

FEDERAL RESERVE BANK
OF NEW YORK

Fiscal Agent of the United States

[Circular No. 2714, October 20, 1943
Reference to Circulars Nos. 2712 and 2713.]

FOREIGN FUNDS CONTROL

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

For your information we quote below the text of General Ruling No. 17, dated October 20, 1943, and the text of a press release regarding the ruling, issued by the Treasury Department:

TREASURY DEPARTMENT
Foreign Funds Control
October 20, 1943

GENERAL RULING NO. 17

UNDER EXECUTIVE ORDER NO. 8389, AS AMENDED, EXECUTIVE ORDER NO. 9193, SECTIONS 3(a) AND 5(b) OF THE TRADING WITH THE ENEMY ACT, AS AMENDED BY THE FIRST WAR POWERS ACT, 1941, RELATING TO FOREIGN FUNDS CONTROL.*

REGULATIONS RELATING TO SECURITIES ACCOUNTS OF BANKS OR OTHER FINANCIAL INSTITUTIONS LOCATED IN BLOCKED COUNTRIES.

(1) *Scope of Ruling.* This ruling is applicable to (i) every sale of securities held in any account maintained in the name of any bank or other financial institution which is located in a blocked country and which is not licensed as a generally licensed national, (ii) every purchase of securities where the cost thereof is to be debited to any account maintained in the name of any such bank or financial institution, and (iii) the receipt of dividends or interest or other income on securities held in any account maintained in the name of any such bank or financial institution, except—

- (a) Transactions effected under General Licenses Nos. 49, 50, 52, or 70; or
- (b) Sales of securities or the receipt of dividends, interest or other income on securities effected under any other general license or under any specific license, provided that the proceeds thereof are deposited in a General Ruling No. 6 account in the name of such bank or other financial institution; or
- (c) Transactions effected pursuant to certification as provided in Section (3) hereof.

(2) *Purchase and sales of securities and the receipt of dividends, interest or other income on securities not authorized in the absence of certain information.* No purchase or sale of securities or the receipt of dividends, interest or other income on securities to which this ruling is applicable may be effected under any specific or general license which does not expressly refer to this General Ruling unless the person with whom the account is maintained is in possession of the following information:

- (a) In the case of any proposed sale of securities or the receipt of dividends, interest or other income on securities—
 - (i) The name, address and nationality of each person having an interest in the securities on the date when such securities were received into the account or on April 8, 1940, whichever is later; and
 - (ii) The name, address and nationality of each person having an interest in the securities on the date when the transaction is effected; and
 - (iii) If the information submitted with respect to (i) and (ii) discloses that there has been any change in any interest in such securities, the name, address and nationality of each transferee of any such interest, the date of each such transfer, and the license under the Order, if any, pursuant to which it is claimed that each such transfer was effected; or
- (b) In the case of any proposed purchase of securities—
 - (i) The name, address and nationality of each person who will have an interest in such securities as a result of such transaction.

(3) *Certification.* Notwithstanding Section (2) hereof, this ruling shall not be applicable to any purchase or sale of securities or the receipt of dividends, interest or other income on

* Appendix A;—Sec. 3(a), 40 Stat. 412; Sec. 5(b), 40 Stat. 415 and 966; Sec. 2, 48 Stat. 1; 54 Stat. 179; 55 Stat. 838; Ex. Order 8389, April 10, 1940, as amended by Ex. Order 8785, June 14, 1941, Ex. Order 8832, July 26, 1941, Ex. Order 8963, Dec. 9, 1941, and Ex. Order 8998, Dec. 26, 1941; Ex. Order 9193, July 6, 1942; Regulations, April 10, 1940, as amended June 14, 1941 and July 26, 1941.

securities if the bank or other financial institution in whose name the account is maintained has certified to the person with whom such account is maintained:

(a) In the case of any proposed sale of securities or the receipt of dividends, interest or other income on securities—

(i) That no person who is a national of any blocked country other than the country in which such bank or other financial institution is located, and that no person whose name appears on The Proclaimed List of Certain Blocked Nationals has an interest in the securities, and that no such person has had an interest in such securities since April 8, 1940, or the date when such securities were received into the account, whichever is later; and

(ii) That such bank or other financial institution will upon request at any time promptly submit to the diplomatic or consular representatives of the Government of the United States, duly accredited to the country in which it is located, satisfactory evidence of, and, in any event, will submit to the Treasury Department, Washington, D. C., in duplicate, not later than one year after the termination of the present war, a verified statement disclosing (A) the name, address and nationality of each person having an interest in the securities on the date when such securities were received into the account or on April 8, 1940, whichever is later; (B) the name, address and nationality of each person having an interest in the securities on the date when the transaction was effected; and (C) if the information submitted with respect to (A) and (B) discloses that there has been any change in any interest in such securities, the name, address and nationality of each transferee of any such interest, the date of each such transfer, and the license under the Order, if any, pursuant to which it is claimed that each such transfer was effected; or

(b) In the case of any proposed purchase of securities—

(i) That no person who is a national of any blocked country other than the country in which such bank or other financial institution is located, and that no person whose name appears on The Proclaimed List of Certain Blocked Nationals will have an interest in such securities as a result of such transaction; and

(ii) That such bank or other financial institution will upon request at any time promptly submit to the diplomatic or consular representatives of the Government of the United States duly accredited to the country in which it is located, satisfactory evidence of, and, in any event, will submit to the Treasury Department, in Washington, D. C., in duplicate, not later than one year after the termination of the present war, a verified statement disclosing (A) the name, address and nationality of each person who acquired an interest in the securities at the time of their purchase; (B) the name, address and nationality of each person having an interest in the securities as of any date or dates (hereafter prescribed) subsequent to the deposit of such securities in, and prior to their withdrawal from the account; and (C) if the information submitted with respect to (A) and (B) discloses that there has been any change in any interest in such securities, the name, address and nationality of each transferee of any such interest, the date of each such transfer, and the license under the Order, if any, pursuant to which it is claimed that each such transfer was effected.

(4) *Recording and reporting of information and the effectuation of transactions under Section (2) hereof.* (a) When any sale of securities or the receipt of any dividends, interest or other income to which this ruling is applicable has been effected, the proceeds may be credited to any account authorized by license, provided that, if such account is not maintained in the name or names of the beneficial owner or owners of the securities, a memorandum record is kept of the amount so credited and of the name, address and nationality of each such beneficial owner. In the case of the receipt of dividends, interest or other income on securities, a memorandum record shall also be kept with respect to such securities in the manner prescribed in Section (4)(b) hereof.

(b) When any purchase of securities to which this ruling is applicable has been effected, the securities may be deposited in any account authorized by license, provided that if such account is not maintained in the name or names of the beneficial owner or owners of the securities, a memorandum record is kept of the securities so deposited and of the name, address and nationality of each such beneficial owner.

(c) Any information specified in Section (2)(a) hereof required to be reported on Form TFR-300 by the person holding the securities, but which has not heretofore been so reported, shall be reported on Form TFR-300, as provided in Section 130.4 of the Regulations and Public Circular No. 4, not later than thirty days after a sale of the securities or the receipt of dividends, interest or other income thereon effected under Section (2) hereof. All information specified in Section (2) of this ruling with respect to securities in an account maintained in the name of a bank or other financial institution which is located in a blocked country, and which is not licensed as a generally licensed national, not otherwise required to be reported on Form TFR-300, shall be reported by the person with whom such account is maintained on Form TFR-300, Series L, in the manner provided in Public Circular No. 4C, as of the date of the

receipt of such securities in such account. Every such report on Form TFR-300, Series L, shall be filed within thirty days after a purchase or sale of the securities or the receipt of dividends, interest or other income thereon effected under Section (2) hereof, whichever occurs first, and shall state that it is made in accordance with General Ruling No. 17.

(5) *Effectuation and recording of certified transactions.* When any purchase or sale of securities or the receipt of any dividends, interest or other income thereon to which this ruling would otherwise be applicable has been effected pursuant to the certification specified in Section (3) hereof, the proceeds of the securities sold, or the dividends, interest or other income received may be credited to, or the securities purchased may be deposited in, any account authorized by license, provided, however, that a memorandum record is kept of the transaction and that it was effected pursuant to certification under Section (3) of this ruling. Each such memorandum record shall bear the name of the bank or other financial institution making the certification, and the number of such certification.

(6) *Form of certification and continuing effect of certain certifications.* (a) No form is prescribed for the certification specified in Section (3) hereof, but the certifications of each bank or other financial institution shall be numbered consecutively and every statement submitted to the Treasury Department in accordance with Sections (3)(a)(ii) and (3)(b)(ii) hereof shall refer to the number of the certification pursuant to which the transaction was effected. The certification specified in Section (3) hereof may be made by a cable or wireless message which clearly identifies the transaction, and states, in code or otherwise, that the sender makes the certification specified in Section (3) of General Ruling No. 17.

(b) A certification made under Section (3)(a) hereof with respect to the receipt of dividends, interest or other income on securities will, unless the bank or other financial institution making the certification expressly stipulates otherwise, be deemed to be a continuing certification applicable to the further receipt of dividends, interest or other income on the same securities, and the phrase "the date when the transaction was effected" in clause (B) of Section (3)(a)(ii) hereof shall be deemed, in the case of such certification, to mean the date of each receipt of dividends, interest or other income on such securities effected under such certification.

(7) *Proceeds of sales and income from securities to be deposited in General Ruling No. 6 accounts.* All proceeds of sales of securities and all dividends, interest or other income received on securities held in any account maintained in the name of any bank or other financial institution which is located in a blocked country, and not licensed as a generally licensed national, shall be deposited in a General Ruling No. 6 account in the name of such bank or other financial institution, unless—

(a) The person with whom the account is maintained is in possession of the information specified in Section (2)(a) hereof with respect to such securities; or

(b) The bank or other financial institution in whose name the account is maintained has made the certification specified in Section (3)(a) hereof with respect to such securities; or

(c) The sale of such securities or the receipt of such dividends, interest, or other income was effected under General Licenses Nos. 49, 50, 52, or 70.

(8) *Savings Provision.* None of the provisions of this General Ruling shall be applicable (a) to purchases or sales of securities effected within thirty calendar days after the date hereof pursuant to orders to buy or to sell specific securities, provided, however, that such orders are outstanding on the date hereof; or (b) to the receipt of dividends, interest or other income on securities within thirty calendar days after the date hereof.

(9) *Dollar accounts maintained with a bank or other financial institution which is a national of a blocked country.* The Secretary of the Treasury may, in his discretion, as a condition to the exercise of the privileges of a license issued, or the issuance of a license, under the Order, or otherwise, require a verified statement from any bank or other financial institution which is a national of a blocked country and maintains a dollar or securities account with a person within the United States, disclosing the names, nationalities and such other information as may be prescribed, concerning any or all persons who have maintained dollar accounts with such bank or other financial institution since the effective date of the Order with respect to such persons.

(10) *Definitions.* For the purposes of this General Ruling:

(a) The term "bank or other financial institution" shall include every person engaged in the business of (i) banking, (ii) insurance, (iii) buying, selling or otherwise dealing in securities, or (iv) managing, operating, conducting or otherwise holding securities or securities accounts for others;

(b) The term "dividends, interest or other income on securities" shall include payments of principal and payments on account of the retirement or redemption of securities; and

(c) The term "nationality" shall mean the names of all countries of which a person is a national within the meaning of the Order.

RANDOLPH PAUL

Acting Secretary of the Treasury.

(OVER)

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING NEWSPAPERS,
October 20, 1943

Press Service
No. 39-3

The Treasury Department today issued regulations relating to frozen domestic securities accounts of banks and other financial institutions located in countries blocked under the freezing order. The new regulations, officially styled General Ruling No. 17, constitute a further measure to prevent Axis nationals and Axis sympathizers from cloaking their securities holdings and financial transactions in the United States.

Securities accounts maintained in the United States in the name of foreign financial institutions are known to contain securities beneficially owned by clients or customers of such institutions. However, such securities are in no way differentiated from securities owned by the foreign financial institution itself. If securities held in an account of a foreign financial institution are sold, the proceeds revert to its general blocked account. However, this may mean that the foreign financial institution will credit the proceeds in its home office to the account of the beneficial owner of the securities. Such owner might well be an Axis national who would thus receive the benefits of free foreign exchange. Furthermore, such Axis national might have acquired his "ownership", either literally or figuratively, at the point of a gun.

For some time the Treasury has been scrutinizing this situation and its various ramifications. Controls have been imposed in specific cases, and today's ruling formalizes such controls in a general manner.

Under General Ruling No. 17 there may not be any sales or purchases of securities or receipt of income on securities held in the account of a foreign financial institution within a blocked country unless the banking institution in the United States which holds the securities has complete information as to the past and present beneficial ownership of the securities. As an alternative to the obtaining of such information, the banking institution in the United States may conduct such securities transactions on the basis of a certification obtained from the foreign financial institution. The terms of the certification are specifically spelled out in the new regulations. Among other things, they require such foreign institutions to commit themselves to submit, upon request, full evidence of beneficial ownership of the securities.

In order to avoid creating additional burdens for domestic coupon and dividend paying agents and to minimize possible losses where neither such information nor certification is available, the regulations also permit sales of securities and the receipt of dividends and interest thereon, provided the proceeds are deposited into a specially restricted account called a General Ruling No. 6 account.

The new regulations exempt from their operation every transaction effected under the general licenses extended to Portugal, Spain, Sweden and Switzerland or their central banks. However, it is to be noted that such general licenses contain restrictive provisions similar to those incorporated into the new regulations. Thus, in using their general licenses, these neutral countries commit themselves not to engage in any transaction involving Axis nationals or Axis interests.

Additional copies of this circular will be furnished upon request.

ALLAN SPROUL,
President.