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A Short History of the Development
of the System of Transfer of British
Government Stocks by Instrument in
Writing

Compiled by - - G. BLUNDEN

To Mr. L. H. J.
Central Arch

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INTRODUCTION

This History is an attempt to give a connected account of the development of the present practice of transfer registration. It is hoped that it will be of assistance to those responsible for staff training and, in order that it may also serve as a work of reference, details of the files and records consulted have been quoted in the margins of each page.

G. BLUNDEN.

ACCOUNTANT'S DEPARTMENT.

November 1952.

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A SHORT HISTORY OF THE DEVELOPMENT OF THE SYSTEM OF TRANSFER OF
BRITISH GOVERNMENT STOCKS BY INSTRUMENT IN WRITING

Before
1900

The Bank were firmly convinced of the complete sufficiency of the practice of transfer of Securities by personal attendance. While it is not claimed that the system was actually invented by them it is worth noting that the principles of the method were defined in the Charter. A procedure was developed on that basis as a means of transferring Bank and Government Stock and was confirmed as appropriate under various subsequent Acts. When a general codification of previous enactments relating to the management of the National Debt took place under the National Debt Act of 1870, the established method of transferring British Government Securities was still thought to be perfectly satisfactory for these Stocks, in spite of the fact that, with the creation of many new Securities to finance the growing industry of the country, another form of transfer, by Deed or by written instrument, signed by both seller and buyer, had been found better suited to the needs of a widening investing public. The chief attraction of the newer method was that it resulted in the issue of a certificate of title which the owner held.

No compelling demands for greater facilities for the transfer of British Government Stocks appear to have been made during the next thirty years. With the beginning of the 20th Century, however, these Securities began to interest this wider investing public accustomed to operations effected by Transfer Deed, with the consequent issue of a certificate of title, which many obviously expected to receive when they acquired Government Stock.

Ultimately in 1905 the Council of Associated Stock Exchanges, after raising the matter with the Bank during 1904, made a direct approach to the Chancellor of the Exchequer (Mr. Austen Chamberlain) suggesting that additional facilities for dealing in Government Securities might be given by allowing either transfer by Deed or transfer at the various

Bank
Charter
1654

Box 33/13
Memo.
dated
20.7.1911

1905
First
Official
suggestions
by respons-
ible bodies

Box 33/13
No.4 and
Box 67/6

Government not in favour of transfer by Deed

Branches of the Bank. In this first approach greater emphasis was placed on the second course. The Chancellor hedged by replying that such a change would require legislation which he was not prepared to consider without further evidence of the inconvenience of the existing system.

1906 Further suggestions

In May 1906 the Council made fresh representations to the Chancellor urging now the desirability of allowing Consols to be transferable by Deed. The Treasury asked, unofficially, for the Bank's views and the Committee of Law Suits was directed by the Governor to consider the question. The whole problem, as seen by the Bank at the time, is clearly set out in the following memorandum prepared for the Committee by the Chief Accountant (H.B.Orchard), dated the 29th May 1906:-

Bank View

"The existing method of transferring Stock in the Bank books, either by the stockholder attending personally or by his Attorney attending on his behalf, is one that has been in operation ever since the Bank was founded. For security of title and simplicity of transfer this mode is still unequalled.

A ten day period before issue of a certificate

Transfer by deed had its origin in comparatively modern times to meet the needs of public Companies and other bodies having transferable Stocks, Shares and Securities. To substitute transfer by deed for transfer in the Bank books is practically impossible, but if it were possible, the change would be strenuously opposed by Bankers, Brokers and many large holders of Consols. One very important advantage which accrues to holders of Stock transferable in the books is the celerity and ease with which the Stock can be realised. In case of need a stockholder obtains a cheque for the proceeds of his sale in less than an hour after giving instructions for sale to his broker. If Consols were transferable by Deed, notice of the lodgment of the Deed would have to be sent to the transferor and time allowed in which an objection might be lodged. Ten days is the time required to elapse before a new certificate is issued by the Bank in the case of Deed Stocks managed by them.

Two system to work side by side

It might not, however, be impossible, if the Treasury will obtain the necessary legislation, to devise a scheme that, while continuing the existing practice would also afford the facility of transfer by Deed to such stockholders who requested it. This would give the Council of Associated Stock Exchanges what they are asking for and would at the same time meet the wishes of many stockholders who prefer the method of transfer by Deed.

The question, as considered from the points of view of the provincial stockholder, the provincial stockbroker, the London Stockbroker, the Government and the Bank, appears to be as follows:-

The Provincial Stockholder

He will obtain a certificate of proprietorship - a document of value - as evidence of his ownership.

He will be able to transfer his Stock without the expense of a Power of Attorney, and he will be freed from

Box 19/13
No.2 and
Box 67/6

Box 19/13
No.1 and
Box 67/6

Suggestion that London Stock Exchange would not object

3.

the anxiety which is often caused to a nervous holder when he has to give a Power of Attorney in favour of a person whom he does not know.

He will, in many cases, be able to receive a cheque from his Broker in exchange for the executed Transfer Deed and certificate of proprietorship.

The Provincial Stockbroker

In cases of small transactions he will probably be able to retain the whole of his commission instead of dividing it with the London Broker. In large transactions, at any rate for some time to come, he will still have to divide his commission.

The London Stockbroker

It is not thought that members of the London Stock Exchange would generally object to the provincial transactions being effected by Deed. There is a feeling certainly amongst some of the influential Brokers that the business they are compelled to do for their provincial correspondents under Power of Attorney is not worth the risk they incur. The decision in the case of Starkey v. the Bank of England has brought home to them in a very forcible manner that their liability is a real one.

If transfer by Deed were optional, it is thought that the alteration would not be viewed unfavourably.

The Government

It is uncertain whether any real advantage would accrue to the Government by the alteration other than the fact that they would have given consideration to the wishes of all classes of stockholders. As the two classes of Stock would be interchangeable, it is not likely that there would be any difference in the price of Stock transferable in the Bank books and that of Stock transferable by Deed.

The Government would lose the value of stamps on Powers of Attorney replaced by Transfer Deeds.

The Bank

Bank would require extra remuneration and cover against extra risk

Working the two systems side by side would entail extra labour, additional care and increased possibilities of error, and it would be necessary either to charge a fee for each transfer or to receive additional remuneration from the Government.

The question of risk to the Bank is one that requires careful consideration. At the present time, in the case of Stock transferred under a forged Power of Attorney, the Bank has recourse against the Attorney; in the case of fraudulent personation against the identifying stockbroker. In either case recourse is only of use to the Bank when the Attorney and the identifying stockbroker are men of substance.

Since the decision in the Starkey Case, it has been noticed that many applications for Powers of Attorney have been put forward by Brokers in favour of irresponsible Attorneys.

In the case of a forged Transfer Deed the Bank would have recourse against no one but the Forger, but in all cases they would have certified specimens of the stockholders' signatures for comparison - a means of identification which at present, in many cases, is not available.

The system, if adopted, would possibly be worked somewhat on these lines:-

Upon the request of a stockholder to have a certificate of proprietorship issued to him and to have his Stock in future transferable by Deed, the signature to the request being witnessed, say, by two credible witnesses, and on payment of a fee, he would have his Stock earmarked "Transferable by Deed only".

Prophecy that request would be made to apply Forged Transfers Act to give immediate indefeasibility of title

One further point must not be overlooked and that is, if Consols were made transferable by Deed, stockholders would be sure to clamour sooner or later for indefeasibility of title such as is given to proprietors of Stock belonging to Railway Companies, etc., who have adopted the provisions of the Forged Transfers Act. It is hardly to be expected that the Government will grant this, and it is certainly no part of the Bank's business to give an undertaking of this kind, although up to the present time no purchaser of Consols has ever been dispossessed by the Bank of the Stock transferred to him.

If the option of transfer by Deed or transfer in the Bank books were granted to Consols holders, the like privilege could not well be withheld from holders of other Inscribed Stocks (Over 70) managed by the Bank, nor would it be to the advantage of the Bank to do so.

The subject is placed before the Law Suits Committee for their consideration as to the desirability, or otherwise, of making the proposed change."

1906 Report to the Court

On the 31st May 1906 the Law Suits Committee reported to the Governor "There is no fundamental objection from the point of view of the Bank to the transfer of Consols in the Bank books by Deed, concurrently with the existing practice". On the 6th June 1906 the Chief Accountant wrote to Sir Edward Hamilton (Permanent Secretary to the Treasury) outlining the problem, reminding him that the Bank would require extra remuneration for additional services and informing him that he had the Governor's authority to say "he is prepared, when the question is submitted officially to the Bank to recommend the Court to undertake the new duties".

Bank prepared to agree

Government still not satisfied that Transfer by Deed is necessary

The Treasury, nevertheless, replied to the President of the Council of Associated Stock Exchanges that legislation would be required and that the Chancellor of the Exchequer (Mr. Asquith) was not satisfied on the evidence before him "that sufficient public advantage was to be anticipated from the change to justify the extra cost and labour, nor that its result would have any appreciable increase in the popularity of the Stock in question".

1906-1911 increasing demands

The matter was not allowed to rest there. The demand for increased facilities was later reinforced by resolutions from the Council of Associated Stock Exchanges, the Edinburgh Chamber of Commerce, the Society of the Writers to H. M. Signet, the Association of Chambers of Commerce of the United Kingdom, the Incorporated Law Society of Ireland,

Box 33/13 and Box 67/6

Box 33/13 No. 2

Box 33/13 No. 4 and Box 67/6

Box 33/13 No. 3

etc., and by 1909 it had become apparent that sooner or later concessions would have to be made. With the end in view and while conversations on ways and means were continuing between the Treasury and the Bank, parallel discussions were initiated by the India Office in 1909 with regard to the transfer of Indian Government Stocks by Deed.

Suggestion for India Stocks to be transferable by Deed

Box 33/7

The major factors delaying a decision seem to have been differing opinions as to the nature of the legislation necessary to effect a change, the amount of the extra remuneration to be paid for the increased work and, more

Box 33/13 Letters from Freshfields of 10.1.1911 and Bank to Treasury 5.5.11

particularly, the question upon whom would fall the responsibility for the supposed additional risk of loss by fraud. With regard to the first, the Bank felt that a special Act was desirable and had in fact in 1907 drawn up a trial draft bill; the Treasury, on the other hand, were in favour of a clause in a Finance Bill, followed by regulations.

Box 33/14 Sec. 111 Letter to Bank of Ireland dated 7.6.11 and from Bank of Ireland dated 25.7.11 Box 33/13 Letter to Sir G Murray (Treasury) 5.5.11 and Box 67/5 (Draft Act)

The fear of the risk consequent upon forgery may have prompted a suggestion by the Bank that, at the same time,

it might be advisable to take powers to issue Bonds of a lower denomination. It was pointed out, however, that since in 2½% Consols, £5 would produce only 7½d. interest per quarter and £10 only 1s. 3d., the collection of Income Tax on coupons would be difficult, and the fact that Banks ignore halfpennies would be a further complication. Furthermore certain stockholders are not permitted to hold Bonds. When, in this connection, Counsel's opinion (Mr. Rowlatt) was sought on the possibility of covering the risk of Forgery by

Box 33/13

Small Bonds suggested

Indemnity considered

Box 33/13 Opinion dated 27.10.1911

indemnity he suggested that it would be better to obtain extra remuneration and face the risk. He thought the introductions of specific safeguards would add to difficulties in practice. It is here, perhaps, interesting to note that in 1905 a case (Sheffield Corporation v. Barclay & Co.), which had a considerable bearing on the question of responsibility for loss in the event of the registration of a forged transfer, had already been decided in the House of Lords, upon appeal.

1905 A.C. 395 or copy of Times Report in Sec. 111 of Box 711/2

1911
Decision to
make British
Government
Stocks
transferable
by Deed.

At the Annual dinner of the Country Bankers' Association on Wednesday the 10th May 1911 the Governor (Mr.A.C.Cole), in an "inspired" speech, discussed the question of increased facilities for the transfer of Consols.

He said that the Bank "had always been prepared to make arrangements for transfer by Deed should the Government deem it desirable..... As regards transfer by Deed it would have to be in addition to the present system". Nine days

later, on the 19th May, the Chancellor of the Exchequer (Mr.Lloyd-George) announced that the Government would introduce legislation, that session, to make Consols transferable by Deed. The promised legislation took the form of a clause

in the Finance Bill of 1911, under Section 17 of which the Bank were empowered to draw up the necessary regulations with the concurrence of H.M.Treasury. It had at first been

intended to implement the additional method of transfer on the 1st January 1912 but, because the Finance Bill was postponed until the Autumn Session, it was not possible to obtain final approval of the Regulations until the 15th February 1912. They were published on the 21st March and became operative as from the 1st April 1912.

Not all the rights applicable to Inscribed Stock were extended to Deed Stock; holders of the latter, for instance, were not permitted to transfer direct to the Irish Register, nor to exchange their Stock for Stock (i.e. Bearer)

Certificates nor could they take advantage of the Accumulative Dividend Scheme. If the last mentioned were allowed it was thought it would be necessary on each occasion to prepare Transfer Deeds and get them accepted. In each of the above cases holders were obliged first to transfer Deed Stock to the "Inscribed" Stock Register, paying the

appropriate fee. The fee for the transfer from Inscribed to Deed Stock, involving the issue of a certificate, was 2s.6d. and for transfer from Deed to Inscribed Stock 1s.-d. A fee of 2s.6d. was chargeable for the registration of a Transfer Deed. These fees were based on estimates of the

Box 33/13
(Extract of
Times Report
dated
13.5.1911)

Finance Act
1911
Section 17

Transfer by
Deed Regu-
lations 1912

Regulation 19

Regulation 21
Box 33/13
C/A's letter
to Freshfields
dated
21.9.1911

Regulation 2

Regulation 9

extra work involved, as compared with the transfer of Inscribed Stock. Under Regulation 11 the Bank were not

required to issue a certificate until ten days after a transfer had been lodged with them. It was felt that it would be necessary to take full advantage of the permissive nature of this Regulation in every case. The issue of a Register Certificate was also intended to be the indication of the completion of registration and Stock would not be regarded as at the disposal of a purchaser until this event occurred ten days after the lodgment of a transfer. The method of transfer by Deed would, therefore, be slower than the transfer of Inscribed Stock.

Incidentally the name "Register Certificates" for these certificates was first suggested by the Chief Accountant in a letter to the Permanent Secretary to the Treasury on 2nd August 1911. The latter had reminded the Governor that the name "Stock Certificates", quoted in draft regulations had a prior claimant. Stock Certificates were an existing form of Coupon Bonds which could be treated as bearer security or could be nominated. In the latter case they could only be inscribed in the name of the person nominated.

Since a maximum of ten days was allowed to complete registration, power was also given to close the Deed Register for the preparation of dividends ten days earlier than the Inscribed Register, or alternatively to give notice that Deed transfers for registration cum the accruing dividend must be lodged ten days before the normal date of striking a balance for Inscribed Stock.

It is not altogether clear why the Bank originally thought that a transferee could not, in any circumstance, be allowed to deal with Stock until the certificate had been issued, or why a minimum period of ten days should have been insisted upon. They had had experience of transfer by Deed since 1884 when they undertook the management of the first of the Indian Railway Debenture Stocks (Eastern Bengal

Ten days to
complete a
transfer

Description
"Register
Certificates"
first used

Stock
Certificates

Longer
shutting
period for
Deed Stock

Practice in
connection
with the
transfer
by Deed of
Indian
Railway
Debenture
Stocks,
etc.

Regulation 11

Regulation 3
File 33/13
Letter to
Treasury
dated
2.8.1911

Regulation 16

See Shutting
Notice
1.5.1912
Box 33/14

Statutory
Powers
Granted

Regulations
approved

Transfer
by Deed
Regulations
1912

Transfer
direct to
Bonds and
to Irish
Register not
permitted

Accumulative
Dividend
Scheme not
to apply

Fees
chargeable

Railway 4½ Debenture Stock). When that and the other various small Stocks were taken over the Bank seen to have adopted the Railway Companies' existing practices. These appear to have involved the issue of a certificate after ten days and presumably the transferee's title was not regarded as complete until this certificate was issued. In this connection, in a memorandum to the Governor dated 27th January 1913, the Chief Accountant mentioned that, although the point had arisen from time to time, they had always refused to certify a transfer of Debenture Stock not yet registered in a transferor's name.

With regard to the extended shutting period it is possibly worth noting that, for the first dividend paid by the Bank on Eastern Bengal Railway 4½ Debenture Stock on 1st January 1885, the balance was struck on 15th December 1884. Presumably it was thought that in so small a Stock no difficulty could arise in connection with incomplete transfers on a balance date. Perhaps such an opinion was still held to be valid in 1912 when transfer by Deed Regulations for British Government Stocks came into operation. For in the first shutting notice issued thereafter, that of 1st May 1912, while notice was given that an extra ten days would be required for British Government Stocks transferable by Deed no power was sought, or even apparently contemplated, for obtaining extra time for the existing Deed Stocks, which by then had a shutting period of one month. Nor does any suggestion appear ever to have been made subsequently that extra time should be taken for these Stocks.

Transfers of the various Registered Bond Stocks ultimately conformed to the general practice but a point of interest in connection with the issue of certificates is contained in the original rules for the management of the Chinese 5% Loan 1896. Although reference is there made to transfer of Inscribed Stock on the ordinary unstamped transfer form, this was, in fact, the common form of transfer. The instructions state that a temporary receipt

Certification possible but not Sub-certification

Larger shutting period not suggested to Indian Railway Debentures

Issue of certificates in three days for Chinese 5% Loan 1896

Box 33/15
Sec.3
Document

Box 34/2
Shutting
notice

Box 33/14
Shutting
notice

Box 44/12

Colonial
File 77
Page 252

is given upon lodgment. A notice is sent to the transferor and having allowed sufficient time for a reply the transfer is posted. Then "a fresh certificate is written, signed by the Principal (the Bank Stock Office) and counter-signed by the Chief Accountant; it is handed to the bearer of the temporary receipt after three clear days". Bonds issued in exchange for stock were also to be deliverable after three clear days. It would seem therefore that this period of ten days, which the Bank had felt should be embodied in the regulations "to settle practice", and which was soon to prove a source of considerable trouble, was by no means sacrosanct.

However, opinion from the outset appears to have been definite on the point for the Governor (Mr.A.C.Coile) in the speech to the Country Bankers' Association, already referred to, had said "To complete a transaction of transfer by Deed would require a good many days. The usual time required by Registrars of Companies was ten days".

Although it was to be the normal practice to require at least ten days for the completion of a transfer there were certain cases where an even longer period might be necessary. In the case of stock transferred by a corporate body, for instance, a letter under the signature of the Chairman or Vice Chairman sanctioning the transfer was also required. This approval by a Chairman was thought to be essential because by a surprising adverse decision in the Merchants of the Staple of England v. the Bank of England Case in 1867, and in numerous other subsequent rulings of the Courts, "Corporations had escaped liability under documents to which their Seals had been affixed improperly". Approval of a transferor was also required before registration in the case of "care of" addresses, foreign addresses and also where the Bank had no means of agreeing a signature.

Following the usual practice of Registrars of Stocks a notice was sent to each transferor when a transfer

Box 33/43
Freshfields'
memorandum
on Regulations
enclosed in
letter of
13.9.11

c.f.
Page 6

Colonial Stocks
77 Case Times
Reports on
Merchants of
the Staple
Case Page 215

Box 33/13
From a memo.
by Freshfields
in Sept. 1911
in transfer
by Deed
Regulations

Original
Internal
instructions
for transfer
by Deed
1.4.1912

was lodged for registration and, as an added precaution against forgery, a further notice was also sent to a transferor at a former address where a change had been notified during the preceding six months.

* * * * *

Mr. Orchard's prophecy in his memorandum of the 29th May 1906 that there would soon be a demand "for indefeasibility of title such as is given by Railway Companies who have adopted provisions of the Forged Transfers Act" was quickly realised, for upon the issue of the notice announcing the new method the Bank received a letter dated the 27th March 1912 (four days before the operative date) from Pesel & Hunt, Stockbrokers of Bradford, asking if the validity of the transfers made by Deed was secured in the same way that Railway Company Stock transfers are made absolute by the adoption of the Forged Transfers Acts 1891 and 1892.

Freshfields advised a reply upon the following

lines:-

"The Bank act only as Agents for the Government and the Forged Transfers Acts of 1891 and 1892 do not apply to them in that capacity. If the Government decide that the Forged Transfers Acts should be applied, no doubt they might avail themselves of it. The Bank has no authority to do so, and the Government is no doubt satisfied that the protection afforded by the National Debt Acts is sufficient."

In August 1912 Wall & Lloyd of Liverpool complained about the time taken for completion of registration and referred to the custom of certain Railway Companies of certifying sub-transfers. The Bank replied that the period of ten days was permitted by the regulations and stated that they were not prepared to reduce that period or "to certify to Stock in any name until the transfer into such name had been completed". The position was that, while the Bank would certify transfers lodged with the certificate attached, they would not sub-certify against transfers in course of registration.

* * * * *

1912
Possible
application
of Forged
Transfers
Act first
raised

Forged
Transfers
Act not
applicable

Sub-certifi-
cation first
raised

Ten day
Registration
period
questioned

c.r.
Page 4

Box 33/14

Box 33/14
letter
dated
14.8.1912

Box 33/14
letter
dated
13.8.1912

April 1912
Separate Deed
Office opened

December 1912
Experience of
first six
months'
writing of
transfer by
Deed

December 1912
Separate Deed
Office closed

Sub-certifi-
cation
considered

Objections
to the ten
day period

A Transfer by Deed Office had been opened to the public in April 1912 in the Consols Annex (in the old Bank). On November 11th in that year the Chief Accountant reported the results of the first six months. He said that, during the period, five hundred and forty two demands for Stock transferable by Deed and six hundred and fifty nine transfers by Deed had been received but that recently the weekly average had been falling. He did not feel that this justified the maintenance of a separate Office and asked permission to close it to the public on the 1st January 1913 and undertake the work in the appropriate Inscribed Stock Office. This was approved by the Governor and on the 27th December 1912 the Chief Accountant ordered that "transfer by Deed work is in future to be treated as part of the ordinary corner work of the Office concerned".

* * * * *

In a memorandum to the Governor dated 27th January 1913 the Chief Accountant referred to complaints being received and discussed the possibility of certification of a transfer against Stock in course of registration into an individual name, a practice which has become known as sub-certification. No decision was reached.

Typical of the complaints being made was one received in May 1913 by the Chancellor of the Exchequer from the Council of Associated Stock Exchanges "That the period of ten days required by the Bank for the issue of new certificates prevents the sale of Government Securities for cash by this method, and should be materially reduced". The various complainants were not so much concerned with the time taken to issue a certificate, as with the delay in obtaining payment for Stock sold since buyers generally refused to pay until they could deal with the Stock purchased, and their suggestions were all intended to overcome this difficulty. The market practice in dealing with transfer by Deed in commercial Securities had been evolved under conditions where a well organised and powerful Stock

Box 33/14

Box 33/15
Sec.1
Doc.1

Box 33/14

Exchange could influence the separate corporations which were in need of its services. The overriding principle governing the procedure established was that a purchaser must be in a position to deal with Stock acquired as soon as the transfer in his favour, for which he had paid cash on delivery, had been lodged by him or his agent with the Registrar. In sponsoring this procedure insufficient consideration appears to have been given to the effects of forgery and, to counter the inevitable complications, it eventually became necessary to provide relief by the Forged Transfers Acts of 1891 and 1892. When precise regulations were drafted for the transfer of British Government Stocks by Deed the official view was that, under them, a purchaser could not be recognised as the registered holder or effect any dealing until the Bank issued the new certificate ten days after the transfer in his favour had been lodged for registration. It was therefore hardly surprising that a transferee who was a Jobber or dealer refused to pay for Stock until assured of an absolute title, and of being in a position to deal with it forthwith.

So long as the size of the Securities involved was relatively small, the complaints received came mainly from Provincial Stock Exchanges and Country Brokers who were those primarily interested in Deed Stock, but it was becoming obvious that any widening of the field of possible operations would willy-nilly involve the London Market. All the problems then would become of major importance and require urgent decision.

Stock Exchange closed

The Stock Exchange remained closed from the outbreak of war in August 1914 until January 4th 1915 and its re-opening heralded an era of large scale Government borrowing. A Treasury Minute dated the 7th January 1915 made provision for Stocks issued under the War Loan Act of 1914 to be transferable by Deed. The field had begun to widen.

January 1915
New Issues
to be
transferable
by Deed

Box 33/14
Treasury
Minutes
27.7.1915
and
6.8.1915

When in July 1915 ^{40%} War Stock 1925/45 was being issued the Chancellor of the Exchequer (Mr. McKenna) received

a request from the Glasgow Stock Exchange asking that allotment letters might be written in direct to the Deed Register. With the Bank's concurrence the Treasury approved Box 33/14 of this suggestion and, unprompted, expressed their opinion that the same fee might reasonably be charged as was chargeable under Regulation 2 when Stock is registered as transferable by Deed.

On the 21st September 1915, the Chancellor was asked in the House whether the Treasury, in view of the desirability of rendering investment in War Loan as easy as possible, would abolish such charge. The Bank advised a reply upon the following lines:-

"Regulations for the transfer of English Government Funds by Deed were made under the Finance Act 1911 and prescribed the fees payable. Facilities have now been given for the registration of a scrip of the new War Loan direct upon the transfer by Deed Register and it is reasonable that the same fee should be charged for such registration as is chargeable under the Regulations when Stock is made transferable by Deed".

However on the 24th December 1915 a Treasury Warrant in connection with the issue of 5% Exchequer Bonds, 1920 provided for their direct registration as transferable by Deed on the payment of a fee of 1s.-d., the same as for Inscriptions. Under the Bank's regulations the signatures of all holders were required to the Deed registration forms. This requirement seems to have been dropped with the increasing volume of later issues.

Under the original Transfer by Deed Regulations it was not possible to transfer direct from Deed Stock to Stock Certificates but the Treasury warrant referred to above also provided for direct transfer from Deed Stock to Bearer Bonds, another form of Coupon Bonds which was now superseding Stock Certificates in the new issues. A special form of transfer was needed and the first one of this type in a British Government Security was registered in February 1916. A mandate, similar to that used for Inscribed Stock but with a distinguishing serial number, was prepared authorising the

First Transfer
direct from
Deed Stock to
Bearer

Transfer of
5% Ex. Bond
1920 Vol.1
No.4

Request for
abolishment
of Fees
(Sept.1915)

Fee for
Registration
of Bonds as
Deed Stock
reduced

Box 33/14
letter to
Sir M. Hankey
in Sept.
1915

Box 17/3
Sec.1
Regulations

Sub-Treasury to issue the appropriate Bonds. The mandate was delivered to the lodging agent on the due date of the transfer in exchange for the transfer receipt and was subsequently presented by him at the Sub-Treasury. This concession subsequently became applicable to all Securities exchangeable for Bearer Bonds but was not regarded as sanctioning direct transfer from Deeds to Bearer form in those older Securities where Stock Certificates were issuable.

1916
Further
requests
for fees
to be
abolished

In the Autumn of 1916 the Associated Stock Exchanges made urgent representations to the Treasury on the necessity for establishing a "free" market in British Government Stocks. Among other things they advocated the abolition of fees as one means of increasing the popularity of those Securities. The whole question was reviewed by the Bank and the Treasury and on the 26th January 1917 a Press announcement appeared stating that, from the date on which dealings commenced in the then new War Loans (5% War Stock and 4% War Stock), fees, inter alia, would no longer be required for the transfer of Inscribed to Registered Stock and vice versa or for the registration of Bonds or Transfer Deeds.

Fees
abolished
1917

The Associated Stock Exchanges also suggested that the Secretary of a Provincial Stock Exchange might be allowed to certify transfers of British Government Stock. This suggestion was apparently agreed to forthwith and its scope even extended, because in a Bank memorandum dated the 30th April 1917 reference is made to the fact that "certification is given by Secretaries of Provincial Stock Exchanges and Provincial Stockbrokers and Bankers".

Certifications
by Provincial
Stock
Exchanges
(April 1917)

The main contention, however, of the Country Stock Exchanges was that:-

Freedom from
restrictions
urged

"The issue of enormous amounts of new Government Stocks has made it urgent that the technicalities associated with the transfer of such Securities should be as completely simple and rapid as it is possible to make them and that dealings in Government Stock should be free from the slightest hindrance."

Box 54/1
Sec.2

Box 33/15
Sec.1
Doc.3

Box 33/15
Sec.1
Doc.4 and
Doc.9

Sub-certifi-
cation again
suggested

In this connection they proceeded to argue the particular merits of subcertification and to press for the application of the general practice of joint Stock companies to British Government Stocks.

Stock
Exchange
practice

Under the established practice for joint Stock companies, Brokers paid cash upon the delivery of transfers with certificates attached, or certified by the Registrar, a Stock Exchange, Provincial Stock Brokers or Bankers.

Certification was necessary when a seller held a certificate of greater amount than the amount of a particular transfer and was not prepared to hand over his full certificate to a purchaser, losing in the meantime his ability to deal with the balance. Certification was also necessary when an amount of Stock was split between two transfers deliverable to different Brokers, and when Stock being disposed of was in course of registration into the seller's name and no certificate had yet been issued. No matter what the reason, provided the transfer was certified, it was, by Stock Exchange practice, a good delivery and the purchaser would pay cash for it upon receipt. In this connection, however, there was no rule of the London Stock Exchange which compelled Brokers on that Exchange to recognise a certification by a Provincial Stock Exchange although in practice they usually did so.

Certified
transfer
a good
delivery

London Brokers
not obliged
to recognise
a Provincial
Stock Exchange
certification

Box 33/15
Sec.1
Doc.10

Consideration
of complaints
1917

In order not to impair the success of the pending issues of 5% War Stock and 4% War Stock it became obvious that an attempt must be made to remove causes of complaint. In the early months of 1917 discussions took place between the Bank, the Treasury and representatives of the London Stock Exchange and later with the Provincial Stock Exchanges.

Sub-certifi-
cation
discussed

Since the advantages of subcertification had been continually canvassed it was naturally a matter which received primary consideration. Mr. Torrens-Johnson, representing the London Stock Exchange, expressed the opinion that if Brokers were able to obtain certification of sub-transfers they might be prepared to pay for certified transfers upon delivery. It

Box 33/15
Sec.1
Doc.10

was generally felt that any refusal to do so would be differentiating between the Bank Register and those of other Companies. Mr. Torrens-Johnson emphasised, however, that the members of the Consol market objected to "transfer by Deed not so much because of the delay in getting paid but because they fear the risk of forgery". In other words that they wanted an immediate indefeasible title in return for their cash payment. He thought that because the method of transfer was new to that market, and the fact that they were dealing in very large amounts, would partly account for their hesitation but that it would be helpful if the principles of the Forged Transfers Acts could be applied.

Forged
Transfer
Acts again
invoked

Provincial
Stock Exchange
informed that
Bank would
sub-certify as
Council of Associated
Stock Exchanges
that the desired
facilities for
certifying sub-
transfers would
be granted as
soon as possible

By June 1917 the discussions had reached such a stage that the Bank were able to inform the Secretary of the Council of Associated Stock Exchanges that the desired facilities for certifying sub-transfers would be granted as soon as possible. From that point the conversations were continued between the Bank and the Treasury alone as to the nature and terms of the Regulations it might be necessary to issue.

As matters stood the responsibility, rights and duties of the various parties in connection with certification transfers were determined, not by Statute, but by Case Law; the decision in that of Bishop v. Balkis Company in 1890 having considerable bearing on practice generally. Despite the feelings of the Bank's Solicitors, the Treasury Counsel was of the opinion that it was unnecessary to draft special regulations to permit the Bank to subcertify and, that if they decided to do so, the existing Law as it stood would apply. He added -

"There is always the danger that the attempt to reproduce existing law exactly may not be an unqualified success. If it turned out eventually not to have been successful the result would be that the legal effect of certification in the case of Government Stocks would differ from its effect in the case of ordinary Stocks and Shares; it is difficult to imagine anything more inconvenient than such a result."

After consulting Counsel (Mr. Clouston) the Bank informed the Treasury that it was prepared to certify sub-transfers as an

Box 33/15
Sec.1
Doc.21

Box 33/14
See Precis
of Treasury
Papers
prepared by
H.B. Thorpe
dated
30.8.23

Decision to
allow sub-
certifi-
cation as
from 1st
Oct.1917

General
procedure

The line
for the
day's work

Logdment and
"Back" Stamp

Journal and
"White"
Sheet

Transfer
Receipt

Signed request
for despatch
of Certificate

Notice to
Transferor

Specimen
signature
cards

experiment and proposed to commence on the 1st October 1917. The Secretaries of the London Stock Exchange and of the Council of Associated Stock Exchanges were also notified.

Box 33/15
Sec.1
Docs.23,
25 and 26

* * * * *

It here seems desirable to give a brief account of practice which at the outset was based on that applicable to the Indian Railway Stocks. All transfers received by 11.30 a.m. (the time of the line for Inscribed Stock transfers) were dealt with on the day of receipt. Provision was made for dealing with delayed postal deliveries. In the light of experience and as the volume of work increased the procedure was varied from time to time but by the autumn of 1917 it had become generally established upon the following lines -

- (1) Transfer received by post or over counter and stamped with the process "back" stamp (a numbered ticket was issued for over-counter lodgments and was exchanged the next day for the transfer receipt). The "back" stamp was initialled as each process was completed.
- (2) Transfer and certificate examined against ledger (later account page).
- (3) Brief details of transfer entered, in copying ink, in Journal which was also the numbering book. Daily press copy (known as "White" Sheet) was taken of Journal and sent to Western Branch for use in case reconstruction was necessary in event of fire, etc.
- (4) Transfer acknowledgment (with counterfoil for use in preparation of certificate) written. The acknowledgment for over-counter lodgments was pinned to the ticket referred to in (1) and was eventually used as a receipt for the certificate. The acknowledgment for Postals contained a request for the despatch of the certificate by post. It was necessary for this to be signed and returned by the lodging agent before the certificate could be issued. The counterfoils were handed to the "Paper" Section.

Over-counter lodgment
ceased on presentation
in 1939 (except for
Jobbers).

Loose-leaf Journal
introduced 1930.
"White" Sheet dropped
1930. Journal placed
in "Vaults" over-night
superseded by Fanfold
System in 1932.

Certificate counterfoil
dropped in 1930 and
loose-leaf Journal
Sheet used.

Return of Postal
acknowledgment prior
to issue of certifi-
cate dropped in 1919.
All superseded by the
Fanfold System in 1932.

Typed under Fanfold
System in 1936.
Chairman's approval
dispensed with in
July 1941.

Approved generally
invited in 1918 no
longer invited in 1939.
Addressed envelope
dropped in 1931.

Dispensed with early in
1900's.

- Signature and Anticipation Section (7) Every transfer entered in the journals and dropped numbers were accounted for daily. (The process was referred to colloquially as agreeing the "book.") All passed transfers (with a note of all dropped numbers) were "shipped" daily to the Anticipation Section where signatures were agreed. This Section was responsible that all transfers received by them reached the Posting Section.
- Transfers marked "a/a" (8) All transfers received by a Posting Section were entered in appropriate Debit and Credit abstracts; transfer marked "a/a". In the case of new accounts in sole names the addresses were quoted in the credit abstract.
- Ledger Posting (9) Debit and Credit accounts posted and checked ("pricked off") against abstracts. Transfers handed to Paper Issuing Section.
- Issue of Certificates (10) Certificate paper drawn and certificate written.
- (11) Certificates checked against ledger.
- Registration of Certificates (12) Certificates verified and signed by a Superintendent as Registration Clerk. (Vide original Transfer by Deeds Instructions issued 1.4.1912).
- (13) A Principal checked (12) and initialled as an indication that it could be signed by the Chief Accountant.
- Signature on Certificates (14) Certificates sent with a listing to the Chief Accountant's Office. At first the Chief Accountant signed each certificate but later they were overprinted with a facsimile signature.
- Certificate receipts (15) Envelopes, covering letters and forms of receipt written for postals. Postals enveloped and despatched [request under (4) required until 1919.] Certificates for over-counter lodgments handed to Counter.
- Agreement of Amount of Stock transferred (16) Entries in the Debit and Credit abstracts were added to running totals which ran from one Final Balance until the next. Summaries of the totals of Debit abstracts were taken and agreed with summaries of the totals of the Credit abstracts to ensure that all transfers had been both Debit and Credit posted. These agreements were made daily in large Stocks and weekly in small ones. A ledger total was thus obtainable at a Final Balance, or at any time required, by taking the total for the last dividend (i.e. the Final Balance total) subtracting subsequent Debits and adding subsequent Credits.
- Reminders for certificate receipts (17) Reminders sent if receipts for postals not returned.
- Transfer Filing (18) Transfer sent to G.C.I. whenever raising of a new account was necessary. "Back" stamp examined to ensure all processes completed and transfers then bound in numerical order with old certificates, certificate receipts and any returned transfer receipts or approval notices issued under (5).

Practice modified by Fanfold System in 1922.

Anticipation Section partially abolished in 1922. Signatures agreement dropped generally in 1939.

Quotation of address dropped in 1930 and the whole superseded by Fanfold System in 1932.

Modified by introduction of machine posting from 1930 onwards.

Certificates typed from Sept. 1939.

Checked against document from outbreak of war in 1939.

Modified gradually to include all Permanent Help Clerks and Senior Messen Clerks.

Discontinued in 1920; facsimile signature printed on blank certificate paper.

Varied in 1920; facsimile signature embossed and submission to G.I. ceased.

Superseded by Fanfold System in 1932. Receipts dropped as economy measure in 1.7.1945.

The whole practice was varied by the Fanfold System although the principle of agreement daily or weekly remained.

Discontinued See No. 15.

Transfers to Bonds

- (19) Transfers to Bonds were made on special forms transferring Stock to a Bond Account in the name of the Chief Accountant but otherwise these transfers followed normal procedure. When the transfer was "clear" a mandate was issued to the lodging agent to enable him to collect the appropriate Bonds at the Sub-Treasury.

Box 54/10

Certification

Certification Process

The practice in the case of certifications, for all except "jobbing" holdings, was to note the account in the ledger and make a numbered record in the Certification Registers which were in the form of bound volumes (called D.C.Books). Stock Exchange advices of certification were also entered in the D.C.Books. The numbered entries in the D.C.Books, which were checked, could be found by means of an alphabetical card index under the names of the transferors of each item. The index was necessary because, although the D.C. number was always noted on all transfers certified by the Bank, it was not possible for Stock Exchanges to quote the D.C. entry number on transfers certified by them. When any certified transfer was passed the D.C.Book was referred to, the transfer number added and the D.C. entry number noted on the transfer. Originally the certificate was drawn and attached to a transfer lodged for registration but later certificates used for certification were bound separately under the D.C. number. Before any certificate could be issued, as the result of a certified transfer, the Registration Clerk was required to initial the appropriate transfer entry in the D.C.Books to ensure that the amount of the transfer agreed with the amount entered in the certification journal. A Balance certificate was retained until the first certified transfer was received for registration and it was then issued under that transfer number followed by the letters B.C. The practice was that during the first hour of each day all the D.C. staff would look through the D.C.Books to see what balances could be issued. For each Balance certificate issuable a "certificate memo," was written quoting all the details available in the D.C. entry, viz., Stock, folio, certificate number, amount of Balance,

D.C. Journals and Card Index

Issue of Balance Certificates

names and initials of stockholders. The "back" work staff, which was about equal in numbers to the "certification" staff, then took these "memos." to the ledger and brought them up to date as regards Christian names, addresses, qualities, etc. They were then handed to the "Paper" Section and certificate paper was issued. When the certificates had been written and checked against the ledger the Registration Clerk, before signing, would read them to the D.C.Books, check the Balance remaining against the total of old certificates surrendered and the total of the certifications and initial for issuing the Balance Certificate. From the foregoing it will be seen that in the case of "private" accounts particular items of Stock are earmarked to meet certified transfers.

The "back" work staff, in addition to the above, was also responsible for clearing the D.C.Books, reminding on outstanding certifications and for filing. D.C.Books were generally worked in double volumes used for certification on alternate days.

D.C. times of lodgment and collection

The Bank were prepared to certify and return a dividend as soon as possible. Since, however, Jobbers did not pay on delivery the practice generally was to lodge one day and pick up the next. When a transfer was required urgently it could upon request be ready in one to two hours.

No Certificates for Jobbers

From the inception of Deed Stock it had been the recognised practice not to issue certificates for Jobbing accounts.

Jobbers Balance Books

In view of the Jobbers' activities Balance Books were maintained as working records in addition to Ledger Accounts. Completed credit registrations were added to a Jobbers Balance Book at the time of posting (i.e. the due date) and Debit transfers were deducted as they were lodged. A separate book was also kept as a record of transfers certified and of the balance available for certification; credit transfers were only added to this balance as registration was completed.

See File on Jobbers Counter and Balance Books Box 54/10

With the introduction of sub-certification it was necessary to combine these two records into one comprehensive statement which became the prototype of the present Jobbers Balance Books and which showed Stock in course of registration, "Clear" Stock, certifiable balance and transfers certified. The Jobbers Balance Books were in fact a running record of certificates becoming due to and used by the Jobber concerned. No particular amount could be earmarked to meet a specific certified transfer, all debit transfers were registered in order of receipt against any clear Stock available.

No earmarking of Stock for Jobbers certification

Marking off Jobbers Balance Books

The checking of Jobbers Balance Books was effected by comparing the passed Debit and Credit transfers with the particular entry and noting the transfer number against the appropriate item.

Agreement of Jobbers Balances

Jobbers were required to agree certifiable balances each day before certification could take place. They were also given details of transfers becoming "Clear".

* * * * *

Concessions in regard to "care of" addresses. No signatures available

As from 8th October 1917 it was decided that the approval of a transfer would no longer be obligatory from a transferor who was described as of a "care of" address or whose signature the Bank had no means of agreeing. Since many stockholders resident abroad gave addresses care of their bankers or other agents in this country this concession was of considerable benefit. Where a transferor was registered of an address outside the United Kingdom the date for completion or registration (known internally as "a long due date") was arranged so that he would have an opportunity of objecting if he replied at once to the Bank's notice. If, however, his signature was witnessed by a Notary Public or a British Consul or was guaranteed by a Banker in this country registration was completed after ten days.

See 13/14 Memo dated 12.10.1917

Long Due Date

Proposal to embody Chairman's approval in a transfer executed under Seal

In a letter dated the 11th October 1917, Messrs. R.J. Tilney & Co. of Liverpool suggested that it would be generally beneficial, and would be a better delivery, if the

Bank would recognise a chairman's approval of a transfer embodied in the Deed itself. This would mean that the registration of such a transfer would be automatically completed in ten days and not perhaps postponed to some indefinite date pending the approval of the Chairman. The Bank agreed to accept this suggestion.

Suspension of Reg. 16 or Transfer by Deed Regulations 1912 (extra ten days shutting period for Deed transfers)

Also in October 1917 consideration was given to the question as to whether it was really necessary to require transfers by Deed for registration cum dividend to be lodged at the Bank at least ten days before the normal balance date. As a result on the 19th November 1917 it was announced that "in future Deeds of Transfer of British Government Securities may be lodged for registration cum dividend up to the close of business on the day on which the balance for Inscribed Stock is struck".

Jobbers in Consols Market still refuse to pay on Unclear Stock

Despite these concessions, and that of certification of sub-transfers, it was still found that Jobbers in the Consols Market would not pay for Stock until they had obtained an absolute title to it.

Note on the position of Dealers

Dealings in Government Stocks were now in very large amounts and if Jobbers were to pay upon delivery they would frequently have had to arrange large overdrafts with their Bankers. For this purpose they would be expected to deposit Bearer Securities and would either need to turn Stock into Bonds or borrow them from the Money Market. Since Deed Stock could not be converted into the Bonds, or even to Inscribed Stock and thence to Bonds, straight away, it could not be used in these transactions. A dealer having sufficient orders could, of course, sub-certify, deliver the sub-certified transfers and receive cash, but where he was acquiring very large sums it would not always be possible to move Stock out of his name in this way so quickly. That, roughly, represented the position of the Jobbers and was one reason why they were not prepared to pay for Deed Stock until their title was complete. The same reason would have applied if the period to complete registration could be reduced from ten to, say, five days.

Box 33/14
Bank's
letter of
3.11.17

Suggested
Bankers
guarantee of
Transferor's
signature

Box 33/14
letter to
Stock
Exchange
dated
19.10.17

Box 33/15
Dec. 28

What was really required was some means of using all Stock paid for whether or not registration had been completed.

Messrs. Hammond & Son (Members of the London Stock Exchange) thought that Jobbers would pay on delivery if transferors' signatures were guaranteed by a Banker. The Bank undertook to submit this suggestion to the Treasury if the Stock Exchange Committee approved. The Committee did not approve; presumably because it would not be in the interests of brokers generally to associate a Banker with every transaction.

Box 33/14
letters of
30.10.17
and 8.11.17

Jobbers' direct
approach to
Treasury in
Oct. 1917

Forged
Transfers
Acts again
suggested

Meantime the Consols Market Jobbers themselves also appear to have become exercised as to the need for improving the marketability of Deed Stock and a resolution, by them, asking that the provisions of the Forged Transfers Acts be adopted for British Government Stocks was submitted to the Treasury. In a subsequent memorandum setting out the grounds for this resolution they suggested that the only way to make Deed Stock equally marketable with Inscribed Stock was to put a transfer through in one day. They said that, although the Bank had now agreed to sub-certification, difficulties still arose because in some cases, e.g., Corporate Bodies, the completion of another document was required before registration could be completed. They thought that this was only a slight protection against forgery. In any case the risk was small and might be covered by insurance and they were of the opinion that the adoption of the provisions of the Forged Transfers Acts would remove all difficulties.

Box 33/14
Sir J.
Bradbury's
letter to the
Governor
dated 9.11.17
and attached
papers

The Permanent Secretary of the Treasury (Sir John Bradbury), although informing the Bank privately of this approach, wished to be able to meet the Stock Exchange representatives alone, and to say that he had not yet consulted the Bank. Later he sent the Governor a copy of his notes of the meeting and asked the Bank to consider the representations made. He had, however, already informed the deputation that he did not think it would be possible to

Treasury view
that Forged
Transfers Acts
are not
applicable

apply the principles of the Forged Transfers Acts. Sir John Bradbury added that his impression was that the difficulties were to some extent of London Stock Exchange manufacture and that their undisclosed object was the "crabbing" of Deed Stock, in which provincial Brokers might be able to deal without their aid. He felt, however, that their behaviour might react prejudicially to the popularity of Government Securities and asked the Bank to consider if there was any way of giving an indefeasible title.

On December 5th 1917 the Stock Exchange suggested

that:-

"If the Bank by certification of transfers, after such enquiry as it may find necessary, would guarantee the transferees' title, Dealers would then be able to pay for Deed Stock with the same confidence with which they have always paid for Inscribed Stock receipts. If this were adopted it was proposed to require all Deeds to be certified to be a good delivery".

The only steps the Bank could take in such circumstances would be the comparison of signatures and the issue of a notice. The existing notices sent upon the lodgment of a transfer for registration did not require a reply and would clearly be inappropriate for certification. It would certainly be unsafe to guarantee a title in the absence of a reply. This might have satisfied Jobbers who could then have counted on immediate registration but it is difficult to see how it could have appealed to Brokers who would still have to wait for payment, although they would have retained control until the time of transfer. It would certainly not have found favour with Country Brokers for it would have meant that every transfer would have to be sent to the Bank for certification. The practice would have meant a considerable increase in the work of the Department. However, consideration of this suggestion prompted a proposal by the Bank that, upon lodgment of a transfer for registration, a notice would be issued inviting the transferor to express approval upon receipt of which the transfer would be registered forthwith. (The signature on an approval notice was to be agreed with the signature to the transfer). The

Approval notices to expedite registration (January 1918)

Signatures on approval notices agreed

Box 33/14
Stock Exchange
letter of
5.12.17

Envelopes enclosed for replies

Organisation of Offices
Sept. 1917

1918
Deeds work moved out of Head Office
1919
Establishment of a separate Deeds Office

Box 33/14
letters to Treasury and Stock Exchange dated
28.12.17

New Powers for facilitating transactions in Government Stock

Bank informed the Treasury and the Stock Exchange of this proposal on December 28th 1917 and received the former's agreement on the following day. The Stock Exchange thought that the proposal would not meet the objections of the Public but they accepted it as an improvement on an existing practice. If a little startling, their concern on behalf of the Public was, nevertheless, touching. The revised form of notice was brought into use on the 28th January 1918 and with the notices the Bank enclosed an addressed envelope for the reply, applying the practice operative where approval was required before registration.

Box 33/14
letter to
Stock
Exchange
22.1.18

* * * * *

Meantime in September 1917 the Chief Accountant in a memorandum to the Governor had drawn attention to the enormous increase in the work of transfer by Deed which was then the responsibility of Consols Office. He mentioned that 550,000 accounts were then transferable in this manner compared with a total of 500,000 accounts for all types of Stock, Inscribed and Registered, before the war. He then suggested that the formation of one central Transfer Office was likely to lead to greater economy and efficiency. This proposal actually received Court approval in December 1917 but subsequent domestic events varied its application and a separate office organisation was maintained. Deeds work, meanwhile, ^{remained} ~~had become~~ the general responsibility of Consols Office, but to provide room for the expansion taking place, was transferred, with a Principal in charge, early in 1918, to 60, London Wall. A Deeds Office as a separate entity was eventually established under a Court Order on 19th June 1919.

Information supplied by Historical Records Secretary's Dept.

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The Treasury's desire to popularise Gilt-Edged Securities was reflected in current legislation. Under Section 37 of the Finance Act 1917 the Treasury in conjunction with the Banks of England and Ireland were authorised to make regulations in certain respects, to

Finance Act 1917
Sec. 37

Trustees' Action by majority

Official designations

Executors and Administrators

No Notice of Trust to be implied

Transfers under hand

Difference between transfer by Deed and transfers under hand

Transfer of Deed to and from Ireland

Government Stock Regulations operative April 1918

Accumulative dividend scheme to be made applicable to Deeds

facilitate transfers in Government Stock. Among other things stockholders were to be permitted to be described as Trustees, to act by majority in the case of three or more, to open and keep accounts in official names and to request that Stock in the name of a deceased stockholder be registered in the names of Executors and Administrators. These provisions were purely for convenience of stockholders and were not to be regarded as giving the Bank notice of Trust or of the fiduciary character of a holding.

Possibly of greatest importance was a provision that in future transfers were to be deemed sufficiently executed if under hand only. It had become a normal commercial practice to deposit transfers in blank (that is omitting a transferee's name) as security for loans.

Transfer by Deed under hand and seal normally needed to be complete in all respects at the time of execution and could not therefore be used in this way. There is a legal means of delivering a transfer by Deed in blank but the complementary processes make it too cumbersome to be practicable. There are no legal objections to the delivery in blank of transfers under hand or instruments in writing. By freeing Government Securities from possible hindrances to their use in day-to-day business transactions it was hoped to increase their popularity. Arrangements were also to be made for the direct transfer between the English and Irish Registers of both Inscribed and Registered Government Stocks.

The resulting Government Stock Regulations 1918 were laid before Parliament on the 28th January 1918 and became operative from the 29th April 1918.

Because of these Regulations and the various concessions already made, the original Transfer by Deed Regulations 1912 had become obsolete. It was therefore thought advisable to draw up fresh ones. When considering these the Bank indicated that they were now prepared to apply the accumulative dividend scheme to Deed Stock. The clauses in the former Regulations referring to this and to the transfer

Sec.37
(2) (b)

Sec.37
(1) (e)

Box 110/13
No.15

Sec.37
(1) (a)

S.R. & O.
1918
No.482

Closing of books for Dividend Preparation

New Government Stock (Transfer by Deed) Regulations 1918 approved

Stockbrokers' request to be treated like a Jobber

Stock to be transferred first into name of Selling Broker as a Nominee

Insurance suggested

of Stock to and from Ireland were therefore omitted from the new Regulations. The reference in the old Regulations to the closing of the books was regarded as purely permissive and was retained in case of need.

The new Regulations were approved on the 23rd July 1918. S.R. & O. 1918 No.1017

* * * * *

Throughout 1919 an intermittent correspondence was carried on with a well-known firm of Stockbrokers (G.S.Herbert & Sons) who were disturbed by the delay in receiving payment from Jobbers and at parting with certificates during the waiting period, which might be as long as ten days. Their first suggestion was that all Deed Stock sold by them should be transferred into the name of one of their partners. As Stock became clear it would be transferred to Inscribed Stock and a transfer of Inscribed Stock made to the Jobber against cash. If this proposal had been approved Brokers generally might have adopted the practice. Jobbers would thus have acquired no Deed Stock direct and when their bargains required delivery of such Stock it would be necessary for them to move Inscribed Stock to the Deed Register. This would mean continual movement of Brokers' holdings to Inscribed Stock and the reverse movement of Jobbers' holdings to the Deed Register. It would have involved the Bank in a great deal of unnecessary clerical labour.

The next suggestion to enable the Broker to obtain cash from the Jobber was for the Bank to give an immediate absolute title to transfers lodged by Brokers in favour of Jobbers, who had taken out an insurance policy against the risk of being required to replace Stock in the event of forgery. Failing the Jobbers' agreement to cover the risk by insurance, it was suggested the Bank might do so. Later, Herbert & Sons found that the Bank could hardly effect an insurance because one of the conditions would be that a transfer must not be registered without first communicating

S.R. & O.
1918
No.1017

Box 33/15
Sec.2

Box 33/15
Sec.2
Letter A dated 27.3.19

Box 33/15
Sec.2
Letters
C.D.E. & F.

with the transferor. Nor did it appear likely that this type of insurance would appeal to the Jobbers although Herbert & Sons said that they themselves and, by implication, Brokers generally insured against this risk.

In the course of the correspondence G.S. Herbert & Sons naturally referred to the possibility of applying the Forged Transfers Acts to Government Stocks as a solution of all the difficulties. There seems to have been some lack of appreciation on the part of the Bank of the real nature and extent of their own risk and the significance of one of the comments in the "Herbert" correspondence appears to have escaped notice. The Brokers apparently took it for granted that anyone delivering or lodging a forged transfer was liable to be required to make it good and they presumably thought that the Bank's principal worry was the financial standing of the Agents concerned. The following paragraph from a memorandum by the Chief Accountant to the Governor dated 25th August 1919 suggests that the Bank believed that ultimately the full loss must fall on them.

"In book transfers, the Bank are protected against the loss consequent on forged transfer to the extent of the monetary worth of the Attorney or the identifying Stockbroker respectively. In Deed transfers the loss must fall either on one of the general public or on the Bank, and there is little doubt that the Bank would have to be the sufferer."

Eventually in October 1919 Herbert & Sons produced a joint petition from Brokers and Dealers urgently begging the Bank to adopt some means to expedite the registration of transfers by Deed. They go on to refer to this as a considerable source of discontent which the Brokers are powerless to remedy. Since steps had already been taken to expedite registration where a transferor replied to the notice of lodgment, it seemed to the Bank that the matter was one for members of the Stock Exchange to settle among themselves. Nevertheless since the Bank were interested, because they naturally desired that the business in Government Stocks should work smoothly, the following points were considered:-

(1) That the period of registration should be reduced from ten to five days.

Liability in connection with forged documents

Brokers' liability admitted

Bank's view of the incidence of risk

Joint petition of Brokers and Dealers on expediting registration

Box 33/15
Sec.2
Letter E

Box 33/15
Sec.2
Doc.11

Box 33/15
Sec.2
Doc.1

Box 33/15
Sec.2
Doc.8

(2) That the Brokers should deliver the transfers to the Bank and after five (or three) days had elapsed the Bank should give the Broker a provisional certificate to the effect that transfers for ZK Stock from A to B had been passed, and the Broker should then deliver the provisional certificate to the Jobber against cash.

Neither of these suggestions was approved. In the case of number (1) the London Jobbers felt that the reduction from ten to five days would not solve their difficulties. If procedure number (2) could have been adopted the transfers so dealt with would have borne only the signatures of the transferors. It would undoubtedly have been necessary to alter the regulations so that a transfer could be effective without acceptance by the transferee as it already was in the case of Inscribed Stock. Such a course would have altered the whole recognisable character of transfer by Deed.

The "Herbert" letters voiced the feelings of Brokers everywhere. In addition during and after the flotation of the various War Loans acrimonious complaints alleging cavalier treatment of Scottish interests were frequently received because certain principles peculiar to Scottish Law were not made applicable to British Government Securities. A long sequence of abusive letters from Horne & McKinnon, Stockbrokers of Aberdeen, while perhaps not typical, does give some idea of the feelings engendered.

A suggestion was made in November 1919 by MacGregor Walker & Co. of the Edinburgh Stock Exchange that the Bank should agree to accept a "Notice of proposed transfer" as a basis for the immediate despatch of the necessary enquiries to transferors, and the period required for effective registration should begin to run from the date of the Notice. This proposal was not regarded by the Bank as feasible.

* * * * *

Initial practices modified by technical requirements

At this point it is perhaps advisable to consider certain variations in general procedure which were necessitated by internal technical difficulties. Under the Regulations the registration of a transfer was completed

Box 33/15
Sec.3
Doc.7

C.A.S.P.12
No.57

Box 33/15
Sec.3
Doc.7

Posting date
variations

only when the entry in the Register had been made and the certificate issued; the Bank regarded the issue of the certificate as the actual indication of completion of transfer. At the outset the date of posting in the Register for straightforward Deeds was the tenth day after lodgment, the day on which the certificate was issued and the transfer completed. The certificate naturally bore the same date. This procedure was perfectly satisfactory while the daily number of transfers was small. When the number increased, posting and checking ledger entries, and writing, checking, signing and issuing certificates became a major operational problem. Since the issue of the certificate marked the completion of the transaction the actual posting date was thought to be less important and it has varied from time to time to suit the circumstances, it being felt that, in the event of an objection, the entry in the ledger could be deleted up to the time of the issue of the certificate. Although the certificate itself bore the ledger posting date it was never issued until the tenth day after lodgment. When, in 1918, it was agreed to expedite registration upon the receipt of an approval notice it was arranged that all posting should be carried out under the date of the second working day after lodgment. This was considered to be the earliest date on which Stook could become "clear". Furthermore with an intake of approximately 1,000 transfers a day it was impracticable to keep drawing from several different passed batches and dating transfers for posting under varying "clear" dates. No complications were expected to arise because, although the Bank were prepared to anticipate the issue of a certificate of "clear" Stook for the purpose of transfer or certification if required, no certificates were actually issued until the due date (the tenth day after lodgment), which had been quoted in the transfer acknowledgment.

Certificate
due date
quoted in
transfer
acknowledgment

Signature
on the
certificate

In 1912 it had been arranged that certificates as they became due for issue should be sent in batches to the

War Stook
Office File
Sub-certifi-
cation and
other matters
No.5

Accounting for
issue of
certificate
paper by
"Tally Books"

Transfers
submitted
to Audit
Department

Paper
issued
Stamp

First Volume
of Local Loans
Transfers

Chief Accountant for his signature. A Principal examined and initialled every transfer to ensure that certificates for the correct amount of Stook had been surrendered. (This was also an indication to the Chief Accountant that a new certificate could be signed.) The gradual increase in numbers led to review of these practices. For a time a facsimile signature of the Chief Accountant was over-printed on the prepared certificates. Finally the facsimile signature was included in the printing of the blank certificate paper. In 1920 initialling by a Principal was dropped and the registration clerk became responsible that the necessary certificates had been surrendered and that those issued were for the proper amount.

When transfer by Deed was first instituted each transfer, whatever its type, was numbered consecutively. Those requiring certificates were sent with a listing and the written certificates to the Chief Accountant for signature as explained in the previous paragraph. All transfers were eventually submitted to the Audit Department. This practice of accounting for the proper issue of certificate paper was satisfactory when the numbers dealt with daily were small. When, however, signed blank certificate paper was to be issued for an increasing number of transfers a different method of accounting for this "security" paper seemed desirable. From about October 1919 separate series of numbers were used for transfers for which "paper" was to be issued and for those for which no certificate would be prepared, e.g., Jobbers Credits. The transfers producing certificates were entered daily in numerical order in certificate "Tally Books" and for each transfer entered a piece of signed blank certificate paper was drawn. The transfer was stamped "Paper Issued" with a rubber stamp embodying the date. The Tally Books were agreed daily by balancing the total issued and the total certificate paper in hand against the previous day's balance in hand.

Wide list
Volume of
Local Loans
Transfers

Transfer acknowledgment notices and "at risk" clause

It would appear also that from the middle of 1919 the Bank ceased to require a lodging agent to sign and return a transfer acknowledgment requesting the despatch by post of the certificate at the signatory's risk. The amended form of transfer acknowledgment included a statement that, unless otherwise directed, the certificate would be sent by post to the lodging agent at his risk.

Volume 1st
Local Loans
Transfers

Altered and cancelled certifications

With a general expansion in the practice of certification it was inevitable that the Bank would frequently receive requests to alter or cancel certifications. For the latter and for major amendments indemnities were generally required. In the case of certifications from private accounts they were dealt with under the D.C. number; indemnities in the case of transfers ex Jobbers were filed in alphabetical order and retained on the Jobbers Counter. On various occasions when discussing certification Freshfields had suggested that to comply with the regulations certificates, even if not issued, should be prepared and retained against the certification. The Bank always resisted this as impracticable.

Issue of certificates for Jobbers suggested

Box 13/15
Sec. 1
Sec. 1B and
Sec. 4
letter of 12.5.21

Practice of signature agreement during first ten years

Part of the original examination procedure was the agreement of signatures. This also became a very considerable operation. To simplify the problem an attempt was made to build up a specimen signature card index in the Deeds Office. A card was sent for a specimen signature to every stockholder in a new account. In August 1919 doubts were expressed to the Principal of Deeds Office as to the actual value of the practice of signature agreement which employed five or six men. In due course the maintenance of a separate specimen signature index in the Deeds Office was abandoned as uneconomic and an effort was made to associate the existing specimen signature cards with the G.C.I. cards. The issue of cards for specimen signatures was eventually dropped

Box 112/4

Agreement of signature on Approval Notices
Stock Register Index

altogether in 1922. The signature to an approval notice was agreed with the already agreed signature on the transfer. The approved stock register index was in the form of an alphabet volume divided into sections under an esoteric

system which combined the first letter of the surname with the first vowel. The uninitiated had considerable difficulty in finding an account. With the flotation of the War Loans the daily lodgment of large numbers of allotment registration forms, coupled with an increasing number of transfers, rendered alphabet volumes impracticable for the time being. A card index in strict alphabetical order was brought into use. Experience has since shown that this type of index is essential, in the early stages, in the setting up of any new register of considerable size. Unfortunately, with the first card index experiments, it was thought that something more than the full name was necessary for identification in the case of sole accounts, so a stockholder's address was added. As a result when any change of address was notified it was necessary to draw, alter and prick back an index card. The cards were not always replaced in their correct places, and in course of time, and not without some justification, the efficacy of such an index became seriously suspect.

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1920
Regulations
issued for
transfer of
India Stocks
by Deed

Under Clause 6 of the Government of India Amendment Act 1916 provision had been made for the transfer of India Stocks by Deed and the Banks of England and Ireland were required to draw up the necessary Regulations with the concurrence of the Secretary of State. The Bank were at that time working under great pressure in connection with the flotation of the large Government loans and were also short of staff. They found it impossible then to undertake the extra work the setting up of Deed Registers for India Stocks would entail. The matter was postponed from year to year until it was eventually given effect to under the India Stock (Transfer by Deed) Regulations 1920 which were brought into force on the 14th July 1920.

Box 13/7
India Stock
(Transfer
by Deed)
Reg. 1920
S.R. & O.
1920
No. 745

• • • • •

1920
Sub-certification
difficulties
(Wall & Lloyd
case)

When sub-certification was first permitted in October 1917 little advantage was taken of the privilege at

the time and no difficulties arose until the latter part of 1920, when the "Wall" case disclosed weaknesses in the system. Wall & Lloyd, Stockbrokers of Liverpool who conducted a considerable dealing business in Government Stocks, certified and sub-certified transfers themselves and sent daily statements to the Bank of transfers in and out of the name of their nominee, W.G. Wall; certain banks also certified and sub-certified transfers out of Wall's name, notifying the Bank accordingly, either forwarding certificates or transfers in favour of Wall or intimating that they had requested their London Offices to hand to the Bank sufficient Stock to be registered in Wall's name to meet such sub-certifications. This was an instance where practice was somewhat rashly allowed to override precept; at the outset it was the firm intention that sub-certification should be carried out only by the Bank. Wall & Lloyd got into difficulties and the Liverpool Stock Exchange suspended them from further dealings. It was then clear that Wall's methods had exposed all concerned to considerable danger, and the whole question of the advisability of the practice of sub-certification was therefore again raised. Wall & Lloyd had apparently used Stock for which they had not paid, for when rumours of their probable suspension spread, injunctions were obtained restraining the Bank from registering the transfers; further complications also arose due to the incidence of stops coupled with a full use of sub-certification so that there were sub-certified transfers in existence in excess of the total Stock actually standing in the name of Wall. The position was, therefore, that unless Wall & Lloyd could produce sufficient Stock to meet all outstanding certified transfers from their name the result would have been that some of the purchasers, in particular those whose transfers were presented last for registration, would go short. In the event, however, no transfers in favour of Wall failed to register, and all sub-certified transfers out of his name were consequently covered.

Box 33/15
Sec. 5 and
Sec. 1
Docs. 9
and 10

Reconsideration of
risk of
sub-certification

Wording of
certification
stamp

Freshfields' view of Bank position

Wording of
sub-certification
stamp

The Bank's experience in this case coloured their outlook. It was a long time before they became satisfied that sub-certification might be safely continued and that the dangers of the practice had been over emphasised in the early years of the experiment.

The immediate reaction was a general review of the sub-certification procedure and on the 3rd March 1921 the Governor approved a general re-consideration of the problem with Freshfields.

Among other things attention was drawn to the wording of the Bank certification stamp which read "Certificates for £ at the Bank of England" and it was suggested that it would be difficult to argue that a sub-certified transfer bearing this stamp could not proceed because there was no Stock available. In the case of Jobbers, too, no certificate was ever issued in practice, although in theory one was prepared and retained by the Bank.

As the result of this re-examination of the problem Sir William Leese commented on the 12th May 1921:-

"I am glad to have had an opportunity of looking into the cases because they remove the vague feeling I had that the Bank might perhaps be liable in the event of trouble. At the same time the result of the case makes the problem a little more difficult to deal with because if the Bank are not liable it would seem to require a rather strong case to revert to the old practice which I suggest was based upon the general security of the public rather than the risk of the Bank. The question therefore turns upon whether the convenience of the public which sub-certification gives, counterbalances the risk the public run."

With regard to the certification stamp the wording in use had been approved in 1917, after some discussion, for both certified and sub-certified transfers, it being argued that, although in certain cases a certificate was not in fact issued, the original certificate against which subsequent certificates could be issued was held by the Bank. In a letter dated 9th June 1921 in connection with another aspect of sub-certification, Freshfields remarked that any alteration in the usual form of sub-certification might have the effect of impeding rather than assisting business.

Meantime the practice of sub-certification continued except that it was now given only by the Bank.

Box 33/15
Sec. 4
Docs. 1
and 2

Box 33/15
Sec. 4
No. 7

Box 33/15
Sec. 1
No. 19

Box 33/15
Sec. 4
No. 14

Ledger
Posting
Date

Another point, too, which was again mentioned, was the possible legal effect of ledger posting under a date which was not that on which the title passed. To obviate any difficulty which might arise, and to indicate the tentative nature of the original posting, it had been suggested in the past that, at the actual date of registration, the letter "R" followed by the date should be added to indicate the final completion of the transaction. It was thought that the risk this was designed to avoid was not sufficient to warrant the extra labour entailed.

Apart, however, from the general uneasiness about the practice of sub-certification the Department were also particularly concerned with the unusual position of the London Jobbers in contrast with that of other stockholders. Buying Brokers paid for Stock upon the receipt of a transfer but the Consols Market Jobbers still refused to pay Selling Brokers until the Stock was "clear" Stock in their names. The Jobbers therefore had Stock on their certifiable balances for which they had not paid but were in a position to use. In a memorandum dated the 29th March 1919 the Principal of Deed Stock Office stated that Jobbers did not use "unclear" Stock but by 1921 it had become the practice to do so and they were consequently receiving payment for certified transfers out of their names of Stock for which they themselves had not yet paid. Added to misgivings, therefore, about sub-certification generally, was the uncertainty of the Bank's position in the event of the default of a Jobber who had used Stock for which it was known he had not yet paid. It was also doubtful if the Stock Exchange Committee were aware of, and would have approved of, the lines upon which the practice of sub-certification was being developed by the Jobbers in the Consols Market.

Three distinct interests were involved and each tended to consider its own to the exclusion of the others. The seller wanted payment on delivery, the buyer wanted to be able to deal at once with Stock for which he had paid and the

Bank, as Registrars, wanted to be sure that, in any action they took, they incurred no liability. With the Bank's position in mind, the Principal of the Deed Stock Office (W.B.Thorpe) suggested, in December 1920, that it might be well, after consulting the various interested bodies, to discontinue sub-certification, allow the use of clear Stock only and generally to give Stock clear on the fourth day after lodgment. He argued that this would settle the academic question of the date on which the title actually passed from seller to buyer, since the ledger posting date and the date on the certificate would also be the fourth day after lodgment, and would therefore coincide with the date on which the transfer was completed. Ten days would still be required to prepare and issue a certificate. This proposal which, during the next few years, was to be continually revived whenever doubts about sub-certification arose, had, of course, already been considered and objected to by the Jobbers. Too much emphasis seems to have been placed on the idea that all the difficulties arose because the London Stock Exchange was afraid of the competition of the country brokers. To some extent this was true, but to suggest that because, despite increasing business, country dealers were still prepared to pay for certified transfers upon delivery then London Jobbers could do so equally well showed a certain lack of appreciation of their particular problem. However much the business put through the country Stock Exchanges was increasing, the really large transactions undoubtedly took place in London. A Jobber on any given day might be presented with several very large transfers against which he would be expected to pay cash and had he done so, he might have been unable to recoup himself for four days at the earliest. The practice as it had developed so far, whereby Jobbers were in the position to sub-certify against Stock for which they had not paid, was certainly unsound and it was clearly desirable to find some method by which they could pay upon delivery without

Automatic
completion
four days
after
lodgment

Box 33/15
Sec.4
Doc.10
War Stock
file Sub-
certification
and other
matters etc.
Nos.5 and 12

War Stock
file Sub-
certification
and other
matters etc.
No.1

Box 33/15
Sec.4
Doc.2

Box 33/15
Sec.4
Docs.1, 17, 18,
19 and various
memoranda in
War Stock file
Sub-certification
and other
matters etc.

1921
Jobbers using
unclear
Stock

financial embarrassment to themselves. Although it does not appear to have been considered, it would seem that if the proposal to make all Stock clear after four days was accepted then the principle of payment on delivery would have to be abandoned and some means devised for payment to be made four days after a transfer had been lodged at the Bank. A meeting with the interested parties was suggested.

By the summer of 1921 a successor to Wall & Lloyd had appeared. It was noticed that many transfers were now received daily in favour of the nominee of H.B.Martin & Co. of Liverpool and at the same time they were forwarding transfers for certification out of Stock in course of registration. The work of collecting certificates in course of preparation and of picking up odd balance "chips" of Stock to provide for certification was considerable, so it was eventually suggested that all certificates due to Hardie Bennet Martin (the nominee) should be retained to meet transfers which might be submitted for certification. The Bank undertook to send a statement on any day on which a transfer in Martin's favour was lodged for registration, or one out was certified or sub-certified. This statement would show the previous certifiable balance, the details of transfers added and of transfers certified and the resulting certifiable balance. This differed from the Wall operations in that all certification was effected by the Bank. The practice instituted on this occasion has since remained operative for all stockholders who have been treated as "Postal Jobbers".

To illustrate the dangers of sub-certification the Principal of the Deeds Office, in August 1921, cited the following case which had come to his notice:-

"A transfer of £8,500 5% National War Bonds from Carson & Co.Ltd. was lodged for registration into the name of Walter Shakespeare. We certified a transfer against this for £2,500 out of the name of Shakespeare into that of J.R.Head of the Stock Exchange. The first transfer was lodged for registration on the 13th July and the second transfer was certified on the 18th July and, after being signed by Head, was lodged for registration on the 20th. On the 13th July the usual Chairman's letter was sent to Carson & Co.Ltd. but, as no reply was received, the transfer to

Box 35/15
Sec A
Docs. 11, 12
and 14

Sub-certified
transfers
marked "S"

Shakespeare was not completed. In the meantime, a circular having been sent to Shakespeare on the 20th July and he having replied by return of post, the Stock became "clear" Stock in Head's name on the 23rd. It will be seen that the registration of the Stock had not been completed into Shakespeare's name and, although Head was given this as "clear" Stock it is conceivable that the Stock may not have been transferred into the name of Shakespeare."

If sub-certification was to continue here was an argument for some alteration in the certification stamp. Freshfields had already pointed out the possible dangers of a unilateral variation of the form of certification for sub-certifications. It was, however, felt that, at least, some internal means of recognition was desirable and it would appear that this case was the cause of an alteration in practice. On all transfers sub-certified, except those out of the names of London Jobbers, a letter "S" was stamped beside the certification stamp. When any transfer so stamped was received for registration it was not passed, nor was a notice sent, until the Stock against which it had been sub-certified was at the full disposal of the transferor. If it was received early in the 10-day period for the parent transfer it was returned for redolgment when Stock in the transferor's name would be at his full disposal; if lodged within four days of the completion of the 10-day period it was retained until the Stock was cleared. Transfers sub-certified ex London Jobbers were not marked because there was generally sufficient clear Stock on these accounts at any given moment to meet the day-to-day jobbing debit lodgments and, in the event of any query arising, the matter could be adjusted over the counter by the lodgment of Bonds.

There is another point, in connection with London Jobbers, which should be noted in relation to a case such as that mentioned above. Transfers from Jobber to Jobber were regarded as "clear" after the lapse of one clear day, presumably because the daily agreement of a Jobber's balance, which was a check on the daily transactions, was thought to have the same effect as approval of a transfer. If therefore a Jobber, who habitually used all unclear stock, requested certification of a transfer in favour of another

First
postal
Jobber

Box 35/15
Sec A
No.14

Risks of sub-
certification

War Stock file
Sub-certifi-
cation and
other matters
No.15

Jobber to
Jobber
transfers
clear after
one day

Jobber, the Stock could appear on the buying Jobber's account as "clear" Stock while all Stock on the selling Jobber's account was still "unclear". In other cases transfers ex Jobbers would generally not be clear for 10 days as they did not normally complete approval notices.

In October 1921 it was reported that the transfer of Deed Stock to Bearer Bonds showed some increase. The Principal of the Deed Stock Office mentions that one Broker had informed him that, with a view to obtaining early payment, they were selling all Stock for their clients in the form of Bearer Bonds wherever possible. The practice, however, does not appear to have been widespread.

Prior to the introduction of sub-certification in 1917 Stock was not added to a Jobber's certifiable balance until registration was complete. The process which corresponded to the issue of a certificate was one covered by the transfer "back" stamp. The principle of sub-certification having been accepted Jobbers were allowed to use any Stock going into their names and it became essential to note on a transfer that the Stock involved had been made available. Jobbers' Credit transfers as received were added to the certifiable balance and stamped "sub-transfer certified". Originally when a transfer was stopped and returned it was merely deleted in pencil in the Jobber's balance book, presumably because it was surmised that the Deed would eventually register. The danger of this practice was soon apparent and it was altered. Thereafter the amount of any transfer stopped and returned was deducted from the certifiable balance and the stamp "sub-transfer certified" deleted; if in such an event a balance was insufficient to allow deduction the Jobber was required to lodge Bonds or other Stock to cover the deficit. Upon one occasion a transfer was returned with the words "sub-transfer certified" undeleted. The Jobber passed the transfer back to the selling Broker who, presumably because he had not been paid, asked the Bank if transfers had in fact been certified

Brokers selling Stock in form of Bonds

"Entered" stamp first used for Jobbers

Certifiable Balance

War Stock file Sub-certification and other matters etc. No.16

War Stock file Sub-certification and other matters etc. No.17

against it. As the Stock had not been used the wording was then altered to "Available for sub-certification" and this wording was adopted forthwith for future use. In order to prevent any future misunderstanding it was decided it would be better to use some entirely non-committal term and on the 21st October 1921 the Chief Accountant approved the use of a stamp with the word "Entered".

* * * * *

Dealings for account and settling days

Towards the end of 1921 the Stock Exchange were considering the revival of certain pre-war practices. Up to 1914 monthly settlements were in operation for forward dealings for account in Consols and fortnightly settlements in other Stocks. In January 1922 the Chairman of the Stock Exchange Committee called on the Governor to discuss the possibility of fortnightly settlements in all Government Stocks. It was pointed out that records showed that on pre-war settlement days the number of transfers lodged was practically double that of a normal day. The daily average of transfers of Inscribed Stock in 1921 was 2,000 and Deed Stock 1,100. If, instead of an even daily flow, fluctuations in total lodgments over a period were induced artificially so that fortnightly peaks occurred approximately equal to double a daily lodgment, the Bank would be presented with a recurring administrative problem it might find extremely difficult to solve under normal staffing and working conditions. The Stock Exchange Committee eventually decided to recommend that forward bargains for settlement on account days be prohibited in Stocks listed under "British Funds" and "Colonial and Provincial Government Securities".

* * * * *

1922 Country Stock Exchanges again approach the Chancellor of the Exchequer

While internal discussions were continuing on the possibility of abandoning sub-certification and substituting completion of registration in four or five days, the Council of the Associated Stock Exchanges, on the 27th January 1922, approached the Chancellor of the Exchequer (Sir Robert Burns)

Box 77/1 Sec.1

War Stock file Sub-certification and other matters No.20

with a view to removing the disability they alleged attached to Deed Stock as compared with Inscribed Stock. Although they showed some sympathetic appreciation of the position of the Jobbers they referred to as abhorrent "the fact that the Security is to be parted with absolutely and that they must remain without it, or the proceeds of the sale, for some days". It was clear that they thought that nothing less than payment on delivery would be satisfactory and they obviously considered that the fault lay with the "Bank of England regulations". It seemed hardly likely, therefore, that they would have been content with clear Stock after four or five days.

In commenting on these complaints the Bank pointed out that, since they must communicate with a transferor, it was reasonable to give time for a reply. They mentioned that it was possible to hold Stock in one of three different forms each with its own advantages and disadvantages. A stockholder himself selected that form which was best suited to his purposes and should, perforce, accept its conditions.

On the 3rd February 1922 a meeting took place between the Bank and representatives of the London Stock Exchange at which the question of the discontinuation of sub-certification and the completion of registration after four or five days was discussed. The Stock Exchange representatives seemed surprised to learn that Jobbers were using unclear Stock. Despite all difficulties, however, they were convinced that payment on delivery was the proper ultimate objective and, with this end in view, brought up again the question of insurance as a possible means of enabling the Bank to register Stock forthwith. They hinted that the Bank should bear part of the cost of insurance.

With regard to sub-certification Freshfields had already said (on the 12th May 1921) that they thought that the Bank's position was secure and that being so it would require a strong case to revert to the old practice. Nevertheless, in a memorandum dated the 11th February 1922,

Earlier registration considered at a joint meeting of Bank and Stock Exchange

Insurance suggested by Stock Exchange

commenting on the meeting with the Stock Exchange, the Principal of the Deeds Office, as one of those responsible to the Bank for transfer by Deed, said he had become convinced that the practice of sub-certification was a dangerous one. He added that he did not think it was in the Bank's interest to encourage registration of Deed Stock to the detriment of Inscribed Stock.

Saturday to be a "dies non" first suggested

In a further memorandum dated the 10th May 1922 he suggested that the question of the discontinuance of sub-certification might be left until the scheme for expediting registration had been approved and to make this scheme workable some alteration in procedure would be necessary. To enable the posting and registration of all transfers to be completed within four days it would be desirable to make Saturday a "dies non" for all registration processes. A proposal was also made to dispense with signature agreement of all transfers of £200 or under. Inconclusive Departmental discussions continued along these lines throughout the next few years.

Some dispensation of signature agreement suggested

Box 33/14 letter to Sir O. Blenney 23.2.22

War Stock file Sub-certification and other matters etc. No.21

In the summer of 1923 as a result of the complaints from the Provinces a Treasury Official spent some weeks in the Department to learn what was being done to facilitate the marketability of Deed Stock. The visit produced no fresh ideas.

Agreement of signatures on circulars

During the period of the above discussions, one or two minor alterations in procedure were approved. In March 1922 it had been agreed, presumably to simplify the handling of a large volume of work, that signatures on approval notices to transfers of £500 or under need no longer be agreed upon receipt, but could be compared with the signature on the transfer when the documents were examined before filing. It is a little difficult to see what benefit could then be expected.

Automatic clearing after one clear day

Since some clear understanding was necessary as to the exact time transfers ex corporate bodies, with the Chairman's approval embodied, were "clear" into the name of

War Stock file Sub-certification and other matters No.21

War Stock file Sub-certification and other matters No.25 and Box 33/15 Sec.4 No.20

War Stock file Sub-certification and other matters Nos.32 to 35

War Stock Orders Transfers - Registrations - Circulars - Agreement of signatures

War Stock Orders Transfers - Registrations - Corporate Bodies - Transfers to Jobbers - Clearing

the buying Jobber it was decided in February 1923, that one day should be allowed for examination, that they should be cleared on the day after and the amount would appear on the Jobber's clear stock balance on the following morning. (e.g. lodged before 11.30 a.m. Monday clear to Jobber on Wednesday morning).

Lodgment time of transfers to be certified and returned the same day

The practice of certification being on the increase, it became necessary to make rules for the time of lodgment and return. On the 28th May 1923 a public notice was issued to the effect that Deeds to be certified and returned the same day must be lodged before 1.0 p.m. (Saturday 11.0 a.m.)

Certification against Bonds

Where Bonds to meet certifications had been lodged in Head Office a special acknowledgment memorandum, issued to the lodger at the time, had to be surrendered by the Broker or Jobber concerned in Deeds Office before the transfers out could be certified. Later when all offices were housed in Finsbury Circus the notifications of Stock lodged for use the same day were sent to Deeds Office by the Taking-in Office concerned (afterwards the Combined Bond Room). These acknowledgment memoranda were only available for use on the day of issue and, for security, they were stamped with a code letter, which was changed daily. The actual Bond Registration Form was not received in Deeds Office until late on the day of lodgment.

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Note to Finsbury Circus in 1922

It should here be noted that early in 1922 the Department commenced a gradual removal of offices to Finsbury Circus. The Deeds Office in 60, London Wall, was the first to move and upon arrival there split into two offices.

* * * * *

From 1923 to 1926 the Bank were seriously involved in a complicated Forgery case of considerable magnitude, known as the Wilson Case. The action, which began in the Scottish Courts, ended in the House of Lords where the final decision went against the Bank. The case, one for the replacement of Stock said to have been transferred under

The Wilson forgeries

C.A.O. files on Wilson Case

forged signatures, really turned upon the question as to what extent the relationship between the then deceased stockholder, Wilson, and the forger, Anderson, who was his secretary, amounted to condonation of the acts of the latter by the former. Anderson had already been convicted of forgery in the criminal courts and sentenced. The Bank had, in fact, questioned certain signatures but had accepted explanations given. Their case was that Anderson, knowing something to the discredit of Wilson, was in a position to blackmail him. In one instance at least it was established that Wilson himself had actually signed an approval notice to a disputed transfer. No question of negligence on the part of the Bank arose, nor was there any serious suggestion that their practice was a contributory factor. The final result was, perhaps, less unfortunate than might be supposed, because it had the effect of resolving certain doubts which had previously existed as to the ultimate responsibility in the case of forgery. It had always been realised that the Bank would have recourse to a transferee and perhaps even to his agent in the event of forgery, but when this case was decided the chain of responsibility, which led right back to the agent who had acted for the forger, was readily acknowledged by all parties concerned. The Bank had been prepared to bring actions against the various transferees and their agents (some of the Stock in question having been merged in Jobbing Accounts) to establish this principle of responsibility but it seemed undesirable to incur further legal expenses to establish, through the Courts, something which was freely admitted. The two ends of the chain were brought together and the Bank settled by agreement with the original agents who acted for the forger. They, the agents, paid for the replacement of the Stock, the arrears of dividends and for a proportion of the legal costs, except where, in one case, for a special reason, the Bank waived part of their claim.

Box 71/2

* * * * *

Approval required in case of "care of" addresses

The risk associated with forgery prompted, in March 1924, the re-institution of a former practice requiring definite approval from a transferor with a "care of" address before completing registration of a transfer. The re-imposed practice does not appear to have been strictly observed and it was finally dropped in April 1934.

Transfer signed by Attorney. Notice to Principal

In the case of a transfer signed by Attorney in addition to the notice sent to the Attorney, a further notice, which did not require a reply, was, from March 1924, sent to the stockholder. This precaution was abandoned in June 1934.

Counterfoil receipts attached to certificates

In September 1924 a proposal was made, as an economy measure, that counterfoil receipts should be attached to new certificates. The suggestion was fully discussed, but it seems to have been felt that the various advantages claimed for it would not be realised and the proposal was dropped.

* * * * *

"Approval" notices not issued for non British Government Stocks

The Bank had reluctantly agreed to sub-certification, and to the expediting of registration, only because H.M.Treasury thought it to be an essential means of popularising Government Stocks. When Indian Government Stocks first became transferable by Deed the general practice in operation for British Government Stocks was applied also to those Stocks. In 1922, however, it was decided that there was no reason to extend concessions made to popularise British Government Stocks to Indian Government Stocks and from then onwards notices inviting approval ceased to be used for the latter; transfers were not regarded as "clear", nor could certification take place, until 10 days had elapsed.

A Chief Accountant's Order in October 1925 established a definite procedure for all non-British Government Stocks transferable by Deed which were by then increasing in number. Henceforth a circular inviting a reply only in the case of objection was to be used, transfers were to be posted on the eighth day after lodgment under the date of the tenth day, except that transfers received within

Posting date for non Government Stocks

C/A's orders 197 and 705

C/A's orders 197 and 727

War Stock file Sub-certification and other matters No.36

Box 71/3 Sec.1 Memo dated 2.1.1935

Box 33/14 Sec.2

10 days of a final balance would be posted under the balance date. Certificates bore the posting date. Jobbers as usual received no certificates and worked on a running balance but no certification was permitted until Stock was "clear".

* * * * *

Certifications by persons other than the Bank or Stock Exchange

The Wall Case showed the dangers to which the Bank exposed themselves by accepting notification of certifications from several different Bodies. After their experience in this case they had decided that in future they would only recognise their own certifications and those of the authorised Stock Exchanges. Occasionally during the next few years advices of certifications were received from other sources, e.g., Westminster Bank, Liverpool. On each occasion the writers concerned were informed that any certification they might make was purely a matter between themselves and the persons who were willing to pay upon it but that the Bank disregarded all advices of certification except those given by Stock Exchanges. Experience evidently showed the sufficiency of this practice for attempts to obtain recognition of certifications by all and sundry gradually ceased.

Issue of one certificate for two or more, or two or more in place of one (F8 procedure)

Those responsible for the management of a large Stock Register must expect occasional adverse criticism of their methods. A frequent cause of complaint was the Bank's practice of issuing one certificate for each transfer or transaction. In small Registers, where a few Clerks deal with all phases of work, it was a known practice for purchasers generally to receive one certificate covering several credit transfers lodged about the same time and, when under similar circumstances, they received a certificate for each transfer lodged with the Bank, they were unable to understand why it was not more economical to prepare one certificate instead of several. With the Chief Accountant's approval it had been the practice to offer to issue one certificate on payment of fee of 2s.6d. when complaints were made.

War stock file. Sub-certification and other matters, etc. Nos.27 and 28 and 6 GL 403

Box 33/14 Sec.2 Letters from January 1923 to January 1931

The issuing of several in place of one was not regarded with particular favour. On one occasion, when it was requested and refused, it was found that the stockholder proposed to transfer his holding into the name of a Nominee and then back from the Nominee into his own name by a number of transfers sufficient to produce the desired number of certificates. Since such a practice would have given a great deal of entirely unnecessary work without compensation or benefit, it became generally understood that the Chief Accountant would, upon reference, issue certificates required on the payment of a fee of 2s.6d. per certificate. This decision was not publicised. In 1923, however, the Council of the Associated Stock Exchanges asked that as a matter of practice one certificate might be automatically issued where several transfers into the same name were lodged together. Although the Bank felt themselves unable to agree to this they offered to issue one certificate in the place of two or more on payment of a fee of 2s.6d., whenever requested.

A Journal was used with debit and credit entries, (under FR marks) of certificates surrendered and certificates issued. Particulars of new certificates were noted on the account. It was not, however, permitted to destroy the identity of a DUPLICATE CERTIFICATE by merging it with any certificate issued under this procedure.

Identity of a Duplicate Certificate not to be destroyed

Generally speaking, before issuing a duplicate certificate the Bank required a declaration of loss or destruction accompanied by a joint indemnity of the stockholder and a Bank. The real value of the indemnity lay in the permanence and reliability of the participating Bank and, provided that was forthcoming, indemnities were accepted without participation of the stockholder when it was inconvenient for the agent to approach his principal. Where the indemnities of Banks were unobtainable those of certain Insurance Companies were accepted provided it was one of the normal business activities of the Companies concerned. Duplicate certificates were as far as possible replicas of

Verbal Instructions of Principal of Deeds Office

C/A's orders
365

Certificates re-written

the original certificate in all respects. Re-written certificates, however, would bear the current date and would reflect the ledger entry as it stood at the moment. In order not to lose the identity of the original certificate its date was quoted immediately below the certificate number.

Transfer notices sent to former address

It had always been a precautionary practice when a transferor's address had been changed during the past six months to send a transfer notice to both the present and the former address. In October 1925 it was decided that the period was to be extended to twelve months. In the demands for the transfer of Stock between the Deed and the Inscribed Registers it was of course necessary to embody a note of recent changes of address.

Transfer notices to be sent in a plain envelope

As a further measure of precaution it was also decided that transfer notices should always be sent in plain envelopes.

Transfer to constitute a "warning off" for distringasses

Early in 1926 a question arose as to the proper action to take when a transfer was lodged for a sum of Stock against which a distringass was recorded. The practice was to return such transfers. On 1st April 1926 Freshfields expressed the opinion that, since the Bank could not legally refuse to recognise a properly executed transfer, a warning off notice should be issued in such cases. From then onwards transfers lodged by post were passed and notices were sent; Freshfields were given full particulars of the account so that a warning off notice could be issued and the transfer was retained by the office concerned until the distringass had been removed. Transfers lodged over counter and transfers for the credit of Jobbing accounts were, however, always returned as steps pending the removal of the distringass.

Stock Index

In July 1926 in an endeavour to improve the Deed 5% War Stock index it was decided that cards drawn for alteration were in future to be pricked back by the Posting

Addresses omitted from Index Cards

Section only. In March 1927 a further improvement was

War Stock Orders Transfers - Registration - Address altered within 12 months and C/A's orders 280 and 281

C/A's orders No.281

War Stock Orders Ledgers - Distringass - Transfer constitutes warning off and C/A's orders 376 and 462

War Stock Orders Ledgers - 5% War - Index cards do. Ledgers - card Index - addresses on cards

effected by ceasing to note addresses on cards except as a means of describing persons of the same name.

The Bank's experience with these early card indexes influenced the attitude of those concerned when, in later years, the relative merits of alphabet and card index were considered.

* * * * *

Chairman's approval dispensed with under indemnity

The completion of a Chairman's approval, even when embodied in the transfer, sometimes proved irksome in the case of those Corporate Bodies dealing on a large scale, e.g., Bank Nominee Companies acting for Jobbers. On the 12th November 1926 the Bank agreed to accept a form of indemnity to enable them to dispense with the Chairman's approval and to register forthwith transfers under Seal, out of the names of the active Corporate Bodies concerned. Thereafter transfers of Stock out of their names were given "clear" after one clear day in the same manner as Jobber to Jobber transfers.

* * * * *

Suggestion to dispense with signature agreement

The evidence in the Wilson Case, particularly that of the handwriting expert, raised serious doubts as to the value of signature comparison in the detection of forgery. Also since it seemed to have been established by Case Law that the agent lodging documents for registration, and not the Registrar, was responsible for the genuineness of signatures it was suggested in September 1928 that on transfers of under £2,000 the Bank should discontinue signature agreement. The figure of £2,000 was chosen because that was the minimum amount on which signatures were agreed on transfers of Inscribed Stock upon personal attendance. At the time a Staff of twelve to fifteen men were employed in the Transfer by Deed Offices on signature agreement and, as it was estimated that 96% of all Deed transfers were for amounts of under £2,000, a considerable saving would have resulted from the adoption of the suggestion.

War Stock Order Transfers - Registrations Corporate Bodies - Chairman's letter dispensed with

Loose-leaf ledger for F.P.A. Stocks

Box 71/2 Sec.4

Approval of loose-leaf account or ledger pages

D.C. journals on loose sheets

In 1927 at the request of the Court, Messrs. Deloitte, Plender & Co. had made a general examination of the Bank transfer system and in the course of their Report remarked -

"The Registered Stocks Office take a precaution which in our experience is unusual in that they verify the signatures of all transferees. We do not suggest, however, that this precaution should be discontinued".

Box 71/2 Sec.3

The time was, presumably, not judged ripe for any change since no alteration in practice was then approved.

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From 1928 onwards the experience gained during a whole series of redemption and conversion operations began to bring results in the shape of suggestions for improvements in practice and method with a view to effecting economies.

One proposal proved to be the forerunner of a major development. In Stocks issued under the Trade Facility Acts each £100 of Stock was allocated, for purposes of the sinking fund operation, a definitive number which, upon transfer or redemption, it was necessary to post. When drawings for redemption commenced the heavy work in connection with the preparation and issue of notices and of posting and "pricking off" numbers on accounts in a bound ledger, by one person at a time, would have seriously interfered with the general work in connection with the Stock. As the result of a suggestion, accounts in these Stocks were, therefore, transferred in 1930 to loose-leaf ledger pages, numbered consecutively. These ledger pages, when not in continual use at the time of a drawing for redemption, were locked between covers. Pages could only be removed as required or be replaced under the supervision of a Superintendent who held the key to the covers and was responsible that the pages withdrawn were returned. Freshfields had given an opinion that the practice was permissible for all Stocks.

War Stock Orders ledgers - Loose-leaf

The D.C. journals were in constant use by the D.C. Staff, Passers and the Paper Section. With bound volumes

this was often a source of considerable delay and of irritation to the people concerned. About 1930, therefore, it was decided to introduce loose-leaf journal sheets which would only be bound up when all the D.C. processes had been completed.

Transfer
Journal
sheets

In August 1930 a loose-leaf transfer journal sheet was also introduced in place of the bound journal books.

These sheets were eventually used by the Paper Section as a mailing record and the writing of certificate counterfoils was discontinued. The old journal books had been written in copying ink, and an impression, taken at the end of each day, was sent to the Western Branch as a "White" sheet. The new loose-leaf journal sheets were written in ordinary ink and were to be stored in the Strong Room at night. This allowed the discontinuance of the "White" sheet.

Addressograph
introduced

An Addressograph System for despatch of transfer acknowledgments and certificates was introduced on the 22nd September 1930. In the first place its use was mainly confined to Bankers and to country brokers since the London Brokers were invariably dealt with over Counter. The addressograph number was noted on the transfer by the Passer and was entered by him on the loose-leaf journal sheet for the benefit of the Despatch Section.

Issue of
balance
certificates
expedited

The practice of waiting for the lodgment of a certified transfer before issuing a certificate for any balance remaining in the name of the transferor was frequently the cause of enquiry and complaint. In September 1930 it was decided that the balance certificates would, in future, be issued as soon as possible, and that they should bear the D.C. number and the date of entry in the D.C. instead of the debit transfer number followed by the letters B.C. and the date of the transfer. In the case of Bank certifications the old certificate was brought up-to-date (as regards names and addresses etc.) when the ledger was examined, a certificate voucher (giving amount of balance, number, date, initials and surnames) was written and attached

Mar Stock Order
Transfers -
Registration
Journal -
Loose-leaf &
C/A's Orders
No.492

Cr. Practice
1917 Para.3
Page 17

Mar Stock Order
Certificates
Despatch -
Addressograph

Mar Stock Order
Certificates
Balance Certs
-
Issue of

Stock
Index

G.C.I.

to the surrendered certificate. With Stock Exchange certifications involving the issue of a balance certificate, the surrendered certificate was compared with the ledger and brought up-to-date on the day following receipt, a certificate voucher written for the balance and attached. All balance certificate vouchers with surrendered certificates were then handed to the Paper Section, Tally Book entries were made, certificate paper drawn and the Balance Certificates prepared and issued forthwith.

The new arrangement resulted in a considerable economy in time because it was no longer necessary to write full details of an account on the certificate voucher, since many of the particulars for the balance certificate could be taken direct from the old certificate e.g., Christian names, addresses and qualities. Furthermore the D.C. staff were, in future, required to make one reference to an account instead of two as in many cases formerly, once when certifying a transfer and again when preparing to issue a balance certificate.

Reply
envelopes
for notices
discontinued

In June 1931 it was decided, presumably on the grounds of economy, that the practice of enclosing an addressed envelope for the return of a circular would be discontinued. The invitation to approve a transfer was not a practice instituted for the benefit of the Bank whose main concern was to give transferors an opportunity to object and it seemed unreasonable to continue to incur the expense entailed.

Mar Stock Orders
Transfers -
Registration -
Circulars

* * * * *

By the late 1920's the principle of the loose-leaf alphabet cut-up index in special automatic binders was accepted as the type best suited for the several separate stock indexes and over a period of years a gradual change from the card index to this form took place. This provided a useful job on which to employ surplus staff during slack periods.

* * * * *

The decision did not apply to the G.C.I.

Address omitted from credit abstracts

In the case of new accounts, it had always been the practice to quote the transferee's address in the credit abstracts so that the pricker-off could check the ledger entry. Presumably because new certificates were then read against the ledger it was decided in July 1930 that these addresses need no longer be entered in abstracts.

F.R. Procedure

In July 1930, too, the F.R. procedure (issue of one certificate for two or more) was modified to the extent that where several transfers were lodged at one time and one certificate was then requested it would in future be issued without fee. It was becoming increasingly difficult to justify the demand for a fee because it was hard to argue that a request under these conditions did not represent a saving.

Automatic issue of certs. for soc. divs.

Normally certificates for accumulative dividend additions of Stock were not issued until applied for. Some Banks, which had numerous accounts for which accumulative dividend instructions were in force, were continually making applications for the issue of certificates and, finally, in May 1931, in particular cases for which prior approval was required, the Bank agreed, on completion of a special request, to issue the certificates automatically.

Ledger posting date

Since it had been tacitly agreed in 1918, that it was impracticable to post transfers under the date Stock might actually pass from seller to buyer, and since ledger posting was merely one of the processes necessary for registration, which was only finally completed with the issue of the certificate ten days after the lodgment of a transfer, a uniform date of posting, under the date of the second working day after receipt, had been approved for all transfers lodged. This date was stamped on the transfer by the Anticipation Section. Transfers lodged on the day of a final balance and the preceding day were posted under the date of the final balance. In November 1931 it was suggested that, as a transferor divested himself of Stock by signing a transfer, and since the earliest time (except in

Anticipation Section

War Stock Exchange Ledgers - Card Index - Address in abstracts

Box 13/13
Sec. 2
Memo. dated
27.11.1931

War Stock Exchange Certificates - Acc. Divs. - Certs. Issue

Jobbers permitted to transfer Deed to Inscribed for use the same day

War Stock Exchange Ledgers - Posting - Date of post

Number Code for Transfer replaces letter code

cases of certification) the Bank were aware that he had disposed of his holding was the day on which the transfer was lodged for registration, it would be more reasonable to use this date, which would provide complete uniformity in practically all circumstances (except those ex Corporate Bodies, where a Chairman's approval was a prior requirement), than the date of the second working day after receipt. The suggestion was approved and was put into operation on the 1st January 1932. Deed Stock posting was of course actually carried out two or three days after the passing-posting date stamped on a transfer and quoted in the ledger. The new practice resulted in a small economy in that it would no longer be necessary to add a separate posting date on the transfer. (The subsequent introduction of the Fanfold System would in any case have made this change in practice inevitable).

In October 1931, at the request of the Secretary of the Stock Exchange, Jobbers were permitted to transfer "clear" Deed Stock to the Inscribed Register for use the same day. So far as the Jobbers were concerned this brought the practice into line with Inscribed Stock transferred to Deeds, and with Bonds lodged for use as Deeds the same day. From the Bank's point of view, however, it was not quite identical as former Inscribed Stock and Bonds for immediate use by a Jobber in Deed Stock were only certified the same day and were not actually transferred out of his name the day that ^{they} became at his full disposal.

In anticipation of the probable adoption of mechanised accounting systems it was thought advisable to take certain preliminary measures. For instance a series of figure-code numbers to indicate types of transfers, instead of letters, as before, followed by a serial number, was introduced on 2nd December 1931. Numbers in place of letters were thought necessary because generally speaking accounting machines do not reproduce letters as well as figures.

C/A's order No. 568

War Stock Exchange Demands - Deeds to Jobbers

Bound volumes of War Stock Transfers

Adhesive numbers tried and dropped

At first printed sheets with detachable adhesive code and serial number were tried. They proved unsatisfactory and were quickly abandoned because they were frequently rubbed off in the constant handling, and transfers often arrived for filing without numbers. On 28th January 1932 the present type rotating automatic numbering machine embodying lodgment - posting date, code and serial number was adopted.

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Fanfold voucher system

For some time past tentative attempts had been made to discover some means of producing in one operation the several abstracts of transfer details required for the various necessary registration processes. Handwritten carbon copies had first been suggested but by the end of 1931 the idea of the typewritten fanfold voucher set was developed and first put into operation for 5% War Stock on 22nd February 1932. On this set the title of the Stock was printed.

Transfer Acknowledgment

With this set it was possible to produce at one time a transfer acknowledgment, a form of certificate receipt, a journal record, and debit and credit abstract vouchers, all of which had previously been manually prepared separately.

Certificate Receipt

Transfer Journal

Dr. and Cr. Abstracts

A Staff of copy typists was recruited and special fanfold typing machines using continuous fanfold paper were installed.

Fanfold Typists' Arrival Time

It should perhaps be noted that the typists' time of arrival was fixed for 9.30 a.m. because it was thought their leaving time might be later than that of the rest of the Office.

Transfer Notices (Circulars)

In order to mitigate the possible delays and disadvantages of passing all work through a fanfold bottleneck it was decided that circulars for Postal Transfers should be written before the transfers were fanfolded and, if necessary, reduce the effects of peak periods in typing by carrying over fanfolding of those transfers from one day to the next. Transfers were marked "C" to show that circulars had been written. The passer was required to check the fanfold sets produced and to write any envelope necessary.

Transfers marked "C"

C/A's Orders No.575

War Stock Transfers Volume 1/219 of 22000

C/A's Orders No.575

C.S.O. Fanfold System File Posting Instructions dated Jan.1932

Agreement of "Boat"

After checking, the various vouchers were separated and distributed in accordance with the particular function of each. The transfer acknowledgment was despatched by the Passer. The journal which constituted the record was filed in the daily agreement of the "boat". First and last numbers used each day were noted and all dropped numbers were accounted for. Journal vouchers and transfers were sorted into strict numerical order and agreed with numbers used. Transfers were then sent to "Anticipation". The Journal and Receipt vouchers were handed to the Paper Section pending the issue of the certificate, and eventually the journal alone was filed in numerical order.

Anticipation Section

Marking off Jobbers' Balance Books

Acknowledgment (A) vouchers for Jobbers' credits were used to mark off Jobbers' Balance Books, the use of the transfers for this purpose being discontinued. The debit and credit vouchers sorted into transfer number order were handed to the Posting Section (who were now relieved of the necessity of writing up the abstracts) to await the transfers from Anticipation; after pricking off and agreement they were handed to the Balance Section to be retained by them in ledger folio order until required for the periodic balances.

C.S.O. Fanfold File Posting Instructions Jan.1932

Mechanised Agreement of Debit and Credit Totals (Daily or Weekly)

The Debit and Credit Abstracts, with their running totals and tales of Stock transferred, having now been superseded, it was necessary to devise some alternative means of daily or weekly agreement and of establishing the

Conversion and Redemption Sheet Ledger and Summary Sheets

total of Stock in any ledger at any time. Ledger summary sheets, on the lines of sheets which had been introduced in October 1930 for Conversion and Redemption ledger and batch vouchers, were brought into use. The Debit and Credit vouchers sorted separately into ledger and folio order were summarised on separate Debit and Credit ledger sheets, the running totals of which were carried forward from day to day or week to week. A ledger total could be found at any time by adding the summarised credits for a Ledger to the last Final Balance total and subtracting the sum of the debits. Daily and/or weekly agreements were effected by comparing

C.S.O. Mechanisation File No.2 Item 155

summaries of machined transfers or Journal Vouchers with the separate sum totals of the Debit and Credit Summary Sheets. (These were the prototypes of the Amount of Stock Transferred Sheets.)

By eliminating the necessity for producing a number of separately written abstracts of transfers it was confidently anticipated that very considerable economy in labour would result. In advocating duplicating systems, however, one is apt to overlook the sorting problems created when several documents, for differing purposes, are produced in one operation. The tedium of these necessary sorting processes has the effect of reducing the benefit of estimated economies. In such circumstances the advantage gained may be expected to be greater when dealing with a considerable volume of work of the same type and, conversely, less as the volume diminishes. For example, this new method was adopted shortly before the War Stock 5% Conversion operation, throughout which the daily lodgment of transfers was exceedingly heavy, and during the period many accounts became active which were normally quiescent. Under the old system when working a balance it would be necessary to search through the abstracts to find the several different items for one account, but under the new one where the debit and credit vouchers are sorted daily into one bundle in folio order all vouchers for a given account would be found together and when this heavy War Stock balance was worked, a considerable saving in the valuable time of skilled staff was effected.

The fanfold system was extended to all other Deed Stocks on 1st January 1933. Except in the case of 3½% War Stock, where specially printed sets were used, the Stock title was typed.

One of the early difficulties arose in connection with the experimental addition of a notice to transferor into the War Stock fanfold pack, immediately following the acknowledgment voucher. It had not apparently been appreciated that there could be any objection to any

Fanfold extended to all Deed Stocks
Stock title in Fanfold Sets

Transfer notice (Circular) added to fanfold

Conversion Stocks File Fanfold System etc.

Selling Brokers object to the Buying Broker's name appearing on transfer notices
Masking unnecessary details on Fanfold Vouchers

Window Envelopes for circulars

Effects of the Failure of a Jobber

Increase in transfers to Bonds

Payment on Delivery

particular voucher containing information inapplicable to its function. However, selling Brokers were quick to complain that the appearance of a buying Broker's name (the Lodging Agent) on a transferor's notice might be detrimental to the selling broker's interests. In subsequent printings of fanfold sets, details unnecessary for the purpose of any particular voucher were thereafter masked on that voucher.

An attempt to exploit the experiment further by typing the address of a sole transferor on the fanfold, and despatching the notice to him in a transparent window envelope had to be abandoned. This transfer notice voucher (circular) was of necessity produced as a carbon copy, because no masking (necessary in the circular) is possible on a top copy, where all details must be easily readable by the typist. The notice being of a confidential nature an envelope with transparent paper window, and not an open one, was obligatory. Furthermore, it was inherent in the system that carbon papers should be used many times. The cumulative effect was that there were frequent cases where the Post Office found it quite impossible to read the addressee particulars through the window.

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In 1931 Urling, a Jobber in the Consols Market, defaulted and although Brokers, who had passed transfers to him, eventually received payment in full the incident had the effect of causing general apprehension as to a Broker's position vis-a-vis a Jobber.

By March 1932 it was noticed that as compared with March 1931 the number of transfers from Deed Stock to Bonds had increased twelve-fold. This proved to be the direct effect of an attempt to avoid the risks exposed by the Urling incident and to solve the vexed problem of payment on delivery. It could be accounted for by the following recommendation made by the Committee for General Purposes of the Stock Exchange on the 25th January 1932:-

"The attention of the Committee for General Purposes having been drawn recently to the risks attendant

War Stock file sub-certification and other matters No.43

upon the practice of delivering Government Stocks on conditions other than those of cash on delivery, they recommend that the exchange from Registered Stock into a form which will admit of payment on delivery should be effected by sellers before delivery."

The seller would thus be able to retain control

Transfers to
a Brokers
Nominee

until the moment he received payment for the Stock. Some Brokers had toyed with an idea similar to that suggested by G.S.Herbert & Sons in 1919. They proposed that clients selling Stock should first transfer it into the name of a Nominee of the Firm, and that, when it became "Clear", it should be immediately transferred to Inscribed Stock. The Nominee would then transfer Inscribed Stock to the Jobber against cash. Both the transfers to Bonds or the possible alternative meant unnecessary additional work to the Bank. Presumably it was felt that the alternative was the lesser of two evils, (perhaps because Bond transfers would only provide for sums which were multiples of £50) because a suggestion was made in April 1932 that if Brokers elected to transfer to their Nominees they should have the same facilities as Jobbers and be permitted to transfer "Clear" Stock to the Inscribed Register for use the same day. If these facilities were granted to a Broker it was proposed that he should then give an undertaking not to convert to Bonds for purposes of sale.

On the 22nd March 1932 the Financial Times, in quoting a Stock Exchange notice that

"A buyer of British Government Stock is entitled to delivery of Inscribed Stock unless otherwise arranged", points out that it is posted beside the further notice of the effect that

"Bargains in British Government Securities transferable by Deed must be paid for on delivery of the transfer unless a special bargain has been made to the contrary".

It adds that this is one of the rules which is "more ornamental than observed".

5% War Stock
Conversion
Operation

As no decision had been made when the War 5% Conversion operation was launched on the 1st July 1932 the matter was left in abeyance for the time being. During July

Box 33/15
Sec.2

War Stock File
Sub-division
on and
other matters
No.43

the number of transfers to Bonds became very heavy due in part to the Brokers' precautionary tactics and in part to the operation itself.

* * * * *

Introduction
of Mechanised
Accounting
System

In 1930 a form of machine posting on loose leaf account pages was successfully adopted for 5% War Stock (Inscribed) Jobbing accounts and also for statement sheets for the daily over-counter agreement with Jobbers. In due course all Inscribed Stock Jobbing Accounts in Government Securities were similarly dealt with. After much careful consideration proposals to extend machine posting to all Stock accounts were eventually approved and on the 13th April 1932 the Chief Accountant issued an Order establishing a general procedure for the Mechanised Accounting of the Stock Registers on Loose Leaf Account Pages. The system outlined was to operate forthwith in the case of an entirely new issue and existing Stocks were to be brought into line gradually.

The first
step in
mechanised
procedure

Manual of
Mechanisation

It was actually first used for the Registered 3% Treasury Bonds 1933 issued in May 1932. The general change over of existing Stocks commenced in 1933.

Complete changes in accepted practices are apt to encourage undesirable experiment and improvisation. Since, however, no sacrifice of principles or former standards could be tolerated, strict orders were issued that no departure whatever was to be made from instructions approved from time to time by the Chief Accountant. In this way the Manual of Mechanisation was brought into being and although revised, expanded and re-edited has been the governing factor ever since.

Daily
Agreement

The trend of modern practice had dictated the change and there is no doubt that very considerable economies resulted from the introduction of the scheme. The benefits, however, should not be looked for in the obvious differences between the two systems, which were often merely variations in order and detail, but rather in

Conversion
Files
Mechanisation
No.1 and
C/A's orders
No.359 and
594

C.S.O.
Mechanisation
File No.1
Item 29

the opportunity afforded for the gradual replacement of men by women and also in the fact that much of the necessary agreement procedure would, in future, be more efficiently effected in the actual posting process itself.

The great merit of the old system lay in its simplicity and the elasticity which permitted any expansion in the volume of the work to be dealt with by an increase of staff. One glance at the Manual of Mechanisation is sufficient to show that, whatever other benefits could be expected from mechanisation, simplicity was not one of them and also that the former resilience had been lost by the necessity of routing all work through a restrictive machine and machine-operator bottleneck.

The machine agreement however was an unquestionable asset and since it represented a distinct change in practice a brief account of its functional principles seems necessary. A carbon copy of every item posted is taken on a Machine Journal Sheet in appropriate columns and the totals of the items in the debit, credit and balance columns can be obtained from the machine itself. As picked-up (i.e. previous) balances are separately totalled on another machine a poster's work can be partly checked by the following formula:-

The sum of picked-up balances minus total debits plus total credits = sum total of balances remaining.
The sum totals of the debit and credit columns are also checked against a cut-up by cut-up machining of the debit and credit vouchers. These totals are added daily by machine posting to separate Debit and Credit Amount of Stock Transferred Sheets for each cut-up thus providing at any given moment a means of finding a total of debit and credit transactions between one balance and the next and of calculating the exact amount of stock in any particular cut-up. It should here be recalled that in order to simplify the management of a large Stock it was always necessary to break it up in to blocks of accounts in ledgers (or cut-ups) of a reasonable size. In the days of manuscript ledgers

The evolution of Amount of Stock Transferred Sheets

The basis of Stock Cut-ups

this was done on an alphabetical basis and when the conversion to loose leaf accounts took place the latter were grouped in numerical sections or cut-ups directly related to the old alphabetical ledger divisions.

* * * * *

Signature Agreement dispensed with

Apart from the fanfold which had just been introduced the War 5% Conversion operation in July 1932 was effected under the former procedure. The rapid increase in the volume of transfer work made desirable some relaxation in signature agreement and it was decided that, temporarily, signatures on transfers of £2,000 and under lodged by Brokers, Jobbers, Solicitors and Banks need not be agreed. Transfers were marked "U" to indicate that they were not to be used for future signature agreement. Signature agreement was re-instituted on 2nd January 1933.

5% War Stock Conversion Order dated 11.7.32

War Stock files transfers - registration - signature agreement

Transfers marked "U"

C/A's orders No.627

C/A's orders No.621

It is perhaps slightly anomalous that something thought, under normal conditions, to be an essential precaution against fraud should be so readily abandoned during a period of intense activity, when the risks are so much greater.

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Certificates compared with transfers instead of with account pages

When giving detailed instructions for the mechanisation of 5% Conversion Stock Deed (on the 5th January 1933) it was laid down that, in future, to avoid additional reference to account pages, register certificates were to be checked against transfers. In July 1933 it was decided that this practice should not be applied to balance certificates.

C.S.O. Mechanisation File No.1 Item 45, 47A 114 and 114B

Comparing against account pages resumed

In May 1935, however, the above instructions were cancelled and the practice of comparing all new certificates with the ledger (account page) was resumed.

C/A's orders No.812

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Jobbers in all Stocks mechanised

Commencing in March 1933, in anticipation of general mechanisation, a programme was drawn up for the machine posting of jobbing accounts in all Deed Stocks. The practice was made effective in the different Stocks,

C.S.O. Mechanisation File No.1 Item 27 C/A's orders No.630 and 631A

Pricking off
dispensed
with for
jobbing
accounts

successively, at weekly intervals. At the same time approval was given for the discontinuance of pricking-off in jobbing accounts. It was felt that by picking up a Jobber's former balance, adding a summary of the credit vouchers, deducting the debit voucher summary and then comparing the result with the new balance on the account page a sufficient check had been made.

On the 31st January 1934, as a result of experience with account pages, an order was issued establishing a new precautionary measure. An annual agreement of tale and total of each ledger cut-up was to be made by machining all account pages on a given date.

On the 1st March 1934 the fanfold system was applied to certifications. This had the effect of ensuring that any transfer passed (except Jobbers' debts) was backed by an appropriate certificate or certificate substitute and the only reference to the certification records necessary, in future, was to pick-up the certificate substitute ("C" voucher) for certified transfers. The former written balance certificate voucher was now replaced by a fanfold balance voucher "B", which with the surrendered certificate attached contained all particulars of the certification necessary for the preparation and issue of the balance certificate. The practice of clearing D.C. and of reminding on outstanding certifications continued but the card index became obsolete, because D.C. fanfold sets were retained in special binders in alphabetical order of transferees until the relative transfer was lodged for registration.

Commencing in 1934, also, a scheme was put into operation which drastically changed the method of preparing dividends. Under it the printed warrant was gradually replaced, Stock by Stock, for a stencil and accounting-machine produced warrant. Although the introduction of this scheme had negligible effects upon the method of transfer by Deed it was significant since with the fanfold system and the mechanised account-posting it completed a trilogy of three

Annual
Agreement
procedure
instituted

D.C. (Deed
Certifi-
cation)
Fanfold

Dividend
Preparation
by stencil
process and
accounting-
machine

C/A's orders
No.431A

C.S.O.
Mechanisation
File No.1
Item 108

C.S.O. File
Fanfold
System and
C/A's orders
No.493

Payment on
Delivery

Bond
Transfers

C/A's orders
No.481A

Certifiable
balance
statements

separate and distinct processes adapted by the Department to form a comprehensive system of mechanisation.

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On the 14th January 1935 effect was given to a decision to invite approval of transfers of non-British Government Stocks and, in future, to extend the practice of sub-certification to those Stocks and to make them "clear" to the buyer on receipt of approval in the same manner as British Government Securities. At the same time the facilities granted to Jobbers to use British Government Stock, transferred from the Inscribed to the Deed Register, the same day, were extended to London Transport and Indian Government Stocks.

Meantime the question of payment on delivery by Jobbers for transfers in their favour had again been discussed and on the 12th August 1935 the Jobbers in the Consols Market announced that on and after the 2nd September 1935 they would be prepared to pay on the same day for all transfers delivered to them by 11 a.m. Before preparing transfers, Brokers were, however, required to enquire of Jobbers up to what amounts Stock could be transferred into the names of their nominees. The implication was that amounts in excess were to be delivered in bearer form and it seemed clear that the Bank would be faced with a considerable increase in transfers to Bonds by both Jobbers and Brokers. Special over-counter Bond transfer lodgment acknowledgment tickets were prepared for use in anticipation.

No one seems to have regarded this new attempt to facilitate the financing of Stock Exchange transactions as entirely satisfactory and eventually, on the 7th September 1935, the Jobbers suggested that if the Bank would be prepared to issue statements showing the amounts of the certifiable balances of Stock standing in a Jobber's name at the close of business it might be possible for the Jobbers concerned to arrange for overnight loans by using the statements in conjunction with transfers in blank. This

Box 71/3
Sec.1

War Stock Orders
Transfers -
certification -
Jobbers and
C/A's orders
No.700

War Stock File
sub-certifi-
cation of
other matters
No.44

War Stock Orders
Transfers -
certification -
Jobbers

proposal was approved by all concerned, put into operation on the 11th September 1935 and has since become the recognised practice. The uneconomical use of extra transfers to Bonds to overcome procedural difficulties was avoided by this sensible compromise.

When making their announcement the Jobbers took the opportunity of reminding Brokers of their responsibility in the case of forgery and at the same time made it clear that they (the Jobbers) expected to be reimbursed the same day for "stopped" transfers.

They also requested Brokers, when sending transfers to sellers for signature, to attach a notice asking transfers to reply promptly to any communication received from the Bank of England. The approval notices, issued by the Bank for the use of transfers, were broadly speaking, only of effect in the case of Jobbers' Credit transfers. Hitherto their completion and return had benefited the seller in that he then received earlier payment for Stock transferred to a London Jobber. After the Jobbers had agreed to pay upon delivery the seller no longer received any advantage by expressing approval but, when approval was forthcoming, a Jobber benefited by having "clear" Stock placed at his disposal sooner. It is of interest to note that records kept over the following sixteen months, i.e., from September 1935 to December 1936 inclusive, show that the percentage of approval notices returned for transfers in favour of Jobbers varied between 17.9% and 24.8% (about one in five of the number issued).

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Having had occasion to consult Freshfields in a particular case as to the adaptation of the wording of the declaration in the form of indemnity for the issue of a duplicate certificate, the whole question as to the necessity for this type of declaration was raised. It was found that the Chief Cashier did not ask for a declaration in conjunction with an indemnity for the replacement of lost

Brokers' liability in case of forgery

Jobbers to be reimbursed for stopped transfers

Approval Notices Numbers returned

Declaration of Loss no longer required in indemnity for a duplicate certificate

War Stock File Sub-certification and other matters No. 44

Notice to Transfers (Brokers) Included in Fanfold

Fanfold Section Equipment

Box 58/13 Sec. 1

Recordak Introduced

Bearer Security nor did the form drawn up by Freshfields in 1889 for use with the Indian Railway Debenture Stocks contain one. It was uncertain at what stage it was incorporated in the form in use. Freshfields agreed that generally speaking it was not necessary but that as a matter of principle it should not be entirely ruled out. In consequence an order was issued on the 3rd January 1936 dispensing with such declarations in any form where the evidence of loss was unsatisfactory. Future sort of declaration then required would be especially drafted to meet the particular case.

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In 1933 a notice of transfer had been introduced as an experiment into the special fanfold set for 3½ Bar Stock. When in March 1936 its use was generally approved for all Stocks it was decided that in future the fanfold should be capable of producing up to three notices. In order not to waste paper alternative sets were printed containing one, two or three notices and passers were instructed to note on a transfer the particular set required. All notices in excess of three were handwritten. Typing machines were equipped with detachable carriages for the separate sets of continuous fanfold paper to avoid the necessity of either reloading every time a different set was required or of allotting specific machines for the various sets. Special three tier fanfold-box stacks were also designed to ensure that, when any loaded interchangeable carriage was placed on a machine, the paper would automatically be correctly aligned to run through it smoothly.

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In October 1936 the Recordak photography system was introduced. Account pages subject to debit or credit postings were photographed daily before being returned to the account-page desks and also once a year, as part of the annual agreements process, every live account-page. The

Conversion Stock Files Fanfold Systems

Conversion Stocks Office Mechanisation File No. 2 Item 155 and C/A's Orders No. 903

films were developed and stored in another building so that a means of reconstituting a register might be readily available in case of the destruction of the account-pages.

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Date of Certification quoted on Fanfold for Jobbers' Debits

At the request of the London Jobbers and to assist them in tracing the transaction to which a circular referred it was agreed as from the 14th April 1937 to quote on the fanfold the date of certification. It was arranged that day and the month e.g., 14/4 should be typed immediately to the left of the due date.

C/A's Orders
83A

"A" vouchers used to check Credits in Jobbers' Balance Books

Adopting a policy of making full use of all the possibilities of the fanfold system a practice had been developed of checking and completing credit items in the Jobbers' Balance Books from the "A" vouchers, which were not required by the Jobbers, instead of from transfers as before.

File on Jobbers' Balance Books Page 2

Debit-Vouchers compared with Jobbers' certification entries

The Debit Vouchers also were used to compare with certification entries; the amount in the Balance Book was struck through in red pencil so that it was possible to see outstanding certifications at a glance. From the 14th January 1938 this practice was simplified by adding the certification number to the fanfold as well as the date referred to above. The certification entries continued to be finally completed from the transfer itself by the Paper Section, as a registration process, before issuing a certificate in the name of the purchaser.

do. Page 3

Completion of Registration in less than ten days

From 1920 onwards the Principal of Deeds Office (W.B.Thorpe) had consistently advocated a shortening of the registration period to counteract the possible risks of sub-certification. However, in March 1937 shortly before his retirement, in a memorandum which was almost a disavowal of his earlier opinions, he admitted that the dangers had proved less than had been anticipated and remarked that the suggestion had presumably been unacceptable in the past because it was felt that a reduction in the time allowed for a reply might increase the risks from forgery. Certain

War Stock File
Sub-certification and other matters
No.45

factors, which would have a bearing on any future contemplated shortening of the ten day period, were then set out.

- Number of objections and time received
- (1) Objections averaged about three per week and were generally received more than three days after lodgment. There was no record of any case where an objection had not been withdrawn.
- Time spent in clearing Jobbers' Transfers
- (2) The work entailed in clearing Jobbers' transfers was about seven hours per day (representing continuous work of one man).
- (3) Exceptions would have to be made in case of residence abroad and corporate bodies.
- (4) The stock of fanfold paper held was sufficient for nine months. (It contained reference to ten days and to approval).

In conclusion he said he now doubted whether a change in a well recognised practice could be justified.

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Summary Sheets as Tally Book entries for 346 War Stock

Variations in standard practices are, generally speaking, undesirable but the possibility of achieving some special benefit will occasionally justify their acceptance. An amendment in the method of tally book entry for certificate-paper for one particular Stock, 3/8 War Stock, as from the 10th July 1937 was a case in point. Usually such entries were made in numerical order of transfers. From a third to a half of the total entries were for this one Stock. Each day the Posting Agreement Section prepared (for another purpose) machined lists cut-up by cut-up of transfer numbers and amounts for all credit items. It was decided therefore to produce them in duplicate, strike out the "no-paper" transfer numbers and file the amended duplicate list as the tally book record. Although transfer numbers naturally appeared in cut-up instead of numerical order a considerable overall saving was effected by eliminating transfer sorting into numerical order for the tally books, the actual entry and, at that time, the sorting back of certificates and transfers into cut-up order for checking the former against the ledger or account page.

War Stock Files
Certificates
Issue of Paper
for War 346

* * * * *

Apart from the London Jobbers, who were treated especially, most sub-certifications had their origin in the

Sub-certified running accounts of country dealers (i.e., Special Jobbers).
 transfers lodged for registration retained if clear Stock not available

If when a sub-certified transfer was lodged for registration there was insufficient "clear" Stock to meet it and none likely to become available within a day or two the practice was to return the transfer for relodgment after a given date, when Stock accruing to the transferor might be expected to be clear. It occasionally happened, in connection with active accounts, that upon relodgment there was still insufficient "clear" Stock because in the meantime some other transfer had been lodged and had taken any Stock available. As from the 25th July 1938 it was arranged that in future all sub-certified transfers lodged for registration and failing to find Stock would be retained. They were then to be passed in order of lodgment as and when Stock on the debit account became "clear" by expiry of ten days or by receipt of an approval notice. In the case of a sub-certified transfer returned for amendment sufficient clear Stock was earmarked to meet it when relodged.

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Anticipation Sheets abolished

On the 28th July 1938 the use of Anticipation Sheets was discontinued. On these sheets, which were listings in numerical order of all transfers received from a Passing Section, was noted the date on which each transfer was delivered to the Posting Section. It was a method of ensuring that every transfer passed and numbered reached its appropriate Posting Unit. The Fanfold Pack however provided an alternative safeguard which was now felt to be sufficient. Immediately after checking the fanfold set was divided. "J" vouchers were sorted into numerical order and agreed with the numbering sheets to ensure that every transfer numbered had been fanfolded. Debit and Credit vouchers were similarly sorted, the tale was agreed with the tale of the "J" vouchers and they were then handed to the Posting Section to await the arrival of transfers from the Signature Agreement Section. Vouchers were drawn as transfers arrived and if any remained undrawn after two days it was the duty of the Posting Section

War Stock Files
 Transfers
 Certification
 Sub-transfers
 lodged for
 registration

War Stock Files
 Transfers
 Registration
 Anticipation
 Processes
 discontinued

to institute a search for the transfer concerned.

* * * * *

Balance
 Certificates
 Complaints
 as to Issue

Complaints were occasionally received from country brokers about the issue of Balance Certificates. Transfers were sometimes received for registration with a certificate for a larger amount attached containing instructions on the back for the balance certificate to be sent to someone other than the lodging agent. If these instructions were signed by the latter they were complied with, if not the balance certificate was invariably issued to the lodger, as being the only party the Bank could safely recognize, since it was well known that prior to registration a transfer might pass through several hands. Typical of the complaints received was one made on the 18th November 1936 by F. Charlton & Son of Southport that, in a case where they had put a request on the back of a certificate attached to a transfer for the balance to be sent direct to them, they had eventually received it through the buying broker, J.W. Nicholson & Sons of Sheffield. The latter Firm dealt on a very considerable scale through an account in the names of London nominees, Barclays Nominees (Angel Court) Limited, who were treated as London Jobbers, and to whom in the first place, in the absence of any signed instructions by them, any balance certificate would be handed for disposal along the chain of delivery. It was explained that since the Bank could have no definite knowledge of the selling broker, or at what stage and by whose authority the certificate disposal instructions had been added to the documents, they could only accept instructions from the one party they knew to be entitled to deal with the matter, the lodging agents. It was suggested that the difficulty could be overcome by obtaining certification but Charlton & Son pointed out that there was no local exchange in Southport and that certification by post would mean delay. An unexpressed reason for this type of complaint from brokers in the position of Charlton & Son might possibly have been that the handling of

War Stock Files
 Certificates
 Balance Certs.
 Issue of

the balance certificates by other Brokers might prove a temptation for a direct approach to their clients. No variation in the Bank's practice was made.

* * * * *

Transferor and
Transferee
the same

Transfers were occasionally received, usually in connection with dealing accounts, where the transferor and transferee were the same. Although in Stocks subject to Stamp Duty the transfer would be registered without question there was a tendency to object to acting upon one in an unstamped Stock as not being a transfer in the proper sense, so far as the Bank was concerned, since no change was effected. Early in 1936, however, a case occurred which aptly illustrated the occasional necessity for such transfers. Certification was requested for a transfer in which Barclays Nominees (Angel Court) Limited appeared as transferor and transferee. When asked the reason Barclays explained that they were the nominees of five different firms. It so happened that J.W. Nicholson & Son (referred to in the previous paragraph) had made a bargain as sellers and although Barclays, when asked to provide a certified transfer for delivery, knew that the Stock would eventually come back into their name they did not at that stage know through which of the other four they would receive it. Even had they known Nicholson would still have required a certified transfer for delivery in accordance with normal Stock market practice in order to obtain payment. It was also not certain that Nicholson would make direct delivery to the firm which would be lodging with Barclays for registration. Since then this type of transfer has been accepted without question.

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Certifiable
Balance
Statements

When Certifiable Balance Statements were first introduced in 1935 it was the intention that one statement should be issued, for any one account in a Jobber's name, on any one day for the full amount of the certifiable balance. This practice was not found entirely satisfactory for Messrs. Arkroyd & Smithers, who were dealing in large amounts of 3 $\frac{1}{2}$

Box 54/10
Section on
Jobbers'
Balance
Books
Page 20

Evacuation
Problems
in 1939

War Stock, and on 19th April 1939 approval was given for the issue of statements marked "part" to this firm only in such proportions as they required. The concession made in this case became the precedent for later developments.

* * * * *

Proposal
to make
Inscribed
Stocks
Transferable
by Instrument
in Writing

With the decision to evacuate the Accountant's Department to offices in the country in the event of war two problems demanding prompt solutions faced those responsible for its management; firstly how to deal with Inscribed Stock and secondly how to conduct business with the Stock Exchange. Transfer by personal attendance would become physically impossible under the conditions contemplated and the only alternative was to provide for transfer by instrument in writing. The Treasury was asked to prepare an enabling Act and after consultations with the Stock Exchange and the Clearing Banks it was decided that its provisions should be applicable to all Inscribed Stock whether or not its domicile remained in London. One cannot help recalling H.B. Orchard's forthright statement in his memorandum of May 1906

Box 29/10
Sec.1
Nos. 3
and 4

Box 29/10
Sec.1
Nos. 32, 39
and 41

"To substitute transfer by Deed for transfer in the Bank books is practically impossible, but if it were possible, the change would be strenuously opposed by Bankers, Brokers and many large holders of Consols".

Cf. Page 2

Evacuation of
Department
to Whitechurch

The emergency preceded the passing of the Bill but anticipating its enactment the Stock Transfer Offices closed in London on 2nd September 1939 and opened at Whitechurch on Monday, 4th September 1939. The following announcement appeared in the Press on that day:-

Press
Notice

"The Bank of England announce that until further notice their Stock Transfer Offices will be located at Whitechurch, Hants., where the work of that Department will be conducted through the post; legislation is being introduced into Parliament to provide that Inscribed Stock shall for the time being be transferable by Deed

Mar Book
Page 1

Box 29/10
Sec.2

Government
and Other
Stocks
(Emergency
Provisions)
Act 1939

The Bill became law as the Government and other Stocks (Emergency Provisions) Act 1939 on the 7th September 1939, the Bank being indemnified by letter from the Treasury against applying its provisions before its enactment.

Box 29/10
Sec.1
No.94

There was at this stage no intention of abolishing Inscribed Stock and its principles were maintained by the issue of a Certificate of Inscription, in place of the Stock Receipt, as a mere memorandum of the transaction. One fundamental change was, however, made in that the Bank would be allowed up to ten days to complete registration which, in this case, would not be marked by the issue of any document of value in the shape of certificate of title or Register Certificate.

Much of the previously alleged attractiveness of Inscribed Stock, because it offered a unique opportunity of rapid marketability, had already disappeared with the all round acceptance, in 1935, of the principle of payment on delivery for Registered Stock. The only definite advantage which had remained for Inscribed Stock, and it was a most important one so far as dealers on the London Market were concerned, was the possibility it had afforded of an immediate exchange of Stock for Bonds; this of course would no longer be possible under the emergency arrangements. All Inscribed Stock Transfers, including those to Bonds, would in future be dealt with in the same way as transfer of Deed Stock. As compared with the latter Inscribed Stock was actually now at a distinct disadvantage because, having no certificate, every sale transfer would require prior certification by the Bank before it was possible to deliver against payment, whereas with Deed Stock a transfer could be certified by any Stock Exchange and one with a certificate attached was usually acceptable uncertified.

Ten-day
clearance
questioned

Apprehensive perhaps of the effects of the contemplated changes the Committee of the Stock Exchange asked, that in the event of war, some modification might be made in the ten-day clearance practice.

Since the institution of payment on delivery the seller received no benefit by completing and returning an approval notice (on which incidentally he was required to pay postage). He merely needed an opportunity to object. In

Government and
other Stocks
(Emergency
Provisions)
Act 1939
Schedule
Sec.1 (a) and
Sec.1 (b) of
the Act

Stock clear
on third
business
day after
lodgment

Saturday a
"Dies Non"

Chairman's
approval
still
required

Box 29/10
Sec.1
Nos. 26 and 33
and Box 71/3
Sec.2

Register
Certificate
still issued
on tenth day

June 1939 the Bank sought Counsel's opinion on the advisability of issuing a new type of notice without the approval clause and without any reference to registration after ten days in the absence of approval. Counsel (Mr. J.H. Stamp) agreed that the Bank could safely adopt such a notice. He added:-

"The delay of ten days, or three days as the case may be, permitted by Rule 8 of Regulations of 23rd July 1918 is permitted for the benefit of the Bank in order that it may not be possible for any transferee or transferee of Stock to make delay of no greater duration the ground for a claim on the footing of a breach of the Bank's statutory duty of registering transfers".

Box 71/3
Sec.2

In view of this opinion the Bank felt able to meet the wishes of the Stock Exchange who were informed that it was proposed to use a new type of notice which would require a reply only in the event of an objection. In the absence of an immediate objection the Stock would be deemed clear on the fourth day; this was later interpreted as the third business day after lodgment thus excluding Sundays and Bank Holidays from the waiting period. Later still, in April 1940, Saturday was also made a "dies non" so far as the registration of transfers was concerned.

War Book
Pages 2, 10
and 18

Box 29/10
Sec.1
No. 50 and
CIA's Orders
1196

CIA's Orders
1207

A Chairman's approval was to be an exception. It was still to be asked for in the case of those transfers incorporate bodies where it was not embodied or where the Bank had not been indemnified against registering without approval.

The decision to give Stock "Clear" after four days was not meant to imply that the Bank were also prepared to issue certificates in less than the normal ten days. Since the receipt of a certificate would no longer be the indication of the completion of registration a fixed date for issue would in future have no particular significance and it was even thought possible that circumstances might arise in the course of the war when more than ten days would be necessary; the intention however was to continue to issue on the tenth day as a matter of practice. The existing Deed Stock fanfold set contained references to the

Due date omitted from fanfold

ten day period and a space for the due date, which was commonly regarded as the date on which the certificate would be received. It was felt better therefore to discontinue typing a due date while the existing stocks of paper were being used up and to omit all reference to it in future printings. It re-appeared as "Certificate due...." for a brief period in a 1947 printing when it was thought certificates might again be issued over the counter and seems to have been dropped finally when fanfold paper was again reprinted in 1948. Since the approval clause in the notice to transferees implied that, in the absence of approval, the registration would not be completed until ten days had elapsed these notices, until existing stocks were exhausted, were overprinted by rubber stamp as follows:-

"A reply to this notice is NOT required unless you object to the transfer".

A special set of fanfold vouchers, from which all reference to a due date was omitted, was prepared for use with Inscribed Stock. At the outset it was the practice to issue Certificates of Inscription on the fourth day when the Stock was regarded as "clear". On the 4th January 1940, however, it was decided to bring Inscribed Stock into line with Registered Stock and, in future, to issue Certificates of Inscription on the tenth day.

The Bank's decision to shorten the time required for the completion of registration was in the main a concession for the benefit of the London Jobbers. It had very little effect upon the ordinary stockholder. Experience had shown that objections were rare and that most were the result of misunderstanding and were withdrawn. If by any chance an objection was received after the fourth day and before the issue of the certificate it was thought it would still be possible, in case of need, to delay registration. So far as the Jobbers were concerned it was felt that relations were so close that in the few cases where a temporary delay in registration might be necessary no difficulty would arise. The issue of a notice was a

Transferees Notice overstamped

Fanfold set for Inscribed Stock Certificates of Inscription issued on fourth day

Certificates of Inscription issued on tenth day

War Book Page 3

War Book Page 16

See Colonial Office Orders 3.0.182

precaution against forgery and in any event action under a forged transfer could not be sustained whether it was brought to light by objection to a transfer or at a later day. In the latter case however the existing postings would not be likely to be disturbed and the matter would be adjusted by arrangement between the Bank and the agent who acted for the forger.

Since approval notices were no longer effective the immediate result was to discontinue the recording of "clear" Stock accruing to the various Jobbers in their Balance Books. All that was now necessary was to ensure that no Stock, the registration of which was temporarily delayed (e.g. ex-corporate bodies or in event of an objection), was used for a transfer to Bonds.

The value of signature agreement, which it had been estimated cost the Bank about £6,000 a year in salaries, had for some time been seriously questioned. There were instances where comparison of signatures had occasionally brought to light cases of non-fraudulent forgery when, because of absence or other temporary disability, some individual had signed another person's name - making a

rule no attempt to copy a signature. Since the institution of Transfer by Deed in 1912 there had, of course, been a few cases of fraudulent forgery but only in four instances, involving only about £700 Stock, had the forgeries actually been discovered by the comparison of signatures. Failing ready access to all past records it would be virtually impossible to agree signatures and, in the event of removal owing to a National Emergency, it would be clearly impracticable to move all the Department's records to an evacuation site. In June 1939 the Bank therefore sought legal advice as to whether it could rely upon a lodging agent's implied warranty of the genuineness of a transfer and could safely dispense with signature agreement. On July 7th 1939 Counsel (Mr. J.H. Stamp) expressed the opinion that -

Jobbers' Clear Stock Balance in Jobbers' Balance Books discontinued

Cost of signature agreement

Cases of forgery discovered by comparison of signatures

Box 29/10 Sec.1 No.30

Box 29/10 Sec.1 No.27

"The Bank will not add appreciably to its risks by discontinuing its practice of comparing signatures".

This confirmed current internal views of the practice and it was, therefore, decided that, in the event of war, signatures on Transfer Deeds would no longer be agreed. The decision had the effect of abolishing the remaining function of the Anticipation Section which from the moment of evacuation ceased to exist.

The direct delivery of Debit and Credit vouchers to a Posting Section combined with the routing of all transfers through the Anticipation Section had the effect of ensuring that all transfers passed were account-posted. It therefore became necessary to find alternative safeguards to replace those which had been lost by the disappearance of that Section. Up to that time a day's posting work was normally determined by the number of transfers received from Anticipation up to a certain time and bore no particular relation to the numbers passed in any day. In future Transfers and Debit and Credit vouchers would be received together by Posting Sections and a day's work would be the previous day's Passing. The total number passed in a day therefore had an actual significance for a Posting Section. As a safeguard against the loss of both a transfer and its Debit and Credit vouchers the tale of either the transfers posted, or the tale of either the Debit or the Credit vouchers worked, was to be agreed with the tale of the J vouchers. Certain other partial safeguards for special types of transfer operated automatically but one final indirect check also existed and still exists in the Filing Section. All transfers are there examined to ensure that all have been passed and posted. Missing numbers are verified against lists of dropped numbers supplied by Passing Sections and any numbers then unaccounted for are referred back to the office concerned for investigation.

Prior to the war a small section had been established in one of the Deeds Offices to deal with composite postal lodgments covering both offices so that

Anticipation
Section
dissolved

Agreement
for Posting

Check in
Filing
Section

Box 71/3

War Book
Page 2

Distribution
Section
Established

Addressograph
System
applied to
London
Brokers

Jobbers'
Balance
Books
Emergency
Arrangements

transfers could be dealt with simultaneously in each. Since all lodgments would in future be by post and there would be six offices receiving Transfer Deeds many of which, for different offices, would be lodged under one covering letter it was decided to set up a Distribution Section to receive all incoming transfers. The former Deeds section formed the nucleus of this section whose activities from the outset were extended to include the collection and despatch of acknowledgment vouchers in composite lodgments covering different offices. Subsequently it collected and despatched circulars to the same transferors.

At the same time the London Brokers were brought into the addressograph system.

* * * * *

One matter, which was of considerable importance and needed careful planning, was the method to be adopted for dealing with the London Jobbers on whose activities the ready marketability of British Government Stocks largely depended. Close day to day contact had contributed to the smooth and efficient working of Jobbing accounts and it was necessary therefore to find, if possible, some means of counteracting the adverse effects of separation. An idea that it might now be possible to treat London Jobbers in the same manner as Country dealers would have made for uniformity of practice so far as the Bank was concerned, but could hardly have commended itself to the Consols Market dealers. As the result of confidential conversations with a few representatives of the Stock Exchange it was eventually agreed that the Share and Loan Department would certify transfers for Jobbers against daily statements from the Bank of the amounts of their certifiable balances. This decision was reached despite the fact that in the course of the discussions the ideal solution, viz., the maintenance by the Bank of a small section near the Stock Exchange, was tentatively suggested. When the arrangements were at last made known to those responsible for the working

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Box 29/10
Sec.1
No.30

Box 29/10
Sec.1
Nos.10,
44/5, 49
52/5, and
62/8

of the scheme it was at once pointed out that they might prove unworkable but, even so, not all the difficulties were at once apparent. The following points seem to have been overlooked:-

- (1) No arrangements were made for advice of certification by the Share & Loan Department. If it was assumed that they would be automatically forthcoming it is by no means certain that the Stock Exchange appreciated that it meant advising at least 600 certifications daily. Doubtless a listing by the Jobber concerned could have been adopted.
- (2) The amount of additional work involved when conditions demanded a reduction and a modification of processes.
- (3) The Bank daily form of advice purported to give, under the signature of the Chief Accountant, the "Certifiable Balance at the close of business". The Certifiable Balance could not, in fact, have been known, at any given moment, at the Bank, after the first advice had been received at the Stock Exchange, because it would depend upon the actions taking place in the Share & Loan Department on the day concerned. It could only have been calculated if the Share & Loan Department had ceased certifying at a fixed time and had telephoned the Bank the amounts of all balances unused, so that the total of the day's lodgments could be added to the previous day's unused certifiable balances, in order to arrive at the amount available at the close of business on that day. Alternatively the Bank could have advised each day figures to be added to the unused certifiable balances in the hands of the Share & Loan Department. Either course was fraught with the risks of error.
- (4) The arrangements made meant a very considerable curtailment of the existing Jobbing facilities. Owing to the incidence of the post it would be at least two days before Jobbers could certify against Stock delivered to them instead of as formerly on the same day; also of course there would be no possibility of receiving certifiable balance statements for use for over-night cover.

Since it had been anticipated that at the commencement of an emergency the Stock Exchange would be closed for a short period and that the volume of work would be small, only a reduced staff was warned for duty at Whitchurch. As it turned out the Department began to receive transfers for registration in considerable numbers on Tuesday 5th September, before even it had been possible to complete the setting up of the various offices. Although some transfers were dealt with on that day it was quite impossible to catch up with the work sufficiently to get the Jobbers' Balance Books up to date until the end of the first week. Naturally it was impossible to send any statement sheets. Because they were not immediately forthcoming the Share & Loan Department refused to be responsible for certifying Jobbers' transfers and insisted that other

arrangements be made. It was then proposed to send the statement sheets to Head Office so that they might certify the transfers instead of the Share & Loan Department. From this the logical solution was reached to return all Jobbers' Balance Books for all British and Indian Government Stocks to London, and set up a section there to receive Jobbers' credit transfers and to carry out certifications in the normal pre-war way. The change was effected on Sunday, September 10th 1939. The shortened registration period began to run from the time a Jobber's credit transfer was received at Whitchurch but the Jobber was able to certify against it or obtain a certifiable balance statement on the day of lodgment with the Jobbers' Section in Head Office. Apart from the fact that Bonds could not be obtained as readily as before, the inconveniences of War were cushioned for the Jobbers in the Consols Market by the very helpful attitude adopted by the Bank.

Since with one mode of transfer it would be neither practical nor necessary to maintain Jobbing balances in more than one category of Stock prior arrangements were made to transfer all balances held in "Inscribed" form to the Deed Register, where such register existed. As a result "Inscribed" Stock sold to a dealer automatically found its way to the Deed Register but, apart from that, Stock did not change its category upon transfer. Jobbers could of course deliver Registered Stock only, but a transferee could request that any Stock purchased be "Inscribed"; at first it was intended that he should complete a form of Demand but later a request embodied in the transfer was accepted. The daily bulk movements of Stock from category to category resulting from these arrangements were effected by composite "dummy" Demands which operated in addition to the normal Demand by stockholders for transfer of a holding from one category to the other.

Colonial, Corporation and other non-Government Stocks, where only one category existed, were not generally

Jobbers in
British and
Indian
Government
Stocks dealt
with at H.O.

C/A's Orders
No.1134

Whitchurch
to London
Letter No.18
and
C/A's Orders
No.1135

Jobbers'
Credits all
Deed Stock

War Book
Page 3

Book to Deed
and Deed to
Book Demand

War Book
Page 17

Jobbers in
non-Govern-
ment Stocks

speaking sufficiently heavy working Securities to warrant special Jobbing arrangements. With the breakdown of the plans for certification by the Share & Loan Department it was decided that Jobbers on these Securities should lodge by post and that these accounts would be dealt with in the same manner as those of Country Dealers in Government Stocks by sending an advice of the state of the account on any day on which any transaction took place.

* * * * *

Certification of Inscribed Stock, Deed Practice not entirely applicable

As already explained, to be a good delivery a transfer required either an attached certificate or certification. Since no certificate existed for "Inscribed" Stock certification by the Bank was first necessary. The absence of a certificate also meant that the Deed Stock Fanfold certification procedure, which was dependant on a surrendered certificate, could not be applied to "Inscribed" Stock. A record of "Inscribed" Stock certifications was therefore kept on journal sheets, each item being numbered consecutively, and in order to earmark definitely any Stock used it was also necessary to note the fact of certification (with its journal number) on the account page immediately below the amount in the balance column.

* * * * *

Issue of Bonds

Transfers to Bonds in either category for all stockholders were clear on the third day after lodgment. Bonds mandates were sent to Head Office on the second day after lodgment where they were countersigned. They were either handed over counter against the transfer receipt on or after the third day, or were used on the third day to collect bonds from the Sub-Treasury and despatch them by post when a lodging agent had requested delivery in this manner.

* * * * *

Effect of war time legislation in 1939

Enemy etc. Declarations

Although war time legislation like the Trading with the Enemy Act 1939 and the Defence (Finance) Regulations 1939 restricted dealings in Securities and required the completion of certain declarations before a transfer could be accepted

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Page 6

War Book
Page 18

for registration, and others like the Execution of Trusts (Emergency Provisions) Act 1939 and Government Stock Regulations 1939 were designed to remove disabilities none of them, at first, except the Government and other Stocks (Emergency Provisions) Act 1939 had any marked effect on the established procedure for the registration of Transfer Deeds.

Limited space at the outset and the make up of staff did, however, have some influence on method. The unexpectedly large amount of work meant that it would be impossible to write and check certificates with the staff available. Before the war certificate writing had been undertaken by a special staff in Dividend Preparation Office but this arrangement no longer held good. Accommodation for men at Whitchurch was at the moment full to capacity but it was possible to house a few more women. A number of Power of Attorney typists, whose normal work had disappeared with the abandonment of the "Inscribed" Stock procedure, were instructed to report at the location for the purpose of certificate writing. As they were trained copy typists and their machines were available it was suggested that they be employed in typing Register certificates and Certificates of Inscription. After some preliminary experimentation the suggestion was approved in September 1939 and has now become the established practice.

The limited office space at first available made it obligatory to reduce the number of account page desks. As a result the account pages were so tightly packed in the desk tops and pedestals that it was undesirable to withdraw them more than was absolutely necessary. The shortage of space also increased the congestion around each unit. It was felt, therefore, that traffic around the desks must be avoided wherever possible and, although it was a practice already tried and discarded, it was decided that in future certificates would be checked against the parent document instead of against the account page. The objection to this procedure had been that variations occurred, mainly in names

Certificates typed

Certificates checked to Documents

and addresses, between account and certificate owing to differing readings of document details. The resulting errors however have proved negligible and the practice has become established.

* * * * *

With the introduction of certification for "Inscribed" Stock it was laid down that a transfer might be certified when there was a distringas on an account, provided the lodging agent was informed that it could not be registered until the distringas had been removed. This appears to be an extremely optimistic assessment of the altruistic qualities of Brokers generally. It can hardly have been overlooked that immediate payment can be obtained against a certified transfer and that a purchaser, who had parted with his money, might be left to await removal of a distringas before the Stock could be placed at his disposal. It had always been a strict pre-war practice in connection with transfer by Deed to refuse certification until a distringas had been removed, it being held that the Bank should not certify when it was obvious from the account that the transfer could not be registered without delay when lodged. There were of course instances where Stock Exchanges had certified transfers when a distringas was registered. When lodged for registration as Jobbers' Credits such transfers were, formerly, returned as stops, but for other lodgments the transfer was treated as a warning off notice and registration was delayed until the distringas had been removed. This latter procedure had now been applied to all cases, and they were of course more common.

The new practice caused difficulties for Jobbers, who quite often found that they could not use Stock, for which they had paid, until a distringas had been removed. It occasionally happened that when they expected Stock to be "clear" and they wished to exchange it for Bonds they were unable to do so. At their request, therefore, it was decided, on January 22nd 1940, that in the case of a Jobber's

Certification where a Distringas is recorded

War Book Page 6

War Stock Office D.C. Notes

Jobber's Credit Transfers Distringas to be treated as a "Stop"

Credit Transfer where a distringas appeared on the debit account the transfer would be returned as a stop so that the Jobber could reclaim money paid.

C/A's Orders No.1184

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An order made on 13th May 1940 under the Defence (Finance) Regulations 1939 restricted the issue of Bearer Bonds and Stock Certificates in all Stocks with the exception of $\frac{3}{4}$ War Stock and $\frac{2}{5}$ Conversion Stock to which special conditions applied. These two, however, were brought into line on 3rd June 1940 with the passing of the National Loans (No.2) Act 1940.

Emergency Powers (Defence) Finance Order S.H.A.O. 1940 No.708

Issue of Bonds restricted

C/A's Orders No.1209

C/A's Orders No.1211

It was decided that when coupon sheets attached to Bonds were exhausted fresh ones were not to be issued so that, in order to obtain dividends, holders would be obliged to surrender their Bonds for registration. At the same time all holders generally were urged in their own interests to register Bonds in their hands.

Box 59/3 Sec.1

Bonds were the currency of the Money Market and their sudden withdrawal necessitated fresh arrangements which had some repercussions on the Bank's transfer by Deed procedure. The various Discount Houses, who habitually held large numbers of Bonds, were allowed to apply for any number of Certificates, for any amounts of Stock they desired, in exchange for the Bonds they surrendered for registration. Their certificates, the issue of which was expedited, were used with transfers in blank to take the place of Bonds in financing the day to day business transactions of the market.

Discount Houses

The immediate reaction of the Jobbers was an increased demand for Certifiable Balance Statements which they also were understood to use with transfers in blank. It had always been thought that these were deposited with banks as security but apparently they formed part of a three cornered transaction in which their tickets (certifiable balance statements) were accepted by certain Money Brokers who lent the Jobbers Bonds or Stock to deposit with their

Certifiable Balance Statements

Bankers. When however the London Clearing Banks were asked to receive the existing statements direct from Jobbers they stated, (on 6th June 1940) it had never been their practice to lend against such informal documents and before they could help they would need a better type of Security.

The original tickets were a bald statement of fact bearing the initial of the issuing clerk and once issued the Bank had no further interest in them. The Clearing Banks would have liked certified transfers which would be returned for cancellation the next day. This was unacceptable to the Bank. They offered instead an improved form of Certificable Balance Statement, which would bear a signature on behalf of the Chief Accountant, and they undertook not to certify fresh transfers the next day until the previously issued statements had been surrendered.

The proposal was accepted by the Clearing Banks and apart from certain minor amendments in the form, such as the printed name of the Chief Accountant with the initial of an issuing clerk (to satisfy auditors' doubts as to the significance of signed paper) and an alteration of wording to show that the statements did not necessarily relate to the full amount of a certifiable balance, the practice then adopted has since continued to operate.

* * * * *

In February 1940 the Bank approved another suggestion designed to facilitate market dealings. It was arranged that in the case of Stock being transferred from the Dublin Register to London for the purpose of sale a transfer certification by the Bank of Ireland would be recognised. Later, in December 1943, it was also agreed to act upon a similar certification by the Belfast Office of the Bank of Ireland.

Since the "Wall" case in 1922 the Bank had always resolutely refused to recognise any outside certifications, except those given by established Stock Exchanges. The concession made should not be interpreted as any departure

Box 29/6
Sec.2

Box 29/6
Sec.2

Box 53/2

Certification
by Bank of
Ireland

from normal practice. The Bank of Ireland were only certifying against Stock which, at that moment, they were in course of removing from their own registers to England, and not against Stock already in the London register represented by a Bank of England certificate.

* * * * *

In June 1940 a fanfold pack was introduced for use for all "Internal Transfers". Formerly when one item only was involved it was often possible to use a form itself as the working document but if more than one was quoted Dummy Transfers or tickets were written, the latter in those cases C/A's Orders when a new certificate was not required, e.g. amalgamations. For any of the above it was always necessary to create Debit and Credit Fanfold Vouchers. It was decided therefore to produce all the necessary documents, viz., a voucher for posting purposes and for issue of certificate if required, a Journal record, and Debit and Credit Vouchers, in one fanfold process. Reliance was placed solely on the distinctive code-number to distinguish between the transactions which required the issue of a new certificate and those which did not. This device had proved entirely satisfactory for Transfer Deeds. Previously of course the type of internal document used had indicated the need for a new certificate; a "ticket", for example, never required one.

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The irregularity of postal deliveries due to heavy air attacks on London in the late summer of 1940 led to the institution of a daily car service between Head Office and Whitechurch.

In October 1940 the Stock Exchange Committee asked, for the same reason, if they might deliver letters at Head Office for forwarding to Whitechurch. The Bank suggested that if the Committee would arrange for Stockbrokers (other than Jobbers) to deposit all letters for the Department in a special bag in the Stock Exchange and would deliver it

Fanfold for
Internal
Transfers

C/A's Orders
1213

Emergency
Measures
Committee
Decision
11.9.40

Institution
of Stock
Exchange Bag
Procedure

Box 77/1
Sec.5

sealed at Head Office each day at a given time it would be taken to Whitchurch by van to be dealt with there on the following day. An offer was also made to return communications in the same way, at the special request of a Broker, for collection by him from Head Office. The offer was promptly accepted and was put into operation on 18th November 1940. Brokers found that it had the effect of considerably expediting business. Technically it caused no appreciable repercussions on the transfer by Deed procedure but actually from the point of view of administration it tended to counteract fluctuations in the flow of work which postal delays accentuate.

When the Department returned to London the general practice as established was continued. It had the great advantage of ensuring equality of treatment, an even distribution of the work over the working day and a complete uniformity of practice which would not be possible if direct contact over the counter were re-established. The Bank was fortunate in that a procedure introduced as a war time measure had proved to be so effective that any reversion to the daily hectic rush periods associated with over counter business was now quite unnecessary.

* * * * *

As from 27th December 1940 by an order made under the Administration of Justice (Emergency Powers) Act 1939 the time allowed for the removal of a distringas or for taking legal proceedings to restrain the registration of a transfer was extended from eight to twelve days.

* * * * *

The practice of asking for the independent confirmation of a Chairman before acting on certain documents executed under the seal of a corporate body was introduced as a form of protection following the Merchants of the Staple Case in 1886. A Committee on Stocks Office Practices in 1910 felt that it was then still a necessary precaution and it subsequently appeared in the various

Stock
Exchange
Bag in
Peace-time

Twelve days
allowed for
Removal of
Distringas
etc.

Chairman's
approval

Box 77/1
Sec.5

S.A. & O.
1940
No.1983/
L/36

Transfer by Deed Regulations as a Registrar's permissive requirement before completing registration. Experience showed that the requests for approval had not brought to light any case of the misuse of a seal. The practice inevitably resulted in delays in registration but the Bank were always ready to consider alternative methods designed to overcome it; they had for instance agreed to accept an embodied approval by a Chairman and in other cases an indemnity against dispensing with it. Transfers ex corporate bodies were often for large amounts so that when delay occurred it was frequently a source of considerable irritation to a Jobber who had paid for the Stock.

In June 1941 the Bank reviewed the whole matter. It was felt that as with all other transfers the ultimate responsibility for the genuineness of execution rested with the agent requesting registration and there was in consequence no need to seek confirmation. Freshfields agreed with this view. It was therefore decided, as from the 11th July 1941, to issue to Corporate Bodies the normal form of transfer notice which called for a reply only in the case of objection and to give Stock clear on the third day after lodgment; the Bank reserved the right to ask for approval in any cases they thought fit. Since, however, it was felt unwise to abandon entirely all former precautions, the comparison of corporate seals was, at the same time, re-instituted and the files of specimen seals were sent to Whitchurch.

In the case of redemption forms, when the Bank had no recourse to an agent, Chairman's approval was to be obtained unless the redemption warrant was to be drawn in favour of the Body itself, a Banker or an official of the Body.

* * * * *

It has already been emphasized that one object of the D.C. fanfold was to promote uniformity by ensuring that every transfer had either a certificate or a certificate

Chairman's
approval
dispensed
with

Box 99/4
Sec.3

Seal
Agreement
revived

The D.C.
fanfold

substitute attached. Therefore whenever a holding represented by one certificate was transferred without prior certification by means of two or more transfers they were all passed through the D.C. so that a "C" voucher (certificate substitute) for the exact amount could be attached to each. In order to save paper this practice was varied in February 1942; the certificate was to be attached to one transfer and cross references were to be made on all transfers concerned in the transaction. These cross references were initialled by a Senior Clerk to indicate to all persons subsequently handling the transfers that certificates for the correct amount had been surrendered.

A similar practice was also adopted in the case of sub-transfers for registration.

* * * * *

By 1942 the overriding need for economy in the use of paper prompted a suggestion for a reduction in the size of certificate paper. It was found that by reducing the size from 8" x 9½" to 8" x 6½" it would be possible to produce 50% more certificates from the same amount of paper (six certificates instead of four from a sheet). Since the paper was expensive and the Bank were then using some 300,000 certificates a year there was in prospect a useful saving. The suggestion was adopted for all Stocks except those few (e.g. Securities issued under the Trade Facilities Acts) where the information it was necessary to quote in the certificate made a reduction in size impracticable. At the same time by a slight adjustment in lay-out it was also possible to allow for automatic alignment by a typist, since typing was now recognised as the established method of production for the future.

At about the same time, and in the interests of economy, the practice of issuing certificates automatically for accumulative dividend additions in certain approved cases was discontinued.

D.C.
Procedure
Modified
(Registration
Splits
and Sub-
Transfers)

Reduction
in size of
certificates

Automatic
issue of
Certificates
for Accumu-
lative
Dividends
discontinued

C/A's Orders
No.1333

Information
on Certifi-
cates

Indication of
Liability
for Capital
and Interest
to appear on
Certificates

Box 99/3
Sec.2

Certificates also came under consideration for a different reason during 1942. It was feared that with the exchange of Bonds for Registered Stock (particularly when coupons became exhausted) some difficulty might arise in connection with the Bearer Securities British Insurance Companies in New York are required to hold as statutory cover under New York Insurance Law. If the American Authorities were to be persuaded to waive their demand for Securities in Bearer form and to recognise instead Register Certificates it was felt that the absence of any reference in the certificates to the fact that the Loans were obligations of the British Government might prove a difficulty. It was eventually decided that, in future, the words

"Principal and Interest charged on the Consolidated Fund of the United Kingdom"

would appear immediately after the Stock title in all Register Certificates for British Government Securities.

In 1943 the question of the particulars which ought to appear on certificates was raised with the Stock Exchange when discussing the form of certificates to be issued for the London County Council Stock. Very full information was always quoted on certificates of non-Government Stocks and the Stock Exchange mentioned they would like to see the dates of interest payments and terms of redemption added to those for Government Stocks. The Bank felt themselves unable, at that time, to add anything more to certificates of existing issues but offered to bear the point in mind in the case of new issues.

* * * * *

On 21st December 1939, after less than four months experience of a single mode of transfer, the Governor (Lord Norman), in the course of a letter to H.M.Treasury had written:-

....."I might add that we feel the time has arrived to consider the possibility of abolishing transfers of Stock in Books, i.e., by the inscribed method, which in these days is regarded as an anachronism: this view we have reason to believe is widely held both by the banks and the Stock

Box 99/3
Sec.1

Box 94/2

Suggested
abolition of
inscribed
Stock

Exchange, but there are, of course, other interested parties. The adoption of one universal method of transferring Stock should, moreover, in the long run be conducive to more economical working. As you are aware, the inscribed Stock method of transfer has been superseded for the duration of the war under the provisions of the Government and Other Stocks (Emergency Provisions) Act and, from our experience, this temporary supersession might well be made permanent. If you agree, perhaps you would be good enough to consider the possibility of dealing with this subject when next introducing appropriate legislation".

Opinion in general seems to have been favourable, for from then on the main consideration was merely one of ways and means. Although it was obviously desirable that any far reaching change in practice should apply to all Stocks it was in the end thought better that the legislative stimulus necessary should in the first place relate to British Government Stocks only. The principle having been accepted power was given under National Loans Act 1941 to make it effective meantime in the case of new issues. Government Stock Regulations 1941 made under this Act provided that all British Government Stock issued on or after 8th October 1941 should be transferable by instruments in writing and in no other manner. The first Security to be affected was 2½% National War Bonds 1949/51 issued on the 9th October 1941.

It is of interest to note that in these Regulations marginal notes referred to the issue of certificates which were defined as "certificates of ownership". As a result definite instructions were given to avoid the use of the expression Register Certificate, a term adopted at the inception of Deed Stock, and in future to refer to all such documents simply as certificates. Occasionally in letters, when something more definite seems desirable, the description has been amplified to "certificates of ownership" or "certificates of title" but so strong is habit that internally they are still spoken of as Register Certificates.

It was not until 1942 that it was found possible to legislate for existing Stocks when, under Sec.47 of the Finance Act of that year, H.M.Treasury were empowered to make the necessary regulations for the transfer of British Government Stocks by instrument in writing only, and in no other manner.

No Inscribed Stock in New Issues

First Stock Issued without "Inscribed" Stock

The term Register Certificate dropped in favour of Certificate

Statutory Authority for transfer by instrument in writing only

S.R. & O. 1941 No.1558

C/A's Orders No.1305

Finance Act 1942 Sec.47

Inscribed Stock abolished for London Transport Stock

The first of the other issuing bodies voluntarily to follow the sign post of the way ahead was the London Passenger Transport Board who made, on 28th August 1942, under the authority of the London Passenger Transport Act 1933, the London Transport Stock (Amendment) Regulations 1942 providing for the immediate transfer of all Inscribed Stock to Registered Stock and the issue of certificates. Effect was given to these Regulations on 30th September 1942. Since, all told, the number of Inscribed holdings was only 351, it was found possible to prepare all certificates at once and to issue them as and when a stockholder's instruction for disposal was received.

Meanwhile Treasury regulations were in course of preparation and finally became effective on 1st January 1943 as Government Stock Regulations 1943 superseding previous regulations for all British Government Stocks, except Annuities for Terms of Years, so far as registers at the Bank of England and at the Belfast Office of the Bank of Ireland were concerned. Certificates, which were to be prima facie evidence of title, were to be issued to holders acquiring new Stock upon issue, or by transfer. All persons who were at the time holders of Inscribed Stock were also entitled to receive certificates of title to their holdings. All Stock and registered Bonds were to be transferable by instrument in writing. The overall effect was, of course, the final abolition of Inscribed Stock for Government Securities and the general application of the transfer by Deed procedure to all such Stocks.

In view of the large number of Inscribed Stock accounts it was clearly impossible to issue certificates forthwith automatically and it was arranged to await a stockholder's formal application or until some form of transfer was received. Although in theory all Stock was now of one category there would, of course, for many years to come, be accounts for which no certificates had been issued. It was therefore decided that pending any action the former

Inscribed Stock abolished for all British Government Stock except one

Certificates for Inscribed Accounts issued on application

S.R. & O. 1942 No.1717

Box 67/1

Box 59/5 and 59/12 and 1943 No.1

S.R. & O.

C/A's Orders 1379

Dead and Inscribed Categories of a Stock managed in same office

"Inscribed" accounts would remain in their existing cut-ups and would in future be referred to as N.C.(non-certificated) accounts. Hitherto the registered and inscribed sub-registers of a Stock had been housed in different offices but during October 1942, in anticipation of the merging of both into one register, regrouping took place so that each complete Stock became the sole responsibility of one office.

Application for the issue of a certificate or for the transfer of Inscribed Stock involved the movement of Stock from an N.C. cut-up to a Registered (or Certificated) Stock cut-up. The increase in the number of accounts in the latter was likely to be considerable and, unless the number of cut-ups in use could also be increased, the unchecked growth of the existing ones would have seriously complicated the work of preparing dividends.

It will be remembered that account pages were grouped in numbered cut-ups (to facilitate machine posting and management generally) and their cut-up placing continued to be determined on an alphabetical basis. If this practice had been adhered to it would have created very difficult problems had it become necessary to sub-divide an established cut-up. It was, however, now decided that there was no valid reason for maintaining an alphabetical association with a particular numbered cut-up division. Agreement was reached with the Dividend Preparation Office as to the maximum number of accounts which could be conveniently dealt with in any one cut-up. Certain cut-ups were designated to receive all new accounts until the agreed maximum was reached; Dividend Preparation Office would then inform the Transfer Office concerned of the cut-ups which might next be filled up to the maximum, or request that entirely new ones be opened.

As from 1st September 1943 Inscribed Stock was

abolished for London County Council Stocks under the provisions of the London County Council (Money) Act 1943.

In subsequent years the various issuing bodies for whom the Bank act as Registrars have, where necessary, sought statutory

New accounts no longer allotted to cut-up on an alphabetical basis

Inscribed Stock abolished for London County and Metropolitan Stocks

C/A's Orders No.1379

L.C.C. (Money) Act 1943

Stocks which are still Inscribed

authority for the abolition of Inscribed Stock. At the present time (December 1951) the only exceptions are the remaining Indian Government Securities, the Indian Railway Annuities, Queensland Government 3½% Stock 1950/70 and Annuities for Terms of Years, but all are of course transferable by instrument in writing under Government and other Stocks (Emergency Provisions) Act 1939 while that Act remains in force.

* * * * *

In June 1943 approval was given for the discontinuance of the issue of forms of receipt for certificates, with a view to the economy of staff and material. The saving on fanfold paper amounted to something between a sixth and an eighth, and in labour it was also considerable because, if receipts are of any value, it is necessary to ensure that they are returned and properly filed.

Mention should also be made of slight variations in practice, introduced during the war, in dealing with other fanfold vouchers. Jobbers' Balance Book debits were previously preliminarily marked off from debit vouchers and the final details were completed from the transfer. At the beginning of the war when the Jobbers' Balance Books were removed from the offices concerned and returned to London it was decided it would be sufficient to rely on a marking off from transfers only. These were sent daily to Head Office after the completion of passing and posting and were returned promptly for the issue of the certificate. The circular vouchers were at that time still sent by post in accordance with pre-war practice. Later it was decided that the circular vouchers (notices) for Jobbers' Debits would be sent each day via the Jobbers' counter in Head Office, where they would be used, instead of transfers, for marking off Jobbers' Balance Books before being handed to the Jobbers concerned.

* * * * *

In December 1943, at the suggestion of the Discount Office, Jobbers' facilities were granted in certain

Receipts for Certificates dropped

Box 99/3
Sec.3

Jobbers' Circular Vouchers issued to mark off Balance Books

specified stocks to Discount Houses, who previously dealt in the Money Market in Bonds, but were now using certificates instead and found even a short delay in obtaining the latter a handicap. As with the Jobbers proper, they were then automatically entitled to receive certifiable balance statements on demand, but with this difference, that it was not necessary for the Discount Houses to return issued statements the following day but only when seeking certification and then only for the amount concerned. These statements, therefore, unlike those for Jobbers, can and do remain in existence for long periods. In March 1946 when some amendment was made in the form of certifiable balance statements a more formal pattern document was produced for use in connection with the Discount Houses balances.

Box 29/6
Sec.1

Money Market
Jobbing
Account
Designated
"Z" account

When it was necessary to keep money market accounts separate from other holdings in the same name it was arranged that the former would generally speaking be designated "Z" account.

Box 29/6
Sec.1

* * * * *

Difficulties still arose in connection with transfers out of the names of corporate bodies. Upon comparing executions under Seal with specimen sealing instructions furnished to the Bank discrepancies were often discovered which resulted in delaying registration. The differences were usually due either to a somewhat free interpretation by the company of its own rules or to neglect to notify the Bank of a change in practice. In April 1944 the Bank agreed that, if requested by a Selling Broker, they would examine an execution under Seal prior to certification and would mark the transfer to indicate the execution would be acceptable for registration. The Financial Times commented on these arrangements in their issues of April 14th, 15th and 19th 1944 and the publicity then given was to influence decisions on practice in the future.

Box 99/4
Sec.2

C/A's Orders
No.1462

Box 99/4
Sec.1

The procedure was in tune with that which had been adopted on a minor scale, in December 1941, in connection

Marking
Certified
Transfer
executed by
Attorney

with executions under Power of Attorney. At the instance of the Glasgow Stock Exchange, the Bank had then agreed, if especially requested to do so at the time of certification, to mark a transfer signed by attorney on behalf of a seller "Power Exhibited", in cases where one had been exhibited and was acceptable.

C/A's Orders
No.1321

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The return of the Department to London did not affect the general procedure then in operation. The time was not opportune for the introduction of variations in practice which the re-institution of over counter contact would have necessitated. Uniformity was presumably thought more likely to maintain efficiency with economy of effort, and it was with this end in view that the London Jobbers' Balance Books for non-Government Stocks were taken over by Jobbers' Section at Head Office in June 1945.

Jobbers'
Balance
Books for
non-Govern-
ment Stocks
transferred
to Head
Office

Box 29/6
Sec.2

Transfer
Office
Line

On the 13th June 1945 instructions were given defining precisely the work to be included in the daily Transfer Office Line, the object being to ensure London and Country Brokers enjoyed exactly the same conditions. Prior to the war the advantage of the London Broker amounted to one day for registration and in the case of certification by the Bank up to two days.

C/A's Orders
Nos.1520
and 1524

* * * * *

When in 1939 it was arranged to give Stock clear on the third day after lodgment a form of notice to the transferor was then approved which contained the following:-

Box 71/3
Sec.2

"If you object to the transfer your reply should be immediate, quoting the transfer number above. If no reply is received, the transfer will be registered in due course".

Experience had shown that this wording had been taken to imply that registration would not be effected if an objection was made and the Bank were anxious to find a form which would avoid ambiguity.

Section 9 of Government Stock Regulations 1943 merely referred to the issue of a written notice of transfer from which it appeared that nothing more than a plain

Marking
Certified
Transfers
Executed
under Seal

statement of fact was really necessary. However in March 1946 after discussing the matter with Freshfields, who pointed out that the object of a notice was to give a transferor an opportunity to object, the following form of wording was eventually approved as suitable for use in the future:-

"No acknowledgment is required unless you object to the transfer when your reply should be immediate".

* * * * *

Dividend
Instructions
embodied in
the Transfer
Form

It is not within the scope of this essay to discuss the possible advantages of the payment of all dividends direct to Bankers or the various appeals to stockholders to give the appropriate instructions. The use made of transfers in this connection must, however, be mentioned. During the War consideration had been given to the possibility of arranging for the embodiment of a printed request for the payment of dividends in the common form of transfer but the use made of the back of the document for stamp duty and Exchange Control declarations and the conflicting practices of different registrars made it impracticable. In September 1946, as an experiment, the Bank arranged to impress a form of dividend payment request by rubber stamp on the back of all transfers lodged for certification out of a Jobber's name where it was thought that upon registration in the buyer's name a new account might be opened. During a six months' test it was found that the request was completed in 22% of the transfers stamped and since this result was regarded as very satisfactory the experimental procedure was adopted as a permanent practice. (Note: In recent years some country and some Scottish law stationers have printed a form of interest mandate on the back of their transfer forms - August 1952).

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Occasionally temporary alterations in procedure have been made to overcome delays due to pressure of work. Sometimes as the result of experience the variation has been retained as part of the permanent practice but at other times a reversion to the original has been made as soon as possible.

Box 56/4 and
C/A's Orders
Nos.1578 and
1612

Two instances are perhaps interesting because in one case something thought to be essential was finally abandoned whereas in the other a practice, primarily of convenience to the public, and discontinued when it interfered with the flow of work, was re-introduced as soon as circumstances permitted.

Transferor
account
details
omitted
from N.C.
Stock Certi-
fication
Journals

In November 1946 during the Local Loans conversion and redemption operation the pressure of work in connection with the certification of N.C. Stock transfers was so heavy that, in order to give some relief, approval was given for the omission of details of the transferor account from the certification journal and for reliance to be placed solely on the quotation of the account page number. The practice was applied generally to all N.C. Stock certification Journals on 31st March 1947.

C/A's Orders
1605

Issue of one
certificate
for several
transfers
lodged
together
temporarily
in absence

When the nationalisation of all the Railway Stocks became imminent many transactions were made in the former Stocks for delivery after the vesting date as British Transport Stock. This resulted, in the early months of 1948, in the lodgment of an unprecedented number of transfers for registration against compensation Stock issuable on the receipt of advices from the various former registrars, acting on a far from rigid time-table. Many of the purchasers were Insurance Companies who generally asked for one certificate for a large number of credit transfers lodged together. The task of finding the various transferors' Stock arriving irregularly, in many cases from unspecified sources, and of finally linking up all the credit items into one certificate created a chaotic state of affairs. It eventually became necessary to deal with each transfer separately, on its merits, and to say that one certificate would be issued in exchange if all certificates were surrendered after a date to be notified later. Although the practice of issuing one certificate for several transfers lodged together is not one which really benefits the Bank it was re-introduced as soon as conditions in this

and other nationalisation vesting operations approached normality.

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Reversion to eight days for removal of distingas etc.

The war time provision permitting delay up to twelve days in the registration of a transfer, where a distingas was recorded, was withdrawn and a reversion to the pre-war eight day period took place as from the 12th October 1947.

* * * * *

Account pages as advised for raising Stock accounts

With the Electricity Stocks vesting operation in April 1948 an innovation was made. It was arranged that the companies' advices to the Bank of the compensation Stock to be issued should take the form of actual account pages, with carbon copies for use in connection with the preparation and despatch of certificates and for balance work. These account pages contained all the usual information.

In addition to account page advices in connection with the normal calling in of old Stock there were others resulting from the lodgment, with the former companies, of transfers for registration or certification. In the latter case particulars of transfers certified were noted on the back of the account page advice. The success of this practice prompted a suggestion in August 1948 for a simplification of the Bank's certification procedure by recording the details on the back of the appropriate account page instead of in an independent journal.

First use of back of account page for certification

Before accepting a certified transfer for registration it is necessary to have some means of verifying the details of certification; the ideal place for the record is, of course, on the account itself. In the days of manuscript ledgers it was clearly impossible to add the information to an account, which was one of eight on a ledger page. A written certification journal, to which it was always necessary to refer, was prepared and maintained. Later, while Deed Stock ledgers were still in manuscript form, a certification fanfold set was brought into use to provide a

S.R. & O. 1947
248
No. L3
C/A's Orders
1644

Detailed instructions for Electricity Stocks vesting operation

certificate substitute, with all the essential information, for attachment to a certified transfer lodged for registration. A fanfold journal voucher, which was subsequently filed in numerical order, was also prepared.

The transfer registration date was noted in the certification journal and since the inception of Deed Stock it had always been the custom of the Department to remind selling Brokers in the case of long outstanding certifications. Where an independent journal was prepared the practice, colloquially known as "clearing", presented no difficulty. As, however, no separate journal existed for certifications advised in the course of the Electricity Stocks vesting procedure reminding (or clearing) was impossible without periodic inspections of the account pages concerned, an altogether impracticable proposition.

A general simplification of the Bank certification procedure, therefore, required the prior approval for dropping the practice of reminding. Since the Bank had devised the Electricity Stocks scheme it was clear that it was now the opinion that it was no part of a registrar's duty to ensure that a certified transfer was in fact lodged for registration within any definite time. It was therefore agreed that, subject to a satisfactory test, the practice of preparing a separate certification journal and of clearing and reminding could be abandoned.

Clearing Certification Journals abolished

As the result of a six months experiment with the certified Stock of one office the following practice was approved for general application from 20th June 1949.

For Scheme
Sec Box 33/14
Sec.2

General Adoption of practice of recording certification on Account Pages

Certificates with transfers for certification or advices of certification from Stock Exchanges to be numbered and subsequently filed. No separate journal to be kept but transfers to be certified and records of certification or advice to be noted on the back of the account page, with the certification number, and checked. A fanfold set (of two vouchers only) to be used for dealing with any balance certificate. No reminding of outstanding certifications to

C/A's Orders
No. 1769

be made. When lodged for registration the certified transfer to be stamped "E.....Stock in D.C....."; the entry on the back of the account page to be initialed by the examination section.

Noting registration in N.C. certification journals dropped

In conformity with new procedure for certificated Stock, the noting of registrations in N.C. certification journals and the sending of reminders was dropped as from 14th July 1949.

C/A's Orders No.1776

N.C. Certification Journals abolished

In January 1950 the use of journal sheets for N.C. certifications was also abolished. The note of certification made on the face of the N.C. account page was amplified to include all the necessary particulars.

C/A's Orders No.1815

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Stopped transfers returned direct by Multigraph Form

Prior to the war when returning Transfer Deeds over counter for the correction of some discrepancy before acceptance for registration a form listing all the common reasons for stopping a transfer was used and a cross was placed against the reason for which that particular transfer was stopped.

C/A's Orders Nos.1174 and 1826

During the war when all Stocks became transferable by instrument in writing, and all contact was by post, the Correspondence Office work in connection with stopped transfers increased considerably. This was to some extent overcome by the use of multigraph letter forms when returning transfers for minor defects.

In 1949 a suggestion was made for the use of a special multigraph form which was in effect the adaptation of the pre-war over counter practice and was similar to an even earlier method (about 1920) of dealing with postal returns. After a six months' test, it was decided in March 1950 that in future, when unable to act on transfers lodged for registration or certification (except multiple lodgments covering two or more offices) they would be returned by means of a multigraph form, listing all the common reasons for non acceptance, a cross being placed against the appropriate item. Transfers so dealt with would be returned by the office

concerned direct thus relieving the Correspondence Office of a considerable amount of routine work.

* * * * *

From time to time cursory reference has been made to fraudulent and non-fraudulent irregularities. A brief description of some of them may be helpful as indicating to what extent they should be taken into account when alterations in procedure are under consideration. The significance of the "Wilson" forgeries has already been explained; the other recorded cases of the actual forgery of signatures to transfers seem to have had no particular repercussions on practice.

Signature by one person for another

Generally speaking the irregularity most likely to be disclosed by the agreement of signatures is the "innocent" or non-fraudulent forgery when, for one reason or another, one person signs another's name without, as a rule, making any attempt to copy a signature. What is startling however is the irresponsibility of the seemingly reputable witness who is perfectly ready to declare that he has seen the person named sign a document when in fact he has not done so.

30 FE 1-26

Two cases of this kind, in neither of which was there any suggestion of fraud, were particularly remarkable. In one, a Solicitor himself signed and even witnessed a transfer on behalf of a client. When the genuineness of the signature was questioned the Bank received a letter in the stockholder's name, in the same writing as the signature, saying that the difference was due to ill-health. Later however the stockholder himself wrote to say the transfer was in order but that, as he was away from home, the Solicitor had signed for him at his wife's request. The transfer was impounded and a fresh one called for. So little did the Solicitor appear to appreciate the impropriety of his action that he even aggravated it by claiming compensation for loss due to delay in registration. He seems to have been unaware of the contents of the stockholder's letter and when confronted with the facts he was

Mar Stock Files 170 DS 21

obliged to admit writing the misleading letter attributing the difference to the stockholder's ill-health. The Bank informed him that they felt they had no option but to report the matter to the Law Society.

In the other case a Bank Manager signed his wife's name to a transfer of a joint holding and directed one of his clerks to witness it as the signature of the wife.

These and similar cases were discovered only as the result of signature comparison, a practice which Deloitte Plender & Co. in their 1927 examination found an unusual one for registrars. Since 1939 the complete responsibility for the authenticity of a signature to a transfer has been placed where it rightly belongs, upon the lodging agent, and no attempt is made to agree it. In view of past experience, however, it follows that, when it is necessary to establish identity, it would be unsafe to rely upon signature agreement alone, but it may be useful as confirmation when backed by other evidence.

Signature agreement alone not reliable

Fictitious Transfers

One type of forgery or fraud in connection with a sale can only originate in a Broker's office. In one such instance a Broker in Aberdeen received an order for the purchase of a sum of War Stock and, a few days later, a cheque in payment. In due course a partially completed transfer was sent for signature to the purchaser and was returned to the Broker. Nothing happened during the next few weeks but the purchaser had noticed that the reputed seller was resident in the Malay States and was probably not surprised by some delay. However a Press report that the Brokers were in difficulties alarmed him and prompted urgent enquiries at the Bank. It was then found that the person quoted as seller held no Stock at the time and, as a transferor, was a fictitious person. One of the partners in the firm was subsequently arrested, tried and sentenced to seven years' imprisonment.

In another case a bargain was made between two country broking firms. A transfer bearing a Bank

170 28 81

170 28 82

certification was in due course delivered to the buying Broker against his cheque for payment. The transfer was completed by the transferee and eventually lodged for registration. It was then found that there was no Stock in the name of the supposed transferor, that the Bank's certification had been forged by a clerk in the selling Broker's office and that the person named as transferor was non-existent. The selling Broker's clerk appeared to have carried through the whole transaction without the knowledge of his principal, had cashed the cheque and absconded.

Forged Initial

Minor irregularities occur in Brokers' offices when transfers are returned for an alteration to be initialled by some, or all, of the parties to the transfers. Even when the time factor suggests that the initials are hardly likely to be those of the stockholders, it would still be very difficult to prove that they were not, unless the Brokers' clerks concerned had made some glaring mistake. Unfortunately for some of them there was at one time a Mr. T.E. Hart acting as attorney for the Jobbers, Francis & Praed. His signature, although very well known to the Bank staff, could only be read by any one unfamiliar with it as "T.E.start". When therefore transfers were returned for initialment by Francis & Praed's attorney they were frequently relogged bearing the initials "T.E.". Many clerks in many different Brokers' offices have been summoned to the Bank and severely admonished on this account.

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Misuse of Certificates of Title

Certificates of title also could be put to improper use. It had always been a matter of normal business procedure for Banks and others to accept share certificates, with undated transfers in blank, as security for loans, or as cover for an overdraft. Generally the Banks served a notice of lien on the registrar concerned.

Certificates deposited as Security with Transfers in blank

It was a most convenient practice, particularly with shares subject to certain liabilities, e.g., calls and stamp duty. Furthermore it did not interfere with voting rights, or with

the payment of dividends direct to a stockholder; and the formalities were simple when it was necessary to make a change of security. Naturally it was assumed that so useful a practice would be equally applicable when British Government Stocks became transferable "under hand", despite the fact that the Bank, as Registrars, were not prepared to accept a notice of lien.

However a change of opinion took place as the result of what might perhaps be described as cases of "dormant" forgery, where an individual, who rightly or wrongly had come into possession of another's certificate of title, had impersonated the stockholder named in the certificate. The two following examples illustrate the type of fraud perpetrated.

Fraudulent
use of
certificates

A father lent a son a certificate for Government Stock so that the latter might lodge it with his own bank as security for a loan. The son represented to his bank that he was the person named in the certificate (the bank had no knowledge whatever of the father and, except for an additional Christian name, their customer's name was the same as that quoted in the certificate). A transfer in blank was completed and signed by the son. Some time later he actually authorised the sale of the Stock to repay the loan. The Bank's notice of transfer produced an immediate objection from the father and the facts were discovered.

In the other case (which is a matter of recollection) a widow was left sole legatee and executrix of her husband's estate. He apparently held an Industrial Assurance Policy and some securities represented by Register Certificates on which a former address appeared. The Assurance Company's agent called and finding the widow did not know how to deal with her husband's affairs offered to arrange matters for her if she would give him all the papers. He did apparently instruct a Solicitor on her behalf, for probate was obtained and the death registered on all the accounts, but instead of handing back all the certificates

170 DS 27

the Assurance Agent retained some. He then called at a Branch Bank in a neighbouring town with a view to opening an account. This seems to have been the meeting of a plausible opportunist with a bank manager anxious for new business at all costs. The prospective customer, presumably self introduced, represented himself to be the person named in the certificates and suggested opening an account with a right to overdraw to a certain amount against stock as security. This was agreed to and transfers in blank were completed. The new customer exercised his right in full, so promptly, that the manager thought it advisable to make enquiries, but by that time his new customer had disappeared.

An instance also comes to mind when the holding of a deceased stockholder was disposed of under the joint indemnity of the executor and a bank in the belief that the certificate had been lost or destroyed when it was in fact held by a money lender as security for a loan. It so happened that the money lender had died about the same time as the borrower and it was not until the former's affairs, which were more complicated, were dealt with that the facts became known. A settlement was made in which the Bank were not involved.

Stock offered
as security
transferred
to Nominees
of lending
bank

While cases like these were, of course, extremely rare they seem in the middle twenties to have been sufficient to bring about a change in the conditions under which joint stock bankers made advances to private individuals against holdings of British Government Stock as security. It was arranged that in future the Stock involved would be actually transferred to security accounts in the names of nominees of the lending bank. For a time the change resulted in an increase in the number of objections. Generally speaking transferors complained that they had not intended to part with their stock. Possibly present day bank managers are less chary of explaining matters to their customers for it is now seldom that an objection is made to a transfer of this type.

Certificates of title to British Government Stocks

play quite an important part in the National Economy and since they can be put to improper use it is most important to ensure that no action by the Bank could ever be said to be a contributory factor to any irregularity. It must therefore always be borne in mind that, except where there is direct evidence of theft, it is a matter of normal commercial practice that the physical holder or presenter of a certificate of title, and not the individual named in it, is the person entitled to its return or to receive any certificate issued in its place. If a certificate lodged by one person is to go to or be used by another then the authority of the lodger must be obtained.

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From 1929 to 1931 the "Arthur Wheeler Case" was the

cause of considerable concern to the Bank and the Treasury although it was a matter in which neither was directly involved. It serves, however, as an admirable illustration of the dangers to which the unwary expose themselves, even in transfer dealings in gilt-edged securities, when business is entrusted to those not subject to the rigid code of behaviour Stock Exchanges, and particularly the London Stock Exchange, impose on their members. Arthur Wheeler & Co. of Leicester were Stockbrokers with no Stock Exchange affiliations. There were two partners, Sir Arthur Wheeler, Bart., D.L., J.R., a man of very considerable standing in the Midlands who had been created a Baronet by the Lloyd-George Administration for financial services in connection with the 1914-18 war, and a Mr. G.V. Smith. The firm advertised extensively, circularising individuals by post, and, although they were prepared to handle any security, they were, at the relevant time, dealing mainly in $\frac{7}{8}$ War Stock. Having emphasized, in their circular, the attractiveness of gilt-edged stock for those seeking a sound investment, they would state that they had a given amount of $\frac{7}{8}$ War Stock for disposal at a certain price, and that they were prepared to sell any sum of £50 upward.

Persons
entitled to
receive
certificates

Fraudulent
use of
transfers

Box 58/9
and
170 DE 67

Attached to the circular, for the use of the would be investor, was a talon on which he could request that so much stock be reserved for him at the price stated and with which he was invited to enclose the purchase money. On the receipt of a request Wheeler & Co. would at once send a contract note together with a transfer signed by William Flewitt of Nottingham, as transferor, in favour of the purchaser, for signature by the latter, and for immediate return with a cheque in payment if the purchase money was not already in Wheelers' hands. Flewitt was merely the nominee of Wheeler & Co. and, in view of the number of transactions effected, his stock accounts at the Bank were dealt with in the same manner as those of "postal jobbers". That is to say, no certificates were issued for credits and all transfers out were deducted from or certified against a running balance.

From 1927 the activities of Wheeler & Co.

attracted the increasing attention of the Accountant's Department. Enquiries began to be received from persons who wanted to know why there was delay in registering stock which they had purchased from Wheeler & Co. and had paid for. The delays often amounted to months and even increased as time went on. In several instances Wheelers had paid accrued dividends by cheque. Generally speaking no stock could be traced in an enquirer's name but a transfer in his favour would often arrive shortly after, presumably as the result of an earlier complaint direct to Wheeler & Co. It was clear from the tone of the various letters received that Wheelers were implying that the delay was due to the Bank.

Although there was no evidence that any purchaser had so far failed to obtain his stock it was becoming clear that there was increasing delay on the part of Wheelers in completing bargains despite the fact that their clients had paid cash.

Normally a purchaser of stock, through a Broker, could expect delivery, against cash, of a certified transfer

Box 58/9
Sec.2

Box 58/9
Sec.2

Normal lapse of time between bargain delivery of transfer and receipt of certificate or transfer with a certificate attached within five days of making a bargain. The transfer would then be signed by him as transferee and lodged at the Bank for registration. A certificate in his name would be issued ten days after lodgment for registration. Fifteen to twenty days then might have been regarded as the average time in which to obtain a certificate of title to a purchase of stock.

Flewitt's stock account was put in credit from time to time by the registration of Bonds, which Wheelers presumably purchased with the cash received. Immediately after, transfers out of Flewitt's name would be lodged for registration and the resultant certificates in the transferees' names would be sent to Wheeler & Co. as the lodgers of the transfers.

In the autumn of 1929 the 5% Conversion Loan was issued carrying with it the right of conversion of 5% War Stock equivalent in amount to the sum of new stock subscribed. For a small charge Wheelers offered to effect the conversion of the War Stock holdings, of those not in a position to subscribe new money, against the firm's own subscriptions to the 5% Conversion Stock. So far as transactions could be traced holders accepting this offer completed a transfer of War Stock in favour of Flewitt but instead of converting this stock Wheeler & Co. seem either to have sold it for cash or used it to complete their outstanding bargains in War Stock. Cash receipts, then, appear in the main to have been applied in subscriptions to the new loan in Flewitt's name and transfers of 5% Conversion "A" Stock (which carried a slightly lower first interest payment than the converted stock) began to be lodged in favour of some of those who had surrendered War Stock. Stockholders seem to have been quite unaware that the stock they received was the result of a new subscription and not the conversion of War Stock.

By November 1929 a somewhat formidable list of complaints had been accumulated and the Bank consulted Freshfields and the Treasury. However it was felt that some

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Sec.2

Box 58/9
Sec.1

far more concrete evidence was required before instituting an official enquiry into Wheelers' affairs. To force a crisis might do irreparable harm to his clients so it was decided in March 1930 that Sir Arthur Wheeler should be called to London and warned that he must cease making excuses which imputed blame to the Bank. Representatives of the Bank, the Treasury and Freshfields were present at the interview as the result of which it was hoped Sir Arthur Wheeler would be impelled with an urgent necessity for putting his house in order. He made plausible excuses and gave explicit assurances that no one would lose by their dealings with him.

However a year later, on the 3rd March 1931, Wheeler & Co. filed a petition in bankruptcy with the ultimate result that criminal proceedings for fraudulent conversion were taken against Sir Arthur Wheeler and his partner Mr. G.V. Smith. In October 1931 they were tried at Leicester Assizes and convicted.

In the fortnight following Wheelers' failure the Bank received 173 enquiries from various persons claiming stock totalling over £7,000 to which they said they were entitled as the result of their dealings with the firm and which they had not received.

It would be rash to assume that a case of widespread fraud could not occur now; if there is anything to gain, the ingenious can generally find ways of circumventing regulations particularly if there is laxity in their application. Anything exactly similar has, however, become almost impossible since the passing of the Prevention of Fraud (Investments) Act 1939 under which all dealers in securities, other than members of recognised Stock Exchanges, are licensed by the Board of Trade. Furthermore the London Stock Exchange rules in this connection are now more stringent.

So extensive were the dealings of Wheeler & Co. that they undoubtedly did considerable business with members

Box 58/9
Sec.2

of various Stock Exchanges on a part commission basis.

Under Rule 198 members of the London Stock Exchange are now forbidden to share commission with anyone who advertises or in fact with anyone who is not a member of a recognised Stock Exchange Association. Additional emphasis was given to this rule by the London Stock Exchange Committee as recently as January 1952.

Alleged responsibility of a dealer's nominee

The case produced one interesting side light. One of Wheeler's victims commenced a civil action against William Flewitt on the grounds that having signed a transfer in favour of the complainant, he, Flewitt, had failed to see that sufficient stock was reserved to meet the transfer when lodged for registration. This raised the whole question of the responsibility of nominees and the extent of their liability. Little is known of the internal workings of a Jobber's office or exactly how each operates a nominee account, but it seemed more than likely in this case that, apart perhaps from the quotation of the transferor's name and address, Flewitt signed otherwise blank transfers which Wheeler used as he thought fit.

Flewitt, of course, denied responsibility and said that the plaintiff's position was the result of his own imprudence in paying cash against a transfer which was uncertified or unsupported by a certificate in the transferor's name.

The plaintiff was evidently advised that his claim against Flewitt would not succeed, because the case was eventually withdrawn.

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In 1949, as one result of a comprehensive examination of the work of the Accountant's Department by a specially appointed Court Committee, the "Abell Committee", it was decided that as from the 2nd January 1950 no fresh instructions would be accepted under the Accumulative Dividend Scheme for the investment of dividends except in certain special cases and in the case of the London County

Accumulative Dividend Scheme Discontinued

Council Stock where the scheme had figured as an inducement in the various prospectuses. Since then, as a means of simplifying the management of what is now a gradually wasting feature, steps have been taken to concentrate the remaining accounts concerned into one cut-up of a Stock rather than to leave them distributed over all the cut-ups.

* * * * *

Nearly ten thousand different Securities, having a total nominal value of about £28,000,000,000, are quoted on the London Stock Exchange. Of these the Bank are registrars of some 150 British Government and other Stocks representing about £15,000,000,000 Stock, or approximately 54% of the total quoted, divided among some three and a half million accounts. The remaining 46% of the grand total quoted is dealt with by several thousand small registrars. By 1950, therefore, less than forty years after it first became possible to transfer Government Stock by Deed the Bank find themselves responsible for the control of by far the largest single stock registry using the method of transfer by instrument in writing.

All registrars naturally endeavour to carry out their duties in what they, individually, consider the most economic and efficient manner consistent with safety and in conformity with regulations. Differing conditions, however, make complete uniformity of practice impossible. Mechanised accounting for instance may determine the shape and form of interest warrant and tax voucher in one case whereas manually produced documents can be varied at will. In some cases too a register is closed for the preparation of dividends whereas in others a balance is struck on a given date and transfer work continues. Some precautions which seem essential to a small registrar could not be applied in a larger one, e.g., the recording and issuing of new certificate paper from a bound volume containing counterfoils.

Box 5/5

Effect of Bank's predominant position among Registrars

Official pamphlet issued by Stock Exchange to candidates in 1951 General Election

Obligations of the Bank as Registrar Since the methods adopted by a predominant registrar may set a general pattern or be used as a lever to obtain concessions from a smaller one the Bank are in a singularly delicate position. When considering alterations in practice, therefore, their attitude must be governed by a balanced consideration of the following:-

- (a) the advantage to themselves.
- (b) the possible effects on the popularity and ready marketability of Government Stocks.
- (c) the "big-brother" relationship to the small registrar.

The first two are fairly easy to assess but the third is rather more difficult.

For instance the position of Jobbers on the Consols Market, where dealings are for cash on a very large scale, is in no way comparable with that of a totally different group of Jobbers dealing in a whole series of commercial securities on a fortnightly settlement basis. The arrangement the Bank make with the former would, therefore, only be governed by the first two considerations mentioned.

In the ordinary day by day handling of transfers, however, the Bank should be a model of correctness and always insist that such documents should be fully and properly completed. It would be very unfortunate if some other registrar were requested to overlook a proper requirement, e.g., the omission of a witness or a signature to an Exchange Control declaration, because in a similar case the Bank had seen fit to do so. There is, of course, no suggestion that the Bank should ever revert to the ultra cautious and somewhat restrictive attitude it was felt necessary to adopt in the early formative years.

The ultimate effect of one alteration made by the Bank during the war was somewhat curious. In 1943 the practice of asking for the return of a form of receipt for certificates despatched by post was discontinued, as a temporary wartime measure, on the grounds of economy of labour and paper. Since no other interests appear to have been consulted the expected benefit from these economies was

presumably an overriding factor. Incidentally the recipient of a certificate also benefited in that he was no longer called upon to pay postage for the return of a receipt. In 1948, in what might be regarded as the logical sequence of events, the Council of Associated Stock Exchanges approached the Chartered Institute of Secretaries with a view to the all round discontinuance of the practice of requiring receipts for certificates. To the small registrar the issue and return of these receipts would scarcely present any problem, and the proposal was

apparently unacceptable because in 1950 this same Council unexpectedly suggested that the Bank should revert to the pre-war practice of issuing forms of receipt with certificates. Disgruntled country brokers asked to give indemnities for duplicate certificates to replace originals lost in the post had complained that since they did not know when to expect a certificate they were often totally unaware that it had been lost. In suggesting that the issue of forms of receipt might be of assistance in this connection the Council evidently hoped that, if the Bank could be persuaded to re-institute their use, prompt steps would no doubt be taken to ensure the early return of the forms.

There would have been far sounder grounds for asking the Bank to quote in transfer receipts a date when certificates might be expected. At one time, when the registration of a transfer could be expedited by an early expression of approval, the due date of the certificate was stated in the transfer acknowledgment and although this may have induced lax methods in the recipients' offices it was in no way intended to relieve lodging agents themselves from taking elementary precautions to ensure that the certificates due to them were actually received. The Bank pointed out that the use of receipts could have no possible effect on the relatively few losses in the post and that, in any case, existing conditions did not warrant the re-institution of less economic practices.

Brokers suggest Receipts for certificates

Box 99/3
Sec. 3

Quotation of due date in transfer receipts

Actually of course receipts for certificates are only of value to the registrar to whom they are given. When, in the past, a Broker had categorically denied ever having received a particular certificate the production of his receipt probably forestalled abortive arguments against the completion of an indemnity. It is somewhat astonishing therefore that plea for the re-introduction of their use should have been made by Brokers.

Advocates of change are by nature optimistic. It may, however, almost be taken as axiomatic that, despite all precautions, alterations in practice, however desirable in theory, will produce unforeseen complications in practice. Generally speaking, of course, these are of a minor nature capable of simple adjustment. Now and again an alteration in procedure will pay a "bonus" in the shape of an unpredicted benefit.

Two examples may serve as an illustration. The mechanised system was launched with high economic expectations which were later somewhat damped down when it became apparent that the effects of the tedium and delay inherent in the many necessary sorting processes had been underestimated. If there were any initial doubts they were mainly on the grounds of security but, after years of practice, it would seem that internal fraud is now probably more difficult than before because it is necessary under the system for a transfer to pass through more hands than formerly and through machine processes as well.

In the other case the Bank became aware that the Certifiable Balance Statements, which were first introduced purely for the benefit of Jobbers, might upon occasions provide a warning that a particular Jobber was running into difficulties. As already explained these statements or tickets are used to finance day to day transactions when a Jobber is obliged to carry on his books more stock than he might normally expect to hold in relation to his average volume of business. If therefore a particular Jobber begins

Added
security
under
mechanisation

Certifiable
Balance
Statements
as warning of
instability

to ask regularly for statements for every small item credited it may be an indication that he is reduced to working on a very narrow margin. The Consols Market is of great public interest and since the Bank grant special facilities, enabling Jobbers in that market to use stock before it is even possible to examine the transfers by which it is acquired, they are naturally vitally concerned if there is any hint of instability in any jobbing firm's position.

Failure of
Jobbing
Firms

Apt illustrations are provided in the cases of two small jobbing firms, Gibbs & Tatham and E.B.Sibley & Co. The former was "hammered" on 11th April 1950 and the latter escaped hammering, due to the intervention of the Bank in the public interest, but was obliged to cease dealing on 21st April 1950. By special arrangements Sibley's bargains were taken over by another firm. Prior to these incidents no Jobber in the Consols Market had failed during the past twenty years so although there were clues to the situation it is perhaps not surprising that their significance was not fully appreciated until afterwards. For some little time previously both firms had been applying for certifiable balance statements for nearly every credit item however small but it was not until the final phase when there was delay in returning them on the following day that the true position became apparent.

Box 117/1

Supervision
of Jobbers
suggested

A direct result of these events was an approach by the Bank to the Stock Exchange with a suggestion that since special facilities were granted to Jobbers it would not be unreasonable to expect them to accept some form of supervision to ensure that the privileges were not misused. After some months of consultation it was eventually agreed that Jobbers in the Consols Market would in future submit annually through the Stock Exchange Council an auditor's certificate of solvency.

Box 29/6
Sec.3

Jobber's
Certificate
of solvency

It is also quite a normal practice for the different Banks to arrange to hold stock on behalf of

Jobbers in accounts in the names of certain of their own subsidiary companies. The special stock accounts opened in the names of Bankers' Nominee Companies for this purpose had in the past been given Jobbing facilities. These privileges were only granted to help overcome Jobbers' difficulties in carrying through large dealings properly undertaken in the Consols Market and they were never intended to be used for anything other than genuine Jobbing transactions. In course of time however the scope of some of these special accounts seems to have been widened and it was thought that other interests might now be enjoying benefits to which they were not entitled and which might even be an inducement to indulge in purely speculative transactions of an undesirable nature. The Bank therefore thought the time opportune to regularise practice. They informed all the Banks concerned that the special facilities could only be continued if explicit assurances were given that all the accounts concerned were used solely for the purpose of holding Stock which was that particular Bank's own property or was genuinely "market money" held on behalf of firms who were recognised as Jobbers or Money Brokers in Stock Market business. Complete co-operation was forthcoming from all concerned and by mutual arrangement the facilities were discontinued in several cases.

* * * * *

Government Stock Regulations 1943 and various

subsequent regulations by other bodies abolished inscribed stock and provided for transfer by instrument in writing with the issue of a certificate of title for all new and existing holdings. As already explained circumstances at the time did not permit the wholesale issue of certificates for the existing accounts but in January 1952 it was decided to commence the task, dealing with a stock or a few stocks at a time. Individual stockholders are circularised and asked to give signed instructions for the despatch of the appropriate certificate. When all certificates have been issued transfer procedure will be uniform for all accounts,

Bank
Nominee
Companies
and Jobbing
facilities

Box 29/6
Sec.4

certification will be simplified and should tend to decline in volume. Furthermore the existence of a certificate is an asset so far as internal security is concerned.

* * * * *

An explanation has already been given of the differences between transfer by Deed under hand and seal and transfer under hand alone and of the commercial advantages of the latter. Those examining transfers frequently remark that the documents they are dealing with appear usually to be by Deed under hand and seal when all that is necessary is a transfer under hand. This is inevitably the case where corporate bodies are concerned. In this connection the question of validity would arise only if it were alleged that the deed had been completed in blank. Registrars, of course, would seldom receive an incomplete transfer so, from the Department's point of view, the question is largely academic. It would seem from past decisions of the Courts in certain cases of this nature that a seal can be disregarded and a transfer treated as a document under hand if regulations governing the management of the Security concerned only require that form of execution. The use of a seal in such a case, even if there is no other means of execution, does not make the document a deed. Should the Bank be asked, as upon occasions they have, to certify a transfer of Government Stock in blank there appears to be no legal reason why they should not do so. The request has always been refused because of the difficulty of identifying particular items when large numbers of certifications of similar amounts may be made from one account. The surname of a transferee only has occasionally been accepted; it is a practice however which might be improper in those few cases where regulations require the use of a deed because obviously the document could not have been complete in all respects when executed by the transferor.

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Effect of
transfer by
Deed when
transfer
under hand
only is
required

Box 110/13
Sec.15

Certification
of transfer
in blank

Issue of
Certificates
for R.C.
Stock

Bearer Bonds and Stock Certificates are not now so important a factor in the work of the Department as they once were but questions about the differences in their characteristics are still occasionally asked. Both are bearer documents having coupons attached for interest payments and are transferable by delivery. Stock Certificates in Government and India Stock were issued under Bank signatures as registrars and entitled a holder to have Stock of an equivalent amount inscribed in his name. At one time by writing a name on a Stock Certificate it was possible to ensure that it could only be inscribed in the name of that particular person. This practice was abolished under the Finance Act of 1937.

Bearer Bonds are actionable documents issued under the direct authority and signature of the borrowing body (in the case of Government Stocks H.M.Treasury) and entitle the holder to the payment of a certain sum of money on a stated date. If therefore it is hoped to induce foreign investors to subscribe to Government Loans a Bearer Bond is likely to be more attractive than a Stock Certificate because the former, on the face of it, is a direct obligation of the British Government.

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No attempt has been made to describe arrangements made for dealing with special types of Securities such as Registered Victory Bonds and the Stocks issued under the Trades Facilities Acts or for such extraordinary operations as the taking over of the Nationalisation Stocks. The ad hoc procedures approved for such cases hardly come within the scope of a general history. All reference to Stamp Duty, which is such an important feature of most registrars' duties, has also been omitted because this is in the main an account of the developments of a method of transfer for British Government Stocks which are not subject to Stamp Duty on transfers. The Securities managed by the Bank to which it does apply are all concentrated in one office which already has detailed and fully documented instructions.

Special
operations

Stamp
Duty

Concessions
to Scottish
interests

One other point of interest must not be overlooked. The Scottish legal profession had always maintained that the Common Law and Custom of Scotland ought to be recognised by the Bank when dealing with Scottish holdings in British Government Stocks. The Bank's view was that since the Registers were kept in England the Securities were properly subject to English Law. However, from time to time, between the wars steps were taken to remedy grievances as far as possible. The principles established in this way were eventually incorporated in Government Stock Regulations 1943 under Sections 14, 15 and 16 of which special provisions were made for dealing with infants domiciled in Scotland, trusts subject to the law of Scotland and the execution of documents in Scotland on behalf of certain persons.

Boxes 65/3
and 65/4

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In conclusion it may not be inappropriate to point out that with stockholders counted in millions the work of the Department has and always will be very much before the public. Critics are and always will be quick to censure seeming shortcomings and supposed falling off in standards. A great deal of alleged red tape will continually be discovered by individuals who are more fortunately placed than those who are responsible for ensuring that a general practice conforms to the provisions of an incredible number of Acts, Regulations, Ordinances and Trust Deeds some of which bear such uninformative titles as, for example, Title Act, Administration of Justice (Emergency Provisions) Act, Hurricane Loan Regulations, Thames Conservancy Act and Parochial Church Councils (Powers) Measure.

Box 58/2

