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OPERATION OF BRITISH EXCHANGE CONTROLS

The Bank of England acts as agent for the British Treasury in operating the British exchange control system.

Payments for goods and services are controlled according to the following classification of countries:

(a) The Sterling Area - The British do not impose any restrictions on the use of sterling by countries in the sterling area. They may receive sterling freely and may pay sterling freely to any country. Broad understandings are sought with the governments of sterling area countries on the over-all amount of sterling which may be converted into dollars, but once a request for transfer is received, the Bank of England must approve it.

(b) American Accounts - Broadly speaking, the dollar area countries are included in what is called the American Accounts System. Residents of these countries may pay sterling freely anywhere in the world, but no country outside the sterling area is permitted to pay sterling to an American Accounts Country without the specific approval of the Bank of England.

(c) Transferable Accounts - These countries -- Netherlands, Italy, Norway, and about a dozen others -- are permitted to pay sterling freely to each other as well as to sterling area countries. They may not pay sterling to any other countries without specific approval of the Bank of England.

(d) Other Countries - The rest of the countries in the world are on an administrative basis and their ability to use sterling is determined by the Bank of England in conjunction with the monetary authorities of the particular country. Many of these areas are not permitted to pay sterling to any country outside the sterling area but others are allowed to pay sterling quite freely except to American Accounts Countries.

In summary, the basic objective of the British controls is to permit the widest possible use of sterling which can be achieved without involving any danger of losing dollars. Generally, sterling may always be transferred from hard currency countries to soft currency countries, but not from soft currency countries to a hard currency country.