate mailing, will forward two copies to the United States Treasury Department, Washington, D. C., or to such other person as may be designated. Two copies of said report will be issued to the bank submitting the security for destruction. The issue of substitutes is not guaranteed and is subject to such conditions as may be imposed by the issuer thereof. The United States Government will, however, endeavor to facilitate the issue of substitutes.

TITLE IV

General Provisions

(1) Any person holding securities on July 15, 1942, having on such date an aggregate market value or, in the absence thereof, an estimated value of less than one hundred dollars, may continue to hold such securities without regard to Titles I and II of these regulations; **provided, however,** that securities held pursuant to this section may not be purchased, sold, traded, pledged, hypo-

thecated, or otherwise dealt in, until the provisions of Titles I and II have been fully complied with.

(2) All securities held for its own account and in its own vaults, by a domestic bank, the Treasurer of the Territory of Hawaii or any other person designated pursuant to section (3) of Title II hereof, shall be deemed to be held in a securities custody account, provided that such holding is otherwise consistent with the provisions of these regulations.

(3) Exception to any of the provisions of these regulations may be made by means of licenses, rulings, or otherwise, when it is considered that such exception is in accord with the purpose of these regulations, or is otherwise necessary or desirable. Application for any such license may be filed with the Office of the Governor of Hawaii on Form TFR-H 28, and the general procedure to be followed in handling applications for license will be that employed in the administration of Executive Order No. 8389, as amended. Unless the contrary is expressly provided, no license shall be deemed to authorize any transaction prohibited by reason of the provisions of any law, proclamation, order, or regulation other than these regulations. The decision with respect to the granting, denial, or other disposition of any application for a license shall be final.

(4) Rulings, instructions, interpretations, or licenses may, from time to time, be made or issued to carry out the purposes of these regulations and reports required in addition to those specifically called for herein with respect to any property or transaction affected hereby.

(5) These regulations shall not be deemed to authorize any transaction prohibited by or pursuant to Executive Order No. 8389, as amended, except such transactions as are necessarily incidental to the performance of acts specifically required by these regulations.

(6) As used in these regulations:

- (a) The term "domestic bank" means any branch or office within the Territory of Hawaii of any bank or trust company incorporated and doing business under the laws of the Territory of Hawaii relating to the operation of banks or trust companies. Any other person may be authorized to be treated as a "domestic bank" for the purpose of this definition or for the purpose of any license, ruling, or instruction issued hereunder.
- (b) The term "securities" shall not be deemed to apply to United States Defense and War Savings Stamps or to non-transferable United States Government Securities, including United States Defense and War Savings Bonds, of all series and designations; United States Adjusted Service Bonds; and United States Treasury Notes, Tax Series A-1943, B-1943, A-1944, and B-1944.
- (c) The term "person" means an individual, partnership, association, corporation, or other organization.

(7) These regulations and any rulings, licenses, instructions, or forms issued hereunder may be amended, modified, or revoked at any time.

TITLE V

Penalties

Attention is directed to the penalties prescribed in General Orders No. 123 and to those contained in section 5(b) of the Trading with the Enemy Act, as amended.

(Signed) Chas. M. Hite
CHAS. M. HITE
Acting Governor of Hawaii

Executive Chambers

Honolulu, T. H.

July 13, 1942

AMENDMENT NO. 1 TO REGULATIONS RELATING TO CURRENCY

The Regulations Relating to Currency issued June 25, 1942, are hereby amended by substituting the date August 1, 1942, for the date July 15, 1942, in Sections (2), (3), and (4) of Title I of such Regulations.

(S) CHARLES M. HITE
Acting Governor of Hawaii

July 3, 1942

PRESS RELEASE

The requirement of perforation of practically all securities in the Territory of Hawaii with the distinctive symbol "H" and deposit in custody accounts with banks and trust companies or with the Treasurer of Hawaii of all such securities except the issues of private Hawaiian corporations, was announced today by military and civil authorities.

The action was instituted by the issuance of regulations by Acting Governor Charles M. Hite, and under General Orders No. 123 issued concurrently by the Office of the Military Governor.

Under the regulations securities physically situated within the Territory of Hawaii must, with certain exceptions, be delivered on or before August 1, 1942, to a bank or trust company within the Territory of Hawaii, or to such other person as the Governor of Hawaii may designate, for perforation with the official symbol "H." All securities hereafter brought into the Territory must be immediately perforated by a domestic bank or other officially designated person. No security bearing the official symbol "H" may be exported from the Territory until a clearance certificate, known as form TFEL-2, has been attached under the direction of the Office of the Governor of Hawaii. Applications for the attachment of a clearance certificate to any perforated security may be filed on Form TFR-H 28 with the Office of the Governor of Hawaii in the same manner as Foreign Funds Control applications are now filed.

"Perforation of securities is merely an additional measure in the economic defense of Hawaii. Just as the use of the overprint on United States currency, Hawaiian Series, makes it easier to identify it, so too, perforation of securities will make it easier to identify them. In this way the interests of the United States Government and of the owners of the securities will be better protected," Mr. Hite, Acting Governor, said.

As an additional precaution these regulations also require all securities, except those issued by private Hawaiian corporations, to be deposited and kept in custody accounts with banks and trust companies, with the Treasurer of Hawaii or with another officially designated person. Securities deposited with banks and trust companies may be bought, sold, pledged to secure loans, or otherwise dealt in provided they remain in a custody account. Those placed with the Territorial Treasurer or other officially designated person will be held subject to the terms and conditions imposed by him. Officials pointed out that the custody requirements extend to securities issued by United States corporations and to those issued by the Territory of Hawaii or its counties, but do not apply to securities issued by private corporations of the Territory.

Defense and War Savings Bonds and Stamps, United States Adjusted Service Bonds, and all other non-transferable United States securities, including Treasury tax notes, are not within the regulations, since these securities are adequately safeguarded already. Likewise, the provisions of the regulations do not extend to any person whose total securities holdings are worth less than \$100, provided that such securities are not traded or dealt in.

It was announced that banks and trust companies in the Territory of Hawaii, and other persons who will receive securities for perforation, custody or otherwise under these regulations will not be prepared to deal with the public in this regard until Wednesday, July 8, 1942.

The regulations also provide machinery for the destruction of United States Government obligations and securities issued by mainland corporations. This, of course, is on an entirely voluntary basis. Any person holding these securities whether in a custody account with a bank or trust company, or otherwise, may instruct the bank or trust company to deliver them to the Special Treasury Custody Committee for destruction and, if appropriate arrangements have been made, the issuance of substitutes in the continental United States. Official spokesmen stated that the United States Government did not guarantee the reissuance of securities of private mainland corporations. However, the Government will endeavor to facilitate their reissuance.

Commenting on the securities regulations, officials noted that the United States Treasury has established facilities in the Territory early in March for the convenience of those persons who wished voluntarily to have their United States obligations destroyed and reissued on the mainland. The Special Treasury Custody Committee, working with representatives of the Army and of financial institutions, has caused the destruction of a considerable amount of United States obligations under this plan. Likewise, a large amount of excess United States currency has been similarly dealt with. Under the regulations the destruction of securities covered by this plan will still proceed on a voluntary basis. For the convenience of holders of mainland securities in the Territory, the facilities of the Special Treasury Custody Committee have been broadened to include private issues of United States corporations subject, of course, to such conditions and provisions as may be imposed by the issuers. While the United States Government does not guarantee the reissuance of these securities, it will endeavor to facilitate their reissuance.

One official said, "We hope by this, and such further measures as may be necessary, to provide for a distinctive marking of all securities in the Territory of Hawaii and to centralize the more important issues. The provisions for voluntary destruction were made available for the convenience of those persons who wish to use them and thus to save themselves whatever expense or inconvenience may be attendant upon maintenance in a custody account in the territory. We hope that these facilities will be availed of to the greatest possible extent."

The securities regulations, like the currency plan, have received the most careful consideration of authorities here and in Washington and have their full approval. They were designed to achieve a maximum of protection with the slightest inconvenience possible, and, it was stated, would not interfere with ordinary financial operations within the Territory.

July 3, 1942

PRESS RELEASE

In connection with the designation of the Treasurer of the Territory as a depository for securities pursuant to the Regulations of the Governor of Hawaii Relating to Securities, Mr. Norman D. Godbold, the Treasurer, said, "We will of course accept for custody any securities presented to us in accordance with these regulations, and there will be no expense to the depositor for this service. However, any person who elects to deposit securities with this office should realize that securities deposited with the office of the Treasurer of Hawaii pursuant to these regulations are, in effect, impounded or frozen for the duration of the emergency. This means that such securities **cannot** be sold, pledged to secure debts, serviced for collection of dividends, interest, clipping of coupons, or otherwise handled or dealt in. On the other hand, these prohibitions may not apply to securities deposited with banks or trust companies, and persons who deposit their securities with such institutions may sell, pledge, and otherwise deal in their securities subject to the provisions of the regulations, and in addition banks and trust companies will service such securities. The Territorial Treasurer's office can not extend the same facilities to depositors because of the limitations imposed on the Treasurer of the Territory."