

UNITED NATIONS

General Assembly



Distr.
RESTRICTED

A/AC.21/UK/128
27 April 1948



27 April 1948

UNITED NATIONS PALESTINE COMMISSION
Communication Received from United Kingdom
Delegation Concerning Palestine 3% Defence
Bonds & Palestine Savings Certificates

The following communication, relating to Palestine 3% Defence Bonds and Palestine Savings Certificates, has been received from Mr. Fletcher-Cooke of the United Kingdom Delegation.

UNITED KINGDOM DELEGATION TO THE UNITED NATIONS
Empire State Building
New York 1, N.Y.

26th April, 1948

My dear Bunche,

I should be grateful if you would bring the following information relating to Palestine 3% Defence Bonds and Palestine Savings Certificates to the notice of the Commission.

(1) These Bonds and Certificates (which should, of course, be distinguished from the Bearer Bonds) were issued under the Palestine War Loan Ordinance of 1941 for the purpose of lending the proceeds to His Majesty's Government in the United Kingdom to asset war expenditure. The Bonds and Certificates were issued by the Government of Palestine on prescribed terms of redemption; in the case of the 3% Defence Bonds, seven years from the date of purchase and in the case, of the Savings Certificates, the normal ten-year period.

(2) Thus this money was raised in Palestine by the Government of Palestine and then re-lent by the Government of Palestine to His Majesty's Government in the United Kingdom. Under the Palestine War Loan Ordinance of 1941, the liability to repay the holders of these Bonds and Certificated lay with the Government of Palestine but His Majesty's Government have recently assumed the responsibility hitherto falling upon the Government of Palestine for the repayment of these Bonds and Certificates.

(3) On the 16th April, an Order was made by the High Commissioner for Palestine repealing Section 4 of the War Loan Ordinance, 1941 and thus relieving the Government of Palestine (4) The obligation which His Majesty's Government in the United Kingdom will incur to honour these Bonds and Certificates will, of course, be provided for by legislation in the United Kingdom and not by local legislation in Palestine.

(5) Clause 5 of the Order is designed to release the Government of Palestine and the Postmaster General from any liability to proceedings for failure to issue Bonds in accordance with Rule 7 of the Rules in cases where applications have been made after 1st August 1946. An alternative method of dealing with this problem by making Clause 4 of the Order retrospective to the 1st August 1946 could not be adopted because orders under the Palestine Order in Council 1948 cannot be made retrospective to a date before the Order in Council came into force.

(6) A copy of a Press Communique relating to Government sponsored securities in Palestine, which was issued on the 16th April together with the Order referred to above, is also enclosed for the information of the Commission.

(7) As the Commission will observe, this communique deals not only with the arrangements referred to above as regards Palestine 3% Defence Bonds and Savings Certificates, but also refers to

- (a) Bearer Bonds, and
- (b) The Palestine Post Office Savings Bank.

Yours sincerely,
(signed) J. FLETCHER-COOKE
(J. Fletcher-Cooke)

Dr. Ralph J. Bunche,
Principal Secretary to the United Nations Commission on Palestine,
United Nations, Lake Success.

COPY OF PRESS COMMUNIQUE ISSUED IN JERUSALEM ON 16TH APRIL 1948
GOVERNMENT SPONSORED SECURITIES IN PALESTINE

The following statement is published for the particular information of investors in Palestine, regarding the securing of investments in Bearer Bonds, 3% Defence Bonds, War Saving Certificates and the Post Office Savings Bank.

Bearer Bonds

Many enquiries have been made whether there will be redeemed before termination of the Mandate. The answer is that this cannot be done. The Ordinances

governing the respective issues of Bearer Bonds provide only for redemptions at the end of twenty years, except in the case of bonds drawn for redemption at a premium at the quarterly drawings.

It is to be presumed that a successor Government, whatever form it takes, will also accept the obligation to continue with the quarterly drawings.

The drums containing the undrawn numbers will remain locked and will, in addition, be sealed. They will be deposited in a strong room, and the keys of the strong room together with the keys of the drums will be handed over to the representative of a successor administration on termination of the Mandate, or, if no such representative is immediately available, the keys will be deposited in safe custody. Should a successor Administration, when about to resume quarterly drawings, have any reason to believe that the drums had been tampered with, in spite of the above-mentioned precautions, a fresh series of tickets could be spared from the records available and without any difficulty.

It is emphasised that the unallocated balance of Bearer Bond fund (amounting to approximately LP.2 1/2 million) is invested in United Kingdom securities, and the allocated sums have been loaned to Municipalities in Palestine on excellent security.

In the foregoing circumstances there is no good reason why the face value of these Bonds should not be reflected in their exchange value and the full price maintained.

Palestine 3% Defence Bonds and Saving Certificates

The Government has accepted an offer by His Majesty's Government to take over, on the same terms as at present, direct responsibility for payment to the holder of both principal and interest on outstanding Bonds and Certificates. A resolution to this end has now been submitted to, and approved by, the House of Commons and will become law through the United Kingdom Finance Bill, later in the year.

In order to implement this proposal, it is necessary to make certain changes in the present Palestine legislation controlling the issue of these securities. Such legislation will have the effect of converting the existing guarantee by the Government of Palestine into a guarantee by His Majesty's Government.

There will be no break in the continuity of security, but a short period, will inevitably elapse, while the records are being transferred to the United Kingdom, during which it will not be possible to realize investments. For these purely administrative reasons it will be necessary to suspend the local encashment of Bonds and Certificates as from Applications for repayment already in the hands of the Postmaster General or in course of post will be dealt with locally, but no further applications for repayment can be entertained by the Postmaster General of Palestine after the date of this announcement.

The procedure to be followed by persons who, after the date of announcement, desire to realize their investments, will be more fully announced later. The intention is that after the termination of the Mandate repayment warrants will be issued by the United Kingdom Post Office in respect of Palestine Bonds and Certificates in the same way as for similar securities of United Kingdom issue, and that such repayment warrants will be encashable through some agency in Palestine or, alternatively, at any post office in the United Kingdom.

Arrangements will be made to obviate any difficulties which might arise over Exchange Control.

It is most strongly emphasised that, while holders of securities will suffer the immediately though temporary, inconvenience of inability to realise their investment at short notice, this may be regarded as only a slight disadvantage, having regard to the British Government guarantee.

Post Office Savings Bank

The Post Office Savings Bank is not affected by this change. This particular investment is secured against the general revenues of Palestine and, moreover, the sums in the Bank are fully covered by investments in the United Kingdom.

PALESTINE ORDER IN COUNCIL, 1948. ORDER BY THE HIGH COMMISSIONER.

WHEREAS provision was made by the War Loan Ordinance 1941 (hereinafter referred to as "the Ordinance") and by the War Loan Rules, 1942, for the raising of loans by the High Commissioner with the approval of the Secretary of State by the issue and sale of registered bonds and war savings certificates (which bonds and certificates are hereinafter referred to as "bonds");

AND WHEREAS provision was further made by the empowering the High Commissioner to lend any money to His Majesty's Government in the United Kingdom and the moneys so raised have been lent to His Majesty's Government accordingly;

AND WHEREAS no further bonds have been issued since the first day of August, 1946 and it is not intended to issue any further bonds;

AND WHEREAS His Majesty's Government has agreed to take over all obligations of the Government of Palestine in respect of the bonds issued and the Government of Palestine has agreed to release His Majesty's Government from any obligation to repay the principal or interest of the loans made to His Majesty's Government;

AND WHEREAS it is expedient to amend the Ordinances in the manner hereinafter appearing;

NOW, THEREFORE, the High Commissioner in exercise of the powers conferred upon him by the Palestine Order in Council, 1948 and all other powers enabling him in that behalf, hereby makes the following order:-

Citation.	1. This Order may be cited as the War Loan Order, 1948.
His Majesty's Government not liable to repay loans.	2. His Majesty's Government shall not be liable to repay to the Government of Palestine any moneys loans to His Majesty's Government in pursuance of Section 3 of the Ordinance or any interest on any such moneys.
Repeal of Section 4 of the Ordinance.	3. Section 4 of the Ordinance shall be repealed and accordingly all principal moneys and interest secured by the bonds which have been sane shall cease to be charged upon and to be payable out of the general revenues and Assets of the Government of Palestine and all obligations of the Government of Palestine or of the Postmaster General in relation to such bonds shall cease.
No further bonds to issue	4. No further applications for the issue of bonds shall be entertained by the Postmaster General.
Prohibition of certain actions and proceedings.	5. No action or proceeding against the Government of Palestine or the Postmaster General in respect of failure to entertain any application for bonds made after the first day of August, 1946 shall be entertained in any Court.
Registers to be forwarded to Secretary of State.	6. As soon as may be practicable after the coming into force of this Order, the Postmaster General shall transmit to the Secretary of State the Registers referred to in rule 5 of the War Loan Rules, 1942.

By His Excellency's Command.
