

Preliminary Draft of
Regulations to be issued under authority
of Trading With the Enemy Act.

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The accompanying draft of regulations to be issued under authority of the Trading With the Enemy Act has been prepared by direction of the office of the Secretary of the Treasury by Counsel for the Federal Reserve Board merely as a tentative form for the consideration of the office of the Secretary and of the Federal Reserve Board.

To expedite preparation of revised draft please indicate such alterations, additions or eliminations as you think should be made and return one copy with your suggestions to Counsel for the Federal Reserve Board.

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REGULATIONS GOVERNING THE EXPORT OF COIN, BULLION
AND CURRENCY, TRANSACTIONS IN FOREIGN EXCHANGE, AND TRANSFERS
OF FOREIGN CREDITS.

EXECUTIVE ORDER.

By virtue of the authority vested in me, I hereby prescribe as a supplement to the regulations contained in Executive Order, dated October 15, 1917, the following regulations in relation to transactions in foreign exchange, export or ear-markings of gold or silver coin, or bullion, or currency, transfers of credits in any form (other than credits relating solely to transactions to be executed wholly within the United States) and transfers or evidences of indebtedness or of the ownership of property between the United States and any foreign country, whether an enemy, ally of an enemy, or otherwise, or between persons of one or more foreign countries by any person within the United States.

I hereby revoke any regulations heretofore prescribed by me in so far as they may be inconsistent with the regulations herein contained.

DEFINITIONS.

The term person as used in these regulations shall be held to include individuals, firms, partnerships, corporations, and all associations of persons.

The term dealer shall be held to include any person engaged in the business of buying, selling or dealing in foreign exchange.

The term foreign exchange shall be held to include checks, drafts, bills of exchange, cable transfers, or any other form of negotiable or assignable instrument or order used to transfer credit or to order the payment of funds in any foreign country, insular possession or dependency of the United States, or other territory not included within the geographical limits of the Continental United States.

The term customer shall be held to include any person other than a dealer who is resident or domiciled in the United States, regardless of nationality, and who seeks to purchase or acquire foreign exchange or to arrange for the transfer of funds or of credits, or for the establishment of a credit in any form outside of the Continental United States.

The term registration certificate shall be held to mean certificate authorizing a dealer to engage in foreign exchange transactions not prohibited by law.

The term special license shall be held to mean a license or permit issued to an applicant authorizing such applicant to export gold or silver bullion or currency, or to engage in a particular foreign exchange transaction otherwise prohibited by law.

The term general license shall be held to mean a license or permit issued to an applicant authorizing such applicant to export gold or silver bullion to certain designated countries or to engage in certain classes of foreign exchange transactions for a fixed period of time or until such license is revoked.

EXPORTATION OF COIN, BULLION OR CURRENCY.

Any person desiring to export from the United States or any of its territorial possessions to any foreign country named in the proclamation dated September seventh, nineteen hundred and seventeen, any coin, bullion, or currency, shall first file an application in triplicate with the Federal reserve bank of the district in which such person is located for a special or general license. Applications filed must contain statements under oath and showing in detail the nature of the transaction, the amount involved, the parties directly and indirectly interested, and such other information as may be of assistance to the proper authorities in determining whether the exportation for which a license is desired will be compatible with the public interest. All such applications should be made on the standard form prescribed by the Federal Reserve Board.

Each Federal reserve bank shall keep a record copy of each application filed with it under the provisions of this regulation and shall forward the original application and a duplicate to the Federal Reserve Board at Washington together with such information or suggestions as it may believe proper in the circumstances and shall in addition make a formal recommendation as to whether or not in its opinion the exportation should be permitted.

The Federal Reserve Board, subject to the approval of the Secretary of the Treasury, is hereby authorized and empowered upon receipt of such application and the recommendation of the Federal reserve bank to make such ruling as it may deem proper in the circumstances and if in its opinion the exportation in question be compatible with the public interest, to permit said exportation to be made; otherwise to refuse it.

FOREIGN EXCHANGE TRANSACTIONS

REGISTRATION CERTIFICATES.

Every dealer in foreign exchange shall within _____ days from this date, file with the Federal reserve bank of the district in which such dealer is located, an application for a registration certificate.

Such application shall be in form approved by the Federal Reserve Board and shall show (a) the character of the business engaged in, (b) whether or not any enemy or ally of an enemy of the United States, has any interest directly or indirectly in such business, (c) any additional information that may be required by the Federal Reserve Board.

The Federal Reserve bank, with the approval of the Federal Reserve Board, may issue to such applicant a registration certificate in form approved by the Federal Reserve Board, entitling the holder to engage in foreign exchange transactions not prohibited by law. Such certificate may be revoked at any time by direction of the Secretary of the Treasury or the Federal Reserve Board.

LICENSES.

Any person desiring to deal in any foreign exchange transaction and having reason to believe that such transaction may involve the payment of funds to or the establishment of credits in favor of any enemy or ally of an enemy, within the meaning of the act of October 6, 1917, shall file with the Federal reserve bank an application for a special or general license to consummate this transaction. Such application shall be in form approved by the Federal Reserve Board and shall contain a full and complete statement, under oath, of all facts known to the

applicant which may assist or enable the Board to determine whether such transaction may be permitted without prejudice to the interests of the United States. The Board may grant the license applied for if, upon investigation, it is satisfied that such a grant will be compatible with the best interests of the United States.

BOOKS AND RECORDS.

All dealers in foreign exchange shall keep a record in books kept for that purpose, of all exchange purchased or sold by such dealers, in such manner as to show -

1. The name, address and business of the customer buying and selling such exchange;
2. The drawer, drawee, payee, date and amount of all exchange items bought and sold;
3. The purpose for which such exchange is bought or sold by the dealer;
4. A statement to be furnished to the dealer by the customer of his purpose in purchasing or selling exchange, with full details of any transaction for the liquidation of, or in connection with which such purchase or sale is made;
5. Any other information which in the opinion of the Federal Reserve Board may be necessary to enable it to determine whether the transaction engaged in involves any violation of the laws of the United States or regulations made pursuant thereto;

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EXAMINATION :

All books and records of dealers in foreign exchange shall be open to inspection by the Secretary of the Treasury, the Federal Reserve Board, the Federal Reserve Bank issuing the registration certificate or such person or persons as may be designated by the Federal Reserve Board, with the approval of the Secretary of the Treasury.

SPECIAL REPORTS:

When required by the Secretary of the Treasury, the Federal Reserve Board or the Federal Reserve Bank issuing the registration certificate, each dealer in foreign exchange shall make a report on forms approved by the Federal Reserve Board of any and all transactions in foreign exchange engaged in by said dealer and shall produce the original or transcript of any books or records that may be called for.

GENERAL REPORTS:

Every person resident or domiciled in the United States shall, without previous request for such information, make a full report to the nearest Federal Reserve Bank of all facts in connection with any transaction engaged in with any foreign Government, or with any person resident or domiciled outside the United States, whenever such transaction involves or may involve, -

- (a) The payment to or receipt from any such Government or person of any money;
- (b) The delivery to or receipt from such Government or person of any securities;
- (c) The establishment of any foreign credits for or on behalf of such Government or person;
- (d) The purchase or sale of any security for, to, or on account of such Government or person;

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(e) The book transfer of cash or security to or from the account of any such Government or person;

(f) The transfer or assignment of claims or evidences of indebtedness to or from any such Government or person.

SUSPENSION OF FOREIGN EXCHANGE TRANSACTIONS AND
TRANSACTIONS INVOLVING THE EXPORTATION OF COIN
BULLION OR CURRENCY.

Whenever the Secretary of the Treasury shall have reasonable cause to believe that the consummation of any transaction in foreign exchange or the export of any coin, bullion, or currency may result in a violation of the laws of the United States or regulations made pursuant thereto, he may give notice to the parties in interest to suspend such transaction for a period of ninety days pending an investigation and any person or persons designated by him shall for the purpose of investigation, be authorized to subpoena and examine witnesses under oath and to require the production of any books of account, contracts, letters, or other papers in connection with the transaction under investigation which are in the custody or control of the person examined.

GENERAL STATUTORY PROVISIONS.

An act to punish acts of interference with the foreign relations, the neutrality, and the foreign commerce of the United States, to punish espionage, and better to enforce the criminal laws of the United States, and for other purposes, approved June 15, 1917.

TITLE VII.

Section 1. Whenever during the present war the President shall find that the public safety shall so require, and shall make proclamation thereof, it shall be unlawful to export from or ship from or take out of the United States to any country named in such proclamation any article or articles mentioned in such proclamation, except at such time or times, and under such regulations and orders, and subject to such

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limitations and exceptions as the President shall prescribe, until otherwise ordered by the President or by Congress: PROVIDED, HOWEVER, That no preference shall be given to the ports of one State over those of another.

Trading with the enemy act, approved October 6, 1917.

Section 2. That the word "enemy" as used herein, shall be deemed to mean, for the purpose of such trading and of this Act, -

(a) Any individual, partnership, or other body of individuals, of any nationality, resident within the territory (including that occupied by the military and naval forces) of any nation with which the United States is at war, or resident outside the United States and doing business within such territory, and any corporation incorporated within such territory of any nation with which the United States is at war or incorporated within any country other than the United States and doing business within such territory.

(b) The Government of any nation with which the United States is at war, or any political or municipal subdivision thereof, or any officer, official, agent, or agency thereof.

(c) Such other individuals, or body or class of individuals as may be natives, citizens, or subjects of any nation with which the United States is at war, other than citizens of the United States, wherever resident or wherever doing business, as the President, if he shall find the safety of the United States or the successful prosecution of the war shall so require, may, by proclamation, include within the term "enemy".

The words "ally of enemy", as used herein, shall be deemed to mean, -

(a) Any individual, partnership, or other body of individuals, of any nationality, resident within the territory (including that occupied by the military and naval forces) of any nation which is an ally of a nation with which the United States is at war, or resident outside the United States and

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doing business within such territory, and any corporation incorporated within such territory of such ally nation, or incorporated within any country other than the United States and doing business within such territory.

(b) The Government of any nation which is an ally of a nation with which the United States is at war, or any political or municipal subdivision of such ally nation, or any officer, official, agent, or agency thereof.

(c) Such other individuals, or body or class of individuals, as may be natives, citizens, or subjects of any nation which is an ally of a nation with which the United States is at war, other than citizens of the United States, wherever resident or wherever doing business, as the President, if he shall find the safety of the United States or the successful prosecution of the war shall so require, may, by proclamation, include within the term "ally of enemy".

Section 5 (b) That the President may investigate, regulate, or prohibit, under such rules and regulations as he may prescribe, by means of licenses or otherwise, any transactions in foreign exchange, export or ear-markings of gold or silver coin or bullion or currency, transfers of credit in any form (other than credits relating solely to transactions to be executed wholly within the United States), and transfers of evidences of indebtedness or of the ownership of property between the United States and any foreign country, whether enemy, ally of enemy or otherwise, or between residents of one or more foreign countries, by any person within the United States; and he may require any such person engaged in any such transaction 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 is completed.