

DECLASSIFIED

Authority

NND785009

By

DO

NAPA Date

1/24/00

RG

131

Entry

Foreign Funds Control 1942-60

File

APC-SCHOOL

Box

134

→ Jc School

MEMORANDUM FOR THE FILES:

August 1, 1942.

Re: Address by APC Representative to Freezing Control School.

We were addressed today by Mr. Monroe Karasik, who has been loaned by the Department of Justice to the APC. He apparently is in charge of setting up the organization and as a result was not able to discuss the matter from the standpoint of policy.

Mr. Karasik prefaced his remarks by stating that the blocking controls are the exercise of the powers of the Government in a passive way. The enemy is deprived of certain tools through such control. It is more satisfactory to use his property actively against him. The aim of the Office of the APC is to use the enemy's property to wage war against him. In the last war the term "Custodian" was used as a concept of trusteeship. Now the name is a misnomer. We have gotten back to the idea of using all weapons available against the enemy. This is borne out by the provisions of section 301 of the First War Powers Act, which dictates that enemy property should be used for the benefit of the United States.

He then discussed the various provisions of Executive Order No. 9193 and pointed out that even where the interest of an enemy national in any corporation is substantial, that corporation is subject to the jurisdiction of the APC. The power of the APC extends not only to the countries with which we are at war, but also to nationals of other countries who are being used to further the interests of the Axis powers. He stated that under certain conditions there are exempted from the control of the Custodian securities, currency, etc.

He then discussed the organization of the APC. The Bureau of Research and Analysis is the investigative unit. The APC has decided upon promulgating orders requiring residents of this country to make certain reports with respect to property belonging to "designated foreign nationals". As an instance of this report he referred to their General Order No. 2 relating to patents.

314262

DECLASSIFIED

 AUTHORITY: NIND785009
 BY: GN NARA Date: 1/24/00

 RG 131
 Entry Foreign Funds Control 1942-60
 File APC-SCHOOL
 Box 134

- 2 -

The Bureau of Research is the largest division. He discussed the type of work which the investigating unit did, which includes the investigation of officers and key employees. He mentioned the necessity of disregarding the corporate entity and piercing the corporate veil and used as an example Schering Corporation of New Jersey. It is the attitude of the APC that even if it is impossible to establish incontrovertible facts as to enemy ownership, Foreign ownership suffices to bring the corporation within the jurisdiction of the APC. In some instances the APC will act even in cases of American ownership. In the proper case the APC will jump over both American and neutral ownership and will seize the corporation because of its control by the Axis countries or nationals thereof. He referred to General Aniline, Luscombe Aircraft and American Bosch.

The Investigative Division recommends what action shall be taken. It may recommend vesting or control and supervision or it may recommend no action at all.

The recommendations of the Bureau of Research are passed on by the Executive Committee, which serves somewhat as a bench of review. This committee takes up all questions of fact and policy and makes its recommendations to the APC.

He stated the process of vesting is very simple. The APC merely signs a document which recites that he has vested the property. This is published in the Federal Register and a copy is served on the record owners. He then takes physical possession of the assets.

Mr. Karasik then discussed the review of actions taken by the APC. He seemed to feel that there will be court review either through the Court of Claims or perhaps Congress will designate a court to review the action of the APC. In all hearings a complete transcript will be taken of the testimony offered.

The Depositary Division takes possession of the indicia of ownership. In addition it is responsible for holding the avails of liquidation.

The actual operation of the vested enterprises is by the Business Enterprise Division. He intimated that the control of all business enterprises would eventually be handled by the APC although he was quite vague about the matter. After the property is vested the Investigative Division is again called in to find out further facts as to loyalty of committee personnel, etc. At the same time studies are made to determine the war possibilities of the enterprise and the assets of the company are directed towards the expansion of war work.

314263

DECLASSIFIED

 ADDITION: *NIND785009*
 By *GW* NARA Date *11/24/00*

 RG *131*
 Entry *Foreign Funds Control 1942-60*
 File *APC-SCHOOL*
 Box *134*

- 3 -

The vested company must ordinarily operate itself. The credit of the United States will not be pledged, but the APC will direct the policies.

He then discussed in detail the policy of the APC with respect to patents. He stated that the APC must formulate a general policy and is thinking about granting licenses for the term of the patent, either with or without royalties. The APC probably will license all comers so that the patents will become public domain. Basically the intention is to use all patents in furtherance of the war effort.

Patents which are the property of business enterprises seized by the APC will still belong to such enterprises. However, if by the restricted use of such patents the war effort is hampered, the APC will direct that licenses be issued permitting the free use of such patents.

Where the business cannot be used for war effort or where it is insolvent, the efforts of the APC will be to liquidate or sell the business. In case of liquidation all claims of creditors of the enterprise will be honored in so far as the assets of such enterprise are sufficient for such purpose.

With respect to Latin America, the APC within the next few weeks will announce a clear cut policy. He will use the vested corporations for the purpose of drying up the source of Axis funds in Latin America and will try to wipe out Axis firms in Latin America. He will probably operate through Latin American firms with as small as possible American control and direction.

A question was asked with respect to the relative sphere of the Treasury and of the APC. He stated that generally speaking the Treasury has charge of all matters not specifically mentioned in Executive Order No. 9193. He intimated that the APC would be just as quick to take over property of nationals of enemy occupied territory as he would in cases of property of enemy nationals. In other words, they would like to adopt our concept of "enemy national" and not the concept as is contained in the recent Executive Order.

(Initialed) I.G.A.

 Copies to Mr. Aarons
 Mr. Lawler

 CC 8/3/42 To: Bernstein
 Peher
 Lawler
 Du Bois
 Lufford
 Reeves
 Clay
 Lasser

IGalk:gmb 8/3/42

314264

RG

131

Entry

CACIES 1948

DECLASSIFIED

File

Gen Collins - 60
Fees against
property under

Authority WND 968103

Box

134 Jurisdiction

NARA Date 2-8-00

September 16, 1946

MEMORANDUM FOR THE FILES

Re: Possibility of Charging Fees by Foreign Funds Control

Almost since the inception of Foreign Funds Control, there have been suggestions made, both by persons within the Control and by Congress, that the Control defray its administrative expenses by charging fees against property subject to its jurisdiction. As early as 1941, Mr. Schmidt stated at a House Appropriations Committee hearing that:

"It has been our hope that a program could be worked out whereby they [foreign property owners] will ultimately pay the full cost of this Control."

Statements to this effect have also been made by Mr. Pehle and others. In this connection, the House Appropriations Committee reported to Congress that:

"No charge is made to any of the persons whose property is so controlled and safeguarded, and the Committee feels that the Treasury Department should initiate steps looking to reimbursement to the United States at least of the out-of-pocket cost involved."

Since that time various discussions of the matter have been held within the Control, but no final decision has ever been reached. It is the purpose of this memorandum to examine the problem as of the present time, and suggest specific measures which might be taken to put such a program into effect.

Fundamentally, the justification for the charging of a fee arises from those operations of the Control which are custodial in nature. At the time of the issuance of Executive Order No. 8389 in 1940, it was conceived of as a measure to protect the assets of the occupied countries from seizure by their conquerors, against the day when they would once more be free. This, of course, was a governmental assumption of the role of a conservator. Viewed in this light, (apart from any benefits which might be derived by the United States as a result of such conservation,) the idea of charging a fee sufficient to recompense the United States for its service to these countries has considerable merit.

The shift in emphasis by the Control from a program primarily intended for the protection of the assets of friendly countries, to what eventually became aggressive economic warfare, brings into existence considerations which go beyond the simple picture of the United States as a trustee. It would hardly be just to require friendly foreign nationals to finance the Control's activities in economic warfare, which were carried out in furtherance of the war effort of the United States.

314265

RG

131

Entry

FACILITIES 1948

File

Gen. Cases - 60
FACIES against
property under

Box

134

jurisdiction
Holl

DECLASSIFIED

Authority NND 968103

By SA NARA Date 2-8-00

The present phase of the Control's activities consists of two major aspects which are extensions of the historical functions of the Control. The first aspect, that of defrosting, is the logical culmination of the Control's role as a custodian, or conservator. In this phase, the Control is returning to its fiduciaries the funds it has been holding in trust for them. In its other aspect, the Control is engaging in what might well be called an "economic occupation" of the enemy countries. This is an extension of economic warfare to the post-war picture by which the Control is applying, or recommending for application, financial measures to the enemy economy concomitant with the political and military occupation.

Any project by the Control which charges fees against blocked property must naturally be based on the former facet of the Control's activities, for it is only in the role of custodian that a justification can exist for such a charge. It is unnecessary for the purposes of this memorandum to discuss the question of whether the sums collected from a fee charging system should be proportionate to the amount of expense involved in administering the custodial phase of the Control's functions, but consideration should be given to this question in the decision ultimately made.

I Types of Charges Which Might Be Made

There are several types of charges which could be imposed on property and transactions which are subject to the jurisdiction of the Control. Only two of these, however, seem feasible under present conditions, and therefore discussion in this memorandum will be limited to these two types (percentage deductions and license-application fees.)

The percentage deduction method of fee-charging involves the debiting of blocked accounts for the amount of the charge. This can be done either on a flat-rate basis or on a graduated scale (based on total blocked amounts, on transactional activity in blocked accounts, or on a combination of these factors) and is administratively the easiest charge to make. It has the additional advantage of being levied on all blocked accounts, thus broadening the base of the charge.

The chief difficulty perceived lies in the fact that such a charge would seem to impinge upon the orderly procedure of defrosting established by General License No. 95. Certain assurances have been obtained from the countries specified in that license, intended to insure the freeing of American property abroad from governmental restrictions. Any sudden imposition of charges on property subject to the certification procedure might well lead to similar restrictions being imposed on American assets in foreign countries, since it could be construed as a unilateral change in the agreements heretofore negotiated.

314266

RG

131

Entry

CCCAIES 1948

DECLASSIFIED

File

Gen Carries - 60

Authority WND 968103

Box

Fees against

property under

By SA NARA Date 2-8-00

134 Jurisdiction

Holt

The second method of charging mentioned, that of requiring payment of a license application fee, precludes most of the objections expressed with regard to the percentage deduction system. However, certain other considerations should be noted in this connection. In the first instance, this type of charge suffers from the defect that the base of the charge is limited, since obviously not all blocked accounts will apply for licenses. A further difficulty is found in the fact that a large number of licenses have been granted in the past without requiring that a license fee be paid, and the charging of a license fee at this late date might be said to be inequitable. However, this consideration is probably outweighed by the fact that under the present licensing framework, most non-enemy accounts have been subjected to the certification procedure. Those persons who, for one reason or another, do not care to use this procedure, or are ineligible to do so, could well be required to reimburse the United States for the special consideration being given them. Current transactions have also been put under general license in most cases, and the special consideration given to those which still require specific licenses justifies the charging of fees in these cases. For these reasons, the adoption of a charging system based on license applications would seem to constitute the best method which could be used under existing conditions.

II Probable Income from License Fees

During the three-month period from June 1, 1946, to August 31, 1946, the number of applications received by Foreign Funds Control and the three Federal Reserve Banks totalled 20,253. The present annual rate of applications processed, projected from this figure, amounts to approximately 81,000 per year. No figures are available on the value of the property represented by these applications nor can data be obtained on the number of licenses issued.

Based on this annual rate, a charge which averaged \$12.25 per license would return the amount of Foreign Funds Control's appropriation for the current year (\$1,000,000). If the average license involves more than \$1,225, as seems highly probable, the fee charged would represent 1 percent or less of the property involved, dependent on the amount by which the value of the average license exceeds \$1225.

Insufficient data exist from which a recommendation as to the specific scale of charges to be employed can be made. This, however, is a purely administrative matter, and need not be discussed here.

III Legal Authority to Charge Fees

Extensive legal memoranda have heretofore been written concerning the authority of Foreign Funds Control to charge fees against blocked accounts. The conclusions reached were that it would be necessary to secure the

314267

RG

131

DECLASSIFIED

Entry

CACATIES 1942

File

Box

Gen Corlies - 60

Fees against

Property under

134

Authority NND 968103

SL NARA Date 2-8-00

enactment of additional legislation to permit the utilization of a percentage deduction type of charge. These memoranda also stated that sufficient authority exists to charge license fees without further legislation.

The memoranda mentioned, however, antedated a most important decision on this subject. In 1945, the case of Varney v. Warehime^{1/} held that a delegation by Congress to the President of regulatory powers was sufficient to authorize the administrator to charge a fee sufficient to defray the cost of regulation. Since this is the only case discovered which in any way discusses the right of an administrative agency to charge fees, in the absence of specific statutory authority, it will be treated quite fully here.

The Varney case arose on the following facts:

Title III of the Second War Powers Act authorizes the President to allocate scarce materials essential to the war effort. By Executive Order, this power was delegated to the War Food Administrator in so far as food was concerned. Regulations issued by this agency required the payment of certain fees by milk handlers who received milk supplies, all of which was under allocation. The regulations set a maximum fee of \$0.03 per hundred-weight of milk, etc., and the proceeds were to be used to pay the salaries and expenses of administrative officials. An injunction action was brought by certain milk handlers, to restrain enforcement of these regulations.

The Circuit Court of Appeals held that, although the statute did not specifically authorize the charging of regulatory fees, the executive could fill in the gaps in the legislation. It said, on p. 245:

"The assessments here are limited to cover the actual expenses of operation. The handlers of milk are required to make reports from which is determined the amount each is to pay and the amount of the assessment is measured by the weight of the milk product handled. Assessment provisions in the states with milk codes are similar to the one here in question.

"It is quite clear that the assessment is neither the levying of a tax nor a revenue measure, but an incident proper to the regulation of the industry in time of war. The war power embraces the nation's whole system of internal and external regulation by which the nation undertakes to preserve its life.

"That Congress has the power to prescribe the regulation mentioned there can be no question and it would seem equally clear when the complexities of the problem are considered that it could delegate such power to the Executive." (Underscoring supplied.)

1/ Varney v. Warehime, 147 F(2) 238, (1945); cert. den. 325 U.S. 882; reh. den. 66 S.C. 15.

314268

RG

131

Entry

FCC Files 1948

DECLASSIFIED

File

Gen Copies - 60

Authority AND 968103

Box

134

NARA Date 2-8-00

Foreign Funds
Control System
Administrative

On the authority of this case it can be said that Foreign Funds Control has the power to put into effect either of the charging systems discussed in this memorandum, without further legislation. This is particularly true in view of Foreign Funds Control's legislative history, where Congress has frequently assumed that statutory authority to charge fees does exist, and has recommended that steps be taken to reimburse the United States for the out-of-pocket cost of administration.

IV Summary

The conclusions reached in the foregoing discussion can be summarized briefly as stating that:

- (1) It would be equitable to charge a fee sufficient to recompense the United States for Foreign Funds Control's present expenditures.
- (2) The charge which could most feasibly be made would be a license application fee.
- (3) An average fee of \$12.25 per license would bring in the amount of Foreign Funds Control's appropriation for the fiscal year 1947.
- (4) No legal objection exists to such a program.

S. L. Sommerfield
S. L. Sommerfield

314269

RG

Entry

File

Box

131

ACCIES 1942
 222 COLLAS - 60
 Report for Hoover
 Committee

134

DECLASSIFIED

Authority NND 968103

By SA NARA Date 2-8-00

- 10 -

FOREIGN FUNDS CONTROL

Foreign Funds Control, primarily a wartime function of the Treasury Department, was responsible for the planning and execution of the Government's program of financial warfare. The objectives of Foreign Funds Control were essentially those of protecting the dollar assets of persons in occupied countries from seizure by the enemy, weakening the enemy's financial resources, preventing financial operations contrary to our war effort, and facilitating financial operations supporting the war effort of the United Nations. The principal means of its operation were the application and administration of freezing controls over foreign-owned property and the regulation of international financial transactions.

The following brief statement of the Control's operation during the war may be useful because some such control operation would become important in the event of another acute national emergency. The activities of Foreign Funds Control required the maintenance of liaison with the Department of State, the Office of Censorship, the Foreign Economic Administration, the Maritime Commission, the War and Navy Departments, the Federal Bureau of Investigation, the Bureau of Immigration and Naturalization, the Coordinator of Inter-American Affairs, the Office of Strategic Services and the Office of Alien Property. Major policy decisions with respect to the operations of the Control were considered by interdepartmental groups on which the Department of State was always represented. Many operations involving Foreign Funds Control also required close interdepartmental cooperation in day-to-day administration, as for example the work of the interdepartmental committee which controlled the Proclaimed List of Certain Blocked Nationals.

At the peak of its operations the staff of Foreign Funds Control totalled approximately 2,000 people. In addition to this staff, the 12 Federal Reserve Banks acted as field offices of the Control. The Federal Reserve Banks maintained close contact with banks and other financial institutions in their respective districts, providing effective regional administration of the policies of the Control.

Foreign Funds Control has since April, 1945, been continuously liquidating its operations consistent with our national security and our over-all financial interests. At the present time only those controls remain in effect which are aimed at the discovery of enemy property concealed in blocked accounts in the United States, preventing the disposition of certain securities looted by the enemy, and assisting the Governments of countries receiving aid under the European Recovery Program in

314270

RG

131

Entry

COPIES 1942

File

REAC CALLS - 60
Report for Above
Committee

Box

1341
+ 100

DECLASSIFIED

Authority NND 968103

By SL NARA Date 2-8-00

- 11 -

locating blocked assets in the United States belonging to their resident citizens. On September 1, 1948, jurisdiction over the remaining blocked assets will be transferred to the Office of Alien Property in the Department of Justice. This transfer will place in one agency the administration of all foreign-owned property in the United States currently under the control of the United States Government.

While the transfer of jurisdiction over the remaining blocked assets to the Department of Justice will leave the Treasury Department without operating responsibilities in this field at the present time, it is anticipated that the Secretary of the Treasury will retain his fundamental powers under Section 5 (b) of the Trading with the Enemy Act. The continued availability of these powers to the Treasury Department is regarded as appropriate because of its over-all financial and economic responsibilities as the primary fiscal and financial agency of the Government, particularly in view of the troubled international situation which apparently lies ahead.

314271

RG 131
Entry Foreign funds
control 1942-60
File Switz. defrosting
Box 459

DECLASSIFIED
Authority NND 985009
By DA NADA Date 11/24/00

Mr. Walter M. Ostrov,
U. S. Treasury Representative,
American Legation,
BERN.

Zurich, March 10, 1948

Subject: Swiss assets in the United States.

Dear Sir:

We take the liberty to submit ^{following} ~~below~~ the figures on the status of the certification of Swiss assets in the United States.

<u>Assets certified up to the end of February 1948</u>	<u>Swiss francs</u>
a. <u>Assets located in the United States</u>	
Dollar assets	944,994,387.18
Securities	1,774,959,434.87
b. <u>American securities located in Switzerland</u>	
	72,662,689.89
c. <u>Assets for which cross-certificates were issued</u>	
	<u>34,514,905.91</u>
Total	2,827,131,417.85

<u>Certificates issued in February 1948</u>	<u>Status as of February 29, 1948</u>
Assets in the United States 2783	45,400
# Securities in Switzerland 1502	68,349
Cross-certificates 24	<u>539</u>
Total	114,288 Certificates

Please accept the assurance of our high esteem.

SWISS COMPENSATION OFFICE

(two signatures illegible)

WVO:fla

RG 131
 Entry Foreign funds
control 1942-60
 File Switz. defrosting
 Box 459

DECLASSIFIED
 Authority NND 785009
 By GA NADA Date 11/24/00

February 11, 1948

Re: Tentative Swiss reaction to Foreign Funds Control termination plan

On Thursday, February 5, 1948, Messrs. Grässli and Bruppacher of the Swiss Legation called at my office to meet with Rella Shwartz, Margaret Schwartz, Harold Pollak and me. After making it clear that the Swiss Government had not had an opportunity to study in detail the plan outlined in Secretary Snyder's letter of February 2, 1948 to Senator Vandenberg, Mr. Grässli handed me an Aide-Memoire (copies of which have previously been distributed) outlining the tentative reaction of the Swiss Government. During the conversation the following significant points were discussed :

1. Mr. Grässli referred to the provision in paragraph 6 of the defrosting letter of November 22, 1946 from Secretary Snyder to Petitpierre providing for the transfer to a special blocked account AX in the United States of property held through Switzerland and Liechtenstein and for Germans in Germany and Japanese in Japan. Mr. Grässli stated that the Swiss Government had promptly issued a decree requiring Swiss and Liechtenstein banking institutions to effect the necessary transfers to implement this provision. He indicated that, since the Swiss Government was prepared to segregate this German and Japanese property, there was no basis for presuming that the balance of the blocked property held in Swiss and Liechtenstein accounts was enemy tainted even though it had not been certified by the deadline date. I stated that in our opinion the transfer or willingness to transfer to the AX account of certain German and Japanese property held through Switzerland and Liechtenstein does not in any way negative the presumption of an enemy interest in any other property held in Swiss or Liechtenstein account in the absence of a certification of non-enemy interest by the Swiss Government. I added that the primary point of requiring certification for all blocked property held in Swiss and Liechtenstein account was to require the alleged owners of the property to submit to an investigation by the Swiss Compensation Office in order to establish the absence of an enemy interest. It seemed to me therefore that if the alleged owners, in spite of a public notice of three months, still refused to apply to the Swiss Government for a certification of non-enemy interest, it was justifiable for us to presume an enemy interest in the property.

2. Mr. Grässli referred to the fact that the AX account referred to above had not yet been set up due to technical difficulties and urged that it be established immediately. I pointed out that this government had made certain proposals about a year ago for the establishment of this AX account but that the Swiss Government had not seen fit to accept our proposals and instead had offered certain counter proposals. I also said that we had studied these counter proposals and had found them unacceptable and that we now believed it unnecessary to make any further attempt to work out the technicalities since we were content to have the German and Japanese property

314273

RG 131
Entry Foreign funds
File Control 1942-60
Switz. defro
Box 459

DECLASSIFIED
Authority NND 785009
By [signature]
NARA Date 1/24/00

remain where it is. The Office of Alien Property will take over all such property when it carries out the vesting program for the balances remaini uncertified in Swiss and Liechtenstein accounts. I added that in the mea time, of course, the Swiss Government in accordance with the defrosting agreement could not certify such property.

3. Mr. Grässli stated that the three months deadline was too short permit his government to complete the necessary investigations in connect with the certification of property in Swiss and Liechtenstein accounts. pointed to the third paragraph of my letter of February 2, 1948 to Mr. Bruppacher in which I had indicated that I was certain that arrangements could be worked out whereby blocked property os Swiss and Liechtenstein residents would not be immediately vested if an application for certifica had been filed with the Swiss Compensation Office by the deadline date. I said that I felt sure that this government would be prepared to allow the Swiss Government a reasonable period beyond the deadline date to complete its investigations before actually vesting property covered by applicatio on file with the Swiss Compensation Office on the deadline date. I agree that the Swiss Government was entitled to definite assurances on this poi prior to March 1, 1948, the date on which we expect to issue the public s nouncement of our plans. I added that Swiss residents might be encouraged file for certification if the Swiss Government were to follow the lead of French Government and grant some reduction in the existing penalties for failure to have paid Swiss taxes on the property involved.

4. Mr. Grässli said the Swiss Government wanted to be assured that would be permitted to certify assets held through Switzerland by Swiss nationals residing in Spain and Portugal and in other General License No countries without any cross-certification from the country of residence. said that we would study this proposition to see what could be worked o

5. Mr. Grässli referred to the request of his government that arments be made whereby small dollar accounts up to \$5,000 held through banks would be automatically released without requiring certification as this government now intended to unblock small accounts held here di by foreign nationals. I said that we were already working on this pr and that I thought we could probably work something out, but that we first have to discuss the matter with the Department of State and Jus

6. Mr. Grässli indicated that he doubted that the Swiss Govern would be able to agree with our program so far as it affects Switzer and Liechtenstein. In addition he was doubtful that the various pro which he had raised could be settled by March 1, 1948. In reply I that, except as indicated in point 3 above, failure to agree on the proposals that the Swiss Government had made would in no way preclu issuing our public notice on March 1, 1948. I added that, although happy to discuss with the Swiss Government its views and to do our work out satisfactory solutions to specific problems, we intended with our basic plan even though the Swiss Government might not fin sible to agree with that plan.

RG 131
 Entry foreign funds
 control 1942-6
 File Switz. defroze
 Box 459

DECLASSIFIED
 Authority: NND 785009
 By: [signature] NADA Date: 1/24/00

remain where it is. The Office of Alien Property will take over all such property when it carries out the vesting program for the balances remaining uncertified in Swiss and Liechtenstein accounts. I added that in the meantime, of course, the Swiss Government in accordance with the defrosting agreement could not certify such property.

3. Mr. Grässli stated that the three months deadline was too short to permit his government to complete the necessary investigations in connection with the certification of property in Swiss and Liechtenstein accounts. I pointed to the third paragraph of my letter of February 2, 1948 to Mr. Bruppacher in which I had indicated that I was certain that arrangements could be worked out whereby blocked property of Swiss and Liechtenstein residents would not be immediately vested if an application for certification had been filed with the Swiss Compensation Office by the deadline date. I said that I felt sure that this government would be prepared to allow the Swiss Government a reasonable period beyond the deadline date to complete its investigations before actually vesting property covered by applications on file with the Swiss Compensation Office on the deadline date. I agreed that the Swiss Government was entitled to definite assurances on this point prior to March 1, 1948, the date on which we expect to issue the public announcement of our plan. I added that Swiss residents might be encouraged to file for certification if the Swiss Government were to follow the lead of the French Government and grant some reduction in the existing penalties for failure to have paid Swiss taxes on the property involved.

4. Mr. Grässli said the Swiss Government wanted to be assured that it would be permitted to certify assets held through Switzerland by Swiss nationals residing in Spain and Portugal and in other General License No. 95 countries without any cross-certification from the country of residence. I said that we would study this proposition to see what could be worked out.

5. Mr. Grässli referred to the request of his government that arrangements be made whereby small dollar accounts up to \$5,000 held through Swiss banks would be automatically released without requiring certification just as this government now intended to unblock small accounts held here directly by foreign nationals. I said that we were already working on this problem and that I thought we could probably work something out, but that we would first have to discuss the matter with the Department of State and Justice

6. Mr. Grässli indicated that he doubted that the Swiss Government would be able to agree with our program so far as it affects Switzerland and Liechtenstein. In addition he was doubtful that the various problems which he had raised could be settled by March 1, 1948. In reply I stated that, except as indicated in point 3 above, failure to agree on the other proposals that the Swiss Government had made would in no way preclude our issuing our public notice on March 1, 1948. I added that, although we were happy to discuss with the Swiss Government its views and to do our best to work out satisfactory solutions to specific problems, we intended to proceed with our basic plan even though the Swiss Government might not find it possible to agree with that plan.

RG 131
Entry foreign funds
control 1942-61
File Switz. defroc
Box 459

DECLASSIFIED
Authority NND785009
By GW : NARA Date 1/24/00

June 25, 1953

Mr. Friedrich Walthard, Secretary
Legation of Switzerland
2900 Cathedral Avenue, N. W.
Washington, D. C.

Dear Mr. Walthard:

I am pleased to advise you that this Office is issuing a General License which will have the general effect of unblocking any remaining blocked property of persons in your country under Executive Order No. 8389, as amended.

I am enclosing a copy of the regulations which, among other things, accomplishes this unblocking. The regulations will appear in the Federal Register on Saturday, June 27, 1953 and this information should be treated as confidential until that date.

Sincerely yours,
(Signed) Dallas S. Townsend

Dallas S. Townsend
Assistant Attorney General
Director, Office of Alien Property

Enclosure

RG 131
Entry Foreign funds
File control 1942-60
Switz. defrosting
Box 459

DECLASSIFIED
Authority NND 785009
By GAO NADA Date 1/24/00

TRANSLATION

SWISS COMPENSATION OFFICE

Mr. Donald W. Curtis,
U. S. Treasury Representative,
American Legation,
Bern.

Zurich, June 9, 1948

Subject: Certification of Swiss assets in the United States.

Sir: We take the liberty of submitting to you the following case:

The International Land-Credit Bank, Basle, was founded on March 3, 1931. The purpose of the bank is primarily to finance mortgage credits, either through direct grant of loans against pledge of land or through assumption of first mortgages of domestic or foreign land-credit institutions.

The share capital of 21.1 million francs, of which 40% is paid in, is divided into 42,200 registered shares of Fr. 500. Until recently, the distribution of the share capital was as follows:

	<u>Share capital</u>	<u>Not paid in</u>	<u>Paid in</u>	<u>In Percent</u>
Germany	12,050,000.00	7,230,000.00	4,820,000.00	57.1
Switzerland	6,000,000.00	3,600,000.00	2,400,000.00	28.4
France	1,600,000.00	960,000.00	640,000.00	7.6
England	1,050,000.00	630,000.00	420,000.00	5
Sweden	250,000.00	150,000.00	100,000.00	1.2
United States	150,000.00	90,000.00	60,000.00	0.7
	<u>21,100,000.00</u>	<u>12,660,000.00</u>	<u>8,440,000.00</u>	<u>100</u>

In the year of its foundation, the bank issued, in addition, two bond issues, to wit:

A 6% bond issue, 1931, totalling Fr. 25,000,000.

This issue was subscribed almost exclusively by Swiss in Switzerland. After partial amortization, this bond issue still amounts to Fr. 5,348,700 now. Further

a 5 1/2% bond issue, 1931, totalling Fr. 25,000,000

In einem Schreiben darf nur ein Gegenstand behandelt werden — Ne traiter qu'un seul sujet par lettre — Trattare un unico argomento per lettera
Besuchstage: Montag, Mittwoch, Freitag, von 14-17 Uhr — Jours de réception: lundi, mercredi, vendredi, de 14 à 17 heures
Giorni di udienza: lunedì, mercoledì e venerdì dalle ore 14 alle 17

RG 131
 Entry Foreign funds
 control 1942-60
 File Switz. defrosting
 Box 459

DECLASSIFIED
 AUTHORITY NND 785009
 BY GPO * NARA Date 11/24/00

of which Fr. 7,750,000 was reserved for the English shareholders and Fr. 2,250,000, for the Swedish shareholders; by far the greatest part of the remainder was issued in Switzerland. Now, after partial amortization, Fr. 4,862,900 are still outstanding.

The bank, which had invested the greatest part of its funds in Germany and Hungary, could only meet its obligations so long as the income on its investments in Germany and Hungary could be transferred into Switzerland. After the collapse of Germany in 1945 and in consequence of the complete suspension of interest service on Hungarian claims, there were only trifling interest payments still to be recorded. The bank could no longer count upon covering its obligations to its bondholders from these revenues. It therefore felt obliged to call upon the shareholders to pay up the capital still not paid. Only the Swiss and Swedish shareholders met this call, however. The amount resulting from the payments of the Swiss and Swedish shareholders was used to pay back Fr. 300 per bond of Fr. 1,000 nominal amount.

By virtue of the majority German participation in the bank, in May 1945, it should be liquidated according to the Washington Accord. Subsequently, however, the bank was freed from the blocking, on the following grounds:

After the German shareholders did not comply with the call for full payment on the shares subscribed by them, the bank found it necessary to declare the German shareholders to have forfeited their rights from ownership of the shares. Such action was possible under Article 7 of the statutes, which reads as follows:

"Still two further calls for payment (Article 6) will be addressed to dilatory shareholders by registered mail, each with a deadline of four weeks. After expiration of the last deadline, the dilatory shareholders may be declared to have forfeited their rights from the subscription and the partial payments made."

Such private-law action was possible, however, only with the express consent of the Swiss Compensation Office. The Swiss Compensation Office submitted the case to the Mixed Commission and, in doing so alluded to the fact that ownership of shares in the International Land-Credit Bank in Basle merely means a heavy burden on the shareholder, since it involves the obligation to pay in another 60%, i.e. Fr. 300 per share of Fr. 500 nominal amount; moreover, by virtue of the very problematical value of the bank's assets, the shares could be considered as "bad debts". The assets of the International Land-Credit Bank consist chiefly of German and Hungarian mortgages. In

In einem Schreiben darf nur ein Gegenstand behandelt werden — Ne traiter qu'un seul sujet par lettre — Trattare un unico argomento per lettera
 Besuchstage: Montag, Mittwoch, Freitag, von 14—17 Uhr — Jours de réception: lundi, mercredi, vendredi, de 14 à 17 heures
 Giorni di udienza: lunedì, mercoledì e venerdì dalle ore 14 alle 17

RG 131
Entry Foreign funds
control 1942-60
File Switz. defrosting
Box 459

DECLASSIFIED
Authority NND 785009
By GAO NADA Date 1/24/60

ALL INFORMATION CONTAINED HEREIN IS UNCLASSIFIED EXCEPT WHERE SHOWN OTHERWISE

case of liquidation of these assets, the funds obtained by the bank simply would not be adequate to cover the obligations of the bank to its bondholders. After the forfeiture of the German-owned shares, the bank could be considered as Swiss -- which would permit it to require, of the other foreign shareholders who have not yet met their obligations to the bank, full payment on the shares subscribed by the latter. Subsequently, the Swiss Compensation Office was able, with the concurrence of the Mixed Commission, to authorize the forfeiture of the German share participation. Up to the end of 1947, German share participation in the amount of Fr. 11,050,000 was forfeited. Only the participation of Herr Otto von Mendelsohn Bartholdy, who holds shares in the nominal amount of Fr. 1,000,000, constituted an exception. Since the latter is a non-Aryan, his entire property was expropriated in favor of the German Reich in 1942 without compensation. The bank will proceed to forfeiture in this case also, however, since according to Swiss law Herr Otto von Mendelsohn Bartholdy must still be considered a shareholder although the securities are not in his possession. Through the forfeiture of Fr. 11,050,000 of German share ownership, the German interest in the bank was eliminated -- with the exception of the participation of Herr Otto von Mendelsohn Bartholdy, which represented only a small minority participation out of the total capital. The Swiss Compensation Office was thereby in a position to free the bank from being subjected to the Washington Accord.

The Administrative Council of the bank is made up as follows:

- Karl Törlner, Zurich, President of the Administrative Council, Swiss
- Dr. Peter Vieli, Zollikon, Swiss
- Bruno Haettenschwiller, Basle, Swiss.

The bank has only about \$9,000 to be certified; included in that is one asset of \$7,020 which originated on December 4, 1945. This is a payment of the firm Lee Higginson & Co., Boston, which paid this to the International Land-Credit Bank in Basle as full payment of the remaining 60% of their share ownership of Fr. 50,000.

Now there actually is no more German participation in the International Land-Credit Bank in Basle, with the exception of a small minority which constitutes far less than 25%. Even at the time of the German participation, the German shareholders had no interest in the assets to be certified, since ^{these} assets are used in full to meet the bank's obligations to its bondholders. On the other hand the bonds,

314279

In einem Schreiben darf nur ein Gegenstand behandelt werden -- Ne traiter qu'un seul sujet par lettre -- Trattare un unico argomento per lettera
Besuchstage: Montag, Mittwoch, Freitag, von 14-17 Uhr -- Jours de reception: lundi, mercredi, vendredi, de 14 à 17 heures
Giorni di udienza: lunedì, mercoledì e venerdì dalle ore 14 alle 17

n. No. 1006 - 100 000 - X. 47 - 3925/52524

n. No. 1006 - 100 000 - X. 47 - 3925/52524

RG 131
 Entry foreign funds
control 1942-60
 File Switz. defrosting
 Box 459

DECLASSIFIED
 Authority NIND 785009
 By GA NARA Date 11/24/00

April 9, 1948

Dear Dr. Schwab:

Reference is made to your letter of February 16, 1948, regarding certification of the assets of Phoebus S.A., Geneva, with whom certain guarantees were deposited by the members of an international cartel in the field of manufacture of and trade in incandescent lamps. As the Treasury would like to know the exact relationship of each of the parties to the funds involved before giving a decision with respect to this case, it is requested that this office obtain and forward a copy of a sample agreement showing the conditions of these deposits.

It will be appreciated if you can make available to this office a copy of such a sample agreement, and this office will not fail to advise you as soon as the Treasury has given a decision in this case.

Very truly yours,

Donald W. Curtis,
 U. S. Treasury Representative.

Dr. Max Schwab, President,
 Swiss Compensation Office,
 Borsenstrasse 26,
 ZURICH.

*Re Bella Schwartz letter
 No. 108908 of Apr 5, '48*

DWC:fls

314280

RG 131
 Entry *foreign funds control 1942-60*
 File *Switz defrosting*
 Box 459

DECLASSIFIED
 Authority *NIND 785009*
 By *EW* NARA Date *1/24/00*

No. 60

Bern, February 15, 1948

Dear John:

Attached is a translation of a letter from the Swiss Clearing Office, dated February 16, 1948, concerning the request for certification of \$42,780.45 by the Phoebus S.A. in Geneva, representing amounts deposited as guarantees by various members of an European incandescent light cartel. It will be noted that 35.58 percent of the capital stock of the Phoebus S.A. is in the hands of stockholders controlled by Germans and the OERAN company in Berlin.

I would appreciate your decision in this matter.

Very truly yours,

Walter W. Ostrow,
 U. S. Treasury Representative.

Mr. John S. Richards, Director,
 Foreign Funds Control,
 U. S. Treasury Department,
 Washington 25, D. C.

Enclosure: Translation of letter, dated February 16, 1948,
 from the Swiss Clearing Office.

WVO:fls

314281

202-110

RG 131
 Entry foreign funds
control 1942-60
 File Switz. defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By GW : NASA Date 1/24/60

TRANSLATION

SWISS CLEARING OFFICE
 Zurich

Ref: 431 - P2/kv

Mr. Walter W. Ostrow,
 U. S. Treasury Representative,
 American Legation,
 Zurich.

Zurich, February 16, 1948

Subject: Certification of Swiss assets in the United States.

Dear Sir:

We take the liberty to submit the following case:

The PROMBUS S.A., Geneva, which was founded in 1925 with a capital stock of 500,000 francs is engaged in work pertaining to the industrial development of a lighting system. Of the capital stock of this company, one-half of which is paid in, 35.58 percent is in the hands of shareholders controlled by Germans and by OSRAM in Berlin. The remaining stockholders are distributed among various European countries although the English stockholders predominate. The company operated as a controlling and administrative organization of an international cartel regulating prices, conditions, and quotas in the field of manufacture of and trade in incandescent lights. The members of the cartel have an interest in the capital of the PROMBUS S.A. on the basis of their marketing capacity. Since the beginning of the war conditions, the activity of the cartel constantly declined, with the result that the question of liquidation suggested itself.

The members of the above-mentioned cartel had to give security in the form of direct and immediate guarantees for the contractual fulfillment of the cartel obligations assumed by them. The PROMBUS S.A. had a conditional right of disposal over these guarantees which can become effective only in case it is proven that contractual obligations have been violated. In consequence, the PROMBUS S.A. can make use of these guarantees only in the event this situation arises (contractual violations). Up to the present time, the PROMBUS S.A. has no rights to these assets which it could enforce in court.

314282

200
100

RG 131
 Entry foreign funds
control 1942-60
 File Switz. defrosting
 Box 450

DECLASSIFIED
 Authority NIND 785009
 By CO NARA Date 1/24/00

OFFICE SUITE

no official character
and does not constitute

- 2 -

In the account of the PHOENIX S.A. with an American bank, there are \$42,780.45 which were deposited as guarantees by the following firms:

General Electric Company Ltd., Magnet House, Kingsway, London W.C. 2	\$15,200.00
Edison Swan Electric Company Ltd., 155 Charing Cross Rd., London W.C. 2	5,400.00
Siemens Electric Lamps & Supplies Ltd., 38/39 Upper Thames Street, London E.C. 4	3,000.00
Metropolitan-Vickers Electrical Co. Ltd., 1 Kingsway, London W. C. 2	3,000.00
Overseas/B.T.H. Group, Crown House, Aldwych, London W.C. 2	350.00
Cryselco Ltd., Thanet House, 231 Strand, London W.C. 2	1,400.00
A. C. Coasser (Holdings) Ltd., c/o General Electric Co. Ltd., Magnet House, Kingsway, London W.C. 2	1,400.00
Stella Lamp Company Ltd., Winchelsea Rd., Harlesden, London N. W. 10	1,400.00
Elektra Glühlampenfabrik AG., Prag, c/o H. V. Philips Gloeilampenfabrieken, Eindhoven, Holland	1,400.00
Fabrique Nationale de Lampes Electriques SA., Rue de Drootbeek 145-149, Brüssel II	3,699.30
Ste Belge des Lampes a Incandescence LUXOR SA., 264 Avenue van Volxem, Forest-Brüssel	<u>3,531.15</u>
	<u>\$42,780.45</u>

The PHOENIX S.A. requests certification of these amounts.

We would appreciate it if you could inform us if we could proceed with the certification of the above assets in so far as they are eligible for certification.

Respectfully yours,

SWISS CLEARING OFFICE

(two signatures illegible)

WVO:fla

314283

Handwritten scribbles and numbers, possibly "200"

RG 131
 Entry Foreign funds
control 1942-60
 File Switz. defrosting
 Box 459

DECLASSIFIED
 Authority NND 785009
 By GW NARA Date 1/24/00

STANDARD FORM NO. 64
 HGH:LRB:MW:11

Office Memorandum • UNITED STATES GOVERNMENT

TO: David L. Bazelon
 Assistant Attorney General
 Director, Office of Alien Property

FROM: Henry C. Hilken, Chief
 Operations Branch

SUBJECT: Disclosure to Swiss Compensation Office of
 Identity of Swiss Residents Filing Applica-
 tions for Unblocking

DATE: October 29, 1948

On September 20, 1948, the Swiss Government requested that the Swiss Compensation Office be furnished the names of those residents of Switzerland who applied directly to this Office for the unblocking of their property in the United States. The following is a summary of the background with respect to the problem raised by the Swiss request together with my recommendation and the reasons therefor.

Until the Marshall Plan was evolved, this Government followed the general policy of not disclosing to foreign governments the identity of their nationals or residents who held assets in the United States. During the debates on the European Recovery Program there was considerable congressional and public discussion of this policy. Accordingly, the National Advisory Council was requested to consider the extent to which the United States should assist countries likely to receive dollar aid under the European Recovery Plan in locating assets of their nationals concealed in the United States. The Council, while it doubted the wisdom of changing governmental policy in this regard under ordinary conditions, concluded that the exigencies arising out of the late war required that an exception be made with respect to nationals of those countries which were to receive aid under the Marshall Plan.

One of the Council's recommendations was that the governments of recipient countries be given full details with respect to the dollar holdings of their nationals. It was assumed that, upon obtaining this information, the recipient countries, through their own internal foreign exchange laws and regulations, would be able to mobilize these dollar holdings. To the extent that these dollars were used by the recipient countries to reconstruct their economies, the burden imposed by the Marshall Plan upon American taxpayers would be lessened. This recommendation was adopted as governmental policy and was followed by the Treasury Department while it exercised jurisdiction over Foreign Funds Control. The Office of Alien Property is now pursuing the same policy.

To grant the Swiss request in its entirety would result in making an additional exception to the general governmental policy of non-disclosure. There would seem to be no compelling reasons for such an additional exception. The strong motivating factors that led to excepting recipient countries from the general policy of non-disclosure are absent so far as Switzerland is concerned. Switzerland, as you know, is not a recipient country and it is not anticipated that it will become one in the future. The major purpose that would probably be served in granting the Swiss request would be to assist the Swiss Government in the collection of taxes from those of its residents who have concealed their assets in the United States. The Swiss Government's desire to collect taxes is, of

314284

RG 131
 Entry Foreign funds
control 1942-60
 File Switz. defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By CU NARA Date 1/24/60

- 2 -

course, of no concern to this Office. Furthermore, it is my understanding that this country does not have a Tax Convention with Switzerland. This Office, by granting the Swiss request in its entirety, might in effect be writing a unilateral Tax Convention in favor of the Swiss.

An argument might be made that not to grant the Swiss request in its entirety would mean that this Office would be treating those Swiss residents who deliberately refused to follow the certification procedure under General License No. 95 more favorably than those who did follow that procedure. It is true that from the point of view of the Swiss tax laws, this possible accusation of discrimination would be true. But, the certification procedure was not devised to aid the Swiss in collecting taxes. It was formulated for the purpose of liquidating blocking controls and searching out enemy property. Further, under the certification procedure, this Office was not advised of the identity of applicants for unblocking, and, because of this fact, we were to some extent handicapped in performing our functions under the Trading with the Enemy Act. Under the present procedure, the applicant for unblocking must come directly to this Office and necessarily reveal his identity. As a result this Office can examine its sources of information and conduct its own investigation to reach a decision as to the action to be taken on the unblocking application.

Thus, from the point of view of this Office, the failure to make disclosures to the Swiss will not prove of any disadvantage, especially since we can reserve the right to call upon the Swiss Government for aid in those cases in which it is believed that an investigation by the Swiss Compensation Office would help in searching out enemy property. To the extent that the Office may thus use the Swiss Compensation Office, disclosure of the identity of applicants for unblocking will have to be made. I believe, however, that disclosures in this extremely limited type of case can be justified on the basis of the Office's responsibility in discovering and vesting enemy property located in the United States. Further, such disclosures do not constitute a departure from present Office practices.

I accordingly recommend that you sign the attached letter in which the Office rejects the Swiss request so far as it requires disclosure of the names of each and every applicant for unblocking. The Office reserves the right, however, to call upon the Swiss Compensation Office to investigate those individual cases in which it is believed an investigation would prove of material aid in determining whether there is or has been on or since the effective date of Executive Order 8389, as amended, any enemy interest in the property.

H. G. H.

Att.

314285

RG 131
Entry Foreign funds control 1942-60
File Switz. defrosting
Box 459

DECLASSIFIED
Auth: NND785009
By: [initials] : NASA Date: 1/24/60

LEGATION OF SWITZERLAND
2900 CATHEDRAL AVE., N. W.
WASHINGTON 8, D. C.

RECORD
RECORD

Please refer to file
NRh/md

November 15, 1948

Mr. David L. Bazelon
Assistant Attorney General
Director, Office of Alien Property
Department of Justice
Washington 25, D. C.

113754
OFFICE OF ALIEN PROPERTY
DEPARTMENT OF JUSTICE
NOV 18 1948
RECORDED
INDEXED
F63-10113 et al

Dear Mr. Bazelon:

I have been instructed by the Swiss authorities to call your attention to a certain number of cases in connection with the certification of Swiss assets in the United States, some of which were previously submitted to the Treasury Department and have been pending for a relatively long period of time. The Swiss Government would appreciate it very much if your office would give active consideration to these cases and communicate its decision, case by case, to the Legation at its earliest convenience. If further information should be needed in some cases before a decision can be reached, the Legation will do its best to secure it rapidly.

1. Cases already submitted to Mr. Ostrow and on behalf of which no decision has been reached by the competent American authorities. See Annex 1.
2. Cases submitted to Mr. Mann on March 20, 1947, on behalf of which a decision is still expected.

- (a) Dr. Rudolf Herforth, Zollikon
- (b) Mr. Eduard von der Heydt, Areona
- (c) Bank Johann Wehrli & Co., Zurich

3. Cases of women of Swiss origin who acquired German citizenship by marriage; these cases were enumerated in a list annexed to a letter dated August 18, 1948, addressed by the Legation to Mrs. Rella Shwartz of the Treasury Department, a copy of which was handed to Mr. Hilken.

4. Cases in which the request for certification was made after June 1, 1948, and which are herewith submitted to the Office of Alien Property, according to disposition I (3) of Mr. Southard's letter of April 23, 1948, to Mr. Graessli. See Annex 2.

Very truly yours,

For the Minister of Switzerland

P. de Rhava

Secretary of Legation

FOREIGN ASSETS CONTROL

NOV 23 1948

mu

RG 131
Entry Foreign funds control 1942-60
File Switz. defrosting
Box 459

DECLASSIFIED
Authority: NIND 785009
By: [signature] NAPA Date: 1/24/60

COMPENSATION OF WAR DAMAGE
Zurich

List of the cases submitted to the Treasury Department through Mr. Ostrow and in which a decision has not yet been reached.

1) Epidos AG, Glarus

\$6,000

Until May 24, 1948, 16.7% were German interests belonging to a German corporation which, on the basis of the American law, has since the above date, lost ownership of its shares. Partial certification has already occurred.

2) Trust-Stiftung, Albrecht, Chur

\$8,000

Participation of a British citizen in Germany. A decision has already been made by the Treasury Department, but even Mr. Ostrow has been unable to understand clearly its meaning.

3) Faminta AG, Glarus

\$1,100,000

In this case is a right of option in favor of Dr. Thyssen (former political refugee, now under detention in Germany) whose eligibility for certification is questioned.

4) Gustav von Hanneken - Trust

\$1,800

Probably does not need to be certified since an American licence has already been issued. The assets are however blocked in Switzerland because they come under the provisions of the Washington Accord.

5) Fiducia AG, Basle

This case has already been brought to your attention.

6) Fondation Fond Roy, Fribourg

\$10,000

A German citizen benefits from this Trust but has no rights legally. He has been residing in Switzerland since January 28, 1946.

7) Fenum AG, Chur

\$36,800

25% Participation of "displaced persons" in Germany in the "Rudolf-Stiftung", Flims.

8) Jawornica GmbH, Andrychow, Poland

\$9,800

It is not possible to obtain a cross-certificate from Poland. However the persons having an interest reside in Austria and were able to prove that they were eligible for certification.

9) Internationale Bodenkreditbank, Basle

\$9,000

Until 1947, more than 25% were German interest. Now the interests in this corporation are almost completely eligible for certification.

314287

RG 131
 Entry Foreign funds
control 1942-60
 File Switz. defrosting
 Box 459

DECLASSIFIED
 AUTHORITY NND785009
 BY GW NARA DATE 1/24/80

*Reply in our letter of 11/1-6/48
 to Welles*

OK

10) Estate Lodovico Marz, Arenzano

Partial certification has already been authorized. However there is a usufruct right in favor of a person entitled to certification of the non-certifiable part.

OK

11) Estate Hélène de Pourtales, Geneva *letter of 11/1-6/48* \$99,000 *memo from Shaw to FFC 11/1-6/48*

1/4 belongs to Mrs. Alexandrine de Saldern whose assets have been vested. Estate expenses are still outstanding.

OK

12) Roba AG, Basle \$12,000

Participation of a Dutch citizen in Germany.

OK

13) Trust Commercial & Industrial SA, Berne *reply in our letter of 11/1-6/48* \$100,000 *to Welles*

One of the beneficiaries is a Citizen of Hungary residing in the U.S.A.. The other interested persons reside in Hungary.

OK

14) Estate Alfred Vonwiller, Monaco *referred to letter memo dated 11/1-6/48* \$59,000

Not entitled to certification. Certification of amounts representing shares in the Estates of persons eligible to certification has been requested.

OK

15) Transatlantica Handels-und Finanzgesellschaft, Basle *Rensch memo of 11/16/48 to Kropfer suggests continued blocking* \$40,000

Not entitled to certification. However certification has been requested for assets belonging to Mrs. Else de Wagenknecht of Mexico, administered by this corporation as fiduciary.

OK

16) Lisette Bänninger (Trust)-Stiftung, Schaffhausen *see unnumbered letter no 335 from Detroit* \$5,700

Three beneficiaries residing in Germany; two of them being women of Swiss origin. The total number of beneficiaries is 18.

17) Schweiz. Bankverein, Schaffhausen. S.Fr.120,000

The Matth. Hohner AG, Trossingen, Germany, gave as collateral to the Swiss Bank Corporation, in partial guaranty of a debt exceeding 1 million Swiss francs, the American shares he had deposited with the Bank and which ought to be certified.

OK

18) Schweiz. Bankgesellschaft, Geneva - Feu Lucien Nachmann-Family account 1932 \$2,000

The 4 beneficiaries of annuities from this account who were residing in Germany or Austria have no known actual residence. They probably have disappeared or have died. In event of their death, the assets go to persons eligible for certification.

19) Darier & Cie, Geneva. Erbgemeinschaft Richard Fuchs \$30,000

Estate of a family whose members were victims in Budapest of the national-socialiste regime. The heirs are not all known.

314288

Delayed applications for certification

Nr.	Name	Nationality	Requested by	Appr. Amount	Observations
1	Eugene Engeler Chene Bougerie	Swiss	Swiss Bank Corporation, Geneva	\$4000	This amount has been omitted by the Bank when applying for certification.
2	Erika Karagounis Zurich	Greek	directly	\$8700	The owner declares that she did not understand the communication she got from the American Bank. This is the reason why the request for certification has not been presented previously.
3	Mary Walch Burg	Liechtenstein	directly	\$8800	The married couple Eugen & Mary Walch, Burg, returned to Switzerland from Manila in 1946. Mrs Walch thought that her assets had not been blocked. This is the reason why no request for certification was presented.
4	S.A.G.F.O, S.A. Geneva	Swiss	Union Banks of Switzerland Geneva	\$51,100	Mr. Hirsch, Director of the Sagfo declared to have ignored that the sum in question was blocked. This is why a request for certification has not been presented in time.
5	Ellen Grossa Turnheer Locarno-Orselina	Swiss	Credit Suisse, Zurich	\$1,300 year's income out of a Trust of \$36,000	The applicant claims that he did not know that goods resulting from Trust were subject to certification. The American Bank called his attention on this fact just recently (after June 1, 1948)

REPRODUCED AT THE NATIONAL ARCHIVES

RG 131
Entry Foreign funds
control 1942-60
File Swiss deposits
759

DECLASSIFIED
AUTHORITY ANDERSON
BY: [signature]
DATE: [signature]

314289

blocked, and showing that it was

Nr.	Name	Nationality	Requested by:	Appr. Amount	Observations
6	Marcel Guggenheim Zurich	Swiss	directly	\$2000	Mr. Guggenheim forgot to apply for certification.
7	His High. Aga Khan and Prince Aly S. Khan Montreux	British	Lloyds & National Provincial Foreign Bank Ltd., Geneva	\$411,500	The shares and assets were deposited on a free account in Canada and were transferred in New York in June 1948. The applicants thought that these assets had been credited on a free account. On July 26, 1948, the American Bank advised them that the assets were blocked and had to be certified.
8	Elizabeth M. Steiger Zurich	Swiss	directly	\$5,200	The request for certification was delayed because of sickness.
9	Angele Steiger-Spfoss Zurich	Swiss	directly	\$37,500	
10	Joe del Notaro (Estate) Bellinzona	Swiss	Dr. del Notaro Bellinzona	\$7,000	Joe del Notaro deceased on March 31, 1948, was unable to speak because of paralysis and could thus give no information regarding his assets in the USA. Furthermore all the communications concerning this amount were in English, language which the heirs did not understand. At the end of May 1948 an American notary asked for some documents regarding the Estate and it is only on August 2, 1948, that the heirs received documents about the composition of the estate and showing that it was blocked.

RG 131
 Foreign funds
 Entry card to 1942-60
 File Swiss defosting
 Box 459

DECLASSIFIED
 AUTHORITY: NND 885009
 BY: EAD/NADA/DEB/1/29/00

314290

REPRODUCED AT THE NATIONAL ARCHIVES

Nr.	Name	Nationality	Requested by:	Appr. Amount	Observations
11	Abraham Schoenbrunn, Geneva	Russian	Union of Banks of Switzerland	\$10,000	On the basis of a letter from the Chase National Bank, New York, of April 2, 1948, the applicant thought that he could dispose of his assets through monthly payments. Besides he was in Belgium at the end of May 1948 and did not realize that he had to apply for certification before June 1st.
12	Gustav H. Altmann, Vaduz	Lichtenstein	Corporation directly	\$96,963.38	These assets (Z & F Assets Realization Corporation Participation Certificate) may today be worthless. This is why the request for certification has not yet been asked.
13	-do-	-do-	-do-	\$678.95	This amount represents the payment of 1% less 30% taxes, on the above debt. As the payment occurred after June 1, 1948, the request for certification could not be presented before.
14	Adolphe Rene Eisenhut, Gais	Swiss	directly	\$43,500	Mr. Eisenhut returned from China. On his way through New York, he inquired at his Bank on August, 1948 and was then told, for the first time, that his assets were blocked and had to be certified.

REPRODUCED AT THE NATIONAL ARCHIVES

RG 131
Entry File
Foreign funds
Switz. defosting
469

DECLASSIFIED
AUTHORITY: 50105
BY: GAO, NARA, DHP
1/24/80

Nr.	Name	Nationality	Requested by:	Appr. Amount	Observations
11	Abraham Schoenbrunn, Geneva	Russian	Union of Banks of Switzerland	\$10,000	On the basis of a letter from the Chase National Bank, New York, of April 2, 1948, the applicant thought that he could dispose of his assets through monthly payments. Besides he was in Belgium at the end of May 1948 and did not realize that he had to apply for certification before June 1st.
12	Gustav H. Altmann, Vaduz	Lichtenstein	directly	\$96,963.38	These assets (Z & F Assets Realization Corporation Participation Certificate) may today be worthless. This is why the request for certification has not yet been asked.
13	-do-	-do-	-do-	\$678.95	This amount represents the payment of 1%, less 30% taxes, on the above debt. As the payment occurred after June 1, 1948, the request for certification could not be presented before.
14	Adolphe Rene Eisenhut, Gais	Swiss	directly	\$43,500	Mr. Eisenhut returned from China. On his way through New York, he inquired at his Bank on August, 1948 and was then told, for the first time, that his assets were blocked and had to be certified.

REPRODUCED AT THE NATIONAL ARCHIVES

RG 131
Entry control 1942-60
File Swiss defrosting
Box 459

DECLASSIFIED
AUTHORITY: ANDRUS COPY
BY: [Signature]
DATE: 11/24/00

RG 131
 Entry Foreign funds
control 1942-60
 File Switz. defrosting
 Box 459

DECLASSIFIED
 Authority NIND 785009
 By GW NARA Date 1/24/00

PG:cc
 RB

F. F. Files

HGH:LRB,PG:cc

113453

October 29, 1948

Mr. George H. Willis
 Acting Director
 Office of International Finance
 Treasury Department
 Washington, D. C.

Re: Continued Correspondence from
 Mr. Walter Ostrow, Treasury
 representative in Bern, to
 Foreign Funds Control.

Dear Mr. Willis:

Since October 1, 1948, when jurisdiction over blocked property was transferred to this Office, we have been receiving a number of letters addressed to Foreign Funds Control by Mr. Ostrow, Treasury representative in Bern. The matters contained in Mr. Ostrow's letters are, in general, problems raised by the Swiss Compensation Office in connection with the certification procedure and call for replies to that Office. Transmission of these replies through your Office and Mr. Ostrow, however, appears to entail a burdensome administrative procedure, both for you and for us.

Accordingly, it is requested that you instruct Mr. Ostrow to request the Swiss Compensation Office that hereafter, that Office, in communicating with respect to any matters under our jurisdiction, do so through the Swiss Legation in Washington. We are advising the Swiss Legation of our proposed change. A copy of our letter to the Legation is attached for your information.

You will note that in order to avoid unnecessary complications in the changeover, we propose to reply to Mr. Ostrow's letters that are still outstanding, by communicating our decisions to you for transmission to Mr. Ostrow, so that he may present our views to the Swiss Compensation Office.

We will appreciate your cooperation in this matter.

Very truly yours,

(Signed) David L. Bazelon

David L. Bazelon
 Assistant Attorney General
 Director, Office of Alien Property

314293

RG 131
 Entry foreign funds
 control 1942-60
 File Switz defrosting
 Box 459

DECLASSIFIED
 Authority NIND785009
 By CW NARA Date 1/24/60

Dufourstrasse 26,
 Bern, July 12, 1948

Dear Dr. Schwab:

Reference is made to your letter, dated May 29, 1948, regarding certification of the Serum-Union A.G. for combating international epidemics, Vaduz, Liechtenstein.

This office has been advised that the Treasury cannot permit your office to certify the assets of this company.

However, the Treasury would consider an application for unblocking of the assets corresponding to the 14.28 percent interest of the shareholder of English nationality residing in England. The Treasury might also give consideration to unblocking of other interests in the company depending on the status of the successors in interest to the persons presumed to have died in Hungary.

Very truly yours,

Walter W. Ostrow,
 U. S. Treasury Representative.

Dr. Max Schwab, President,
 Swiss Compensation Office,
 Brunnenstrasse 26,
 ZURICH.

*See letter to Curtis from Shwartz,
 no. 110624, dated June 28, 1948.*

WWE
 DWG:rls

314294

RG 131
Entry foreign funds control 1942-60
File Switz. defrosting
Box 459

DECLASSIFIED
Authority NND 785009
By GJ NARA Date 1/24/00

Bern, May 22, 1948.

No. 180

Attention: Foreign Funds Control

Dear Mr. Southard:

Attached is a translation of a letter from the Swiss Compensation Office, dated May 20, 1948, requesting Treasury concurrence in certification of assets belonging to a Liechtenstein company most of the shareholders of which were last known to be residing in Hungary but have not been heard from for six years and are assumed to be dead. The only other shareholder (with 14.28 percent of the shares) is an English national residing in England.

The decision of the Treasury in this matter will be appreciated.

Very truly yours,

Donald W. Curtis,
U.S. Treasury Representative.

Mr. Frank A. Southard, Director,
Office of International Finance,
U.S. Treasury Department,
Washington 25, D.C.

Attachment.

Handwritten scribbles and marks at the bottom left of the page.

RG 131
Entry foreign funds control 1942-60
File Switz. defrosting
Box 459

DECLASSIFIED
Authority NND 785009
By CP NARA Date 1/24/00

TRANSLATION

At the end of this year the period for the certification of assets located in the United States will expire. Accordingly, after December 31 no new applications may be made to the Compensation Office even in cases in which the dollar assets had been declared to the Compensation Office prior to June 1, 1948. In order to maintain the legal basis for the work of the Compensation Office in connection with the further liquidation of still pending cases, the Federal Council has prolonged by two years its decree of December 27, 1946 governing the certification of Swiss assets in America.

RECEIVED
JAN 11 1948
ALLEN PROFF
Foreign Funds Control

Encl. #.....To Ltr. #401/From. *Alford - Bern*

200
193
200

314296

RG 131
Entry AEC 1942-60
File Swiss economic + financial develop
ment
Box 459

DECLASSIFIED
Authority NND785009
By GPO NADA Date 1/24/00

FEDERAL RESERVE BANK
OF NEW YORK

From Foreign Accounts Division

August 9, 1941

Banque Nationale Suisse
Berne

- 2 -

Marine risk insurance 15¢ per \$100 plus
50¢ per \$100 surcharge plus additional
charge of 12 1/3¢ to 55¢ per \$100 depending
upon steamer used.

War risk insurance \$4.00 per \$100

All rates of course subject to change without notice

TWO Such shipments would be subject to specific license
pursuant to Executive Order No. 8389, as amended, and
we would be glad to make application therefor upon
receipt of your instructions.

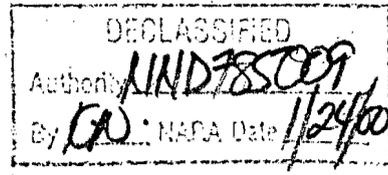
FEDERAL RESERVE BANK OF NEW YORK

Banque Nationale Suisse, Zurich.

BA
AUG 13 1941
RECEIVED

314297

RG 131
 Entry AEC 1942-60
 File Swiss economic + financial develop
 ment
 Box 459



FEDERAL RESERVE BANK
 OF NEW YORK

From Foreign Accounts Division

August 9, 1941

Banque Nationale Suisse

Barne

No. 30

ONE Your No. 17.

Are informed by shipping companies that ship-
 ments could be made at present per steamers of
 American Export Line or per Portuguese flag
 steamers at following rates:

Amounts up to \$500,000 2% ad valorem

\$500,000 to \$1,000,000 1 1/2%

Over \$1,000,000 1%

Sailing dates American Export Line August 23, 30
 STOP Sailings of Portuguese flag steamers infre-
 quent and dates not fixed. Are informed by in-
 surance brokers that insurance for your account
 and risk subject to limitations now in effect for
 shipment New York to Lisbon could at present be
 placed as follows:

American Export Line maximum about
 \$3,000,000 per steamer

Marine risk insurance 15¢ per \$100

plus 25¢ per \$100 surcharge

War risk insurance \$1.50 per \$100 STOP

Portuguese flag steamers maximum about

\$1,000,000 per steamer

314298

BOX
RG 131
Entry AEC 1942-60
File Switz economic +
financial develop
ment
Box 459

DECLASSIFIED
Authority NND785009
By CA NARA Date 1/24/60

INCOMING CABLEGRAM-NO. 3059

Received on August 6, 1941

Berne, August 6, 1941.

Federal Reserve Bank of New York

New York

No. 17

**Your number 28 received and contents noted
with best thanks. Is there no possibility to make
consignment by steamer?**

Banque Nationale Suisse.

MY RCA 21 Private

Test correct

BOX
RG 131
Entry AEC 1942-60
File *Switz economic + financial develop*
Box 459 *mem*

DECLASSIFIED
Authority *NND785009*
By *GA* : NARA Date *1/24/00*

**COPY OF
OUTGOING CABLEGRAM**

August 4, 1941.

Banque Nationale Suisse,

Berne

No. 28.

Your No. 16 Pan American Airways inform us
no air express service to Lisbon and Postal Regula-
tions do not permit such shipments by air mail

FEDERAL RESERVE BANK OF NEW YORK

BOX

RG

131

Entry

AFC 1942-60

File

Switz economic +
financial develop

Box

459

mend

DECLASSIFIED

Authority

NND 785009

By

NARA Date

1/24/60

INCOMING CABLEGRAM-SERIAL NO. 3030

Received on August 4, 1941.

Berne, August 4, 1941.

Federal Reserve Bank of New York

New York

No. 16

Would you be prepared and is there any possibility of eventually by airplane to make some transportation from our gold set aside with you to the Banco de Portugal Lisbon. Eventually what would be the cost including ordinary insurance and insurance against war risk which you would have to cover there for our account. What quantity could be sent at the same time. Many thanks for information.

Banque Nationale Suisse.

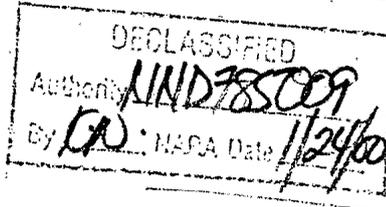
Test Correst

EQA 48 Private

OB

314301

RG 131
 Entry AEC 1942-60
 File Swiss economic + financial develop-
 ment
 Box 459



August 7, 1941

Files

Mr. Cochran

At 9:30 this morning I acknowledged during my telephone conversation with Mr. D.J. Cameron of the Federal Reserve Bank of New York the attached file of cablegrams exchanged with the Swiss National Bank. It was agreed that the proposed shipment would require no license insofar as the Treasury itself was concerned. Mr. Cameron had, however, talked with Mr. Townson upon the question of whether a special license would be necessary from Foreign Funds Control, or whether this transaction would come under General License No. 50. It was understood that Mr. Townson would submit this question to a Foreign Funds Control Committee meeting today.

Mr. Cameron also let me know that he had reported to Mr. Townson that the Federal Reserve Bank of New York has followed for some time past the practice of sending its official mail destined to the Reichsbank to the Banco Germanico in Mexico City. Since the latter bank was put on the Proclaimed List, the Federal has sent nothing, and now now solicited Foreign Funds Control's advice through Mr. Townson. Mr. Cameron felt that there was no way of getting the Reichsbank mail to Berlin other than through the channel which the Reichsbank has chosen. He feels, furthermore, that there should be little objection to the use of the intermediary since the documents which the Federal sends to the Reichsbank consist almost exclusively of reports of transactions which have already been licensed by our Control.

(Init.) H. M. G.

August 8, 1941

At 3:50 yesterday afternoon Mr. Weber telephoned me to inquire whether any decision could be obtained with respect to the first paragraph of the draft of the Federal's reply to the Swiss National Bank at Bern. Mr. Weber said this matter had been placed in the hands of Mr. Townson, but he understood the latter was absent from Washington. The Federal desired to get out a reply to Switzerland yesterday evening. I told Mr Weber that this matter has not yet been discussed by the Foreign Funds Control Committee, but that I was going to a meeting of this Committee at 4 o'clock, and would endeavor to telephone him a decision within a few minutes.

Before going into the 4 o'clock meeting I had opportunity to speak with Mr. Pehle concerning this case, and he read the proposed first paragraph of the draft cable. Mr. Pehle felt that a license should be required since there might be an interest other than Swiss in a gold shipment to Portugal. Consequently, Mr. Pehle desired that the first paragraph stand as drafted. I returned to my office and asked Mr. Hadley to telephone this decision to Mr. Weber, which he did at 4:20 p.m.

HMC:lap-8-7-41

314302

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 meht

DECLASSIFIED
 Authority NND785009
 By GW NARA Date 1/24/60

COPY

August 8, 1941.

Mr. Luxford

Miss Hodel

RE: Export of gold from the United States to Portugal by the Banque Nationale Suisse.

(1) The Department appears to have no record of a license issued to the Banque Nationale Suisse which would cover this situation.

(2) License No. NY-18-1, dated March 24, 1937, issued to the Federal Reserve Bank of New York permits such Bank to transport, import, melt and treat, and export gold held by it on such date under earmark for any foreign government or foreign central bank or sent to it after January 30, 1934, from abroad by any foreign government or foreign central bank, or delivered to it for the account of any foreign government or foreign central bank by the United States or pursuant to a license granted by the Secretary of the Treasury.

(3) It would appear that the license to the New York Federal referred to above covers the situation presently under consideration.

FH/ma
 8/8/41

Copies to: Mr. Pehle
 Mr. Townson ✓
 Mr. Schmidt
 Mr. Leman
 Mr. Reid
 Mr. Fox
 Mr. Bernstein
 Mr. Cochran
 Mr. White
 Mr. Wiley
 Mr. Foley
 Mr. Olson
 Mr. Seibel
 Mr. Volentine
 Mr. Carr

314303

DUA
 RG 131
 Entry AFC 1942-60
 File Switz economic +
financial develop
ment
 Box 459

DECLASSIFIED
 Authority NND 785009
 By GO NARA Date 1/24/00

aff

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern, Switzerland

DATE: August 19, 1941, 5 p.m.

NO. : 167

The German Reichsbank, since the early part of last month, has sold gold bars to private banks in Switzerland for which it obtained from thirty to forty-five million Swiss francs. With the Swiss francs the Reichsbank acquired Argentine peso bank accounts and escudo, mostly the former. This in turn is for use in buying raw materials from South America.

It is the opinion of a competent Swiss official that the transactions mentioned in the foregoing have resulted from the blocking of foreign funds in the United States, and that the transactions have been carried out for German industry. However, he said, they might be private hedges on the part of high placed officials of Germany against the Reichsmark, which they may be carrying out in view of unexpected developments in the war in the Eastern part of Europe.

HARRISON.

HALW

Copies to: Mr. Pehle
 Mr. Towson ✓
 Mr. Schmidt
 Mr. Leman
 Mr. Reid
 Mr. Fox
 Mr. Carre
 Mr. Valentine
 Mr. Olsen
 Mr. Seibel

314304

DUA
 RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND785009
 By GW NARA Date 1/24/00

abb

August 23, 1941.

Files

Mr. Cochran

Mr. Gautier, the representative in New York of the Swiss National Bank telephoned me yesterday at 2:50 p.m. He said that he had received cablegrams last week from the Swiss National Bank at Bern and Zurich instructing him to apply for a license to permit the transfer of 2,000 Kilograms of gold from the Federal Reserve Bank of New York to Lisbon. Mr. Gautier had now filed this application with the Federal Reserve Bank and understood that it was being referred to the Treasury Department for consideration. Mr. Gautier stated that he had written a letter explaining the situation in full.

In summary, Mr. Gautier explained that Switzerland had agreed to pay Portugal in gold for imports from that country. Since the Swiss National Bank must maintain in Switzerland the gold cover for forty percent of its note circulation, and since gold must be used to pay for certain imports, such as wheat, cotton, etc., that Switzerland has been obtaining from Russia and other European countries, it was found urgently desirable to withdraw gold from the Swiss National Bank's earmarked supply in New York, rather than endeavor to make the difficult transfer of gold across France from Switzerland to Portugal. Mr. Gautier reminded me that the National Bank of Switzerland now has in the Federal Reserve Bank of New York \$220,000,000 in gold, 270,000,000 in dollar balances and \$452,000,000 in Treasury Bills, together with \$120,000,000 of balances with commercial banks in New York, making a total of \$562,000,000 which the Swiss National Bank has in New York. The present request is to withdraw only around \$2,000,000 of this total. Mr. Gautier added that all imports from Portugal to Switzerland must be approved by the British authorities in Lisbon before they are consummated. Consequently, we would be releasing Swiss gold to pay for only transactions that are approved by the British authorities.

Mr. Gautier asked my assistance in obtaining an expeditious and favorable decision in the premises. He said that his people considered the application one involving important matters of principle. They feel that they should be able to withdraw the gold which they had placed without Federal Reserve Bank and they remind us of the assurances which they gave us as a prior condition to the issuance of our General License.

After Receiving this call, I telephoned Mr. Pehle. He said that the application has not yet come to his attention, and that when it did he would refer the matter to a Committee Meeting.

I am definitely of the opinion that this application should be unconditionally approved at the earliest possible date.

HMC:lap-8-25-41

cc:8-28-41

- | | | | | |
|-----------|------------|---------------|-----------|------------|
| Mr. Pehle | Mr. Towson | Mr. Schmidt | Mr. Leman | Mr. Reid |
| Mr. Fox | Mr. Carre | Mr. Volentine | Mr. Olsen | Mr. Seibel |

BOX
RG 131
Entry APC 1942-60
File *Switz economic + financial develop*
Box 459 *ment*

DECLASSIFIED
Authority NND785009
By *GN* : NADA Date 11/24/00

[Excerpt of Memorandum for the Secretary's Files of August 26]

Mr. Pehle brought to the attention of the Committee an application filed on behalf of the Banque Nationale Suisse, requesting a license to ship \$2,000,000 in gold to Portugal. The Treasury Department has been informed by the Banque Nationale Suisse that gold may not be shipped from Switzerland direct to Portugal because the Swiss gold reserve in Switzerland cannot be reduced below the present figure, and that it is necessary to deliver the gold in question to Portugal in order to settle an adverse trade balance. The Bank of Portugal apparently will not accept gold under earmark in New York. It was unanimously agreed by the Committee that this application should be denied.

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 mebt

DECLASSIFIED
 Authority NND785009
 By GW : NARA Date 1/24/60

-2-

theoretical value in Europe; the market is completely unbalanced and no longer automatically reacts to any casual large offer or big demand. Banks are no longer interested in purchasing dollar notes in order to transfer them to their credit accounts in the United States, since such transfers are placed to the credit of blocked accounts and can only be disposed of at the well-known, prohibitive restrictions. In the past, disparities existed at times, but to a lesser extent, and it is characteristic that they occurred whenever rumors were current as to the freezing of accounts by America. As far as could be ascertained, offers during the past week come mainly from France; however, it is difficult to judge whether this represented notes which had been brought from the occupied zone into unoccupied territory, or whether these notes merely represented hoarded capital from the unoccupied zone. This offer of notes, made by France and probably representing money smuggled across the frontiers, can only be made to Switzerland, since all other countries adjacent to France have restrictive currency regulations, which prevent their sale or re-export.

"What appears to be more unaccountable than this disparity on the banknote market, which is completely free, that is to say which functions without any official intervention, is the simultaneous weakening of the Argentine peso, at a time when this currency in New York shows, if anything, an upward trend. A relatively weak demand led to a noticeable decline to around \$6, a rate in singular contrast to the New York parity of about 102 3/4 for Swiss francs. Here would have been a chance for the National Bank, which naturally and justifiably has always anxiously hoarded its stock of currency and gold, to increase the latter by acquiring loose pesos and using them to purchase dollars in Buenos Aires, or, inversely, by selling pesos in New York. Since, by virtue of a general license, our central note issuing institute has free access to its assets in New York, such a transaction appears feasible. Until a satisfactory agreement has been reached between the Swiss and the United States Governments concerning the unblocking of Swiss assets in the United States, such transactions are not practicable for private accounts. Whereas on the one hand currency offers from private sources have, so to speak, disappeared into the void, on the other hand, the gold and currency stocks of the central note issuing institute have declined by several millions during the period under review. Even today there still exists a disparity between Zurich and New York of approximately 4 percent in the peso quotation.

e

314307

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 med

DECLASSIFIED
 Authority NND785009
 By GW NADA Date 1/24/00

C
O
P
Y

By air mail. Copies by regular mail.

VOLUNTARY

EFFECT ON THE WORKING OF THE GOLD STANDARD
IN SWITZERLAND OF THE BLOCKING OF EUROPEAN CREDITS
IN THE UNITED STATES

From MAURICE W. ALTAFFER, American Consul

Zurich, Switzerland. Date of completion September 5, 1941.

Date of mailing September 5, 1941.

Approved: JAMES B. STEWART
American Consul General

The blocking of European credits in the United States has caused great confusion on the Swiss money market and the full effects of this move are just beginning to make this visible. The Schweizerische Handelszeitung, Zurich, of August 28, 1941, quotes from the weekly report of the well-known private bank of Bar & Company, Zurich, which gives an interesting picture of the effects of the blocking of European credits on the gold standard. This report which covers the situation so well within the scope of a few paragraphs, is considered of sufficient interest to quote in its entirety:

"HAS GOLD CEASED TO FUNCTION?"

"Owing to the blocking which took place in June of all European credits in the United States, the gold standard, at least as far as this applies to European countries which have not yet adopted legal currency restrictions, has in a measure ceased to operate for these countries. Virtually only two countries were left in Europe, namely Switzerland Portugal, which still disposed of more or less free currency markets. Thus, for instance, dollar notes last week dropped to 3.00, i.e., 12 percent below par, with only a slight recovery since then. As a matter of fact, dollar notes now possess a purely

Copied - 10/14/41 Mr. Towson, Mr. Schmidt, Mr. Leman, Mr. Fox, Mr. Reid
Mr. Olsen, Mr. Seibel, Mr. Volentine, Mr. Carre, Mr. E.M. Bernstein

e

314308

Box
RG 131
Entry AFC 1942-60
File Switz economic + financial develop
Box 459 ment

DECLASSIFIED
Authority NND785009
By GO NARA Date 1/24/60

COPY

September 3, 1941

W.T. 1045/86/41.

We understand from a certain source that transfers to Reichsbank account in Portugal during this month include following totals from Swiss banks:

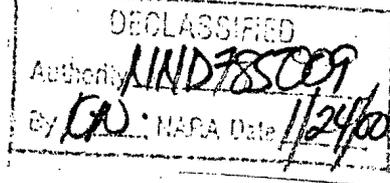
Credit Suisse 10 million escudos.

Swiss Bank Corporation 14 million escudos.

Banque de Leu 34 million escudos,

and there is no doubt that these figures are incomplete.

BOX
 RG 131
 Entry APC 1942-60
 File ^{Switz economic +} financial develop
 Box 459 ment

COPYW.T.1045/87/41SAFE HAND

BRITISH EMBASSY,

WASHINGTON, D. C.

September 3rd, 1941.

Dear Towson,

You mentioned to me the other day a proposal to export gold to Lisbon for Swiss account in payment of a debit on the Portuguese Swiss clearing.

London suggest that this transfer of gold is to reimburse the Portuguese for their sales of escudos to the Swiss, who have been heavy buyers lately, and have been re-selling to the Germans who require escudos for their Wolfram purchases. (See attached copy of W.T. 1045/86/41.) The proposed shipment of this gold would therefore presumably assist Germany to continue her purchases of Portuguese Wolfram, and would be most undesirable.

I therefore think it unlikely that we should grant a navicert.

Yours sincerely,

(Signed) W. Ritchie

W. Ritchie.

Mr. Norman Towson,
 Foreign Funds Control,
 U. S. Treasury Department,
 Washington, D. C.

314310

Box

RG

131

Entry

AFC 1942-60

File

Switz economic +
financial develop

Box

459

ment

DECLASSIFIED	
Authority	NIND785009
By	100 NARA Date 1/24/00

COPY

abb

September 9, 1941

Secretary Morgenthau

Messrs. Woley and Pehle

Mr. Cochran referred to you recently the application of the Banque Nationale Suisse to ship to Portugal \$2,000,000 in gold which it has earmarked in the New York Federal.

For your information, there is attached a copy of a letter received from the British Embassy referring to this proposed gold transaction, together with the despatch referred to therein.

As you have been advised, the Interdepartmental Committee considered the application of the Banque Nationale Suisse and unanimously agreed that it should be denied.

We are strongly of the view that this application should be denied.

(Signed) J. W. Pehle

Attachments

JWP:ged 9/9/41

Copied - 9/13/41

Mr. Pehle / Mr. Leman
Mr. Towson / Mr. Reid
Mr. Schmidt Mr. Fox

314311

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
Authority <u>NND785009</u>
By <u>GW</u> NADA Date <u>1/24/00</u>

all

C
O
P
Y

(Received by telephone from FRB - 9/15/41 - mew)

Incoming Cablegram #19

Received on September 15, 1941

Berne, September 15, 1941

Federal Reserve Bank of New York

New York

No. 19

In order to proportion it better our holdings of gold and devisen we beg you to earmark for our special earmarked gold account with you approximately \$20,000,000 fine gold debiting equivalent to the account of our Zurich office stop Please cable details both parties

Banque Nationale Suisse

cc 9/18/41
 Mr. Pehle
 Mr. Towson ✓
 Mr. Schmidt
 Mr. Leman
 Mr. Reid
 Mr. Fox
 Mr. Olsen
 Mr. Sibel
 Mr. Valentine
 Mr. Carre

314312

Box
 RG 131
 Entry AEC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority: NND785009
 By: [signature] NARA Date: 1/24/00

IN

OFFICE OF THE NATIONAL ARCHIVES
 - 4 -

and interest on Swiss investments in South America, and in North America, that it effect individual payments in Europe, that it meet the requirements of the United States Government in Europe and that it effect the transfer to Rome of various payments which are made by Catholic Institutions. It is my opinion that since Switzerland is not our capital debtor our interests would be best served at this time if the Swiss request is granted. The granting of this permission would also in my opinion strengthen the independent position of Switzerland.

HARRISON

Copy:bj:le:10/27/41

h

314313

RG 131
 Entry AEC 1942-60
 File ^{Switz economic +} financial develop
 Box 459 ^{ment}

DECLASSIFIED
 Authority NND785009
 By GJ NARA Date 1/24/00

- 3 -

request will be granted by Italy. The National Bank intends to repatriate 10,000 kilograms of gold at once. After this has been done successfully the National Bank will arrange to bring gold coverage up to the minimum required by law by repatriating the remaining two-thirds.

Switzerland will still have even after the repatriation of 30,000 kilograms of gold more gold in the United States than is held in Switzerland, since gold held by Switzerland in the United States now amounts to 1,040 million Swiss francs or the equivalent of 200,000 kilograms. The desire of Switzerland for repatriating part of its gold held in the United States is explained in part by the unusual demands for gold in this market. While these demands have now subsided they may be resumed at any time. Added to the demand for gold for industrial uses in Switzerland there must be taken under consideration the export of gold to pay for transportation facilities and to pay for purchases of merchandise in foreign countries. If the Government of Switzerland continues to accumulate reserves in foreign countries it will undoubtedly become vulnerable to criticism, particularly if such reserves are blocked rather than free. It should be noted that the Swiss National Bank is continually faced with demands that it purchase dollars in the United States in order that it may effect the remittance to Switzerland of the dividends

314314

RG 131
 Entry AEC 1942-60
 File ^{Switz economic +} financial develop
 Box 459 ment

DECLASSIFIED
 Authority: NND785009
 By: GW NARA Date: 1/24/00

- 2 -

be of service it could not continue indefinitely to pay out Swiss Francs here against the purchase of blocked dollars without some counterpart being received. The Bank is required by law to maintain in Switzerland gold coverage of 40 per cent of the paper money in circulation. In addition the Bank must provide gold for use in the internal market. An important use of this character is the requirements of the watch industry, many of the products of which are exported to the Western Hemisphere. The paper money of the Bank in circulation now totals 2,100 million Swiss francs and the minimum coverage of gold that must be held in Switzerland amounts to 840 million gold francs (40 per cent of 2,100 million francs). At the present time there is in fact a shortage of some 150 million (i.e. the equivalent of 30,000 kilograms) of gold since the actual gold coverage here is only 690 million. The strictly confidential character of the foregoing information was particularly emphasized by Mr. Pilet. The Bank would have repatriated gold to meet this shortage had it not been for difficulties of transportation but since Switzerland now has her own flag ships the transportation of the gold to Switzerland has become possible. Repatriation of gold through Genoa is now proposed. Switzerland will ask special Italian consent to this and has every reason to believe that the

314315

RG 131
 Entry AFC 1942-60
 File Switz economic + financial developm
 Box 459

DECLASSIFIED
 Authority NND785009
 By DA NADA Date 1/24/00

COPY

RR

PARAPHRASE OF TELEGRAM RECEIVED.

FROM: American Legation, Bern, Switzerland

DATE: October 15, 1941, 9 a.m.

NO. : 229

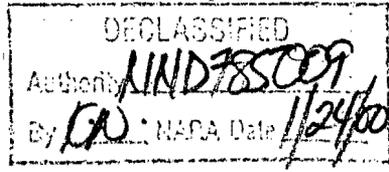
THIS TELEGRAM IS STRICTLY CONFIDENTIAL FOR THE UNDER SECRETARY AND THE SECRETARY.

I have been informed by Mr. Piletgolaz that the Federal Council is concerned because of the present ratio of the gold reserves of the Swiss National Bank and this has led him to instruct the Swiss Minister at Washington to request permission to transfer part of the bank's gold now in the United States to Switzerland. Mr. Pilet hopes that favorable consideration will be given to this request.

It was pointed out by Mr. Pilet that the National Bank as was previously its practice has even since the freezing of Swiss funds been careful not to refuse purchases of dollars even though the Bank had no direct interest in such purchases which were to the advantage of the United States rather than Switzerland and that the National Bank has been careful to facilitate operations between the two countries. He cited a payment of the American contribution to the International Institute of Agriculture in Rome as an example of such cooperation. He said that although the Bank was glad to continue to

- cc 10/31/41
- Mr. Towson ✓
- Mr. Schmidt
- Mr. Fox

RG 131
 Entry AEC 1942-60
 File *Switz economic + financial develop ment*
 Box 459



- 2 -

Germany would go to swell the German debt on the Swiss clearing and so be tantamount to a loan to Germany. Apparently the Swiss Government is committed to agree to this.

The German debt on the Swiss clearing stood in May 1941 at 78 million Swiss francs. It could therefore increase by the end of 1942 to 928 million francs. Presumably, however, it will be reduced by the value of the monthly deliveries of coal, iron and steel and petroleum products and of other commodities which Germany has undertaken to supply during the second half of 1941, but it is not stated what Germany proposes to deliver in 1942 to compensate for the advances of 400 million francs to be made to Swiss exporters during that year. Germany has, however, agreed that any debit balance shall be repaid by delivery of coal and iron after the 31st December 1942.

No information is contained in the agreement as to the type and quantity of fabricated products which Switzerland is to supply to Germany but it is clear that Swiss industry is now working very substantially on German orders. It will be noted that under the agreement Germany is to supply between 5 and 6 thousand tons of iron and steel per month as raw material for certain manufactured goods destined for Germany. On the other hand, Germany is not undertaking to supply any non-ferrous metals, rubber, cotton or any of the deficiency commodities which Swiss industry may consume when working on German orders.

Apparently German is in a position not only to exploit Swiss industrial capacity but also to obtain in a manufactured form materials which must have either been admitted to Switzerland for purely Swiss use or deficiency commodities of which Switzerland has been able to acquire stocks.

September 25th, 1941

314317

BOX
 RG 131
 Entry AEC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority: NND785009
 By: DO NARA Date: 1/24/00

C
 S
 P
 Y

The Operation of the German-Swiss Trade Agreement

It will be recalled that the German-Swiss commercial agreement was signed on July 18th, 1941. Under the terms of the agreement, Switzerland agreed to supply, in the second half of 1941, foodstuffs to the value of 52 million Swiss francs (as compared with 82 million francs worth already supplied in the first half of 1941), 10,000 head of cattle, 7,000 tons of cheese, apples to the value of 20 million francs, condensed milk, (two thirds of the quantity supplied in 1940 - which is not known), and possibly further milk products, but no fresh milk.

Swiss export trade to all countries other than Germany is to be controlled by the Germans at Basle and La Plaine, and all outward passenger traffic by rail is to go through the same control.

The Swiss Government undertake to make advances to Swiss firms exporting to Germany to the extent of:

450 million francs by the end of 1941
 650 million francs by June 30th, 1942
 850 million francs by December 31st, 1942

Germany undertook to supply monthly as from May 1941 -

200,000 tons of coal
 13,500 tons of iron and steel
 5/6,000 tons of iron and steel as raw material for the manufacture of goods destined for Germany
 14,500 tons of petroleum products, either from Roumania or from German stocks,

and total quantities up to the end of 1941

10,700 tons of sugar
 20,000 tons of seed potatoes
 4,000 tons of cereal seeds
 25,000 tons of potash fertilizers
 5,000 hectolitres of alcohol

The rate of exchange agreed to was 57.95 Reichmarks = 100 Swiss francs. It is not quite clear how the provisions for the Swiss Government making advances to Swiss firms exporting to Germany will work out. Although it is stated that the amounts shown above represent the total advances to be made to Swiss exporters, it is obvious that if nothing or only partial deliveries are received from Germany, the exports to

Germany

314318

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND785009
 By GO : NARA Date 1/24/00

C
O
P
Y

BY SAFE HAND

SECRET

THE BRITISH EMBASSY
WASHINGTON, D. C.

September 27, 1941.

Dear Mr. Acheson:

You asked me the other day if we had any information about the effect of the recent Swiss-German economic agreement. I enclose a brief note which has been prepared from information available here.

Yours sincerely,

Noel F. Hall

Mr. Dean Acheson,
Assistant Secretary of State,
U. S. Department of State,
Washington, D. C.

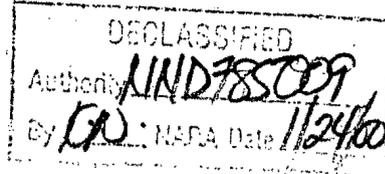
cc: 10/24/41

Mr. Fehle
 Mr. Towson
 Mr. Schmidt
 Mr. Fox
 Mr. E.M. Bernstein

314319

BOX

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 ment



- 2 -

Division of Monetary
 Research

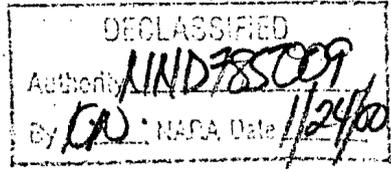
(b) go without needed materials and services which they are importing from other countries with the result that the Swiss economy will be less useful to the Germans; or (c) default on their obligations with the result that they will have more difficulty in importing goods and services on credit terms.

Therefore in our freezing control we should be extremely chary of letting Swiss holdings in the United States be put to use, even though on the surface that use appears to be of little benefit to the Axis.

Obviously the same reasoning applies not only to Switzerland but to other European countries like Sweden which now have no other market for their export goods excepting Germany and German-dominated countries.

314320

RG 131
 Entry AEC 1942-60
 File Switz economic + financial develop
 Box 459



C
 O
 P
 Y

October 17, 1941

Mr. White

V. F. Coe

Subject: Can Germany Derive any Benefit from an Increase in the Useable Foreign Exchange Assets of Switzerland?

Information from many sources indicates that a large proportion of the machine and manufacturing industries of Switzerland is being devoted to the production of goods for export to Germany and to other parts of Europe whose economies are geared into the German war machine. In this situation, it is not necessary for the Germans to obtain actual possession of Swiss gold holdings or other foreign exchange assets of the Swiss in order to derive benefits from them. An increase in the amount of gold available to Switzerland will enable her to settle her adverse balances with certain other European countries, such as Portugal, and thereby to increase the total amount of goods which she can import for her own industries and her own economy.

Once the industries of Switzerland are geared to supply Germany and other German-dominated countries with finished and semi-finished goods, it is to the interest of Germany that Switzerland shall be able to import raw materials and semi-finished goods from the less developed parts of Europe. If these countries are willing to take gold in exchange for their raw materials, it is in the interest of Germany that Switzerland shall have enough gold to pay for these vital imports.

This same argument applies not only for gold, but to Swiss holdings of dollars and other useable foreign exchange assets. If Switzerland has under her control large foreign exchange assets, with which to meet her deficits with countries which are supplying her with goods, she can go on supplying other goods to Germany on credit.

The bearing of these statements on problems confronting the United States Government is this:

In view of the close relationship between the German and Swiss economies, it is necessary to take steps not only to prevent the Swiss holdings in the United States from falling into the direct control of the Germans, but also to prevent them from being used in almost every way that the Swiss try to use them. If the Swiss cannot use these assets to meet various obligations, they will either (a) have to use other foreign exchange assets possibly obtained from the Germans to meet their obligations;

cc; 10/24/41

Mr. Pehle
 Mr. Towson
 Mr. Schmidt

Mr. Fox
 Mr. E. M. Bernstein

314321

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND 785009
 By GO NARA Date 1/24/00

APD

MEMORANDUM TO MR. MONROE OPPENHEIMER:

Re your memorandum of October 9, 1941, to Mr. Bernstein enclosing documents from the Minister of Switzerland to Mr. Perkins, which documents are returned to you herewith.

I am enclosing for your confidential information copies of memoranda prepared in the Treasury relative to the problem of allowing Swiss-owned gold to be exported to Lisbon or to Switzerland. This matter has received careful consideration by Secretary Morgenthau and by the Interdepartmental Foreign Funds Control Committee. It is the unanimous view that we should not allow the Swiss at this time to take their gold back to Europe. In this connection you may be interested in knowing that in June, 1940, the Swiss asked us to help them move to the United States all of the stocks of gold remaining in Switzerland.

Dean Acheson believes that you may want to take up with him the question of exports from this country to Switzerland and the question of what effect the recent agreement between Switzerland and Germany should have on our relations with Switzerland. In this connection, I am enclosing a copy of a memorandum which the British gave to Mr. Acheson relative to the Swiss-German economic agreement.

Acting Secretary of the Treasury.

Copies to: Mr. Pehle (2)
 Mr. White
 Mr. Dietrich

Enclosures

BB:nrd - 10/20/41

cc: 10/24/41
 Mr. Pehle ✓
 Mr. Towson ✓
 Mr. Schmidt
 Mr. Fox
 Mr. E. M. Bernstein

314322

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND785009
 By GA NARA Date 1/24/00

October 20, 1941

Mr. Timmons

Mr. Towson

Mr. Dietrich called at 2:20 this afternoon to refer to two cases involving gold for Switzerland.

1. 11½ million from Switzerland to Portugal
2. An unstated amount from Peru to Argentina for credit to Switzerland

Mr. Dietrich requested that he be advised before final action is taken on these cases in order that he may discuss them in the event the action should be a denial.

I suggested to Mr. Dietrich that, in all probability, the decision would be made by the Inter-Departmental Committee, whose meetings he now attends. He requested, nevertheless, in the event the cases are to be denied without reference to the committee, that he be given an opportunity to discuss them.

NET:zd 10/20/41

314323

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 meid

DECLASSIFIED
Authority <u>NND 785009</u>
By <u>GA</u> NARA Date <u>1/24/00</u>

abb

C A B L E

Dated: October 21, 1941.

From: Berne

Rec'd: Federal Reserve Bank
of New York, N.Y.

#23

In order to proportionate better our holdings of gold and devisen we beg you to earmark for our special earmarked gold account with you approximately \$20,000,000 find gold debiting the equivalent to the account of our Zurich office value today. Please cable details both parties.

Banque Nationale Suisse

Test Correct

(Phoned by Mr. Lang at 2:45 p.m. to F.D., 10-21-41, hr.)

cc:10-22-41
 Mr. Pehle ✓
 Mr. Towson ✓
 Mr. Schmidt
 Mr. Fox
 Mr. E.M. Bernstein

314324

BOX
RG 131
Entry AEC 1942-60
File Switz economic + financial develop
ment
Box 459

DECLASSIFIED
Authority NND 785009
By GW NARA Date 1/24/00

abb

CABLE

Received by phone from Mr. Webber's office - 10/22/41 - kma

From: Zurich, Switzerland
To: Federal Reserve Bank
of New York
Date: October 22, 1941

#136

Our Bern asked you on October 10 to transfer about 10,200 kilo from our deposit to deposit of Banco de Portugal. Please let us know by cable why order still not executed.

sgd. Banque Nationale Suisse

(In connection with application NY 269473 filed by FRB NY - 10/10 to transfer 823 gold bars from Ordinary Earmarked Gold Account in Bern to Ordinary Earmarked Gold account of Banco de Portugal)

- cc 10/24/41
- Mr. Pehle /
- Mr. Towson
- Mr. Schmidt
- Mr. Fox
- Mr. E.M. Bernstein

COPY

DOX

RG 131
 Entry: AEC 1942-60
 File: Switz economic +
financial develop
ment
 Box 459

DECLASSIFIED	
Authority:	NND785009
By:	GA NADA Date 1/24/60

C
O
P
Y

abb

October 30, 1941

BIN. 62291

It is understood from a delicate source that Banque Nationale Suisse, Zurich, Switzerland, wrote on September 1st, 1941, to Banco Central de la Republica Argentina, Buenos Aires, Argentina, confirming addressees' telegram of August 29th evidencing action to set aside 4,000 American Eagles, weighing 60.1776 Kgs. fine gold, in name of writers Berne office, value Sw. Fr. 293,052.90.

Copy:lc:10/31/41

cc 11/3/41 ✓
 Mr. Towson
 Mr. Schmidt
 Mr. Fox
 Mr. E.M. Bernstein

314326

Box
 RG 131
 Entry AFC 1942-60
 File Switz economic +
financial develop
 Box 459 ment

DECLASSIFIED
 Authority: NND785009
 By: GW NARA Date: 1/24/00

October 30, 1941

APPLICATION TO RELEASE APPROXIMATELY \$100,000 FROM
 THE EARMARKED GOLD ACCOUNT OF THE CENTRAL RESERVE
 BANK OF PERU TO BE SHIPPED TO ARGENTINA AS A MEANS
 OF ACQUIRING SWISS FRANCS FROM THE SWISS NATIONAL
 BANK

[See Monetary Research File #46]

314327

BOX
RG 131
Entry AFC 1942-60
File Switz economic + financial develop
Roy 459 ment

DECLASSIFIED
Authority NND785009
By GA NARA Date 1/24/00

Division of Monetary
Research

The Treasury Department has not refused to buy gold from Switzerland or to sell gold to Switzerland. In fact, a large amount of gold has recently been sold to Switzerland to be added to its earmarked account at the Federal Reserve Bank of New York. Our policy with respect to the freezing of earmarked gold was settled in 1940 when it was decided ~~xxxxxx~~ that earmarked gold is no less subject to the executive order than banking funds or other property.

DCA
 RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND785009
 By GW : NARA Date 1/24/00

Division of Monetary
Research

Under the circumstances an increase in the gold reserves at the disposal of Switzerland would result in an acceleration of its economic aid to Germany. The United States cannot imperil its vital interests by permitting Switzerland to withdraw gold from this country directly or indirectly for the purpose of expanding its contribution to the German war effort.

The Italian Government has indicated to the Swiss Government its readiness to grant the free transit of gold from New York to Switzerland by way of Genoa. It would be surprising if the Italian Government followed any other course. The Axis countries will make certain that gold in Switzerland will be used to the fullest extent to further Germany's war economy even if seizure or a threat of seizure is necessary for this purpose. It is so obviously to Germany's advantage to see an increase in the gold reserves held by Switzerland in Europe that the British Government has denied a navicert for one of the proposed shipments of gold.

Our gold policy is in no way involved in the refusal to license transactions intended to facilitate the withdrawal of gold by Switzerland from this country to Europe.

314329

Dox

RG

131

Entry

EFC 1942-60

File

Switz economic +
financial develop
ment

Box

459

DECLASSIFIED

Authority

NND785009

By (A)

NASA Date

1/24/00

Division of Monetary
Research

The second reason given by the Swiss Minister for the transfer of gold to Switzerland is the need for such gold in a settlement of adverse trade balances. As indicated by the Swiss Minister, the economy of Switzerland is being closely geared to the war economy of Germany. Switzerland is importing raw materials and semi-finished goods from the less-developed parts of Europe for conversion into precision instruments and other highly fabricated war goods for export to Germany. Not only is Switzerland providing Germany with urgently needed goods but it is providing these goods on credit. According to the Swiss Minister, under the clearing agreement with Germany, Switzerland is financing export credits to Germany at the rate of 400 billion francs a year. The actual credits under the clearing agreement may in fact turn out to be much larger. It is admitted by the Swiss Minister that Switzerland is helpless to alter this situation. He says: "As a result of the developments of this war, it is entirely surrendered by Axis-dominated countries." Its imports and exports can continue only on the sufferance of Germany.

314330

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop + ment
 Box 459

DECLASSIFIED
 Authority NND785009
 By GA NARA Date 1/24/60

- 4 -

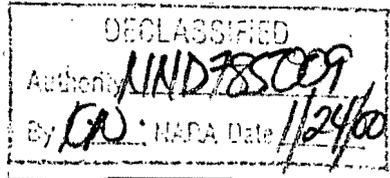
Division of Monetary
Research

retaining the gold reserves in this country where they are safe from seizure by invaders. The welfare of Switzerland would be better served by keeping to a minimum its reserves of gold in Europe and by basing its note issue on earmarked gold in this country. This is a practice followed by many countries and it was permitted by the statutes of the Swiss National Bank prior to 1929.

The present large gold reserves in Switzerland are an invitation to the invader seeking loot. The direct transfer of gold to Switzerland cannot be regarded as in the interest of this country or even in the ultimate interest of a free Switzerland. The same objection applies to an increase in the gold reserves of Switzerland which will result from a switching transaction of earmarked gold to Portugal in New York in return for earmarked gold from Portugal in Bern. As a country on the periphery of Europe at some considerable distance from Germany, Portugal is in less danger than Switzerland. It is similarly true that any invader is less likely to seize the earmarked gold of Portugal in Switzerland than this same gold if it belongs to the Swiss National Bank.

314331

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 ment



- 3 -

Division of Monetary
Research

Government and to the long-range interest of the Swiss Government.

Sixty percent of the gold reserves of Switzerland are in the United States. According to the Swiss Minister: "The reasons why the Swiss National Bank accumulated such an important part of its reserves in this country was the confidence which Switzerland placed in the Government of the United States of America as well as the conviction that in no other country could the reserves of a small independent nation be better safeguarded than in America." The soundness of this view is clear. What has happened, therefore, in the past few months to make Europe a safe place in which to hold the gold reserves of a small independent nation?

It is now certain that more than \$34 million in gold must be transferred to Switzerland to provide sufficient reserves for the note issue. As Swiss banknotes are not convertible into gold and as Swiss gold reserves are held solely as assurance of the soundness of the currency, it would seem that this purpose could be better served by

314332

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop +
 Box 459 meta

DECLASSIFIED
Authority <u>NND785009</u>
By <u>GO</u> NARA Date <u>1/24/00</u>

- 2 -

Division of Monetary
Research

In addition to these three applications for licenses there are other indications that the Swiss Government is intent on withdrawing its resources from this country in order to transfer gold to Europe.

In a communication to the Under Secretary of State, the Swiss Minister states that the Swiss National Bank must transfer 30,000 kilograms of gold (about \$34 million) from this country to Switzerland. Further, the American Embassy in Mexico reports that a Mexican has received an inquiry from a Swiss bank with respect to the price of freely exportable gold bars against dollars, and the American Embassy in Brazil that the Bank of Brazil has been informed that the Swiss National Bank may ship gold to Brazil for safekeeping.

These applications and inquiries show conclusively that the Swiss Government is determined to withdraw gold from the United States directly or indirectly for the purpose of increasing its gold holdings in Europe. The transfer of such large quantities of gold to Europe at this time is contrary to the vital interests of the American

314333

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND785009
 By DO NARA Date 1/24/00

October 31, 1941

Mr. Pehle

V. P. Coe

Subject: Transfer of Gold from the United States to Switzerland

Several applications have been filed with the Treasury Department for licenses to undertake transactions which will result in an increase in Swiss gold holdings in Switzerland. One application (NY 228400) requests the release of \$2 million from the earmarked account of the Swiss National Bank for export to Portugal. A second application (NY 269473) requests a license to transfer \$11.5 million from the earmarked account of the Swiss National Bank to the earmarked account of the Bank of Portugal. In return, the Bank of Portugal would release a corresponding amount of gold from its account with the Swiss National Bank in Switzerland. A third application (NY 274737) requests a license to release \$100,000 from the earmarked account of the Central Reserve Bank of Peru for shipment to Argentina where it would be credited to the account of the Swiss National Bank in return for a corresponding credit of Swiss francs in Zurich.

314334

BOX

RG

131

Entry

AFC 1942-60

File

Switz economic +
financial develop
ment

Box

459

DECLASSIFIED

Authority

11ND785009

By

GO

NARA Date

11/24/00

[Excerpt of Memorandum for the Secretary's Files of Nov. 1]

With respect to the proposed transfers of gold by the Swiss National Bank, which was discussed at the meeting of this committee on October 30, 1941, Mr. Foley gave to Mr. Acheson a memorandum prepared by the Division of Monetary Research stating the objections to these transfers. Mr. E. M. Bernstein pointed out that we had actually received from Portugal a cable stating that when Portugal receives from Switzerland gold under earmark in the United States, gold will be released to the Swiss National Bank from amounts Portugal has in Switzerland. Dr. Goldenweiser indicated that he also favored denial of permission to effect the proposed transfers.

314335

BOX
RG 131
Entry APC 1942-60
File Switz economic + financial develop
Box 459 ment

DECLASSIFIED
Authority NND785009
By GO NARA Date 1/24/00

abb

C A B L E

To: Federal Reserve Bank, N.Y.

From: Bern, Switzerland.

Date: November 3, 1941.

#24.

In order to proposition it better our holdings of gold and devisin we beg to earmark for our special earmarked gold account with you approximately \$20,000,000 fine gold depositing equivalent to the account of our Zurich office. Please cable details both parties.

(Signed)

Banque Nationale Suisse

(Rec'd by phone from FRB, N.Y., 11:15 a.m., 11-3-41, ec.)

CC: 11/4/41
Mr. Towsen ✓
Mr. Schmidt
Mr. Fox
Mr. E. M. Bernstein

BOX

RG 131
 Entry AEC 1942-60
 File Switz economic +
financial develop
 Roy 459 ment

DECLASSIFIED
 Authority NND 785009
 By GA : NARA Date 1/24/00

- 2 -

I agree wholly with Mr. Bernstein that there seems to be no reason for transferring gold to Switzerland to serve as a base for Swiss note issues; or to assist the Bank of Portugal in transferring gold it holds in Bern to Swiss account.

The conclusion is that the application for license ought to be denied, unless it were accompanied by assurances satisfactory to us from Portugal that they would not transfer an equivalent amount of assets to Swiss account.

E. A. Berle, Jr.

314337

RG 131
 Entry APC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND785009
 By CA NARA Date 1/24/60

November 3, 1941

Mr. Acheson:

MEMORANDUM: Transfer of Swiss-owned gold
 in the United States to the
Banco de Portugal

As I understand the transaction, it is as follows:

(1) The Swiss National Bank desires to transfer gold held by it in America to the Banco de Portugal, which in turn will hold it under earmark in the United States.

(2) It is assumed that there will be some sort of transfer of gold or other American exchange from Portugal to Bern. This last is not spelt out.

If an arrangement could be worked out by which we permit Switzerland to transfer earmarked gold in the United States to an earmarked Portuguese account, also to be held in the United States, thus satisfying Swiss obligations to Portugal, I see no objection to it. Unless it is established that thereupon the Portuguese transfer dollars or gold to Switzerland, it would seem that no material damage to our interests took place.

Actually, my distinct impression is that our interests would be served if the gold could be brought into Portuguese control. Portugal is, in my judgment, in far greater danger of invasion than Switzerland. Should this occur, the Portuguese Government would undoubtedly take refuge in the Azores, and the greater its assets in the United States, the better we could support the hand of that government. There is less reason to invade Switzerland; and in any case supporting a Swiss government in exile -- assuming such a government existed -- would be a mere political gesture, whereas there are material advantages which would accrue in the conduct of the war if we were in a position to support the Portuguese situation, as I am pretty clear we would.

The assumption, however, is that by transfer of this gold Switzerland will buy in Portugal tangible materials which it will then bring into Switzerland, and will use for manufacture of materials, much of which will go into Germany under the prevailing German-Swiss economic arrangements. This is a question of fact; to decide it would turn on an accurate knowledge of the supplies Switzerland is drawing and can draw from Portugal.

314338

Box
RG 131
Entry AFC 1942-60
File Switz economic + financial develop
ment
Box 459

DECLASSIFIED
Authority NND 785009
By GW NARA Date 1/24/00

Mr. White

Mr. E. M. Bernstein

November 5, 1941.

Subject: News Notes for the Secretary

1. The Swiss Government is assiduously attempting to withdraw gold from the United States and to increase its gold holdings in Switzerland and South America. An application has been filed with Foreign Funds Control to switch \$11.5 million from the earmarked account of Switzerland to the earmarked account of Portugal. In return Portugal will make available a similar sum in gold to Switzerland from its earmarked account in Berne. This is fundamentally an export of gold from the United States to Switzerland. In addition, Switzerland has made inquiries indicating a plan to increase its gold holdings in Mexico, Argentina and Brazil.

DCA
 RG 131
 Entry APC 1942-60
 File Switz economic + financial develop
 Box 459 med

DECLASSIFIED
 Authority NIND785009
 By GA : NASA Date 1/24/60

COPY

November 10, 1941

H.W. 5/25/26.27

Banque Nationale Suisse, Zurich asked Banco de Portugal, Lisbon on September 15, 1941 referring to earlier exchange of cables regarding placement of gold and dollars at Banco de Portugal's disposal in New York, whether they could now reconsider this question favourably.

Banco de Portugal, Lisbon informed Banque Nationale Suisse, Zurich on September 16, 1941 that they had credited the Banque Nationale Suisse Escudos account with Esc.14,093,512.57 against kilos fine gold 500.99579 placed in Banco de Portugal gold deposit "A."

Banque Nationale Suisse, Zurich asked Banco de Portugal, Lisbon on September 18, 1941 whether they could eventually accept gold at Buenos Aires or Rio de Janeiro against Escudos.

IN.27/1/10/41 shows that Banco de Portugal, Lisbon notified Banco do Brasil, Rio de Janeiro on September 22, 1941 they would like to know:

1. Under what conditions bank is prepared to receive and to keep in safe custody Gold which may be sent for account of Bank of Portugal.
2. If the export of Gold is free.
3. If they could deposit Gold in Bank under the condition that it might be freely exported at any time.
4. Under what terms would Bank undertake to assist in effecting such export.

314340

BOX
RG 131
Entry #FC 1942-60
File Swiss economic +
financial develop
ment
Box 459

DECLASSIFIED
Authority NND 785009
By [signature] NARA Date 1/24/00

- 2 -

wolfram, from yours also. Because this question is closely connected with discussions which Mr. Finletter of the State Department is now having, we are also sending him a copy of this letter.

Yours sincerely,

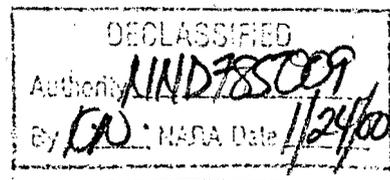
/s/ W. Ritchie

P.S. I enclose a copy of our H.W. 5/25/26/27 of 10th November which seems to envisage a direct purchase by the Swiss of Escudos against Gold ear-marked in either New York or Rio.

(init.) W.R.

314341

RG 131
 Entry AFC 1942-60
 File *Switz economic + financial develop ment*
 Box 459



aff

BRITISH EMBASSY,

WASHINGTON, D.C.,

10th November, 1941.

SAFE HAND

W.T.1045/112/41

Dear Pehle,

With reference to our recent discussions about Swiss gold, we have now received a little further information from London about the Germans' method of obtaining escudos.

Hitherto the Swiss have been buying the escudos for Swiss francs. The escudos, of course, are transferred to the Reichsbank account. The Bank of Portugal converts the Swiss francs into gold in Switzerland. If the Bank of Portugal now re-transfers this gold back to the Swiss against the transfer of ear-marked gold in the United States, it means ultimately that the German purchases in Portugal are being financed out of the Swiss gold here and that the game can be played for as long as there is any Swiss gold left here.

I have noticed a number of indications lately that the Germans are looking for all sorts of ways of obtaining escudos. In particular, I refer you to paragraph 1 of the first enclosure (W.T.1036/259/41 of 27th October) to Stopford's letter of 3rd November W.T.1036/274/41, and the first paragraph of Auburn's letter to Dietrich W.T.1020/114/41 of 1st November. It looks as though they are getting short of funds to finance their wolfram purchases and if this shortage can be maintained, it may result in the double benefit of making them be content with less wolfram and reducing the price so that we can get ours cheaper. It seems that escudos at present is from our point of view the least desirable of all the foreign currencies to allow the Germans to have, and, since the State Department are already interested in cork and appear likely to become interested in

wolfram/

Mr. J. W. Pehle,
 Foreign Funds Control,
 U.S. Treasury Department,
 1610 Park Road,
 Washington, D.C.

cc:11/13/41

Mr. Pehle ✓
 Mr. Towson ✓
 Mr. Schmidt
 Mr. Fox
 Mr. E.M. Bernstein
 Mr. Aiken
 Mr. Volentine
 Mr. B. Bernstein
 Mr. Miller

b

314342

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND785009
 By GA *NACA Date 1/24/60

COPY

NSP

November 10, 1941

To Mr. Foley
 From Dave H. Morris, Jr.
 Subject: Swiss gold matter.

For your information, I am closing out my file on this matter with the following note:

"Mr. Foley reported at the Staff meeting, November 10, that everyone consulted, both at the Treasury and Department of State (including finally, Mr. Berle), had agreed the application should be denied. However, the State Department did not wish at this point to send a flat refusal, but wanted to explore the matter further with the idea that if some goods of an entirely non-military nature could be sent to Switzerland, and in return some transfer of gold made, we might be able to approve such a deal. The Secretary mentioned that he thought it might be worthwhile also exploring the question of sending Swiss milk to unoccupied France.

"In conclusion, the Secretary asked Mr. Foley to send him in due course, a progress report on this matter."

(Init.) D.H.M., Jr.

Copies to: Mr. White
 Mr. Pehle
 Mr. E.M. Bernstein

cc 11/18/41 ✓
 Mr. Towson
 Mr. Schmidt
 Mr. Fox
 Mr. Aikin
 Mr. Volentine

314343

BOX
RG 131
Entry AEC 1942-60
File Swiss economic + financial development
Box 459

DECLASSIFIED
Authority NND 785009
By 170 NADA Date 1/24/00

abb

C
O
P
Y

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Rio de Janeiro, Brazil

DATE: November 10, 1941

NO. : 1707

The Embassy here has been advised by the American Vice Consul at Natal that there was a shipment of 111 kilos 700 grams of gold on board the Lati plane which left on the 4th of November for Europe. This shipment of gold was consigned to national Bank of Switzerland, Bern by the Banco Central de la Republica, Argentina, and was valued at \$439,000 Moneda Nacional.

CAFFERY

WSB

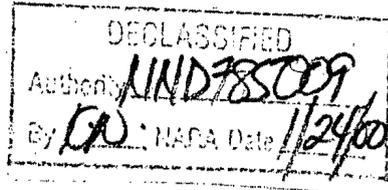
DW:DH

eh:copy
11-29-41

- cc:12-1-41
- Mr. Pehle
- Mr. Towson ✓
- Mr. Schmidt
- Mr. Fox
- Mr. E.M. Bernstein
- Mr. Aikin
- Mr. Valentine
- Mr. Kletz

b

RG 131
 Entry AFC 1942-60
 File Switz economic +
financial develop
 Roy 459 med



November 10, 1941

H. W. 5/25/26.27

Banque Nationale Suisse, Zurich asked Banco de Portugal, Lisbon on September 15, 1941 referring to earlier exchange of cables regarding placement of gold and dollars at Banco de Portugal's disposal in New York, whether they could now reconsider this question favourably.

Banco de Portugal, Lisbon informed Banque Nationale Suisse, Zurich on September 16, 1941 that they had credited the Banque Nationale Suisse Escudos account with Esc.14,093,512.57 against kilos fine gold 500.99579 placed in Banco de Portugal gold deposit "A"

Banque Nationale Suisse, Zurich asked Banco de Portugal, Lisbon on September 18, 1941 whether they could eventually accept gold at Buenos Aires or Rio de Janeiro against Escudos.

IN.27/1/10/41 shows that Banco de Portugal, Lisbon notified Banco de Brazil, Rio de Janeiro on September 22, 1941 they would like to know:

1. Under what conditions bank is prepared to receive and to keep in safe custody Gold which may be sent for account of Bank of Portugal.
2. If the export of Gold is free.
3. If they could deposit Gold in Bank under the condition that it might be freely exported at any time.
4. Under what terms would Bank undertake to assist in effecting such export.

COPY:ec:11-12-41

v

314345

RG 131
 Entry AFC 1942-60
 File Switz economic + financial developm
 Box 459

DECLASSIFIED
 Authority NIND 785009
 By GW NARA Date 1/24/00

C
 O
 P
 Y

all

November 11, 1941.

H.W. 5/84.

Banco do Brazil, Rio, advised Banque Nationals Suisse, Berne, on 25th September 1941 that the answers to their wire of September 24th were:

- (1) Yes, to Switzerland, if to other countries our previous agreement required.
- (2) Yes, depending on monetary conditions of exchange market. Today price 23400 Reils net per fine gram: \$35 per fine ounce.
- (3) Exclusive power of gold purchase held Brazilian Government for whom Banco de Brazil are agents.
- (4) No. Gold exports forbidden from Brazil, but exceptional permission obtained from Government in case of your deposit out of special consideration for your bank.

(See H.W. 5/25/26/27 of November 10, 1941.)

Copy:vw:11-12-41

cc..11/13/41
 Mr. Pehle
 Mr. Schmidt
 Mr. Fox
 Mr. Seibel
 Mr. Carre
 Mr. Aiken

Mr. Towson ✓
 Mr. Reid
 Mr. Olsen
 Mr. Volentine
 Mr. E. M. Bernstein
 Mr. Bennett

w

314346

BOX
RG 131
Entry AFC 1942-60
File ^{Switz economic +} financial develop
Box 459 _{ment}

DECLASSIFIED
Authority NND785009
By EA NADA Date 1/24/60

W.T.1045/115/41

BRITISH EMBASSY,

WASHINGTON, D. C.

15th November, 1941

Dear Dietrich,

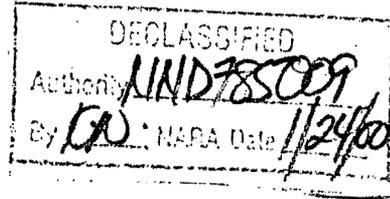
I am informed by a reliable source which must not be compromised that on 7th November the Bank for International Settlements informed the Bank of Portugal that the former accepted 6,500 Kilograms of fine gold deposited at the Banque Nationale Suisse, Berne, against delivery to the Bank of Portugal of the corresponding amount of gold deposited in the Federal Reserve Bank, New York, In addition, the Bank for International Settlements was to receive a commission of 1-1/2% in Swiss francs at par. The whole transaction was to be subject to U.S. Treasury license which was being applied for.

Yours sincerely,

/s/ W. Ritchie,

Mr. Frank Dietrich
Room 279, U.S. Treasury Department,
Washington, D. C.

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop + ment
 Box 459



er 24, 1941.

- 2 -

The two telegrams from the Banque Nationale Suisse (which cover 534 kilograms) may possibly concern the same transaction as the two telegrams from the B.I.S. (which cover 548 kilograms).

Linking up the above actual transfers of B.I.S. gold from Switzerland to Portugal against Escudos, with the proposal to transfer Portuguese gold in Switzerland to the B.I.S. against B.I.S. gold delivered to the Banco de Portugal in New York, it would appear that consummation of these transactions would result as follows:-

- a) The B.I.S. would actually conduct a sale of its New York gold against Escudos, but would so cloak the transaction that it appeared to be a simple transfer of gold for gold.
- b) Similarly the reverse would be true of the Banco de Portugal, who would cloak a sale of Escudos for New York gold to make it appear like a transfer of gold itself.

Of course, there appears at present to be an essential difference between the two proposals, as the New York transfer is for 6,500 kilograms while that in Europe is only for 548 kilograms.

Yours sincerely,

(Signed) R. J. STOFFORD

Mr. J. W. Pehle,
 U.S. Treasury Department,
 Foreign Funds Control,
 1610 Park Road, N.W.,
 Washington, D. C.

RJS:HWA:RS

P.S. Since writing the above we have learned that the Banco de Portugal advised the B.I.S. on November 17th that they had credited B.I.S. account with Esc. 15,321,648. This is almost certainly counter-value for the 548 kilograms of gold sold and transferred to the Banco de Portugal, Lisbon as mentioned in 3 and 4 above.

We have also learned that the Banque Nationale Suisse, Berne, advised the Banco de Portugal, Lisbon on November 19th that they had placed in the Banco de Portugal's gold deposit "B" a further 160 gold bars containing 1981 kilograms of fine gold, and that they were debiting the Banco de Portugal with the equivalent in Swiss Francs at 4895.75. This would seem to be unconnected with the transactions mentioned in 1, 2, 3 and 4 above, but it ties in with the whole question of Swiss-Portuguese financial transactions. Its effect would be to give the Swiss a further credit vis-a-vis Portugal equivalent to nearly 10 million Swiss Francs or say 56 million escudos.

314348

RG 131
 Entry REC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND785009
 By GPO NARA Date 1/24/00

COPY
 By Safe Hand

W.T. 1045/130/41

APP
 BRITISH EMBASSY,
 WASHINGTON, D.C.
 November 24, 1941

SECRET

Dear Pehle,

Our letter No. W.T. 1045/115/41 of November 15th set out information we had received to the effect that the B.I.S. had accepted from the Banco de Portugal 6,500 kilograms of fine gold belonging to the latter on deposit at the Banque Nationale Suisse, Berne; against this the B.I.S. proposed to deliver to the Banco de Portugal the same amount of gold on deposit in their name at the Federal Reserve Bank, New York, plus a commission in Swiss Francs at par of probably 1½%. We now understand that the B.I.S. has asked the Banco de Portugal to instruct the Federal Reserve Bank, New York, to receive this 6,500 kilograms of gold for Banco de Portugal's account, the B.I.S. stating that this is done at the request of the Federal Reserve Bank.

In the above connection, you will probably be interested in some further information which we have received from the same source regarding what may be associated transactions, and I am therefore setting these out below:-

1. On November 12th, the Banque Nationale Suisse, Berne, notified the Banco de Portugal, Lisbon that the B.I.S. had that day placed at the disposal of the Banco de Portugal with them 14 gold bars containing 178 kilograms of fine gold. They asked for instructions.
2. Again on November 17th, the Banque Nationale Suisse, Berne, informed the Banco de Portugal, Lisbon, of a similar receipt of 31 gold bars containing 356 kilograms of fine gold.
3. On November 15th, B.I.S. confirmed to Banco de Portugal the sale of 28 gold bars containing 356 kilograms of fine gold, this being the "first tranche" of a transaction arising from Banco de Portugal's cable of November 12th and van Zeeland's conversation with Pessoa.
4. Later, in furtherance of their cable of November 15th, the B.I.S. confirmed to the Banco de Portugal their sale to them of the "final tranche" of 15 gold bars containing 192 kilograms of fine gold at Esc. 27,955. B.I.S. stated that the gold would be placed at the disposal of the Banco de Portugal with the Banque Nationale Suisse, Berne, and would be forwarded to Lisbon promptly at the expense and risk of the B.I.S. upon receipt of advice from the Banque Nationale Suisse. The B.I.S. then requested the Banco de Portugal to credit their account at Lisbon with the counter value in Escudos.

/The two

cc...11/28/41

Mr. Pehle Mr. Towson Mr. Schmidt Mr. Fox Mr. E.M. Bernstein
 Mr. Aikin Mr. Volentine Mr. Klotz

314349

BOX
 RG 131
 Entry AEC 1942-60
 File Swiss economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND 785009
 By [signature] NADA Date 1/24/60

November 24, 1941

Attachment to
 W. T. 1031/37/41

Reichsbank Escudo Account with Banco Lisboa y Acores, Lisbon

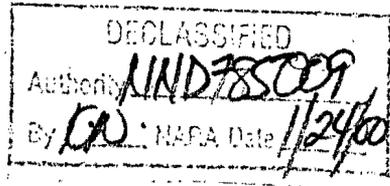
Summary of payments in and out for the period
 September 4th to October 17th 1941

<u>IN</u>		<u>OUT</u>	
From <u>Credit Suisse,</u> <u>Zurich</u>	Esc. 9,250,000	To <u>Banco Espirito Santo</u> <u>in favour of Credit</u> <u>Suisse, Zurich, Sept. 23</u>	Esc. 4,921,260
From <u>Swiss Bank</u> <u>Corp., Zurich</u>	11,810,000	do Sept. 24	24,606,300
From <u>Leu & Co.'s</u> <u>Bank, Zurich</u>	<u>103,000,000</u>	do Sept. 30	24,606,300
From <u>Swiss Banks - Total</u>	124,060,000	do Oct. 3	24,606,300
From <u>Banco Lisboa</u>	242,000	To <u>Banco Espirito Santo</u> <u>in favour of E. Poehner,</u> <u>Lisbon</u>	2,992,000
From <u>Banco Espirito</u> <u>Santo</u>	240,000	To <u>Banco Espirito Santo</u> <u>account Wimmer</u>	4,926,108
		To <u>Banco Espirito Santo</u> <u>miscellaneous payments</u>	<u>3,382,832</u>
		To <u>Banco Espirito Santo - Total</u>	90,041,100
		To <u>Banco de Portugal</u>	500,000
		To <u>Banco Pinto y Sotto</u> <u>Mayor</u>	1,250,000
		To <u>Banco Nacional Ultramarino</u>	184,000
		To <u>Miscellaneous direct</u> <u>payments</u>	<u>2,189,228</u>
	<u>Esc. 124,542,000</u>		<u>Esc. 94,164,328</u>

The above summarizes the following memoranda:
 WT. 1062/13/41 (attachment 1) of September 29th;
 IN. 48/1/10/41 (attachments 1 and 2) of October 30th;
 IN. 16/4/10/41 of November 14th;
 IN. 43/22/10/41 of November 14th; and
 IN. 34/10/10/41 of November 19th.

Copy:vw:12-9-41

RG 131
 Entry AFC 1942-60
 File ^{Switz economic +} financial develop
 Box 459 ment



C
O
P
Y

By Safe Hand

W. T. 1031/37/41

BRITISH EMBASSY
 Washington, D. C.
 November 24, 1941

SECRET

Dear Pehle,

We have just received advices from a reliable source that the Credit Suisse, Zurich instructed the Banco Espirito Santo, Lisbon, on November 17th 1941 to receive from the Reichsbank the sum of Esc. 24,606,300 for Credit Suisse account, and against this to credit Minero Silvicola Ltda., Rue Cais de Santarem 32, Lisbon, with the same amount. The firm of Minero Silvicola is shown in our War Trade Lists No. 7 with the notation:-

"German. Exporters of resin, wilfram ore, etc. Capital held by V. Fritzsche, W. Ratfisch and T. Vollmer. Financially backed by Sec. Financeira Industrial (German firm). Formed to disguise purchases of ore made by the latter firm for export to Germany."

You will recall that we have been sending to you from time to time statements showing payments in and out of the Reichsbank's escudo account carried at the Banco Lisboa y Acores. The connection between items on this account and the above payment made by Credit Suisse to Minero Silvicola (via Banco Espirito Santo) on November 17th is so striking that we are repeating herewith in summarized form the six statements sent to you for the period from September 4th to October 17th 1941.

It would certainly seem that there is considerable evidence to support the following assumptions:-

1. The Reichsbank's escudo account at the Banco Lisboa is fed almost exclusively from Swiss funds.
2. The three separate items of Esc. 24,606,300 paid by the Reichsbank to Banco Espirito Santo in favour of Credit Suisse, Zurich (being each exactly similar in amount to the payment now made by Credit Suisse to Minero Silvicola) are most probably contract instalments for Minero Silvicola.
3. The payment first from Reichsbank account to Credit Suisse and then from Credit Suisse to Minero Silvicola seems an obvious attempt at "cloaking" purchases for German account, probably of wolfram.

Yours sincerely,

Mr. J. W. Pehle,
 U. S. Treasury Department,
 Foreign Funds Control,
 1610 Park Road, N.W.,
 Washington D. C.

(Signed) R. J. STOPFORD

HWA:RS

Copy:vw:12-9-41

m

314351

RG 131
 Entry AFC 1942-60
 File Switz economic +
financial develop
ment
 Box 459

DECLASSIFIED
 Authority NND785009
 By CA NARA Date 1/24/60

BANCO CENTRAL DE LA REPUBLICA ARGENTINA

Departamento de Cambios

Buenos Aires 13 de octubre 1941

Bank for International Settlements

Basle - Interbank

Tenemos el agrado de confirmar a Vds. nuestro cable de la fecha, cuyo texto es al siguiente:

NUMBER 10.

Refer to our cable number 9. Refer to your cable number 11.

We have withdrawn from your safe deposit number 38 9.245 american eagles with a content of fine kilos 139.102119 in payment of which we transfer to you 12 gold bars weighing kilos 139.1068 fine gold, deposited earmarked in your name and for our account in Banque de France.

We have instructed Banque Nationale Suisse, Zurich to pay to your account in Banque Nationale Suisse, Basel, Sw.Fcs. 1.688.20 for your commission les Sw.Fcs. 23.03 equivalent of 4.681 grams fine gold, being difference between the weight of eagles and bars.

Have cancelled certificate number 38 and issued a new one in your name for 7.757 american eagles, which certificate we hold at your disposal awaiting your instructions.

Please confirm by cable.

(CLAVE)

CENTRALBAN

314352

BOX

RG

131

Entry

AFC 1942-60

File

Switz economic +
financial develop

Box

459

med

DECLASSIFIED

Authority

NND785009

By

DA

NADA Date

1/24/00

BANCO CENTRAL DE LA REPUBLICA ARGENTINA

Departamento de Cambios

Buenos Aires 14 de octubre 1941.

BANK FOR INTERNATIONAL SETTLEMENTS

BASLE

Tenemos el agrado de acusar recibo de su telegrama de fecha 14 Oct 1941
cuyo texto transcribimos a continuacion:

NUMBER 12.

Your number 10 we agree. Please hold at disposal of
Banque Nationale Suisse, Berne, under detailed cable advice balance
of 7.757 american eagles earmarked our account with you and cancel
new certificate.

Please cable execution.

356 (CLAVE)

314353

BOX
RG 131
Entry AFC 1942-60
File Swiss economic + financial develop
Rox 459 ment

DECLASSIFIED
Authority NND 785009
By [signature] NADA Date 1/24/00

BANCO CENTRAL DE LA REPUBLICA ARGENTINA

Departamento de Cambios

November 27th, 1941.

U. BIN 55470. 14 de octubre 1941.

BANK FOR INTERNATIONAL SETTLEMENTS

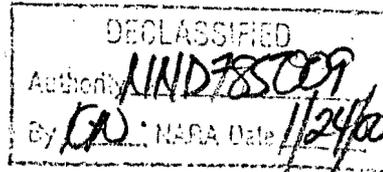
BASEL

It is understood from a delicate source that Banco Central de la Republica Argentina, Buenos Aires wrote on 14th October 1941 to Banque des Reglements Internationaux, Basle Switzerland sending confirmation of cables (attached) exchanged between 7th and 14th October. Writers have withdrawn from addressees safe deposit 9.245 American Eagles and transferred 12 Gold Bars weighing 139.1068 Kiles in payment, deposited in addressees' name for writers account in the Banque de France. Writers have issued a new certificate for the balance of 7.757 American Eagles, cancelled this and are holding Eagles at disposal of the Banque Nationale Suisse, Berne.

Please cable accordingly.

385 (10.11)

Box
 RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 ment



November 27th 1941

November BIN.55.767.

317 5470.

It is understood from a delicate source that Banco Central de la Republica Argentina, Buenos Aires wrote on 16th October 1941 to Banque Nationale Suisse, Berne regarding movements of gold.

(1) Letter of 2nd October 1941, referring to exchange of cables re shipments of minted Gold (American Eagles). Writers quote letter from Lati in which the letter undertakes to make such shipments. Copy of letter in Spanish is attached.

(2) Copy of cable dated 14th October 1941 from Banque Nationale Suisse to Banco Central re placing of 7,757 U.S.A. Gold Eagles (117 Kilos fine gold) at Writers disposal with addressees by the Bank for International Settlements Basle. Cable reads:-

"Bank for International Settlements, Basle, will place at our disposal with you 7,757 U.S.A. gold eagles weighing about 117 kilograms fine gold which kindly place in our deposit telegraphing exact weight earmarked."

Box
RG 131
Entry AEC 1942-60
File Switz economic + financial develop
Box 459 ment

DECLASSIFIED
Authority NIND 785009
By DA NADA Date 1/24/00

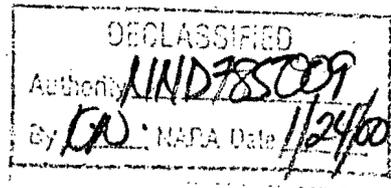
Against the 139 kilograms transferred to the Banco Central, B.I.S. received 12 gold bars weighing 139 fine kilograms deposited in the Banque de France for account of the Banco Central and ear-marked in the name of B.I.S. B.I.S. also received a commission of Swiss francs 1,688.

Details of the B.I.S., settlement with the Banque Nationale Suisse are unknown, but presumably B.I.S. received either Swiss francs or gold in Switzerland.

Yours sincerely,

Mr. J.W. Pehle,
Foreign Funds Control,
U.S. Treasury Department
1610 Park Road, N.W.
Washington, D. C.

Box
 RG 131
 Entry AEC 1942-60
 File Switz economic + financial develop
 Box 459 ment



By Safe Hand

W.T. 1045/134/41

BRITISH EMBASSY

WASHINGTON, D.C.

Received 11 gold bars weighing 156 fine kilograms December 2nd, 1941.

The Banque de France has received 11 gold bars weighing 156 fine kilograms in the month of December, 1941, which were received from the Banco de Portugal, Lisbon, on December 2nd, 1941.

SECRET

Dear Mr. Pehle,

On November 24th, I wrote you in my letter W.T. 1045/130/41 regarding the gold transactions between the B.I.S., Basle, and the Banco de Portugal, Lisbon.

I have since received further details as follows:

(1) On November 25th, B.I.S. informed the Banco de Portugal, Lisbon, that the Banque Nationale Suisse had that day placed at the disposal of the B.I.S. 72 gold bars which would be forwarded to the Banco de Portugal, Lisbon, at the beginning of December.

(Note - This probably represents around 936 kilograms).

(2) On November 25th, Banque Nationale Suisse, Berne, informed the Banco de Portugal that they had placed in the latter's Gold Deposit B a further 120 bars containing 1506 fine kilograms, for which they were debiting the Banco de Portugal at Swiss francs 4,895 per kilogram.

(Note - If it can be assumed that both the above transactions represent purchases of Swiss gold against eventual payment of Escudos (see final paragraph in P.S. to my letter W.T. 1045/130/41 of November 24th), then it would raise the total therein mentioned by nearly Swiss francs 11 million to a total of nearly Swiss francs 21 million, or Escudos 120 million).

While writing you on transfers of gold involving the B.I.S., may I call your attention to the two memoranda sent to Mr. Cochran on November 27th under No. BIN.55470 and BIN 55767 copies of which I attach, which deal with transfers of gold between B.I.S. and Banco Central de la Republica Argentina.

The net effect of these two memoranda seems to be that a total of 17,002 American Eagles weighing approximately 256 fine kilograms, held by B.I.S. with Banco Central de la Republica Argentina have been transferred as to 139 kilograms to the Banco Central and as to the remaining 117 kilograms to the Banque Nationale Suisse, both on deposit in Buenos Aires.

314357

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Roy 459 ment

DECLASSIFIED
 Authority NND785009
 By CA NARA Date 1/24/00

COPY OF INCOMING CABLEGRAM
 Sent on December 11, 1941.

Zurich, December 10, 1941

Federal Reserve Bank of New York

No. 163

Referring pending transfer gold deposit Banco Portugal
 Lisbon, we received today cable from Lisbon QUOTE Cable us present
 position. Considering we think not advisable leave such
 transaction pending solution for indefinite period we prefer
 cancel same in case it has not been completed within short
 time say by end current week Federal Reserve Bank to be then
 advised by both us accordingly. Shall be pleased receive your
 cable views this matter UNQUOTE

Are unable to conceive reason or see justification why
 we should be denied so far to utilize our gold reserves deposited
 in USA for payments to neutral countries in settlement of their
 exports to Switzerland. Shall greatly appreciate your supporting
 our application to Treasury and executing earliest Please cable

Banque Nationale Suisse.

314358

Box
RG 131
Entry: AEC 1942-60
File: Swiss economic + financial development
Box 459

DECLASSIFIED
Authority: NND785009
By: GAO NARA Date: 1/24/00

CABLE

FROM: Berne

DATED: December 15, 1941

REC'D: December 15, 1941

Federal Reserve Bank of New York

New York

#27

In order to proportionate better our holdings of gold and devisen we beg to earmark for our special earmarked gold account with you approximately \$20,000,000 fine gold debiting equivalent to the account of our Zurich Office value today. Please cable details Both parties.

(Signed) Banque Nationale Suisse

(Rec'd. from FRB, NY, 12-15-41, 1:25 p.m. -- ec)

- cc..12/16/41
- Mr. Pehle
- Mr. Towson ✓
- Mr. Schmidt
- Mr. Fox
- Mr. E. M. Bernstein
- Mr. Klotz
- Mr. Aikin
- Mr. Valentine

m

RG 131
 Entry AEC 1942-60
 File *Switz economic + financial develop*
 Box 459 *men*

DECLASSIFIED
 Authority *NND785009*
 By *EW* NARA Date *1/24/00*

C
 O
 P
 Y

December 15, 1941.

W.T. 1045/143/41.

We have learned from a reliable source that the Banco de Portugal requested the Banque Nationale Suisse on December 4th to sell them (Banco de Portugal) about 1,000 kilograms of gold bars for delivery in Berne against Swiss Francs.

We also learn that on December 10th the Banque Nationale Suisse advised the Banco de Portugal that they had placed in Banco de Portugal's Gold Deposit "B" account a further 120 gold bars containing 1503 fine kilograms, and that Banque Nationales Suisse were debiting Banco de Portugal Swiss Francs 7,356,999.

Also on December 10th, the Banque Nationale Suisse informed the Banco de Portugal that they had placed in the latter's Gold Deposit a further 40 gold bars containing 500 fine kilograms.

Copy:vw:12-16-41

Copied - 12/18/41 Mr. Pehle, Mr. Towson, Mr. Schmidt, Mr. Reid, Mr. Fox,
 Mr. E.M. Bernstein, Mr. Aikin, Mr. Olsen, Mr. Seibel, Mr. Valentine,
 Mr. Carre, Mr. Bennett, Mr. Klotz

314360

DOX
RG 131
Entry AFC 1942-60
File *Switz economic + financial develop + ment*
Box 459
101

DECLASSIFIED
Authority NND785009
By GA NARA Date 1/24/00

December 18, 1941

MEMORANDUM FOR THE FILES

Dean Acheson called and said that he had explained to Gautier that the Government had given full consideration to the Swiss applications to transfer gold or dollars to Portugal and the applications had been denied. Gautier said that the result of the denial of the applications would be that Swiss gold would go to Portugal and he assumes that that is precisely what the U. S. Treasury Department does not want to happen. Acheson asked me if this was so and also asked me if it would make a difference in our decision if, in fact, Portugal was not going to deliver to Switzerland gold which the Portuguese had in Berne in exchange for the transfer of Swiss-owned gold in New York.

I told Mr. Acheson I did not believe the Treasury was at all troubled by the fact that Swiss gold might then be shipped to Portugal; what we were trying to do was to cut down the amount of gold that would leave from the United States to Europe and that the more gold Switzerland could withdraw from the United States to Europe the greater would be its financial and other facilities to help the German war effort. I also told him that the Treasury felt that regardless of whether Portugal would deliver gold in Switzerland in exchange from the gold or dollars transferred in New York, we would deny the application.

I cleared the foregoing with Mr. White and Mr. Pehle.

(Signed) B. Bernstein

Box
RG 131
Entry AFC 1942-60
File Swiss economic + financial development
Box 459
Box 409

DECLASSIFIED
Authority: AIND785009
By: [Signature] * NARA Date: 1/24/00

MEMORANDUM

December 29, 1941.

There was a meeting at 4 p.m. today in Mr. Acheson's office attended by Messrs. Acheson, Feis, Livesey, Finletter, Harrison and Fisher of State and E. M. Bernstein and Pehle from the Treasury. We discussed the proposed transfer of 11 1/2 million dollars in gold from the earmarked account of the Banque Nationale Suisse to the earmarked account of the Bank of Portugal. All present seemed to be satisfied that such transfer was not simply a payment of funds owed to Portugal, but was in reality a gold-switching transaction whereby the Swiss transferred gold from New York to Switzerland and the Portuguese transferred gold from Switzerland to New York. Those present also seemed to be satisfied that the Swiss were providing substantial amounts of Portuguese escudos to the Germans against credits and gold deliveries which escudos the Germans were using for strategic purchases in Portugal. It was agreed that the application could not be approved, and that the State Department could not indicate to the Swiss Minister the information which we have with regard to German escudo transactions.

J. W. Pehle

RG 131
 Entry REC 1942-60
 File ^{Switz economic} financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND785009
 By GA NARA Date 1/24/00

By air mail pouch from Lisbon

8335

REQUIRED REPORT

(Reference: Section XIV-4, Note 3-A
 of the Foreign Service Regulations).

ANNUAL REVIEW OF SWISS ECONOMIC DEVELOPMENTS

1941

From JULIUS C. JENSEN, American Vice Consul

Zurich, Switzerland. Date of completion March 31, 1942.

Date of mailing March 26, 1942

APPROVED:

JAMES B. STEWART
 American Consul General

cc:5/21/42
 Mr. Pehle
 Mr. Townsen
 Mr. Hoffman
 Mr. Schmidt
 Mr. Fox
 Mr. E.M. Bernstein
 Mr. Klotz
 Mr. Olsen
 Mr. Seibel
 Mr. O'Flaherty

314363

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop + ment
 Box 459

DECLASSIFIED
 Authority NIND785009
 By LD NARA Date 11/24/00

The restrictions imposed on international payments constitute a serious handicap to foreign trade and international financial transactions in general. This is particularly true in connection with the freezing of Swiss funds in the United States. While it was possible to regularize to a certain extent the procedure regarding payments in commercial transactions, efforts directed towards facilitating purely financial intercourse between the two countries have not yet met with success. Existing trade and clearing agreements designed to further the mutual exchange of goods with most European countries were renewed or new ones concluded where none existed. The most important of these was that amending and renewing to December 31, 1942 the commercial treaty with Germany, which expired on June 30, 1941 and had been provisionally extended until July 19, 1941. This had important repercussions on Swiss economy, since it was doubtlessly a contributory, if not the chief cause, of the restricted British navicert regulations which became effective about October 1. As a result of the sharpening of these regulations, many Swiss concerns, including old and long-established sales representatives of American products, manufactured articles as well as basic raw materials, had to re-sell, often at a loss, goods purchased in the United States for which payment had been made because of their inability to obtain navicerts.

The extension of the war, coupled with the sharpened blockade and counter-blockade measures, greatly increased Swiss foreign trade difficulties and entailed constant changes and adjustments. Nevertheless, the money value of foreign trade continued at a relatively high level, whereas the volume compared with the pre-war period declined considerably, due primarily to the blockade measures but also partly to the growing shortage of raw materials and transportation difficulties.

Imports for 1941 declined in volume, as compared with the previous year, by 1,336,770 tons, or 21.7 percent, to 4,786,740 tons, whereas the value for the same period as a result of increased prices rose by 170.7 million francs to 3,024.3 millions. Accordingly, during the year under review, Switzerland had to pay approximately 10 percent more for slightly over 20 percent less goods than in 1940.

Exports with a value of 1,463.3 million francs exceeded those of the previous year by 147.6 millions, or 11.2 percent, whereas by volume they increased only 32,571 quintals, or 0.7 percent, to 5.02 million quintals.

An examination of import and export figures* indicates that Swiss trade, in general, has followed the trends established in the first full year of the war. This holds good at least for exports, whereas some

* Swiss foreign trade statistics are now treated as confidential and may not be published. See tables attached as enclosures nos. 2 and 3.

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop ment
 Box 459

DECLASSIFIED
 Authority NND 785009
 By GA NAFA Date 1/24/60

variation is reflected in the import figures. Germany not only maintained its position as Switzerland's chief foreign source of supply and principal export market, but increased its lead over Italy, its nearest competitor. Switzerland's imports from Germany amounted in round numbers to 656 million francs and were double those from Italy, which advanced from third place in 1940 to second, and approximately four times the value of imports from the United States, which was ousted from second place by the former. Swiss exports to Germany more than doubled, but as imports also increased by almost 60 percent, Switzerland's sales to that country were still considerably below its purchases.

Argentina, which last year ranked sixth as a source of supply and eighth as a market for Swiss exports, was Switzerland's fourth largest supplier of foreign goods, but sank to ninth place as a market for Swiss products.

Swiss imports from Portugal increased almost ten-fold, making that country the fifth largest source of supply, headed only by Germany and Italy on the Continent of Europe and overseas by the United States and Argentina in the order named. As might be expected, Portugal, with Swiss purchases of only 11 millions francs, or approximately 1 percent more than last year, did not figure largely as an export market for Swiss wares.

Romania, by almost doubling its sales to Switzerland, moved up from ninth to sixth place as a foreign source of supply, while with only slightly decreased purchases in Switzerland the former still constituted a substantial export market for this country.

Sweden, which in 1940 ranked tenth, improved its position to seventh place by more than doubling its sales to Switzerland. As a result of a 10 percent increase in its purchases from that country, it rose from sixth to fifth place as an export market for Swiss products, thereby supplanting Great Britain which last year held fifth place. Owing to transportation and other difficulties and the rightened navicert regulations, trade with Great Britain slumped badly, Swiss imports from and exports to that country totaling only 14 million and 23 million francs, respectively, or approximately one-sixth and one-fourth of the amounts for the previous year. In 1939, Swiss purchases in Great Britain totaled in round numbers 109 million francs and sales to that country 164 millions.

Imports from the United States declined by 47.9 million francs to 151.3 millions, but were still 18.6 millions above the 1939 figure of 132.7 millions. Since prices increased considerably, the decrease in volume must have been relatively greater than is indicated by the foregoing figures.

far-reaching changes have taken place in the composition and relative position of Swiss imports from the United States. The most striking of these are the phenomenal

increase

314365

RG 131
Entry AEC 1942-60
File ^{Switz economic +} financial develop
Box 459 ment

DECLASSIFIED
Authority NND 785009
By [signature] NARA Date 1/24/00

increase in wheat imports, and, to a less extent, other grains and cereals, and the equally important if less spectacular decrease in imports of iron and steel, coal, copper, automobiles and parts, and machine tools. Other items in which substantial increases occurred are edible oils, hides, skins and furs, essential oils, motion picture films, pharmaceutical raw materials, and food-stuffs generally. Among the items which registered noteworthy decreases are cotton, sugar and sugar starches, leather, coconut and palm oil, cleaning and bleaching materials, coal tar products, gasoline, lubricating greases, aniline and aniline compounds, and internal combustion engines. It appears from the foregoing that, in general, imports of feedstuffs and certain of the less important raw materials increased, whereas those of basic or essential raw materials and the more important manufactures declined.

The maintenance of transportation facilities with the United States and other overseas countries presented the greatest difficulties. Supplementing the measures taken the previous year following the collapse of France, a shuttle service was inaugurated between Lisbon and Genoa with the aid of chartered neutral vessels. These measures proved to be inadequate, and in April a Swiss merchant marine under the administration of a Federal Maritime Navigation Bureau with its seat at Basel was established. By the end of the year the country could boast of 9 vessels with an aggregate of almost 50,000 gross tons under its own flag. Following the elimination of several steamship lines in December, the accumulation of goods in overseas ports, mostly feedstuffs destined to Switzerland, was so great that the Swiss War Transport Office prohibited Swiss vessels from accepting tobacco imports until further notice. In addition, it established agencies in New York, Lisbon, and Genoa.

Owing to the shortage of rolling stock both in Portugal and Spain, and the run-down condition of the railways in the latter country, Switzerland entered into an agreement with those countries for the conditioning of 400 freight cars, 200 in each country, to be devoted exclusively to the transportation of vital Swiss goods. Even these measures were insufficient, and in August and September a Swiss-owned trucking service, "Autotransit", was established from the Portuguese border to Canfranc on the Spanish-French frontier. With a fleet of 19 trucks, this company transported during the last four months of the year almost 2,500 tons of freight, principally feedstuffs and essential raw materials.

Early in 1943 the benefits derived from the above-described extraordinary measures to maintain transportation facilities were threatened by the cancelling of the Portuguese concessions as a result of a coal and fuel shortage in that country.

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND785009
 By GO NARA Date 11/24/00

These difficulties, as well as many others, have only served to increase still further transportation costs. Already in 1940, freight rates from the United States to Switzerland had risen by approximately 600 percent. These have now increased to 700 or 800 percent and insurance to 15 times the pre-war rates. For freight rates particularly, the war has caused widespread dislocations and necessitated far-reaching adjustments. The practical blotting out of boundaries in Central Europe has dealt a death blow to international freight tariffs. For example, the amalgamation of the German and Austrian railways has had a profound influence on freight rates on the continent, and as far as Switzerland is concerned has made it necessary for the Swiss Federal and domestic railways to adopt the German tariffs for transit goods to the southern Swiss frontier.*

Money and Capital Market

The Swiss money market was characterized by continued liquidity throughout the year, an ample and unbroken supply of funds being derived from the sale of United States dollars, the liquidation of inventories, payments for exports, repatriated Swiss capital, and military disbursements. The influx of funds from these sources sufficed not only to satisfy the demand for foreign exchange but contributed to a renewed increase in the circulating medium. Call money and first-class Swiss bank and commercial paper remained at 1.25 percent, or slightly under the official rate of 1.5 percent, while the rates on loans against eligible commercial collateral varied from 3 1/2 to 4 1/2 percent.*1

The capital market, in turn, was obviously influenced by conditions prevailing on the money market. The desire to obtain some return on capital appears to have induced investment in bonds. At any rate, the average return on 12 Government and Federal Railway loans since the beginning of the year showed an almost continuous decline. While at the end of 1940 the return on such loans was 3.75 percent, it had fallen below 3 percent by the end of October 1941. The interest rates on certificates of deposit and savings were also unable to resist the general trend towards cheaper money, the rate on the former declining by roughly 1/2 percent to about 3 percent, while that on savings sank from an average of 2.69 percent at the close of 1940 to 2.58 percent at the end of October 1941. The interest rate on first mortgages declined during the year from an average of 3.95 percent to 3.87 percent. In view of its possibly unfavorable effect on the real estate market, this development cannot be regarded as an altogether desirable one.

The general liquidity of the financial market was a favorable factor for the flotation of new loans, as evidenced by the fact that bond issues offered for public

* Schweizer Industrie Blatt, no. 28, November 1941.
 National-Zeitung, no. 11, January 8, 1942.
 Die Tat, no. 12, January 14, 1942
 Schweiz, Leder & Schuh Zeitung, no. 2, January 15, 1942
 Weekly Economic Review, April 15, 1941
 *1 Bulletin of the Schweiz, Bankgesellschaft for December 1941.

RG 131
 Entry AEC 1942-60
 File Swiss economic + financial develop
 ment
 Box 459

DECLASSIFIED
 Authority NND785009
 By [initials] NARA Date 1/24/00

- 5 -

subscription had passed the 1 1/2 billion mark by the middle of November. Among the major borrowing operations of the year were the Government loans of May and November, both of which were heavily oversubscribed. The former consisted of a 280 million 3 1/2 percent loan, maturing in 1953 and redeemable in 1949, offered at 99.40 percent, and a 3 percent short-term loan in the same amount, due in 1947, at the rate of 99.64. The November issues were composed of a 3 1/4 percent loan of 320 million francs, maturing in 1956 and redeemable in 1951, offered at 100, and a 2 1/2 percent short-term loan totaling 370 million francs, due in 1946, also offered at 100. Through these two borrowing operations alone the Federal Government obtained a total of 1,150 million francs, of which 320 millions were for conversions.

Swiss loans offered for public subscription in 1941 reached the record sum of 1,627 million francs, which is over one billion francs more than those of the previous year.** Deducting the amount devoted to conversions, 709 million francs, there remained as new demands on the money market the sum of 918 million francs, against 519 millions in the preceding year. More than four-fifths of the offerings, or 1,347 million francs, consisted of issues of public corporate entities, of which 1,150 millions were Federal and the remainder, 197 millions, Cantonal or municipal loans. Other offerings were those of the central mortgage bank 101 millions, private banks 88 millions, electric power and light companies 44 millions, other financial companies 10 millions, and various other enterprises 36 million francs. As the greater part of private borrowings was for conversion purposes, new funds from this source amounted to only 24 million francs, as compared with 142 millions last year. Against this, repayments totaled 90 million francs, so that practically the only new funds borrowed in 1941 were those obtained by the State.

Securities Market

The Swiss stock exchanges at the beginning of the year were characterized by dullness. Nevertheless, the total turnover as compared with the previous year showed a noteworthy increase.* The lively demand for investments caused an increasingly firmer tendency. There were occasional brief periods of consolidation which were soon succeeded by an upward trend in prices. This was especially true of the Swiss Government loans and bonds of domestic industrial concerns. For instance, the defense loan of 1936 rose from 98.75 at the end of 1940 to 102.20 by the middle of November 1941, after having reached a high of 103.05. Moreover, foreign bonds quoted on the Swiss exchanges were also able to improve their position despite much greater fluctuations and the substantially smaller turnover.

** Bulletin of the Schweiz. Kreditanstalt, December 1941.

* Bulletins of the Schweiz. Bankgesellschaft and the Schweiz. Kreditanstalt, December 1941.

314368

RG 131
 Entry AEC 1942-60
 File ^{Switz economic +} financial develop
 ment
 Box 459

DECLASSIFIED
 Authority: IND785009
 By: CO NARA Date: 11/24/00

- 6 -

Following a period of stagnation in the first months of the year during which prices of some stocks declined, about the beginning of March a growing firmness became manifest as time went on. Signs of dullness began to appear as the autumn approached, after which prices were unable to rise above the level reached earlier in the year. The composite share index rose from 143.32 at the end of 1940 to 183.89 by mid November. The peak was reached during the first half of September, when the index registered 186. All categories of stocks participated in the upward movement. Industrials took the lead, followed by finance, insurance company, and bank stocks.

Doubt was expressed from time to time whether, in view of the threatening shortage of raw materials, the increasing demands of the treasury, and the necessity of a judicious increase in reserves, the high price of Swiss stocks is entirely justified. On the other hand, it has been argued that the operations of many Swiss enterprises whose shares have been quoted on the exchanges have been maintained at satisfactory levels, and that the decline of interest rates basically seems to justify the prevailing stock prices.

Foreign Exchange

The considerable decline in turnover experienced by the Swiss foreign exchange market in the previous year was followed by a further shrinkage during 1941, particularly after the action taken by the United States in June freezing continental European funds. Thereafter the only foreign currencies which could be freely exchanged in Switzerland were Portuguese escudos, Argentine pesos, and Swedish kronor.

The intimate trade relations which have grown up between Switzerland and Portugal as a result of the war made the escudo a subject of special interest. After the blocking of foreign funds in the United States had precluded arbitration in exchange, the escudo rose from Frs. 17.30 to Frs. 17.75, a rate which was maintained without difficulty until the latter part of the year, when, under the influence of the international political and military developments which also affected Portugal, it receded to Frs. 17.60. The value of the Argentine pesos was subject to considerable fluctuation, which, however, never exceeded the customary limits. The weakness exhibited by this currency in the last few months of the year as well as the above-mentioned firmness of the escudo, is attributed to the fact that since midsummer arbitration in exchange was not possible. Apart from the slight weakness following the freezing of Foreign credits in the United States, the Swedish kronor remained firmly stable at Frs. 103.70. Dollar exchange on New York was quoted at Frs. 4.31 throughout the year, whereas dollar bills fell sharply to a low of Frs. 2.60 following the involvement of the United States in the war in December, after which they recovered somewhat to Frs. 2.92 at the end of the year. The National Bank, which accepted dollars only on certain conditions, was practically the sole buyer. Reichsmark and lire were steady since the

comprehensive

314369

RG 131
 Entry AFC 1942-60
 File ^{Switz economic +} financial develop
 ment
 Box 459

DECLASSIFIED
 Authority NND 785009
 By GAO NARA Date 1/24/60

- 7 -

comprehensive control of these two currencies precludes any appreciable fluctuations. The free pound, favored by the British foreign exchange regulations which practically exclude any increase in this kind of sterling exchange, rose from Frs. 16.00 to about Frs. 17.30. The registered pound, which serves solely to liquidate commercial obligations, remained unchanged between Frs. 17.30 and Frs. 17.40 throughout the entire year. Official French francs showed a tendency to weaken after the demand had fallen off as the result of the conclusion of a clearing agreement between Switzerland and France. Meanwhile this currency, thanks to the measures taken by the French authorities in the course of the year, recovered, and after having touched a low of Swiss Frs. 6.30 in March stood at Swiss Frs. 9.55 at the end of the year.*

Government Finance and Taxation

The Federal Budget for 1940, which for the first time since the World War segregated ordinary and extraordinary expenditures, closed with receipts of 482 million francs and expenditures of 512 millions, or a deficit of 30 million francs, while the estimates for 1941 provided for a deficit of 84 million francs. The ordinary budget for 1942 estimates receipts at 371 million francs and expenditures at 480 millions, resulting in a deficit of 109 million francs. The decrease in revenue is attributable chiefly to a falling off in customs receipts, whereas the reduction in expenditures was possibly because of higher prices for agricultural products, with resultant lower government subsidies and a decline in unemployment.

The principal burden of Federal expenditures falls, however, in the extraordinary budget, which embraces all outlays due to war conditions and the revenue necessary to cover such expenditures. It is estimated that up to the end of 1942 such expenditures will total 4,890 million francs of which 1,340 millions are for the fiscal year 1942 alone. Of the latter amount, 1,170 million francs will either be amortized by the end of 1942 or covered by tax collections up to that time. By way of comparison, it may be recalled that the cost of Swiss mobilization during the last war amounted in round numbers to only 1,600 million francs. Extraordinary revenue in 1942 is estimated as follows: defense capital levy 90 million francs, defense taxes 80 millions, war profits taxes 100 millions, turnover tax 50 millions, and the so-called equalization or department store tax 10 millions, making a total of 330 million francs. A considerable portion of the funds to cover extraordinary expenditures must accordingly be obtained by borrowing.

The net Federal debt, exclusive of that of the Swiss Federal Railways, amounting to 3,200 million francs, at the end of 1940 totaled 2,777 million francs as compared with 1,529 millions two years earlier.**

* Bulletin of the Schweiz. Kreditanstalt for December 1941.

** Bulletin of the Schweizerische Bankgesellschaft, December 1941.

314370

BOX
 RG 131
 Entry AFC 1942-60
 File ^{Switz economic +} financial develop
 Box 459 ment

DECLASSIFIED
 Authority NND 785009
 By [signature] NARA Date 1/24/00

- 8 -

During 1941 the debt increased by approximately 800 million francs and will exceed 4,500 millions within the year according to the estimates of the Federal Department of Finance. Up to the present, the demands upon the bank of issue for financing public expenditures have been kept within reasonable limits. Occasionally, the Federal Government disposed of its treasury certificates in substantial amounts to the private banks at a very favorable rate.

The finances of the Cantons and municipalities also have felt the cost of mobilization. The combined Cantonal budgets for 1941 provided for an excess of expenditures over receipts of 59 million francs against 48 millions in the preceding year. The municipalities for their part were often faced with growing deficits, with the result that it was necessary to resort to tax increases.

314371

Box
RG 131
Entry AFC 1942-60
File Switz economic +
general develop
Box 459 met

DECLASSIFIED
Authority NND785009
By GA NARA Date 1/24/00

applications have been filed before June 1, 1948, pursuant to existing certification procedures.

Department of State,

Washington, *September 17, 1948*

840.51 FC/9-1448

314373

Box
RG 131
Entry AEC 1942-60
File ~~Switz economic +~~
~~Switz economic +~~
Box 459

DECLASSIFIED
Authority NND785009
By GPO NARA Date 1/24/00

JUN 11 1948

110054

Dear Mr. de Rham:

Reference is made to the Aide-Memoire dated June 8, 1948 concerning the status under Executive Order No. 9389, as amended, of patents, trade-marks and copyrights.

You are advised that this letter will confirm your understanding that patents, trade-marks and copyrights registered in the United States before November 30, 1946 and belonging to persons resident in Switzerland are not blocked and shall not be certified according to the procedure established by the exchange of letters of November 22, 1946 between Mr. Snyder and Mr. Petitpierre.

Very truly yours,

Gladys L. Davis

Mr. Guy de Rham
Second Secretary
Legation of Switzerland
2900 Cathedral Avenue, N. W.
Washington, D. C.

GLDavis:lta 6/9/48

314374

Box	131	DECLASSIFIED
RG	131	Authority: NND 785009
Entry	AFC 1942-60	By: [Signature]
File	Switz economic + financial develop ment	NARA Date: 1/24/00
Box	459	

LEGATION OF SWITZERLAND
WASHINGTON 8, D. C.

AIDE-MEMOIRE

Reference is made to the telephone conversation between Mr. De Rham of this Legation and Mrs. Davis of the Foreign Funds Control.

The Legation would appreciate it if Foreign Funds Control would confirm by aide-memoire that patents, trade-marks and copyrights, registered in the United States before November 30, 1946, and belonging to persons resident in Switzerland, are not blocked and shall not be certified according to the procedure established by the exchange of letters of November 22, 1946, between Mr. Snyder and Mr. Petitpierre.

Washington, D.C.

June 8, 1948

314375

DUN

RG

131

Entry

AFC 1942-60

File

Switz economic
financial develop
ment

Box

459

DECLASSIFIED	
Authority	NND785009
By	EW
NARA Date	1/24/00

25

105591

AUG 25 1947

To : Mr. Herman P. Davis,
Assistant Vice President,
Federal Reserve Bank of New York.

From : John S. Richards,
Director.

Reference is made to our memorandum of February 26, 1947 requesting that blanket licenses be issued implementing the procedure agreed to with the Swiss with respect to the importation of securities from Switzerland or Liechtenstein which are accompanied by a special type of certification. You will recall that we requested you by telephone on June 13, 1947 to amend these licenses to include authority to effect transfers of registration of such securities which are registered in the names of nationals of Switzerland or Liechtenstein.

In view of the July 25, 1947 amendment to General Ruling No. 5 this arrangement is no longer necessary for the importation of securities. However, we have advised the Swiss that we have no objection to the continued use of this special certification in order to unblock securities registered in the names of nationals of Switzerland and Liechtenstein. In addition, we are advising the Swiss that income earned on securities registered in the names of nationals of Switzerland and Liechtenstein which are held in Switzerland may also be unblocked on the basis of the special certification. Accordingly, you are requested to revoke the licenses issued pursuant to our memorandum of February 26, 1947 and to issue blanket licenses in the following form to appropriate banks, transfer agents, and registrars:

You are authorized to regard securities located in, or being imported from, Switzerland or Liechtenstein which are registered in the names of nationals of Switzerland or Liechtenstein, as unblocked and to effect transfers of registration therein upon receipt of a certification issued by the Swiss Compensation Office to the effect that no national of Germany or Japan as defined in paragraph 6 of the letter of November 22, 1946 from the Secretary of the Treasury to Dr. Petitpierre, Chief, Federal Political Department, has or has had an interest in such securities since the respective dates on which Swiss freezing regulations were extended to Germany and Japan.

You are also authorized to regard current and accrued income earned on such securities which are located in, or being imported from, Switzerland or Liechtenstein as unblocked upon receipt of a certification of the type described above provided that the income is ~~held~~ in an account in the name of the person whom the certification designates as the owner of the securities.

314376

Don
RG 131
Entry AFC 1942-60
File Switzerland economic + financial develop
Box 459 met

DECLASSIFIED
Authority NND785009
By GA NARA Date 1/24/00

- 2 -

Attention is directed to the fact that this license is not valid with respect to blocked securities held in the United States and that transactions involving such securities may be consummated only in accordance with applicable licenses, including General License No. 95.

JOHN S. RICHARDS

RWilliams:ebb 8/20/47

Williams

miss

HRP EPR

314377

Box	RG	131	DECLASSIFIED
	Entry	AFC 1942-60	Authority NND 785009
	File	Swiss Economic + AFC 1942-60 meb	By 60 NADA Date 1/24/60
	Box	459	

(TRANSLATION)

(From Gazette de Lausanne of June 28, 1947)

Progress of the Certification - Ami Dufour

Two months ago I reported in these columns the complaints which were being received from all sides on the subject of the slowness of the certification of the Swiss assets in the United States. At that time it could have been feared that the Americans were getting impatient and that they would take measures which would have had grave consequences for our national holdings on the other side of the ocean.

Since then fortunately the situation has evolved in a favorable manner. The Swiss Compensation Office, which in the beginning had to overcome certain organizational and personnel difficulties, has succeeded in accelerating the pace of its operations to an appreciable degree. While during the first two months, or up until April 20, 2,500 certifications for a value of approximately 465 million francs were issued, 3,500 certifications for a value of approximately 250 million were issued during the month which followed, and 4,650 for a value of 308 million in the period from May 20 to June 20. Thus as of June 20, 1,023 millions had been certified. According to certain estimates, this figure represents approximately two-thirds of the total of the Swiss assets in the United States. Thus it may be seen that the certification has made notable progress. And the representative in Switzerland of the American Treasury has declared himself satisfied with the course which the procedure has taken up till now.

However, in spite of these results the owners of assets in the United States must still have a great deal of patience. Experience shows that, starting from the moment when the applications are filled out by the banks, a delay of approximately two or three months must be counted upon before notice of unblocking in the United States reaches the interested person.

As for companies, first of all they must submit to the examination of their capital structure: the Swiss Compensation Office requires detailed information concerning the domicile and the nationality of their shareholders and creditors. There is no need to comment upon the time which the preparation of such documents requires. And when the shares are bearer shares, the difficulties are sometimes considerable.

But in order to be equitable, it must be recognized that the Swiss Compensation Office has done what it could recently to cut short these delays and to relax the formalities a little bit. However, it is succeeding only with difficulty in keeping up with the applications for certification which are sent to it and which at present amount to from 250 to 300 per day! 65 to 70 officials are assigned especially to this task, and for the moment, it appears, it is not possible to increase their number for lack of office space. Thus in spite of the overtime which is required of the personnel, there are delays.

This situation illustrates the size of the task which has been assigned to the Swiss Compensation Office, a task which arises out of the provisions of the unblocking agreement of November 22, 1946. No

314379

Doc	
RG	131
Entry	AFC 1942-60
File	Switz ^{responsibility} first ^{development} mea
Box	459

DECLASSIFIED
Authority: NND 785009
By: GN : NARA Date: 1/24/00

- 2 -

one will dispute that this agreement is extremely complicated. If one compares it in particular with that which has been concluded between the United States and Sweden, the difference is plain: the procedure which Sweden enjoys is simpler, but that is thanks to the fact that during the war truly Swedish assets had already been separated from those of other nationals.

Since Switzerland thus had to accept, for better or for worse, a very complex procedure, why was it necessary to burden it still further with the famous tax control? It is not to be doubted that this control causes the loss of precious time and considerably increases the total work of the officials of the Swiss Compensation Office. In particular, it was an error to have instituted a prior control which keeps in a kind of suspense all of the formalities of certification. If for political reasons - and that certainly could be disputed - it was felt indispensable to interject the fiscal element into the unblocking, would not a verification a posteriori have sufficed? But unfortunately these are only retrospective considerations, and the intervention of the tax collector - upon which the Americans do not look at all favorably - is a fait accompli.

What will become of the Swiss assets which are not certified for purely fiscal reasons? No one knows. Let us hope that our authorities will be able to find a means of keeping them from being seized by the Americans in the final analysis as so-called enemy property. Because that would be the last straw.

314380

DUN

RG

131

Entry

APC 1942-60

File

Switz. Compensation
for general develop.
meet.

Box

459

DECLASSIFIED

Authority

NND785009

By

CW

NARA Date

1/24/00



AIR MAIL
American Legation

UNITED STATES OF AMERICA
TREASURY DEPARTMENT

POUCH

Bern, 25 June 1947.

No. 420

Dear John:

I am enclosing the following items which I believe will bring you up to date concerning our dealings with the Swiss Compensation Office regarding the certification of the Swiss assets in the United States:

1. Letter of June 24, 1947, to the Compensation Office concerning the inclusion of Tangier in General License No. 53. This letter was prepared in accordance with the instructions contained in your letter No. 104737 of June 19, 1947.
2. Letter of June 18, 1947, to the Compensation Office concerning the case of Dr. Sergio Vitale, an Italian Jewish refugee in Egypt, who maintains a dollar account with the Credit Suisse. This letter was prepared in accordance with your letter No. 104447 of June 12, 1947. I am also enclosing a copy of a reply of June 20, 1947, which I have received from the Credit Suisse, Zurich, concerning this case. I am sending copies of these letters to Judd Polk in Cairo for his information.
3. Copy of the certification form, with duplicates, prepared by the Compensation Office for use in connection with the certification of American securities located in Switzerland under numbered paragraph 9 of the confidential letter of November 25, 1946.
4. Copy of the list prepared by the Compensation Office containing the signatures of persons authorized to sign the certification in connection with the unblocking of Swiss assets in the United States.

Very truly yours,

James H. Mann
U. S. Treasury Representative

Mr. John S. Richards,
Director, Foreign Funds Control,
Treasury Department,
Washington 25, D. C.

Note: Enclosures Nos. 3 and 4 follow with confirming copy by pouch.

314381

Doc	
RG	131
Entry	AFC 1942-60
File	Switz. Economic + AFC 1942-60 AFC 1942-60 AFC 1942-60
Box	459

DECLASSIFIED
Authority: NND785009
By: CW
NARA Date: 1/24/00

Bern, June 24, 1947.

Dear Dr. Schwab:

Reference is made to my letter to you of April 8, 1947 concerning the necessity for special arrangements to cover the certification of assets held in the United States by nationals of countries specified in General License No. 95 but held through the intermediary of a bank, holding company, or other depository located in Tangier.

I have now been advised by the Treasury Department that on June 25, 1947 General License No. 53 will be amended to include Tangier and nationals thereof within its terms. This means that under the terms of General License No. 53A from that date Tangier will be licensed to be regarded for all purposes as not blocked. Accordingly, it will no longer be necessary for the Swiss Compensation Office to employ the special certification form described in my letter under reference for property held through Tangier. At the same time, the Swiss Compensation Office may now proceed, where appropriate, to certify under General License No. 95 property held in the United States by nationals of Tangier through the intermediary of Switzerland.

Very truly yours,

James H. Mann,
U. S. Treasury Representative.

Dr. Max Schwab,
President, Swiss Compensation Office,
Börsenstrasse 26,
Zurich.

314382

RG	131	DECLASSIFIED
Entry	AFC 1942-60	Authority NND785009
File	Switz Switzerland Gen. Licenses 459 met	By <u>GW</u> NARA Date 1/24/00
Rox	459	

June 18, 1947.

Dear Dr. Schaub:

The Treasury Department has requested this office to bring to your attention the case of Dr. Sergio Vitale, an Italian Jewish refugee in Egypt who maintains a dollar account in the amount of approximately \$1,500 with the Credit Suisse. Recently in connection with getting these funds certified under General License No. 95 the Credit Suisse sent Dr. Vitale a form to fill out and advised him that the form should be returned together with a certificate from the United States authorities that he is not an enemy.

From the information available to the Treasury Department it appears that Dr. Vitale is a generally licensed national under the terms of General License No. 53A and that the sole reason for the blocking of his funds is the fact that they are held through Switzerland. Furthermore, as you know, an Italian citizen resident in Egypt is not considered an enemy as that term is defined in Secretary Snyder's letter of November 22, 1946 to Dr. Petitpierre. There is therefore no necessity for a certification as to his non-enemy status. Accordingly, certification of Dr. Vitale's assets may be made by the Swiss Compensation Office upon its own responsibility and without obtaining any form of certification from this or any other government.

I should be glad to discuss this case with you if you have any further questions concerning it. I am sending a copy of this letter to the Credit Suisse for its information.

Very truly yours,

James H. Mann,
U.S. Treasury Representative.

Dr. Max Schaub,
President, Swiss Compensation Office,
Borenstrasse 26,
Zurich.

cc: Dr. Paul von Follenberg,
Credit Suisse,
Zurich.

DJM:ko

314383

RG 131
 Entry AFC 1942-60
 File Switz economic + financial develop
 Box 459

DECLASSIFIED
 Authority NND785009
 By EO : NASA Date 1/24/60

(C O P Y)

SCHWEIZERISCHE KREDITANSTALT
 ZURICH

Zurich, June 20, 1947

Mr. James H. Mann
 U.S. Treasury Representative
 c/o American Legation

Vf/Po.

B e r n e .

Dear Sir,

We beg to acknowledge receipt of your letter dated June 18, 1947, forwarding us a copy of a letter despatched by you to Dr. Schwab, President of the Swiss Compensation Office, concerning the decision taken by the USA Treasury Department in connection with the unblocking of certain assets held by our bank for Dr. Sergio Vitale, an Italian Jewish refugee in Egypt.

We have been able to ascertain that this case is handled by our Lugano office and are therefore communicating to them the contents of your letter.

Thanking you for your kind intervention in the matter, we are, Dear Sir,

Yours very truly,

C R E D I T S U I S S E

(Signed) V. Fellenberg (Other signature illegible)

314384

DCA RG 131 Entry AEC 1942-60 File Swiss economic + financial develop. ment Box 459	DECLASSIFIED Authority NND785009 By GAO NARA Date 1/24/60
--	---

(TRANSLATION)

SWISS COMPENSATION OFFICE

Certification
296-Lb/Mo

Zurich, 11 June 1947

Mr. James H. Mann,
U. S. Treasury Representative,
American Legation
B e r n e.

Dear Sir:

We have the honor to acknowledge the receipt of your letter of May 14, 1947, in which you request us to transmit to you for forwarding to the Treasury Department various pieces of information on the subject of the certifications made up till now.

In reply to item 1 of your letter under reference, we are in a position to communicate the desired figures to you and we should like to inform you that through the end of May 1947 our office has certified:

Assets deposited in the United States

Dollar assets	Frcs.	292,590,988.21	12,721,347.31
Securities	Frcs.	491,520,953.66	21,370,976.24
Securities deposited in Switzerland			

Frcs. 2,843,905.20 123,648.65

In the future we will transmit these figures to you monthly. 34,215,491.60

With reference to item 2 of your letter, may we inform you that to date five requests for certifications have been denied. These concern companies or other organizations for which a certification would not be proper since countries not enjoying the privileges of General License No. 95 hold interests in them; in these cases it has not been necessary for the time being to undertake a thorough examination and determine the value of the amounts to be certified. On the other hand our directives are precise, and natural persons, for example, have ample opportunity to acquaint themselves with the exact conditions required for certification. As a general rule persons who are not entitled to certification or whose assets are not certifiable abstain from sending requests for certification to our office. Moreover, in principle, we hold in suspense the requests coming from certain claimants, among others those of Germans domiciled in Switzerland or of claimants domiciled in a country not yet entitled to the privileges of General License No. 95. Moreover, there exists a series

Don
RG 131
Entry #FC 1942-60
File Swiss economic + financial develop
Box 459

DECLASSIFIED
Authority NND785009
By [signature] NARA Date 1/24/00

2

of complicated cases - particularly those of companies - which require considerable work on our part. In these cases we are endeavoring to determine first of all whether the conditions necessary for the certification of the persons concerned are fulfilled without for the moment examining the situation with respect to the assets to be certified.

May we reserve our right to return to points 2 through 4 of your letter at a later time.

Please accept, dear sir, the assurance of our distinguished consideration.

SWISS COMPENSATION OFFICE

(Two illegible signatures)

RG	131	DECLASSIFIED
Entry	AFC 1942-60	Authority: NND785009
File	Switz economic + financial develop ment	By: [initials] NARA Date: 1/24/60
Box	459	

Memorandum for the Files

Re: Leu & Co.
Zurich, Switzerland

March 6, 1946

The records of this office are sparse in connection with this firm. However, there is sufficient indication that this bank was one of the important conduits through which the German Government conducted its foreign exchange activities, particularly in Portuguese escudos.

Back-Ground

The bank was founded in 1752 and throughout the 19th Century specialized in mortgages, particularly in Germany. The bank got into difficulties in 1921-22 and was re-organized with the aid of the Swiss Bank Corporation. In 1936-7 a second re-organization occurred in which Swiss Bank Corporation again took part. The capital consisted of 18.8 million Fr. pref. sh. and 7 million Fr. ordinary sh., of which Swiss Bank Corp. owned 1 mill. Fr. There were 48 mill. Fr. blocked assets (un-liquidated investments) and 28 mill. special reserve in 1940 1/.

According to a recent report, Leu & Co. has written off the doubtful assets of its German holdings at the expense of its ordinary share capital 2/ which was valued at 25.8 mill. Fr. It will be observed that this is the amount given as the total capital in 1937.

Quotations on the Leu preferred stock has almost doubled since last July.

Axis Commercial Ties

As noted above, the bank has been noted for its dealings in German mortgages. Although, Messrs. Golay & Turler, of the Leu Board, assured the British Consul that no German mortgages have been handled since 1937 3/, a dispatch dated July 23, 1942, indicates that they hold a German mortgage as collateral for a loan of 80,000 Gold marks 4/. However, it should be noted that there is no indication as to the date of the loan and it may have been made prior to 1937, the date given in the assurances to the British Consul.

This bank has maintained its business connections in Germany, receiving instructions anent the forwarding of securities to Germany from depot accounts on its books in behalf of an Argentine customer 5/. As this dispatch was condemned, it is not known if this transaction was ever consummated. In connection with the type of business reputation enjoyed by the bank, it was suggested, in another dispatch that holdings belonging to a person resident in Switzerland be registered under the name of Leu & Co. so as to conceal an existing relationship with a Berlin bank 6/, and in the

- 1/ Letter dated 2/11/41 from British Consul Gen. Basle to British Legation
- 2/ N.Y. Times 2/25/46
- 3/ Letter dated 2/11/41
- 4/ Ber Fin 32073/42
- 5/ SJ Fin 1875 dated 6/23/43
- 6/ Tri. Fin 6984/42 dated 4/5/42

314387

RG	131	DECLASSIFIED
Entry	AFC 1942-60	Authority: NND 785009
File	Switz economic + financial develop ment	By: [initials] NARA Date: 1/24/60
Box	459	

- 2 -

n, it was proposed to send remittances to Rumania through
no. 7/. Blocked mark accounts were maintained and deposits of
ans of secs. physically on deposit in Germany, were accepted 8/.

At least up through 1942, remittances of Gulden were handled to
Holland; thus establishing more free exchange for the Germans. This
business arose in Chile 9/.

Leu & Co. has a blocked account containing Swiss Fr. belonging to
Forgo of Arad, Rumania 10/.

Financial Dealings for and on behalf of the German Government

Leu & Co. purchased 1,229,000,000 escudos for and on behalf of the
Reichsbank between January 1, 1941, and October 30, 1942. It received payment
in Swiss francs from the Swiss National Bank. The manager, Leu & Co., was
questioned on several occasions by the Consulate General in Zurich. He refused
to reveal why escudos were bought through Switzerland, stating that such a dis-
closure would be a violation of the bank secrecy law. In the interviews the
bank stated when it learned that this escudo business on behalf of the Reichs-
bank was not approved by the Allies, it refrained from obtaining escudos by
special permits from Portuguese banks after June 27, 1942, but thereafter made
purchases of escudos from other Swiss banks for Germany. This practice was
completely discontinued after October 29, 1942, the Bank went on to state 11/.
The Price Waterhouse report on Wehrli 12/ which covers the period July, 1941,
to the latter part of 1943 shows a transfer of 1,000,000 escudos through
Leu & Co. during that period. The specific date is not shown.

There is nothing to indicate that except for this Reichsbank business,
Leu & Co. have been active in the Lisbon exchange market. 13/

Dispatches in our files show that this traffic was in full swing as
late as the week of May 4 - 11, 1942. 14/

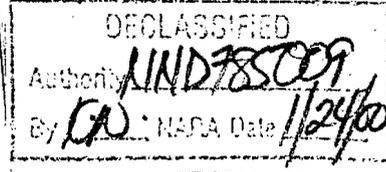
On September 8, 1944, it was reported that a number of Swiss banks
are now embarrassed at having so much stolen gold and are doing their best
to sell it to "sure persons" in spite of the fact that this constitutes a
breach of the country's law forbidding the export of gold. Leu & Co. is
one of the banks mentioned in this connection 15/. It is also "definitely
known to have received bonds and gold which the Nazis stole from Europe." 16/

Harry S. Weidberg

- 7/ Tri Fin 7308/44 dated 5/26/44
- 8/ Tri Fin 2663/43 dated 2/9/43
- 9/ Bin 1945/42 dated 3/7/42
- 10/ Safehaven 165 London 3/20/45
- 11/ Memo by Jas. H. Mann, Bern 1/4/45
- 12/ Dispatch 13146 Bern dated 12/13/45
- 13/ N.Y. 1031/73/41 dated 12/30/41
W.T. 1124/BA/29/42 dated 5/19/42
Letter Stopford to Pehle 12/10/41
- 14/ Secret Report A-39194
- 15/ Secret Report A-39193

314388

RG 131
 Entry AFC 1942-60
 File Switzerland defrosting
 Box 459



(TRANSLATION)

(From Gazette de Lausanne of June 28, 1947)

Progress of the Certification - Ami Dufour

Two months ago I reported in these columns the complaints which were being received from all sides on the subject of the slowness of the certification of the Swiss assets in the United States. At that time it could have been feared that the Americans were getting impatient and that they would take measures which would have had grave consequences for our national holdings on the other side of the ocean.

Since then fortunately the situation has evolved in a favorable manner. The Swiss Compensation Office, which in the beginning had to overcome certain organizational and personnel difficulties, has succeeded in accelerating the pace of its operations to an appreciable degree. While during the first two months, or up until April 20, 2,500 certifications for a value of approximately 465 million francs were issued, 3,500 certifications for a value of approximately 250 million were issued during the month which followed, and 4,650 for a value of 308 million in the period from May 20 to June 20. Thus as of June 20, 1,023 millions had been certified. According to certain estimates, this figure represents approximately two-thirds of the total of the Swiss assets in the United States. Thus it may be seen that the certification has made notable progress. And the representative in Switzerland of the American Treasury has declared himself satisfied with the course which the procedure has taken up till now.

However, in spite of these results the owners of assets in the United States must still have a great deal of patience. Experience shows that, starting from the moment when the applications are filled out by the banks, a delay of approximately two or three months must be counted upon before notice of unblocking in the United States reaches the interested person.

As for companies, first of all they must submit to the examination of their capital structure: the Swiss Compensation Office requires detailed information concerning the domicile and the nationality of their shareholders and creditors. There is no need to comment upon the time which the preparation of such documents requires. And when the shares are bearer shares, the difficulties are sometimes considerable.

But in order to be equitable, it must be recognized that the Swiss Compensation Office has done what it could recently to cut short these delays and to relax the formalities a little bit. However, it is succeeding only with difficulty in keeping up with the applications for certification which are sent to it and which at present amount to from 250 to 300 per day! 65 to 70 officials are assigned especially to this task, and for the moment, it appears, it is not possible to increase their number for lack of office space. Thus in spite of the overtime which is required of the personnel, there are delays.

This situation illustrates the size of the task which has been assigned to the Swiss Compensation Office, a task which arises out of the provisions of the unblocking agreement of November 22, 1946. No

RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By EO NARA Date 11/24/00

- 2 -

one will dispute that this agreement is extremely complicated. If one compares it in particular with that which has been concluded between the United States and Sweden, the difference is plain: the procedure which Sweden enjoys is simpler, but that is thanks to the fact that during the war truly Swedish assets had already been separated from those of other nationals.

Since Switzerland thus had to accept, for better or for worse, a very complex procedure, why was it necessary to burden it still further with the famous tax control? It is not to be doubted that this control causes the loss of precious time and considerably increases the total work of the officials of the Swiss Compensation Office. In particular, it was an error to have instituted a prior control which keeps in a kind of suspense all of the formalities of certification. If for political reasons - and that certainly could be disputed - it was felt indispensable to interject the fiscal element into the unblocking, would not a verification a posteriori have sufficed? But unfortunately these are only retrospective considerations, and the intervention of the tax collector - upon which the Americans do not look at all favorably - is a fait accompli.

What will become of the Swiss assets which are not certified for purely fiscal reasons? No one knows. Let us hope that our authorities will be able to find a means of keeping them from being seized by the Americans in the final analysis as so-called enemy property. Because that would be the last straw.

314390

Box 131
RG
Entry AEC 1942-60
File Switzerland defrosting
Box 459

DECLASSIFIED
Authority NND785009
By [signature] NAPA Date 1/24/00



AIR MAIL
American Legation

UNITED STATES OF AMERICA
TREASURY DEPARTMENT

104740
FILING AUTHORITY
NO: MAIL & FILES
ANS. ✓
NO ANS. REQ.
INITIAL M. 2. 4. R. S.
DATE 7-3-47



Bern, 19 June 1947.

No. 412
Dear John:

I am enclosing a copy of a letter of June 4, 1947, which this office has received from Mr. Frits Simon of Geneva, Switzerland, who is at present on a visit to the United States.

This office had some dealings with Mr. Simon prior to his departure for the United States. Last winter he requested that, in connection with the unblocking of his assets in the United States, we issue a determination that he was a bona fide victim of persecution by the Nazis. This we refused to do for the reason that it would have been superfluous in his case, since he had not been in enemy territory since before the then crucial date of December 7, 1941 (and of course not since before the now crucial date of January 1, 1945). We stated to him that we felt the Swiss Compensation Office could take action in his case without any special intervention by this office and that he should make direct application to that agency.

My purpose in writing you this letter is to inquire concerning Mr. Simon's statement to the effect that the banks in New York have informed him that Swiss nationals coming to the United States "for a while" are getting their assets unblocked by special license of the Treasury. It appears to us that if this is indeed the case, it is contrary to the information contained in airgram No. A-227 of December 30, 1946, that "it is the general policy of the United States Treasury not to consider applications for unblocking of property of persons who enter United States or other non-blocked countries such as United Kingdom from a General License No. 95 country after effective date of General License No. 94 for country concerned unless such individuals have permanent visas but to require such individuals to obtain unblocking of their property by certification under General License No. 95 from country of permanent residence." As you know, we have communicated this statement of policy to the Swiss Compensation Office and we have used it as a basis for the refutation of the reports which the Swiss Compensation Office has brought forward from time to time concerning the numbers of Swiss nationals who were supposed to be circumventing the certification procedure by a trip to the United States. Accordingly, I should greatly appreciate any comments which you feel

RECEIVED
GENERAL INVESTIGATIVE
DIVISION
JUL 11 1947

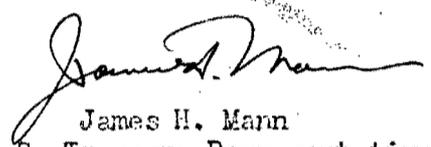
RG 131
Entry AFC 1942-60
File Switzerland
defrosting
Box 459

DECLASSIFIED
Authority NND785009
By GO NARA Date 1/24/00

in a position to make concerning the above-mentioned statement in Mr. Simon's letter.

I shall of course reply to Mr. Simon that this office is not in a position to issue the determination which he requests in his letter.

Very truly yours,



James H. Mann
U. S. Treasury Representative

Mr. John S. Richards,
Director, Foreign Funds Control,
Treasury Department,
Washington 25, D. C.

RECEIVED
FOREIGN FUNDS CONTROL
TREASURY
JAN 24 1960
S I E M A S W U L T A P I

Original by air mail, copy by post.

BOX
 RG 131
 Entry APC 1942-60
 File Switzerland
 defrosting
 Box 459

DECLASSIFIED
 Authority NND 785009
 By GJ NARA Date 1/24/00

UNITED STATES OF AMERICA
 MAILING AUTHORITY
 POST OFFICE: MAIL & FILES

104740



(COPY)

F. Simon, editor and publisher
 Geneva (Switzerland)
 31 Ave de Miremont

New York 31, N. Y.
 730 Riverside Drive, Apt 9A

June 4, 1947

U. S. Treasury
 Elfenstr. 5
 Berne

Gentlemen:

I am referring to my visit in your office and the correspondence I had with you regarding the defreezing of my assets in the US.

Now I am in New York and I learned from banks here that in the last time assets of Swiss nationals coming to the States for a while have been unblocked by special license without going through the expensive machine of the Swiss Compensation Office.

I hope that the US Treasury will not treat me worse than the Swiss nationals and beg you therefore to have the kindness to mail me a certificate of bona fide refugee in order that I don't get here a more unfavorable treatment as a Swiss national.

May I remember you: born in Dresden December 1893, I have been German nationalised (Reichsanzeiger Liste 60 n 83 and 84) together with my wife Marga Simon (her parents are citizen of US, living in New York) and all our assets in Germany and later on in the occupied countries have been taken away by Nazis. December 1941 I was confined owing alleged violation of Swiss neutrality in my private war against Hitler and his "New Europe" on special demand of the German Legation in Berne and my publishing company closed by the Swiss authorities. These facts are known by Mr. Ostrow, Mr. Bigelow and other members of the American Legation in Berne.

I should be very obliged to you if you could help me and I would highly appreciate it if I could receive the certificate at your earliest convenience.

Very truly yours

(Signed) Fritz Simon

Fritz Simon

314393

RG 131
 Entry APC 1942-60
 File Switzerland defrosting.
 Box 459

DECLASSIFIED
 Authority: NND785009
 By: CN NARA Date: 1/24/00



TREASURY DEPARTMENT

WASHINGTON

25

Sec. 7 info held with
 information contained
 in this letter
 on June 12, 1947

FOREIGN FUNDS CONTROL

IN REPLY PLEASE
 REFER TO: 103746

MAY 28 1947

Dear Jim:

We have received an inquiry through the Swiss Bank Corporation, New York, with respect to the certification of property beneficially owned by a resident of another General License No. 95 country which is held through a bank located in Switzerland.

We have advised the Swiss Bank Corporation that we are advising governments of all countries included in General License No. 95 that in those cases where a resident of their country holds his property through a recognized bank located in another General License No. 95 country, which bank acts only in the capacity of a depository, they may issue certifications without reference to the country of which the depository is a national. So that the depository may give whatever instructions are necessary to the United States bank the certifying agency should forward the certification through the foreign bank for delivery to the American depository.

Similar certification will be received by various Swiss banks from other General License No. 95 countries and a somewhat different procedure will be necessary in the case of banks subject to General Ruling No. 11A. You will recall that in our letter No. 102990 of April 16, 1947 we authorized the certification of accounts of eligible customers held through Swiss banks which are subject to General Ruling No. 11A provided certain assurances were received and the certification included the statement that it was proper notwithstanding General Ruling No. 11A. If this procedure has been made applicable to any banks in Switzerland such banks should be advised that upon receipt of certificates under the above paragraph they should forward them to the Swiss Compensation Office which if they believe the certification is proper in the light of the assurances they have given may treat it as a cross-certification or add to it the statement that it is proper notwithstanding General Ruling No. 11A.

314394

In einem

nur ein Gegenstand behandelt werden — Ne traiter qu'un seul sujet par lettre — Trattare un unico argomento per lettera
 Montag, Mittwoch, Freitag, von 14—17 Uhr — Jours de réception: lundi, mercredi, vendredi, de 14 à 17 heures
 Giorni di udienza: lunedì, mercoledì e venerdì dalle ore 14 alle 17

Box
RG 131
Entry AFC 1942-60
File Switzerland
defrosting
Box 459

DECLASSIFIED
Authority NND 785009
By GPO : NASA Date 1/24/60

- 2 -

It will be appreciated if you will advise the Swiss Compensation Office of this procedure.

Sincerely yours,

John S. Richards
John S. Richards
Director

Mr. James H. Mann,
U.S. Treasury Representative,
c/o American Legation,
Bern, Switzerland.

AIRMAIL

314395

In einem

ist ein Gegenstand behandelt werden — Ne traiter qu'un seul sujet par lettre — Trattare un unico argomento per lettera
Montag, Mittwoch, Freitag, von 14—17 Uhr — Jours de réception : lundi, mercredi, vendredi, de 14 à 17 heures
Giorni di udienza : lunedì, mercoledì e venerdì dalle ore 14 alle 17

RG 131
Entry AEC 1942-60
File Switzerland
Box 459
declassing

DECLASSIFIED
Authority NIND 785009
By [signature] NARA Date 1/24/00

June 17, 1947

D R A F T No. 1

Press Release

Secretary of the Treasury Snyder and Attorney General Clark today jointly urged that all persons whose assets may be unblocked under established Treasury procedures, such as by certification under General License No. 95, avail themselves immediately of the appropriate procedure in order to avoid the vesting of property held in their names. They announced that on April 1, 1948 all property at that time remaining blocked under the freezing order will be taken over by the Office of Alien Property in the Department of Justice. Secretary Snyder stated that such action is essential to insure that upon the termination of the wartime controls exercised by the Treasury Department, enemy assets concealed here will not escape but instead will be used to compensate this country to some extent for the losses suffered during the war.

Effective April 1, 1948, the use or administration of blocked assets by the record owners will no longer be permitted. Outstanding licenses authorizing withdrawals or changes in form of blocked assets, including their release under General License No. 95, will become inoperative.

It was emphasized that, although the Department of Justice has authority to release property which in fact as well as in name belongs to friendly or neutral persons, no such release will be made without prior consultation with the government of the country of which the alleged owner is a resident. Claims for the release of property vested by the Department of Justice must, under United States law, be filed within two years of the date of vesting.

Attention was called to the procedures already established by the Treasury Department for the release of non-enemy blocked property. For example, most blocked European countries have now been included in General License No. 95

DOR
 RG 131
 Entry AFC 1942-60
 File Switzerland defrosting
 Box 459

DECLASSIFIED
 Authority NND 785009
 By GPO NADA Date 1/24/00

Between now and April 1, 1948 residents of these countries may obtain the unblocking of their assets by applying to the appropriate governmental authorities in the countries where they reside provided, of course, that those authorities are satisfied that there is no enemy interest in the property concerned. Moreover, the Treasury Department recently announced in Public Circular No. the procedures to be followed in obtaining the unblocking of their property by American citizens located in any blocked country and by individuals residing in Germany, Japan, Hungary, Roumania, and Bulgaria who are not citizens or subjects of any of these countries or who were victims of Nazi-Fascist or Japanese persecution.

The governments of countries included in General License No. 95 are giving their residents public notice of the action which will be taken on April 1, 1948, by this government against assets in the United States which have not been certified by those countries. Those governments are urging their residents to apply to them immediately for the certification of assets in the United States held in the names of their residents if the assets qualify for certification. It is suggested that persons in the United States holding blocked assets of foreign nationals immediately inform such nationals of today's announcement.

It was pointed out that at present no procedure exists under which residents of Spain or Portugal, other than United States citizens, may obtain the release of property belonging to them. The Treasury Department expressed the hope, however, that the governments of these two countries would shortly reach accords with the allies concerning restitution of looted gold and the disposition of German assets located within their respective jurisdictions. Once such accords are entered into, it should be possible expeditiously to arrange a procedure for the unblocking of assets of residents of those countries.

It was also noted that no procedure exists for the unblocking of assets in the names of residents of Yugoslavia, Estonia, Latvia, and Lithuania unless

DCA
 RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By DO NARA Date 1/24/00

- 3 -

they are American citizens. Assets held in the names of such residents will be taken over by the Office of Alien Property on April 1, 1948, unless events make it possible to release those assets from the blocking controls prior to that time. A similar situation exists with respect to assets standing in the names of residents of Hungary, Roumania, and Bulgaria who are citizens or subjects of those countries and who were not victims of Nazi-Fascist persecution. Blocked assets in the names of residents of Germany and Japan who are citizens or subjects of Germany and Japan are presently being vested by the Office of Alien Property unless the person owning the assets is a victim of Nazi-Fascist or Japanese persecution.

Treasury officials stated that this announcement in no way affects the control over importations of securities specified on the list attached as a part of General Ruling No. 5.

314398

RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority 11ND785009
 By CP NARA Date 1/24/00

No. 1

June 17, 1947

DRAFT OF LETTER TO BE SENT TO SWISS GOVERNMENT

Reference is made to the final paragraph of Secretary Snyder's letter of November 22, 1946, to Dr. Petitpierre in which it was stated that we would seek an exchange of views with your government before actually instituting measures to deal with blocked property standing in the names of persons within Switzerland and Liechtenstein which, after a reasonable period, had not been certified by your government. Reference is also made to my letter advising you of the contemplated issuance of General License No. ___ which is designed to expedite and facilitate the certification procedure and in which it was stated that we hoped, in the near future, to be able to inform you of our plans for disposing of the residual problems of uncertified assets, thereby bringing to a close the operation of the certification procedure.

The certification procedure provided for in General License No. 95 was chosen as the most effective method for removing non-enemy assets from the wartime blocking controls exercised by this Department and, at the same time, for discovering the existence of enemy assets held through General License No. 95 countries. This procedure, since its institution, has resulted in the release of a substantial amount of blocked property, yet a large volume still remains blocked due both to the magnitude of the investigative task assumed by the foreign governments concerned and to the reluctance of certain holders of assets to apply for certification to the governments of the countries in which they reside. It was the intention of the Treasury Department to relieve the investigative burden by the issuance of General License No. ___. It is now necessary that the reluctance to apply for certification be overcome since it is imperative for this Department to terminate its wartime controls over Foreign owned assets.

In order to deal effectively with this problem we are planning to issue in the near future a public announcement to the effect that property remaining blocked under the freezing order on April 1, 1948, will be subject to vesting by the Office

314399

RG 131
 Entry AEC 1942-60
 File Switzerland
 defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By [signature] NARA Date 1/24/00

- 2 -

of Alien Property in the Department of Justice. The text of the planned announcement is enclosed. On April 1, 1948, uncertified property in the names of residents of the General License No. 95 countries as well as other blocked property would in fact be placed under the jurisdiction of the Office of Alien Property. In the meantime residents of the General License No. 95 countries would have an opportunity of applying to the appropriate authorities of the country in which they reside for certification of their assets, if eligible, and thereby avoiding the property being taken over by the Office of Alien Property.

An announcement by us of the type described in the preceding paragraph will provide residents of the General License No. 95 countries with an incentive for taking immediate steps to apply for certification under General License No. 95. In the case of Switzerland, however, one of the principal factors causing your residents to be reluctant to request certification has been the requirement concerning the payment of taxes and the penalties imposed by your government for having failed to have previously declared the assets and paid the taxes due. In view of the cooperation already extended by your government in making the certification procedure as successful as it has been to date, we are sure that we can rely on your government, in the interest of bringing the procedure to a successful conclusion, to take steps to alleviate the tax problems of residents of Switzerland and Liechtenstein.

The Office of Alien Property has been authorized by the Congress to return under certain conditions property vested by it if claims are filed within two years from the date of vesting and if it is established that the vested property in fact belonged to friendly or neutral persons. The Office of Alien Property, before acting favorably on any such claim, in general consults the foreign government of which the claimant is a resident. It is contemplated that the appropriate foreign government will be consulted by the Office of Alien Property before property subject to the program discussed herein is released or returned.

314400

DCA
 RG 131
 Entry AEC-1942-60
 File Switzerland
 defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By GA : NARA Date 1/24/00

COPY

D R A F T

PUBLIC CIRCULAR NO. ___

1. Release of accounts of certain individuals residing in Germany, Japan, Bulgaria, Hungary, and Rumania. The Treasury Department is prepared to consider applications for the release of property blocked in the United States by reason of the interest therein of individuals residing in Germany, Japan, Bulgaria, Hungary, and Rumania (i) who are not citizens or subjects of any of these countries or (ii) who, if they are subjects or citizens of any of these countries, would be eligible for the return of their property under Public Law No. 671 - 79th Congress (60 Stat. 925; Sec. 1, 50 U.S.C. App. Sup., 33-37, 620, Sec. 2, 60 U.S.C. App. Sup., 32, 619, Sec. 3, 60 U.S.C. App. Sup., 38) had it been vested by the Alien Property Custodian or Department of Justice. The following conditions should be observed in filing such applications:
- (a) Applications should be accompanied by a statement from the alleged owner indicating the date and place of acquisition of the property, from whom acquired, under what circumstances, and for what consideration. If any person other than the alleged owner has had an interest in the property since the effective date of the Order, the statement should also indicate the name, nationality and place of residence of each such person and the nature of his interest.
 - (b) With respect to individuals who are not citizens of Germany, Japan, Bulgaria, Hungary and Rumania, applications should state the citizenship of the alleged owner and be accompanied by documentary evidence of such citizenship and a statement concerning the nature and length of residence in the country involved.
 - (c) With respect to individuals who are citizens or subjects of Germany, Japan, Bulgaria, Hungary and Rumania, applications will be considered only if accompanied by positive evidence that the alleged owner would be eligible

314401

RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By CA NARA Date 1/24/00

- 2 -

for return of the vested property pursuant to Public Law No. 671 - 79th Congress; i.e., he is an individual who, as a consequence of any law, decree, or regulation of the nation of which he was then a citizen or subject, discriminating against political, racial, or religious groups, has at no time between December 7, 1941 and the time when such law, decree, or regulation was abrogated, enjoyed full rights of citizenship under the law of such nation.

2. Release of accounts of religious organizations. The Treasury Department is also prepared to consider applications for the release of blocked property in the United States owned by religious organizations located in any blocked country, including countries specified in General License No. 94. Such application should be accompanied by a statement from a responsible person having knowledge of the facts setting forth the information specified in paragraph 1(a) above.
3. Release of accounts of United States citizens. The Treasury Department is continuing its policy of considering applications for the unblocking of property of United States citizens residing in blocked countries, including countries licensed by General License No. 94. Such applications should state the citizenship of the alleged owner and should be accompanied by a statement setting forth the information specified in paragraph 1(a) above.
4. Claims of Creditors. The Treasury Department is also prepared, in appropriate cases, to grant licenses authorizing payments to creditors of individuals of the type referred to in paragraph (1) above and of religious organizations located in Germany, Japan, Bulgaria, Hungary and Rumania from blocked accounts in this country of such individuals or organizations. In general, an application for such a license should be supported by a payment instruction or other acknowledgment by the debtor executed after the effective

314402

Box
RG 131
Entry AFC 1942-60
File Switzerland
defrosting
Box 459

DECLASSIFIED
Authority NND785009
By [signature] NARA Date 1/24/00

date of Public Circular No. 25 with respect to the country where the debtor is located. If an application is based on a court judgment evidence should be submitted that the debtor has received actual notice of the proceedings and has had a reasonable opportunity to appear. Attention is called to the fact that licenses are being issued, under similar circumstances, with respect to the payment of claims from the accounts in the United States of debtors, including religious organizations, who are located in the liberated and neutral countries and Italy.

RG 131
 Entry AEC 1942-60
 File Switzerland
 defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By GAO: NARA Date 1/24/00



TREASURY DEPARTMENT

WASHINGTON

25



FOREIGN FUNDS CONTROL

In reply please
 refer to: 104269

JUN 10 1947

Dear Jim:

I have just received your letter No. 393 of May 28, 1947, concerning a simplification in the certification procedure which was referred to in one of the enclosures to my note to you of May 23, 1947. I believe that my letter to you of May 28, 1947, (103746) clarifies any question you may have had concerning the simplification of the defrosting procedure referred to in your letter.

You will note that there is no intention of eliminating the requirement that a cross certification be obtained in the event the certification is made by the country in which the depository bank is located. What is intended is that the country of which the beneficial owner of the property is a resident shall be able if it chooses to certify the property without the necessity of coupling its certification with that of the General License No. 95 country where the depository bank is located. I am afraid that this simplification in the procedure will not be very helpful to you as far as the problem referred to in the final paragraph of your letter is concerned. I am very doubtful that we will be able to accede to a procedure which would eliminate the necessity of obtaining either a primary certification or a cross certification from the General License No. 95 country of which the person is a resident. In this connection you will recall that under some variants of the plans discussed in your letter No. 389 and Snider's letter No. 65 concerning French dollar assets held through Swiss banks it is proposed that the assets be released solely on the basis of a certification by the country in which the depository bank is located. It is my present opinion that granting exceptions in individual cases would make it difficult to resist an overall proposal of this kind.

de factis
 I also have your letter No. 394 of the same date and will have someone prepare any comments we may have concerning the questions raised in that letter. So far as the problem referred to in the final paragraph of your letter No. 394 is concerned I assume that my letter No. 103745 of May 27, 1947, contains a complete answer to that problem.

Sincerely,

John S. Richards
 John S. Richards
 Director

Mr. James H. Mann
 U. S. Treasury Representative
 c/o American Legation
 Bern, Switzerland

314404

RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By GA : NARA Date 1/24/00



TREASURY DEPARTMENT

WASHINGTON

25

FOREIGN FUNDS CONTROL

IN REPLY PLEASE

REFER TO: 103773

JUN 2 1947

Dear Jim:

Reference is made to your letter No. 374 of May 6, 1947 and supplement of May 7, concerning cases specifically raised with the Swiss Compensation Office in connection with the certification procedure.

We fully endorse the steps you have taken thus far with respect to the two categories of cases, viz; those covered by paragraphs 1 and 9, respectively, of Secretary Snyder's letter of November 22, 1946. More specifically, (1) we feel you are in the best position to judge so far as deletion of the four cases from the original list is concerned; (2) we agree that under the circumstances you have outlined, evidence already furnished through the Joint Commission need not be duplicated for cases involving certification; (3) we rely on your judgment as to the best way to present the Swiss Bank Corporation case to the Swiss Compensation Office; (4) we trust your letter of April 3, 1947 to Dr. Schwab will result in the cessation of the disclosure of our information to persons affected; and (5) we have every intention not to unblock cases in which you have communicated to the Swiss Compensation Office our concern for a thorough investigation and for consultation with you prior to disposition of the assets involved. In connection with this last point, we are following your suggestion and are advising the Federal Reserve Bank of New York not to license without our clearance any transactions involving the interests of any of those listed in your letter of March 20 to Dr. Schwab.

Although we are receiving copies of censorship intercepts from Germany, they are coming in such great volume that some significant ones may escape our attention. Accordingly, it might be well for us to exchange information developed from such intercepts whenever they concern assets in the United States.

Sincerely yours,


 John S. Richards
 Director

Mr. James H. Mann,
 U. S. Treasury Representative,
 c/o American Legation,
 Bern, Switzerland.

314405

BOX
RG 131
Entry APC 1942-60
File Switzerland
Box 459 defrosting.

DECLASSIFIED
Authority NND 785009
By [signature] : NARA Date 1/24/00

FOREIGN FUNDS CONTROL

May 23, 1947

Mr. James H. Mann - Bern, Switzerland

For your information concerning our plans. It is our intention, once we have the concurrence of State and the Office of Alien Property, to transmit the proposed communication to the Swiss Government through you.

J. S. Richards

RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By CP NARA Date 1/24/00

25

104348

MAY 23 1947

Dear Mr. Sham:

With reference to my letter to you of April 4, 1947 concerning the disposition of uncertified assets, we have considered the adoption of measures which will greatly simplify any future vesting or census program and which will apply not only to General License No. 95 countries but also to those remaining countries for which unblocking techniques are yet to be formulated and to certain persons in enemy countries. It is our belief that the certification procedure could be expedited and our future programs for the unblocking of the remaining countries considerably simplified if certain categories of assets in which there is no likelihood of any substantial enemy interest were completely unblocked.

Accordingly, there is enclosed for your consideration a draft of a letter to all countries specified in General License No. 95 outlining a proposed general license which will unblock (i) accounts under \$10,000, (ii) interests in estates and trusts created by non-blocked persons in the United States or in the generally licensed trade area, and (iii) property paid or distributed from any trust or estate pursuant to Treasury license. There would be excepted from this license those accounts in which the following categories of persons have an interest and any interests of such persons in estates and trusts:

- (a) Any German or Japanese person subject to General Ruling No. IIA;
- (b) Any individual who is a citizen of Bulgaria, Hungary, or Rumania residing in one of these countries or in Germany or Japan; and
- (c) Any corporation, partnership or other organization organized under the laws of, or having its principal place of business in, Bulgaria, Hungary or Rumania.

In view of the prospective inclusion of Italy in General License No. 95, accounts and interests of Italian persons will not be excluded from this license.

On the basis of an analysis of the TFR-300 reports, we believe that there is little to justify, in terms of enemy assets which would be

314407

RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority NIND 785009
 By GO NADA Date 1/24/00

- 2 -

uncloaked and vested, the administrative burden on this Government in continuing to exercise controls with respect to the accounts under \$10,000. For the 26 countries involved, there were a total of 60,975 private persons owning assets in the United States valued at \$3,246,300,000 of which 40,603 or 66% of such persons owned assets of less than \$10,000 with an aggregate value of \$147,400,000 or less than 4.5% of the total.

The unblocking of interests in estates and trusts will undoubtedly involve more substantial amounts. The unlikelihood of there being any enemy interest in such cases, nevertheless, is a compelling reason for including these assets in the proposed license.

Concurrently with the actions explained above and in the draft letter, it would seem appropriate to dispose by the same means of certain known enemy assets whose continued blocking creates for this Department administrative difficulties out of all proportion to their volume and the vesting of which will create a similar situation for the Justice Department. Accordingly, we propose to include in the general license a provision under which amounts of \$1,000 or less due to enemy nationals under estates may be disposed of without regard to the freezing regulations.

An expression of the views of your Department concerning these proposals will be appreciated. A similar letter is being sent to the Department of State.

Sincerely yours,

JOHN S. RICHARDS
 John S. Richards
 Director

Mr. Donald Sham, Secretary,
 Office of Alien Property,
 Department of Justice.

Enclosure.

LRWilliams;BGlaser;HWSchwartz:ems 5/19/47

314408

UNITED
TREASURY

Box 131
RG Entry AEC 1942-60
File Switzerland defrosting
Box 459

DECLASSIFIED
Authority NND785009
By 100 NARA Date 1/24/00

UNITED STATES OF AMERICA
TREASURY DEPARTMENT



AIR MAIL
American Legation



1037734

Bern, May 6, 1947

FILING AUTHORITY
TO: MAIL & FILES
ANS.
NO ANS. REQ.
INITIAL
DATE 6-12-47

FOUCH
No. 374

Dear John:

Reference is made to Legtel No. 51 of January 22, Deptel No. 92 of January 24 and Airgram A-33 of February 11, 1947 relative to certain names which should be furnished to the Swiss Compensation Office with the request that no certifications for such persons or institutions be issued without prior consultation with this office.

You recall that the above-mentioned airgram suggests that names which should be furnished to the Swiss Compensation Office should be divided into two categories. The first category, coming under paragraph 1 of Secretary Snyder's letter of November 22, 1946, should contain those cases where facts available indicate a strong likelihood that there may be an enemy interest in assets held in the United States by the persons or institutions involved. You suggest that the second category of cases be furnished pursuant to paragraph 9 of Secretary Snyder's letter and that it include those cases where facts available indicate that persons or institutions involved are engaged in cloaking or other suspicious activity but where there is no evidence of any direct relationship between such activities and assets in the United States. You will remember that in the above-mentioned airgram you very kindly gave this office full authorization to refer such cases to the Swiss Compensation Office and, if referred as a category one case, to act for the Treasury in the consultation with the Swiss Compensation Office and to take final action for the Treasury after consultation. Furthermore, in the airgram under reference you commented on certain cases contained in our above-mentioned telegram No. 51 and stated that according to your information in many of the cases which you discussed the facts did not directly indicate an enemy interest, but that the information was so highly suspicious that it would be advisable to exclude them from certification because of the peculiar circumstances surrounding them.

Following receipt of your airgram we carefully reconsidered the cases which we had listed in our telegram No. 51 in the light of the comments which you had made. After a conference with the appropriate persons in the Legation it was decided on the basis of the criteria which you had mentioned to delete four of the cases. Accordingly, we wrote a letter to the Compensation Office, a copy of which is enclosed, listing the names and addresses of eleven persons and organizations situated in Switzerland who are suspected as acting or having acted as agents or cloaks for the enemy and/or about whom there exists evidence of such a

Box
 RG 131
 Entry AFC 1942-60
 File Switzerland
 defrosting
 Box 459

DECLASSIFIED
 Authority: NND 785009
 By: CA NARA Date: 1/24/00

- 2 -

character that it is felt no certifications should be issued for any assets which these persons and organizations may possess in the United States until all doubts concerning the non-enemy ownership of those assets have been resolved. You will note from the enclosed letter that we furnished the Compensation Office with a summary of all pertinent information concerning the names which we advised to them. It was our feeling, after consultation with the Legation, that the evidence in our files concerning each of the eleven persons or institutions specified was of such a nature that we should require a thorough and complete investigation on the part of the Compensation Office with consultation afterwards before any certification was authorized.

We recognized the possibility that this list of names, while small, might not be well received in Switzerland, bearing in mind particularly the fight that had been made against the blacklists and the allegations frequently made by Government spokesmen that while the black list has been abolished, the Allies were still secretly maintaining a grey list. I am in a position to tell you now that while that list was furnished the Compensation Office over six weeks ago, there have been no repercussions and on the basis of our last conversation with the Compensation Office, the only name which for the moment they seem inclined to question is the Bank für Anlagewerte. (An investigation is being made but is not yet completed). You will note from the above-mentioned enclosed letter that in addition to the list which was specified therein, we requested the Compensation Office not to issue any certifications with respect to many assets belonging to any person whose name appears on the deportation list furnished the appropriate Swiss authorities by either the American Legation at Bern, the British Legation or the French Embassy. As you know, our deportation list will include only German or Japanese nationals and if they are actually deported their assets, of course, should be placed into the blocked AX account of the Swiss National Bank.

The problem of furnishing the Compensation Office with the list of the suspected cloaks pursuant to paragraph 9 of Secretary Snyder's letter gave us some concern, principally because with our many Treasury duties here we do not have the personnel to devote time to a thorough study of the Legation's files for such persons. As you know, the Legation has a Safehaven staff which is continually making available to the Compensation Office, through letters signed by me as the Acting American Member of the Joint Commission, such evidence as is available concerning persons in Switzerland who upon basis of evidence furnished from Germany appear to be holding or cloaking assets for Germans in Germany. Accordingly, I could see no reason for duplicating these letters to the Compensation Office and you will note that in paragraph 2 of the enclosed letter of March 20, we requested the Compensation Office to take into consideration in connection with issuing certifications all information furnished it by Joint Commission members.

314410

RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By DP NARA Date 1/24/00

- 3 -

As you know, the Legation is continually receiving censorship intercepts and other information from Germany indicating cloaking activities on behalf of Germans both in Switzerland and the United States. It is hoped that these intercepts are being seen by the Treasury. We have, however, made an arrangement with the Legation whereby those intercepts indicating that a person in Switzerland is cloaking assets in the United States will be forwarded to this office in order that we can give the pertinent information to the Swiss Compensation Office. As of this writing practically all of the intercepts have had to do with cloaking of assets in Switzerland and only a very few have indicated cloaking in the United States.

In connection with this problem I would like to refer to your telegram No. 139 of February 6, concerning the question of the exclusion of the Union Bank of Switzerland and the Swiss Bank Corporation from the provisions of General License No. 95. In your telegram you agree with our observation that such exclusion would be a cause celebre in Switzerland and you instructed this office merely to furnish the Swiss such pertinent information as we consider could, if necessary, be reasonably substantiated with respect to the activities of these banks on behalf of the Germans with an indication that these facts would appear pertinent to the Swiss Compensation Office investigation of these institutions in connection with the certification of their assets or assets held on behalf of their customers. Since we were in possession of documentary evidence concerning the activities of the Union Bank of Switzerland and its cloaking activities on behalf of the Union Reinsurance Company, etc., we were in a better position to take action on that case than in the case of the Swiss Bank Corporation.

In the case of the Union Bank I signed a letter to the Joint Commission enclosing such documentary evidence as we had been able to find in Germany in connection with the Union Bank's cloaking activities. A summary of that information was contained in Legation's Despatch No. SH 443 of December 2, 1946, prepared by Morton Bach which was seen by the Treasury Department. After sending that letter to the Joint Commission for transmission to the Swiss Compensation Office, I wrote a letter to the latter in my capacity as U.S. Treasury Representative and asked the Compensation Office to consider the evidence contained in the Joint Commission letter in connection with any certifications for which application might be made. We have heard nothing from the Swiss Compensation Office concerning that matter.

As stated above, the case of the Swiss Bank Corporation was more complicated because we did not have in our possession the documents upon which the Treasury memorandum contained in the third person instruction of August 8, 1946 was based. Furthermore, at that particular time Walter Ostrow had just obtained the information concerning the falsification of affidavits on behalf of the Swiss Bank Corporation. We felt it

314411

RG 131
 Entry AFC 1942-60
 File Switzerland
 defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By [signature] NARA Date 1/24/60

- 4 -

desirable to get your views on the allegations made against that institution for falsification before making any communication to the Swiss Compensation Office. We are now in receipt of your telegram No. 554 of May 2 asking us to bring this matter to the attention of the Compensation Office, which we are doing. I feel that our representation on this point will be sufficient to direct the Compensation Office to the Swiss Bank Corporation in such a way that a thorough investigation of all of its certification applications will be called for.

In connection with our having advised the Compensation Office according to the terms of our letter of March 20, I was disappointed to learn that when the applicants listed therein applied to the Compensation Office for certification they were advised that this office had requested that they not be certified for the present and were told that we had summarized to the Compensation Office the information upon which we based our request. I am enclosing a copy of my letter of 3 April 1947 to Dr. Schwab in connection with this matter. I feel certain that you will agree with the position which I took in that letter. In our meeting last Friday with the Compensation Office, Dr. Schwab mentioned this matter and pointed out that he was in a difficult position and had not known that he should not make this information available to the persons specified in our letter. I replied to him by stating the procedure set forth in my enclosed letter of April 3 and told him that I was greatly disturbed by the fact that the contents of a confidential communication had been disclosed. I told him, however, that I expected that in the future there would be no such disclosures and that I did not care to dwell on this matter but was willing to accept it as something that had happened but would not happen again in the future. Dr. Schwab stated that hereafter letters in which we indicate the contents should not be disclosed, will be restricted to appropriate Swiss Government officials and the contents will not be disclosed.

As mentioned in another letter which I am writing you under today's date, Dr. Schwab mentioned that American lawyers are coming to Switzerland and promising for fees ranging as high as 25% to obtain the unblocking of certain accounts directly from Treasury without reference to the Swiss Compensation Office. He stated that he was quite willing to issue no certifications for the persons and institutions specified in my letter of March 20 until the procedure set out in that letter had been followed, and, if necessary, the consent of this office to certification had been obtained. But he asked whether it would be possible for American lawyers to obtain the unblocking of these accounts by going directly to the Treasury Department. I told him that these accounts could not be unblocked until after he had investigated them thoroughly and we had agreed either to the certification or to the segregation of certain assets, etc. after consultation. It is most important that you support me in this position. Accordingly, I suggest that you communicate the names listed in my enclosed letter of March 20 to the Federal Reserve Bank of New York and

314412

DCA
 RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

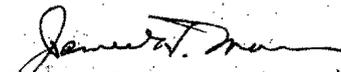
DECLASSIFIED
 Authority NND785009
 By GA NARA Date 1/24/00

- 5 -

request that no license be issued concerning any assets in which any of those people are known to have an interest either direct or indirect until after further notice has been received from you. We will, of course, advise you immediately as soon as any of those names have been discussed with the Compensation Office and a course of action has been agreed upon.

I am sorry for this rather long letter but believe it outlines to you the manner in which we have proceeded relative to these consultation cases and gives you the background which prompted us to proceed in that manner. I would appreciate your comments concerning the action which we have taken.

Very truly yours,


 James H. Mann,
 U.S. Treasury Representative.

Mr. John S. Richards,
 Director of Foreign Funds Control,
 U.S. Treasury Department,
 Washington 25, D. C.

Enclosures.

JHM:ko

314413

RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority NIND785009
 By EW NADA Date 1/24/60

Bern, 20 March 1947.

Dr. Max Schwab,
 President, Swiss Compensation Office,
 Bärenstrasse 26,
 Zurich.

Dear Dr. Schwab:

I refer to the provision in numbered paragraph 1 of Secretary Snyder's letter of November 22, 1946, to Dr. Petitpierre, Chief of the Federal Political Department, in which it is stated that "in regard to property which may from time to time be specifically designated by this Department, the Swiss Government will consult with this Department prior to making the certification provided in General License No. 95." I have now been directed by the Treasury Department, pursuant to the above-quoted provision of the defrosting agreement concluded between Switzerland and the United States, to advise you as follows:

1. There are listed below the names and addresses of 11 persons and organizations situated in Switzerland who are suspected of acting or of having acted as agents or cloaks for the enemy, and/or about whom there exists evidence of such a character that it is felt no certifications should be issued for any assets which these persons and organizations may possess in the United States until all doubts concerning the non-enemy ownership of those assets have been resolved:

1. Aramo Stiftung, Vaduz, Liechtenstein
- X 2. Bank für Anlagewerte, Talstrasse 15, Zurich
- X 3. Mrs. Jenny Boehmann, Via Cattori 12, Lugano
- X 4. Von Ernst & Co., Bärenplatz 4, Bern
- map 5. Familienstiftung Bauland and Familienstiftung Columbus, Basel (if no longer in existence, their successors in interest)
6. Dr. Rudolf Herforth, Lamstrasse 66, Zollikon/Zurich
- map 7. Baron Eduard von der Heydt, Monte Verita, Ascona
- map 8. Paul Holzach, Carvenstrasse 7, Zurich
- map 9. Michel Olian, Basel
- map 10. "Groupe Suisse"
11. Johann Wehrli & Co., Zurich

314414

RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By EW NARA Date 1/24/60

- 2 -

Enclosed with this letter is a memorandum summarizing the information in our possession concerning these 11 persons and organizations. It should be noted that these summaries contain the names of other persons and organizations who are or have been intimately connected with the 11 persons and organizations listed above. It is assumed that in its investigations under the certification procedure the Swiss Compensation Office will also examine closely any claims advanced by the persons and organizations mentioned in the summaries with respect to assets held in the names of the persons and organizations listed.

If after appropriate investigations, and notwithstanding the information concerning these 11 persons and organizations contained in the enclosed memorandum, the Swiss Compensation Office feels that any of these persons or organizations is in fact eligible for certification, it is requested that the United States Treasury Representative in Switzerland be consulted so that the concurrence of the Treasury Department may be obtained before the certification is issued. This office has been authorized to take final decisions for the Treasury Department in those cases concerning which there is such consultation.

2. It is our understanding that from time to time the American Legation at Bern, as well as the British Legation and the French Embassy here, have furnished to the Swiss Compensation Office through the intermediary of the Federal Political Department and, since its existence, of the Joint Commission information concerning numerous other persons and organizations in Switzerland who are suspected of camouflaging enemy assets. It is assumed that in its investigations under the certification procedure the Swiss Compensation Office will take into consideration all such information pertaining to any person or organization applying for a certification for assets in the United States. In addition to such information, this office will undertake to furnish from time to time information concerning persons it has reason to believe may have acted as agents or cloaks for enemies, pursuant to paragraph numbered 9 of Secretary Snyder's letter of November 22, 1946, to Dr. Petitpierre.

3. It is of course expected that the Swiss Compensation Office will not issue any certification with respect to any asset belonging to any person whose name appears on the deportation lists furnished the appropriate Swiss authorities by either the American Legation at Bern, the British Legation, or the French Embassy. In this connection reference is made to the provision in numbered paragraph 6 of Secretary Snyder's letter of November 22 referred to above, to the effect that the assets of any citizen or subject of Germany or

314415

BOX
RG 131
Entry AFC 1942-60
File Switzerland defrosting
Box 459

DECLASSIFIED
Authority NND 785009
By [signature] NADA Date 1/24/60

Japan in Switzerland or Liechtenstein who is to be repatriated are to be transferred to the special blocked account in the United States in the name of the Swiss National Bank.

In closing, I wish to advise you that we are continuing our studies concerning the cloaking activities carried on by persons and organizations in Switzerland on behalf of the enemy as defined in Secretary Snyder's letter of November 22, 1946, and in all probability at a future date we shall want to furnish you with information concerning other cases similar to those set forth in this letter.

Very truly yours,

James H. Mann
U. S. Treasury Representative

Edison

RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By GO NADA Date 1/24/00

Aramo Stiftung,
Vaduz, Liechtenstein

Either directly or through trustees (including Max Habicht, Geneva lawyer, and Max E. Meyer, a silk dealer residing at Haldeneggsteig 3, Zurich), Aramo Stiftung is holding for an unidentified person, who may be German or Japanese, the shares of the Oak Commercial Corporation in New York and the cash and securities in the United States of which the latter corporation is custodian. The Oak Commercial Corporation was formed on December 20, 1939, to hold assets for a certain "Mr. X" who is supposed to have a vast fortune deposited in Zurich, and the cash and securities now in possession of the corporation were remitted to it during 1939 and 1940 by Aramo Stiftung.

Aramo Stiftung was founded on December 22, 1937, by Dr. Max Kolb, Limmatquai 1, Zurich, who maintains that he is the only person entitled to dispose of its assets and that the person for whom the corporation is cloaking has only his (Kolb's) word that he will obey instructions. Kolb refuses to divulge any further information concerning the beneficial owner of Aramo Stiftung or of the assets of which it is the nominal owner. The only other persons known to be connected with Aramo Stiftung are Meyer, who is "Vermögensverwalter," and Dr. Kolb's son, Dr. Alfred Kolb, who has been named as successor in case of his father's death.

The management of the Oak Commercial Corporation has never been advised concerning the real owner of the funds and securities in its custody. The only clues available in the United States as to his identity are a handwriting sample containing the words "Salutations amicales Josep," which Kolb forwarded to America in January 1940, and one half of a 5 franc bank note No. 052580, the other half of which the owner is supposed to have retained for further identification.

Bank für Anlagewerte,
Talstrasse 15,
Zurich

It is reported that the Bank für Anlagewerte is controlled by "Ings" (Internationale Nahrungs und Genussmittel A. G.) Schaffhausen, in turn owned by the Franck coffee interests, and that a part of the capital of the bank may be in the hands of the German branch of this group. The bank is believed to be administering large sums of German money, especially for the Franck interests, and to be cloaking these assets under accounts in Italian names. Following are a number of specific instances in which the bank is known or believed to have acted for German account:

(1) Allied investigations in Germany have revealed that the bank was represented on "Konsortium Kl6," a Swiss syndicate which undertook to cloak the interests of C. H. Knorr, Heilbronn, Germany, in the Knorr Nahrungsmittel A. G., Thayngen, by nominally purchasing those interests for its own account.

314417

RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority NND785009
 By LD NSA Date 1/24/60

- 2 -

A gentlemen's agreement was concluded among the members of the syndicate whereby they would honor an oral arrangement that C. H. Knorr was to repurchase the shares of the Swiss company after the war.

(2) The bank maintained an account (No. 283) for the Reichsluftfahrtministerium, the latest known balance of which was between 500,000 and one million Swiss francs. Dr. Emil Druft, one of the managing directors of the bank, held direct right of disposal over the funds in this account, subject either to instructions from F. W. Sailer, a co-partner in the banking firm of Sailer & Company, Zurich, or to a written order from the Air Attache of the former German Legation in Bern.

(3) In 1943 the bank is reported to have offered for sale against payment in Swiss francs German gold located in Portugal, Spain, Bulgaria, Rumania, and Turkey. At about the same time the bank is reported to have offered large parcels of gold for sale on the Swiss market which was believed to be the property of Goering and his friends.

(4) In 1937 the bank is said to have assisted the Rheinische-Westfaelische Elektrizitaetswerk A. G., Essen, in obtaining options which enabled the latter company to secure rights over 59% of the shares of Securus A. G., Schaffhausen.

Mrs. Jenny Bochmann,
Via Cattori 12,
Lugano

It appears that, despite denials by her, Mrs. Bochmann, at least until 1938, cleared the interests of her brother-in-law, Kurt Schmieder, a textile manufacturer of Meerane, Germany, in the Stoneleigh Corporation, a Delaware corporation which was organized for the purpose of holding securities in the United States. In March 1938 Mrs. Bochmann is supposed to have transferred her interests in the Stoneleigh Corporation to Mrs. Helen B. Dwyer, whose only known connection with either Mrs. Bochmann or Mr. Schmieder was that she worked as a secretary to Schmieder's American attorney. It is alleged that the transfer in the ownership of the Stoneleigh Corporation (since dissolved), and consequently of the securities which it owned, to Mrs. Dwyer was an outright and absolute gift by Mrs. Bochmann and Mr. Schmieder in order to avoid the German Government's prosecuting Mr. Schmieder for failure to declare these assets. Whether or not Mrs. Bochmann, acting as agent for her brother-in-law, in fact lost all interest in the assets is not clear, however. In addition, it is reported that Mrs. Bochmann is a close friend of Hjalmar Schacht, former German Minister of Economics and President of the Reichsbank, and that she may be concealing funds belonging to Schacht and associates of his.

Von Ernst and Company,
Bärenplatz 4,
Bern

Von Ernst and Company and its Director, Walter E. Hagg, Albert Ankerstrasse 4, Bern, who reportedly holds a 50,000 franc participation in the capital of the bank, have apparently been engaged in attempting to transfer

314418

Box
 RG 131
 Entry AFC 1942-60
 File Switzerland defrosting
 Box 459

DECLASSIFIED
 Authority NND 785009
 By GAO NARA Date 1/24/00

- 3 -

German capital out of Switzerland. Riegg is reported to have approached Swiss nationals who, in return for a bribe, signed affidavits stating that they were in possession before certain dates in 1940-41 of certain shares in Sweden which in fact belonged to Germans, and authorizing the bank to sell these assets. The shares were then disposed of through the Enacilda and Gotzland Banks in Stockholm. In addition, in 1942 Von Ernst and Company acted as intermediary in a transaction which was intended to camouflage the interests of the Vereinigte Stahlwerke in Thyssen-Lametal S. A., Argentina.

Familienstiftung Bauland and
 Familienstiftung Columbus,
 Basel

Familienstiftung Bauland and Familienstiftung Columbus, which had the same address as the former Basler Handelsbank, are known to have been used shortly before the war for the transfer of German assets belonging to Henkel & Co. A. G., Konsortial Fonds, from the Netherlands to the United States and Canada.

Although the beneficial ownership of neither of these companies is known to us, our information indicates that the members of the foundation council of Bauland were Otto Haack (a Dutch citizen of German origin, who has been connected with the Henkel combine), founder, Fraugott Holliger, and Dr. Arnold Stehlin of Basel. Haack as founder, acting in conjunction with one of the other members of the council, could fill a vacancy therein, or in the event two vacancies occurred he could, acting alone as founder, name replacements, but in the event that Haack was unable to act by reason of death, disability, etc., then the Basler Handelsbank was authorized to name the founder and others to any vacancies to the council. Columbus was formed in 1930 to hold securities reported to be owned by Haack and also by Dr. Stehlin and Mr. A. F. Kurz, who was a Vice President of the Basler Handelsbank. It has been reported that when Haack made a trip to the United States in 1939, he brought with him substantial amounts of U. S. currency which was nominally the property of Columbus.

It is not clear whether the two companies, Bauland and Columbus, are still in existence. In any case it is thought that either they or their successors in interest should not be given any certifications for assets in the United States until investigation and further discussion with us.

Dr. Rudolf Herforth,
 Landstrasse 66,
 Zollikon/Zurich

It is suspected that Dr. Herforth may be cloaking for German interests the shares of Seck and Kade, Inc., New York, registered in the names of himself and his family, and the cash and securities which he has deposited in the United States. The above company manufactures and distributes "Pertussin" cough syrup in the United States, originally a German patent, and the money involved represents dividends from these operations.

Dr. Herforth is believed to have acted as nominee for German interests

314419

RG 131
 Entry AFC 1942-60
 File Switzerland
defrashing
 Box 459

DECLASSIFIED
 Authority NND785009
 By GW : NARA Date 1/24/60

- 4 -

in the following cases:

(1) Allied investigations in Germany reveal that Dr. Herforth was one of three trustees holding stock in A. G. für Technik & Optik, Glarus, on behalf of Patentverwertungsgesellschaft Dietrich, Heymann, Kaiser of Germany. Dr. Herforth and the other two trustees are reported to have executed agreements with the German company to guarantee that they would represent its interests.

(2) Allied investigations in Germany reveal that Dr. Herforth was one of the nominees holding stock of the A. G. für Atherische Oele, Glarus, the holding company for the Eau de Cologne & Parfumerie Fabrik Ferd. Muelhens, Cologne, Germany. When this arrangement was set up the Muelhens Konzern secured full assurances from Dr. Herforth that he would act in its interests and in the interests of the German national economy.

(3) Although Dr. Herforth maintains that A. G. für Blau-Gold, Zurich, is a purely Swiss firm in which there is no German interest, the Muelhens Konzern, Cologne, has declared to the Allied authorities in Germany that it owns 100% of this company.

Baron Eduard von der Heydt

Monte Verita

Ascona

We have reason to believe that Baron von der Heydt acted during the war as a cloak for German funds and financial operations, both in Switzerland and abroad. Among other things, it has been reported (1) that he served as an intermediary for payment to German intelligence agents in the United States and Mexico; (2) that he facilitated the disbursement of gold and currency imported into Switzerland through the German diplomatic pouch; (3) that he served as a cloak to conceal property of Hans Meisner, former German Consul General at Bern in charge of intelligence for the German Abwehr in Switzerland; and (4) that he has long been a specialist in managing German assets in Switzerland, including the property of members of the Hohenzollern family and numerous Swiss industrialists, particularly members of the Stines group. We understand that the activities of Baron von der Heydt have been investigated by the Swiss authorities; consequently, many details of this case unknown to us are undoubtedly available for consideration in connection with the question of whether or not his assets in the United States should be certified.

Paul Holzach

Carmenstrasse 7

Zurich

Paul Holzach and Intercommerz A. G., Talstrasse 15, Zurich, the import-export firm which he founded in 1943 with the help of outside capital, are believed to have served as cloaks for property belonging to prominent Nazis. Apparently Intercommerz was organized upon direct inspiration from Berlin for the express purpose of providing a camouflage under which funds could be transferred for the activities in Switzerland of Amt VI of the Reichssicherheitshauptamt (foreign espionage, sabotage, and propaganda). Under this

314420

DOR
RG

Entry

File

Box

131

APC 1942-60

Switzerland
defrosting

459

DECLASSIFIED

Authority

NND 785009

By

170

NSA Date

1/24/00

- 5 -

scheme the firm of Warenvertriebs G.m.b.H., Berlin, placed orders with the new firm for hutting manufactured in Switzerland to the value of five or six million Swiss francs, with the understanding that the sales price of the hutting would be marked up so that the excess over the value of the goods involved could be placed at the disposal of Amt VI. In addition, it is reported that when Holzach returned to Switzerland from Germany on August 20, 1944, he brought with him considerable quantities of securities of all sorts, believed to be holdings of the Goering Konzern.

Michel Olian,
Basel

It is believed that throughout the war Michel Olian served as a financial agent for various German official and quasi-official agencies. In particular, it is reported that he was Geneva director or representative of the Reichsbank.

In connection with Olian, special attention should also be given to Richard Krenstein, Zug, and the banking house of Arbitrium Handels A. G., Zug, in which Krenstein is a partner. Krenstein is said to be a close friend of Olian's and one of the principal banking contacts employed by Olian in his financial operations on behalf of the Germans. In 1941-42 Arbitrium Handels engaged in arbitrage transactions in French francs in excess of 21 million French francs for Olian's account.

"Groupe Suisse"

This group, the beneficial ownership of which is unknown, consists at least of the four following Brazilian companies: (1) Cia. Americana de Intercambio Brasil (CADIB), (2) Empresa de Organizacao e Administracao de Sociedade Industriais Ltda. (OASIL), (3) Sociedade Brasileira de Participacoes e Financiamentos (SOFIBRAZ), and (4) Sociedade de Expansao Agricola e Commercial Ltda. (AGRICORRAZ). CADIB is the only company of the group with assets in the United States. Four residents of Brazil, (1) Henry Jean Jacques Perroy, French national, (2) Charles Jean Rodolphe Grossman, Swiss national, (3) Huguette Helene Dovy, Swiss national, and (4) Luis Annibal Falcao, a Brazilian, act as "trustees" for the beneficial owners. The trustees have consistently refused to divulge the names of the beneficial owners of Groupe Suisse and it is suspected that enemy interests may be involved.

Groupe Suisse is reported to have had its beginning in the Societe Mandataire of Geneva, Switzerland, established by Perroy while he was domiciled in Switzerland. Societe Mandataire, which still exists, reportedly has not engaged in any operations since the departure of Perroy for Brazil in 1940. Its two directors are its president, Georges Capitaine, a Swiss lawyer residing in Geneva, and its secretary, Charles Rodolphe Grossman, mentioned above. Mr. Grossman is also General Comptroller of the Suisse group. According to Capitaine, the Societe Mandataire serves as an intermediary, i.e., a "mail box," between the Groupe Suisse and its French clients. He stated

314421

Box
 RG 131
 Entry AFC 1942-60
 File Switzerland
defrosting
 Box 459

DECLASSIFIED
 Authority NND 785009
 By GW NARA Date 1/24/60

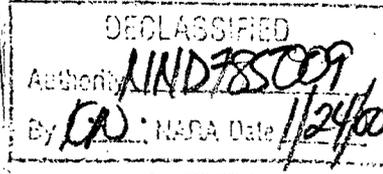
- 6 -

further that Perroy is the real owner of all the stock of Societe Mandataire. Both Perroy and Capitaine have stated the beneficial owners of Groupe Suisse are French and Swiss and that no enemy interests are involved. Perroy said that residents of France and Switzerland are beneficiaries of Groupe Suisse only to the extent of \$92,000. A Panamanian company, "Compania de Transacciones Intercontinentales, Citrinter," was formed in 1940 with Perroy as its president. Perroy once intended to transfer to this company all of the funds of the Groupe Suisse with the idea of centralizing the financial interests of his group in the American continent. It is not known whether this plan has actually been accomplished to any extent.

Johann Wehrli & Cie.,
Zurich

The Wehrli Bank and its principals have always been closely connected with prominent Germans, and have carried on financial activities on behalf of Germans in Switzerland and throughout the world. Among other things, it has been established that during the war the Bank served as an artery for extensive foreign exchange traffic between Germany (for the Reichskreditgesellschaft) and Switzerland and the Iberian Peninsula. Included among the accounts in the United States in which the bank may be cloaking enemy funds are those in the names of Securitas S. A. and San Juan S. A., both of Buenos Aires, Argentina, which were founded by the Bank in March 1939.

RG 131
 Entry AFC 1942-60
 File Switzerland
 defrosting
 Box 459



COPY
CONFIDENTIAL

From: OMGUS Berlin Germany sgd Keating

To: War Department for WDSKA ES

Info: Hq EUCOM

Nr: CC 9009

3 May 1947

Re urad WX 96145. Swiss request to conduct investigations in Germany is subject.

See nothing to be gained by securing Swiss promise of reciprocity. Annex to Washington Accord already provides the Compensation Office and Joint Commission furnish each other all information and documentary evidence required for fulfillment their tasks and reiteration of this principle would appear meaningless.

We are convinced that even if Swiss promise full reciprocal investigative rights, the actual and potential disadvantages outweigh any benefits which would reasonably result from acceptance of proposal. Cases in which Swiss interest parallels our own are exception rather than rule. Even if attempt be made to define investigative rights in exact terms Swiss would still have advantage of their secrecy laws and the fact that interest of Germans they would interrogate would in important cases coincide with their own whereas this would not apply to Swiss we would interrogate. Many investigations involving Swiss assets not yet completed and since documentary evidence in many cases destroyed, giving Swiss access to Germans prior to our securing statements from such persons could have most detrimental results.

Insufficient personnel also very serious objection. With present large backlog of investigations, influx of requests expected as result distribution final tabulations in June and required further curtailment personnel it would seem impossible exercise proper supervision over cases in which justice has no interest except at expense of important objectives. Apart from interests of Justice, reciprocity is meaningless phrase since we lack personnel to undertake investigations in Switzerland.

Establishing of precedent of this nature most undesirable as situation would be completely out of hand should similar privileges be extended other countries. If such rights to be granted, seemingly IARA countries and not Swiss should be first beneficiaries. Particularly in certain Dutch cases where their interests are opposed to ours would we be most reluctant to admit their investigators.

If despite our objections, decision be made to admit Swiss, number of investigators to be allowed in Germany at one time should not exceed four, number of cases should be limited, perhaps to twenty, and cases should be submitted in advance for approval. Also full reciprocal rights should be condition precedent. Case for case basis should be established and investigative rights should include full access to corporate files and unrestricted interrogation privileges. If Swiss are to see our official files, the records of Compensation Office should be freely available to us.

Urad shows that British and French prepared to admit Swiss investigators their zones. However, Bern's telegram 11 April to you, repeated Berlin, states British willing only on exceptional cases and that both British and French opposed to requesting reciprocal privileges. Without reciprocal rights we are opposed to admitting Swiss.

end

314423