

THE FOREIGN EXCHANGE COMMITTEE

The Bankers' Clearing House,  
Lombard Street,  
London, E.C.3.

18th January 1939.

NOTICE TO THE MARKET

Embargo on Advances against Gold, etc.

With the object of obtaining uniformity in the interpretation of the circular of the 5th January the following information is furnished:-

(1) What is the Treasury's wish?

To curb speculation in both gold and currencies but in no way to hamper normal trade requirements.

(2) To whom does the circular apply?

Persons operating in this country.

(3) Sterling or currency advances against gold and sterling advances against other currencies.

Generally are not to be made nor assisted by way of guarantee or otherwise. Exceptions may be made in the case of bullion brokers and the customary dealers in gold to whom temporary advances against gold may be necessary for the fixing of the price of gold (see paragraph 4 below).

Advances against bullion in transit are also permissible provided the gold is shipped for sale.

(4) Forward dealings in gold.

Generally are not permissible. Should, however, a merchant have a commercial commitment in currencies which he can only "hedge" in forward gold, he is permitted to protect himself in this manner if he so desires and can satisfy his banker, who in turn can carry through the transaction by giving the bullion broker an assurance that it is in cover of a commercial transaction. The bullion broker would be permitted to obtain temporary finance against such gold should this be necessary to facilitate the forward transaction.

(5) Foreign Exchange Operations

Spot operations. No scrutiny is necessary where the currency is paid for.

Forward operations. The banker must be satisfied that his client is covering a normal trade requirement before executing a forward operation on his behalf.

Forward transactions merely in an endeavour to protect one's capital are not permitted.

(6) Loans against securities, both British and foreign, and acceptance facilities.

Are not restricted provided they are in the normal way of business.

(7) Simultaneous purchase of spot currency against sale forward and vice versa (swaps).

Such transactions are permissible but in carrying them through for clients it is necessary to get an assurance that



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they are not using this means for extending an existing speculative position either on your own books or elsewhere.

The foregoing is in the nature of a general guide and the Committee is prepared to deal with any specific enquiries, which should be addressed in writing to the Secretary.

Copy.

THE FOREIGN EXCHANGE COMMITTEE.

The Bankers' Clearing House,  
Lombard Street,  
London, E.C.3.

January 19th 1939.

NOTICE TO THE MARKET

Embargo on Advances against Gold, etc.

To section (3) of the circular dated 18th January 1939 under the heading:-

Sterling or currency advances against gold  
and sterling advances against other currencies

please add the following:-

"Exceptions in regard to advances against currencies may also be made if normal trade requirements necessitate them."