

RG	<u>260</u>
Entry	<u>FEN</u>
File	<u>98-7-200.10</u>
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FileFOREIGN EXCHANGE DEPOSITORY

FINANCE DIVISION

OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

History from V-E Day, 8 May 1945 to 30 June 1946

980.10

PART I - NARRATIVE1. Origin

a. The Foreign Exchange Depository, located in the Reichsbank Building, Frankfurt a. Main, is a successor organization to the Currency Branch; SHAEF, which Branch was created by Supreme Headquarters, Allied Expeditionary Force on 7 September 1944 (*1). The primary function of the Currency Branch was the receiving, holding and supplying of occupation currency for Allied Armed Forces and for Military Government operations, but it was also empowered "to act as required as depository for and/or to exercise control over assets seized or impounded by Allied Military Authorities" (*1). The latter function was not exercised by the Currency Section until April 1945, as until that time currency and other financial assets seized from enemy forces or found abandoned were treated as outlined in SHAEF Administrative Memorandum No. 49, 7 March 1945 (*2) and types of property falling under provisions of Military Government Law No. 53 were turned into Reichsbank branches.

b. The Currency Branch/Depository has always been under the control, supervision and direction of the Finance Division of the following successive Headquarters:

- (*1) AG C 40-1 GE-AGM dated 7 September 1944 (See Appendix)
 (*2) Administrative Memorandum No. 49, 7 March 1945 (do)

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SHAFT G-5	to 14 July 1945	(*1)
USFET G-5	to 1 October 1945	(*3)
OMG(US ZONE)	to 1 April 1946	(*4)
OMGUS	to date	(*5)

2. Development

a. Under the impetus of discovery of valuable and bulky caches of assets by advancing American troops, the need for a central and secure storage place became apparent (*6). A suitable structure was found in the Reichsbank Building in Frankfurt which was taken over and quickly altered in certain respects. Time was of the essence since early in April 1945 and in rapid succession thereafter until the end of the year, shipment after shipment of gold and silver bullion, currencies, securities and jewelry was delivered by the U.S. Army for safekeeping. In July 1945 Reichsbank branches also began delivering accumulated Law 53 assets to the central depository in Frankfurt (*7).

b. As the primary currency functions which formerly pertained to several European countries gradually became restricted to the U.S. Zone in Germany, and the new functions of the Currency Branch as a central depository assumed greater importance, its name was changed to the Foreign Exchange Depository.

3. Present Organization

a. The staff of the Depository consists of its Chief, William G. Brey,

(*3) Cable WX-30877 and WX-36000, July 1945 (See Appendix)

(*4) AG 014.1 GEO-AGO dated 26 Sept 1945

(*5) AG 123.7 GEO-AGO dated 19 March 1946 (See Appendix)

(*6) JCS 1067/76 Part III, Para 49 (a) "Financial" (See Appendix)

(*7) Letter Hq USFET File AG 014.1-1 Section XVI, Finance, Part 6, Para 3 (See Appendix)

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Colonel, GSC, RA-0-6499, twenty-two military and civilian personnel, and sixty-five German clerical employees. As required by the nature of operations the civilian personnel includes specialists in banking, accounting and vault safe-keeping procedures. Most members of the present staff were engaged after the drastic redeployment program during latter half of 1945 had curtailed all but the most essential operations. The Depository is now completely organized and consists of Executive, Administrative, Depository, Claims, Currency and Accounting Sections. The inventory program delayed far beyond schedule by the redeployment of earlier personnel is fully under way. Requests for the hiring of six experts to properly distinguish and evaluate precious metals, jewelry and numismatic coins have been approved and the qualifications of two applicants are under consideration.

b. Early in the operation of the Depository, a security system was instituted. Triple control was established for the main vault where the most valuable material is stored and dual control for all other strong rooms. Persons entering the vault and strong rooms are accompanied at all times by security officers. Barbed wire and a flood lighting system are maintained around premises which are under military guard twenty-four hours daily. U.S. Army officers supervise the handling of all valuables and provide internal security.

4. Functions.

a. In the course of its development the Depository has established its primary functions under five categories as follows:

- (1) Custody, inventory and accounting for assets uncovered in Germany by Allied Forces.
- (2) Custody of assets delivered in U.S. Zone under Mil. Govt. Law 53.
- (3) Investigation of ownership and claims pertaining to assets held.

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- (4) Custody, issue, retirement and accounting for Allied Military marks of U.S. Forces
- (5) Accounting for Military Government Court Fines.

5. Depository Section.

a. The first shipment of valuables, from the Merkers Mine cache, was received at the Depository on 15 April 1945. Depository personnel at Merkers Mine supervised the loading and transport of this enormous hoard consisting of gold bullion, gold and silver coin, platinum, jewelry, a large quantity of "93 Loot", and various currencies, including 2,700,000,000.-- RM. Almost 12000 containers of various types were transported by truck convoys, over a period of several days, guarded by military escort. Before the end of 1945 a total of 76 additional shipments of foreign exchange assets were received. They came principally from what is now the U.S. Zone of occupation in Germany, but also from Austria, Czechoslovakia and other areas into which the Army had penetrated. It has been said that the Depository contains one of the largest single collections of wealth in the world.

b. In June 1945, a team of gold experts from the U.S. Treasury Department arrived in Frankfurt to make a survey of the major precious metal stocks in the Depository. They continued their labors for some 60 days with the assistance of Depository personnel, and at the conclusion submitted a comprehensive report with a total valuation close to \$ 300,000,000 for precious metals, consisting principally of gold bullion and gold coins.

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c. The original staff of the Depository, which about the middle of 1945 consisted of some 16 officers and 130 enlisted men, and barely started on the inventorying, sorting, cataloging and storing of the heterogeneous material in its vaults, when the drastic redeployment program caused a halt in the operation. Shipments of captured and confiscated assets continued to be accepted but the delivery by Reichsbanks of Law 53 assets was temporarily discontinued and has not since been resumed. The reorganization of the Depository Section with the arrival of new personnel began about April 1946. A plan of operation including the preparation of forms and installation of accounting system was established. Vault interiors were rearranged and material stored in an orderly manner.

d. The task of inventorying and accounting for the great variety of valuables concentrated in the vaults of the Depository, and estimated to be worth in excess of \$ 500,000,000, is the first such assignment performed in the history of the U.S. Army. The currency on hand is representative of over sixty nations and operations began in April 1946 with the verification of that asset. In general terms quantities inventoried to date are as follows:

(1) <u>Currency</u> -	3,500,000.	U.S. Dollars
	200,000.	English Pounds
	9,000,000.	Norwegian Kroners
	2,500,000.	Dutch Guilders
	2,700,000,000.	French Francs
	2,000,000,000.	Greek Drachmas
		Currencies of many other countries in lesser amounts

(2) Coin - Segregated and counted many thousands of gold, silver and base metal coins of numerous countries. Many numismatic types of coin, medallions etc. noted and separately inventoried.

e. The Foreign Exchange Depository has effected the following releases of

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assets to date:

1.1 grams Radium	Released to Office of Theater Chief Surgeon
813 bags of Russian Rubles	Released to USSR
Crown jewels, religious vessels and monstrosities, Russian Tabernacle, etc.	Released to M & FA in Wiesbaden

f. Included with the assets uncovered in Markers Mine were the books and records of the Precious Metals Department of the Berlin Reichsbank. This has proved a fruitful source of information as to gold movements in Germany during the war years. Depository personnel has been called upon many times by the U.S. State Department and representatives of certain European Governments to investigate these records and render detailed reports.

6. Currency Section.

a. The Currency Section is the highest official currency office in the American Zone. It was in operation even before the end of hostilities and originally controlled currency requirements of Allied Forces in several European countries. As countries became liberated and troops were withdrawn operations were gradually restricted to Germany and later to the American Occupation Zone. The functions of the Currency Section with respect to Allied Military Marks are comparable to those of any Currency Reserve bank. Its operations in the U.S. Zone to 30 June 1946, in approximate totals, are summarized as follows:

- (1) Issued 2½ billion AMM from its original reserve of 6 billion.
- (2) Received and verified 2 billion AMM.
- (3) Acted as custodian of 2½ billion Reichmarks found in Markers Mine.

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- (4) Advanced 150 million marks to Allied Governments and Missions.
- (5) Reimbursed U.S. Disbursing Officers for civilian services and supplies costing 15 million marks.
- (6) Received and issued German postage stamps valued at 12 million marks.
- (7) Redeemed 3 million mutilated AMM, also counterfeit and altered currency.
- (8) Accepted M.G. sub-accountants funds, confiscated currency, and M.G. Court Fines aggregating 49 million marks.
- (9) Maintained accounts with German banks and issued small denominational AMM at various times as required by German economy.
- (10) Rendered monthly financial reports.

DECLASSIFIED
Authority <u>NND 775119</u>
By <u>SR</u> NARA Date <u>1-8-00</u>

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 Entry Immediate Finance EXT. FIN.
 File STAFF STUDIES: DP
 Box 346

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HEADQUARTERS
 U.S. FORCES, EUROPEAN THEATRE
 Office of the AC of S, G-5

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19 February 1947

SUBJECT: Foreign Exchange Assets of DPs and Assimilees

TO: Legal Division, Office of Military Government for Germany (US)
 APO 742, US Army

1. The inclosed staff study on foreign exchange assets of displaced persons is returned after review by interested divisions of this Headquarters.

2. Concurrence is expressed in the proposed paragraph MGR 16-625 only insofar as the protection of US interests is concerned. It is therefore proposed that the paragraph be limited to requiring the deposit of US dollar currency, gold bullion, and any gold coins with the stipulation that assets so deposited would be returned to displaced persons upon repatriation or resettlement.

3. Exemptions granted displaced persons under 16-625 now in effect were based on the transient character of the DP population. This situation has not changed and movement of displaced persons within the Zone from one camp to another or to staging areas is continuing. It is therefore considered administratively impracticable to require the surrender of all foreign exchange assets which DPs may hold.

4. The changes proposed in the subject staff study are intended to bring USFET Circular 140 and MGR 16-625 into agreement. It is pointed out, however, that many other transactions mentioned in Circular 140 still would not be applicable to either in-camp or out-of-camp DPs, and a new circular pertaining to prohibited and permitted transactions for all classes of DPs is now under consideration in this Headquarters.

5. Following is the recommended wording for the paragraphs in question:

Paragraph 16-625: US Currency, Gold Bullion, or Coins in the Possession of DPs or Assimilees.

United Nations displaced persons and those persons assimilated to them in status who are in possession, custody, or control of U.S. currency,

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gold bullion, or gold coins should declare and deliver such assets in accordance with Article III of MG Law 53 and all directives, orders, and regulations thereunder. Delivery must be made within forty-eight hours of the receipt of actual notices of this regulation, or within fifteen days of its effective date, except for such persons who are registered as displaced persons or assimilees, subsequent to the effective date of this regulation, in which case delivery must be made within twenty-four hours after registration.

Paragraph 16-625.1: Assets of Displaced Persons and Assimilees Leaving Germany.

Offices of Military Government will authorize United Nations displaced persons and those persons assimilated to them in status who are authorized to leave Germany, to remove from Germany, US dollar currency, gold bullion, and gold coins declared and delivered as provided in MGR 16-625, in their lawful possession, except where there is reasonable doubt concerning title to such assets or where any interest in such assets is held directly or indirectly by another person in Germany.

FOR THE ASSISTANT CHIEF OF STAFF, G-5:

/s/ R. P. ROSSER, JR.
 Major GSC
 Asst Executive

1 Incl
 Staff Study a/s

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 Box 346

OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U. S.)
 APO 742

SUBJECT: Foreign Exchange Assets of Displaced Persons and Assimiles

TO : The Chief of Staff

I. DISCUSSION

1. Circular No. 140, Headquarters, U. S. Forces, European Theater, 26 September 1946 (TAB A) is applicable to United Nations displaced persons and assimiles who live in assembly centers and receive care and treatment through UNRRA or affiliated organizations. Displaced persons and assimiles who are not living in assembly centers and who are not receiving United Nations care and treatment but who live within the German economy and are treated as Germans are not subject to that Circular. Under Para 4(f)2 of Circular No. 140, it is illegal for displaced persons and assimiles subject thereto to have U. S. currency in their possession longer than 48 hours after arrival in this Theater.

2. MGR 16-625 (TAB B) now permits United Nations displaced persons and assimiles in certain circumstances to retain foreign exchange assets, including U. S. currency, in their possession. This regulation is thus in conflict with Circular No. 140 and should be revised to eliminate this conflict. It is also believed that as a matter of policy it is unwise to permit displaced persons and assimiles to retain any foreign exchange assets in their possession.

3. Circular No. 140 makes no provision for any procedure by which displaced persons and assimiles may surrender the U. S. currency in their possession and receive such currency back on leaving Germany, in accordance with existing policy which permits them to take this currency with them. It is believed that such currency and other foreign exchange assets which these displaced persons and assimiles possess may properly be declared and delivered in accordance with instructions prepared under Military Government Law No. 53 (TAB C) and that these instructions should be essentially the same for displaced persons living in assembly centers and those who live outside such centers and within the German economy. The instructions should also provide for redelivery at the time the individual leaves Germany.

II. ACTION RECOMMENDED

4. British Military Government has issued an instruction to the Reichsbank dated 2 January 1947 for the enforcement of Law 53 in displaced persons camps. (TAB D)

5. That the letter at GREEN TAB be approved and signed.

III. CONCURRENCES

Finance Division	() ()
Prisoners of War and Displaced Persons Division	() () *
Control Office	() ()
Civil Affairs Division, EUCOM	() ()

*See TAB E.

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will they?

Military Government is perfecting plans for tighter control of foreign funds and property in Germany, and over property leaving Germany. It is the desire of Military Government to help you in safeguarding your foreign exchange assets and securities, and to insure that you will be able to take all of your property out of Germany when you leave. To accomplish this it is desired that you deposit your foreign exchange assets with Military Government for the duration of your stay in Germany. They will be returned to you when you are ready to leave Germany together with a document entitling you to take them out of Germany, or if you prefer they will be forwarded to you at your destination upon request to Military Government.

DIRECTIONS TO DISPLACED PERSONS

Foreign Exchange Regulations for Displaced Persons
 Title 16-625

(Insert)

Implementing Instructions

1. On the above regulation will come into effect in the U.S. Zone of Occupation of Germany (the Laender Bavaria, Bremen, Hesse and Wuerttemberg-Baden) and the US Sector of Berlin.
2. On you will present yourself at the locally designated place to turn in all foreign exchange assets as prescribed below. This will include all currencies other than Reichsmarks, Allied Military Marks, U.S. Military Payment Certificates, U.S. Military Payment Orders; further, all gold, silver and platinum declared deliverable under MG Law No. 53; further, all foreign securities, instruments of payment, etc.
3. You are depositing these assets with the Office of Military Government for Germany (US) who will place same for its convenience and safekeeping with designated banks.

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4. You will be issued a receipt for the delivered assets which will enable you to receive your delivered property prior to departure from Germany.

5. When you are ready to leave Germany you will obtain from your proper authorities a statement on your copy of the receipt that you are authorized to leave Germany and the bank will return your property to you with a statement that you may take such property out of Germany.

6. In case you have left Germany and were unable to obtain your deposits prior to departure, it will only be necessary for you to address a letter to the Finance Division enclosing a copy of your receipt, and the deposit will be forwarded to you at a designated address outside of Germany.

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 Entry ADJUTANT
 Box 7

 DECLASSIFIED
 Authority NND 775 057
 By TS NARA Date 8/4/99

File: 7

COPYMEMORANDUM

17 March 1947

SUBJECT: Right of Occupying Power to Remove Indigenous Archives, Records and Documents.

TO : Restitution Branch, Economics Division.

1. Reference is made to your carrier sheet of 15 January 1947, in which you ask whether any one of the four occupying powers can legally remove from Germany indigenous archives, records, miscellaneous documents, or collections of documents, created by public institutions such as states, counties, or cities, or by semi-public institutions such as churches, or by private groups such as former sovereign families, and to your earlier carrier sheet, in which you raise the general question of the relationship of the Potsdam Agreement to the Hague Convention of 1907.
2. We understand that your request does not relate specifically to any one of the occupying powers, and we shall not in this reply, therefore, consider enactments of the Zonal authorities. The question, rather, is whether, in view of the principles of international law controlling quadripartite occupation of Germany, any one of the Zonal authorities may unilaterally confiscate and remove from Germany works of literature of the type referred to. The precise question is a narrow one, but the principles involved go to the very basis of the authority, powers, and limitations of Zone Commanders within their respective areas of control, and we have, therefore, felt obliged to submit an extensive treatment of the problem.
3. Each Zone Commander derives his initial authority from his own Government, and at all times and in every capacity in which he acts within Germany, whether as Military Governor of his Zone or as a member of the Control Council, he acts as the representative of his Government, derives policy by which he shall be guided from his Government, and is answerable for all that he does to his Government. Each Zone Commander is, therefore, in the absence of express instructions to the contrary, bound, in his representative capacity, to recognize, effectuate, and respect the international conventions and agreements to which his country is signatory insofar as such conventions and agreements are applicable to his representative responsibilities in Germany.
4. On the 5th day of June 1945 the representatives of the United States, Great Britain, the Soviet Union, and France, "acting by authority of their respective Governments and in the interests of the United Nations" declared:

"The Governments of the United States of America, the Union of Soviet Socialist Republics and the United Kingdom, and the Provisional Government of the French Republic, hereby assume authority with respect to Germany, including all the powers possessed by the German

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Government, the High Command, and any State, municipal or local government or authority. The assumption, for the purposes stated above, of the said authority and powers does not effect the annexation of Germany.

"The Governments of the United States of America, the Union of Soviet Socialist Republics and the United Kingdom, and the provisional Government of the French Republic, will hereafter determine the boundaries of Germany or any part thereof and the status of Germany or of any area at present being part of German Territory".

On the same day, the Governments of the Four Powers published a statement constituting the four Zone Commanders the Control Council for the exercise of supreme authority within Germany. This statement provided in part:

"In the period when Germany is carrying out the basic requirements of unconditional surrender, supreme authority in Germany will be exercised, on instructions from their Governments, by the British, United States, Soviet, and French Commanders-in-Chief, each in his own Zone of Occupation, and also jointly, in matters affecting Germany as a whole. The four Commanders-in-Chief will together constitute the Control Council. Each Commander-in-Chief will be assisted by a Political Advisor.

"2. The Control Council, whose decisions shall be unanimous, will ensure appropriate uniformity of action by the Commanders-in-Chief in their respective Zones of Occupation and will reach agreed decisions on the chief questions affecting Germany as a whole."

5. On the 2nd day of August 1945, three of the four occupying powers, the United States, Great Britain, and the Soviet Union, entered into a tripartite agreement at Potsdam covering the political and economical principles of a coordinated Allied policy toward defeated Germany during the period of Allied control. Although France did not adhere formally to this agreement, France has for the most part adhered in fact to the principles therein set forth. The Potsdam Agreement is in any event binding upon the three signatories, and may also be binding upon France to the extent that her representative on the Control Council, or the French Government itself, has accepted and acted under and in accordance with its provisions without reservation.

6. In addition to these basic agreements relating to the present occupation of Germany, the occupying powers have, in the past, entered into or adhered to certain international conventions which may be applicable to the administration of Germany in this interim period before the reconstitution of a new sovereign State by treaty or agreed declaration of the victors in this war. Among these are the Hague Conventions of 1907. Particularly pertinent to this discussion is Convention IV, Respecting the Laws and Customs of War on Land, and the regulations annexed thereto. This Convention was signed and ratified without reservations, by the United States, Great Britain, and France. It was

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signed and ratified by Russia, subject to reservations not consequential to this discussion.¹ The Zone Commanders, as representatives of signatories to Hague Convention IV, are required to recognize and comply with the provisions of that Convention and the Regulations annexed thereto insofar as they are applicable to the interim occupation of Germany.

I. Control Council Legislation

7. Control Council Proclamation No. 2, Section XII, provides that "the German authorities and any other person in a position to do so will furnish or cause to be furnished all such information and documents of every kind, public and private, as the Allied Representatives may require", and further provides that "the German authorities will give all necessary facilities and assistance for this purpose ...". This proclamation is sufficient authority for the Allied Representatives, acting together as the Control Council, and possibly also acting individually as Zone Commanders, to demand archives required by them from the German authorities and to compel compliance with such orders by the German authorities. But the proclamation does not define the type of archives which the "Allied Representatives may properly require".

8. By Order No. 4, of 13 May 1946, the Control Council ordered all works of literature, the contents of which include Nazi propoganda, Nazi "racial" theories, incitements to aggression, and propoganda against the United Nations, or which contribute to military training and education or to the maintenance and development of war potential, to be surrendered to the Allied authorities by (a) owners of circulating libraries, bookshops, bookstores, and publishing houses, and (b) former state and municipal libraries, directors of universities and heads or directors of other higher educational establishments and secondary schools, all institutions for scientific research, presidents of academies, all scientific and technical societies and associations, and directors of elementary and partial secondary schools and gymnasias.

9. The specific documents, subject of the present inquiry, relate to historical periods long antedating current history and could not contain propoganda for National Socialism or propoganda against the United Nations. From the brief descriptions given, such documents could scarcely contribute to military training or education or to the maintenance or development of war potential. It would appear, therefore, that the documents are not subject to confiscation under Control Council Order No. 4. On the other hand no legislation of the Control Council expressly prohibits the removal of such documents by unilateral action of any Zone Commander.

¹ The Union of Soviet Socialist Republics has recognized Hague Convention IV as binding international law by its reliance upon that Convention in the trial of major German war criminals before the International Military Tribunal at Nurnberg.

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II. The Potsdam Agreement

10. The basic document establishing policy for the quadripartite occupation of Germany is the Potsdam Agreement, of 8 August 1945, which sets forth in Part III, Section A, paragraph 5, the purposes of the occupation of Germany by which the Control Council and the respective Zone Commanders shall be guided, including (1) the complete disarmament and demilitarization of Germany and the elimination of control of all German industry that could be used for military production, (2) the conviction of the German people that they have suffered total military defeat and cannot escape responsibility for what they have brought upon themselves, (3) the destruction of the National Socialist Party and its affiliated and supervised organizations, and (4) the preparation for the eventual reconstruction of German political life on a democratic basis. For the most part, these objectives have been implemented by specific action of the Control Council. Where the Control Council has acted on matters affecting Germany as a whole, Zone Commanders may not properly permit deviations therefrom in their respective Zones. But, as we have seen, the Control Council has not legislated on the general subject of confiscation or removals of works of literature.

11. It is true, that the Potsdam Agreement lays down the political and economic principles to be followed and applied during the period of Allied control. Unilateral action by any one Zone Commander in seizing, confiscating and removing materials from Germany, other than as reparations or restitution, in such quantity and of such value as to adversely affect the economy of Germany as a whole, would be contrary to the economic principles laid down in the Potsdam Agreement. In the instant case, however, no such values appear to be involved, and we conclude, therefore, that removal of subject literary works does not violate the terms of the Potsdam Agreement. This, then, brings us to the consideration of the question suggested by your carrier sheet of 19 July 1948, namely, whether Hague Convention IV of 1907, and the Regulations annexed thereto, constitute any limitation upon the authority of Zone Commanders within their respective Zones of Occupation.

III. The Hague Convention

12. Article 56 of the Regulations Respecting the Laws and Customs of War on Land, annexed to the Hague Convention (IV) of 1907, provides that "the property of municipalities, that of institutions dedicated to religion, charity, and education, the arts and sciences, even when State property, shall be treated as private property", and expressly forbids all seizure or destruction of, or wilful damage to, institutions of this character, historic monuments, and works of art and science. Article 48 provides that family honor and rights must be respected and that private property cannot be confiscated. If literally applicable to the present occupation of Germany, these Articles would clearly prohibit the seizure, confiscation, and removal of most of the works of literature referred to in your carrier sheet of 15 January 1947.

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13. There are certain well-recognized exceptions to these Articles, derived from the requirements of military operations. Thus, belligerent forces may seize property for food and lodging where there is not time for ordinary requisitions and such necessities cannot otherwise be procured. Lanterpacht, Oppenheim's International Law, Sixth Edition, Vol. II, page 313. And in spite of the prohibition against confiscation of scientific property, a belligerent may seize such scientific documents from State archives as are of importance to him in connection with the war. Ibid., page 310. But seizure of the works of literature now in question could serve no military purpose whatsoever, and the confiscation thereof would not fall within any of the recognized exceptions to the rules.

14. It remains to be decided to what extent the cited Articles from the Regulations are applicable to the present occupation of Germany. These articles are set out in Section III of the Regulations, entitled "On Military Authority over the Territory of the Hostile State". The provisions of Section III relate specifically to occupations which have the legal character of precariousness, and these provisions must, therefore, be observed during the period of hostilities. This does not mean that hostilities must be in effect within the country concerned; it is enough that there is, in the words of the International Military Tribunal,² "an army in the field attempting to restore the occupied countries to their true owners". Ryde says: "The most common form of belligerent occupation is that stage of military operations which is instituted by one invading force in any part of an enemy's territory, when that force has overcome unsuccessful resistance and established its own military authority therein. It is to this general situation that the Regulations (Articles XLII-LVI) annexed to the Hague Convention of 1907 Respecting the Laws and Customs of War on Land are addressed". Ryde, International Law, Second Edition, Vol. III, pages 1877-1878.

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Opinion of the International Military Tribunal, 30 September-1 October 1946, Official Transcript, page 16926.

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This is not to say that following unconditional surrender of the German armed forces, the victorious powers might not have partitioned Germany, or may not yet have the right as victors to destroy Germany as a sovereign State; but some legal effects undoubtedly flow from the present agreement that Germany as a whole is not to be annexed and is to regain its political sovereignty.

17. The situation in Germany today under quadripartite occupation is comparable in some respects to the situation in Cuba under United States occupation after the war with Spain. In both cases the occupying powers exercised supreme and unqualified authority over the occupied country, and in both cases the intention not to annex was declared. The Treaty of Paris of 10 December 1898 (proclaimed 11 April 1899) terminating war between the United States and Spain, and ceding Cuba to the United States, provided that the United States, "will, so long as such occupation shall last, assume and discharge the obligations that may under international law result from the fact of its occupation, for the protection of life and property". In *Noel v. Henkel* (1901) 180 U.S. 109, 21 S. Ct. 302, 306, the Supreme Court of the United States expressed the obligations of the United States toward Cuba during the period of occupation in these words:

"It is true that as between Spain and the United States - indeed, as between the United States and all foreign nations - Cuba, upon the cessation of hostilities with Spain and after the treaty of Paris, was to be treated as if it were conquered territory. But as between the United States and Cuba that island is territory held in trust for the inhabitants of Cuba, to whom it rightfully belongs, and to whose exclusive control it will be surrendered when a stable government shall have been established by their voluntary action".

18. Under this state of the law, and in view of the joint declarations of the victorious nations hereinabove mentioned, it is our opinion that, the period of hostilities having ended, the provisions of Section III of the Regulations Respecting the Laws and Customs of War on Land annexed to the 1907 Hague Convention IV, do not literally apply to the present occupation of Germany. But many of the provisions of Section III are merely expressive of principles bearing upon the relationships between victor and vanquished nations

intention to annex the territory of the conquered nation is required to accomplish a legal annexation. Since the present powers in occupation of Germany have expressed no such intention, the court reasoned that the present status is only that of military occupation (even if the period of debellatio has been entered). The fact that the occupying powers have permitted the reestablishment of German governments, in the opinion of the court demonstrates that, apart from annexation, the occupying powers do not intend to retain absolute political sovereignty over Germany.

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which have more general applicability, deriving their authority from the unwritten laws and customs of war and relations between civilized international communities. Thus, in considering these very regulations, the International Military Tribunal held ⁴ that "by 1939 these rules laid down in the Convention were recognized by all civilized nations, and were regarded as being declaratory of the laws and customs of war . . ." And the source of the regulations was stated by the signatories to Convention IV in these words: "The inhabitants and the belligerents remain under the protection and the rule of the principles of the law of nations, as they result from the usages established among civilized peoples, from the laws of humanity, and from the dictates of the public conscience" (underscoring supplied). The question therefore arises whether an occupying power may remove indigenous public, semi-public, and private archives, after termination of hostilities, where such archives are held in an undeclared trust for the occupied country and its inhabitants, the terms of which trust are to be found in the usages established among civilized peoples, the laws of humanity, and the dictates of public conscience; and the answer to this question calls for a consideration of the nature and functions of archives and of the extent of the demands which an occupying power can rightfully make upon them.

19. Archives are, by their nature, indigenous in origin and usefulness. Their removal makes them practically useless for the purposes for which they were created and preserved. Those which have only historic interest are heirlooms, which civilized peoples recognize as rightfully belonging to the inhabitants inheriting them. They frequently are known throughout the world as belonging to the tradition of a nation, a locality within a nation, or even a single family. To destroy the traditional and sentimental value attached to them by reason of their historic location, by forcibly removing them to another country, would shock the public conscience of the world unless there were compelling reasons of public interest in the removal, such as those recognized and declared by the four occupying powers in connection with the disposal of Nazi and militaristic literature discussed above.

20. We think that Articles 46 and 47, and particularly Article 56, of the Regulations annexed to Convention IV are expressive of general principles of international law which would make a removal of archives from Germany by one of the occupying powers a prima facie violation of international law, placing the burden upon the removing power to establish by clear and convincing reasons that an overriding public interest exists in each case. With respect to the specific documents which gave rise to the instant inquiry, such requisite public interest might be established in the removal of the Polish and Lithuanian papers, particularly if they originated in Poland and Lithuania and had been brought to Germany in recent years. Even in this case, where the documents were legitimately acquired in the first instance, adequate compensation should be paid to the owners. With respect to the other documents it would appear highly improbable that any one

⁴ Opinion of the International Military Tribunal, op. cit., page 18926.

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of the occupying powers could make an adequate showing of the public interest. The principle of law is equally applicable to each case, depending upon its facts, — the removal of archives from Germany by any one of the occupying powers is a violation of international law unless the removing power established an overriding public interest in such removal which is acceptable to the public conscience.

21. You have invited our attention to our opinion of 14 Februar 1946 to the Restitution Branch on the subjects "Works of Art as War Booty", in which we based our conclusion that works of art do not come within the terms "war booty" and "trophy of war", on Article 56 of the Regulations. It does not appear from that opinion whether the works of art were seized during the period of hostilities or after the surrender of Germany. "War booty" and "trophy of war" are terms applicable only to situations existing during hostilities. In any event, we would conclude, consistently with this opinion, that if works of art were to be confiscated in Germany after surrender, such confiscation would have to be based upon proof by the confiscating power that a public interest is served by the removal which would constitute justification in the public conscience. We think, with respect to works of art, as with respect to archives, that seizure without compensation could be justified only where the works of art had in the first instance been acquired in or removed from another country by force or duress.

22. The terms "public interests" and "public conscience" are necessarily broad and almost incapable of legal definition, but they have general acceptance in the morals which are common to all civilized peoples. The taking of life, liberty or property of a person only by process of law is a principle fundamental to Anglo-American concepts of justice and which has been recognized by all four occupying powers in Control Council Proclamation No. 3. The seizure and removal of private property, whether archives, works of art, or other property, would not be tolerated in any civilized community except where based upon an expressed declaration of public interest or necessity. With respect to removal of such property from Germany, the justification, therefore, should be sought in agreed statements of policy by the four occupying powers for Germany as a whole or in the declared policy of the occupying power which intends to remove the property. With the possible exception of the Polish and Lithuanian archives, above mentioned, we cannot, from the limited descriptions of the contents given, comprehend how seizure of any of them could serve any agreed policy of the four occupying powers for Germany as a whole, or the declared policy of any one of the occupying powers, and we conclude that there has been to date no showing of such paramount public interest in the removal of the subject archives which would override the prohibition against such removals derived from the fundamental principles of international law hereinabove referred to. We do not wish to imply that such public interest may not exist or may not ultimately be expressed. Archives and works of art might be declared legitimate objects of seizure for reparations. But in the absence of a declaration of paramount public interest in the removal of such property we can conclude only that the unilateral expropriation of the same by any one of the occupying powers at this time would constitute a breach of international law.

 JOHN M. RAYMOND
 Colonel GSC
 Associate Director

 Telephone 42561
 2107 Dir Bldg

REST. External Assets

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Entry EXT. Assets
File CEPC Policy [1945-46]
Box 649

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Authority NND775056
By SR NARA Date 9-3-99

COPY

RECD: NOV. 11 *EB*

FROM: DEPT. *Aut*

BLUE NO. 9821.

filed 11

LONDON

November 10, 10 p.m.

Since ACC has now issued external assets vesting decree, following model draft note to Swiss Foreign Minister has been prepared which, if British and French agree, would be presented in parallel demarches to other neutrals also by our Missions in these countries:

"I have the honor, under instructions from my Government, to make the following communication to your Excellency.

"On October 30 the Allied Control Council, representing the four Governments exercising supreme authority in Germany, adopted a law establishing a German External Property Commission and vesting this Commission all rights, titles and interests in or with respect of any property outside Germany owned by German nationals within Germany or by certain German citizens or legal entities outside Germany.

"A copy of this law is enclosed as an annex to this note.

"The attention of the Government of Switzerland is called to the introductory clause of this law stating the Councils determination 'to assume control of all German assets abroad and to divest the said assets of their German ownership with the intention there by of promoting international peace and collective security by the elimination of German war potentials'.

"My Government wishes me, further, to make clear its purpose in supporting the program to be administered by the German External Property Commission. The primary objectives are to achieve security by completely eliminating Germany's economic and financial potential for another war, and to devote these resources to the relief, reparation, and rehabilitation of countries devastated by German aggression. Restoration of the damage done in their territory will substantially depend on the rapidity with which these countries obtain the means of importing goods despite their present unfavorable foreign exchange position. Thus, realization for reparations account of the value of German external assets will largely tend to promote restoration of their trade with Switzerland and thereby Switzerland's participation in European reconstruction.

"In view of the foregoing, my Government assumes that the Government of Switzerland will give full effect to this decree and cooperate in its implementation.

"My Government is not unmindful of the fact that the control and disposition powers to be exercised by the German External Property Commission raise economic questions of great importance to the Government of Switzerland. It is thought desirable that there be worked out in consultation with the Government of Switzerland such arrangements consistent with the objectives of the law, as will avoid economic dislocations and advance our mutual interest in a harmonious solution to this problem.

/ "For

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Switzerland

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"For these reasons it is proposed that a meeting be held between representatives of the Allied Governments acting on behalf of the Control Council and representatives of the Government of Switzerland to reach an agreement on the manner in which German property in Switzerland can best be administered, liquidated or otherwise disposed of. It is suggested that this meeting be held in Washington during the week beginning January 10 and in any case not later than January 31. The agenda of this meeting would comprise agreement on the disposal of these assets in such a way as to protect Swiss interests as well as those of the United Nations (including approval of purchasers, terms of sale, etc.) and on currency or foreign exchange questions arising out of the use for reparations and rehabilitation of the funds so realized. It is also expected that an understanding can be reached on the domestic decree and orders necessary to achieve our objectives on the establishment of administrative machinery for full intergovernmental cooperation and on any other related questions which the Government of Switzerland wishes to propose for discussion. An early reply to this invitation would be appreciated.

"I understand that the British and French Ambassadors are addressing to your Excellency a communication in similar terms. Accept, etc."

London and Paris should discuss proposed note with British and French Governments explaining that we feel it avoids raising legal questions, indicates tangible advantages to neutrals are obtainable through their cooperation with us, and, while couched in sympathetic terms, does not plead or otherwise show weakness. British and French notes, however, need not be identical with ours though they should avoid indicating any substantial difference between Allies. You might remind British that Swiss are trying to stir dissension between us and therefore their note should not be susceptible of such exploitations.

In notes to other neutrals dates would of course be changed. Our suggestion is that we negotiate with Swedes first during week beginning January 3 and with Spaniards week beginning January 17. Negotiations with Portuguese can take place beginning about January 24. Please report promptly response of British and French Governments and if they agree suggest they inform their missions so that notes can be presented quickly.

Copied by CJS.

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REST.

SECRET

EXTERNAL ASSETS BRANCH

13 March 1946

SUBJECT: German assets in Hungary

TO : Mr. Samuel Kramer

1. There is given below for your information a synopsis of the following letters from the Office of Political Affairs on the subject matter:

- a. dated 25 February 1946
- b. dated 28 February 1946
- c. dated 4 March 1946

2. The Soviets and the Hungarians are now negotiating re transfer of German assets in Hungary to USSR in accordance with Potsdam declaration. Basis for the negotiations is a list prepared by the Dresdner Bank about 1942-43 in connection with German-Hungarian negotiations for repatriation of Hungarian assets held in Germany against reduction of German clearing debts. This list includes assets held in Austria and other German territory as of 1942-43.

3. The Russians have, in principle, accepted the theory that only pre-Anschluss German assets should be included in reparations. They depart from this rule, in practice however, by placing the burden of proof on the Hungarians.

4. They appear to have abandoned their initial plan of taking physical possession of the assets in favor of a pro-rata portion of the shares.

5. The London Embassy expresses its concern over the fate of claims of American creditors. The Embassy feels that their claims would be adversely affected if settlement of German claims in favor of the USSR would be given priority over United Nations' claims. The Embassy also feels that initiation of negotiations with Russia re treatment of United Nations' claims against Hungary on equal basis with German claims (taken over by USSR) would tend to check economic penetration of Hungary by USSR.

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File VALUE OF GERMAN EXTERNAL ASSETS
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REST.

OFFICE OF MILITARY GOVERNMENT FOR GERMANY (U.S.)

AG CABLES

INCOMING MESSAGE

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ROUTINE

TOO 20140



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Value

FROM : ACC HUNGARY FROM WEEMS
TO : AGWAR FOR WDGPO; USFA; CINCEUR; MA MOSCOW
REF NO : Z-5115

The Hungarian Minister of Finance, Doctor Nyaradi, called on me before his departure for Moscow on 19 May. The reported reason for his trip to Moscow was in connection with certain trade agreements between the Soviets and Hungary. Nyaradi expects that other matters will be discussed and believes that the Soviets will press strongly for the recognition of Soviet claims for additional German assets in Hungary. The Soviets have laid claim to all of Hungary's indebtedness to Germany. Nyaradi indicated to me that the Russians claim approximately \$200,000,000 worth of such assets and stated that the Hungarian Government is willing to settle for \$10,000,000. Nyaradi indicated he would make every effort to delay any decision or serious discussion until after the treaty comes into effect. He indicated that his recent trip to Germany was for no other purpose than to delay his trip to Moscow.

In the course of our discussion Nyaradi stated in effect that the Teheran and Yalta Conferences virtually dropped Hungary into the lap of the USSR; That his personal views were that since Hungary is culturally and ideologically oriented to the west he hopes for a policy of keeping every door and every window open toward the west.

ACTION : S/G CHANGE OF ACTION: ECON
22 May 1947

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By SDM NARA Date 8/27/99

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May 16, 1946

CONFIDENTIAL

MEMORANDUM

TO : Mr. J.H. Dodge, Director, Finance Division
ATTENTION : Mr. Samuel Kramer, Chief, External Assets Br.
FROM : Office of Political Affairs

Dr. Ginsberg, of Columbia University, has been appointed American representative to the Paris Conference on Non-repatriable Victims of German Action. This Conference is composed of delegates from the United States, Great Britain, France, Yugoslavia, and Czechoslovakia, for the purpose of carrying out the provisions of the Paris Reparations Act dealing with the allocation of the fund established to aid in the rehabilitation of stateless people. This fund, as you know, is to be made up of 25 million dollars from Germany's external assets, the non-monetary gold found in Germany, and the assets found in neutral countries of victims of Nazi action who died and left no heirs.

We are in receipt of a copy of a lengthy telegram sent to Dr. Ginsberg from the Department of State containing his instructions from our Government. Included in these instructions are several matters bearing upon GEPC, the substance of which we are transmitting herewith for your information.

In order to effectuate a distribution of the monies in accordance with the principles outlined by the Paris Reparations Act within an administratively flexible structure, this Government favors the determination of a percentage allocation to representative refugee organizations.

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'In order to insure speed in the disbursement of the available monies and to prevent unnecessary overhead, the maximum possible degree of reliance should be placed upon "appropriate public and private field organizations". Because of the detailed work involved in liquidating the assets included under non-monetary gold and the further detailed work involved in developing methods for securing and liquidating the assets of victims who died without heirs, the possibility of establishing a single Trustee who will be charged under a broad delegation of power to expedite the collection, liquidation and disbursements of funds should be explored.

'The Conference should take specific note to provide that, to the greatest possible extent, all assets be liquidated in dollar exchange or under such terms that there will be no limitation on the disbursement of said funds because of difficulties in international exchange.

'To assist the Trustee in the collection of assets in neutral countries of victims of Nazi action who died without heirs, provision should be made for an advisory group of representative refugee organizations.'

We should like to call your attention to that part of the Paris Reparations Act which states that assets in neutral countries of victims of Nazi action who died and left no heirs are to be part of this special fund; and to suggest that you explore the possibility that these assets might in fact be considered as coming under the jurisdiction of Law No. 5 and thus their liquidation as suggested above conflict with the liquidation of German external assets in general as planned by GEPC.

Loyd V. Steere
Deputy Director

cc: Office of Staff Secretary

VGH:DK

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WAR DEPARTMENT
CIVIL AFFAIRS DIVISION
WASHINGTON 25, D. C.

*Rec'd
Ex As Br,
opened,
24 May 46
PM*

13 May 1946

SUBJECT: German External Assets

TO: Commanding General
Office of Military Government for Germany (US)
APO 742, c/o Postmaster
New York, New York
ATTENTION: Mr. Samuel Kramer, German External Assets Branch,
Finance Division

1. Reference is made to last paragraph of State Department's telegram to Berlin No. 1000 of 29 April 1946. The War Department pointed out that this paragraph is not entirely in accord with the facts. It implies that the reason for recommending IARA action to dispose of German assets in Paris signatory countries is and has been Soviet action in the satellites which by-passes Law No. 5 and German External Property Commission. It was pointed out informally to the State Department that the Western Allies have been taking similar action for months past. The Paris Reparations Agreement was signed in January and the tripartite negotiations with the Swiss began before the Allied note was delivered to Moscow informing the Soviets of our intention to proceed with the neutrals on a tripartite basis. It was therefore suggested to the State Department that an explanation of the paragraph noted above would be in order, if only to avoid some future debate as to which party began the practice of independent action with regard to German assets in its own zone.

2. This suggestion prompted the following informal explanation from the State Department:

"Last paragraph DEPTTEL 1000 April 29 Berlin is explained as follows: Soviet proposal for peace treaties providing for transfer German assets in satellites to Soviets required that in agreement with Soviets procedures for uniform and harmonious mechanisms be now established for transferring external assets to appropriate powers. Problem raised by Soviet treaty proposal is analogous to those raised by Paris Reparations Agreement and Soviet activities with respect to external assets in satellite areas. Department has been anxious provide over-all solution to external assets problem for both Soviets and Western Powers and in addition to provide means whereby Allied properties wherever located could be protected and believed Soviet treaty proposals not only made discussions possible but required they take place now."



O. P. ECHOLS
Major General, USA
Director, Civil Affairs Division
R. H. Chard
Robert H. Chard
Colonel, GSC
Executive



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1085

May 3, 1946

SECRETMEMORANDUM

TO : Lieutenant General Lucius D. Clay
Deputy Military Governor for Germany

FROM : Office of Political Affairs

This office is in receipt of three telegrams from the Department of State on the subject of GEPC, the substance of which is transmitted below for your information.

'The State Department has had lengthy discussions with Chargueraud and McCombe, the French and British representatives at the Swiss negotiations in Washington, on the general question of the Allied Control Council Law No. 5 which vests title to all German external assets, the allocations made of these assets at Potsdam, the commitments under the Paris Reparations Agreement, and negotiations with neutral powers.

'The French representative felt very strongly that the A.C.A. title to all German external assets was a very important factor which could be used to impress upon the USSR that only property which was strictly German and not property in which Allied nations had any substantial proprietary interests, either direct or indirect, could be taken by the USSR as reparations under Potsdam. Therefore he was very desirous that some procedure be developed whereby all steps taken with regard to German external assets would be reported directly to the ACA or GEPC which in turn would then have the opportunity and the duty to determine whether or not the assets in question were in fact German assets. The transfer of title by the ACA would furthermore necessitate this determination.

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'It is felt that this proposal is acceptable and that the issue might be handled at the current Foreign Ministers' meeting in Paris. Therefore, the State Department suggests the following proposals which if accepted should be implemented by the ACA:

- (1) The Potsdam Agreement allocated all German external assets for purposes of reparations. The United States Government in September of 1945 suggested to the USSR that these assets should be disposed of in accordance with the Potsdam Agreement and the USSR indicated its assent. The Paris Reparations Agreement assigned to the United States, United Kingdom, and France the duty of obtaining German external assets in neutral countries and stipulated procedures for the disposal of German assets in the countries signatory to the Paris Agreement.
- (2) Therefore it becomes necessary to develop procedures designed to implement these agreements and to integrate these procedures with Law No. 5 which gives the Allies title to such assets. It is therefore proposed that:
 - (a) In order to put the Potsdam Agreement into full effect, the Allied Control Council will assign all rights to deal with German property found in Rumania, Bulgaria, Hungary, Finland and Eastern Austria to the USSR and will assign all rights to deal with German property in other areas to the United States, the United Kingdom, and France. It is understood that the right to deal with German assets will include the right to make any arrangements as deemed necessary or desirable with the governments of the countries in which the assets are located for the disposition of these assets. Furthermore, it is to be understood that arrangements made under this procedure will be recognized in any manner as may be felt necessary. For example, to be included in peace treaties.

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- (b) However, either the GEPC or the ACA will indicate its title to all German external assets pending the conclusion of arrangements indicated in Paragraph (a) above. The ACA after it has been notified of such arrangements will take the necessary steps to implement and carry out the terms of the arrangements and to make the necessary transfers of title.
- (c) So that the GEPC or the ACA may properly discharge its functions with respect to these assets and take the steps necessary to confirm title in cases where title is subject to dispute, information as to all steps taken to assume possession of German external assets by the powers named should be transmitted to the ACA. This information should include the appropriate identification of the properties and the interests which are included in such arrangements or agreements. In order to determine the German character of the properties in question, the ACA will review these arrangements and agreements with the view of transferring title to property which has been identified as German and as therefore included under Law No. 5. Because ACA has the original title and of course knows to what property that title applies, it is the qualified body to which the Powers should delegate the duty of determining what in fact is German property. Pursuant to the interests of uniform security, the Power in question will inform the ACA on all matters pertinent to any arrangement made for the disposition of German external assets. GEPC or the ACA will make all such investigations within Germany both at the request of the Powers and on their own initiative as may be felt necessary, and will make available information with respect to such German assets

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to the Powers in question or their duly designated representatives or agencies. The GEPC or the ACA in particular will give its assistance in effecting such arrangements for the disposition of German external assets as are made. This may be done by procuring powers of attorney or in other ways deemed advisable and feasible.

'Referring to the above quoted telegram, title would be transferred to IARA upon proper notification by it to ACA or GEPC. This notification should be made after satisfactory legislation and administrative programs have been developed by each of the nations in question. This notification should also include a list of the German external properties which are to be affected. This same procedure can be followed for properties which are subsequently found to be German. In case there is any question as to whether or not a particular property is in fact a German external asset, GEPC shall decide the issue. After GEPC has transferred title to IARA, it in turn can transfer title to the member nation on a blanket transfer basis if satisfied with the local administrative program, or on a case by case basis if the latter is deemed not advisable. Should title be transferred on a blanket disposal basis, IARA can require its member nations to notify it of the particular properties being disposed of so that IARA may supervise such aspects as price, legislation and security requirements. Although the State Department is agreeable to a policy of blanket transfer providing IARA works out procedures for maintaining some control over price and security aspects, it would prefer to have IARA institute a policy of transferring property case by case. It is felt that this procedure is more likely to insure the desired objective. Although it is recognized that the United States, France, and the United Kingdom are excluded under Law No. 5 and are thus not subject to the same type of control, the Department feels that they could be subjected to this uniform procedure by IARA under Article 6B of the Paris Act.

The points listed below offer an explanation for the proposals set forth in the first telegram quoted above.

The proposals of the State Department presented above reflect a compromise in an attempt to achieve two desirable

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but complicated goals.

(1) The United States, France, and Great Britain are anxious to develop procedure so that Law No. 5 does not too seriously embarrass our relations with liberated areas, Latin American Republics and with neutrals.

(2) The three countries are desirous of achieving a procedure whereby properties in which United Nations nationals have a substantial interest are not taken by the USSR from satellite areas under the guise that they are German external assets. The proposal suggested above, which has been cleared with the British in Washington, seems to provide machinery which falls in line with the Potsdam formula and which can achieve the successful disposition of German external assets while at the same time having ACA or GEPC determine the question as to what is a German external asset. The proposals contained in the telegram cited immediately preceding are designed to arrive at a practical means for supervising the disposition of German external assets in the liberated areas which are signatory to the Paris Agreement. It is believed desirable to give the supervisory powers to IARA since it will remain in existence for five years and since the Paris Act gave it some element of control over the disposition of these external assets within the territory of the signatory nations. A further consideration is the fact that the IARA nations are in many cases the countries on whom this check is to be made. While it is possible that the signatory governments could exclude representatives from GEPC or ACA from investigations or negotiations, they are not in the same position with IARA on this matter. The Department feels that this proposal does not necessitate the amending of Law No. 5. The ACA already has the power to transfer title of German external assets and this appears to be all that is required under the proposal cited. Furthermore, the Department recommends against the exemption from Law No. 5 those countries covered by it in Article 9, but rather that transfer of title shall be made only after certain conditions have been met. Furthermore, in the case of disputes as to whether or not an asset is in fact German, this proposal recognizes that the ACA is the body which holds the title and is obviously the one which is most qualified to determine whether or not it did hold title in specific cases, because it is envisaged that the ACA will perform the functions of title transfer and will settle disputes on a quadripartite basis. The background for the proposal has been the insistence on the part of the USSR to include in peace treaties with satellites provisions for the transfer of title of all German external assets in the countries in question to the Soviet Government. The proposal was

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drafted in an attempt to provide a basis of agreement with the Soviet since their insistence on including these arrangements in their peace treaties must be harmonized with Law No. 5. Furthermore, the Department feels that many of the present arrangements which the USSR is making with its satellites on the matter of German external assets appear to ignore Law No. 5 completely. *by*

Robert Murphy

WCH:EM

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 Box 649

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 Authority NND 775056
 By SR NARA Date 9-3-99



UNITED STATES POLITICAL ADVISER
 FOR GERMANY

January 13, 1946.

SECRET

MEMORANDUM

TO : Lieutenant General Lucius D. Clay,
 Deputy Military Governor for Germany.

FROM: U. S. Political Adviser

The following message from the Department of State has been sent to London and repeated to us:

"Subject to similar instructions being issued to British and French Ambassadors in Moscow, Department believes it advisable for British, French and United States Ambassadors to advise Soviet Foreign Office of progress being made under Allied Control Council vesting decree with respect to German assets located in four European neutrals, Switzerland, Sweden, Spain and Portugal. You are requested therefore to advise your British and French colleagues of contents of this telegram and to have them issue instructions to their Ambassador in Moscow to join with our Ambassador in making the information available to Soviet Government in such form as three Ambassadors deem most advisable. Substance of information to be submitted to Soviet Government follows:"

"Reference is made to provisions in Potsdam protocol for disposition of Germany's external assets whereby Soviet Government renounced all claims to German foreign assets except in Bulgaria, Hungary, Finland, Rumania and Eastern Austria. Pursuant to this provision and consistent with paragraph 6, Department telegram 1964, September 6 to Moscow (repeated to London), United States, British and French Governments have been consulting in order to provide for the marshalling of Germany's external assets in the four European neutral countries, Sweden, Switzerland, Spain and Portugal. These consultations have been based on importance of marshalling all Germany's

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external assets in above neutral countries in order to insure obtaining of largest possible sum for reparations as well as elimination of Germany's economic penetration in those countries. As a result of these discussions the British, French and United States Governments have agreed to the presentation of notes to four neutrals whereby they would be advised of Allied Control Council vesting decree of October 30 and requested to enter into negotiations in Washington with United States, British and French Governments. Purpose of these negotiations is to obtain recognition by neutral governments of ACC vesting decree as being applicable to all German assets in neutral countries so that such assets shall be made available for reparations purposes under IARA control. In this connection reference is made to unanimous resolution of Paris Conference concerning German assets in neutral countries. Under the reparations agreement reached in Paris, German external assets in above neutral countries are made available to IARA for disposition in accordance with over-all reparations agreement."

"Prior to presentation of notes to neutrals and institution of negotiations with them in Washington, it is necessary for British, French and United States Governments to agree on general procedure to be followed during proposed negotiations, with particular reference to question of inducements that can be offered to neutrals for compliance with over-all request as well as agreement on sanctions which can be imposed in the event that neutrals fail to satisfy our demands. At such time as agreement is reached on general procedures to be followed during forthcoming negotiations, you will be advised of such procedures."

"It is present intention that during forthcoming negotiations the three Allied Governments will press for establishment in each neutral country of a mixed commission consisting of personnel appointed by British, French and United States Chiefs of Mission and representatives of neutral government. The mixed commissions will be responsible for executing terms of the agreement reached with neutrals which will broadly consist of liquidation of non-essential German interests, sale of German COS essential to local economy, elimination of undesirable German personnel from going concerns which are to be sold, and marshalling of assets obtained from sale or liquidation of German interests for use in reparations. It is

recognized

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recognized that in order to achieve our over-all objectives, investigations in Germany relative to information on external assets located in above countries will be required and the mixed commissions will undoubtedly request external property commission, established under ACC, to conduct such investigations and make available results of such investigations to mixed commissions. Moreover, in view of technical questions which will be involved in liquidation and sale of German interests, the Allied representatives on mixed commissions will undoubtedly require assistance of personnel capable of ascertaining fair minimum price for German firms to be sold and other related questions. It is possible that Allied representatives on mixed commissions will request external property commission to assign to Allied Chiefs of Mission such technical personnel."

Don't think the job of GEPC? why not ask Murphy?

"It is also contemplated that there will be established in London a clearing committee consisting of representatives of British, French and United States Governments which will be responsible for obtaining clearance of the three governments on important policy questions that may arise in operations of mixed commissions, intelligence information available to three governments as well as such other governments as may have pertinent information concerning extent of German interests in concerns in neutral countries, information on prospective purchasers, etc."

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"While US, UK and French Governments recognize that under Potsdam protocol disposition of Germany's external assets in above neutral countries is responsibility of US, UK and French Governments it is intention of three governments to keep Soviet Government advised as to all steps that are being taken to carry out ACC vesting decree with respect to three governments. Accordingly, the representatives of US, UK and French Governments on mixed commissions in Sweden will be requested to keep Soviet Chief of Mission there fully advised on progress being made pursuant to agreements reached. With respect to Switzerland, Spain and Portugal, in view of fact that Soviet Government does not have diplomatic representatives in those countries, clearing committee in London will be requested to advise Soviet Mission in London of progress being made in these countries. It is obvious that Soviet Mission in Sweden may have available information which will be of assistance to performance of functions by

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British, French and United States Missions and obviously receipt of such information will be greatly appreciated."

"It is tentative intention of United States, United Kingdom and French Governments to institute negotiations in Washington first with Swiss Government some time during month of February, which will be followed by negotiations with Swedish Government. Soviet Government, through you and your British and French colleagues, will be kept advised progress of negotiations."

"Sent to London, repeated to Paris, Berlin for Ambassador Murphy and General Clay, and to Moscow with request to advise British and French Ambassadors of contents this telegram and to take appropriate action thereunder at such time as British and French colleagues receive instructions to proceed with you. Berlin or Paris please advise Angell."

1524

Robert Murphy

cc: Economics Division
 Finance Division
 Legal Division

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Rest

*External assets policy
 Instructions to Clay
 from Washington*

CONFIDENTIAL

January 2, 1946

MEMORANDUM

TO : Lt. Gen. Lucius D. Clay, Deputy Military Governor
 FROM: Office of U. S. Political Adviser

There is quoted below for your information the substance of a telegram sent to the American Embassy at London by the Department of State and repeated to this office:

"The U.S. Government deems it essential, referring to proposed note to neutrals, that British, French, and U.S. reach full agreement prior to negotiations with regard to use of sanctions against those three neutrals which are not satisfactory to U.S. in proposed negotiations. Although this Government hopes that negotiations are able to proceed without threatening such sanctions, it is of the basis of the negotiations that, should they reach the stage in which any neutral country is not in concurrence with our basic proposals, below stated, the negotiators should then be in a position to relate to neutrals the steps which, in the event of final failing of negotiations, the French, British, U.S. and other Allied nations will apply.

"With regard to the Vesting Decree's legal justification and our request that its extra-territorial effects be recognized, this Government concurs in the British view that, if possible, we should avoid legal arguments with neutrals. In view of the fact, however, that neutrals have already raised legal issue--some by an expression of desire to determine what we had as legal justification and others by a flat refusal to recognize that AGC has a right to act as Government of Germany--it may become unavoidable to issue statement stating the legal basis for proceeding as we are.

"Present situation in Germany (garble), as matter of fact. Therefore, no terminology of applicable court decisions nor of International Law writings, can be utilized in describing it. Neutrals, however, must recognize that with Germany's surrender, the existing German Government ceased to be. Whether the act of surrender implied the transfer to victorious powers of the Governmental power, or whether there was created a vacuum which, in order to avoid chaos, had to be filled, four occupying powers have assumed supreme authority with respect to Germany, including all

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powers possessed by the German Government", according to the Berlin Declaration of June 5, 1945; Germany under terms of surrender, agreed to give effect to any decrees or orders which the occupying powers would issue. Therefore, "Marshalling and Vesting of German External Assets" (Law No. 5) is of not less binding force than any law which was enacted by the former German Government would be.

"With regard to the contents of the law, no question can exist as to a Government's right to marshall and to assume foreign exchange assets. During recent years, number of precedents have been established, by other governments as well as by former German Governments. Up to now, justification of such laws has been the particular country's economic self defense. Reason for promulgation of law in question was self defense of entire world of civilization.

"Whether exercise of such legislative power is to be granted an extra-territorial effect is then-remaining question. Basically, this depends on question as to whether, under principles of comity now well-recognized, such effect will be granted unless it is held that acceptance of extra-territorial effect of such legislation is contrary to policy or contrary to foreign government's public interest. On the basis that morality issues as well as practical issues are involved, neutral governments then would be justified fully in claiming that granting to Vesting Decree of extra-territorial effect is now contrary to their public interest or their policy. In Rubin memo, there has been full exploration of morality issues. It can be pointed out that, regarding practical issues, (garble) Vesting Decree and by negotiating as to disposition of assets, purchaser in neutral countries of an Axis interest would be in a position to enable him to obtain a clear title. Should neutrals not recognize Vesting Decree, on other hand, title to German assets which are located in neutral territory would then be subject to contesting claims in the future.

"This Government, in considering those sanctions now available and those which would be effective, believes that the possible use of such sanctions during negotiations should be used only in the case of a failure to agree by the neutrals:

"a. To all German assets located in neutral countries, the ACC Vesting Decree shall apply;

"b. For reparation purposes, all German assets will be made available for ACC

"During course of negotiations, with reference to second criterion, this Government should, if necessary, consider reduction of second standard in order to permit pre-war claims of neutrals to be satisfied out of German assets which are located in neutral country, of course providing, with respect to uncovering all German external assets and

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turning them over to ACC, that an effective job is obtained. Such satisfaction could, however, obviously not be an 100% basis, inasmuch as such investments as young bonds, dates bonds, etc. are the foundations of many claims, about which only a small percentage of satisfaction could, obviously, be justified. After such claims have been reviewed, and too on the basis of effectiveness of the neutral countries in cooperation in the marshalling of German assets, can the exact proportion be determined. However, all funds would initially be given to ACC, who then would pay out to neutrals the agreed-to percentage.

"Two categorical divisions can be made of the sanctions which are to apply against neutrals:

"A. Inducing neutrals, by means of certain steps which the French, British, U. S. and other United Nations would take, to abolish certain existant controls, should the neutrals be able to satisfy us on the two basic points, stated above, and should there be proven a satisfactory execution of the agreement reached with the neutrals.

"B. Those sanctions which, over and above maintaining existing controls, would be imposed.

The following would be included in case of inducements:

"a. To delete from the FL and S lists those German owned or controlled firms and their subsidiary companies upon sale or liquidation of such firms, to the satisfaction of U.S. French, British, and the neutrals concerned.

"b. Instituting procedure by which blocked neutral assets to French, U.K., U.S., and other United Nations would be defrosted.

"c. Special licensing methods governing trade and financial transactions to be quickly removed wherever possible.

"d. To make some satisfaction of pre-war claims as above outlined.

This government considers that, regarding imposing new sanctions on neutrals (B), there should be available to the negotiators the threat of concerted use of all available sanctions. Now considered available, by this Government, are the following sanctions:

"1. Existing freezing controls over funds and assets of neutrals or neutral nations in U.S., France, Britain, and other nations to be modified. Included, for example, would be the withdrawal of general licenses which are now available to neutral countries in favor of institution of specific procedures of licensing.

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*2. All surplus property in which they might be interested and which is now located abroad to be withheld from neutrals.

*3. Shipment of certain allocated products (for example, coal) to neutrals from U.K., France, and U.S. to be withheld, as well as placing on trade with Germany a general embargo. U.S. would, in addition, be prepared by use of specific procedure for licensing (reference a above) to use in conjunction with licensing procedure so as to restrict purchases of neutral countries in U.S., France and Britain. Consideration can, in this connection, be given to withholding certain shipping facilities so as to make certain that any trade restrictions which may be imposed will be satisfactorily executed, if implementation of such trade sanctions is found necessary and feasible.

*4. Refusing to neutrals to admit European Coal Organization and such other Allied organizations.

*5. Excluding neutrals from the international monetary fund and international bank (Breton Woods proposal).

"Willingness of neutral countries to comply with above demands could in addition be considered with regard to their UNO admission and membership.

"If French and British should suggest additional available sanctions, U.S. Government is anxious to be so advised and would consider them favorably.

"You are instructed to point out to British and French, in presenting this proposal to them, that this Government considers it of highest importance that a satisfactory conclusion of proposed negotiations with neutral countries be reached, if necessary justifying the concerted use of the sanctions described above. An agreement concerning sanctions would only constitute an agreement to methods of assuring carrying out of the external vesting decree promulgated by French, U.S., and British. In addition, this Government believes that by having complete agreement on the use of such sanctions before negotiations take place and by having available the sanction argument during negotiations, negotiators will be in better position to achieve our objectives without actually resorting to using the above sanctions, either in part or in entirety. Furthermore, should the U.S. be satisfied by some neutrals during the course of negotiations, it is considered essential that neutrals who do not agree should not obtain the same treatment as those neutrals with whom the U.S. is satisfied. If and when the imposing of sanctions becomes necessary with regard to any neutral country, the decision as to what extent such sanctions will be applied will of course take into consideration, with respect to that neutral, the economic and political conditions then existing.

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"Paris and London are requested, therefore, to notify the French and British of this Government's recommendations, stated above, and to report the progress of your discussions and their reactions to the Department".

Robert Murphy

cc: Mr. C. Fahy, Director, Legal Division
Mr. J. M. Dodge, Director, Financial Division
Office of Staff Secretary

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RESTMarch 27, 1946

in reply refer to
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My dear Mr. Secretary:

Reference is made to your letter of February 7, 1946 concerning the question of German external assets and your request for clarification of United States Governmental policy in this matter.

While many of the issues raised by your letter have already been clarified as a result of conferences between members of our staffs, I believe it would be helpful for me to give you to the extent possible a full statement of the position of the Department of State with respect to the many questions which arise under the general problem of external assets. It is my understanding that General Clay has on several occasions expressed a desire for a clear policy statement on the question of the treatment to be accorded to German external assets and the function of the Allied Control Council, and particularly, the German External Property Commission. I should, therefore, appreciate your transmitting the contents of this letter to General McNarney and to General Clay.

1. The Department feels that the jurisdictional line drawn under the Potsdam Protocol is basic to this entire matter. Under that line, the USSR renounced its interest in the disposition of German external assets in areas other than Hungary, Bulgaria, Rumania, Finland and Eastern Austria, and the other signatories to the Potsdam Protocol renounced their interest in external assets in those areas. Thereafter, at the instance of the United States, Law No. 5 was proposed and eventually passed in the Allied Control Council. Under

this

The Honorable

Robert P. Patterson,

Secretary of War.

AP 25 1946

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this law the German External Property Commission, a quadripartite organ of the Allied Control Council for Germany, was established and was vested with title to all German external assets other than those specifically exempted. The Commission was also given power to do all acts necessary to carry out its duties in connection with these German external assets. The law also contained a provision for the exemption, pursuant to Article 9, of certain other specified countries from the operation of Law No. 5.

The United States has construed these documents, taken together, as continuing the lines of responsibility established under the Potsdam Protocol and as vesting title in the German External Property Commission principally for the purpose of facilitating the elimination of German control over assets in European neutral countries-- which for this purpose may be taken to mean Switzerland, Sweden, Spain and Portugal. While not a neutral, it is intended to apply Law No. 5 to Turkey. One of the major difficulties which has faced us with respect to the taking control of German external assets in the neutrals has been the legal objections raised by the neutrals. The present situation in Germany is unprecedented in international law. However, whether the transfer of governmental power to the victorious powers was implied by the act of surrender or whether a vacuum was created which had to be filled to avoid chaos, the four powers have assumed "supreme authority with respect to Germany, including all powers possessed by the German Government", according to the declaration of surrender made at Berlin on June 5, 1945. Prior to the passage of the vesting law, however, the power to marshal and take over foreign exchange assets had not been exercised, so that with respect to the neutrals there was no legal act on which we could base our claim to German assets in such countries. Law No. 5 was designed to fill this legal gap with respect to our claim for assets in the neutrals. By the passage of Law No. 5, the legal situation took on the following status: The former German Government had the right to marshal and to take over foreign assets; the powers exercising authority in Germany have the same power to pass such a law, as did the former German Government; with the passage of Law No. 5, the only remaining question is whether the exercise of such legislative power should be granted extraterritorial effect by the neutrals. Thus, the passage of Law No. 5 reduced our legal problems to the

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one issue of extraterritorial recognition.

Law No. 5 also provided a rallying point around which the support of the other United Nations could be secured with respect to our approach to the neutrals. Read with reference to the terms of Potsdam relating to disposition of external assets, Law No. 5 provided direct evidence of our intention to implement the Potsdam Protocol and to proceed with the decision to secure these assets for reparations.

It is recognized, however, that Law No. 5 on its face goes beyond the above objectives in that it applies to German assets in all areas other than the territory of the United States, France, the USSR and the United Kingdom and its dominions and possessions. It is also recognized that there has been informal assertion by the Soviet member of the German External Property Commission of an interest in the external security aspects in the disposition of German assets in which, it is conceded, the USSR has no interest.

I sincerely regret that Law No. 5, as drafted, implies responsibilities for the Allied Control Council for Germany beyond those required to achieve these objectives, and perhaps beyond the feasible scope of ACC operations. That Law No. 5 has from its drafting been regarded principally as a means to the end of achieving control over German external assets in the neutral countries, rather than as an extension of ACC jurisdiction into such diverse and remote areas as Brazil, China, Japan, etc., may have been the source of misunderstanding. The basic position remains that Law No. 5, like the acts taken by this Government and its Allies over the course of four years, is a means to the extirpation of dangerous German influence abroad, and to the reduction of German external assets to control for disposition as reparations. This position is, moreover, entirely consistent with that taken by the other Governments occupying Germany.

Thus, the Soviet interest in the external security aspects of disposition by the other three occupying powers has not been expressed either formally in the Allied Control Council for Germany or by means of diplomatic representations to the governments of any of the other three occupying powers. Instead, the USSR has expressed its agreement in the suggestion by this government that the USSR would not be interested in such disposition, the intent of this government having been to include within the word "disposition" in this connection all matters relating to German external assets in areas other than those reserved for USSR decision under the Potsdam Protocol.

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That the Soviet Union construes the terms of the Potsdam Protocol as being in no way modified by the issuance of Law No. 5 would seem to be indicated by the fact that the USSR has reportedly entered into unilateral arrangements with the Government of Hungary, and perhaps the governments of others of the eastern European countries mentioned, for the disposition of German external assets in those areas. The United States does not feel that such unilateral arrangements, made without consultation of or notice to the other three occupying powers or the German External Property Commission is in any way objectionable. However, this action by the USSR would seem to confirm the interpretation of the Potsdam Protocol and Law No. 5 which has been described.

It is assumed that the German External Property Commission will regard it as its ministerial duty to carry out such arrangements as may be entered into between the Government of the USSR and the Government of Hungary, for example, with respect to disposition of German assets in Hungary. Conversely, it is regarded as the ministerial duty of the German External Property Commission to carry out such dispositions of German external assets in other areas as may be agreed to between the governments of the other three occupying powers. Despite the fact that information on disposition of German external assets in such areas as Hungary, Bulgaria, etc. has not been furnished either to this Government or to the governments of the other occupying powers, or to the German External Property Commission by the USSR, it is nevertheless the intention of this Government to keep both the Government of the USSR and the German External Property Commission fully informed on dispositions as may be made by agreement between the other occupying powers and the governments of the territories in which the German external assets in question are located.

In this connection, reference is made to the War Department's telegram W96688 of February 11, 1948, which was drafted in full consultation with and approval of members of my staff. It advised General Clay of our intention to keep the GEPC fully advised of our progress in the forthcoming negotiations with the European neutrals on the question of German external assets. It also provided a procedure for General Clay to raise the question of GEPC participation in these negotiations, as well as in the preliminary discussions with the British and French.

It is also the intention of this Government to rely
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heavily upon the German External Property Commission as a quadripartite party, for investigations and for such actions in Germany as may be necessary to the elimination of German economic influence abroad and to the obtaining possession and the power of disposition of German external assets, where such action is necessary.

2. Pursuant to the terms of the Potsdam Protocol the Governments of the UK and France issued invitations to certain other governments to participate in a reparation conference which was convened in Paris in the fall of 1945. This conference, in a final act unanimously adopted, has disposed of German external assets located within the territory of the powers signatory to the conference by allotting such assets to each of those powers. It is understood that the French member of the German External Property Commission has now introduced in the GEPC a resolution designed to exempt German assets within the territory of these certain signatory powers from the operation of Law No. 5. The United States member on the GEPC has been instructed to support this resolution and to indicate his understanding that this resolution is in strict accordance with the understanding of the Potsdam Protocol. The Department would be prepared to support, also, a proposal that the exclusion of these countries under Article 9 of Law No. 5 be made only after certification along the lines suggested for the American republics in paragraph 5 of this letter. It is not felt that the Allied Control Council for Germany or the GEPC has, at this time, been given functions other than the forwarding of information upon request through diplomatic channels to the governments concerned, with relation to German external assets located within the territories of the various signatories to the Paris reparation agreement.

3. The relation of the German External Property Commission and the Allied Control Council for Germany to German external assets located in neutral countries has been extensively discussed at the highest levels in the War Department and the Department of State. I attach hereto, for the sake of completeness, War telegram W6668 of February 11, 1946 which has been dispatched to General Clay as a result of these conferences.

4. Law No. 5 applies to German external assets within such countries as Argentina, Turkey and Eire. However, the steps which can be taken by the GEPC to reduce assets in these territories to its possession and exercise its control over such assets are matters

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which raise diplomatic and governmental issues of the highest order. It seems apparent that the mere representations of this Government to the government of such a country as Argentina would not result in recognition of the title of the Allied Control Council for Germany to German assets in Argentina. It, therefore, remains to be determined what measures will be undertaken and what suggestions will be made, at the direction of this Government, either by its representative in the GEPC or in such other manner as may appear appropriate.

5. Law No. 5, by its terms, applies to German assets within all of the American republics other than the United States. The United States has, in cooperation with the other American Republics, pursued a program of replacement of German interests in these areas by local interests since the Rio Conference of Ministers of Foreign Affairs of the American Republics, held in January 1942. The United States together with the other American republics is also a signatory to Resolutions 18 and 19 of the Inter-American Conference on Problems of War and Peace held in Mexico City in February and March 1945. In both of these resolutions it was specified that each of the American republics would be able to dispose of German assets within its borders individually or in accordance with such international agreements as it deemed appropriate. The question of application of Law No. 5 by the Allied Control Council for Germany in countries such as Mexico and Brazil, which were active participants in the war against Germany also raises grave problems of international relations akin to those which would be raised by intervention of the Allied Control Council for Germany in such a country as Norway or Belgium, to cite merely two examples.

In order to carry out the objective of elimination of German control over assets in these jurisdictions, to conform with Law No. 5 to the greatest possible extent, to respect the international commitments of the United States, entered into with full knowledge of the other nations of the world, and to respect the justifiable claims of other American republics which participated in the war against Germany, the United States has proposed

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that agreement be reached for the exclusion of the American republics from the operation of Law No. 5 under the procedure established under Article 9 of that law, provided, however, that such exclusion should not be put into effect until certification by an Inter-American body to be set up under the Inter-American Economic and Social Council. Pursuant to General Clay's suggestion that this proposal might better be negotiated at the diplomatic level than within the Allied Control Council for Germany, the State Department has notified Mr. James W. Angell, its representative on the Inter-Allied Reparation Commission, to take this matter up with his fellow members on the Commission. It is believed that this procedure is desirable both because of the familiarity of Messrs. Angell, Waley and Rueff with these matters, but also because of the possible interest, from a reparation point of view, of the Reparation Commission in German external assets in the other American republics. Manifestly, it is not intended that there would be certification which would result in exclusion of the German assets in Argentina, until and unless different conditions from those presently prevailing obtained in that country. However, the procedure which is suggested has, after careful consideration, been thought to be the only feasible means of using the pressure of Law No. 5 to bring about a satisfactory completion of the replacement program in those of the American republics which have not until now carried out such a program. The procedure suggested, it is recognized, has certain difficulties, but they are felt to be nothing as compared to the difficulties which would ensue if the GEPC were to attempt to exercise direct jurisdiction over German assets in countries such as Brazil, Mexico, Chile, etc.

It is expected, therefore, that the United States member on the GEPC will support the agreement which it is hoped will be reached between the Governments of the United States, United Kingdom and France and will support such specific actions and recommendations as may be made pursuant to this general program.

6. Law No. 5 applies also to German assets in Italy. The policy of the United States has been to resist the payment of reparations, at least to any significant extent by Italy, on the ground that such payments

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would in effect be financed by the United States. It is to the long-range interest of the United States that the Italian economy be reconstituted as a stable and self-sustaining economy. The Department, therefore, has given close consideration to the problem of German external assets in Italy and has come to the conclusion that if the jurisdiction held by the GEPC were to be exercised with respect to German assets within Italy, the result would be either direct removals of plants and equipment from Italy which that country can ill afford to spare, or the sale of such plants for lira, which lira balances would then be turned over to the IAA for distribution. In the latter event, a strong pressure on Italy for reconversion of these lira balances to some more acceptable currency would be created which again would be a conclusion not in accordance with over-all United States policy.

(It is, therefore, being recommended that German assets in Italy be turned over to that country, the elimination of German influences from such properties to be supervised by a commission composed of representatives of the United States, the United Kingdom, France, Italy, and possibly the appropriate military authority.) General Clay and the War Department will be further notified as to the results of these negotiations.

7. Law No. 5 applies to German assets in Japan. It does not seem feasible for the GEPC to operate with respect to these assets directly, especially since the Supreme Commander for the Allied Forces in the Pacific is in charge with respect to Japan. It is, therefore, proposed that General Clay give consideration to this problem and be requested to formulate such proposals as may seem to him appropriate for the turning over of direct operating responsibilities to SCAP.)

8. The declaration that was made November 1943 at Moscow by the United States, USSR and the United Kingdom stated that annexation of Austria by Germany March 15, 1938 would be regarded as null and void. By paragraph 2, Article Three of Law No. 5 the assets of "any citizen of any country annexed or claimed to have been annexed by Germany since December 31, 1937" is excluded from the operation of the enactment.

So far then as Austrian external assets are concerned,

where

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 By SDM NARA Date 9/27/94

RG 260
 Entry External Assets
 File GEPC Policy
 Box 649

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where the ownership is genuinely Austrian, such assets do not fall within the provisions of Law No. 5. With respect to such assets, it is immaterial as to what role the Austrian owners of the assets played during the war; this is a problem properly to be dealt with by the Austrian Government.

Assets outside of Austria owned by German nationals through Austrian cloaks or holding companies or subsidiaries, etc.--in short, "Austrian" external assets that are in reality German assets--are to be dealt with as German assets.

(With respect to German assets in Austria, this rather complex problem is being dealt with by the Allied Commission, Austria (War Department's CM-OUT-85620 of February 1, 1946 to USFA) and by the governments of the four occupying authorities. Members of our two Departments are in consultation on the various phases of this problem.)

9. Law No. 5 also applies to other areas far remote from Germany and from the ordinary operations of the Allied Control Council for Germany. These other areas include such United Nations as China. It is thought that a program should be worked out for turning over direct responsibility for German assets in these areas to the governments exercising jurisdiction, with the actions of these governments to be cleared, on a broad scale, with the GEPC and with the Allied Control Council for Germany.)

10. The last paragraph of your letter raises the question of the extent to which this Government is prepared to utilize the threat of economic and political sanctions against the neutrals in obtaining compliance with the vesting law, and whether this Government is willing to act unilaterally in this respect in the event that the other governments concerned do not agree to the utilization of the threat of sanctions.

For your background information, I am attaching hereto the proposal on this question made to the British and French Governments by this Government in its telegram no. 11022 to London of December 21, 1945; a copy of the British reply dated January 22, 1946; and a copy of our aide-memoire dated February 5, 1946 in answer to the British. As you will realize from these documents, this

Government

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DECLASSIFIED	
Authority	MND 775087
By	SOM NARA Date 8/27/99

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Government has not been satisfied with the British rejection of our sanction proposal and is pursuing the matter further in order to obtain British agreement. My position on this issue, together with my views on what should be done, is set forth in a letter to the Secretary of Treasury dated March 5, 1946, a copy of which is attached.

In conclusion, I wish to indicate my appreciation of the efforts which were put forward by General Eisenhower and General Clay to obtain approval of Law No. 5 by the Allied Control Council for Germany. It is the desire of the Department of State to cooperate in every way possible in achievement of the objectives of Law No. 5. It appears, however, that the efficient functioning of the Allied Control Council for Germany, particularly with relation to the subject of German external assets, can be secured only by means of programs such as those outlined in this letter and by utilization of the GEPC and the Allied Control Council for Germany for those operations to which that mechanism is suited. It seems clear that, in the absence of territorial jurisdiction in areas other than Germany, and in the absence of a foreign service reporting back to the Allied Control Council for Germany, the programs outlined above will contribute to the objective of elimination of German control over German external assets and to the operation of the Allied control machinery in Germany to the maximum extent possible.

Sincerely yours,

Enclosures:

1. Copy of telegram W96688 of February 11, 1946.
2. Copy of telegram to London no. 11022, December 21, 1945.
3. Copy of British reply dated January 22, 1946.
4. Copy of Department's aide-memoire dated February 5, 1946.
5. Copy of Mr. Acheson's letter to Secretary of Treasury, dated December 26, 1945.
6. Copy of Secretary of State's letter to Secretary of Treasury dated March 5, 1946.

ESP:Rubin:ESSurrey :vc 2-20-46 See attached for clearances

310248

DECLASSIFIED
 Authority NND 775119
 By JW NARA Date 9-10

RG 260
 Entry REPARATIONS BRANCH
 File MISC. RESTITUTION
 Box 27

COPY

Dear Dr. Puender:

This will acknowledge receipt of your letter of 14 December 1948 concerning restitution from the U. S. Zone.

Our restitution policy is based on the London Declaration of 5 January 1943 and implemented by Military Government rules. I wish to point out that the London Declaration specifically applies "whether such transactions or dealings have taken the form of open looting or plunder, or of transactions apparently legal in form, even where they purport to be voluntarily effected".

The concept of "Normal Commercial Transaction" has been evolved along the line laid down in the Restitution Operation Guide of 28 July 1948 with which you are familiar. Prewar dealings are only one, although the most frequent and important of the factors which are taken into consideration. You will note that the Restitution Operation Guide specifically states that "no hard and fast rules can be laid down as to what constitutes a Normal Commercial Transaction and each case will have to be decided on its own merits in the light of the London Declaration of 5 January 1943".

Appeals by the German holder or the Ministry of the Land concerned have received in the past all due consideration by the Karlsruhe and Berlin Offices of Restitution Branch, and I am satisfied that the U. S. Restitution policy, as it stands, is well founded and is being equitably interpreted and administered.

I must inform you therefore that I do not intend to make any changes as far as this policy is concerned.

Sincerely,

LUCIUS D. CLAY
 General, U. S. Army
 Military Governor

Dr. Hermann Puender
 Chairman of the Executive Committee
 of the Combined Economic Area
 50 Feuerbachstrasse
 Frankfurt/Main

COPY

RG 131
Entry FEC-General
File _____
Box 404MEMORANDUM FOR THE FILES

December 26, 1944

Several days ago Lt. Col. Hoffmann, who said that he is in charge of relationships between the Offices of Strategic Service and the Underground in Europe, inquired rather vaguely about the "status of franc currency." After some discussion I learned that he was really interested in whether securities in France could be purchased by persons in this country. He indicated rather broadly that questions of high policy were at stake. I replied that presumably no such transaction could be carried on without Treasury license but that we would be glad to give the most careful consideration to such a transaction which the OSS desired to have effected.

Colonel Hoffmann telephoned today for an appointment and after discussion with Messrs. Alk and Richards, I asked Mr. J. C. Jones to join me in talking with the Colonel. The discussion was again somewhat vague as to the exact desires of the OSS, although the Colonel inquired about our rules and attitude relating to several specific types of transactions, namely, (1) transfers of French securities from France to the United States, either for the benefit of the existing owners living here or for the purpose of sale to persons enjoying the confidence of OSS; (2) transmittal of funds from the United States to France in connection with the return to France of French nationals here who would work with OSS; (3) purchases of American securities and other financial transactions in the United States by French nationals living here.

Concerning the first two points, Mr. Jones and I stressed the fact that ordinarily the Control would be reluctant to granting licenses unless the transactions were approved by the French authorities. After a short period during which he seemed to take the view that it was up to the French authorities to protect their own interest, Colonel Hoffmann stated firmly that, of course, nothing could be done without their full consent. We also said that the Control would undoubtedly wish to be satisfied as to the title of securities sent to this country. It was not possible to ascertain exactly what benefits the Colonel envisaged from purchases of securities. He spoke in very general terms of ferreting out hidden German assets and munitions of guerrilla warfare. His ideas on the techniques of detection were even more vaguely stated.

As to the transmission of funds to France, we indicated that there would presumably be no great problem, assuming the consent of the French. We pointed out that the French were anxious

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RG 131Entry FEC-General

File

Box 404

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to preserve their dollar assets and that we were intent on keeping dollar currency out of France but the Colonel felt that neither of these two points would present a difficulty since he had in mind that payment in France would be made in francs. With respect to transactions by French nationals in the United States, we merely explained the generally licensed national system.

At the end of the conference Mr. Jones took pains to point out that we would not consent to any transaction in which French nationals secured assets in the United States which were concealed in any way from the French authorities.

CQ.

RG 131
 Entry FC-General
 File _____
 Box 404

CENTRAL HANOVER BANK AND TRUST COMPANY

SEVENTY BROADWAY

NEW YORK

October 20, 1944

Mr. Wigand
 Federal Reserve Bank of New York
 Foreign Property Control Section
 57 Wall Street
 New York, N. Y.

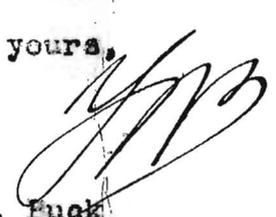
Dear Mr. Wigand:

Several days ago Mr. Raymond L. Jones and two colleagues from the United States Treasury Department, Foreign Funds Control Division, Washington, D. C. called at this office and discussed measures to prevent securities stolen by the Axis from being redeemed.

In response to the request of Mr. Raymond L. Jones at that time, we enclose in duplicate the following papers:

1. List of large accounts where we act as co-paying agent for coupons.
2. List of bonds called between 3/1/42 and 8/31/42.
3. List of bonds called between 3/1/38 and 8/31/38.
4. One photostat Cremation Certificate, Re: Indiana Service Corporation.
5. List indicating Blocked Dividend Accounts.

Very truly yours,


 F. A. Buck
 Asst. Vice President

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 Entry FEC-General
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 Box 404

Texas Corporation Deb. 3% 1959 Ttee. Continental Illinois National Bank and Trust Co. Chicago, Ill.
 Wisconsin Electric Power Co. 1st 3 1/2% 1968 Ttee. First Wisconsin Trust Co. Milwaukee, Wis.
 Wisconsin Gas & Electric Co. 1st 3 1/2% 1966 Ttee. " "
 The Curtis Publishing Co. 15 Year 3% Deb. 1955 Ttee. Girard Trust Co. Philadelphia, Pa.
 Saguenay Power Co., Ltd. 1st 4 1/2% Ser. "A" American Ttee. Union Trust Co. of Pittsburgh, Pa.

Coupon accounts showing amount received and balances over a period of years as requested by Mr. Raymond L. Jones.

			<u>Principal Amount outstanding</u>
<u>Utah Power & Light Co. Deb. 6% Ser. "A"</u>			
Cpn. maturity	5/1/38	\$ 150,000.	\$ 5,000,000.
Cpn. balance	5/1/39	486.	
"	10/31/39	381.	
Cpn. maturity	5/1/42	150,000.	5,000,000.
Cpn. balance	5/1/43	516.	
"	10/31/43	396.	
<u>Appalachian Power Co. Deb. 6% Ser. "A" 2024</u>			
Cpn. maturity	7/1/38	\$ 120,000.	4,000,000.
Cpn. balance	7/1/39	231.	
"	12/31/39	---	
Cpn. maturity	7/1/42	120,000	4,000,000.
Cpn. balance	7/1/43	201	
"	12/31/43	108	
<u>Indiana Service Corp. 1st & Ref. 5% "A" 1950</u>			
Cpn. maturity	7/1/38	\$ 180,262.50	7,210,500.
Cpn. balance	7/1/39	1,062.50	
"	12/31/39	825.	
Cpn. maturity	7/1/42	174,375.	6,975,000.
Cpn. balance	7/1/43	1,362.50	
"	12/31/43	1,075.	
<u>Southern Boulevard Railway Co. 1st 5% 1945</u>			
Cpn. maturity	7/1/38	\$ 6,250.	250,000.
Cpn. balance	7/1/39	---	
"	12/31/39	---	
Cpn. maturity	7/1/42	6,250.	250,000.
Cpn. balance	7/1/43	---	
"	12/31/43	---	
<u>Utica Gas & Electric Co. Ref. & Ext. 5% 1957</u>			
Cpn. maturity	7/1/38	\$ 115,250.	4,610,000.
Cpn. balance	7/1/39	75.	
"	12/31/39	---	
Cpn. maturity	7/1/42	115,250.	4,610,000.
Cpn. balance	7/1/43	375.	
"	12/31/43	275.	

310253

Authority NND 468103
 By SE NARA Date 10-7-49

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 File _____
 Box 404

MISSOURI GAS & ELECTRIC CO. Deb. 6% Ser. "A" 2022
 MISSOURI INDEPENDENT POWER CO. Deb. 6% Ser. "A" 2022

<u>Missouri Gas & Electric Co. Deb. 6% Ser. "A" 2022</u>			<u>P.A. outstanding</u>
Cpn. maturity	3/1/38	\$ 90,000.	\$ 3,000,000.
Cpn. balance	3/1/39	141.	
"	8/31/39	93.	
Cpn. maturity	3/1/42	90,000.	3,000,000.
Cpn. balance	3/1/43	66.	
"	8/31/43	3.	

Southwestern Power & Light Company Deb. 6% "A" 2022

Cpn. maturity	3/1/38	\$ 124,440.	4,148,000.
Cpn. balance	3/1/39	729.	
"	8/31/39	276.	
Cpn. maturity	3/1/42	116,970.	3,899,000.
Cpn. balance	3/1/43	657.	
"	8/31/43	519.	

Memphis Street Railway Ser. "A" 5% 1945

Cpn. maturity	4/1/38	\$ 79,025.	3,161,000.
Cpn. balance	4/1/39	1,055.	
"	9/30/39	892.50	
Cpn. maturity	4/1/42	79,025.	3,161,000.
Cpn. balance	4/1/43	710.	
"	9/30/43	597.50	

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BONDS CALLED BETWEEN 3/1/38 and 8/31/38

<u>Redemption date</u>	<u>Company</u>	<u>Issue</u>	<u>Principal amount called</u>	<u>Funds Received</u>	<u>Balance 8/31/39</u>	<u>Balance 10/13/44</u>
4/1/38	Birmingham Gas Works	5s-48 Equip.	\$720,000.	\$750,000.	-	
4/1/38	Chicago & North Western	Tr. of 1937	446,000.	446,000.	-	
8/5/38	Empire Refining	5½s of 1947	9,180,000.	9,227,685.	-	
6/22/38	Galveston, Houston & Hend.	5½s due 4/1/38	1,061,000.	1,074,909.27	\$1,013.66	\$ 507.11
7/1/38	Inland Paper Board Co.	Ser. "N" due 7/1/38	50,000.	50,000.	-	
3/1/38	Mobile & Ohio Railroad Co.	Ser. "L"	53,000.	54,325.	-	
5/1/38	Mobile & Ohio Railroad Co.	Ser. "N"	55,000.	59,950.	-	
3/1/38	National Light, Heat & Po.	7s - 38	104,900.	108,571.50	-	
4/1/38	Sauda Falls Ltd.	5s - 1955		51,600.	-	
7/1/38	U. S. Rubber Co.	5s - 1947	49,123,800.	52,808,085.	169,890.	29,545.

310255

Authority ANDY GIBBS
By SE NARA DAVIS

REPRODUCED AT THE NATIONAL ARCHIVES

RG 131
Entry F.F.C. - General
File 404
Box

BONDS CALLED BETWEEN 3/1/42 and 8/31/42

<u>Redemption date</u>	<u>Company</u>	<u>Issue</u>	<u>Principal amount called</u>	<u>Funds Received</u>	<u>Balance 8/31/43</u>	<u>Balance 10/13/44</u>
3/1/42	Lincoln Mtge.	5s of 48	\$575,000.	\$618,604.17	\$13,989.32	\$10,331.51
3/15/42	Gotham Silk Hosiery	5s of 46	70,000.	53,542.50	-	
3/23/42	Nat'l Power & Lt.	5s of 2030	2,000,000.	2,159,444.44	41,030.03	41,030.03
4/1/42	Helvetia Coal Mining Co.	5s of 1958	79,000.	84,925.00	-	
4/1/42	N.Y.Prov.&Boston RR Co.	4s due 1942	1,000,000.	1,020,000.00	-	
4/1/42	Equitalbe Gas & Elec.	5s of 1942	1,000,000.	1,025,000.00	2,000.00	2,000.00
4/1/42	Southern Natural Gas	3½s due 1956	108,000.	112,860.00	-	
4/1/42	Tri-boro Bridge Authority	due 1977	35,000,000.) Chase National Bank, Fiscal Agent	25,200.00	16,800.00
4/1/42	Tri-boro Bridge Authority	Ser.Revenue Bds.	18,000,000.		-	
4/4/42	North American	4s of 1959	3,000,000.	3,118,500.00	7,276.50	6,237.00
5/1/42	Litchfield & Madison Railway	5s of 1959	14,000.	14,630.00	-	
42	Westfield River Paper Co.		13,500.	13,500.00	-	
42	Old Dominion Water Corp.	4s of 1948	15,000.	15,000.00	-	
42	Houston Belt & Term.	3½s of 1967	47,000.	50,008.00	-	
42	Toledo Edison Co.	3½s of 1960	64,000.	65,653.34	-	
42	Harvard Club	6s of 1949	4,000.	4,100.00	-	
42	Wheeling & Lake Erie Railway Co.	Ser."E" due serially	105,000.	120,756.85	-	

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(CONT)

Authority AND 106103
By SE NARA Date 10-7-91

REPRODUCED AT THE NATIONAL ARCHIVES

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Entry FFC-Gen
File
Box 404

(CONTINUED)
BONDS CALLED BETWEEN 3/1/42 and 8/31/42

<u>REDEMPTION Date</u>	<u>Company</u>	<u>Issue</u>	<u>Principal amount called</u>	<u>Funds Received</u>	<u>Balance 8/31/43</u>	<u>Balance 10/13/44</u>
6/27/42	North American Co.	4s due 1959	\$1,813,000.	\$1,901,333.38	\$9,441.10	\$6,294.94
7/1/42	Louisville & Nashville RR	4s B due 1/1/60	148,000.	155,400.00	-	
7/1/42	Long Island Ltg. Co.	6s due 1945	3,867,000.	4,041,015.00	4,702.50	2,612.50
7/1/42	Georgia Carolina Po.	5s due 1952	76,500.	76,500.00	525.00	525.00
7/1/42	St. Louis So. Western Ry.	Ser. K Equip. Tr.	54,000.	58,850.00	-	
7/1/42	U.S. Rubber Co.	4 $\frac{1}{4}$ s Reduced to 3 5/8s due 1958	2,384,000.	2,384,000.00	-	
7/1/42	N.Y. Rys.	6s due 1958	71,000.	74,550.00	-	
8/1/42	North American Co.	3 3/4s due 1954	188,000.	193,405.00	-	
8/1/42	North American Co.	3 $\frac{1}{2}$ s due 1949	150,000.	155,250.	-	
8/1/42	Genl. Water Works & Elec.	5s due 1943	2,832,000.	2,862,680.00	18,196.31	7,582.55
8/1/42	Western Pacific RR	1-3/4s due Ser.	265,000.	288,187.50	-	
8/1/42	Union Ry. Co. NYC	5s due 1942	1,165,000.	1,194,125.00	2,050.00	2,050.00
8/1/42	N.Y. Water Serv. Corp.	5 $\frac{1}{2}$ s due Ser.	150,000.	153,562.50	-	
8/1/42	Chesapeake & Ohio	Equip. Tr. 1940	250,000.	269,687.50	-	

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Authority AND 107103
 By SE NARA Date 10-7-91

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Entry FEC-General
File _____
Box 484

List of total amount of unpaid dividends for years 1940-41-42-43-44 of Companies for which we act as Dividend Paying Agents. These amounts represent dividends due Blocked Nationals. There are no dividend checks outstanding against these amounts.

<u>Company</u>	<u>Amount</u>
The American Metal Company, Ltd.	\$ 39,857.55
Central Hanover Bank & Trust Company	365.10
Chrysler Corporation	28,994.57
Continental Insurance Company	4,497.26
Fidelity-Phenix Fire Insurance Company	2,277.84
Globe & Rutgers Fire Insurance Company	5,530.20
Interchemical Corporation	18.97
Jersey Central Power & Light Company	
5 $\frac{1}{2}$ % Series Preferred Stock	1,045.76
6% Series Preferred Stock	1,249.55
7% Series Preferred Stock	220.50
Ligget & Myers Tobacco Company	
Common Stock	2,419.47
Common "B" Stock	5,582.34
Preferred Stock	1,171.37
Metal Textile Corporation	32.00
Nationwide Securities Company	148.24
National Aviation Corporation	195.09
Pavonia Building Corporation	570.96
Phelps Dodge Corporation	4,544.16
Phoenix Hosiery Company	262.50
South American Gold & Platinum Company	108.64
Todd Shipyards Corporation	519.79
Tubize Chatillon Corporation	4,470.40
U.S. Electric Light & Power Shares, Inc.	89.33
U.S. & Foreign Securities Corporation	266.17
U.S. & International Securities Corporation	708.83
<u>TOTAL:</u>	<u>\$105,106.59</u>

310258

RG 131
 Entry F.F.C.-General
 File _____
 Box 484

June 11, 1943

MEMORANDUM.

Re: Problems of licensing policy relative to foreign patents in which there is an enemy interest (enemy having connotation expressed in General Ruling No. 11.)

During the last twenty or more years, patent owners of all nationalities have entered into agreements with other parties interested in such patents with respect to rights in the various fields under existing and future patents. Most of these agreements involve patents issued by many foreign countries in all parts of the world. The benefit to the enemy nationals under these agreements and the enforceability of the same in each country, both at the present time and after the war, depend upon the attitude of each individual country. The maintenance of these patents by payment of annual taxes in most countries or of final fees in Canada preserves not only the rights of the company wishing to make the payment, but also all other rights that any other person might have under the patent.

Another factor which must be considered is that in 1939 and 1940 I. G. Farben delivered to Standard Oil, assignments, for recording, of all its patents in which Standard has an interest. This is believed to have been done in order to have these patents in the name of an American company rather than in the name of the German company, they probably do not affect any rights under the patents, since the rights are governed by the prior agreements.

The licensing problems are:

1. Shall we license the recording of such assignments?
2. Shall we license the maintenance of patents, in which there is an enemy interest, by United States residents who have some interest under the patent?

The interest of the applicant extends from a mere non-exclusive license under a patent to the opposite extreme of complete ownership of the patent with non-exclusive licenses granted to enemy nationals.

3. Shall we license the application for new patents which are subject to prior agreements?

The benefit to the enemy under such new applications extends from mere non-exclusive license to use to the opposite extreme of the requirement that the patent be registered in the name of the enemy national with the applicant receiving a non-exclusive license to use.

RG 131
 Entry F.F.C-General
 File _____
 Box 404

Typical Fact Situations Involved:

1. Nominal owner of patent: Standard, after assignment from I. G. has been recorded.

Beneficial owners: Standard has exclusive rights in the Hydrocarbon field. I. G. Farben has exclusive rights in all fields covered by patent outside of Hydrocarbon field. The rights of I. G. in other fields may or may not have been licensed to others.

2. Nominal owner of patent: I. G. Farben

Beneficial owners: Standard or Du Pont has an exclusive license to all use of said patent in a particular field, I. G. has exclusive use outside of non-licensed fields.

3. Nominal owner of patent: Jasco Inc., sometimes based on assignments to Jasco to be recorded.

Beneficial owners: Jasco or I. G., depending upon the effect given the Consent Decree.

By agreement of 1932, Jasco owns sole rights to the world outside of Germany. By modification of 1939, Jasco owns sole rights in United States, British and French Empires. I. G. owns sole rights in all the rest of the world. The Consent Decree declares both contracts unlawful. The rights of I. G. in countries outside of United States, British and French Empires depend on the effect of the Consent Decree in those countries.

4. Nominal owner of patent: International Hydrocarbon Synthesis Corporation, a Dutch corporation. (The ownership of I.H.S. is 50% Ruhrchemie, 25% Dutch Shell and 25% Standard.)

Beneficial owners: I.H.S. and its licensees.

AKU is a similar situation. AKU is a Dutch corporation, believed by us to be approximately 50% German-owned.

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Entry FEC-General
File _____
Box 404

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5. Nominal owner of patent: Corporation of occupied countries believed to be nearly 100% owned by citizens of that country.

Beneficial owners: Said corporation and its licensees.

An example of this is Det Norsk, a Norwegian corporation.

6. Nominal owner of patent: German corporation.

Beneficial owners: German corporation and non-exclusive licensees under said patents.

An example of this is Siemens-Halske, a German corporation, under their agreement with Associate Electric Laboratories, Inc. (subsidiary of Ass. T. & T. Co.)

7. Nominal owner of patent: American corporation.

Beneficial owners: American corporation and non-exclusive licensees, some of whom are enemy.

EJCassoday:VG
6-11-43

310261

RG 131
Entry FEC-General
File _____
Box 404

June 11, 1943

Possible general policy with respect to specific licenses for the application for, assignment of and maintenance of foreign patents in which there is at present, and will be preserved for the future, an enemy interest.

Authorize application for, assignment of and maintenance of such patents in:

(a) Countries at war with the Axis.

Great Britain, Canada, Union of South Africa, British India, Australia, New Zealand and other territories, possessions and mandates of Great Britain, Russia, Brazil, Bolivia, Mexico, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica, Panama, Cuba, Haiti, Dominican Republic and Iraq.

(b) Countries which have severed diplomatic relations with the Axis.

Uruguay, Paraguay, Chile, Peru, Ecuador, Colombia and Venezuela.

(c) Countries which maintain diplomatic relations with the Axis.

Sweden, Finland, Spain, Portugal, Switzerland, Turkey, Eire and Argentina.

provided, that the person wishing to apply for, assign, or maintain such patent has a real interest in the maintenance of such a patent because of actual use of the patent in one of the following ways:

- (a) Manufacture in said country under said patent;
- (b) Protection of actual sales in said country by said patent;

(a) and (b) as worded would license application by non-exclusive licensee. This could be restricted to exclusive licensees in a single field, if desirable.

- (c) License for consideration to others under said patent for manufacture;
- (d) License for consideration to others under said patent for protection of actual sales; or

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Entry FEC-General
File _____
Box 404

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- (e) Substantial interest in profits of owner or licensee of patent.

This could be limited by a minimum percentage of interest.

Any possible benefit to enemies during the war, outside of the accumulation of royalties in blocked accounts, would be grounds for denying such a license. Any benefit to enemy nationals because of the preservation of rights for the period after the war would be disregarded.

Any license issued for the application for or the maintenance of a patent standing in the name of a person other than the enemy national, would require that applicant file a complete statement of the enemy interest in the patent in the patent office of the particular country. This would allow full disclosure for vesting purposes. It would not be required in neutral countries.

EJCassoday:VG
6-11-43.

310263

RG 131
 Entry F.F.C. - General
 File _____
 Box 404

October 14, 1941.

MEMORANDUM FOR THE FILES

Re: Coupons on securities subject to Public Circular No. 6.

Public Circular No. 6 provides that any licenses permitting the redemption or purchase for blocked accounts of obligations issued by governments of blocked countries or by corporations organized under the laws of a blocked country will be so limited as to allow such redemption or purchase only of securities to which form TFEL-2 has been attached. Applications for the attachment of TFEL-2 should be filed on Form TFE-2A.

TFE-2A contains the footnote:

"This form should not be used in making application for the attachment of form TFEL-2 to a security or evidence thereof on which there is stamped or imprinted, or to which there is affixed or otherwise attached, a tax stamp or other stamp of a blocked country, or a notarial or similar seal which by its contents indicates that it was stamped, imprinted, affixed or attached within such blocked country, or where the attendant circumstances disclose or indicate that such a stamp or seal may, at any time, have been stamped, imprinted, affixed or attached thereto. In all such cases, application for the attachment of form TFEL-2 should be made on form TFE-2 instead of on this form."

It seems that in some cases there is a conflict between Public Circular No. 6 and TFE-2A, as some securities of blocked countries will have stamps, etc., attached.

General License No. 31 allows the detachment and presentment for payment of securities coming within Section 2A(1) of the Order (those to which the attachment of TFEL-2 has to be applied for on form TFE-2) before the attachment of TFEL-2.

Accordingly, although the matter is not very clear, it would appear that coupons from some of the securities regulated by Public Circular No. 6 may be detached before TFEL-2 is affixed, while others may not.

SR

RG 131
Entry FEC-General
File _____
Box 404

May 3, 1941

MEMORANDUM FOR THE FILESRe: "Short Sales"*Policy?*

On Thursday, May 1, I called Mr. Turman of the Securities Exchange Commission, regarding the definition of "short sale" appearing in Rule X-3B-3 of the Regulations under the Securities Exchange Act. He advised me that such definition was still in effect and that we should keep in mind that such definition was quite comprehensive and in effect, among other things, prevented a person holding securities in California from selling such securities on the New York market and making delivery by "borrowing from the box". He stated that they had avoided the hardship of this aspect of the short selling rule in Rule X-10A-1 by permitting such sales as an exception. He agreed that from ~~their~~ ^{our} point of view probably no exception was necessary.

Shortly after I spoke to Mr. Turman, Mr. Ganson Purcell of the Securities Exchange Commission called me apropos of his conversation earlier in the day with Mr. Bernstein. He stated that he had been unable to reach Mr. Bernstein and wanted to be sure that we understood their problem. As he gathered from Mr. Turman, we were considering some provision respecting short sales. I advised him that the license under consideration was the license that I had previously discussed with Messrs. Loucheim, ~~Purcell~~ and Turman, and at that time they had suggested and we had agreed to the inclusion of the stipulation negating short sales, but we were considering now whether the matter should be dealt with expressly.

He stated that so far as they knew the short sale problem he was discussing with Mr. Bernstein earlier that day is addressed to short sales out of foreign accounts that were not blocked under the Order and that they had no information suggesting that the sales were being effected out of blocked accounts; that possibly consideration should be given to what provisions could conceivably be taken by us under section 5(b) to prevent short sales out of any foreign account. I mentioned to him that this matter envisaged a new Executive Order dealing with that subject. Another possibility which he mentioned was the use of our section 13A(2) of the Order relating to the sale of securities not physically situated within the United States. He said that conceivably we might hold that short sales fell within the ambit of such prohibition. I pointed out to him that an interpretation of this type would be equally applicable to short sales from American account as well as from foreign account, but that possibly the impact of this regulation could be lifted by a license dealing with short sales from non-foreign account.

WLB
WLB

WLB

RG 131
Entry FEC-General
File _____
Box 404

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE April 21, 1941

TO Mr. Towson
FROM Mr. Day

We receive from time to time applications for licenses to forward matured or called bonds or coupons to invaded areas for payment in the currency of the invaded area. It is my understanding that these applications are uniformly denied. By such action the holder of the bond or coupon is placed in the unenviable position of holding a matured security which he is not allowed to collect and on which he obviously will receive no further interest. There is also the possibility that failure to present the bond or coupon when the funds are available might result in his inability to collect in the future, due to the possible dissipation of the funds.

There is a market in the United States for this type of security, but only at greatly depreciated prices, and a holder would naturally be very reluctant to sell a security on which full payment could be received if presented abroad when the market price is only a small portion of the face value.

We, on the other hand, receive many applications that are approved, for licenses to make remittances to these same invaded areas.

Taking the picture as a whole, we are forcing a condition which is against our best interests in that we do not allow the presentation of securities for payment in foreign currencies while at the same time we approve remittances against dollar payments from both blocked and unblocked accounts.

I would like to present for your consideration a suggestion which I think would both protect the interests of the holders of the bonds and coupons, and at the same time be more in line with the policy of the Foreign Funds Control.

310266

Authority NND 467103
By SR NARA Dals 10-79

G 131
Entry FEC-General
File _____
Box 404

It should be suggested to the holders of the called or matured bonds or coupons when they apply for licenses that the bonds or coupons should be deposited in a bank for collection with the understanding that the proceeds, when and if collected, are to be held in the name of the collecting bank in an account and in the currency of the invaded area. Then as that bank or other banks receive licenses authorizing remittances to that area the payments would be made from the collections of the bonds or coupons, and the appropriate dollar amount would be paid to the holder of the bonds or coupons, either blocked or free as the case may be.

 M. Day

DECLASSIFIED
NND 775057
Authority
By TS NARA Date 9/17/99
REPRODUCED AT THE NATIONAL ARCHIVES

RG 260
Entry O.MGUS
File Rec Branch Ct
Box 4

Report Field trip
Various Landen

US zone

(Translation)

Annex 2

Discussion of 2 September 1948 concerning the correspondence of the Central Filing Agency with the Restitution Agencies.

I. What are the provisions of Law No. 59 with regard to correspondence with Restitution Agencies?

I differentiate between petitions for restitution and reports.

I will treat first the petitions or, as they are also called, the claims of the persons entitled to restitution. Article 55, par. 2 and Article 59, par. 1 provide:

The CFA shall transmit the petition to the Restitution Agency of the district in which the property subject to restitution is located,

and Article 58, par. 5 reads: After a petition has been filed, a receipt shall be issued by the CFA notifying the claimant or the Restitution Agency or agencies to which the petition has been transmitted pursuant to Article 55, par. 2.

The CFA is complying with these provisions in the following way:

Each incoming claim is registered, provided with a file number, and the Land or Kreis (district) in which the property subject to restitution is located, is marked thereon, e.g.,

Land Hessen - Kreis Friedberg.

When it is determined, according to lists showing the districts of jurisdiction of the restitution agencies of the Laender, which Restitution Agency has jurisdiction over the Kreis in question. In the above case it is Frankfurt/Main. The petition is completed by adding the Restitution Agency and also the site of the respective Landesamt, which in this case is Wiesbaden. In accordance with an agreement between O.MGUS and the Land

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Entry OMGUS
File Rec Branch C
Box 4

Offices (Landescenter), all files of the Land concerned are forwarded by the C.F. to the Restitution Agencies through the Land Offices.

The foregoing has shown you why, this spring, the C.F. urgently required information about the jurisdiction of the Restitution Agencies or of the "Schlichter fuer Vermoegenssachen", as the Restitution Agencies are called in Wuertemberg-Baden.

Without knowledge of the venue we cannot comply with the provisions of Article 59, par. 1.

But also for another reason it was necessary to know about the jurisdiction of the Restitution Agencies. Article 59, par. 5, says that the C.F. issue a receipt to the claimant in which he is notified to which Restitution Agency his petition has been forwarded. This provision of the Law is being complied with by the C.F. form letter "6". You will see that the competent Restitution Agency is stated in the letter.

After the file with the petition has been registered by the statistical section and the "Kartei" (card index file), where the necessary card index cards are made out, it is forwarded to the section of the "Sachbearbeiter" (Experts). Here, the petition is examined whether it can be forwarded under the provisions of the Law to the competent Restitution Agency or whether inquiries to the petitioner are necessary.

If the petition is properly filled out and capable of being forwarded, it is provided by the Correspondence Section with a letter of transmittal, receipts, and form letter "6" for the sender. After these pieces of correspondence have been signed, the petition is dispatched to the competent Land Office in "Samelbrieten" (envelopes containing all mail sent to one specific agency) or in packages. The original of the petition is filed in the archives. On

On this occasion, I would like to express an urgent request

310209

to the Heads of the Land Offices and the restitution agencies to make sure that the sheet with the red line across it which is attached to each file and which I have shown you, is returned immediately by the Land Offices to the CH., and also that the receipts are returned by the Restitution authorities to the CH. as soon as possible.

As long as these two sheets cannot be added to the file in the archives, the file is incomplete and we are lacking proof of the whereabouts of the papers which are missing in the file. therefore, Military Government attaches great importance to the immediate return of the forms just described.

but another reason for a most expeditious return exists: each month, we have to prepare accurate statistics showing the number of files sent to the restitution agencies as well as the number of files the receipt of which have not yet been acknowledged.

II. with regard to the handling of reports, the law provides in article 73, par. 4: The Central Filing Agency upon receiving a report under this article shall forward a copy of the report to the appropriate restitution agency or agencies in each district in which property affected by the report is situated.

thus, knowledge of venue of the restitution agencies is also necessary for this purpose. the report is registered in the same way as the petition, provided with a file number and marked with the name of the land and the areas in which the properties mentioned in the report are located. when the appropriate restitution agency and the appropriate Land Office is determined and added. after index cards have been made out and the report has been registered by the statistical section, it is forwarded to the "fachbearbeiter" (experts). If the report is not complete or not made out in accordance with Implementing Regulation No. 2 of the law, the reporting person is notified by the CH. accordingly. If the report can be

forwarded to the Restitution Agency; two copies of the three submitted are added to the letter of transmittal, as well as the receipt and the sheet with the red line (by the Correspondence section) and after having been signed, the completed report is dispatched in a large envelop (Sammelbrief) or in packages through the Land Office. Also in this case, the immediate return of the receipts by the Restitution Agencies is an urgent necessity. Only if these requirements are met, can proper reporting be possible, taking into consideration the workload of the C.F.. The reporting person does not receive a receipt from the C.F..

Supplements: When the petitions and reports are submitted in a sufficient number of copies, they are sent to the appropriate Restitution Agency for the purpose of expediting the procedure. If the senders later submitted supplementary information, documents, etc., these are forwarded to the appropriate Restitution Agency as supplements to the file.

In order to avoid that such supplements are treated by the Restitution Agencies as new petitions or reports, a special letter of transmittal is used by the C.F. for the transmission of each supplement. In these cases, the file numbers of the Land Office and of the Restitution Agency are, whenever possible shown on the letter of transmittal.

III. Experience has shown that numerous inquiries and letters are received by the C.F. from Restitution Agencies and other offices. These hinder the C.F. in the performance of its actual duties. Therefore, the C.F. was obliged to send a letter to the Land Offices and to the Ministry of Justice in Stuttgart, dated 29 July 1948, in which the limitation of correspondence was requested. I would like to read this letter to you once more, and I would be very obliged to you if you would omit

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Authority
By TS NARA Date 9/17/99
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RG 260
Entry O.M.G.U.S.
File Rec Branch Ct
Box 4

making any unnecessary inquiries, the great number of incoming petitions and reports requires that our small staff is used exclusively to perform the tasks which are assigned to the C.F.A. I would like to also draw your attention to the second sentence of Article 59, par. 1, which says that if a restitution agency declares that it lacks jurisdiction in the case of a claim which was submitted to it, such restitution agency shall forward the petition to the restitution agency having jurisdiction, without making an inquiry to the C.F.A. However, the C.F.A. must be informed of the forwarding of the claim.

On this occasion, I would like to call your attention to Article 62, par. 2, which reads as follows: "The agency shall dismiss the petition on its merits if the claimant does not submit within the time specified, an explanation justifying his petition or supplementing the facts alleged therein".

That means that the restitution agency shall return the petition to the claimant and not send it back to the C.F.A. as has been done.

The Land Office in Israel deals with questions concerning the restitution Law. The C.F.A. regularly receives one copy of the Information Bulletin. The C.F.A. would appreciate it if such Information Bulletins, in case any are issued by the other Land Offices, would also be sent regularly to the C.F.A. As the C.F.A. attaches great importance to a close cooperation with the restitution agencies, also any other exchange of thoughts which may help to improve the work under Law No. 59, will be most welcome.

IV. Since the Jewish Successor Organization has only recently started its activities, a considerable number of incoming petitions for restitution may be anticipated until the end of 1948, especially as also other successor organizations may be appointed. Therefore, it will be unavoidable that also in 1949, petitions and reports will be handled by the C.F.A. and

310272

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Authority
By TS NARA Date 9/17/99
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RG 260
Entry OMGUS
File RecBranchCt
Box 4

only subsequently forwarded to the Restitution Agencies.

At the end of my report, I would like to declare that all efforts are made at the CF. in order to make the important task which Law No. 59 imposes on all of us, a great success.

signed: O. Lehn

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Authority NND 1319400
By JW NARA Date 10-14

RG B1
Entry 23038/15/1-3
File FRBK NY
Box 121

OR. PROP. 13B 12M 12-42

Files

FEDERAL RESERVE BANK OF NEW YORK

MEMORANDUM

*Orig. to
Miss Moskier
for handling
re Rabicew.*

December 11, 1945.

FOREIGN PROPERTY CONTROL DEPARTMENT
COMPLIANCE DIVISION

TO: Mr. Paul Gewirtz, Acting Chief,
Compliance Section,
Foreign Funds Control, Treasury Department.

FROM: A. H. Noa, Chief,
Foreign Funds Control Department.

Follow up

Reference is made to our memorandum of November 20, 1945 and your reply dated December 3, 1945, bearing reference No. 82498, concerning the present status of five cases initiated by this office which remain open pending replies from the various Missions. Since approximately six months have elapsed from the date the inquiries were dispatched, it would appear that a follow-up at this time would be in order. For your information, our files are up-to-date on these cases.

With respect to the case of Hakim (Haim) Rabicew and dispatch No. A-397 from Caracas dated October 30, 1945, in connection therewith, please note that the bonds in question were impounded under General Ruling No. 1 with the Federal Reserve Bank of New York. Moreover, until the proof of ownership of the bonds is definitely established, no consideration should be given for the release to Rabicew, and the Embassy in Caracas should be so informed. You will recall that the bonds were reported missing by one Henry Kahn in July of 1941 when he left Nice, France.

CONFIDENTIAL

NOT FOR PUBLICATION
OR DISSEMINATION

J.Sarnoiad
December 11, 1945.

Orig. to Esther Moskier

DECLASSIFIED

Authority NND 1319400
By JW NARA Date 10-14

RG 31
Entry ^{location} 230/38/15/1-3
File FRBK NY
Box 151

25

In reply please refer to: 88583*

NOV 5 1945

To : Mr. Harold Wessel
Foreign Funds Control Department
Federal Reserve Bank of New York

From: E. W. O'Flaherty
Special Assistant to the Director

There are enclosed for your information copies of memoranda concerning balances in the post-liberation blocked accounts of the Italian banks with various correspondent banks in the United States.

E. W. O'Flaherty

Enclosure.

710 enc. left with file.
3 copies dictated 10/3/45
Rankin:

Set 9 encs.
1510 O'Flaherty
W.C.C. O'Flaherty

EWO'Flaherty:gr 11/2/45 *AKC*

DECLASSIFIED

Authority NND 1319400
By JW NARA Date 10-14

RG B1
Entry 23038/15 1-3
File FRBK NY
Box 121

88339*

OCT 31 1945

To : Mr. H. M. Wessel, Manager
Foreign Funds Control Department
Federal Reserve Bank of New York

From: E. W. O'Flaherty
Special Assistant to the Director

There are enclosed for your information copies of memoranda for the files, dated October 25, 1945, concerning defrosting discussions with Yugoslav officials on October 9, 1945 and defrosting discussions with Czechoslovak officials on October 5, 1945.

(Signed) E. W. O'Flaherty

Enclosures

*Original of enc. sent to
Gen. Sec. per Bell.
et.*

*Left enc.
1510 O'Flaherty
10.0.0 O'Flaherty*

nr1 10/30/45

S Church

DECLASSIFIED

Authority NND 1319404
By JW NARA Date 10-14RG B1
Entry 23038/15 1-3
File FRBK NY
Box 121

25

OCT 26 1945

88450 X

Dear Mr. Wessel:

Reference is made to General Licenses Nos. 90, 91 and 92.

You are requested to advise interested banks in your district that they are authorized to treat any account now operated under paragraph (4) of General License No. 90 as an account which may be operated pursuant to General License No. 92 without certification by the French Government. At the same time you should advise the banks that accounts under General License No. 91 may similarly be operated under the defrosting license which will be issued with respect to Belgium.

Sincerely yours,

Orvis A. Schmidt
Director

Mr. H. M. Wessel, Manager,
Foreign Funds Control Department,
Federal Reserve Bank of New York,
New York 5, New York.

*Let mailed
C C McHugh
& Arnold*

McHugh

JMcHugh:EAarnold:ect 10/26/45

SKC

310277

DECLASSIFIED

Authority NND 1319400
By JW NARA Date 10-14RG B1
Entry 2303815 1-3
File FRBK NY
Box 121Sent on Oct. 3 via New York pouch
No number given.

Oct 3 1945

To : Mr. Norman F. Davis,
Assistant Vice President,
Federal Reserve Bank of New York.From: Mr. John S. Richards, Chief,
Licensing Division.

There is attached for your information and use in connection with answering inquiries regarding the relaxation of freezing regulations, copies of circulars sent to United States diplomatic missions which point out the significance of General License No. 92 and the amendment of General Ruling No. 5A.

JS Richards

Attachments

M. L. Bell

MLBell:rg 10-3-45

*The attachments
received in
files. 10/10/45
JPC*

310278

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Authority NND 1319400
By JW NARA Date 10-14

RG B1
Entry 230/38/15/1-3
File FRBK NY
Box 121

FRB-NY

SEP 27 1945

Reference is made to outstanding licenses expiring on September 30, 1945 waiving the provisions of General Ruling No. 17 with regard to the crediting of income on unidentified and uncertified securities held for the accounts of financial institutions located in France, Belgium, Luxembourg, Poland, Estonia and Greece to appropriate blocked accounts. You are hereby authorized to extend such licenses to December 31, 1945

(Initialed) J.S.R.

TELETYPE
Date 9-27-45
Initials P. Williams

DISPATCH BY
WIRE
DATE 9/26/45
INITIALS Rhudson

XXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXX

JOHN S. RICHARDS

Chief, Licensing Division

ORIGINATOR OF WIRE	SECOND SIGNATURE	THIRD SIGNATURE	FOURTH SIGNATURE	FINAL ACTION
<i>Melson</i> 243				<i>Rhudson</i>
UNIT NO.	UNIT NO.	UNIT NO.	UNIT NO.	UNIT NO. <u>243</u>

WIRE ROOM AUTHORIZATION
M. L. Howell

THIS COPY TO REMAIN IN FOREIGN FUNDS CONTROL
Williams; dic 9/28/45

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Authority NND 1319400
By JW NARA Date 10-14

RG 31
Entry 230 38/15 1-3
File FRBK NY
Box 121

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE 16 June 1945

TO Mr. Moskovitz

FROM H. R. Pollak

The funds held by a trustee under an indenture may or may not be held in trust for the benefit of the coupon holders. In many cases we have denied licenses to pay coupon holders from funds in the hands of the trustee on the ground it did not clearly appear that the funds had been irrevocably trusteed. Also, though a trust may have been created, the indenture may provide that such trust is to terminate at the end of six years or at some other specified period, at the end of which period the trustee may turn the funds over to the obligor. However, if a coupon holder can show that the funds had actually been trusteed for the payment of coupons and that the trust had not terminated, I believe that the statute of limitations in such case would be that applying to equitable causes of action generally which in New York is 10 years (C.P.A. Sec. 53) and that the statute would not start to run until there had been a repudiation of the trust by the trustee.

H.R. Pollak

JW

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Authority NND 1319404
By JW NARA Date 10-14RG B1
Entry 23038/15 1-3
File FRBK NY
Box 121

MISC. 3 B. 1-60M-4-44

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 13, 1945TO Mr. BesselSUBJECT Volume of applications received.FROM F. S. Denel

With the release of most of Europe from General Ruling No. 11, it is natural that the volume of applications should increase. We expect that there will be a further increase. Also, applications are generally more complicated and harder to handle than formerly as the easy ones are going through under general licenses or blanket licenses.

In order to (1) reduce the volume and (2) for this bank to dispose of a larger percentage of the applications that are received, we make the following suggestions:

As to the Remittance Section, most of our items are not connected with living and traveling expenses but are of a mixed character, without falling into groups. There are some groups, as mentioned below:

Documents:
(Code No.)

GI-5b Probably twenty-five applications a week have been received involving debits to the accounts of banks in Switzerland. The Treasury has asked that these items be sent to them and it is customary for two or three Green Slips to be sent. The proposed Swiss blanket licenses should eliminate most, if not all, of these items.

GI-5a This provides that applications involving debits to accounts of banking institutions situated in liberated areas or enemy territory be sent to the Treasury. The volume is about twenty per week. The real way to eliminate this volume would seem to be to issue general licenses as conditions permit, such as the proposed French general license. In the meantime, we suggest that the Treasury permit us to handle the applications here.

AE-3c (Special Blocked Nationals)

Such applications are ordinarily sent to the Treasury but we have renewed items previously approved by the Treasury. The volume is about ten per week.

IC-16a (General Ruling No. 5A)

This General Ruling is unusually strict in providing that everything should go to the Treasury but, as you know, we have been handling items involving current checks where the policy is clear. The volume is around twenty-five per week and increasing. In my opinion, the remedy is to revoke General Ruling No. 5A which has ceased to be of great use. If this can not be done, we feel that the Treasury should give us some rules for handling the items here.

copied to: Messrs. Hoffman, Richards, Robinson, O'Flaherty, RL Jones, de Zevallos, Parke, Mrs. MSchwartz
ACTION: de Zevallos and Jones

ems - 20 June 1945

310281

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Authority NND 1319400
By JW NARA Date 10-14RG 131
Entry 23038/15 1-3
File FRBK NY
Box 121FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 13, 1945To Mr. NeaseSUBJECT Volume of applications received.FROM F. S. Dowd

-2-

Documents:
(Code No.)

ai-6b This includes applications involving foreign governments, and relief. A strict interpretation of the document would mean that all applications except \$1,000 for relief would go to the Treasury. The blanket licenses issued under RE-2a allow the banks to remit up to \$1,000 for relief. This bank, therefore, has no more authority than the commercial banks. Under GI-3b we have approved a good many of these items which were renewals or where the money was going to unblocked countries. We have suggested to the Treasury that in approving they use the word "Renewable". This has been done in a few cases. As the real solution we suggest the Treasury allow us to handle any governmental or relief applications which they consider proper and which to our mind would include all relief except that going to enemy territory or for enemy prisoners of war or to Switzerland when the license, if issued, would have to provide for using the special facilities of the Federal Reserve Bank of New York.

RE-2a A careful review of such applications, made at the request of Mr. Richards, did not show any types for which paragraphs could usefully be added to the blanket licenses. There is, however, a volume of about ten per week of living expense remittances to civilian internees in Switzerland and other foreign countries (not prisoners of war). Mr. Cowan has felt that it was not proper to suggest the use of General Licenses Nos. 32 and 33, so specific licenses have been issued. Perhaps the Treasury would be willing to make these general licenses available or, if not, we could amend the blanket licenses to cover such cases. About ten applications a week require specific licenses because the remittance is to a hospital or school for the benefit of someone who is too sick or too young to receive the money direct. Mr. Cowan has felt that such remittances through a third party were not proper under General Licenses Nos. 32 and 33. The same suggestions are made for elimination of this volume.

The above recommendations are based on specific documents. We feel that a much better, overall, solution to the problem could be had by the Treasury Department keeping us advised systematically of current policy as to particular areas and types of transactions. For example, a number of applications to debit the blocked accounts of Italians in Italy have been denied by the Treasury but we believe there are a number of these still pending there and we have been unable to obtain the Treasury's agreement to deny future applications here. If the liason as to current policy could be

310282

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Authority NND 1319400
By JW NARA Date 10-14RG B1
Entry 230/38/15/1-3
File FRBK NY
Box 121

MISC. 3 B. 1-60M-4-44

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 13, 1945TO F. S. DeuelSUBJECT Volume of applications received.FROM F. S. Deuel

-3-

handled more systematically and there could be a general understanding with the Treasury that we would implement the policy by using SA 6 whenever no other document applied, we believe that a great saving in overhead, both at the Treasury and here, would result. It would be our idea, of course, to issue blanket licenses whenever appropriate, to reduce the volume as far as possible. The method we have been using for blanket licenses in new fields is to issue a blanket license on an application for a specific transaction. We are constantly looking out for new opportunities to issue blanket licenses. However, to make any worth while cut in volume it is to our mind all important that the Treasury Department keep us continually informed as to current policy on different types of transactions, for different geographical areas and nationals of different blocked countries. For example, what is the current policy on Finland?

310283

DECLASSIFIED

Authority NND 1319400
By JW NARA Date 10-14

RG 131
Entry 230/38/15/1-3
File FRBK NY
Box 121

845501

FILING AUTHORITY
TO: MAIL & FILES
ANS.
NO ANS. REQ.
INITIAL.....

FEDERAL RESERVE BANK
OF NEW YORK

FISCAL AGENT OF THE UNITED STATES

M E M O R A N D U M

June 1, 1945

To: Irving Moskowitz, Esq.

From: Harding Cowan

Attached is copy of memorandum on coupons and the statute of limitations prepared by Mr. Norman Williams of the firm of Milbank, Tweed and Hope. This is the matter that Mr. Everts discussed with me a week or so ago about which I spoke to you briefly on the telephone.

Harding Cowan

Att.

DECLASSIFIED

Authority NND 1319400
By JW NARA Date 10-14RG B1
Entry 230/38/15/1-3
File FRBK NY
Box 121MEMORANDUM ON COUPONS AND
THE STATUTE OF LIMITATIONS.

Since the spring and summer of 1940 and until the present time, bondholders in neutral and occupied countries abroad have not been able to send in and present coupons payable in this country. Therefore, a five-year statute of limitations on such coupons would be expiring now, if it should run continuously from the date of their maturity, and a six-year statute of limitations would expire within the next year.

The law relating to suits on coupons was first developed largely in the United States Supreme Court. First, it had been determined, in Commissioners of Knox County, Indiana, vs. Aspinwall, 21 How. 539 (1858), and Thomson vs. Lee County, 3 Wall. 327 (1865), that a bondholder had a separate action on coupons, before the bonds came due and without producing the bonds themselves. The next development involved the type of statute of limitations applicable to coupons and the length of the statutory period. In The City vs. Lamson, 9 Wall. 477 (1869), the Court decided that coupons as well as bonds were governed by the statute of limitations on sealed instruments, in that case twenty years, rather than by

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Authority NND 1319400
By JW NARA Date 10-14RG B
Entry 230/38/15/1-3
File FRBK NY
Box 121

2

the six-year statute of limitations on simple contracts. In reaching this decision, the coupons were held to be merely copies of the covenant for interest contained in the bond, and the coupon holder was held to retain that higher security when the coupon was detached from the bond. This action was brought about 1868 on 1860 - 1861 coupons from a bond maturing in 1877; and on the defences raised the Court decided that coupons were governed by the same length of limitation as bonds, but did not pass on when the statute of limitations began to run on coupons. However, when the same point was later decided in City of Lexington vs. Butler, 14 Wall. 282 (1871), the phrasing of the language could give the impression that the statute of limitations did not start to run until the bond itself had matured.

The next case raised the question of when the statute of limitations began to run, in an action brought when the statutory period had lapsed from the maturity of the coupons but not from maturity of the bonds. Clark vs. Iowa City, 20 Wall. 583 (1874), repudiated the Lexington dictum and held squarely that, while the statute of limitations on coupons ran for the same length of time as on bonds, it began to run from the maturity date of the coupon, when the action on the coupon accrued. The same doctrine

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Authority NND 1319400
By JW NARA Date 10-14RG B1
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was affirmed in Amy vs. Dubuque, 98 U.S. 470 (1878), where (unlike the Clark case) the coupons were not detached, as against a contention that the statute of limitations ran from the time when coupons were detached.

The New York courts followed exactly the same path as the Supreme Court. As for the length of the statutory period, it had been suggested in Kershaw vs. Town of Hancock, 10 Fed. 541 (N.D.N.Y., 1880), that the same period of limitation should apply on coupons as on bonds. In Bailey vs. County of Buchanan, 115 N.Y. 297 (1889), the Court of Appeals stated that coupons and bonds were governed by the same statute of limitations, that applying to sealed instruments and at that time extending for twenty years. But, in McClelland vs. Norfolk Southern R.R. Co., 110 N.Y. 469 (1888), and Kelly vs. Forty-Second Street R. Co., 37 App. Div. 500, 55 N.Y. Supp. 1096 (1st Dep't, 1899) - which latter case really involved the length of the statutory period - the language strongly indicated that the statute of limitations did not start to run against coupons until the bonds came due. However, when the question as to when the statute should start to run was squarely presented, in Quackenbush vs. Mapes, 123 App. Div. 242, 107 N.Y. Supp. 1047 (1st Dep't, 1908), it was held that the statute ran from the maturity date of interest payments and so had barred some of the latter. While

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that case involved interest due on a mortgage, it was treated as being governed by exactly the same principle as were coupons. A dissenting judge protested against a rule barring some of the interest before the principal debt was due.

It may therefore be stated with confidence that, at least in New York and in federal courts where the state rule is not expressly contra, the statute of limitations on coupons runs from the date of maturity of the coupons.

Since the recent change, the New York statute of limitations on sealed instruments (C.P.A. Sec. 47) runs for a six-year period, and so would bar these 1940 coupons if held back after the early summer of 1946. In other jurisdictions a five-year statute of limitations prevails on such instruments, and so European bondholders must present their coupons there almost immediately to avoid the bar of the statute of limitations. For example, as for the Canadian Pacific Railway coupons of July 1st, 1940, the Company's home office is in Montreal; and Quebec (Civil Code, Sec. 2260 (4)) has a five-year statute of limitations "upon any claim of a commercial nature, reckoning from maturity", which would lapse on July 1, 1945. If the Canadian Pacific can be sued on coupons in other provinces, a six-year statute applies in Manitoba,

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Saskatchewan and Alberta, and a twenty-year statute applies in Ontario, New Brunswick, Nova Scotia and British Columbia.

The final question arises whether the statute of limitations is suspended in wartime in favor of such foreign coupon holders, either by international law or by specific provisions in state or federal statutes.

Under a rule of international law, read into all statutes of limitation, the statutes are suspended during wartime in favor of alien enemy plaintiffs, on the ground that such persons are under a legal disability to sue in our courts during that period, or even to communicate with this country. Farenholtz vs. Meinshausen, 181 App. Div. 474, 168 N.Y. Supp. 869 (1st Dep't, 1918); Hanger vs. Abbott, 6 Wall. 532 (1867). This rule is apparently not extended to neutral or allied plaintiffs, who were unable to make their claims because of the disorganization of the mails. See Poccardi vs. Ott, 83 W. Va. 166, 98 S.E. 69 (1919); Colorado Fuel & Iron Co. vs. Industrial Commission, 73 Colo. 579, 216 Pac. 706 (1923); Siplyak vs. Davis, 276 Pa. 49, 119 Atl. 745 (1923).

Several statutory provisions must also be considered. New York C.P.A. Sec. 27 is similarly limited to alien enemy plaintiffs, and also to causes of action arising during war-

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time. Nathan vs. Equitable Trust Co., 250 N.Y. 250 (1929). If New York C.P.A. Sec. 13 applies at all, its imposition of the foreign statute of limitations as an additional restriction might even shorten the period of limitation. The suspension of the statutes of limitation in the Trading with the Enemy Act, 50 U.S.C.A. App. Sec. 8, applies only where neither the coupon holder nor the corporation are enemies, and yet the obligation is secured by property in enemy countries.

May 31, 1945

NORMAN WILLIAMS

310290

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Authority *NND 1319400*
By *JW* NARA Date *10-14*

RG *31*
Entry *23058/15 1-3*
File *FRBK NY*
Box *121*

FEDERAL RESERVE BANK
OF NEW YORK

FISCAL AGENT OF THE UNITED STATES

84508
FILING AUTHORITY
FO: MAIL & FILMS
ANS.
NO ANS. REQ. ✓
INITIAL *WJ*
DATE *6-4-45*

MEMORANDUM

May 31, 1945

To: Mr. E. W. O'Flaherty
Special Assistant to the Director
Foreign Funds Control
Treasury Department
Washington 25, D.C.

From: H. M. Wessel

As per our telephone conversation. I trust the attached instruction issued here meets with your approval.

Att.

H. M. Wessel



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Authority NND 1319400
By JW NARA Date 10-14

RG 31
Entry 23038/15/1-3
File FRBK NY
Box 121

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 31, 1945

Inclosure to letter
dated 5/31/45

To All Section Heads, Licensing Division
(Copy to Harding Cowan)
FROM H. M. Wessel

SUBJECT _____

From time to time we are faced with situations whereby persons coming from France, Greece and Belgium, whether on official government business or otherwise, bring checks with them drawn on the Federal Reserve Bank of New York against accounts of the central banks in these countries. The accounts at the Federal Reserve Bank have all been granted the status of generally licensed nationals. If the checks are presented in person to the Federal Reserve Bank, they may be cashed in full, however, if they present them at a commercial bank, a waiver of General Ruling 5A is necessary in order to present and collect the instrument and the account is opened as that of a blocked national and entitled to the use only of available general licenses, such as General License No. 11. While it is desirable to keep such individuals within the certification program arranged through their respective embassies in Washington, there are cases where the embassies are not in a position to certify in view of the fact that the individual may be traveling in a semi-official capacity possibly representing a particular industry in his own country.

I discussed this matter with Mr. O'Flaherty at the Treasury and he agrees that under such conditions as these, we should entertain an application from the collecting bank and grant the account the status of a generally licensed national. The expiration date should be deleted in the license. An example falling within this category is furnished below. A license was issued to Chase Bank, NY-299355 reading as follows:

"Notwithstanding General Ruling 5A, present, and the Federal Reserve Bank of New York is authorized to pay check No. 72 for \$9,960.00 dated May 16, 1945 drawn on its "T" account by the Banque de France, provided the proceeds of said check are paid to a domestic bank for credit to an account in the name of Stanislaus D. Lazovert which account shall be treated as that of a Generally Licensed National."

It is understood that we are to license only the proceeds of the respective check. In other words this does not grant the generally licensed status to any old accounts in the name of the beneficiary.

HMW:ahs

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Authority NND 1319400
 By JW NARA Date 10-14

RG 131
 Entry 23038/15 1-3
 File FRBK NY
 Box 121

FEDERAL RESERVE BANK
 OF NEW YORK

FISCAL AGENT OF THE UNITED STATES

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 INITIAL CA
 DATE 5-22-45

M E M O R A N D U M

May 18, 1945

To: Isadore Alk, Esq.

From: Harding Cowan

In response to inquiry, advised the Guaranty Trust Company that it is our opinion, with which the Treasury Department is in accord, that a citizen or subject of Austria is not considered a citizen or subject of Germany as that term is used in General Ruling No. 11A.

Harding Cowan

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Authority NND 1319400
By JW NARA Date 10-14RG B1
Entry 23038/15/1-3
File FRBK NY
Box 121

MISC. 3-3-250M-2-44

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 1, 1945TO Files

SUBJECT: _____

FROM A. H. Noa

After receiving permission from the Treasury Department to dispose of approximately 6,250 pounds of obsolete Proclaimed Lists, Documents Pertaining to Foreign Funds Control, surplus TFR-500 reports, etc., we communicated with the Regional Procurement Officer in New York and made the necessary declaration. Mr. Leoni of that office subsequently sent a Mr. Page to look over the material and a joint declaration was made to the Procurement Office for its disposal. The Procurement Office then advised us that it had to be handled through the Reconstruction Finance Corporation, Surplus Property Division, as under the new procedure that agency was charged with the disposal of so-called waste paper.

We made the necessary declarations to the Reconstruction Finance Corporation and Mr. Krinsky of that agency called me and suggested that, in view of the small amount involved, we dispose of it ourselves. He pointed out that considerable work would have to be done for them to dispose of it and it was also his understanding that small amounts, as is involved in this case, could be disposed of directly without burdening the Reconstruction Finance Corporation, who, in practice, deals in much larger quantities.

I called Mr. William Avery of the Treasury, outlining the situation to him and we agreed that he would secure a letter authorizing us to obtain several bids and sell the material direct to the highest bidder. The successful bidder could give us a check to the Treasurer of the United States which we will send to Mr. Avery at Foreign Funds Control in Washington.

310294

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Authority NND 1319400
 By JW NARA Date 10-14

RG B1
 Entry 23038/15/1-3
 File FRBK NY
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FILED AUTHORITY
 TO: MAIL & FILE
 ANS.
 NO ANS. REQ.
 DATE 5/25/45

FEDERAL RESERVE BANK
 OF NEW YORK

FISCAL AGENT OF THE UNITED STATES

April 24, 1945

To: Mr. John S. Richards
 Foreign Funds Control
 Treasury Department
 Washington, D. C.

AND OFFICE 5-25-45

From: R. R. Tompkins
 Foreign Funds Control Dept.

Reference is made to my memorandum of April 2, 1945, addressed to Mr. Davis, a copy of which he left with you on his recent visit to the Treasury, in which was set forth eight types of applications which we were holding involving liberated areas problems. Your comments to each of these eight groups have been noted.

To supplement that memorandum the following types of applications have been submitted involving similar problems:

1. Debits to French accounts for payment to brokers in order to eliminate debit balances on the books of such brokers to avoid further interest charges.
2. Request by Western Union, New York, for six months blanket license authorizing its Paris office to cable remittances to persons in the United States in amounts aggregating \$5,000 monthly, resulting French francs acquired by Paris office to be used to finance its own operating expenses.
3. Transfers of cash and securities from accounts of persons in France to accounts of banking institutions in France. Depositor explains that purpose of transfer is to avoid filing reports in France of assets held abroad - if placed in account of French bank such assets are deemed to be repatriated.

How are current instructions from them

R.V.

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Authority NND 1319400
By JW NARA Date 10-14RG 31
Entry 23038/15/1-3
File FRBK NY
Box 121

MEMORANDUM FOR THE FILE

April 6, 1945

Subject: Authority to New York Federal Reserve Bank to Approve Certain Types of Applications

On April 4th, Herman Davis discussed with me the types of applications listed in the attached memorandum to him from R. H. Tompkins of his staff. Mr. Davis desired to know whether the types of applications specified could be approved by the New York Federal Reserve Bank. The following are the agreements reached with respect to each of the numbered items in the attached memorandum:

1. O. K. to approve.
2. O. K. to approve.
3. O. K. to approve.
4. Send to the Treasury Department - action will probably not be taken until a defracting program has been evolved with France so that the French Government can certify with respect to assets belonging to merged organizations.
5. O. K. to approve if satisfied as to purpose of payment.
6. O. K. to approve at the proper time.
7. O. K. to approve provided any purchase of securities is limited to securities issued by the Government of France which are purchased from an authorized agency thereof and provided a stipulation along the lines of paragraph (2)(a) of General License No. 39 is included in the power of attorney.
8. Continue to hold the applications relating to Belgian francs until an answer has been received from Sachs with whom the question has already been raised. May the application relating to Holland guilders with advice to the applicant that we will consider a new application after Holland has been removed from General Licensing No. 11.

In addition to the Finnish cases listed as Items 1 and 2 in the attached memorandum, the New York Federal Reserve Bank may also approve applications relating to the servicing and redemption of the Finnish debt, except the debt to the Export-Import Bank which will continue to be referred to this Office. The Federal Reserve Bank of New York will, however, furnish a monthly summary to me of the actions which have been taken by it on Finnish cases referred to in this memorandum.

J. B. Richards

cc: Messrs. Schmidt, Davis, Aik, Day, Johnson, Robinson, Fisherby and Blake

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Authority NND 1319400
By JW NARA Date 10-14

RG B1
Entry 230/38/15/1-3
File FRBK NY
Box 121

Federal Reserve Bank
of New York

TO: Mr. Norman P. Davis

DATE: April 2, 1945

FROM: R. H. Tompkins

SUBJECT: Items for discussion with Treasury

1. Debits to Finnish bank accounts for payment to American business firms such as Paramount International Films Inc. Full details are lacking but it is presumed payment in this instance represents income on films distributed in Finland. Payment ordered by Paramount, Helsinki. *ok*
2. Closing accounts of banks or firms located in Finland for transfer to domestic banks for account of Finland's Bank. *ok*
3. Authority to send instructions to France authorizing bank there to hold certain funds on deposit with it at the disposal of the French agent of the person in the United States for purpose of maintaining property owned by latter. *ok*
4. Transfers between blocked French accounts representing mergers, consolidations and change of name. *pending report*
5. Payments out of French franc accounts of persons in the United States for charges pending for several years. *ok - of purpose*
6. New York Agency of Prague Credit Bank wishes to be licensed as a domestic bank for purposes of General Licenses Nos. 32 and 33 to effect remittances to Czechoslovakia when possible. *ok - per*
7. Sending of power of attorney to France granting a power (to replace an existing one) in favor of a new agent authorizing him to sell certain properties in France and to reinvest the proceeds in stocks, commodities, merchandise and other real estate pending the removal of the present French restrictions on repatriation of capital. *ok - steps*
8. We have received and are holding three applications for blanket foreign exchange licenses to deal in Belgian francs and one to deal in Holland guilders. *only cable day hold out*

RHT:dgt

copy - enc: 4/5/45

310298

FEDERAL RESERVE BANK
OF NEW YORK

FISCAL AGENT OF THE UNITED STATES

m e m o r a n d u m

March 2, 1945

To: Foreign Funds Control
Treasury Department
Washington, D. C.

From: Reports Section
Foreign Funds Control Dept.

Att: Mr. E. O'Flaherty

There is enclosed for your attention, in accordance with request of your Miss Church, a copy of the Summary Report of remittances effected under license during the month of January 1945.

Encl.

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Authority AND 131940
By JW NARA Date 10-14

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RG B1
Entry 2308815 1-3
File FRBK NY
Box 121



SUMMARY

Remittances effected under license during January 1945

	<u>Gen. Lic. # 32</u>		<u>Gen. Lic. # 22A</u>		<u>Gen. Lic. # 33</u>		<u>Gen. Lic. # 72A</u>		<u>Gen. Lic. # 75</u>		<u>Specific Licenses</u>	
To blocked countries	8,517	1,228,337.21	43,367	2,026,242.80	273	94,412.43	28	8,183.25	328	81,754.20	1,791	7,154,028.32
To non-blocked countries	1,618	285,862.26			22	4,175.72					192	454,270.53
TOTAL	10,135	1,514,199.47	43,367	2,026,242.80	295	98,588.15	28	8,183.25	328	81,754.20	1,983	7,608,298.85

TOTAL

Blocked countries	54,304	10,592,958.21
Non-blocked countries	1,832	670,737.56
TOTAL	56,136	11,263,695.77

Supplementary figures to the November and December report concerning General License No. 75.

November	425	135,134.47
December	405	186,444.53

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Authority NND 131900
By JW HARA Date 10-14

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Location 230138/15 1-3
Entry File FRBK NY
Box 121

NOV 2 1945
FOREIGN FUNDS CONTROL
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ment Licenses during the month of January 1945

	<u>Gen. Lic. 32,32A & 75</u>	<u>Gen. Lic. # 33</u>	<u>Gen. Lic. # 72A</u>	<u>Specific Lic.</u>	<u>Totals</u>		
Argentina	122	26,888.17			132	221,269.56	
Australia	12	1,000.95		10	12	1,000.95	
Belgian Congo	29	2,999.91	9	2,042.88	6	18,133.28	
Burivia	11	1,555.00			11	1,555.00	
Canada	91	21,033.91	11	994.55	11	7,194.55	
Dutch West Indies	1	25.00			2	1,095.10	
Dutch India	9	3,313.60			9	3,313.60	
Ecuador	6	309.48			5	45,503.75	
El Salvador	85	22,654.70			2	1,202.00	
France	328	81,754.20			2	65.00	
Gambia	10	3,422.50			1	1,000.00	
Guatemala	1	125.00			1	125.00	
Haiti	91	20,828.23	2	1,000.00	14	4,770.40	
Inter-Insular Zone	24	1,924.21			24	1,924.21	
International Zone	2	160.00			1	96.69	
Colombian Republic	14	1,407.00	1	20.00		15	1,427.00
Cuba	4	461.00			1	354.65	
Dominican Republic	160	14,169.52	2	160.00		162	14,329.52
El Salvador	4	285.00	1	20.00		5	305.00
Greenland	1	99.70			1	198.00	
Guinea	2,471	337,596.61	77	29,979.00	2	108.60	
Nigeria	75	7,438.98	3	570.42	13	18,183.70	
French Guiana	2	57.15			1	500.00	
French West Indies	40	1,413.72			41	5,039.01	
French Morocco	37	6,984.66	2	688.58	22	91,750.12	
French West Africa	9	3,825.00			2	774.00	
Madagascar	46	1,102,212.02			46	1,102,212.02	
New Caledonia	2	83.30			1	3.00	
Union Isles	14	197,517.11			14	197,517.11	
Society Isles	1	150.00	1	500.00	1	149.00	
Turkey	1,502	218,770.13	3	551.00	27	28,334.70	
Philippines	1	125.00			2	77.50	
Yugoslavia	1	15.00			1	300.00	
Yugoslavia	1	500.00			1	500.00	

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 RG 330
 Entry 3303816 1-3
 File FR34 NY
 Box 181

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 By: JCL
 NARA Date: 10-14

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RG
 Entry 3308816 1-3
 File FRGK NY
 Box 131

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 Authority NND 1319104
 By JLD/HARA Date 10-14

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	Gen. Lic. 32,32A & 75	Gen. Lic. # 33	Gen. Lic. # 72A	Sp 'fic Lic.	Totals
Algeria	1	100.00			1 100.00
Hawaii	1	1,100.00			1 1,100.00
Honduras	1	25.00			1 25.00
Iceland	1	150.00			1 150.00
Iran	8	990.00			8 990.00
Iraq	1	100.00			1 100.00
Ireland	2	51.90		1 764.24	3 816.00
Italy	43,367	2,026,242.80		87 8,765.15	43,454 2,035,007.00
Libya	5	418.48			5 418.00
Latvia				2 30.00	2 30.00
Lithuania				5 61.00	5 61.00
Malta	1	475.00			1 475.00
Maritius	23	888.58			23 888.58
Mexico	39	9,830.31	3 1,420.00	13 10,716.17	55 21,966.48
Netherlands Guiana	13	1,907.00		2 102.20	24 78,298.03
New Zealand	1	225.00			1 225.00
Netherlands West Indies	27	2,361.23		18 10,264.26	45 12,625.49
Vicarugua	1	5.00			1 5.00
Palestine	226	26,654.22	1 150.00	3 1,716.15	230 28,520.37
Panama	1	250.00			1 250.00
Peru	4	727.18			4 727.18
Poland				88 1,590.00	88 1,590.00
Portugal	769	116,164.05	15 6,235.00	6 576.51	976 1,511,340.87
Azores	29	2,558.98		9 16,532.95	38 19,091.93
Cape Verdi	273	16,068.16		2 1,250.00	275 17,318.16
Maderia	29	5,021.14		5 12,636.53	34 17,657.67
Port. China				8 4,728.00	8 4,728.00
Port. East Africa	2	600.00		12 40,037.51	14 40,637.51
Port. India				1 300.00	1 300.00
Port. West Africa				2 1,366.70	2 1,366.70
Puerto Rico	2	65.00			2 65.00
Rhodesia	1	100.00			1 100.00
Spain	1,260	220,345.62	20 6,595.00	3 1,295.60	365 285,914.83
Canary Islands			1 100.00		1 100.00
Spanish Morocco	19	5,168.00	1 1,000.00	2 43,179.44	23 49,347.44
Tangiers	3	800.00	2 483.62	1 35,276.85	6 36,560.57
Sweden	712	71,268.52	5 1,692.75	10 5,193.24	904 1,019,769.86
Switzerland	1,537	206,344.05	132 43,954.18	3 829.60	631 2,203,191.82

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 DEPARTMENT OF THE TREASURY

RG 31
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File FR&K NY
Box 131

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By JCH/HABA Date 10-14

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	Gen. Lic. 32.32A & 75	Gen. Lic. # 33	Gen. Lic. # 72A	Sv 'fic Lic.	Totals
f	1	100.00			1 100.00
ti	1	1,100.00			1 1,100.00
uras	1	25.00			1 25.00
and	1	150.00			1 150.00
	8	990.00			8 990.00
	1	100.00			1 100.00
and	2	51.90		1 764.24	3 816.14
y	43,367	2,026,242.80		87 8,765.15	43,454 2,035,007.95
bya	5	418.48			5 418.48
la				2 30.00	2 30.00
mania				5 61.00	5 61.00
t	1	475.00			1 475.00
tius	23	888.58			23 888.58
so	39	9,830.31	3 1,420.00	13 10,716.17	55 21,966.48
rlands Guiana	13	1,907.00		2 102.20	9 76,288.83
land	1	225.00			24 78,298.03
rlands West Indies	27	2,361.23			1 225.00
rugua	1	5.00		18 10,264.26	45 12,625.49
stine	226	26,654.22	1 150.00	3 1,716.15	1 5.00
sa	1	250.00			230 28,520.37
	4	727.18			1 250.00
ad					4 727.18
agal	769	116,164.05	15 6,235.00	6 576.51	88 1,590.00
res	29	2,558.98			186 1,388,365.31
se Verdi	273	16,068.16			88 1,590.00
leria	29	5,021.14			186 1,388,365.31
t.China					9 16,532.95
t. East Africa	2	600.00			38 19,091.93
t. India					2 1,250.00
t. West Africa					275 17,318.16
uerto Rico	2	65.00			5 12,636.53
					8 4,728.00
					8 4,728.00
					12 40,037.51
					14 40,637.51
					1 300.00
					1 300.00
					2 1,366.70
					2 1,366.70
					2 65.00
					2 65.00
asia	1	100.00			1 100.00
	1,260	220,345.62	20 6,595.00	3 1,295.60	365 285,914.83
ary Islands			1 100.00		1,648 514,151.05
nish Morocco	19	5,168.00	1 1,000.00		1 500.00
giers	3	800.00	2 183.62		2 43,179.44
n	712	71,268.52	5 1,642.75	10 5,193.24	23 49,347.44
erland	1,537	206,344.05	132 43,954.18	3 829.60	1 35,276.95
					177 941,615.35
					904 1,019,769.86
					631 2,203,191.82
					2,303 2,454,319.65

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	<u>Gen. Lic. 32, 32A & 75</u>	<u>Gen. Lic. # 33</u>	<u>Gen. Lic. # 72 A</u>	<u>Specific Lic.</u>	<u>Totals</u>
Trinidad					
Turkey	1 150.00				1 150.00
	10 1,157.12			8 169,600.00	18 170,757.12
Union of South Africa	19 1,628.90			2 485.81	21 2,114.71
Union of S. S. R. (Russia)	25 1,730.00			1 50.00	26 1,780.00
United Kingdom	188 21,166.52	2 431.17		13 6,552.36	203 28,150.05
Uruguay	59 18,615.13			10 6,149.27	69 24,764.40
Vatican City				1 1,625.00	1 1,625.00
Venezuela	22 5,795.00			2 800.00	24 6,595.00

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 By JW NARA Date 10-14

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 File FRBK NY
 Box 121

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 By ND NARA Date 3/00

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 Box 95

TENTATIVE MEMORANDUM

The following comments are made with respect to the interest of the Department of State in the problem arising out of control by the Alien Property Custodian and the Treasury Department of property in the United States belonging to, or which previously belonged to, nationals of countries which have been or are enemy-occupied. The discussion which follows excludes from consideration any problems arising out of controls over properties of nationals of enemy countries, of neutral countries, or of previously enemy-occupied, non-Allied countries. (I believe Finland would be the only example in this last category.)

The measures which have been taken by the United States Government with respect to the property of nationals of Allied countries have been directed in general at the objectives of (1) preserving and protecting the interest of the United States, and (2) preserving and protecting the interest of Allied nationals. The blocking of funds, for example, was necessary in order to prevent Germany from obtaining control over and using properties in the United States to which Germany might have had access by virtue of its control in the territory of the occupied nations. The interests of the United States were involved in seeing to it that such funds were not used by the Germans for purposes inimical to the welfare of the United States; and the interests of Allied nationals were preserved, at the same time, by insuring that such transfers under duress or under any type of pressure or deceit would not be recognized. The Custodian has vested, also, patents and patent applications belonging to nationals of Allied countries in order both to make such patents available for the common war effort and to protect the Allied nationals by collecting royalties, prosecuting patent applications, etc. The protective nature of these steps have been emphasized in statements issued both by the Treasury Department, as

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for example the memorandum of June 30, 1942 prepared for the Inter-American Conference on Systems of Economic and Financial Control, and by the Custodian, as for example the statement of policy with respect to patents issued in January 1943.

The progressive reoccupation by Allied forces of zones which were formerly enemy-occupied and the progressive reestablishment of the Allied governments on their own soil, have eliminated, to a considerable extent, though perhaps not entirely, the reasons because of which United States controls were placed over the property of these Allied nationals. As communications become increasingly available, it will be possible for these Allied nationals to establish ordinary and usual commercial connections with those persons in the United States having custody of their property, and thus eliminate the possibility of the United States agency being in receipt of orders of doubtful authenticity. Moreover, the possibility will be removed that orders which emanate from liberated territory may have been dictated by the enemy or under pressure from the enemy. Further, the possibility of such funds being used by the enemy to the detriment of the interests of the United States or of the common war effort will be largely eliminated by virtue of the Allied reoccupation and liberation, and protective measures taken by the re-located Allied governments. The basic reasons for the establishment of the controls will have, and to a substantial extent already have, vanished. It would therefore seem desirable and appropriate for examination to be made by the Department of State, the Treasury Department, and the Office of Alien Property Custodian of these considerations and problems which yet remain in the way of removal of the United States controls.

It should be specifically pointed out that it is not the province of the Department of State to attempt to spell out all of these possible considerations or problems. Most of them are of a technical nature. The release of blocking

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controls, for example, brings to the fore questions with respect to attachments which may have been levied against the blocked funds, other types of actions affecting the funds, questions as between American claimants to the funds and foreign claimants or American assignees of the foreign claimants, etc. These technical questions can be fully catalogued and comprehensively dealt with only by those agencies which, by daily contact, are thoroughly familiar with the techniques and intricacies of the United States controls. On the other hand, the Department of State has a strong interest in the broad policy aspects of the release of United States controls over Allied assets just as it has had in the institution and administration of these controls.

The views of the Department of State on the policy aspect of release of United States controls and returns of property to Allied nationals may be briefly summarized as follows:

A. Return of vested property, or the release of blocking controls, should be accomplished as soon as possible after liberation of the relevant Allied country. The manner of return or release should be determined after consultation with respect (1) to the desires of the government having jurisdiction over such Allied national, (2) to the provision by such Allied government for the orderly administration of such assets or assumption of responsibility for their use in a manner consonant with United Nations policy, and (3) to the making of adequate provision for such United States interests as may appear in such property.

B. In general, it is believed that determination of the suitability or not of a particular person whose property has been vested or blocked to receive control over his property should be left to his government. In other words, this Government should make no attempt to determine whether or not a particular person has been a collaborator.

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C. Whether or not this Government should prevent return of his property to an Allied national on the ground that his own government has convicted him of collaboration is a question upon which further discussion is necessary to develop a policy determination.

D. On the other hand, this Government should itself, in questionable cases, determine whether or not particular property standing in the name of a national of an Allied enemy-occupied country really belongs to such person, or whether that person is or has become merely a cloak for the enemy. Should the latter determination be made, the property, should, of course, be treated as enemy property rather than as the property of a national of an Allied country.

E. So far as is possible, property which has been vested should be returned to the individual or company in whose name the interest stood at the time of vesting. For example, property which was vested from a French national should be returned to that person rather than to the French Government acting in his stead. The release of blocking controls (unless under directive licenses) will in fact have this effect. Such returns to individual former owners may, however, not be possible, because of the fact that certain persons may have disappeared, their property may have escheated to the State, and the Allied governments may insist, even apart from the above difficulties, on working out a procedure under which they can represent all of their nationals.

With respect to specific problems involved in returns or in unblocking, it may be pointed out that careful exploration will have to be made of such questions as the controls to be retained in order to achieve certain United States objectives, as, for example, the relation of securities controls so far as

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Allied nationals are concerned to the problem of preventing realization on looted securities; the establishment of procedures for presenting adequate proofs of ownership by Allied nationals who seek returns of property, and perhaps, who seek unblocking of funds or securities; the working out of coordination between controls administered by the Treasury and the Custodian, so that modification or relaxation of controls of the one agency will be accompanied, where necessary, by complementary steps by the other agency; and so forth. It should be emphasized, however, that the agenda and the program on this phase of the problem should be the primary responsibility of the agencies administering the controls, with the Department of State participating on the foreign policy and foreign relations implications of these questions.

FMA: SJRubin:11 11/10/44

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November 15, 1944

Full Defrosting

Orvis A. Schmidt

Jack Bennett

Subject: Unblocking, or generally licensing, blocked business enterprises concurrently with adoption of general defrosting program for a particular blocked country.

A method of releasing blocked business enterprises from the restrictions of the Order has been suggested whereby we would, by license, authorize the appropriate authorities in the United States of the government of a blocked country to generally license those business enterprises blocked as nationals of that country. The license would be issued and the appropriate authorities given a list of the business enterprises concurrently with the adoption of a defrosting plan for the particular country.

Objections to this method of procedure are:

1. It would subject to the controls of a foreign government United States corporations in which the blocked interest might be small or merely for investment purposes by the beneficial owner.
2. It could be abused and if the foreign government did not act promptly would result in pressure on the Department by the business enterprises.
3. It would be cumbersome in those cases in which there is more than one blocked interest.

While we may desire to cooperate with the controls of blocked allied governments, such cooperation need not go so far as to extend control over United States business enterprises to foreign governments by any direct action by the Treasury. Any release of blocked assets to a blocked government, it is assumed, will be only after that government establishes, and it is in a position to enforce, its own financial controls. At that time the foreign government should be in a position to control its own subjects who have interests in United States enterprises and there would not appear to be any further reason for Foreign Funds Control to continue its controls over a business enterprise blocked solely by reason of the interest of a national of a country with which a defrosting plan has been consummated.

Faint handwritten notes at the bottom of the page.

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November 15, 1944

Therefore, at such time as a defrosting plan is agreed on, say, with the French, Treasury should by direct action generally license or unblock all business enterprises blocked as French. However, an enterprise blocked, for example, as French, Dutch and Belgian should, logically, await the defrosting of all three countries before being unblocked or generally licensed. Obviously there would not, in the ordinary case, be any point in not acting on a case in which the principal cause for blocking was, say, French if the agreement with the French had been made and there was only a small Dutch or other blocked interest.

If this recommendation is approved, a case by case study of all business enterprises will be necessary and as our staff is small prompt decision is desirable.

Jack Bennett

cc: Messrs. Alk, Banner, Bennett, Blake, Day, Davis (NY Federal), DuBois, Fisher, Golding, J.C. Jones, Lesser, Luford, Moskovitz, O'Flaherty, Richards, Robinson, and Mrs. R. Schwartz

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MEMORANDUM FOR THE FILES ✓

December 7, 1944

Re: Conference with Department of State Concerning Unfreezing.

Present:

For State -- Messrs. Oliver, Luthringer, Rubin.

For Treasury -- Messrs. Schmidt, Alk, Bennett, Day, Moskovitz,
Richards, and Arnold.

In opening the meeting Mr. Schmidt stated that the Treasury is closely in accord with the general principles outlined in Mr. Rubin's memorandum of November 23 but that it had appeared desirable to explore the subject somewhat before three-way discussion, including the Alien Property Custodian, was undertaken.

Mr. Rubin replied that he concurred with Mr. Schmidt's views and that the only reason for forwarding the memorandum was the need for reasonably prompt action in beginning the actual unfreezing. He mentioned that he had just received a note dated November 25 from the French Delegation stating that the "sequestration" of French property in the United States seemed no longer justified and requesting that the Department of State intervene as soon as possible with a view to general removal of the existing measures. Mr. Rubin also said that there was a rumor that Finance Minister Gutt of Belgium would resign and come to the United States for the purpose of facilitating unfreezing.

Mr. Schmidt responded that it was the desire of the Treasury, as evidenced by his remarks before the Foreign Trade Council, to remove controls as fast as possible, consistent with the preservation of the objectives for which they had been imposed. He briefly summarized the three basic points in unfreezing as set forth in the recent telegram to Saxon in Paris with which Mr. Rubin had just become acquainted.

Inquiry was then made by Mr. Alk as to how far the Control should go in a possible further objective of insisting on the adequacy of foreign controls. The general opinion of the State Department representatives was that insistence on such controls in a broad manner would be offensive to foreign governments but that we could very well make representations so far as the existence of such controls would impinge in our own activities, such as the Securities Import Regulations or our efforts to prevent the enemy from gaining advantage of property in this country.

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Mr. Alk also inquired whether there were any questions of political stability in connection with unfreezing. Mr. Luthringer replied that no broad question existed with respect to France but that it would be necessary to consider each country specifically.

The matter of preference between creditors was then referred to by Mr. Rubin. Mr. Schmidt replied that the present thought in Treasury, with respect to France, is to let the law take its ordinary course. The licensing policy of the Control has already washed out many claims of American creditors and, in general, the foreign countries seem anxious to pay their foreign creditors for the purpose of maintaining their financial prestige. He felt that we should go along on that basis for some weeks until we see how things work out. Mr. Rubin expressed satisfaction if the ordinary American law does not set up preferences. Mr. Alk stated that there was no serious problem with respect to France and that according to the weight of current reports, the fears for the solvency of the French banks which once troubled us were apparently unfounded. He also made some observations, ~~that~~, to the effect that under General Ruling No. 12, it is a very simple matter to leave the determination of disputed cases to the courts.

Inquiry was made whether State would have any preference between a certification license and one forcing all transactions through official agencies. Mr. Luthringer said that there was no strong opinion but that, in general, a technique reconstituting normal financial arrangements as soon as possible would be preferred. At a later point in the discussion, it was brought out that the State Department would have no objection whatever to the employment of a certification license for the purpose of enforcing all French assets in the hands of a French official agency since the potential need for dollar exchange was undeniable.

In response to a question from State, Mr. Schmidt said that all that Treasury proposes to ask, with respect to capital transfers for the benefit of American investors, is that this country be accorded most favored nation treatment. On matured United States claims payable in dollars, France would be expected to make exchange available if the debtor was solvent. Mr. Luthringer expressed the belief that State is in accord and that we cannot undertake to force the payment of franc claims but he wished to discuss the whole question further in his Department. Mr. Schmidt asked what the Alien Property Custodian wanted coordinated between his office and the Control if he had no power to return vested property. Mr. Rubin felt that the Custodian might be reconsidering his position on return because of an unpleasant incident relating to Minister van Kleffens of The Netherlands. Mr. Alk pointed out

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that the Custodian is worried about when to stop representing persons in liberated territory and about getting his fees in representation cases. It seemed to be agreed that the Custodian's proposal to freeze a minimum amount in each French account to protect his fees was an entirely unjustifiable technique and would be very offensive to the French Government. Mr. Rubin said that he did not know what the Custodian wanted since discussions were always indefinite, although there were usually some inferential remarks about turning property back to the Treasury.

Mr. Schmidt's comment that he did not believe that the unfreezing of balances could wait on the unvesting of patents seemed to be generally approved.

At this point Mr. Schmidt was obliged to leave the conference which then turned to questions on particular parts of Mr. Rubin's memorandum. With respect to paragraph A on page 3, Mr. Alk felt that sub-points 2 and 3 should be expressed more specifically along the lines of the telegram to Saxon.

Points B and C were discussed extensively but somewhat inconclusively. The concensus seemed to be that the treatment of collaborationists and their assets must, in general, be left entirely to the country of which they are nationals but that the United States could properly press its views with respect to particular organizations or persons when the question of actually releasing their property arose. For this and other reasons it was felt imperative that the United States retain the power to exclude particular cases from the operation of the general license.

It was agreed that point D should be stated in terms of a right to determine questionable cases rather than an obligation to do so. Mr. Alk pointed out that the question of organizations controlled by the enemy presented an especially difficult problem.

Mr. Rubin said that paragraph E was aimed only at relieving the United States from having to effectuate foreign law such as the Dutch Decree. It was not intended to prevent employing a certification license as a means of martialing foreign exchange assets nor to preclude the use of directives in particular instances or classes of cases where their use would be beneficial to the United States. Mr. Alk said that if the general license was issued the Control might reserve the right to issue special licenses without the consent of the French until the trend of the actual operations of the program can be thoroughly seen.

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With regard to the note from the French Delegation, Mr. Rubin proposed an answer outlining the United States general policy on unfreezing. Mr. Moskowitz suggested a mere invitation to discuss the problem with State and Treasury representatives. Mr. Rubin said that the suggestion was acceptable but that he would then want a memorandum of points for the guidance for both Departments. It seemed to be finally agreed that there should be an invitation to discuss it, with an aide memoire based on the cable to Saxon. Apparently, State will undertake the preparation of the document and clear it with Treasury. Finally Mr. Alk inquired whether the French license should be confined to pure French nationals or whether it could relate to other nationals in France. He expressed the view that perhaps only pure French nationals should be covered. Although the discussion was somewhat uncertain, it seemed to be the view of State that we might well let the French handle the matter except on the question of enemy cloaking and looting.

EQ.

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DRAFT

To: Mr. Schmidt
 From: Mr. Richards
 Re: Defrosting Problems

It would be helpful in pushing forward on our "defrosting" program if the policy to be followed by the Treasury Department with respect to the following problems could be definitively determined:

1. Is it generally agreed that, in preparation for ultimately unblocking the assets in the U.S. of liberated United Nations, a general license should be issued which would delegate to the government of the liberated area the primary responsibility for releasing assets held in the U.S. by persons or institutions within the liberated area? In general, such a license would be issued when appropriate controls have been established and are effectively operating in the liberated area and when appropriate assurances have been given by the government of the liberated area.
2. Will a public notice to the effect that the time has arrived for American creditors to take steps to protect their interests in blocked assets, plus an assurance from the government of the liberated area that it will in general permit persons subject to its jurisdiction to pay amounts due American creditors be sufficient to fulfill our responsibilities to American creditors who have been prevented during the war from satisfying their claims out of assets blocked in the U.S.?
3. Is it necessary to take any action in addition to G.R. #12 to place persons who now wish to start legal proceedings against blocked assets in the U.S. in the same position as persons who have already obtained judgments in the courts?
4. Should any action be taken to prevent persons outside the U.S. whose

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claims are not directly against assets held in the U.S. from attaching assets in the U.S. belonging to their asserted debtors?

5. Assuming that it will not be possible to issue licenses to all liberated United Nations simultaneously, what should be done about assets in the U.S. held through a resident of one liberated country for the account of a person in a non-liberated country or in which a person in a non-liberated country has an interest?

6. What should be done about business enterprises in the U.S. which are blocked by reason of the interest of a person or persons in a liberated United Nation when

- (a) the blocked interest is less than a controlling interest and the controlling interest is held by unblocked persons in the U.S.?
- (b) the blocked interest is a minority interest and the controlling interest is held by unblocked persons in the Generally Licensed Trade Area?
- (c) the blocked interest is a dual or triple nationality?

7. Will it be our general policy to permit the government of the liberated country to exercise jurisdiction over assets held here through that liberated country, even though such assets are owned or controlled by real enemy interests?

8. How far should we go in pushing liberated United Nations Governments to take action against collaborationists before permitting such governments to exercise jurisdiction over assets in the U.S. belonging to their nationals?

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Status of Defrosting Program With
 Respect to Business Enterprises

To date, the Licensing Division has completed the study of
 business enterprises in the nationality groups:

France	206	+ 30 back list	} 225 15 240
Belgium	66		
Netherlands	168		
Denmark	17		
Norway	22		
Luxembourg	17		
Yugoslavia	9		
Greece	28		
Any combination of the above eight nationalities	37		
Total	570		

Wires were dispatched authorizing the Federal Reserve Banks
 to issue TFXL-3 licenses to 52 and grant generally licensed national
 status to 86 French and Belgian business enterprises. Subsequently,
 the Federal Reserve Banks were instructed to withhold action with
 respect to granting GLN status, pending issuance of the amended
 Special Circular No. 68.

322 studies have been returned by the Enforcement Division
 and wires are now being prepared. 110 studies are in the process of
 clearance with the Enforcement Division.

We are now studying the business enterprises of Polish and
 Czechoslovakian nationalities, and although the defrosting procedures
 have not yet been determined, we are also studying Austria, Estonia,
 Finland, Latvia, Liechtenstein and Lithuania. There are about 280
 business enterprises in this group.

There will then remain, of the approximate 2,200 blocked
 business enterprises, 800 Chinese, Philippine, Swiss, Swedish,
 Spanish, Portuguese, Hungarian, Bulgarian and Rumanian enterprises.

Including the 280 business enterprises now being reviewed
 there are then some 1000 cases to be studied. It is anticipated that
 the initial work in Licensing can be completed in six weeks.

Not included in any of the above estimates, are approximately
 550 business enterprises listed as German, Japanese or Italian. It
 will be necessary to review these also, in order to separate for fur-
 ther consideration those in which there is not a real enemy interest.

J. L. Davis
Miss [unclear]

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COPY

In reply please
 refer to: 77155

25 MAY 1945

Dear Sir:

Pursuant to our conversation of the other day, I am enclosing herewith a draft of a letter to Mr. Strassale of the Swiss Legation, together with a draft of blanket license and draft of letter to American financial institutions which would accompany the blanket license. These drafts represent the outcome of a series of meetings beginning with the conferences we had with representatives of the Swiss Bankers Association last November, Mr. Schmidt's discussions in Switzerland which were reported to us by cable and more recent discussions with Strassale.

As you can readily see from these drafts, there is outlined a program which represents a substantial step toward the ultimate unfreezing of Swiss assets through the medium of certification of the Swiss Government and also revises our controls over non-Swiss assets cloaked through Swiss accounts for the dual purpose of getting at the real enemy assets and facilitating the unfreezing of assets of nationals of liberated countries. You will note that the two programs are not conditioned one upon the other; the certification procedure outlined in part I of the draft of letter to Strassale deals with the certification of assets of "Swiss persons" in cooperation with, and active participation of, the Swiss, whereas part II does not call for the participation of the Swiss Government although as stated we intend to cooperate with them in working out the details of the procedure to the extent that we can.

It is our intention, unless you have objection thereto, to informally present the draft of letter to Strassale, as a draft, so that if and when we send the letter to him, we can be assured that it will be accepted in accordance with its terms. May I have your views within the near future as we would like to transmit the enclosed to Strassale the early part of next week.

Sincerely yours,

Irving Moskowitz
 Associate Chief Counsel

Mr. Seymour Rubin
 Chief, Economic Securities
 Control Division
 Department of State
 Washington, D. C.

Enclosures

Moskowitz:joc 5/25/45

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 By 10 NARA Date 3/10

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June 1, 1945

MEMORANDUM FOR THE FILES

Subject: Swiss Franc Problem - 50-40-10 Formula

Early in April, the Treasury had informed Mr. Strassle that we and USCC objected to the use by the Swiss of the 50-40-10 formula with respect to sales of Swiss products to the U. S. Government for the use of the U. S. Army, since it had been discovered that, as a result, we had to pay a substantial premium to Swiss exporters. Subsequently, we were informed by the Swiss representative here that the Swiss Government had decided, effective May 15, 1945, to replace the 50-40-10 formula with a 50-50 formula. While this concession would result in some savings to this Government, it was clear that we would still have to pay a premium for Swiss goods. Accordingly, it was decided that we should press the Swiss to discontinue the use of the 50-50 formula and, instead, to make available to the USCC representative in Switzerland completely free Swiss francs for payment to Swiss exporters. It was also decided that we would inform the Swiss here that our progress on developing a concrete program for relaxing our controls over pure Swiss assets was being delayed by reason of the fact that this program had to be cleared with the same people in the Treasury who were also concerned with the Swiss attitude on the Swiss franc problem.

Accordingly, on May 14, 1945, I telephoned Mr. Thoman and advised him that the 50-50 formula was unsatisfactory and also, that I was having difficulty in clearing the program on pure Swiss assets. After considerable discussion, Thoman agreed to consult with Mr. Strassle concerning the matter. The following day Strassle and Thoman discussed the problem with Messrs. Schmidt and Hoffman, with the result that Strassle agreed to send a further cable to Bern.

On May 29th, I again called Thoman, after clearing with Mr. Hoffman, to ascertain whether any reply had been received from Bern. Mr. Thoman said that, so far, no reply had been received. I pointed out that there was considerable urgency since USCC was continuing to make commitments for Swiss goods and such commitments have to be made at higher prices as a result of the 50-50 formula. Moreover, the USCC representatives here had called several times concerning the problem. I suggested that Mr. Thoman might send a follow-up cable to Bern concerning a prompt answer and that he might indicate that we were trying to work out a substantial relaxation in our controls over pure Swiss assets which might go so far as to permit the Swiss the relatively free use of pure Swiss dollars here for purchases in the United States or Latin America. Mr. Thoman objected to sending a follow-up cable, but finally agreed that he would discuss the matter with Mr. Strassle. I said that, of course, it was up to them to decide whether they wished to send the follow-up cable but that I wanted him to know that my ability to present to them a concrete proposal on Swiss assets was being hampered by reason of Swiss insistence on the 50-50 formula.

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Mr. Thoman also indicated that he hoped we would be in a position very shortly to present to them a concrete plan on Swiss assets so that he and Straessle would be in a position to show the Swiss Government that they were making progress in getting a real liberalization of our controls over Swiss assets. He felt that the Swiss Government would then be more likely to agree to remove any obstacles such as the 50-50 formula. I told Thoman that we hoped to present to Mr. Straessle shortly a concrete proposal which, however, would have to be regarded as tentative and subject to change on our part. In response to his query as to when this might happen, I told him that the proposed program was presently being considered by the Department of State and that I could not predict exactly when we could present it to Mr. Straessle. However, I said that I hoped it could be sometime next week.

J. S. Richards

cc: Messrs. Glasser, Hoffman, Aarons, Moskevitz, Southworth, O'Flaherty, deZevallos and Mann (Switzerland)

JSRichards:ems

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 Box 95

SCHWEIZERISCHE NATIONALBANK - BANQUE NATIONALE SUISSE
 BANCO NAZIONALE SVIZZERA

Zurich-Bern

Zurich, March 23, 1945

Schu/ts

Mr. Lawrence M.C. Smith, Special Agent,
 c/o American Consulate,
 Spitalgasse 40,

B e r n e

Dear Sir,

Your letter of March 19, 1945, (Swiss S - 12) has come to hand. Thank you for returning the signature card. In respect of the various points raised by you we beg to reply as follows.

1. Triplicate receipts from exporters

This can be arranged. When making payments to exporters, we shall hand them triplicate receipt forms prepared by us to be signed and returned. The incoming receipts will be controlled here and then forwarded to you. Please let us know if the wording of the enclosed draft of receipt suits your purposes.

2. Extra copies of our letters

Henceforth you will receive an extra carbon copy of every letter we write you.

3. Increases in prices due to the 50-40-10 arrangement

We thank you for your frank report. We are ourselves quite vexed about the resistance you are encountering. It is, indeed, regrettable that some exporters - we hope it is decidedly a minority - apparently try to take undue advantage of the situation. We have notified the Federal Department of Economics (Division of Commerce) and the "Vorort" of the excesses as reported by you. We do not doubt that steps will be taken to curb these abusive attempts.

As to the question of the premium in itself we may refer to our conference in Zurich. You agreed that the 50-40-10 arrangement justifies an adequate premium. As you know, the arrangement is

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necessitated by the fact that our exports are paid in dollars which remain blocked in the U.S.A. for an indefinite period. Thus, even in the case of Government purchases, an adequate premium would not seem out of place. However, it should not exceed a reasonable rate. We figure that roughly 5 percent ought to be acceptable to you and sufficient for the exporter. We base this estimate on the consideration that the exporter has to mobilize part of the blocked 50 percent by bank loans to provide necessary working capital. He can obtain such loans at the special exceedingly low commercial rate of 2½ percent p.a. which over a period of three years sums up to 7½ percent. Other factors to be considered are loss of interest, share in costs and risk of gold conversion and shipping, etc. Here, of course, the estimates vary. But we think that 4 to 6 percent, or an average of roughly 5 percent, ought to cover about all.

If there are other obvious instances of deliberate overcharging, please give us all details, so that we may notify the Division of Commerce and the "Vorort".

4. Payment within 30 days

We are rather surprised that in two cases you should have met unwillingness to grant 30 days for payment. However, we cannot believe that these refusals were in any way meant as discrimination in credit terms against your Government. Most likely the exporters, used to doing export business against letters of credit involving cash against documents, overlooked that in dealing with you they were only nominally exporting, but technically delivering in Switzerland: They simply stuck to their export routine, meaning no offence to anybody. Of course, there is no reason why you should not be granted 30 days if you deem this convenient. We have also brought this matter to the attention of the Division of Commerce and the "Vorort", requesting them to intervene.

Mr. Hirs will gladly discuss these matters with you in Berne and he will get in touch with you when the occasion arises.

We are, dear Sir,

Yours very truly,
BANQUE NATIONALE SUISSE

/s/

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June 3, 1945

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Mr. Thoman also indicated that he hoped we would be in a position very shortly to present to them a concrete plan on Swiss assets so that he and Straessle would be in a position to show the Swiss Government that they were making progress in getting a real liberalization of our controls over Swiss assets. He felt that the Swiss Government would then be more likely to agree to remove any obstacles such as the 50-50 formula. I told Thoman that we hoped to present to Mr. Straessle shortly a concrete proposal which, however, would have to be regarded as tentative and subject to change on our part. In response to his query as to when this might happen, I told him that the proposed program was presently being considered by the Department of State and that I could not predict exactly when we could present it to Mr. Straessle. However, I said that I hoped it could be sometime next week.

J. S. Richards

cc: Messrs. Glasser, Hoffman, Aarons, Moskowitz, Southworth, O'Flaherty, deZevallos and Mann (Switzerland)

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FOREIGN FUNDS CONTROL

To: Mr. Schmidt (Room) (Bldg.)
(1) (Room) (Bldg.)
(2) (Room) (Bldg.)
(3) (Room) (Bldg.)

UNITED STATES GOVERNMENT

DATE: November 6, 1945

Attached is a memorandum regarding the broad general license. During your absence, we had a meeting on this matter, but were unable to agree with respect to Items 2 and 3 on page 2 of my memo. I believe you should set a meeting as soon as possible so that we can come to some agreement in order that the new version of the license can be made available to the State Department, APC and the New York banks as soon as possible.

memorandum to Mr. White of September 21, 1945 regarding the general license unfreezing current transactions and the three satellites. Hoffman's memorandum, JFriedman, Glasser, IFriedman regarding you his general agreement with the

In this connection, we have told the representative here of the Chinese Government that the license must be issued not later than December 1st and that we would like to have their views by November 20th, if possible.

learned, the general license to which is indicated above. As a result of the Federal Reserve Bank of New York, it is now possible that the general license will result if we proceed for all purposes as though they were under the previous draft, property which, in the interest of such countries, the property would continue to be regarded as

From: J. S. Richards 11/13/45 (Date)
..... (Room) (Bldg.)

where authorized by some other license. A redraft of the general license incorporating these ideas is attached.

The following are the significant differences which will flow from this new approach unless interpretations or instructions to the contrary are issued:

1. Stamps affixed within specified countries will no longer subject securities to Section 2A(1) of the Order. Only securities bearing stamps affixed within Germany, Japan, the blocked European neutrals and possibly China would be subject to Section 2A(1).

While this provision of the Order was of importance during the war in discouraging the Germans from looting stamped U. S. dollar securities and in making it difficult for them to realize on such securities. it

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Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Schmidt
 FROM : J. S. Richards
 SUBJECT: Unfreezing Current Transactions

DATE: November 6, 1945

noted

Reference is made to Mr. Hoffman's memorandum to Mr. White of September 21, 1945 recommending the issuance of a general license unfreezing current transactions with the liberated countries, Italy, and the three satellites. Hoffman's memorandum was approved by Messrs. Coe, Aarons, JFriedman, Glasser, IFriedman and yourself. Also, Mr. White indicated to you his general agreement with the recommendation.

At the time Hoffman's memorandum was cleared, the general license to which it referred was drafted in terms of licensing payments, transfers and withdrawals involving nationals of the blocked countries indicated above. As a result of further discussions here and with the Federal Reserve Bank of New York, it is now believed that a simpler and more understandable general license will result if we license the specified countries to be treated for all purposes as though they were not designated in the freezing Order. As under the previous draft, property which, on the date of the license, is blocked by reason of the interest of such countries or persons therein and income on such property would continue to be regarded as blocked. Transactions involving the old blocked property would be permitted only where authorized by some other license. A redraft of the general license incorporating these ideas is attached.

The following are the significant differences which will flow from this new approach unless interpretations or instructions to the contrary are issued:

1. Stamps affixed within specified countries will no longer subject securities to Section 2A(1) of the Order. Only securities bearing stamps affixed within Germany, Japan, the blocked European neutrals and possibly China would be subject to Section 2A(1).

While this provision of the Order was of importance during the war in discouraging the Germans from looting stamped U. S. dollar securities and in making it difficult for them to realize on such securities, it now appears that the continuance of the restriction will have few advantages. Reports so far received from France, Holland and Belgium indicate that there was little looting by the Germans of stamped U. S. securities. Furthermore, it is not clear in the case of bearer securities whether the dispossessed person would be able under the law to obtain restitution of the security, except upon a showing that the present holder is not a bona fide purchaser.

On the other hand, the continuance of the restriction imposes a considerable burden not only upon the Federal Reserve Banks but also upon banks, insurance companies and other American organizations, which have

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in their possession large amounts of stamped securities that have been within the United States or Canada continually since before the war.

General Ruling No. 5 will continue to control the importation of securities although it may not be as effective as heretofore once the restrictions on stamped securities are removed.

2. General Ruling No. 17 will no longer be applicable to the security accounts of financial institutions located within the specified countries. Any securities in these accounts on the date of the new license will remain blocked. It may be possible for securities which are held in such accounts for enemies to be converted into cash, thus making it more difficult for this Government to identify and vest the proceeds of such securities. Nevertheless, it is believed that this possible risk does not warrant the continued application of the cumbersome restrictions of the Ruling to the accounts of financial institutions located in Allied countries.

General Ruling No. 17 will continue to apply to accounts of financial institutions in all other blocked countries, including securities in such accounts which, on the date of the new license, are held for persons within the specified countries.

3. It will be possible for the neutral countries to engage in transactions with the specified countries, provided the terms of the neutral general licenses, i.e., 49, 50, 52 and 72 are complied with. The Swedish Government, for example, could permit the transfer of Swedish dollars to France by certifying under General License No. 49 since France and nationals thereof would no longer be considered to be nationals of a blocked country. The neutrals could not, however, certify any transaction involving property which, although held in the name of a neutral national, is property in which a national of a specified country has had an interest. Thus property in the account here of a Swiss bank which belongs to a person in France could not be released under General License No. 50.

4. Dollars accruing to the specified countries after the date of the license could be used for dealings with the blocked neutral countries if there is a license outstanding which would permit non-blocked dollars to be used for such dealings. For example, our outstanding blanket licenses which permit unlimited remittances to the neutrals from non-blocked funds could be used by Frenchmen, Belgians, etc. to effect remittances out of their newly accruing dollars. We have already informed some of the foreign countries concerned that we would permit such remittances.

5. General Ruling No. 16, controlling access to safe deposit boxes leased to blocked nationals, would no longer be applicable to boxes leased to nationals of specified countries. Accordingly, such nationals or their representatives would gain access to their safe deposit boxes without having to do so in the presence of a representative of the lessor of the box. However, the property in such boxes would continue to be blocked property.

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6. General Ruling No. 3, which prohibits dealings in securities registered in the names of nationals of blocked countries, would no longer be applicable to securities registered in the names of nationals of the specified countries. The property here represented by securities so registered on the date of the license would, however, continue to be blocked.

7. U. S. currency, as well as checks and drafts, could be sent in unlimited amounts, regardless of denomination, to the specified countries. The termination of censorship makes it practically impossible for us to enforce any prohibition against the mailing of such currency.

It cannot be denied that there are arguments against permitting all of the above results to be accomplished at the present time. This is particularly true of the first two items listed above. It is clear, however, that we must simplify our system of controls to the greatest extent possible. Otherwise, we may well prejudice our ability to accomplish fundamental objectives such as those relating to the blocked neutral countries. It is strongly recommended, therefore, that we should issue the license in the form attached and should not curtail any of the results set forth above.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

November 9, 1945

TO : Mr. Moskovitz

FROM : Mr. Pollak

Reference is made to Mr. Richards' memorandum of November 6, 1945, to Mr. Schmidt pointing out certain significant differences which will result from the new general license which it is proposed to issue in lieu of the general license unfreezing current transactions previously considered.

The following would also appear to be materially affected by the proposed license treating the specified countries as though they were not blocked countries except for old blocked property and income on such property:

1. Securities as well as United States currency and checks and drafts could be sent to the specified countries. (See Item 7 of Mr. Richards' memorandum)
2. Public Circular No. 6 provides that licenses authorizing the redemption or purchase for blocked accounts of obligations issued by blocked governments and corporations will allow such purchase or redemption only of securities to which TFEEL-2 has been attached. This will no longer apply to the obligations of governments and corporations of the specified countries.
3. Public Circular No. 9 revoked all licenses insofar as they otherwise authorized the sale, presentment for payment or redemption or other disposition of certain Danish securities on behalf of Denmark or persons within Denmark. A specific license is required as a result of this circular to remove such Danish obligations from the accounts of persons in Denmark for collection of interest etc. Securities of this type sent here for the account of a person in Denmark after the issuance of this license would not go into a blocked Danish account and no license would be required for their collection etc.

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4. Public Circular No. 14 places limitations on the acquisition of securities for blocked accounts unless authorized by a specific license referring to the circular. As a result of the proposed license there would be no restrictions on the acquisition of securities by the specified countries and their nationals with new funds which would not be blocked.

5. General License No. 82A authorizes certain transactions with respect to ~~blocked~~ foreign patents, trademarks and copyrights by any person who is not a national of a blocked country. Nationals of the specified countries will now be able to avail themselves of this license, although payments under 1(d) and 1(e) could not be made from their old blocked accounts.

6. General License No. 89 authorizes exportation of powers of attorney etc. executed by or issued by any person in the United States who is not a national of a blocked country with respect to certain types of transactions. Since under the proposed license the specified countries will not be blocked no license will be needed by persons who are not nationals to transmit powers of attorney to such countries. General License No. 89, however, will still apply to powers of attorney going to blocked countries and when the proposed license is issued nationals of the specified countries in the United States may send powers or instructions to blocked countries under General License No. 89.

7. General Ruling No. 11A. While the proposed general license does not expressly refer to General Ruling No. 11A it would appear to cut across it in certain respects. General Ruling No. 11A provides that no payment shall be made from any blocked account if the person with whom the account is maintained has reasonable cause to believe that any of the following has an interest in the account: "(a) The Government of Germany or Japan and any agent, instrumentality or representative of either Government. ***" It would seem that an agent of the German Government residing in Holland (and not a German citizen) would only be a national of a specified country, Holland under the proposed license and any new funds which come here for his account would not be blocked, since no national of a blocked country would have an interest in such funds. As the account would not be blocked by virtue of the proposed license General Ruling No. 11A would not apply. It may be that the German agent could not give instructions with respect to the funds, being an enemy national but it would seem that ^{they} could be dealt with under pre General Ruling No. 11 instructions or be attached.

WM Pullan
J

cc: Messrs. *ed, Richards, Friedman, Schmitt*
Hodges

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The Journal of Commerce

OCT 29 1945

**Plan Unfreezing
 Of Foreign Funds
 For Current Use**

**Blanket Removal Due;
 Agreement With Belgium
 Awaits Ratification**

By M. F. LAM

WASHINGTON, Oct. 28.—The United States Government is considering the blanket removal of restrictions on foreign assets held here by so-called liberated countries for purposes of current transactions, including trade.

This program was learned to be under study as it was also ascertained that a United States-Belgium agreement "unfreezing" blocked Belgian assets in this country now only awaits Belgian ratification for completion.

Follows French Pattern

The Belgian agreement is closely patterned on the recently promulgated agreement with the French Government. Negotiations with the Netherlands Government, with Norway and Denmark are well advanced, although the general United States program removing restrictions on current transactions will probably be made applicable to them along with other remaining liberated countries, pending the consummation of individual negotiations of broader scope.

Concerned that the holdovers from wartime controls should not obstruct the resumption of private trade and other necessary dealings, officials here apparently believe action applying to current transactions should be taken pending release of the old blocked accounts. The detailed negotiations needed to assure adequate security steps with respect to the old accounts would not then be permitted to delay or impede private transactions currently between the United States and these countries, or between these countries in so far as the use of dollars is concerned.

Program Outlined

In view of these considerations, the program which emerges for the stepping down from United States foreign funds and Treasury licensing controls is as follows:

1. Government efforts would be made to arrive at agreements with individual liberated countries. Under these agreements, as in the case of the French and the forthcoming Belgian agreement, each of the liberated countries would in turn undertake the responsibility for certifying their blocked assets here to be free of Nazi or enemy control. Since these negotiations will take some time to complete, interim action is deemed to be needed in the interest of trade and normal relations.

2. The interim program, presumably to be announced unilaterally by this Government, would remove licensing and other restrictions on the use of foreign assets for current transactions. In applying such a program, authorities might be expected to issue something analogous to a general license applicable to the various liberated countries all at once, rather than individually as was previously applied in the case of France and Belgium before the formal agreements had been developed.

Position of Belgium

In the case of Belgium, consummation of the unfreezing process only awaits final ratification of the Belgian Government, which has already received copies of the United States proposed agreement. Patterned on the French precedent, the Belgian arrangement would open up current transactions of all kinds and permit the unblocking of old accounts on certification by the Belgian Government. In special cases the United States would reserve the right to hold up, pending its own special investigation, the unblocking of individual accounts.

Agreements to be worked out with other liberated countries on defrosting the old accounts will follow the French precedent.

Officials here have on numerous occasions stated that the control program would not be allowed to interfere with the resumption of normal relations more than was necessitated for security purposes. It is apparently not felt that private trade transactions will suffer by continuance of the program for negotiating individual agreements on the old account, provided restrictions as to current transactions are removed.

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FOREIGN FUNDS CONTROL

To: Mr. [Signature]
(1) Mr. [Signature] (Room) (Bldg.)
(2) Correspondence (Room) (Bldg.)
(3) (Room) (Bldg.)

attached are the letters to Interior and Panam Canal zone with respect to post liberation accounts. I have also attached the complete file on this problem.

Ray

From: [Signature] (Date)
..... (Room) (Bldg.)

are shown. The amount to under 25 dollars (including banking assistance in checks, drafts, bills) shall be the Secretary of the Treasury of the United States. If you will dispatch the following Governor of the Virgin Islands: substantially as follows to district:

DEC 27 1945

ment has requested that any balances which have

in countries which no longer included

U.S. Dept. of the Interior, Division of Territories and Island Possessions, Department of the Interior, Washington, D. C.

General Ruling No. 11 on or since the date on which such countries were removed from the provisions of General Ruling No. 11,

(2) to persons in Bulgaria, Hungary, Rumania, or Italy since the effective date of Public Circular No. 25 with respect to such countries;

may be regarded as property in which no blocked country or national thereof has an interest provided that such balances have accrued pursuant to any license authorizing (a) trade transactions with any such country (b) remittances to any such country (c) the collection

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... payment of (i) ...
... bills of exchange drawn on ...
... term of credit issued by ...
... the United States or (iii) ...
... bills of exchange or ...
... State of the United States, the Secretary of the
... of the United States, or the ...
... United States ...
... account in the name of, or in which the ...
... interest is held by, the ...

Dear Mrs. Hampton:

It will be appreciated if you will dispatch the following message to the Office of the Governor of the Virgin Islands:

"Please send a notification substantially as follows to interested persons in your district:

"The Treasury Department has requested that you be informed that any balances which have accrued;

(1) to persons in countries which were but are no longer included in General Ruling No. 11 on or since the date on which such countries were removed from the provisions of General Ruling No. 11,

(2) to persons in Bulgaria, Hungary, Rumania, or Italy since the effective date of Public Circular No. 25 with respect to such countries;

may be regarded as property in which no blocked country or national thereof has an interest provided that such balances have accrued pursuant to any license authorizing (a) trade transactions with any such country (b) remittances to any such country (c) the collection

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and payment of (i) travelers checks, (ii) drafts or bills of exchange drawn under travelers letters of credit issued by banking institutions in the United States or (iii) checks, drafts, bills of exchange or warrants drawn on the Secretary of State of the United States, the Secretary of the Navy of the United States, or the Treasurer of the United States (d) the transfer of funds from any account in the name of, or in which the beneficial interest is held by, the Central Bank of any country referred to in (1) hereof, or any agency of the Government of any such country (e) payments into post-liberation blocked accounts, as defined in General License No. 32A, in the names of banking institutions in Italy irrespective of the date on which such payments were made."

Please send a notification... Sincerely yours,

Sincerely yours,

The Treasury Department has requested that you be informed that any...

Orvis A. Schmidt

Mrs. Ruth Hampton, Assistant Director,
Division of Territories and
Island Possessions,
Department of Interior,
Washington, D. C.

- (1) to persons in countries which were but are no longer included in General License No. 11 as of...
- (2) to persons in Bulgaria, Rumania, or Italy...

may be regarded as property in which an interest...

Set mailed
10. C. R. J. Jones.

[Handwritten signature]

RL Jones: hpp 12/10/45

[Handwritten signature] *[Handwritten initials]*

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and payment of (i) travelers checks, (ii) drafts or bills of exchange drawn under travelers letters of credit issued by banking institutions in the United States or (iii) checks, drafts, bills of exchange or warrants drawn on the Secretary of State of the United States, the Secretary of the Navy of the United States, or the Treasurer of the United States (d) the transfer of funds from any account in the name of, or in which the beneficial interest is held by, the Central Bank of any country referred to in (1) hereof, or any agency of the Government of any such country (e) payments into post-liberation blocked accounts, as defined in General License No. 32A, in the names of banking institutions in Italy irrespective of the date on which such payments were made."

Sincerely yours,

Orvis A. Schmidt

Mrs. Ruth Hampton, Assistant Director,
Division of Territories and
Island Possessions,
Department of Interior,
Washington, D. C.