

Treas. 2/1965MEMORANDUM FOR THE CABINET

The United Kingdom Exchange Control Authorities have issued an Order which imposes further restrictions on the grant of foreign Exchange facilities to resident travellers proceeding to countries outside the Scheduled Territories (Sterling Area). The Order reduces from £25 to £15 the amount of sterling notes permitted to be taken out of the United Kingdom and also reduces from £250 to £50 the amount of foreign currency (including notes, travellers cheques etc.) permitted to be taken out of the country for the same purpose.

2. The Order was received locally in accordance with current practice whereby U.K. Treasury Orders and Bank of England Notices are circulated to members of the Sterling Group.

3. The object of these measures is that of strengthening Sterling by reducing as far as possible spending outside the Scheduled Territories and economizing on the foreign exchange resources available in the Area. As is well known, Sterling is passing through difficult times at the moment.

4. The point which has to be considered is whether the Malta Government should introduce the same measures locally. It is a fact that a fundamental part of the Exchange Control system is the existence of the Sterling Area of which the members outside the United Kingdom regard London as their financial centre and have their interests closely integrated with those of the United Kingdom. All such members are equally concerned in the achievement of the fundamental objectives of Exchange Control because any weakness at any particular point may endanger the whole structure.

5. In the circumstances, if the above restrictions are introduced locally they will not only be beneficial to the Sterling Area as a whole, but will also benefit the local economy by curbing expenditure that brings in no material return.

6. There is in addition one point which may deserve particular consideration. That is that without these restrictions Malta might conceivably serve as a loophole through which U.K. residents might proceed to Italy and neighbouring countries in defiance of the currency restrictions imposed by the U.K. Government. This might lead to possible complaints on the part of the U.K. Government.

7. Incidentally, the restrictions introduced by the U.K. Government should prove of benefit to Malta as tourists from the Sterling Area will obviously flow to places where they can spend their money without restrictions.

8. The local travelling public is well aware that Malta forms part of the Sterling Area and is by now accustomed to the idea that any new Exchange Control measures adopted in the United Kingdom are invariably introduced here also.

30th August, 1966.