

ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
		A. De Hertelendy	1 patent
		L. De Kramolin	1 patent
		E. Eichwald	1 patent
		W. Engel	1 patent
		P. Giavotto	1 patent
		W. Hecht	1 patent
		H. Hesse	1 patent
		E. Jacobi	1 patent
		S. Klinghofer	1 patent
		K. Maier	1 patent
		O. Manfred	1 patent
		P. Martinotti	2 patents
		G. Natta	1 patent
		W. Oelsner	1 patent
		F. Ottenstein	1 patent
		A. Polgar, et al	1 patent
		R. Poracchia	1 patent
		M. Rendelstein	1 patent
		R. Ricchiardi, et al	1 patent
		A. Rott	1 patent

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ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
208	October 3, 1942	<p>A. Salomon</p> <p>G. Schorsch</p> <p>H. Stegelitz, et al</p> <p>H. Von Baeger</p> <p>G. Von Manteuffel</p> <p>R. Waldman</p> <p>E. Waldschmidt, et al</p> <p>A. Wolff</p> <p>H. Wolff</p> <p>E. Zipper</p> <p>I. G. Farbenindustrie, A.G.</p>	<p>1 patent</p> <p>All right, title, interest of I. G. Farbenindustrie, A. G. Frankfurt, Germany in a contract between I. G. Farbenindustrie, A.G. and Pennsylvania Salt Manufacturing Company; all right, title, interest of I. G. Farbenindustrie, A.G. in a contract between I. G. Farbenindustrie, A. G. and Pen-Chlor, Inc.</p>
225	October 9, 1942	Fried. Krupp, A.G.	<p>All right, title, and interest of Fried. Krupp, A.G.. Essen, Germany in a contract between Fried Krupp, A.G. and United States Steel Corporation</p>

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ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
227	October 12, 1942	Interests of Richard Gruner and Gruner and Sohn in a certain contract	<p>All right, title, and interest of Fried. Krupp, A.G. in a contract between Krupp Nirosta Company, Inc. and Fried. Krupp, A.G.</p> <p>All right, title, and interest of Fried. Krupp, A.G. in a contract between Krupp Nirosta Company, Inc. and Fried. Krupp, A.G.</p> <p>All right, title, and interest of Richard Gruner and Gruner and Sohn, Itzehoe, Germany in a contract between Eugene Dietzgen Company and Richard Gruner and Gruner and Sohn</p>
228	October 12, 1942	Interest of Robert Bosch Aktiengesellschaft in five contracts	<p>(a) contract dated November 3, 1930 with American Bosch Magneto Corporation</p> <p>(b) contract dated November 3, 1930 with American Bosch Magneto Corporation</p> <p>(c) contract dated January 1, 1934 with United American Bosch Corporation</p> <p>(d) contract dated May 22, 1931 with United American Bosch Corporation</p> <p>(e) contract with American Bosch Corporation</p>
233	October 14, 1942	Arnold Tross and Vereinigte Deutsche Metallwerke A.G.	1 patent

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321879

ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
		Robert Bosch G.m.b.H.	1 patent
		Emil Burkhardt	1 patent
		Degea Aktiengesellschaft Auergesellschaft	1 patent
		Demay A.G.	1 patent
		Deutsche Edelstahlwerke A.G.	3 patents
		Deutsche Gesellschaft fur Schadlings Bekompfung m.b.H.	1 patent
		Deutsche Reichbahn Gesellschaft and Carl Zeiss	1 patent
		Deutsche Rohrenwerke A.G.	3 patents
		Dortmund-Hoerder Huettenverein A.G.	1 patent
		Walter Dux	1 patent
		Gesellschaft fur Oberbauforschung	1 patent
		Hartmann and Braunn A.G.	1 patent
		W. C. Heraus G.m.b.H.	1 patent
		R. Kern	1 patent
		Anton Lang	1 patent
		Maschinenfabrik Augsburg Nurnberg, A.G.	2 patents
		C. Mayer	1 patent
		Metallgesellschaft A.G.	1 patent
		G. Seitz	1 patent

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ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
		Robert Bosch G.m.b.H.	1 patent
		Emil Burkhardt	1 patent
		Degea Aktiengesellschaft Auergesellschaft	1 patent
		Demay A.G.	1 patent
		Deutsche Edelstahlwerke A.G.	3 patents
		Deutsche Gesellschaft fur Schadlings Bekompfung m.b.H.	1 patent
		Deutsche Reichbahn Gesellschaft and Carl Zeiss	1 patent
		Deutsche Rohrenwerke A.G.	3 patents
		Dortmund-Hoerder Huettenverein A.G.	1 patent
		Walter Dux	1 patent
		Gesellschaft fur Oberbauforschung	1 patent
		Hartmann and Braunn A.G.	1 patent
		W. C. Heraus G.m.b.H.	1 patent
		R. Kern	1 patent
		Anton Lang	1 patent
		Maschinenfabrik Augsburg Nurnberg, A.G.	2 patents
		C. Mayer	1 patent
		Metallgesellschaft A.G.	1 patent
		G. Seitz	1 patent

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ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
254	October 22, 1942	E. Hubert et al	2 patents
		H. Kroeper et al	1 patent
		F. Laucht	1 patent
		P. Moller	2 patents
		W. Rodenacker	1 patent
		A. Rupp	1 patent
		P. Schlack	6 patents
		W. Speer	1 patent
		W. Schmidt et al	1 patent
		H. Ufer et al	1 patent
		M. Wagner	1 patent
		W. Wehr	1 patent
		Aachener Thermalwasser "Kaiserbrunnen" A.G.	1 trademark
		Arthur Muller Bauten und Industriewerke	2 trademarks
		Chemische Fabrik von Heyden A.G.	2 trademarks
Duetsche Capselin and Zinnolit-werke G.m.b.H.	1 trademark		
Fiat	2 trademarks		
Gerb-und Farbstoffwerke H. Renner and Company A.G.	1 trademark		
Kabushiki Kaisha Hirao Sampei Shoten	1 trademark		

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ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
255	October 22, 1942	Kammer and Reinhardt A.G.	1 trademark
		Record Title in - Montblanc Simplo-G.m.b.H.	1 trademark
		Robert Fabig G.m.b.H. Maschinen-U. Apparate-Fabrik	1 trademark
		Justin Schwarzbart	1 trademark
		Simplo Fullfeder-Gesellschaft Voss. Lausen and Dziambor	1 trademark
		Vox Schallplatten-und Sprechmaschinen Ak.	1 trademark
		Arlatte & Cie	1 trademark
		Carrosserie Van Den Plas Societe Anonyme	1 trademark
		Des Produits Chimiques Coignet	1 trademark
		Dr. Otto Lederer	1 trademark
		Leendert Vermeulen	1 trademark
		Marret, Bonnin, Lebel & Guieu	1 trademark
		Paul Metadier	1 trademark
		Naamlooze Vennootschap tot Exploitatie van Cacaen Chocolaadfabrieken Maatschappij A. Driessen	1 trademark
		Parfumerie Roger and Gallet	1 trademark
		Societe Anonyme des Produits du Lion Noir	2 trademarks

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321883

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321884

Mr. Strom

VESTING REPORT NO. 14

RECORD OF VESTING ACTION TAKEN BY ALIEN PROPERTY CUSTODIAN

Treasury Department
FOREIGN FUNDS CONTROL
November 20, 1942

ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
183	September 28, 1942	H. Molsen and Company	96 2/3% (29 shares) capital stock
196	September 29, 1942	<p>(Listed below are the names of certain publications, copyrights, and copyright interests of nationals, which have been vested. Alongside are the names of the authors and owners of such copyrights and copyright interests.)</p> <p>"Handbuch Der Organischen Chemie"</p> <p>"Una Passione Coniugale"</p> <p>"Acht Stellige Tafel der Trigonometrischen Functionen-Alte Theilungen"</p> <p>"Sieben Stellige Tafel der Trigonometrischen Functionen-Alte Theilungen"</p> <p>"Leuchtfarben"</p>	<p>Author, F. K. Beilstein, German national. Copyrights owned by Julius Springer, Berlin, Germany</p> <p>Author, Riccardo Bacchelli, Italian national. Copyright owned by Casa Editrice Ceschina, Milan, Italy</p> <p>Author, Dr. Jean Peters, German national. Copyright owned by Reichsamt F. Landesaufnahme, Berlin, Germany</p> <p>Author, Dr. Jean Peters, German national. Copyright claim by Druck-Brandsteter, Leipzig, Germany, and Reichsamt F. Landesaufnahme, Berlin, Germany</p> <p>Author, Felix Fritz, German national. Copyright claim by Chemisch-technischer Verlag Dr. Gustav Bodenbender, Berlin, Germany</p>

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ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
199	September 30, 1942	New World Sun, Inc.	33.947% (1,290 shares) of capital stock
200	September 30, 1942	Pilot Reinsurance Company	94.425% (75.758% German interests; 18.667% Italian interests) of capital stock
203	October 2, 1942	Mauser Barrel Company, Inc.	All of the capital stock
204	October 2, 1942	Property owned by Caroline Krause	All right, title, interest, and estate of Caroline Krause, Hamburg, Germany, in and to property in Elgin, Illinois
207	October 3, 1942	Sumitomo Bank of California	91.379% (1,325 shares) of capital stock
209	October 3, 1942	Atow Matsuoka Company	37.33% (56 shares) of capital stock, owned by Yoshio Matsuoka, Japan, and certain indebtedness owing by Atow Matsuoka Company to Atow Matsuoka, Japan
214	October 3, 1942	Steffen, Jones & Co., Inc.	All of the capital stock, owned by Dr. Robert F. Lachmann, Hamburg, Germany, and all indebtedness owing to Dr. Robert F. Lachmann and Julius Lachmann, Hamburg Germany
215	October 5, 1942	The Nippon Club, Inc.	All right, title, interest and estate of Nippon Club, Inc., in and to certain real property at 161 West 93rd Street, New York City; all furniture, fixtures, office equipment, and miscellaneous personal property of the Club; merchandise at the premises at 161 West 93rd Street; certain bonds held in the Yokohama Specie Bank, New York City; one bank account in Manufacturers Trust Company,

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 By KCR NARA Date 4/5/00

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ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
216	October 5, 1942	Otto Koischwitz	680 Columbus Avenue, New York City, and one bank account at Yokohama Specie Bank, 626 Broadway, New York City; accounts receivable and petty cash
217	October 7, 1942	Merchandise Factors, Inc.	Copyright interests of Otto Koischwitz, the original author, in six publications
221	October 9, 1942	Martha Clara Von Stulpnagel	All of the capital stock (10 shares) beneficially held for Schenker & Company, Berlin, Germany
222	October 9, 1942	Westfalia Separator Company, Inc.	Real property in Bellows Falls, Vermont, and a checking account in the Boston Safe Deposit and Trust Company, owned by Martha Clara Von Stulpnagel, Potsdam, Germany
229	October 12, 1942	Johann Heinrich Fluhrer, and Johann Friedrich Fluhrer	All of the capital stock, 150 shares, owned by Ramesohl & Schmidt, A.G. and certain indebtedness owing by Westfalia Separator Company, Inc., to Ramesohl and Schmidt, A.G.
230	October 12, 1942	Republic Filters, Inc.	Real property in Ward and McHenry Counties, North Dakota, and a bank account ("Fluhrer Trust") in the First National Bank, Minot, North Dakota, owned by Johann Heinrich Fluhrer and Johann Friedrich Fluhrer
			50.05% of capital stock

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ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
232	October 14, 1942	Japan Institute, Inc.	Assets. All property of any nature whatsoever owned or controlled by, payable or deliverable to, or held on behalf of or on account of or owing to, Japan Institute, Inc.
235	October 14, 1942	DeNobili Cigar Company	84.37% of the Preferred stock and 86.81% of the Common stock
237	October 15, 1942	Salvatore Loforte, Real property of	All right, title, and interest of Salvatore Loforte, Palermo, Italy, in and to certain real property in Cliffside Park, New Jersey
241	October 19, 1942	Kyuya Abiko Naoaki Andoh Tomio Fukushima Masuri Hanaoki Yuji Hashizume Hideo Iijima Tateki Iriye Aizo Kamazawa Shuichiro Kanbazashi Kohji Katoh Kihachiro Kimura Motarvo Koshima Jiro Kozai Denjiro Kubota Tagao Kunsaka Yonosuke Maenami Kenjiro Masuda Shoji Masuda Kiyoshi Matsuno Sakae Matsushita Fusagaro Matsuskita Tomohiko Midzuno Kiyoshi Miyazaki	Certain articles of personal property of those Japanese nationals repatriated to Japan on the MS <u>Gripsholm</u>

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 Authority NND 968103
 By KJ NARA Date 4/5/00

ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
		Takeshi Mizukami Kai Niida Kazuo Nishi Yasuo Nishino Saburo Nishiki Kyoichiro Nogami Eisuke Ono Tomoyoshi Ozawa Ryaso Sasaki Kaenori Sato Tetuo Sekine Kaji Shindo Kiyosi Sugaya Fumio Takagi Yasuo Tani Takeshi Utsumi Sueyuki Wakosugi Sutezo Watahiki Tamizo Watanabe Hitasi Yamada Naomoto Yamauchi Hachiro Yokouchi Kenroku Yoshiwara	Certain articles of personal property of those Japanese nationals repatriated to Japan on the MS <u>Gripsholm</u>
242	October 19, 1942	"Siebenstellige Werte Der Trigonometrischen Funktionen"	All right, title, and interest of each and all of the owners, authors, and all other nationals, whomsoever they may be, to and under each and all of the claims of copyright and rights to copyright
243	October 19, 1942	"Handbuch Der Organischen Chemie"	Copyright interests of author, F. K. Beilstein, owner, Julius Springer, Berlin, Germany, and all other nationals
244	October 19, 1942	"Essential Finger Exercises"	Copyright interests of author,

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ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
		"Essential Finger Exercises" "Waltz from the Ballet Naila" "Capriccio; in Klavier F. Moll" "Magnesium und Seine Legierungen"	E. von Dohnanyi, national of Hungary, and owner, Rozsavolgyi & Company, Budapest Copyright interests of authors, Adolph Beck, H. Altwicker, and others, nationals of Germany, and owner, Julius Springer, Berlin, Germany
248	October 20, 1942	Union Banking Corporation	All of the capital stock; certain indebtedness owing to Bank voor Handel en Scheepvaart, and August Thyssen-Bank, Berlin, Germany
250	October 22, 1942	Alois Schlick, certain personal property of	One Schlick Universal High Speed full width Beaming Machine
263	October 28, 1942	"Urlaub Auf Ehrenwort"	Copyright and Copyright interests of author, copyright owner, scenario writers, and producer
275	October 30, 1942	Chemnyco, Inc.	All the capital stock
286	November 2, 1942	Franz B. Lehmann Trust	All right, title, interest, and estate of Franz B. Lehmann, Dresden, Germany
288	November 2, 1942	The American Platinum Works	Dividends on capital stock
331	November 5, 1942	William Müller, deceased, Estate of	All right, title, interest, and claim of Henry Herman Mueller, Meta Wilkens, and Anna Mueller
332	November 5, 1942	John Meyer, deceased, Estate of	All right, title, interest, and claim of Frederick Meyer, Adelheit Ahlers, and Bette Ehlers

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ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
		Societe Anonyme des Produits du Lion Noir by Nicolas Alfred Fernand Georg, (Administrator)	1 trademark
		Societe Industrielle d'Impressions et de Tissus d'Art	1 trademark
		Societe Rodier Record Title in - Societe a Responsabilite Limitec "Rodier"	1 trademark
		Souchon Rion and Cie	1 trademark
		Ste. An. de Couleurs d'Aniline et Products Chimiques "SACA"	1 trademark
264	October 28, 1942	Y. Takakuwa and Company v. the Hoosier Veneer Company of Indianapolis	Receivership File 9-100-017-1327
265	October 28, 1942	Andreas Haist, Estate of	All right, title, and interest in estate of Andreas Haist, deceased, also known as Andreas Schmidt, of Anna Maria Haist and Friedericke Haist, Germany
266	October 28, 1942	Estate of Otto Conseur, deceased	All right, title, and interest of Berta Conseur, Hedwig Ehrke, Hertha Voltz, Friedrich Conseur, and Karl Conseur
267	October 28, 1942	Estate of George T. Weed	All right, title, and interest of Reverend Petero M. Wakatsuki
268	October 28, 1942	Estate of August Kramer, deceased	All right, title, and interest of Franz Kramer, Karl Kramer, Marie Kramer, Marie Reisner, Paulina Schmidt and Joseph Geisinger, Germany

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ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
269	October 28, 1942	Estate of Marie Louise Joos, deceased	All right, title, and interest of Gustav Joos, Stuttgart, Germany
270	October 29, 1942	Tatsumi Engineering Company, Ltd. Tokyo, Japan	Machinery and Steel tubes stored at Daker and Williams Company, 92-98 Morton Street, New York, New York

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321892

ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
333	November 5, 1942	John Bahrenburg, deceased, Estate of	All right, title, interest, and claim of Karl Bahrenburg, Otto Bahrenburg, Cord Bahrenburg, John Heinrich Bahrenburg, Mamie Lienau, and Adele Mangels
336	November 6, 1942	Diedrich Kayser, deceased, Will of	Legacies payable to Anna Bovers, Marie Grone, and Catherine Kayser, all in Oldenburg Freistaat, Germany
348	November 9, 1942	Westminster Industrial Corporation	Certain indebtedness owing by Westminster Industrial Corporation to Overseas Finance Corporation, Ltd.
349	November 9, 1942	Henry Pels and Company, Inc.	All of the capital stock
356	November 13, 1942	Leo Becker, deceased, Estate of	All right, title, interest, and claim of Julius Piekarski, Berlin; Ella Bladau, Essen; Martha Schwartz, Essen; Carl Piekarski, Rostock; Barnhardt Piekarski, Rostock
357	November 13, 1942	Antonietta Bonomi, deceased, Estate of	All right, title, interest, and claim of Vincenza Castiglia, Maria Prestigiovanni, and Giosippina Nantista
358	November 13, 1942	Henrietta E. Garrett, deceased, Estate of	All right, title, interest, and claim of Johann Peter Christian Schaefer I
359	November 13, 1942	Camillo Gentilli, deceased, Estate of	All right, title, interest, and claim of Anna Elisa Gentilli and Dr. Mario Lauro

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ORDER NO.	DATE	NAME OF FIRM	EXTENT OF VESTING ORDER
360	November 13, 1942	Viktor Hohenlohe, Estate of	All right, title, interest, and claim of Viktor Hohenlohe, Vienna, Austria, in his estate
361	November 13, 1942	William H. Schmoller, Estate of	All right, title, interest, and claim of sixteen German nationals resident in Eisenach, Germany
362	November 13, 1942	Saint-Denis, Kuhlmann, Saint-Clair Dyestuff Corporation	4.762% (1 share) of capital stock
363	November 13, 1942	Byk, Inc.	Indebtedness owing to Byk-Guldenwerke Chemische Fabrik, A.G.
364	November 13, 1942	Thusnelda M. Van Valkenburg, Estate of	All right, title, interest, and claim of thirteen enemy nationals
365	November 13, 1942	Peter Guia, Estate of	All right, title, interest, and claim of Todor Guia, Josif Jurca, Gaftia Dandea, and George Jurca, nationals of Rumania, and Anuta Botezat, a national of Hungary

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Authority MM968103By MM NARA Date 3/6/00

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Box

121MEMORANDUM

May 14, 1948

Re: Licenses to be inoperative after June 1, 1948

The following is our recommendation with respect to the licenses which should be inoperative after June 1, 1948 with a view to conserving, to the extent possible, assets belonging to resident citizens of recipient countries. The revocations and amendments recommended below will, however, apply to all blocked assets to avoid charges of discrimination. To the extent that we do not deem it desirable to apply the strict policy to citizens of non-recipient countries we can make appropriate adjustments through the issuance of specific licenses.

A. Recommendation with respect to General Licenses

We examined all the public documents with a view to selecting those licenses which should not remain outstanding if we desire to avoid the depletion of assets remaining blocked as of June 1, 1948. In this connection it might be well to point out that the examination was not intended to effect a housecleaning job of what might be obsolete documents. Moreover, to the extent that we recognize that some documents are obsolete we decided that such documents should not be revoked since by such action this government may unwittingly be questioning the validity of many transactions effected pursuant to these documents. It is not the objective of the program set forth in the Vandenberg letter to disturb relationships or transactions effected under Treasury licenses during the past eight years of its operations.

All the general licenses presently outstanding can remain in effect except to the extent indicated below:

1. Revoke General License No. 1A
2. Revoke General License No. 4
3. Amend General License No. 11 - This general license should be amended to cut down the amount to be allowed for living expenses to \$250 per month.
4. Amend General Licenses Nos. 32 and 32A - These licenses should be amended to (1) cut down the amount to \$250 per month, and (2) require that these remittances to recipient countries be effected through normal banking channels.
5. Revoke paragraph 3 of General License No. 74

B. Recommendation with respect to Specific Licenses

1. ~~In view of the above it appears that~~ For the most part the specific licenses (blanket and special), including the business operating licenses, which have been issued and are presently outstanding can continue to be

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Authority NND 968103By WMD NARA Date 3/6/00

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outstanding after June 1, 1948 without jeopardizing this government's program with respect to blocked assets. The program set forth in the National Advisory Council's letter to Senator Vandenberg did not contemplate disturbing trade and business transactions with Spain and Portugal; was not directed toward reblocking funds which had been freed under general licenses; nor was it directed toward interfering with the operations of blocked business enterprises where Treasury had been convinced after years of experience that it could permit liberal operations of these enterprises without a resulting unwarranted depletion of the assets of the firms.

2. The outstanding special licenses which in our opinion would result in an unwarranted depletion or change in the status of blocked assets are those which involve (a) debits to blocked accounts for living expenses or remittances in excess of \$250 per month, and (b) the purchase and sale of securities for blocked accounts. In order to change the terms of these licenses so that they may be brought in line with the action which we propose be taken with respect to general licenses after June 1, 1948 it is recommended that all specific licenses which authorize (a) debits of blocked accounts for living expenses or remittances in excess of \$250 per month, or (b) purchase and sale of securities for blocked accounts and which have no expiration date or which have an expiration after July 1, 1948 be amended as of June 1, 1948 to have an expiration date of June 30, 1948. Persons holding such licenses who desire to continue to effect transactions provided thereby after July 1, 1948 should apply immediately to the Federal Reserve Bank of New York for a new license. In this connection the public should be advised that licenses which fall in category (a) above will be issued in terms consistent with the amendments to General Licenses Nos. 11, 32, and 32A. Licenses, however, will not as a general practice be issued to cover applications covered by category (b), in line with the policy underlying the revocation of General License No. 4.

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Authority MD968103By MD NARA Date 3/6/00RG 131
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Box 121

FOREIGN FUNDS CONTROL

May 13, 1948

Mr. Southard - 3430 Treasury

As soon as you have a chance we would like to have a short meeting with you on the attached memorandum which sets forth our recommendations with respect to the Foreign Funds Control licenses, which should become inoperative on June 1, 1948.

RRS.

R. R. Shwartz

321897

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Authority MM0968103By MM NARA Date 3/6/00

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131Entry FFC GeneralFile Federal Reserve BankBox 121*Office Memorandum* • UNITED STATES GOVERNMENT

TO : Mr. Southard

DATE: MAY 13 1948

FROM : Rella R. Schwartz

SUBJECT: Licenses to be inoperative after June 1, 1948

The following is our recommendation with respect to the licenses which should be inoperative after June 1, 1948 with a view to conserving, to the extent possible, assets belonging to resident citizens of recipient countries. The revocations and amendments recommended below will, however, apply to all blocked assets to avoid charges of discrimination. To the extent that we do not deem it desirable to apply the strict policy to citizens of non-recipient countries we can make appropriate adjustments through the issuance of specific licenses.

I. General LicensesA. Background

We examined all the public documents with a view to selecting those licenses which should not remain outstanding if we desire to avoid the depletion of assets remaining blocked as of June 1, 1948. In this connection it might be well to point out that the examination was not intended to effect a housecleaning job of what might be obsolete documents. Moreover, to the extent that we recognize that some documents are obsolete we decided that such documents should not be revoked since by such action this government may unwittingly be questioning the validity of many transactions effected pursuant to these documents. It is not the objective of the program set forth in the Vandenberg letter to disturb relationships or transactions effected under Treasury licenses during the past eight years of its operations.

B. Recommendation with respect to General Licenses

All the general licenses presently outstanding can remain in effect except to the extent indicated below:

1. Revoke General License No. 1A - This license authorizes transfers of blocked securities from accounts with banking institutions to accounts in domestic banks. No purpose can be served by permitting the change of the location of blocked securities except to further complicate the census taking operation.
2. Revoke General License No. 4 - This license authorized the sale on a National Securities Exchange of securities held in blocked accounts providing the proceeds are returned to the account from which the securities were withdrawn. Although much can be said for permitting the sale of securities, particularly in the event there is a drop in the market, it appears preferable at least during the period from June 1 to September 1, 1948 to prevent



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such activity in blocked accounts except in specific cases where it can be demonstrated that to prevent a particular sale would seriously affect the value of the assets. However, since the considerations involved in recommending this revocation are quite serious it would be well to get the reaction of the financial community before any step is taken in this connection.

3. Amend General License No. 11 - This license permits withdrawals up to \$1,000 per month from blocked accounts to cover living and traveling expenses of blocked nationals within the United States. It is our recommendation that this general license be amended to cut down the amount to be allowed for such expenses to \$250 per month since we consider that the largest category of persons who benefit by this license could have secured the unblocking of their assets through certification.

4. Amend General Licenses Nos. 32 and 32A - These general licenses permit remittances up to \$1,000 per month for living expenses of the beneficial owners of blocked assets residing abroad. It is our view that these licenses should be amended to (1) cut down the amount to \$250 per month, and (2) require that these remittances to recipient countries be effected through normal banking channels. These persons have had ample opportunity to secure the unblocking of their assets in the United States so that failure to act is an evidence they may be attempting to defeat this government's program with respect to blocked assets. The requirement that these remittances now be made through normal banking channels is imposed for the purpose of making these dollars available to the governments of the recipient countries.

5. Revoke paragraph 3 of General License No. 74 - Paragraph 3 of this license authorized withdrawals from blocked accounts in the United States up to \$250 per month for miscellaneous ^{payments} ~~expenditures~~ of persons within the United States or the generally licensed trade area. This amount is in addition to that allowed for living expenses ^{or remittances} ~~in the United States~~ under General License No. 11. In view of General License No. 94 whereby most of these expenditures can be financed out of free funds there is no need to permit depletion of blocked assets for these miscellaneous expenditures in excess of the amounts to be allowed for living expenses ~~or remittances~~.

6. Revoke General License No. 95 - This general license which provides for unblocking pursuant to certification by the appropriate agency of the foreign governments named in the license is to be revoked effective September 1, 1948. The continuance in effect of this license between June 1 and September 1, 1948 is necessary in order to permit the governments to complete action on applications pending with their respective agencies on June 1, 1948.

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II. Specific Licenses

A. Background

Foreign Funds Control issues specific licenses on a blanket and special basis. Special licenses authorize the licensee to carry out a specific transaction or operation during a specific period of time. The blanket license is a type of special license except that it is not restricted to the authorization of one transaction or specific series of transactions but instead authorizes the completion of an indeterminate number of transactions of the same type and is issued generally to a large number of licensees in identical terms.

1. Blanket Licenses - The blanket licenses presently outstanding fall generally into the following categories:

- (a) Authorization to execute certain business and trade transactions involving the use of blocked assets of Spain and Portugal
- (b) Authorization to purchase and sell securities for blocked accounts
- (c) Authorization to certain institutions to make withdrawals from blocked accounts to facilitate traveling and living expenses for blocked nationals abroad.

2. Special Licenses - A spot check made of special licenses granted within the past six months revealed the following:

- (a) 76% of the licenses issued involved one-shot transactions, i.e. a transaction which could be and probably was accomplished immediately upon receipt of the license despite the fact that the applicant had the customary 90 day license period in which to effect the transaction.
- (b) 15% of the licenses issued involved activities of a continuing nature which extend beyond June 1, 1948. A substantial number of these licenses conferred generally licensed national status on persons or their accounts; a large number authorized transactions with Spain and Portugal; and a number authorized withdrawals or remittances from blocked accounts in excess of the amounts allowed under General Licenses Nos. 11 and 32A.

In addition there are outstanding broad business operating licenses which for all normal operating purposes permit the licensees to conduct their business as though they were not blocked. Licenses in these liberal terms were issued to most blocked business enterprises only after years of experience with the managements of these enterprises and after we were convinced that they could be trusted not to dissipate the assets of their companies.

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B. Recommendation with respect to Specific Licenses

1. In view of the above it appears that for the most part the specific licenses (blanket and special), including the business operating licenses, which have been issued and are presently outstanding can continue to be outstanding after June 1, 1948 without jeopardizing this government's program with respect to blocked assets. The program set forth in the National Advisory Council's letter to Senator Vandenberg did not contemplate disturbing trade and business transactions with Spain and Portugal; was not directed toward reblocking funds which had been freed under general licenses; nor was it directed toward interfering with the operations of blocked business enterprises where Treasury had been convinced after years of experience that it could permit liberal operations of these enterprises without a resulting unwarranted depletion of the assets of the firms.

2. The outstanding special licenses which in our opinion would result in an unwarranted depletion or change in the status of blocked assets are those which involve (a) debits to blocked accounts for living expenses or remittances in excess of \$250 per month, and (b) the purchase and sale of securities for blocked accounts. In order to change the terms of these licenses so that they may be brought in line with the action which we propose be taken with respect to general licenses after June 1, 1948 it is recommended that all specific licenses which authorize (a) debits of blocked accounts for living expenses or remittances in excess of \$250 per month, or (b) purchase and sale of securities for blocked accounts and which have no expiration date or which have an expiration after July 1, 1948 be amended as of June 1, 1948 to have an expiration date of June 30, 1948. Persons holding such licenses who desire to continue to effect transactions provided thereby after July 1, 1948 should apply immediately to the Federal Reserve Bank of New York for a new license. In this connection the public should be advised that licenses which fall in category (a) above will be issued in terms consistent with the amendments to General Licenses Nos. 11, 32, and 32A. Licenses, however, will not as a general practice be issued to cover applications covered by category (b), in line with the policy underlying the revocation of General License No. 4.

cc: M.Schwartz, Nelson, Rains and Pollak

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Mr. Southard

June 10, 1948

Bella R. Swarts

Procedures for handling applications after June 1, 1948

This is with reference to the procedures to be followed in handling applications between June 1 and September 1, 1948:

I. GENERAL TYPES OF APPLICATIONS

A. Unblocking applications involving recipient country problem

1. Resident citizen of recipient country (Frenchman in France)
2. Citizen of recipient country residing in second recipient country (Frenchman in Belgium)
3. Emigre from recipient country to unblocked country (Frenchman in United States)
4. Emigre from recipient country to non-recipient blocked country (Frenchman in Switzerland)

B. Unblocking applications involving only enemy interest problem

1. Resident citizen of non-recipient country (Swiss in Switzerland)
2. Non-recipient citizen residing in another non-recipient country (Rumanian in Switzerland)
3. Non-recipient citizen residing in recipient country (Mexican in France)

C. Miscellaneous applications

1. Unblocking applications of 671 person in any country
2. Unblocking applications involving distribution of or interests in estates, trusts, and insurance policies
3. Applications for living expenses in the United States
4. Applications for remittances
5. Unblocking applications involving "nominal accounts" of recipient country citizens
6. Applications for payment of creditor claims
7. Applications for payment of fees, etc.
8. Applications for renewals or amendments of business enterprise operating licenses
9. Non-recipient citizen emigre from any blocked country
10. Applications in connection with General Ruling No. 5

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II. RECOMMENDATION**A. Unblocking applications involving recipient country problems should be handled by Foreign Funds Control**

1. Resident citizen of recipient country: A resident citizen of a recipient country who, by June 1, 1948 had not secured the unblocking of his assets now knows, in the light of the commencement of the census operation that the information with respect to his assets will be given to the government of the country of which he is a resident citizen. He may therefore conclude that there is no alternative but to disclose his holdings to his government before the census results are given to his government and thus secure the unblocking of his assets in the United States. In such cases this government should not impede the unblocking of the assets of such person when such unblocking will make the dollars immediately available to his government.

Foreign Funds Control will proceed as follows in these cases:

It will entertain unblocking applications from such persons, now that no more applications for certification can be entertained by the recipient country. The information from such applications will be immediately transmitted to the financial attache in the United States of the appropriate country with a request that his government investigate the beneficial ownership of the assets to determine whether there is any enemy interest in such assets. Upon receipt of a statement from the government that the applicant is the beneficial owner of the particular assets, and that there is no enemy interest in such assets, and if the application is otherwise satisfactory, the assets will be unblocked. Presumably under this procedure the country will not only have acquired knowledge of the assets but will have exercised appropriate control over these assets.

The governments of the General License No. 95 recipient countries have already been advised that applications of persons falling in this category will be handled by Foreign Funds Control in accordance with the above.

2. Citizen of recipient country residing in second recipient country: The same considerations apply to applications filed by such a person as apply to applications filed by resident citizens of recipient countries which are described under 1 above. In these cases the determination of non-enemy interest and beneficial ownership should be referred to the country of residence and at the same time the information with respect to his assets in the United States should be given to the country of his citizenship. It has been considered a reasonable extension of the National Advisory Council's recommendation to report to the two governments where a citizen of one recipient country resides in a second recipient country.

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- to unblocked country
3. Resident citizen Emigre from recipient country: Such a person who may have emigrated since June 1, 1947 to the United States or the generally licensed trade area may after June 1, 1948, as he could before, apply to the Treasury Department for the unblocking of his assets. The application of such person will now be cleared with the government of his country before the funds are unblocked since in view of the operation of the census program we no longer can rely on the agreement of the applicant to report back to his government as a final test of his bona fide intentions to emigrate permanently from his country of citizenship. Under these circumstances the only reasonable test for determining his bona fide intentions of permanent emigration is to check back with the government of his country of citizenship. Pending a report from the government the assets of such person will not be unblocked by Foreign Funds Control.
- country blocked
4. Resident citizen Emigre from recipient/ to a non-recipient/country: A newly arrived emigre into a non-recipient country such as Switzerland should have his application for the unblocking of his assets treated in the same way as the application of a newly arrived emigre to the United States or the generally licensed trade area. See 3 above.
- B. Unblocking applications involving enemy interest problem should be handled by the Office of Alien Property
1. It has always been the underlying principle of the certification arrangements that the Treasury could not determine enemy interest in accounts held for residents of blocked territory. For the Treasury now to undertake this responsibility would conflict with this principle and might well subject the whole certification procedure to unwarranted criticism. Moreover, the administrative organization of Foreign Funds Control was reduced to a minimum since it relied on the investigative operations of the General License No. 95 countries.
 2. The Office of Alien Property has always exercised the function of searching out enemy interest in assets in the United States. In fact all Foreign Funds Control cases where there has been any suspicion of an enemy interest have been referred to the Office of Alien Property for its recommendation. We have discussed with the Office of Alien Property the problem of handling the applications in this category and the Office of Alien Property agrees that it would be appropriate for us to refer applications of this type to them for their recommendation.
 3. In the Council's letter to Senator Vandenberg it was indicated that the Office of Alien Property would consider applications for the return of blocked property under its jurisdiction pending the vesting of such property. It was thus anticipated that applications would be entertained by the Office of Alien Property prior to vesting. In this connection it was indicated that it was the Office of Alien Property's customary investigative procedure to check with the government of the country of which the person claiming legal or beneficial interest is a resident.

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4. Applications of persons in Bulgaria, Hungary, Rumania, Yugoslavia, Estonia, Latvia, Lithuania, and Portugal, exclusive of American citizens and 671 persons in these countries, which involve only an enemy interest problem will be denied by Foreign Funds Control without reference to the Office of Alien Property since the assets of nationals of these countries cannot be unblocked pending a clarification of the government's over-all policy respecting the blocked assets of these countries.

C. Miscellaneous applications should be handled by Foreign Funds Control

The cases in this category should be handled by Foreign Funds Control which has always handled such cases in accordance with recognized procedures.

RRS. mail ER CA.
RRShwartz:ltm 6/8/48

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(COPY)

February 27, 1947

My dear Mr. Chairman:

Further reference is made to my letter of February 4, 1947, from Mr. Robert B. L'Heureux, Legal Consultant of your Committee, requesting the Department's view on certain emergency or wartime legislation.

The letter refers specifically to three acts: (1) the Act of March 9, 1933 (47 Stat. 1, secs. 2 and 4), (2) the Act of December 18, 1941 (55 Stat. 899, sec. 301) and (3) the Act of March 27, 1942 (56 Stat. 180, ch. 199, title IV, sec. 401).

Section 2 of the Act of March 9, 1933, and the Act of December 18, 1941, constituted amendments to section 5(b) of the Trading with the Enemy Act of October 6, 1917 (40 Stat. 411). The Trading with the Enemy Act, including section 5(b) thereof, is permanent legislation, which, during the past 30 years, has proved to be highly effective in combatting two major wartime emergencies and a major peace-time emergency experienced by the United States.

In the First World War, the powers contained in section 5(b) and other sections of the Trading with the Enemy Act were used to prohibit trade and communications between this country and the enemy and to control the use of foreign assets in the United States. For several years following the end of actual fighting in the First World War the provisions of the Act were the basis for the vesting of enemy assets in the United States.

When Germany without warning occupied Denmark on April 8, 1940, and Norway on April 10, 1940, the existence of this section enabled the United States on the day of the invasion to freeze the assets in this country of these two invaded countries and their nationals. These assets were thereby conserved intact for their rightful owners and prevented from falling into the hands of the aggressors where they could have been used against the allied nations. Thereafter as the Netherlands, Belgium, France, and other countries were invaded their assets were successively blocked. In June and July, 1941, under the authority of section 5(b), the Treasury's controls were extended to Germany, Italy, and the rest of continental Europe, including the neutrals, and to Japan and China. Thus, at the very time that they were making final preparations for a world conflict, the Axis nations were completely deprived of the use of foreign exchange in this country, and trade and communications with such countries were effectively controlled. This had a profound effect on the ability of Germany and Japan to sustain an extended war effort.

cc: Overby, Schmidt, Friedman, R. Swartz, Manning, E. Davis (WHP), MASHA (Serr Snider (Paris), and General Records

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In addition, the powers originally granted in section 5(b) as reaffirmed and enlarged by the Act of March 9, 1933, were used by the Government in dealing with the banking and financial crisis of 1933. Under its authority orders were issued to close the banks, to prohibit hoarding, and to call in all gold, gold coins and gold certificates.

It can be seen that over a considerable period of time this legislation has been demonstrated to be highly effective in meeting and dealing with various financial problems associated with both internal and external crises. During this time section 5(b) has undergone amendments and refinements occasioned by the varying types of problems to which it has been applied, with the result that it now constitutes a highly flexible reserve measure available for immediate application in the financial field in the event of emergency conditions. The Department believes that it is essential that the Trading with the Enemy Act, including section 5(b) thereof, be permanently retained to safeguard and protect the interests of the United States, particularly in view of the uncertainty of future world political and economic relationships.

Although the Trading with the Enemy Act is permanent legislation, the powers granted to the President by section 5(b) may be exercised only "during the time of war or during any other period of national emergency declared by the President". The completion of the Treasury Department's program for the lifting of the freezing controls in a manner consistent with the policies of the Government will require the continued use of the section 5(b) powers for some time in the future.

It will be recalled that with the United States' entry into the war our freezing control program became, in addition to a protective device, one of our most important weapons of economic warfare designed to carry out, in conjunction with the vesting program of the Alien Property Custodian, the Government's policy of seizing out and liquidating German property holdings wherever they might be found. At the height of the war the Treasury Department through its freezing controls (1) regulated the use and disposition of some \$8 billion of property held in the United States by the governments and nationals of thirty-six enemy, enemy-dominated, and neutral countries; (2) regulated the importation of securities, currency, art objects and other valuables to prevent the liquidation here of the Axis loot from invaded territories; (3) scrutinized international transactions flowing through United States banking channels to prevent transactions benefiting the Axis and to promote those aiding the Allied cause; and (4) participated in the Proclaimed List (the American Black List) program thereby preventing transactions with enemy agents and other inimical interests throughout the world.

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Since the defeat of Germany and Japan, the Treasury Department has removed practically all of the controls which in any way interfered with the resumption of normal business and trade relationships with foreign countries. For example, all controls over current transactions with all foreign countries except Sweden, Spain, Portugal, and Yangtze have been removed. Import controls are being limited to specific items known to be looted by the enemy, such as securities.

Blocked property known to be German or Japanese either has been or is being vested by the Office of Alien Property. Blocked property belonging to persons in those parts of the world through which little cloaking of German or Japanese property took place has been automatically unblocked, except for property known to belong to certain German or Japanese individuals or organizations. Thus, for example, the entire Far East, except Japan, has been automatically unblocked.

Agreements have been negotiated with 14 foreign governments including France, the Netherlands, Belgium, and Switzerland, pursuant to which they have assumed the responsibility for conducting investigations as to the real ownership of assets in the United States in the names of their residents. Once these countries have certified that no enemy interest is involved, the assets are automatically released. Pursuant to such "defrosting" agreements the foreign countries undertake to inform the United States of blocked property which they discover to be beneficially owned by the enemy. As enemy property is discovered, it is subject to vesting by the Office of Alien Property, Justice Department, whose authority is also contained in section 5 (b) of the Trading with the Enemy Act. This type of unfreezing arrangement was adopted in view of the fact that German interests in the most important and valuable German properties in this country were, in accordance with Nazi war plans, cloaked through elaborate devices generally designed to make such property appear to belong to nationals of certain allied or neutral countries.

It must be realized, however, that a substantial period of time will be required for the investigation and certification of blocked assets, especially by those foreign governments who have only recently concluded defrosting agreements with the United States. Moreover, we have not yet been able to conclude defrosting arrangements with Sweden, Spain, and Portugal although negotiations with these countries are in progress. The delay in concluding agreements with these countries has been occasioned in part by the fact that the defrosting arrangements are but one part of this Government's program to liquidate existing German and Japanese assets throughout the world, particularly in the European neutrals, thereby supplementing this Government's security program and increasing the amounts available for reparations. Defrosting arrangements are only concluded with the neutral governments after they have undertaken to initiate satisfactory measures; (1) for the discovery and liquidation of German assets within their borders, (2) for the payment of the proceeds therefrom to the Allied Governments for use as reparations, and (3) for the restitution of gold looted by the

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Germans and subsequently acquired by them. The Department does not feel that it can release the assets of these governments from control until they have agreed to uncover and liquidate property holdings which the Nazis in preparation for the war, cleverly concealed and cloaked in the names of dummies and agents of other nationalities, particularly since all the other governments have agreed to take such measures. In this connection, your attention is directed to the attached resolution concerning Foreign Funds Control adopted on November 16, 1945, by the Bankers' Association for Foreign Trade.

The termination of the state of war and of the emergencies proclaimed by the President with respect to section 5(b) at this time would mean the immediate unfreezing of all remaining blocked assets thereby rendering it more difficult to conclude satisfactory agreements with the remaining neutrals concerning German assets and looted gold. Such action would also operate to terminate immediately the defrosting agreements already entered into in good faith with foreign countries with the result that such property in this country beneficially owned by Germans could never be discovered and wasted. Moreover, it would make it impossible to retain control over the assets of the four so-called "satellite" enemy countries, Bulgaria, Hungary, Rumania, and Italy, for ultimate disposition after the peace treaties recently executed are ratified. In addition, it would negate this Government's efforts in accordance with its international commitments to prevent the United States from becoming the dumping ground for all kinds of valuables looted by the Germans and Japanese.

It is my considered opinion, therefore, not only that the underlying statutes should be retained as permanent legislation, but also that the powers granted therein should remain operative until the program set forth above has been completed.

Section 4 of the Act of March 9, 1933, which is also permanent legislation, provides that "during such emergency period as the President of the United States may prescribe, no member bank of the Federal Reserve System shall transact any banking business except to such extent and subject to such regulations, limitations and restrictions as may be prescribed by the Secretary of the Treasury, with the approval of the President". In connection with this statute, I call your attention to the view recently expressed by the President in his message to the Congress on February 19, 1947, concerning certain emergency powers, when he stated with respect to this section and other laws enumerated in Appendix B, that "Nothing requires their removal from our body of permanent law at this time, and it is preferable that operations conducted under them by virtue of the 1933 and 1941 emergencies should lapse rather than that the statutes should be repealed."

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The third act mentioned in your letter, the Act of March 27, 1942, as amended (56 Stat. 140, ch. 199, title IV, sec. 401), authorizes the Federal Reserve Banks to hold United States securities purchased directly from the Treasury in an amount not exceeding \$5,000,000,000 at any one time. The authority expires on March 31, 1949. This power is one of the instruments in the possession of the Federal Reserve authorities for maintaining member bank reserve balances around income tax dates and is of assistance in the maintenance of smooth money market conditions. Hence, the Department believes that the authority should be made permanent. This recommendation is in accord with the statement appearing in the Appendix of a Message from the President of the United States, dated January 31, 1947 (H. Doc. No. 80, 80th Cong.) in which it is stated that the Federal Reserve Board and the Treasury Department will recommend permanent legislation covering this subject.

The statutes not listed in your letter which probably are within the jurisdiction of your Committee should be mentioned. One is the Act of April 13, 1943 (57 Stat. 63, ch. 62), which provides that until 6 months after the cessation of hostilities in the present war as determined by proclamation of the President or concurrent resolution of the Congress, the so-called war loan accounts shall be excluded from the base used for the determination of Federal Deposit Insurance Corporation insurance assessments and shall be exempt from the reserve requirements provided by the Federal Reserve Act. The President by proclamation has terminated the period of hostilities of World War II as of December 31, 1946, so that this authority will expire automatically as of June 30, 1947, since the statute by its terms is limited in operation to the "present war." The statute should be allowed to run its course so that the banks may make the necessary adjustments in the meantime.

The other statute is the Act of December 23, 1944 (58 Stat. 921, ch. 716) which authorizes disbursing officers until 6 months after the present war to cash and negotiate checks and other instruments payable in United States and foreign currency and to conduct exchange transactions involving United States and foreign currency for the accommodation of military and civilian personnel of the United States. The Treasury Department believes that this legislation should be made permanent since substantial numbers of military and civilian personnel of the United States will be stationed abroad as a part of the occupation forces for an indefinite period of time.

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In view of your request for expedition it has not been possible to obtain advice as to the relationship of the recommendations contained in this report to the President's program prior to the submission of the report to your Committee. As soon as this advice is obtained by the Department, it will be transmitted to your Committee.

Very truly yours,

(Signed) Joseph J. O'Connell, Jr.

Secretary of the Treasury

Honorable Charles W. Tobey
Chairman, Committee on Banking and Currency
United States Senate
Washington, D. C.

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By RB ARRA Date 4-20-00

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TELEGRAM RECEIVED

deposited
W. W. ...
12/10/47

From: DEPARTMENT

Date: February 3, 1947, 1 pm

No: 114

Code: RESTRICTED

Received: February 4, 1947, 9 am



For Legation and Mann from Department and Treasury regarding Swiss decree concerning payment Swiss taxes on assets to be certified reported your 13 January 8. Insistence by Swiss Government on collection taxes on assets will, as you know, make it difficult for us to avoid granting exceptions to certification procedure where alleged Swiss owners property to be certified can submit to US evidence establishing absence of enemy interest and can protest therefore sole result of certification procedure is to assist Swiss to collect unpaid taxes. Although this Government cannot object to collection by Swiss of taxes due it may be difficult to justify the use by the Swiss of our wartime power over blocked assets to facilitate such collections. We are not presently considering discussing this issue with Swiss.

For your information, however, we have been informed that Swiss are not only requiring taxes be paid but are also insisting rather extreme penalties be paid for failure to have paid taxes within previous due dates. In order we may have complete picture would appreciate full report concerning intentions and practice of Swiss Government this regard and scope of applicable Swiss tax laws. Would also appreciate your views concerning advisability approaching Swiss Government and requesting they should grant relief from penalties imposed for failure to have previously declared and paid taxes due. Would you consider Swiss might agree to general exemption from penalties regardless of when request for certification is made or only provided request

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request is made within a specified grace period.

MARSHALL

In duplicate to files
elw

*3/6/00
1/20/00*

request

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 By JB AMARA Date 4-20-00

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 File Economic Warfare
 Box 457

TRANSLATION

SWISS COMPENSATION OFFICE
Zurich

Mr. Walter V. Dechow
 U. S. Treasury Representative
 American Legation
 Bern

Zurich, October 7, 1947

Subject: Certification of Swiss Assets in the United States of America
 Dear Sir:

We take the liberty to submit, supplementing the figures on the status of the certification of Swiss assets in the United States, which we previously supplied to Mr. Kamm -- usually at the beginning of the month -- the following data for the end of September 1947:

	<u>Swiss Francs</u>
a. <u>Assets in the United States</u>	
Dollar assets	603,165,381.77
Securities	1,121,331,236.47
TOTAL	<u>1,724,496,618.24</u>
b. <u>Securities in Switzerland</u>	<u>10,943,760.34</u>
c. <u>Assets for which cross certifications were issued</u>	<u>21,528,098.75</u>
d. <u>Certificates issued in September 1947</u>	
	<u>Status as of September 1947</u>
Assets in the United States: 7,019 certificates	30,926 certificates
Securities in Switzerland: 10,435 certificates	25,739 certificates
Cross certification: 59 certificates	<u>382 certificates</u>
	TOTAL 57,047 certificates

Please accept the assurance of our high esteem.

Swiss Compensation Office
 (two signatures) Illegible

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 Box 457

SCHWEIZERISCHE VERRECHNUNGSSTELLE
OFFICE SUISSE DE COMPENSATION **UFFICIO SVIZZERO DI COMPENSAZIONE**

ZÜRICH

BÖRSENSTRASSE 26

Organe officiel chargé du règlement des paiements par voie de clearing avec l'étranger (ar. du Conseil fédéral du 2 octobre 1934)

Organo ufficiale per il regolamento dei pagamenti nei servizi di clearing coll'estero (Decisione del Consiglio federale del 2 ottobre 1934)

Offizielles Organ zur Durchführung des Clearingverkehrs mit dem Ausland (Bundesratsbeschluss vom 2. Oktober 1934)

TELEPHON: (51) 27 27 70
 27 59 30

TELEGRAMM-ADRESSE: CLEARINGSTELLE
 BRIEFFACH ZÜRICH 2 FRAUMUNSTER

DIREKTION

Lb / Uc

Mr.

Walter W. Ostrow

U.S. Treasury Representative
 American Legation

B e r n

Answer letter sent to Washington

Ihre Zeichen - V. réf - V. rif

Ihre Nachricht vom - V. lettre du - V. lettera del

Zürich, Börsenstraße 26

7. Oktober 1947

Betrifft: Zertifizierung schweizerischer Vermögenswerte in den Vereinigten Staaten von Amerika.

Sehr geehrter Herr,

Wir gestatten uns, Ihnen im Anschluss an die zu früheren Zeitpunkten - jeweilen auf Monatsbeginn - Mr. Mann bekanntgegebenen Zahlen über den Stand der Zertifizierung schweizerischer Vermögenswerte in den Vereinigten Staaten von Amerika folgende Angaben per Ende September 1947 zukommen zu lassen:

a. In den USA liegende Vermögenswerte

Dollar-Guthaben	Sfr.	603.165.381.77
Wertschriften	Sfr.	1.125.331.236.47
TOTAL	Sfr.	<u>1.728.496.618.24</u>

b. In der Schweiz liegende amerikanische Wertschriften

Sfr. 40.943.760.34

c. Vermögenswerte, wofür Cross-Certificates ausgestellt wurden

Sfr. 21.328.458.73

DECLASSIFIED
Authority NND 968103
By JB NARA Date 4-18-00

RG 131
Entry ~~131-14141~~ PRO Sum. EWS
File Vol 6 Oct Jan 48
Box 457

FOREIGN FUNDS CONTROL

Nov. 7, 1946

~~Mrs. Margaret Schwartz~~ District NB Bldg

Mr Bell

For inclusion in Swiss defrosting file.

General Records

70 MB

J. S. Richards

DECLASSIFIED
Authority NND 968103
By JB NARA Date 4-18-00

RG 131
Entry ~~131~~ FEC Svcs P163
File Vol. 6 Oct Jan 48
Box 457

11/2/46

FAST

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Via RCA

LC JOHN RICHARDS TREASURY DEPARTMENT ROOM 2222 WASHDC

CABLED COMMENTS SATURDAY OBTAIN FOR URGENT REPLY

SCHMIDT.

1797 2222.

UNRECORDED

NOV 21 8:00

Telephone: National 2600
Form 112 WN 39-5

To secure prompt action on inquiries, this original RADIOGRAM should be presented at the office of RCA COMMUNICATIONS, Inc. In telephone inquiries quote the number preceding the place of origin.

321917

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Authority NND 968103

By JB NARA Date 4-18-00

RG

131

Entry #

~~131-131-131~~

PAC Sus. F. 105

File

Vol. 6

Box

457

**Foreign Funds File - not to be
Incorporated in Office of Alien Property Files**

SWITZERLAND: DEPOSING
Jan. 1949
Vol. 6

321918

RG 131
 Entry EFC General file
 File Vesting of enemy assets
 Box 488

DECLASSIFIED
 Authority NND 968103
 By MK NARA Date 3-28-00

4/17/53

Statement released by Chancellor Adenauer at Boston, Mass., on April 17, 1953 in response to the White House announcement of the same date terminating the vesting of German assets.

Chancellor Adenauer's statement was in German; it was translated by the Department of State, Division of Language Services.

The termination of the confiscation of German prewar assets announced today by the White House signifies a further important step on the path to a complete normalization of German-American economic relations. The American Government has thus generously and speedily complied with a wish which the Federal Chancellor had presented during his conferences in Washington.

In accordance with American legislation, German assets in the United States were frozen at the outbreak of the war, and later were for the most part confiscated in favor of the American Government. Such confiscation of German prewar assets continued until very recently. Today's statement terminates the era of confiscations which constituted a burden on German-American postwar relations. A new important stage has been entered.

The Federal Government welcomes this statement by which the American Government demonstrates again that it is working in an exemplary manner to restore normal economic relations in the interest of all the countries of the free world. The Federal Government is convinced that this step by the leading economic nation of the world will have favorable repercussions on the treatment of German prewar assets in other countries, too.

321919

RG 131
 Entry ERC General A
 File Vesting of enemy assets
 Box 488

DECLASSIFIED
 Authority NND 968103
 By MR NARA Date 3-28-00

4/19/53

The following announcement was released by the White House on April 17, 1953.

"The White House today announced the termination of the program for vesting German-owned properties located in the United States. This action constitutes a further step in the orderly conclusion of a wartime measure inaugurated by the United States Government shortly after the outbreak of World War II.

Attorney General Brownell stated that after April 17, 1953 the Department of Justice will not issue any orders vesting new or additional German properties. Secretary of State Dulles stated that the action taken today represents one of a series of progressive steps looking toward the closer development of normal international relations between the United States and the Federal Republic of Germany.

Under the provisions of the Trading with the Enemy Act, German-owned properties in the United States at the outbreak of World War II were immediately immobilized and later vested. Immobilization prevented the enemy from using these assets to further its war effort and by vesting these assets the United States Government obtained reparation for the payment of war claims."

1354-53

321920

RG 131
 Entry File General A
 File Vesting of enemy assets
 Box 488

DECLASSIFIED
 Authority 100 968 103
 By MR NARA Date 3-28-00

HCH: MW: mwf
 127589

January 11, 1952

Dr. Armand Eisler
 380 Riverside Drive
 New York 25, New York

Dear Dr. Eisler:

Reference is made to your telephone conversation with Mr. Wilfand of this Office regarding the policies of the Office of Alien Property particularly with respect to the disposition of vested German property.

I am enclosing herewith for your information a copy of the Annual Report of the Office of Alien Property for the fiscal year ending June 30, 1950. This report sets forth the policies followed by this Office and your particular attention is directed to pages 3, 4 and 5 which outline the disposition to be made of vested enemy property.

Very truly yours,

Harold I. Baynton
 Assistant Attorney General
 Director, Office of Alien Property

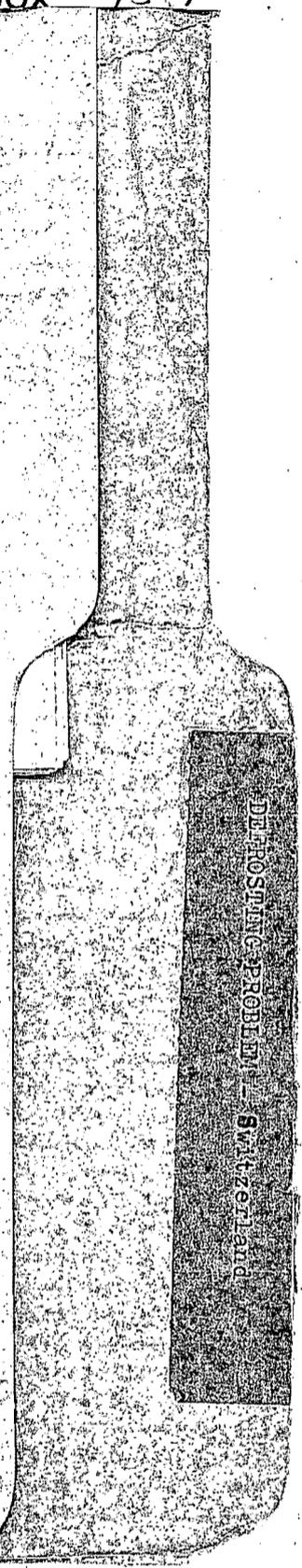
By (Signed) Henry G. Hilken
 Henry G. Hilken, Chief
 Intercustodial & Property Branch

Enclosure

321921

DECLASSIFIED
Authority NND968103
By JB NARA Date 4-20-00

RG 131
Entry FFC Control Files
File Defrosting Problem
Box 457



DECLASSIFIED

Authority MND968103By JB NARA Date 4-20-00RG 131Entry EFC Control FilesFile Defrosting ProblemBox 457*"Defrosting of Switzerland"*
file JS

AHC-315

This telegram must be closely paraphrased before being communicated to anyone. (SECRET-0)

Lisbon

JUL 17 1944

Dated July 13, 1944

Rec'd 9 p.m.

Secretary of State,

Washington.

2163, July 13, 8 p.m.

Financial Attache has received a communication from the Swiss Legation re possibility of Swiss Government blocking Hungarian, Bulgarian or Rumanian assets. Substance is that inquiry was submitted to qualified quarter and reply was to effect that owing to Swiss neutrality foreign assets could not be blocked for political reasons. (Embassy's No. 1776, June 9). Such assets may however be blocked for economic or financial reasons; in such an event the reason for blocking would generally be owing to abnormal developments in payments between a foreign state and Switzerland. When payments follow agreements and are normal there is in principle no reason for blocking. Foregoing applies to countries mentioned.

NORWEB

WWF
WSB

cc: 7/21/44 For Information: Messrs. Richards, Gilbert, Fox, Fisher, Alk, Lunn, Sachs, O'Flaherty, Feig, Day, J.C. Jones, Blake, Shaw, NY Fed.

JD:e

321923

DECLASSIFIED Authority <u>AND 968103</u> By <u>JB</u> NARA Date <u>4-20-00</u>	RG <u>131</u> Entry <u>EFC Control Files</u> File <u>Defrosting Problem</u> Box <u>457</u>
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MEMORANDUM FOR THE FILE

October 14, 1943

Mr. E. M. Bernstein and I discussed the following matters with Baron de Gruben and Baron Boel, of the Belgian Embassy, today.

The representatives of the Belgian Government referred to the Council meeting to be held at Atlantic City beginning November 9 covering the establishment of UNRA. It was pointed out to the Treasury that at such meeting the Belgian Government would be asked to enter into discussions which would inevitably involve the financing of shipments of relief goods to Belgium. Such goods conceivably could be financed through Lend Lease, through a loan to be obtained by the Belgian Government as soon as it returns to Belgium using as collateral Belgian private assets in the United States, or by the direct use of Belgian governmental and private assets in the United States for this purpose. The representatives of the Belgian Government said that they felt they ought to be in a position to know whether the Belgian blocked funds could be used for purchases of goods to be shipped to Belgium. They did not raise the question with respect to purchases to be made before the liberation of Belgium. Baron Boel said that the Belgian Government would raise this matter at the conference in Atlantic City unless it was resolved in the meantime.

Baron Boel explained some of the measures which the Belgian Government is planning to take upon the liberation of Belgium. He said that he would obtain the permission of his Government to inform the Treasury more fully with respect to such measures which include, (1) the calling in of all Belgian franc notes over 100 francs, (2) the blocking of portions of all Belgian bank accounts, including the proceeds of surrendered currency, (3) a somewhat-disguised capital levy, (4) a census of all Belgian assets held abroad, etc. Baron de Gruben said he hoped the Treasury was thinking through the problems involved in releasing Belgian assets at the end of the War. He was assured the Treasury was focusing on the several problems involved in dealing with such assets. There was a brief discussion of the possibility of some form of interlocking controls between the United States and Belgium such as the arrangement with China. Baron Boel seemed to be very interested in this possibility and said that if the Treasury was in agreement he would like to have a director of the National Bank of Belgium, which is to serve as the Belgian exchange control, come to the United States from London in order to discuss the matter with us more fully. Baron Boel emphasized the point that upon the liberation of Belgium the Belgian Government would like to reassure the Belgian people that the only financial controls remaining on Belgian assets were those which the United States was maintaining with the full approval of the Belgian Government and as a measure of assistance to it.

The representatives of the Belgian Government were assured that these matters would receive careful consideration by the Treasury.

(Signed) J. W. Pehle

cc: E.M. Bernstein, Taylor, Glasser, Luxford, DuBois, Aarons, Fox, Schmidt, Hodel.

JWPehle:rg 10-16-43

DECLASSIFIED

Authority NND 968103

By JB NARA Date 4-20-00

RG 131

Entry FFC Control Files

File Defrosting Problem

Box 457

MEMORANDUM FOR THE FILES

November 2, 1943

At a conference on November 1 with Baron Boel, Financial Adviser to the Belgian Government, attended by Messrs. Pehle, Luxford, E.M. Bernstein, Glasser, and Fox, the following matters were discussed.

1. Pursuant to Baron Boel's inquiry, the mechanics of the operation of the account in the United States of the National Bank of Belgium under the existing notification license was explained. It was specifically pointed out that the same procedure was applicable to both internal and external payments ordered by the National Bank of Belgium. Baron Boel appeared entirely satisfied with the explanation and the procedure.

2. In response to an inquiry previously made by Baron Boel in respect to the probable policy of the Treasury with respect to the use of blocked Belgian funds within the United States following the liberation of Belgium, it was indicated that it was the intention of the Department to follow a policy of cooperation with the Government of Belgium, designed to facilitate the use of such funds for the relief and other needs of Belgium, and in general, with certain qualifications, the fundamental objective of our controls would be to complement Belgian controls and to regulate operations in Belgian funds consistent with the mutual interests of Belgium and the United States.

3. Baron Boel inquired if it might not be desirable to initiate inter-governmental discussions with a view toward arriving at an agreement as to post-war policies applicable to Belgian funds within the United States, and, at the same time, endeavor to devise a formula for resolving many of the mutual problems which will confront both governments following the liberation of Belgium. It was indicated to Baron Boel that, while Treasury was giving extensive thought to such matters within the Department, it was deemed to be premature at this time to enter into inter-governmental discussions looking toward the signing of such an agreement.

A. U. Fox

cc: Messrs. Pehle, Luxford, E.M. Bernstein, Glasser, Schmidt, and Miss Hodel.

321925

DECLASSIFIED Authority <u>NND968103</u> By <u>B</u> NARA Date <u>4-20-00</u>	RG <u>131</u> Entry <u>EFC Control Files</u> File <u>Defrosting Problem</u> Box <u>457</u>
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MEMORANDUM FOR THE FILES

November 4, 1943

Baron de Gruben called on November 4 to discuss with Messrs. Pehle and Fox the probable policy of the Treasury with respect to the use of blocked Belgian funds within the United States following the liberation of Belgium, which subject had been discussed in general terms with Baron Boel, Financial Adviser to the Belgian Government, on November 1.

It was indicated to Baron de Gruben that, following the liberation of Belgium, it was the intention of the Treasury to follow a policy of cooperation with the Government of Belgium, designed to facilitate the use of Belgian funds within the United States for the relief and other needs of Belgium, and that the Belgian Government, in making plans in respect to its financial requirements in connection with UNRA, could insofar as Treasury was concerned consider that Belgian funds within the United States would be available to the Belgian Government for its relief purposes.

With regard to the availability to the Belgian Government of Belgian funds within the United States, including funds of Belgian nationals, it was indicated to Baron de Gruben that, following the liberation of Belgium and the establishment of effective controls by the Belgian Government, the fundamental objective of our controls would be to complement Belgian controls and regulate operations in Belgian funds consistent with the mutual interests of Belgium and the United States, and that subject to the resolving of conflicting custodial problems and the protection of American creditors of Belgian debtors, it would be the intention of the Treasury to permit the transfer of funds owned by Belgian nationals to the effective control of the Belgian Government and to permit the Belgian Government to utilize freely such assets consistent with the mutual interests of both countries.

A. U. Fox

cc: Messrs. Pehle, Luxford, E.M. Bernstein, Glasser, Schmidt, and Miss Hodel.

321926

DECLASSIFIED Authority <u>NND 968103</u> By <u>JB</u> NARA Date <u>4-20-00</u>	RG <u>131</u> Entry <u>FFC Control Files</u> File <u>Defrosting Problem</u> Box <u>457</u>
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MEMORANDUM FOR THE FILES

December 10, 1943

There was a conference held in my office today at which the following were present:

For the Belgian Government

Finance Minister Gutt
Baron de Gruben
Mr. Ansiaux

For the Treasury Department

Mr. E. M. Bernstein
Mr. Luxford
Mr. Pehle

Mr. Gutt referred to the conversations which the Treasury had had with Baron de Gruben and Baron Boel with regard to the unfreezing of Belgian assets and said that he would like to renew these discussions. Mr. Gutt mentioned that in May of this year he had discussed this question in a general way with Mr. White who had indicated that from a technical point of view there was no reason why the controls of this Government over Belgian assets should be continued after the war; Gutt subsequently mentioned this to Acheson who said he was in agreement. It was then pointed out that we had already indicated that upon the liberation of Belgium, and the establishment of a recognized Belgian Government in the area, the Treasury assumed that the assets of the Belgian Government, and of its nationals in Belgium, would be available for appropriate Belgian uses, such as the plans of UNRRA. At this point we mentioned two problems the Treasury anticipated coming up at that time, as follows:

(1) Certain assets held in Belgian names will be found to belong not to Belgian nationals but to Germans or other enemies, and the problem will have to be resolved as to whether such assets should be made available to Belgium or to the United States. On this point Mr. Gutt said that he recognized the problem and was willing, on behalf of his Government, to enter into an agreement whereby any assets released to the Belgian Government which later turned out to be German and which, according to the peace treaty or other undertaking between the interested governments, were assets to be dealt with by the United States, would be turned over to the United States or replaced by assets of comparable value. In this connection Mr. Gutt said that his Government planned to sequester enemy assets within Belgium for the benefit of the Belgian state, but that creditors who have a lien on specific assets or have a claim against specific assets would be paid from such assets.

(2) The problem of American creditors of Belgian debtors was discussed. Mr. Gutt conceded that American creditors who had attachments or judgments should be paid out of the attached funds and that he was perfectly agreeable to any other creditors having claims against specific

321927

DECLASSIFIED Authority <u>NND968103</u> By <u>B</u> NARA Date <u>4-20-00</u>	RG <u>131</u> Entry <u>FFC Control Files</u> File <u>Defrosting Problem</u> Box <u>457</u>
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- 2 -

assets, attaching such assets. With regards to Belgian debtors who had no assets in the United States Mr. Gutt said that if the debtor was found to be insolvent the Belgian Government should have no responsibility. On the other hand, Belgian debtors who have Belgian currency should be provided with transfer facilities to pay their American creditors. Mr. Gutt stated categorically that his Government was willing to enter into an agreement on this point (and, if necessary, to leave enough Belgian assets in the United States to provide adequate transfer facilities) for the payment of commercial debts owing to United States creditors, as well as to convert into dollars Belgian franc bank deposits held by Americans.

At this point there was some discussion of the possibility of the controls of the United States being modified in such a way as to be ancillary to the controls to be set up by the Belgian Government. Mr. Ansiaux described the controls which the Belgian Government is envisaging and said that it was intended that the Belgian Government would impose immediately very strict and broad exchange controls which would require all Belgians to report their foreign exchange assets (as well as all their assets in Belgium) to the Belgian Government; and all foreign exchange transactions would be prohibited, except with the approval of the National Bank of Belgium which would manage the exchange controls. Later, it was envisaged, the five or six largest banks in Belgium would be allowed to act as foreign exchange dealers on behalf of the National Bank. Mr. Ansiaux indicated that the Belgian exchange controls would be used for monetary, financial, economic and political purposes, including within the political purposes the function of preventing trade with the enemy.

There was some discussion of the Treasury's issuing licenses comparable to the licenses issued in connection with Belgian Congo transactions. Such licenses would permit the assets of persons and institutions in Belgium to be transferred to the National Bank and would allow assets held by the National Bank to be freely disposed of. It was made clear to Mr. Gutt, however, that the Treasury representatives were merely expressing their views as to what course of action would be taken and were not attempting to commit the Treasury, either as to what extent our controls would be lifted or to continuing supplementary controls. With regard to Belgian business enterprises operating in the United States, it was indicated that one approach would be to give the Belgian Government a list of such enterprises and to issue general licenses to those enterprises recommended by the Belgian Government. With regard to Belgian citizens residing outside of Belgium, it was indicated that except with regard to persons against whom there was evidence of an unsatisfactory character, this Government would probably not be willing to require the approval of the Belgian Government before releasing, but at that point would treat the Belgian nationals residing in Mexico, for example, just as other nationals of Mexico.

321928

DECLASSIFIED Authority <u>NND968103</u> By <u>JB</u> NARA Date <u>4-26-00</u>	RG <u>131</u> Entry <u>FFC Control Files</u> File <u>Defrosting Problem</u> Box <u>457</u>
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- 3 -

Baron de Gruba pressed for a written agreement by the Treasury on the points discussed. We pointed out that while we had been glad to indicate our views and the Treasury policy in such matters as we knew it, a written agreement, which must necessarily envisage a host of different hypothetical situations, would invariably contain all manner of conditions and stipulations. We also indicated that preparing such an agreement would be very time-consuming. Mr. Gutt seemed to be sympathetic with the Treasury's position.

(Signed) J. W. Pehle

cc: Messrs. Paul, White, E.M. Bernstein, Taylor, Luxford, DuBois, Lesser, Schmidt, Fox, Miss Hodel.

JWPehle:rg 12-11-43

321929

DECLASSIFIED
Authority NND 968103
By IB NARA Date 4-20-00

RG 131
Entry FFC Control Files
File Defrosting Problem
Box 457

COPY

TREASURY DEPARTMENT
Inter Office Communication

Date December 20, 1943

TO Mr. Pehle

FROM Mr. White

/1/ HDW

I have read the report of the conference held in your office on December 10, 1943 with the representatives of the Belgian Government. I, as you know, am in complete accord with your views as expressed at that conference. However, I want to correct what appears to be a misunderstanding or misrepresentation of the expression of my views to Finance Minister Gutt as described by him to you according to your account. I am taking this way of calling it to your attention so the record shall be perfectly clear. In discussing this matter sometime ago with Mr. Gutt, and in other discussions with representatives of other Exiled Governments, I have always taken the position when the question was raised by them as to the unfreezing of their assets in this country that the funds were not frozen for monetary reasons in the sense that it was not that we lacked gold or foreign exchange resources or feared in any way any drain of such resources. Nor, after the war in the formulation of a decision as to the time of the unfreezing of these balances would monetary considerations play a role. In the postwar period we would be happy to see them withdraw their balances as rapidly as they could. There remained, however, political considerations and questions of claims and counterclaims which obviously no one was in a position to appraise at this time and which might delay or modify a complete unfreezing of funds in this country. I added that it was my judgment that friendly governments would have no trouble after the war to obtain needed portions of their dollar or gold balances here.

321930

DECLASSIFIED

Authority NND968103
By JB NARA Date 4-20-00RG 131Entry FFC Control FilesFile Defrosting ProblemBox 457*Defrosting Switz*

July 3, 1944

Mr. White

Mr. Wood

Subject: Attitude of the Swiss Government on the Question of Blocking Hungarian, Rumanian and Bulgarian Assets.

Late in May a telegram was received by the American Embassy in Lisbon which raised the question whether the Swiss Government, in view of its blocking of Italian assets, contemplated the blocking of Hungarian, Rumanian and Bulgarian assets. Although the telegram was not addressed to me, and therefore presumably did not originate in the Treasury, the Embassy referred the matter to my office.

In conversation with the Swiss Minister in Lisbon, Henri Martin, I asked whether his Government was considering the possibility of blocking the assets of the three countries named above. He said that he would direct the inquiry to his Government and confirmed the premises in a letter to me. Before I left Lisbon, on June 25, I had not received an answer.

An indication of what the attitude of the Swiss Government on the question is has been obtained through another source, Philippe Alexander Hotta. Hotta, who was among the passengers on the clipper on which I came from Lisbon and who now is in this country on a private mission, is attached to the post-war planning section of the Swiss Foreign Office.

Hotta stated to another passenger that it is not likely that his Government will block the assets of Hungary, Rumania and Bulgaria, for the following reasons:

1. The Swiss-controlled assets of those countries are too small to assume an importance which would warrant their being blocked.
2. Unlike Italy, those countries do not have pro-Allied governments through which the Swiss Government could be requested to take such action. The Badoglio Government, according to Hotta, asked the Swiss Government to block Italian assets.

JW:ah 7/3/44

321931

DECLASSIFIED
Authority NND 968103
By JB NARA Date 4-20-00

RG 131
Entry FFC Control Files
File Economic Warfare
Box 457

U.S. DEPARTMENT OF THE TREASURY
OFFICE OF THE ASSISTANT SECRETARY FOR ECONOMIC WARFARE

MAY 1950

PROPERTY

SEC 7

61A-109

Box-741

Franklin St

Franklin St

Foreign Funds - not to be
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321932

DECLASSIFIED Authority <u>NND968103</u> By <u>JB</u> NARA Date <u>4-20-00</u>	RG <u>131</u> Entry <u>EFC Control Files</u> File <u>Economic Warfare</u> Box <u>457</u>
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12/14/42

The Relations of Swiss Financial Markets to Other European Markets

The Swiss franc is in a peculiar, but easily explicable, position with respect to other European currencies. As a general rule, all the belligerent Powers desire Swiss francs in excess of those becoming available to them through normal transactions. On the other hand, the isolated position and the small area of Switzerland make it dependent on imports from other neutral countries. The free Swiss franc is therefore at a premium with respect to belligerent currencies, but at a discount with respect to other neutral currencies.

Our own needs for Swiss francs to finance relief, diplomatic, and prisoner of war expenditures are shared by the British. The British have obtained Swiss francs at pre-war parity by transferring to gold in Canada and in London to Swiss account. The Axis demand for Swiss francs is greater in volume and has other causes. It arises chiefly in payment for Swiss exports of precision instruments, machine tools, engines, chemical products, and ammunition. A secondary demand for Swiss exchange on the part of the Axis is its usefulness in obtaining other neutral exchange which is perhaps in even greater demand--Spanish pesetas, Portuguese escudos, Argentine pesos. There is little trading of Swiss francs against currencies of the occupied countries of Europe, including the secondary allies of the Axis. What little trade exists seems to be motivated by an understandable desire to avoid the inflation of Norway, Holland, France, etc., in favor of the inflation of Switzerland. This inflation has amounted to a price rise of 80% since August 1939, which is drastic by our own standards but mild according to those of Europe. The principal recent transaction involving the Swiss franc and the currency of an occupied country which has come to Treasury attention is an attempt by Germany to purchase a substantial volume of Swiss francs with Vichy French francs. No takers were found.

Swiss exports are canalized to the belligerents rather than the neutrals. For this phenomenon the Axis is largely responsible, as Swiss exports must pass through Axis territory and passes (Geleitscheine) are not given without concessions. Similarly, the Axis Powers have shifted to the allies and to the other neutrals as much as possible of the burden of supplying Switzerland's basic necessities and industrial raw materials. In the bilateral atmosphere of contemporary Europe, this means an excess demand by Switzerland for Swedish kronor, Spanish pesetas, and Portuguese escudos against Swiss francs. Rigid exchange controls prevent this excess demand from resulting in a fall of the Swiss franc rate except in black market transactions. Instead, the outcome is the rationing of foreign exchange, so that while it is easy to get Swiss francs with kronor, pesetas, or escudos, it is difficult to reverse the process. As between the three neutral currencies the pressure for pesetas is greatest, as evidenced by the Swiss desire to shift blocked U.S. dollar balances to the Spanish account. Escudos and kronor follow

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Authority AND 968103
By JB NARA Date 4-20-00

RG 131
Entry FFC Control Files
File Economic Warfare
Box 457

in that order. There is no shortage of Turkish pounds in Switzerland; Swiss imports from Turkey are of slight importance as compared with Turkish obligations to Switzerland. The reverse is rather the case; there exists a Turkish shortage of Swiss francs, as is clear from Turkish attempts to buy Swiss francs in the United States from agencies of this Government.

As has been said, the Swiss inflation is comparatively mild by European standards, but it is ample to cause a flight to gold. Taking August 1939 as 100, the Swiss wholesale price level had risen to 185, with imported commodities above 230, by the end of 1941. This inflation resulted without great increase in the Swiss currency supply, and without great drain on the Swiss National Bank's gold reserves. During 1942, however, the drain on Swiss gold increased. The Swiss National Bank banned gold purchases by private individuals in August 1942, thus ending this aspect of the gold standard for the entire European continent. Export of gold for future exchange was banned at the same time except for the account of the National Bank itself. Swiss holders of gold were not, however, required to deliver their existing stocks to the National Bank.

The volume of direct contact between the Swiss money market and other European markets is less than is to be expected from the economic importance of Switzerland. It is limited by the system of bilateral clearing, current in European international exchange. Under this system, exchange rates are fixed a priori between two countries and licensed exporters from each country are paid in their own currency by special boards set up for the purpose of making such payments. Licensed importers replenish the funds of the board by payments to it, also in domestic currency. At the end of the year, any balance which may exist is made good in the creditor country's currency, applied to payments of principal and interest on indebtedness, or extended as a "clearing loan." This system should be distinguished sharply from the barter system in which specific goods are traded directly at fixed ratios, and also from more embryonic exchange controls, in which foreign exchange is rationed, but no bilateral clearing agreements are actually made. There is also a wide variety within the general field of clearing agreements. Some allow a wider, others a narrower, range of payments for services, debts, and securities through the clearing; sometimes even specific classes of goods are excluded from clearing arrangements. Switzerland has separate clearing agreements with the Axis powers, and with most if not all of the countries occupied by them. The most important agreements are with Germany and Italy; as between these two, the German is the significant one. It includes service on German debts to Switzerland within the clearings, provides the Ger-

DECLASSIFIED

Authority NND968103By JB AMARA Date 4-20-00RG 131Entry FFC Control FilesFile Economic WarfareBox 457

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mans 11.8% of their commodity exports ^{1/} in free Swiss francs outside the clearings, and permits the Germans a clearing loan of 450 million blocked Swiss francs a year. German balances of gold for securities in Switzerland are not included in the clearing, and provide the Germans with additional free exchange.

The Swiss have no clearing agreement with Great Britain, and are presently engaged in negotiations for a financial settlement based on (a) increased Swiss exports of non-military products to England and the Western Hemisphere, (b) decreased Swiss exports of arms and ammunition to Germany, (c) provision of Swiss francs at or below pre-war parity to Great Britain and the United States in greater volume, (d) possible increases in Swiss imports of goods from the Western Hemisphere.

Swiss trade with the other European neutrals is strictly controlled in order to economize foreign exchange. The controls do not take the form of a formal clearing agreement, however, and complete bilateralism is not attempted.

^{1/} From the total of German exports on which this percentage is computed, 2.8 million francs per month is specifically excluded.

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Types of Financial Operations in Switzerland which Benefit the Enemy

Listed below are ~~eight~~ ^{nine} types of financial transactions conducted in Switzerland for the benefit of the Axis. The Swiss Government and the Swiss National Bank are directly responsible for only the first two of these, though they have taken no positive steps to prevent the remainder.

1. The Swiss clearing with Germany and Italy provide each of these countries with substantial amounts of goods and foreign exchange.

The background of these clearings is a familiar one. Switzerland is a creditor nation, and in order to obtain partial payment on its citizens' foreign investments, felt compelled to enter into clearing agreements with most of the debtor nations of Continental Europe during the 1930s. At the present time, these clearings provide Switzerland with food, clothing, fuel, and raw materials for manufacturing industries. Most of these agreements result in fairly bilateral balances; it is not clear whether they increase or decrease the volume of trade, i.e., whether the balancing is "up" or "down".

The German and Italian clearings, the most important ones in terms of volume of trade, are also outstanding exceptions to the statement that an annual balance is struck. The German clearing debt was 450 million Swiss francs at the end of 1941; a rise to 850 million has been authorized for 1942. The Italian clearing debt was estimated at 125 million Swiss francs in May, 1942. At best, these clearing debts totalling from \$250 to \$275 millions are interest-free loans. They cause the Swiss Government to pay exporters to Germany or Italy in Swiss francs out of Swiss taxpayers' money. At worst, clearing debts represent free gifts of foreign exchange. There is some talk of the Germans' outright refusal to repay the clearing debt, and calling the latter Switzerland's contribution to the anti-Bolshevik campaign. In this connection, it should be noted that Roumania, Jugoslavia, and I believe also Bulgaria and Greece, amassed large clearing credits against Germany which were wiped out by German occupation.

At the same time, the Swiss have been unwilling to make parallel concessions to the British and ourselves, who are in need of Swiss francs for various purposes, primarily for diplomatic representation, prisoner of war expenditures and relief payments to refugees. The Swiss have refused to lend money to the British or ourselves except at rates which are higher than those paid domestic lenders in Great Britain.

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2. In most of the European clearing agreements will be found a provision that the debtor nation receive a certain percentage of the value of its exports in free exchange of the creditor country. In the case of the German-Swiss agreement, Germany is the debtor nation. Germany receives in free Swiss francs 11.8% of her exports to Switzerland, after deduction of 2.8 million Swiss francs monthly in special categories. The percentage has been as high as 18 in the past, and Germany will doubtless attempt to have it increased in the future. The free funds are used primarily to purchase exchange on Spain, Portugal, and Argentina. Incidentally, German purchases of Spanish and Portuguese currency with free Swiss francs increases these countries' stocks of Swiss currency, makes them unwilling to accept more francs from Switzerland in exchange for Switzerland's own imports, and causes the Swiss to exert pressure on this country and Great Britain to transfer blocked dollars, sterling, and gold from Swiss to Spanish or Portuguese account. The volume of free Swiss francs which the Germans obtain in this way is expected to fall off shortly. German exports to Switzerland, which consist largely of iron and gold, are declining, so that a constant percentage of their value yields less Swiss francs. Various intercepts indicate that the Germans are now beginning to face their real shortage of Swiss francs.

3. In addition to dealings through the clearing agreement, Germany is able to utilize looted assets to obtain Swiss exchange. During six months ended January, 1942, the Germans are reported to have sold in Switzerland 260 million francs in gold, presumably looted from occupied territory. This gold is not sold to the Swiss National Bank or to the larger Swiss commercial banks, but to the smaller private institutions. Much of it is subsequently earmarked for Portuguese account in exchange for escudos. The Swiss banks which carry on this trade include Leu & Co., Zurich, Banque Federale, Geneva, and Credit Suisse, Zurich. Gold is not the only asset disposed of by the Germans in Switzerland outside of the clearings. American and Swiss currency and securities looted in occupied territory find a ready market in Switzerland. Some reports indicate that looted and even bona fide German securities are sold for free Swiss francs by the German government. The Swiss National Bank and the principal Swiss commercial banks have entered into a "Gentleman's Agreement" with our Mission in Bern not to purchase dollars on the Swiss black market. Purchases are made by private individuals and smaller banks.

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4. The Germans have attempted to replenish their current shortage of foreign exchange by the sale of exit permits to persons in occupied territory. The usual arrangement is that these persons are permitted to leave occupied territory on deposit of neutral currency (usually Swiss francs, sometimes Portuguese escudos or Argentine pesos) in a German-controlled account. The headquarters of this traffic are in Switzerland and the fee is 100,000 Swiss francs per family. The intermediaries through which these transactions are carried on are Swiss nationals. Some of the depositaries for the extorted money are located on Swiss soil.
5. The Germans are attempting to obtain the Swiss assets of firms in occupied territories. This is accomplished by litigation in the Swiss courts aiming at the recognition of the German successors of looted companies as the legal owners of the Swiss assets.
6. The Germans are enabled under Swiss law to conceal their ownership and control of Swiss companies which carry on trade in the Western Hemisphere and elsewhere for the ultimate benefit of the Germans. These firms may supply foreign exchange to German agents, or include such persons in their employ. In one case (Hoffmann-Laroche) the "Swiss" head office is merely a routing station for products manufactured across the border in Germany. In addition, independent Swiss firms have entered into cartel agreements with the Germans, which, while nominally cancelled at the outbreak of the present war, may be re-established at its conclusion. The result of these transactions has been that the Swiss company holds during wartime, markets and sources of supply from which the German company is cut off. Such agreements are believed to exist particularly in the chemical and pharmaceutical industries.
7. German ownership of domestic Swiss companies frequently results in the use of these companies' facilities in direct aid of the German war effort. To cite a single example, the Cologne branch of the Ford Motor Company owns the Zurich branch. This latter branch is taking the lead in organizing the Swiss garage industry for the repair of German army trucks and other military vehicles.
8. German interests are known to be purchasing Swiss blocked assets in this country at substantial discounts in the Swiss black markets. The individual purchasers may be seeking to avoid German exchange controls, but more probably are providing themselves with safeguards against German defeat and disposing of looted funds at a profit.

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9. The total volume of Swiss assets blocked in Germany or Italy and at Axis disposal is not known. It may or may not be greater than the volume of Swiss assets blocked in Allied nations, but is certainly more concentrated in actual productive capital goods. The Swiss are known to have invested heavily in German concerns, both as private investors and as corporations establishing German branches.

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Box 457GENERAL OUTLINE OF EXISTING UNITED STATES FINANCIAL CONTROLS AS THEY AFFECT SWITZERLAND.*Swiss Finance**17/43*Historical Introduction

When the Nazis came to power in Germany, they seized control of the American and other foreign assets of German residents for their own purposes, including propaganda, espionage, and stockpiling of raw materials. They used the same technique, for the same purposes, for each of their subsequent conquests, legitimate and illegitimate, bloodless and sanguinary, from the Saar in 1935 to Danzig and Poland in 1939. The spoils were particularly rich in Czecho-Slovakia. In not one instance was any rebuttal directed by American authorities against this aspect of German aggression.

When the Germans invaded Norway and Denmark in 1940, the American Government had its answer ready in the form of Executive Order 8389. This document froze Norway and Denmark, preventing the occupying Power from seizing the Norwegian and Danish assets held in this country. The same technique was applied to other countries as they in turn succumbed to German domination. Enforcement of the Executive Order was entrusted to Foreign Funds Control, originally a part of the Office of the Secretary of the Treasury, and was a separate Division in the Treasury Department.

Foreign Funds Control was thus considered a defensive weapon of economic warfare. It was designed to protect the private economic interests of citizens of occupied countries in their American resources, and to protect American citizens and companies against conflicting claims to these resources. An incidental purpose was to prevent the Axis from utilizing the resources in question against American interests. The effectiveness of Foreign Funds Control in this last particular made its offensive possibilities apparent. If the Axis could be prevented from using Dutch, Belgian, and French assets against us, why not prevent their use of German and Italian assets as well? Proposals to this effect were made by the Treasury Department as early as 1940, during the first few months of the Control's existence.

These proposals necessarily involved the extension of Foreign Funds Control to the European neutrals, including Switzerland. The purpose of including these countries was to avoid their being used as cloaks for the carrying out of Axis transactions. The controls served to protect such countries, and to give them an adequate defense against requests by Axis countries that they allow their banking institutions to be used as cloaks. Switzerland in particular was frozen because of its economic dependence on Germany and Italy, because of widespread ownership and control of Swiss enterprises by Axis nationals, and because of the Swiss law and tradition of financial secrecy which made concealment of Axis interests in Swiss resources extremely easy.

The Treasury proposal to subject Swiss and other neutral assets to freezing control in advance of any hostile act against the neutrals by the

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Axis represented a new departure in American economic warfare. It aroused opposition, and caused delay in the application of freezing control to the Axis Powers themselves. Eventually, however, Executive Order 8389 was extended to the European members of the Axis and to the four European neutrals simultaneously. The effective date of the extension was June 14, 1941.

It should not be forgotten that Switzerland was affected indirectly by the freezing of Denmark, Norway, Holland, Belgium, France, and the other countries overrun before the freezing of Switzerland itself. Swiss citizens had been put on notice against buying blocked American assets from any holder, whatever his legal title, without license from the United States Treasury.

Delay in freezing Swiss assets permitted a certain amount of repatriation by Swiss nationals who held them. Another frequent device adopted by Swiss individuals to avoid freezing was the hedging loan, by which their American assets were pledged in advance to Swiss banks against funds in Switzerland. Despite these delays, it is estimated that freezing controls extend to \$1,484,000,000 of Swiss assets in the United States. This represents 20 percent of the total of foreign assets frozen, and is greater than the volume of frozen assets of any single blocked country with the two exceptions of the Netherlands (\$1,610,000,000) and France (\$1,593,000,000).

General Nature of Controls

No person who is a national of any country of continental Europe, of China or Japan, or of any of the colonies or possessions of these countries, or of any area occupied by them, can make use of funds or property in the United States without a license from the Treasury Department. This is one aspect of "freezing"; the dollar values above are estimates of the value of funds and property affected. Furthermore, no person in the United States, whether citizen or alien, can transact business with any of the areas mentioned, or with persons elsewhere who are listed on "The Proclaimed List of Certain Blocked Nationals" unless the transaction is authorized by Treasury license. More recently, communication with blocked countries on financial matters or involving powers of attorney has been likewise forbidden without license. Unlicensed transactions involving blocked assets are not recognized in the United States, whether effected in this country or abroad.

Within this broad radius of control, the Treasury utilizes its authority with greater or less severity, depending upon the type of transaction and the blocked nationality involved. Referring specifically to nationality, the most stringent control is naturally applied to residents of territory occupied by enemies of the United States and to Proclaimed List nationals. No general licenses permit depletion of the accounts of such persons, and specific applications involving trade or communication with them are normally denied unless special circumstances intervene. At the other extreme are nationals of blocked territory occupied by fighting allies of the United States (Russia and China). A Chinese national need obtain

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only the approval of the Chinese Government for any transaction to have that transaction approved. Soviet nationals are accorded the same treatment as Americans.

Generally Licensed Position of Switzerland.

The four European neutrals, Portugal Spain, Sweden and Switzerland, occupy an intermediate position in the rigor with which the control is applied. As a political neutral with an operating system of exchange controls, Switzerland is the beneficiary of a General Treasury License. The general purpose and effect of these four General Licenses is to allow transactions without specific license, where the only blocked interest involved is that of the neutral country having the General License, or one of its nationals, and the neutral government is willing to certify to this effect. In the Swiss case, the certifying authority is the Banque Nationale Suisse.

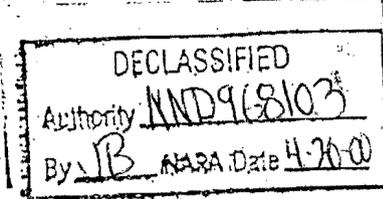
This license permits Swiss nationals to remit blocked funds to Switzerland and to Latin America for both commercial and non-commercial reasons. Reports to the Treasury are required for all transactions over \$5,000 after the transactions are carried out. Proclaimed Listed firms in Switzerland are not certified by the Banque Nationale Suisse, nor are particular nationals not on the List if the Treasury requests that they not be certified. Unlisted parties, suspected of trade with the enemy or other undesirable activities, are certified by the Swiss authorities for all transactions which appear to be exclusively Swiss up to the date of their listing. Operating companies in the United States which are blocked as Swiss may not avail themselves of the Swiss General License, so as to prevent their dealing more freely with Switzerland than can purely American firms.

In connection with certification, it should be remembered that the shares of Swiss companies are nominally made payable to bearer, and that beneficial ownership of securities and bank accounts need not be disclosed to the Swiss Government or to the Banque Nationale Suisse. For this reason, it is quite possible for non-Swiss individuals to enjoy the benefits of the Swiss General License.

Commodity trade between the United States and Switzerland goes on under specific license, though payment does not usually require such license if the Swiss will certify it. In this field the Treasury scrutinizes with some care applications for importing goods if suspicious parties are involved. Exports, however, are approved unless the Swiss consignee is actually on the Proclaimed List.

A shortage of shipping space and of strategic materials has led the Treasury to the policy of directing the sale in the United States of these materials when held here by blocked nationals. Swiss companies have opposed the directive licensing program bitterly, even when there was no chance of export to Switzerland being permitted during the war. The Swiss Government has supported the companies concerned, and has been successful in securing the revocation of a number of Treasury directive licenses.

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The Swiss, under the provisions of their General License, may purchase additional scarce and critical materials for stockpiling purposes anywhere in the Western Hemisphere using their blocked dollars in payment. Goods thus acquired would be held for post-war delivery to Switzerland.

One large company was formed in Switzerland for the purpose of acquiring Swiss blocked funds on a large scale, which would then be used for stockpiling. This particular plan was disapproved by the Treasury and the Board of Economic Warfare, but similar transactions are possible under General License on a small scale from the holdings of particular individuals.

The Omnibus Account Problem.

Under General Licenses issued to the three Swiss banks in New York, the Swiss are permitted to hold and operate a great number of accounts of whose true ownership this Government is kept in ignorance. The great majority of the holdings of the Swiss Banks are of this character. Axis leaders and sympathizers are afforded an opportunity to keep their funds as post-war nest eggs in numbered or rubric accounts of this kind. Other anonymous accounts here may be bought and sold on the Swiss black markets in defiance of Treasury regulations; the purchase of these accounts provides a means for Axis interests to add to their American holdings during wartime, as well as to preserve what they had available before the outbreak of hostilities.

Transactions involving omnibus account were formerly facilitated by a Treasury policy normally to approve the transfer of funds between the blocked accounts of branches of Swiss banks or between the blocked accounts of individuals and branches of Swiss banks. Accounts in the name of the Swiss banks are usually found to be held by the banks in a fiduciary capacity, with the beneficial ownership undisclosed. The present trend of Treasury activity is toward more detailed scrutiny.

Securities Policy Toward Switzerland.

The foreign origin of securities, whether Swiss or other, does not subject them to blocking unless the holder is a national of a blocked country as defined by the Executive Order. Payment of income on Swiss securities from blocked funds is ordinarily licensed, and may be received freely by non-blocked parties. The same holds true if the recipient is himself a blocked national, Swiss or other, except that payment is then made to the recipient's blocked account.

Payment of dividends on American securities to Swiss nationals, wherever located, is generally licensed, if the recipient establishes a blocked account in an American bank into which the interest or dividends may be paid in the first instance. Specific licenses to remit abroad must be applied for and are normally approved, especially for small sums.

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Swiss nationals may not engage in transactions on American security markets without specific licenses. License is also required for Americans to deal on Swiss security markets. Applications involving the first type of transaction are not approved if they involve passage of control of an American company. Licenses for the second category are not granted if they result in substantial decline in American interests in Swiss or other European, especially non-enemy, companies.

All securities imported into the United States subsequent to the issuance of the Executive Order are subject to impounding in special accounts if blocked nationals have had any interest in them since the effective date of the Executive Order. They are released from such accounts, and permitted to be sold or traded, only if a special form is attached certifying that no enemy interest is involved. The purpose of this procedure is to prevent the Axis from realizing in America on securities looted in Europe. Income accruing to securities in special account is also impounded in this account.

Securities imported from Switzerland, or in which Swiss nationals have had interests, are impounded like any others, but the releasing forms are granted readily unless non-Swiss interest is found. The anonymous account device may be used within Switzerland to dispose as Swiss of securities held in German accounts in Switzerland prior to the date of the Executive Order.

Interest and dividends may also be sent to these German accounts in Switzerland, once the releasing form has been applied to the basic securities.

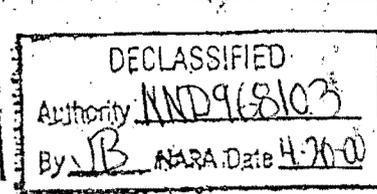
Remittances to Switzerland.

Switzerland is the principal refugee asylum on the European Continent. In addition, numerous American citizens either live in Switzerland permanently or were stranded there when France fell and Italy entered the War.

The Treasury has permitted remittances for living expenses from blocked as well as free accounts to both refugees and American expatriates. Small remittances can be made under General License, and Treasury policy has been liberal as regards larger ones. Remittances are also permitted for the payment of Swiss taxes, of the large cantonal entry fees required of immigrants, and of passage money from Switzerland to the United States or other American Republics.

Treasury licensing policy was until recently more liberal in permitting remittances from blocked dollars than was the Swiss Government in accepting the blocked dollars themselves. (The Swiss, for various reasons, have adopted a progressively more stringent attitude towards acceptance of blocked dollars for remittances on a scale above that required for minimal subsistence.) Purchase of free Swiss francs was permitted for expenses for which blocked dollars were not accepted; the rate has risen more than 50 percent above parity, with Swiss banks as beneficiaries. This situation is being remedied by closer Treasury scrutiny of applications to purchase free Swiss francs for remittance purposes.

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Food packages may be purchased with blocked funds and sent to Switzerland under specific licenses, which are normally granted. Allied Governments in exile, the Red Cross, and certain other organizations are sometimes permitted to remit funds to Switzerland for the purchase of food packages destined for persons in occupied countries.

Passage money may now be remitted to Switzerland, under specific license, to provide the expenses required to get refugees out of occupied territories, with provision against ransom payments to the Germans. This is an exception to general Treasury policy, which forbids the direct or indirect communication with enemy or occupied territory.

Swiss nationals in the United States or other non-blocked countries are permitted to draw from blocked dollar balances, under General License, for living expenses. Applications to draw larger sums in bona fide emergencies are normally approved. Many Swiss in the United States itself have been given the privileges of Generally Licensed Nationals and are treated in the same way as American nationals for the purposes of the Executive Order.

Individual Companies.

Swiss firms operating in the United States are given operating licenses permitting the normal conduct of their business, usually including trade with non-blocked countries. Except for those acting as Axis cloaks or dependent on a greater volume of transatlantic trade than now exists, they carry on normal operations. Branches of Swiss companies who find wartime conditions unprofitable are permitted to utilize blocked funds for operating losses while retaining contacts and goodwill for the post-war period. Liquidation is not forced upon them.

American companies operating in Switzerland are subject to Foreign Funds Control authority in connection with imports from and exports to Axis territory, and with transactions involving Proclaimed List individuals. Such dealings are permitted only rarely, and on specific license. They may be required by past contracts or by public utility status of the American company; they may drain the Axis of scarce materials; or direct governmental retaliation would result from our refusal to license. Otherwise, applications are denied. The Swiss Government does not co-operate in the enforcement of this aspect of Proclaimed List policy. On the contrary, it imposes civil penalties on companies which subject themselves to the licensing authority of Governments other than that of Switzerland.

The neutrality of Switzerland, such as it is, is not shared by all Swiss companies. Many, with and without actual German control, are producing precision instruments, machinery, and ammunition for the Germans. Others act as intermediaries in evasion of the British blockade, as cloaks for the disposal of looted assets, or as agents for extortion.

The Proclaimed List is applied to these firms and individuals as well as to known Axis agents and propaganda outlets. At the end of 1942, 753 names

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appeared on the list. In addition, use is made of confidential suspect lists prepared by British and American agencies in screening applications involving Switzerland.

The Alien Property Custodian has vested as German several nominally Swiss companies after Treasury investigation had revealed German ownership or control. Outstanding among these companies is the network centering in General Aniline and Film Co. More Treasury investigations are under way in various Swiss banks, insurance companies, and chemical companies, on suspicion of German ownership or pro-Axis activities.

Special controls have been applied to five large Swiss chemical companies, requiring them to receive payment in blocked dollars for exports from the parent company in Switzerland to Latin American consignees. This regulation is part of a program to prevent these companies from drawing down their dollar balances in this country.

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BOARD OF ECONOMIC WARFARE
Blockade and Supply Branch



SWITZERLAND'S FINANCIAL TRANSACTIONS
ON BEHALF OF GERMANY AND AXIS COUNTRIES

CONFIDENTIAL

May 19, 1942

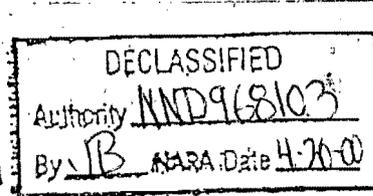
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I. REGULAR COMMERCIAL AND FINANCIAL TRANSACTIONS

Switzerland must import many foodstuffs and raw materials from Germany or German-occupied Europe. On the other hand, she must also export to these countries the products of her soil and industries. Furthermore, there are many regular financial transactions between these countries originating in investments, insurance obligations, etc. Most of them only affect Switzerland and her trading partners. Third parties like the United States may have an abstract interest in the type of commercial transactions between Switzerland and our enemies, but little can be done to change that situation.

Switzerland has clearing agreements with most German-dominated Europe because in most instances Swiss receipts, due to exports, foreign investments, insurance transactions, surpass payments to these countries. Clearing agreements were instituted in order to balance, if possible, the mutual transactions and to cut down certain types of payments. In most of these agreements Swiss financial creditors received only a partial share of their claims. Although, as previously stated, most of the clearing agreements attempt to balance mutual commercial and financial payments, two big exceptions exist--namely, payments with Germany and Italy. Since the German and Italian factories have fallen behind in their deliveries to Switzerland while their requirements from the neutral countries have increased, Switzerland has accumulated considerable clearing claims in Germany and Italy. At first this meant that Swiss exporters were not paid for several months--that is to say, until in chronological order money received from Germany or Italy permitted payments of claims. Usually payments were several months late. In order to relieve the Swiss exporters, the Swiss government agreed to assume these clearing claims. By the end of 1941, 450 million francs were allowed to be accumulated in the clearing account, and by the end of 1942 this amount may increase to 850 million francs. This means that the Swiss exporters are paid by the Swiss government, which temporarily advances the money to Germany. With Italy the clearing loan amounts to 125 million francs.

Although Switzerland agreed to these clearing loans, it is not certain that Germany and Italy can actually take advantage of them, because Swiss deliveries of goods to Germany and Italy are limited by Swiss productivity. Certain exports can be maintained only if sufficient raw materials are received from the Axis with which to manufacture these goods. In other words, Germany has to supply Switzerland with raw material if the Swiss economy is to furnish Germany with manufactured goods. From the evidence available at the present time, it seems improbable that Germany can utilize even as much as one-half of the clearing loan granted by Switzerland under the agreement. These clearing loans cannot be used for other transactions.

The granting of clearing loans to Germany and Italy should be considered an unneutral act, because Switzerland is granting a unilateral benefit to one group of belligerents. It is true that Switzerland has not much choice in the matter; nevertheless, the granting of a loan to a belligerent is in a different category from commercial and financial ex-

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changes on a compensatory basis. The fact that the Swiss National Bank and Swiss private citizens have large amounts of investments in the United States which are frozen under the United States Legislation does not offset or mitigate this unneutral act because Switzerland has also very large investments in Germany which are likewise frozen and unusable at the present time.

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II. FINANCIAL TRANSACTIONS NOT COVERED BY CLEARING AGREEMENTS

In most clearing agreements there is a clause permitting the so-called debtor nation—that is, the nation which is in arrears on her commercial and financial payments to receive a certain percentage of the amount paid into the clearing account to be at its free disposal. This amount does not have to be used to pay foreign creditors, but can be used by the debtor country in any way it sees fit. This is free exchange not subject to bilateral restrictions. Germany, and in particular the Reichsbank, which operates the Verrechnungskasse, has been receiving every month a certain amount of Swiss francs which could be used for propaganda, for acquiring currencies of third countries, for expenses not covered by the clearing agreement, etc. Since clearing figures are no longer published, it is impossible to determine how much free Swiss exchange Germany or other Axis countries have received in the past and are receiving at the present time. Swiss-German trade is large, and considerable sums have been placed at the disposal of Germany.

Another source of free Swiss francs available to the Germans results from gold sales. According to confidential intercepts, Germany has sold more than 260 million Swiss francs worth of gold to Switzerland during the six months ending January 1942. The gold is shipped to the Swiss National Bank by the Reichsbank, but an analysis of the published gold holdings of the Swiss National Bank does not indicate that the gold was bought by this bank for its own account. It would appear that the gold was bought by Swiss commercial banks; but because they have no facilities for weighing gold, the Swiss National Bank was entrusted with that function. In other words, the Swiss commercial banks own most of the gold received from Germany, but instead of keeping it in their own vaults use the facilities of the National Bank. As payment for the gold these commercial banks make Swiss francs available to the Germans.

The published official gold holdings of Germany are less than the amount already sold by Germany. It has been known for a long time that Germany has a large unrecorded gold reserve. The intercepts concerning gold sales to Switzerland occasionally indicate that Czechoslovakian and Russian gold is involved. Since the Reichsbank has confiscated considerable amounts of gold from Poland, the Netherlands, Czechoslovakia, Belgium, and possibly Denmark, it is probable that its present gold holdings are still very large. If the Reichsbank can sell that gold abroad, valuable foreign exchange can be acquired for purchasing needed rawmaterials. Because Switzerland is close to Germany, Germany finds it easy to sell gold abroad. Elimination of such gold sales will force Germany to find other markets; this may not be so easy because of transportation difficulties, and because other countries may not be willing to accept that gold.

Whether Switzerland's purchases of gold from Germany should be considered an unneutral act is difficult to determine. In any case, it is significant that the Swiss National Bank is not a direct party. The Swiss commercial banks, whose main interest is economic profit, do not care whether they commit an unneutral act.

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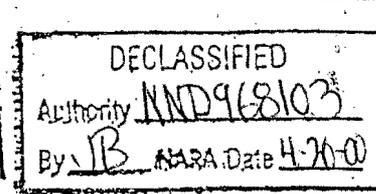
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A third source of free Swiss francs for Germany comes from the sale of American dollar notes in Switzerland. According to information received from the British government, it appears that Germany has systematically collected large amounts of hoarded dollar notes in Germany and occupied territories. They have been confiscated, purchased in the black market, or looted, and although no figures are available as to the amount of dollar notes hoarded or circulating in Europe, very large sums can undoubtedly be realized. Because Switzerland is a free gold and foreign exchange market, there are few difficulties in selling dollar notes. The British estimate that the German government or the Reichsbank sell dollar notes in Switzerland at approximately 60 percent of their parity. It is undoubtedly desirable to stop such trade in American bank notes in Europe because Germany derives a great benefit from them. The best method to accomplish this will be discussed later. A special discussion on the problem of dollar notes in all of Europe is given in the appendix.

Finally, Germany may be able to realize free Swiss exchange through the sale of German or foreign securities in Switzerland. Although the United States has put into effect an effective system of security supervision to prevent any payments which, directly or indirectly may benefit the enemy, there still is a considerable trade in American securities in Switzerland. The purchasers often have a speculative interest, or are hoping that in the long run, especially at the conclusion of the war, they may profit from these security purchases. Foreign securities, other than American, are probably freely traded--partly for investment, and partly speculation. It is apparent, too, that Germany is able to sell some of her own securities in Switzerland. Considerable amounts of free Swiss exchange can thus be collected by Germany. It appears that Swiss francs resulting from security sales are not subject to clearing provisions.

Summarizing this section, it appears that Germany has no difficulty in acquiring large amounts of free Swiss francs from gold, bank notes, and security sales and from the free allowance in their clearing agreement with Switzerland. The Swiss National Bank is involved to a certain extent, but it appears that most of the transactions are undertaken by Swiss commercial banks and brokers.

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III. UTILIZATION OF FREE SWISS FRANCS BY GERMANY

Since Germany, under the provisions of the existing clearing agreement with Switzerland, can buy Swiss products irrespective of payments into the clearing account, the free Swiss exchange available is used mostly for purchases or transactions outside Switzerland. It has been shown in previous paragraphs that German purchases in Switzerland are facilitated by the Swiss clearing loan and are thus only limited by Switzerland's ability to produce. If Germany then uses the free Swiss exchange for buying commodities in other neutral countries, or possibly through these in non-belligerent or enemy countries, Switzerland facilitates a transaction beneficial to our present enemies. From various intercepted material it appears that Germany has been acquiring large amounts of escudo exchange and some Argentine pesos. For example, it is known that from September 8, 1941 to March 11, 1942 Switzerland made available to Germany a total of 285 million escudos. This amount was paid by various Swiss commercial banks into the escudo account of the German Reichsbank at the Banco Lisboa y Acores and Banco Espirito Santo.

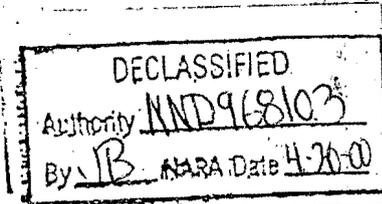
Intercepts show that large amounts of escudos from Reichsbanks' account were made available to Minero Silvicola probably for tungsten purchases. For example:

Week of January 15-21, 1942	Esc. 29,400,000
Week of January 22-29, 1942	39,200,000
Week of February 5-11, 1942	49,200,000

Occasionally there are outpayments to Japanese payees, but these amounts are not very large. Other German firms are also mentioned. Most of these payments are probably for German purchases of raw materials or foodstuffs in Portugal. In other words, the Swiss commercial banks facilitate German purchases of vital raw materials in Portugal.

The exact origin of these large escudo amounts are not known although much evidence on certain Swiss escudo transactions are available. The regular Swiss commercial transactions with Portugal do not leave a balance in favor of Switzerland. Consequently, Switzerland has no escudo surplus from that source. In fact Swiss trade with Portugal is very passive at the present time, as the following table illustrates:

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Switzerland's Trade with Portugal
(In millions of francs)

	Imports from Portugal	Exports to Portugal	Import (-) or Export (+) Surplus
1939	8.13	9.51	+1.38
1940	11.03	10.43	- .60
Nine months of 1941	72.75	7.45	-65.30
Monthly for 1941:			
January	2.52	0.90	-1.62
February	0.71	0.98	+ .27
March	4.84	0.79	-4.05
April	6.18	0.51	-5.67
May	8.99	0.51	-8.48
June	7.41	0.70	-6.71
July	11.09	1.07	-10.02
August	16.38	1.21	-15.17
September	14.63	0.77	-13.86

As a result of the great import surplus for the first nine months of 1941, Switzerland had to make large payments to Portugal. First it was suggested that Swiss gold from New York was to be shipped to Portugal and later that Swiss gold was to be earmarked for Portugal in New York; however, neither transaction was licensed by the Treasury. Switzerland thereupon had to make gold available to Portugal in Europe. During the last few months the Swiss National Bank has been sending regularly considerable amounts of gold to Portugal. These gold sales have nothing to do with making escudos available to Germany, and the Swiss National Bank has stated emphatically that it is not a party to any of the Swiss-Portuguese transactions on behalf of Germany.

Other commercial transactions also do not offer any possibility for accumulating large escudo balances. Export surpluses to the Western Hemisphere are small and any proceeds transferred to Portugal are but a fraction of the German escudo requirements. Consequently, it appears that the available escudos must come from other types of transactions--particularly transactions in American dollar notes, gold, and possibly foreign securities.

Available statistics or intercepts do not indicate that the Swiss commercial banks have been selling the gold acquired from Germany to Portugal or to any other country on behalf of Portugal; although it is possible that the gold is actually sold but earmarked in Switzerland rather than transported to Portugal.

It is known that Swiss commercial banks are selling large amounts of dollar notes to Portugal, shipping them in packages of approximately \$10,000 each.

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The notes are sold at a discount of approximately 32 percent--that is to say, they are sold at 68 percent of their parity, the seller paying postage and insurance to Portugal. Since the bank notes usually are acquired at a discount of 40 percent, the Swiss banks are making a profit of about 8 percent minus postage and insurance charges. Through these bank note sales large amounts of escudos are made available to the Swiss banks which, in turn, buy German owned free Swiss francs against delivery of Portuguese escudos. Naturally Portuguese banks can only absorb large quantities of these bank notes if they cannot sell them at a profit to other countries. In this connection it appears that dollar bank notes are sold mostly to South America, and in particular to the black markets in Argentina and Brazil. Originally they were sent by the "Lati" air service, but since its suspension, other means of transportation have to be used, and it has, therefore become more difficult to dispose of the notes in South America.

A number of other intercepts indicate that Swiss commercial banks receive a considerable amount of escudo exchange from Argentina. It is possible that Portuguese banks also act as intermediaries so that the proceeds of the dollar note sales become available in Argentine pesos and are then converted into Portuguese escudos. Another possibility is that Swiss investors in the United States, who have their money frozen by the unwillingness of the Swiss National Bank to accept dollars, are sending their monies to Argentina where they are sold to the Swiss commercial banks. The third possibility is that Swiss held foreign securities, possibly of German or Axis origin, are disposed of in Portugal or South America. Little evidence is available concerning such transactions.

Under all circumstances the Swiss commercial banks facilitate financial transactions for our enemies. As long as free Swiss exchange resulting from legitimate commercial transactions is involved, Switzerland acts as an intermediary for Germany. If, on the other hand, confiscated gold, American bank notes, or securities are involved, Switzerland facilitates the sale of stolen goods, action which must be considered unneutral. Swiss commercial banks undoubtedly feel that they do not care about the origin of the gold or the bank notes as long as they can make some profit on the transaction, and thus they furnish direct help to our enemies. It might be argued that even in these instances Switzerland acts as an intermediary and is not actually a part of the transaction. The ultimate buyer of the bank notes or the gold or the securities is really responsible for the unneutral act. If Portuguese or South American buyers were not interested in such transactions, the Swiss commercial banks would no longer execute them. This argument is further reinforced by stating that if Switzerland were not willing to act as intermediary, Germany could still undertake such transactions directly with Portugal or with South America. Such an argument cannot be accepted because it is assumed that if Germany uses Switzerland as its intermediary, it does so because that is the most effective, if not the only way for Germany to attain her ends. The elimination of Switzerland would undoubtedly make things much more difficult for Germany.

Since most of these transactions on the part of the Swiss can be considered unneutral acts, it is to the interest of the United States to stop them.

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IV. PRESENT FREEDOM OF THE SWISS COMMERCIAL BANKS

As has been mentioned before, the Swiss National Bank apparently does not facilitate directly any of the German-Swiss-Portuguese-South American financial transactions. It seems to act as an agent of German gold sales to Swiss private banks but does not take any interest in the transactions described above. Although the Swiss National Bank has bought small quantities of German gold for its own account, the gold payments it has made to Portugal are due solely to a deficit in the Swiss-Portuguese balance of trade. The Swiss National Bank has certified to the American government that it has not acted on behalf of Germany in other neutral or overseas countries. Available evidence indicates that this is a true statement.

On the other hand, as it also has been shown in the preceding sections, the Swiss commercial banks are heavily involved in indirect transactions on behalf of Germany. The following Swiss banks are the most active dealers in the Portuguese market for American bank notes:

1. Banque Federale, Geneva
2. Societe Banquiers de Geneve, Geneva
3. Credit Suisse, Geneva
4. Soc. Generale Alsacienne de Banque, Zurich

The Swiss commercial banks which make the escudos available to Germany are mostly the following:

1. Leu & Company, Zurich
2. Swiss Bank Corporation, Zurich
3. Credit Suisse, Zurich

The Leu Bank seems to be the most important single bank involved in such transactions. For instance, during the week of April 23-29, 1942, the payments into the Reichsbank's escudo accounts in Portuguese banks were as follows:

a. To the <u>Banco Lisboa y Acores</u>	
From: Leu & Company	Esc. 6,200,000
Misc. Sources	<u>1,800,000</u>
	Esc. 8,000,000
b. To the <u>Banco Espirito Santo</u>	
From: Credit Suisse	Esc. 2,000,000
Swiss Bank Corporation	1,000,000
Leu & Company	1,500,000
Misc. Sources	<u>2,800,000</u>
	Esc. 7,300,000

Observing the development during many weeks, it means that neither the bank note sales, by the above mentioned banks, nor the inpayments into German escudo accounts are isolated transactions. On the contrary, transactions in dollar notes occur every week, and the statements of the Portuguese banks every week show inpayments by various Swiss commercial banks.

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Swiss commercial banks can undertake such transactions practically without any restriction because Switzerland still has a free gold and foreign exchange market, and the Swiss commercial banks are not subject to much governmental control. The Swiss National Bank has practically no authority over gold and foreign exchange transactions and cannot prevent the Swiss commercial banks from undertaking certain types of transactions. There is only an agreement concerning dealings in dollar exchange. This agreement could be made because there is a great abundance of dollar exchange which the Swiss National Bank is willing to absorb under certain conditions. Since it is the only large buyer, it can lay down its own conditions. In regard to other transactions, no such one-sided advantage exists. As the Swiss constitution also provides for complete banking secrecy, it is possible that the Swiss National Bank and the Swiss government are not fully aware of what is actually going on. Information is, however, available through the British Intercept and Information services.

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V. METHODS TO STOP UNNEUTRAL SWISS TRANSACTIONS

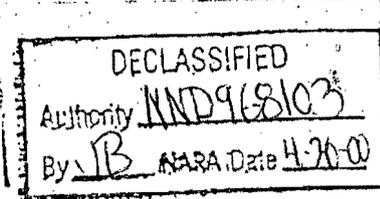
In the preceding paragraphs several detrimental financial transactions have been outlined. All of them benefit the enemy and must be considered unneutral acts by Switzerland on behalf of Germany. Efficient economic warfare demands that some, if not all, of these transactions be stopped.

Not much can be done concerning the clearing loans granted to Swiss exporters which, in reality, amount to a loan to Germany, because Switzerland depends on foreign trade for a living. Since Germany and Axis countries virtually surround Switzerland, trade with overseas countries is limited, forcing Switzerland to trade mostly with German-dominated Europe. It might be possible, however, to increase purchases of Swiss products which are useful to Germany or in which a large amount of Swiss labor is involved. In other words, the clearing credit can hardly be stopped, but might be prevented from shipping too many goods to Germany, and thus partially negate the effect of that clearing credit.

The gold and bank note sales to Switzerland must be absolutely stopped; the Swiss commercial banks performing these transactions must be prevented from undertaking any transactions beneficial to the enemy. Switzerland might be requested to refrain from executing these transactions, or to introduce an official gold and foreign exchange regulation. The Swiss National Bank should have a monopoly or full control over all foreign exchange transactions with all foreign countries. These recommendations are based upon the assumption that the Swiss National Bank's assertion that it is no party to any indirect unneutral transaction is true. It can be assumed that the execution of the gold and foreign exchange monopoly by the Swiss National Bank would produce the results desired.

How the Swiss government or Swiss National Bank can introduce a gold and foreign exchange control is difficult to appraise. Several possibilities exist. It is possible for the Swiss National Bank to negotiate a gentleman's agreement with the commercial banks whereby the latter promises not to undertake any large scale financial transaction with Germany without the prior approval of the Swiss National Bank and, in particular, to refrain from dealing in gold and American bank notes on behalf of Germany. In the second place, the Swiss Federal Council (executive branch of the government) might issue an emergency decree under its temporary war powers, granting the Swiss National Bank the exclusive privilege to deal in gold and foreign exchange transactions. It appears that such an emergency decree is legal under present war conditions. Whether it would need the approval of Parliament is a debatable question. When many months ago the Swiss gold holdings located in Switzerland fell below the legal minimum, the Swiss National Bank argued that her inability to get gold shipped from New York to Europe would necessitate the changing of the Swiss gold laws; and that this, in turn, might arouse an unfavorable public reaction. Although the gold was not shipped to Europe and although the gold reserves continue to stay below the legal minimum, the action of the Federal Council authorizing this situation was, apparently, never submitted to Parliament. Gold and foreign exchange control could undoubtedly be introduced in a similar way.

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In order to get Switzerland to refrain from executing large financial transactions on behalf of Germany, it might be necessary to use, or to threaten the use of certain weapons. There are two possibilities. In the first place, General License No. 50 could be made more strict, or even revoked; in this case, Swiss financial transactions with the United States would become more difficult. In the second place, the granting of future export licenses could be made conditional upon the elimination of those detrimental financial transactions. These weapons are undoubtedly very potent and should not be used before other means of action have been utilized.

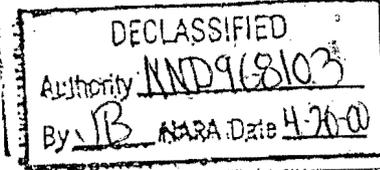
Before asking the Swiss government to prevent the execution of such unneutral transactions, all the Swiss banks involved in these practices might be placed upon the black list with the suggestion that the British authorities follow suit. Since British authorities in the past have always been skeptical about the transactions of the Swiss commercial banks, such a suggestion might give them the assistance required before these transactions can be eliminated.

Concerning the trade of American bank notes in Europe, the British Government has already informed the Turkish Government, which is also implicated in some of these transactions, that all American bank notes destined to Turkey or originating in Turkey are subject to seizure and confiscation except if there is proof of non-enemy interest. A similar warning might be sent to the Swiss government, thus making it more difficult to dispose of American Bank notes in the Swiss market. Germany, in that case, might still be able to sell dollar notes, but in all probability the discount would be larger, so that the German profit in the transaction would tend to disappear.

Any policy directed toward Switzerland alone may be insufficient; Switzerland should not necessarily be singled out as the only country on which to apply such pressure. Although it is true that Germany is using Switzerland to a very large degree, Germany is also using Portugal, and similar measures should be devised in order to control German dealings in Portugal. These recommendations in regard to Switzerland are, therefore, merely one step towards achieving over-all control of enemy financial transactions in all neutral countries.

Because Switzerland is so dependent upon Germany, Germany might try to force Switzerland to continue some of these practices, and in that case Swiss relations with the United States might disintegrate further. It appears that Germany has a considerable interest in Switzerland's trade with the United States, particularly in regard to Swiss imports from this country because any raw materials and foodstuffs received make the Swiss economy function better. This, in turn, makes available to Germany a larger amount of Switzerland's labor and factory output. Furthermore, Switzerland's bargaining position towards Germany is not negligible. In the first place, Germany needs the Swiss railway system including the tunnels through the Alps in order to supply Italy. In the second place, Swiss labor and Swiss industrial equipment are important in the German war effort. Finally, Switzerland offers a good opportunity for Germany to maintain contact with overseas countries. It is unlikely therefore, that a request to Switzerland to eliminate these unneutral transactions would fail because of German pressure upon Switzerland; consequently such a course of action should be followed.

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APPENDIX

United States Dollar Note Trade in Europe

There is an extensive trade of American dollar notes in Europe. Some phases of this trade have been mentioned in the main part of this report. Further details on this dollar bank note trade are given so that the over-all significance of the problems involved can be better understood. Most of this discussion is based upon the report entitled "Constitution of United States Dollar Bank Note Markets" prepared by the British Embassy in Washington on March 19, 1942. Additional financial intercepts, which throw more light on the subject, have since become available.

A confidential report by a Swiss private banker dated December 22, 1941 states that the discount on American bank notes has become so great that the United States may be interested in intervening. Since Switzerland is a free market, Swiss people as well as persons domiciled in occupied or countries at war with the United States are using that market in order to sell hoarded or confiscated notes. Intercept information as illustrated in the main part of this study reveals that Swiss banks buy and sell large quantities of American bank notes. Most of the bank notes are sold to Portugal and then find their way to South America.

It is apparent too that considerable quantities of notes have been bought by the central bank of Turkey on behalf of the Turkish Government. According to intercepted cables, these notes were to be delivered to the Turkish Legation at Berne. What use the Turks are planning to make of these bank notes is not certain although it is expected that all or part of them may be sent in diplomatic pouches to the United States or other Western Hemisphere countries. Since these notes are traded at a great discount, the Turkish Government can save substantial amounts of money. At the same time, however, the Turkish Government is facilitating the disposal of assets, which indirectly have been for the enemy. The British and American Governments are now trying to stop that type of transaction. This is done partly through a warning that any bank note packages thus found are subject to confiscation, and partly by informing the Turkish Government that notes imported in a diplomatic pouch are subject to the currency and foreign exchange regulations of the Treasury and in particular to General Ruling No. 6A.

Regulations of this sort undoubtedly have the effect of making the dollar note trade in Europe less profitable since fewer buyers will want to take the risk of having the notes confiscated or of not finding a market in which to sell them again at a later time. However, as long as imports of notes into Latin American countries are possible and as long as Latin American countries are using dollar currency in many ways, efficient control is very difficult. Prohibiting the importation of American dollar notes into the United States from all countries might injure our relations with Latin America, and might drive the value of American dollar notes considerably below their parity all over South America. Since many Latin American people like American Dollar notes and believe in the intrinsic value of the American dollar, a large discount on these notes might not be advisable. To avoid

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bad feeling in Latin America, it may be necessary for all Latin American countries to institute efficient controls or even prohibit the importation of American dollar notes from Europe. The United States Government should determine how soon a program of this kind can be put into effect. In the absence of such regulations the Swiss and Portuguese Governments should be approached with the object of preventing such transactions. The table on the following page, prepared by the British Embassy, is reproduced in order to illustrate the nature of the European and South American dollar bank note markets.

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Sales of United States Dollar Bank Notes

- | | |
|--|---|
| <p>A. <u>GERMANY</u> gives</p> <ol style="list-style-type: none"> 1. <u>To Switzerland</u> - U.S. \$ bank notes 3. <u>To Switzerland</u> - Swiss Francs <p>B. <u>SWITZERLAND</u> gives</p> <ol style="list-style-type: none"> 1. <u>To Portugal</u> - U.S. \$ bank notes <p>C. <u>PORTUGAL</u> gives</p> <ol style="list-style-type: none"> 1. <u>To South America</u> - U.S. \$ bank notes (mainly to Casal Manfredi y Perego, Buenos Aires, but also by smugglers among ships' crews and passengers) <p>D. <u>CASAL MANFREDI Y PEREGO, BUENOS AIRES</u> gives</p> <ol style="list-style-type: none"> 1. <u>To South American Black Markets</u> - U.S. \$ bank notes <p>E. <u>SOUTH AMERICAN BLACK MARKETS</u> gives</p> <ol style="list-style-type: none"> 1. <u>To Local holders of \$ bank notes</u> - local currency 3. <u>To New York banks</u> - U.S. \$ bank notes 5. <u>To Portuguese banks</u> - \$ in blocked a/c 7. <u>To South American clients</u> - Escudo Cheques of telegraphic transfers <p>F. <u>PORTUGAL</u> gives</p> <ol style="list-style-type: none"> 1. <u>To South American beneficiaries</u> (or to their order) - Escudos - E. 7 above <p>G. <u>AXIS BANK IN SOUTH AMERICA</u> gives</p> <ol style="list-style-type: none"> 1. <u>To South American Black Market</u> - local currency or agreeable payment 3. <u>To Swiss banks</u> - Escudos <p>H. <u>SWISS BANKS</u> gives</p> <ol style="list-style-type: none"> 1. <u>To Reichsbank</u> - Escudos | <p>A. <u>GERMANY</u> receives</p> <ol style="list-style-type: none"> 2. <u>From Switzerland</u> - Swiss Francs 4. <u>From Switzerland</u> - Escudos <p>B. <u>SWITZERLAND</u> receives</p> <ol style="list-style-type: none"> 2. <u>From Portugal</u> - Escudos <p>C. <u>PORTUGAL</u> receives</p> <ol style="list-style-type: none"> 2. <u>From South America</u> - \$ cheque on N.W. - in the case of Casal Manfredi and local currency in the case of smugglers <p>D. <u>CASAL MANFREDI Y PEREGO, BUENOS AIRES</u> receives</p> <ol style="list-style-type: none"> 2. <u>From South American Black Markets</u> - Counter-value in free funds <p>E. <u>SOUTH AMERICAN BLACK MARKETS</u> receive</p> <ol style="list-style-type: none"> 2. <u>From local holders of \$ bank notes</u> - U.S. \$ bank notes 4. <u>From New York banks</u> - \$ in free a/c 6. <u>From Portuguese banks</u> - Escudos 8. <u>From South American clients</u> - local currency <p>F. <u>PORTUGAL</u> receives</p> <ol style="list-style-type: none"> 2. <u>From New York banks</u> - \$ in blocked a/c/ <p>G. <u>AXIS BANK IN SOUTH AMERICA</u> receives</p> <ol style="list-style-type: none"> 2. <u>From South American Black Market</u> - Escudos - E. 7 above 4. <u>From Swiss banks</u> - Swiss francs <p>H. <u>SWISS BANKS</u> receive</p> <ol style="list-style-type: none"> 2. <u>From Reichsbank</u> - Swiss francs or gold |
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Bern, October 11, 1947

n. 497
Dear Mr. Southard:

The enclosed translation of an article on the Washington Financial Accord will doubtless be of interest to the Treasury. The significance of this article lies in the fact that for the first time the question of a revision of the Accord is discussed publicly, also in the fact that it appeared in a Bern newspaper which is regarded as the mouthpiece of the Federal Government. Heretofore only rumors have come to the attention of this office to the effect that the Swiss were considering the termination or revision of the Washington Accord. These rumors were reported in my confidential memorandum for the files, dated October 1, 1947, to which was attached a draft telegram on the subject which, for reasons explained in that memorandum, was not sent.

Because of the importance of the subject matter, I am mailing a copy of the translated article by open airmail. The remaining copies will be forwarded in the pouch leaving Bern October 15. By that time I hope to be able to give the Treasury my confidential comment on the article and its background.

The arguments against the Agreement advanced by the author of the article are not new. The same or similar considerations were given wide publicity especially in the weeks preceding the ratification of the Accord by the Swiss Parliament.

Of particular interest to the Treasury is the author's contention that experience has shown that the Agreement cannot be carried out; that it led Switzerland into a blind alley; that, in consequence, it might be best if the Americans were asked if they were prepared to enter into new negotiations in order to adjust the Agreement to the conditions which actually exist.

In support of this standpoint on the part of Switzerland the author asserts that the Americans are also interested in an adjustment. He mentions the fact that in the United States the machinery for blocking European assets has been cut down and that it is intended to do away with it entirely in the realization that wartime laws have fulfilled their purpose and that the time has come to pursue a course in the opposite direction.

Very truly yours,

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

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

WFO:mak

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TRANSLATION

(From Der Bund, No. 471 of October 10, 1947)

The Washington Agreement -- Theory and Practice

The Federal Parliament ratified the Washington Financial Accord in the last week of June 1946 although even at that time members of Parliament, such as Professor Wahlen, expressed sharp opposition to the acceptance of an Agreement, which was not an agreement but the fruit of a dictate which was issued in October 1945 by a few generals of the occupation powers in Germany as the so-called Control Council Law. Even at that time the press as well as reputable jurists contended that the Control Council Law had nothing in common with the concept of law but constituted a most severe encroachment upon private law.

Meanwhile we have gained greater perspective with regard to developments at that time, not only in our country but also in the United States. Since at present there are in part new individuals at the helm in Washington and in New York, one should not be surprised if all concerned were not faced with the same problem: How can we get out of an agreement which in practice has proved to be more and more impossible of execution?

Theoretically the idea was to ascertain the German assets in Switzerland, then to liquidate them and to transfer 50 percent of the proceeds to the Allies, and since Switzerland had never been at war with Germany it was provided that the Germans would be compensated by Switzerland in adequate manner.

By now the German assets in Switzerland have been completely ascertained. However, the Clearing Office has not yet begun with the liquidation, and if the Federal Council knew how it could compensate the Germans adequately it would be very grateful for a Solomonian opinion.

In theory the liquidation of these assets is, indeed, conceivable. However, in practice one is everywhere confronted with difficulties. There are, indeed, buyers for many of the properties, but what is a fair price which would exclude the possibility that later the Clearing Office might be faced with claims for damage because it may possibly be proved, and justly so, that a certain property was sold at a ruinous price? For instance, what is a participation in a towing company on the Rhine worth which the Dutch, Belgians, French and Swiss are endeavoring to acquire, and to whom should the shares in question be turned over? In the final analysis the Clearing Office cannot consider only the highest bidder, as in certain circumstances other considerations must be taken into account. For instance, the property is a villa on the Lake of Constance which, as far as could be ascertained, belonged before the war to a German baroness but meanwhile ownership passed into the hands of a daughter who had married a national of an Allied country. These instances could be multiplied by the thousands. There are only these clear solutions where a bank account is involved the

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 By JB MARRA Date 4-20-00

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 Box 457

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ownership of which has not changed since the beginning of the war. But the owner can no longer say that he is the happy possessor of an account in Switzerland which he had salvaged from the Nazi ruins despite the threat of death penalty by Goering, because as things stand he can now starve.

The reader will ask himself whether we do not exaggerate. However, the German who has been bombed out, who has nothing more to barter, but who has a deposit in a Swiss bank of less than 5,000 francs is not a rare case. The Swiss banks would do well to publish the letters which they receive from Germany rather than merely notify their clients that they are regrettably not in a position to release small amounts from such accounts for gift food parcels because the Federal Council had issued strict instructions to the Clearing Office prohibiting the shipment of such gift parcels.

But let us assume theoretically that the assets and other tangible property of Germans could be liquidated. The further question then arises how can we compensate the Germans adequately? Germany no longer has a currency, for the mark is still only theoretically a payment medium. Actually one can starve with marks if one has nothing in the house which one could take into the country and use as an object for barter with the peasants. That there are various kinds of marks in Germany and that the Allies among themselves are not in agreement as to how they should tackle the problem of currency reform may be accepted as common knowledge. Moreover, the Control Council in Berlin is absolutely incapable of any constructive work as the Russians always say "no" whenever their former Allies say "yes".

Germany is torn to pieces, and one can more easily and more speedily travel from Bern to Chungking than from Bern to Berlin. And this condition exists 2-1/2 years after the end of the war! The securities have all been confiscated in the collective deposit in Berlin which is situated in the Russian zone, and a German in Frankfurt or Freiburg does not know if he will ever see any of the securities belonging to him.

In short: We have chaos in Germany, and adequate compensation can be made only if we give to the owners of the assets in Germany in an honest way that to which they are entitled in francs, as the mark has practically ceased to exist.

One might then ask himself as to whether it would not be wiser if we were to return their property to those Germans who are not guilty of anything, who were never sentenced by a court of law or any other legal instance, and if we were to confine the confiscation to such cases in which the owner of the assets has been condemned either by a court in Nuremberg or by any other denazification court (the denazification is now proceeding rapidly). In this respect we might wait a while longer in order not to relinquish any property which could be utilized to better advantage for other purposes.

The Americans have reached a point where they knew why, if at all, so little Nazi property has been discovered. The investigations in Nuremberg, Amsterdam, and other places have revealed that the disclosures made by Knickerbocker, who stated definitely on the radio what Goebbels and similar Nazi bigwigs had in foreign countries, were pure fantasy and served as war propaganda. For us in Switzerland it would also be of interest to ascertain to whom the property found

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in this country belongs, not merely by name but also by categories. We would probably find that of the war criminals condemned in Nuremberg and elsewhere not a single one had a large amount, or anything at all, in Switzerland. The Americans endeavored in vain to ascertain if anything was deposited in foreign countries for the account of Reichsbank President Schacht.

Let us not permit ourselves to be influenced by sympathies in our relations with foreign countries, also with Germany. On the contrary, we should recall that our only strength vis-a-vis the big powers is right and justice; also vis-a-vis the victor in World War II. Inasmuch as the Washington Agreement has proved to be impossible of execution, it would certainly be much better if we could ask the Americans if we should not once again negotiate, for, just as the Americans, we must get ahead. International agreements concluded immediately after a war have seldom, if at all, been carried out, and the Allies are the first to realize this, as the Potsdam Agreement remained a dead letter.

Until the collapse Germany has always been our principal trade partner. This is why we are interested in the recovery of our neighbor to the North without regard to sympathy or antipathy. If we should take away from the Germans the few reserves which still remain to them abroad in the form of foreign exchange, after they have lost their investments in most countries as enemies, it will only take so much longer before we could again engage in trade with them. It is useless to take away, on the one hand, even the smallest assets from honest citizens and, on the other, grant credits to alleviate distrust.

With the Washington Agreement we have come into a blind alley. Everyone is agreed on this point, and therefore it would be sensible to draw the consequences from the realization that the Agreement cannot be carried out and that it should be adjusted to the conditions as they actually exist. Not only we, also the Americans are interested in this, for they not only desire to cut down the apparatus built up in the United States in connection with the blocking of European assets (which they have already done), but also to do away with such machinery in the proper realization that the war laws in question have fulfilled their purpose and that a course in the opposite direction should be pursued.

Let us restore a condition which has suffered severely through the Agreement, namely the confidence of the entire world and that anyone who entrusts property of any kind to Switzerland will never be disappointed as long as we are not at war with the country concerned. Thus we will contribute more to the moral/economic recovery of Europe than can be expressed in figures. And who in any country of our poor continent would not welcome it if the flame of justice and right, of loyalty and confidence, is carried forth again in all directions from the Paradise, as which Switzerland is regarded, in order to give the tormented peoples new courage?

WVO:mak

321966

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Authority NND 968103
By B NARA Date 4-20-00

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File Economic Warfare
Box 457

FOREIGN FUNDS CONT

- 1) Mrs. H. Schwartz (Room) (Bldg.)
- 2) (Room) (Bldg.)
- 3) (Room) (Bldg.)

Copy sent to Jim Mann.

From: Bella H. Schwartz (Date) (Room) (Bldg.)

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Authority: NND 968103
By: JB NARA Date: 4-26-00

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Box 457

BANK FOR INTERNATIONAL SETTLEMENTS

BASLE, 15th October 1947.

Mr W.W. Ostrow,
Economic and Technical Section,
Legation of the United States,
Berne.

Dear Walter,

You must think that I have forgotten to answer the question which you put to me, but that is not the case. In fact, I have been in contact with some of my Swiss friends, for this is a matter which falls outside my usual range of questions in so far as it is essentially a matter of internal Swiss opinion.

The article in "Der Bund" is obviously written by some "Advokat", who defends German interests, and one might say that he has marshalled his arguments in a very clever way. I think that it would be erroneous to conclude that he reflects official opinion. From what I can gather that is not the case but there is no doubt among the general public a feeling of discomfort with regard to the question of the liquidation of the German assets. In some banking circles you can hear the proposal expressed that settlement by a lump sum would be in the interest of all concerned. The Finanzdepartement in Berne and the National Bank in Zurich will, of course, have to consider who will actually pay the lump sum and they fear that it will again be from public funds, which they will naturally try to prevent.

The Swiss can, of course, never forget that the German people will again form a country with which they will have to trade intimately in the future and they do not want to take steps which simply mean expropriation of German

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assets without full compensation to the owners. That being the case, it is hard to see how the matter can be proceeded with quickly, for it is not easy to give any full compensation to a German in Germany today.

On the other hand, it is neither in American nor Swiss interests that a question of this kind drags on interminably, causing bad blood and irritation, when the two federalistic and democratic countries, Switzerland and the United States, have more in common, in spite of the difference in size, than perhaps any other two countries in the world.

I hope to be able to write to you again on this matter, for I realise that what I send you today is rather vague but it is no use my writing anything which is devoid of significance.

Please let me know whether you are free any day this week, except Saturday, or sometime next week, to come to Basle.

With best wishes,

I am,

Yours sincerely,

Peter Jackson

321969

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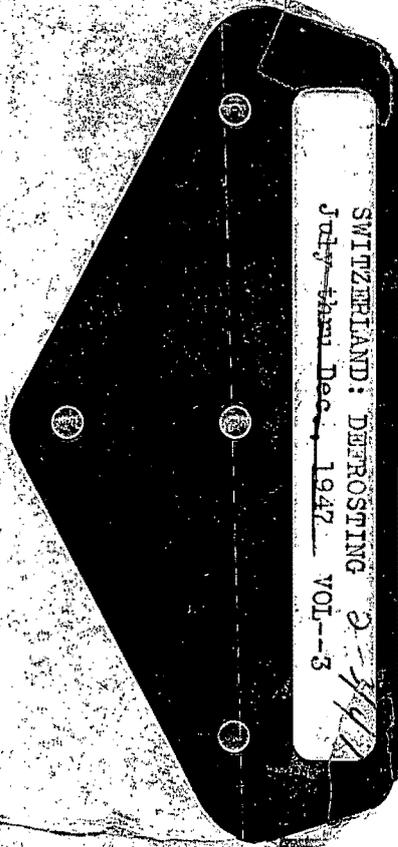
By B NARA Date 4-20-00

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File Switz Defrost

Box 457



SWITZERLAND: DEFROSTING C-3-3412
 July thru Dec. 1947 VOL--3

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Authority NND 968103
By B NARA Date 4-20-00

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File Switz Defrost
Box 457



Eidgenössische Finanzverwaltung
Administration fédérale des finances
Amministrazione federale delle finanze

defrosting

Berne, the 3rd February 1947.

Mr. James Man
Representative of the Treasury
Legation of the United States
of America
B e r n e .

Dear Mr. Man,

I take the liberty to draw your attention on a question which is of most importance to you and to us.

Upon informations from the States it is possible to get blocked accounts free only on a simple declaration done by a notary saying that there is no enemy interest connected with it. We are told that the Treasury couldn't obstruct to this manner of proceeding because the certification provided in the Washington Agreement is said to run against the American Constitution.

You understand that we don't appreciate such news; if these rumours are proved to be true, all our trouble in preparing the certification and the tax controle would have been vain. However, I would not take further steps before having talked with you and therefore I should be very glad if we could have a lunch together.

I hope you give your consent to the above and beg to remain

very sincerely yours

EIDG. FINANZVERWALTUNG
Der Direktor:

His hands

*called Mr. R. by
telephone to say
was out of town, would
call when he gets back
next week. JHM
2/5/47*

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Authority NND968103
By B NARA Date 4-20-00

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Entry FFC Control File
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Box 457

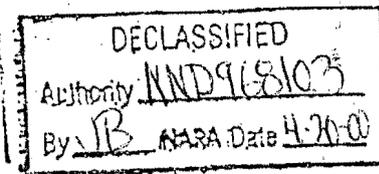
FOREIGN FUNDS CONTROL

Feb. 4, 1937

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

J. S. Richards

321972



RG	131
Entry	EFC Control Files
File	Switz Defrost
Box	457

MEMORANDUM FOR THE FILES

February 4, 1947

Re: Transfers of special AX blocked account in name of SNB

Yesterday afternoon I advised Messrs. Overby and Schmidt of the problems that had arisen in connection with the requirement in numbered paragraph 6 of the Secretary's letter of November 22, 1946, to Petitpierre under which property held here by Swiss intermediaries for German and Japanese customers must be transferred to a special blocked account in the name of the SNB with the Federal Reserve Bank of New York. I pointed out that basically two problems had arisen. The first concerned the reluctance of the Federal Reserve Bank of New York to accept this type of account. I advised Overby and Schmidt that we were exploring the possibility of directing the New York Federal Reserve Bank to establish this account as the fiscal agency of the Treasury Department. The second problem arose from the fact that counsel for certain private banks with which this property is presently deposited had expressed a reluctance to effect the transfers on the ground that they might later be subjected to legal action by third parties who claimed an interest in the property. I stated that we had decided, subject to their concurrence, that the best method to meet this second problem would be to issue a blanket directive license to the banks and other persons holding the property. This directive license would direct such persons, upon receipt of instructions from banks and other financial institutions, to transfer the property to the AX account. I pointed out that the directive license would have the effect of completely protecting the banks since it would entitle them to a full acquittance under the Trading with the enemy Act. in Switzerlar

Messrs. Overby and Schmidt expressed their general agreement with the above proposals. Mr. Overby queried whether, by directing the Federal Reserve Bank of New York to accept the account as fiscal agency, we might be subjecting the Treasury to undue risks of future litigation in connection with the property transferred. I advised him that I had asked our lawyers to specifically explore this problem. It was agreed that we would be guided on this point by the views of the Legal Division.

In view of the above we will move forward as rapidly as possible to clear the way for the establishment of the AX account and for the subsequent transfers of the property to this account. Mr. Rains, Mr. Pollak, and Mr. McNeill will explore the question of the fiscal agency matter. Mr. Arnold will explore with Mr. Harvey Reeves whether the directive license will in Reeves's opinion meet the problem of the United States banks. Thereafter it is planned to discuss the matter further with the Federal Reserve Bank of New York and later with the Foreign Exchange Committee to be certain that the program outlined above will meet all the difficulties that have arisen.

(SIGNED) J. S. RICHARDS

cc: Overby, Schmidt, Friedman, Arnold, Rains, R. Schwartz, Banning, N. Davis, and J. Mann.

JSRichards:ltm 2/4/47

321973

DECLASSIFIED
Authority NND968103
By JB MRA Date 4-20-00

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Entry FFC Control File
File Switz Defrost
Box 457

FOREIGN FUNDS CONT

Mr. Rains

(1) (Room) (Bldg.)

(2) (Room) (Bldg.)

(3) (Room) (Bldg.)

This is a revision of the first page of a memo written by Mr. Rains on the same subject on Feb 5, 1947.

From: E. F. RAIN (Date)
..... (Room) (Bldg.)

DECLASSIFIED

Authority NND 968103
By JB NARA Date 4-20-00RG 131Entry EFC Control Files
File Switz De Frost
Box 457

February 10, 1947

MEMORANDUM FOR THE FILES:

Re: Conference Regarding Aspects
of Swiss Certification.

Mr. Bruppacher and Mr. Widmer^{attached} of the Swiss Legation came to Mr. Richards' office at 10 A.M. on February 5, 1947 to discuss with Mr. Richards certain questions relating to certification of Swiss assets. Mr. Banning and Mr. Rains were also present.

Mr. Bruppacher stated that he had received a lengthy cable from his Government indicating that it had received reports stating that the certification procedure might be attacked in the American courts and found to be illegal. According to Mr. Bruppacher, it was said that certain people in New York indicated that persons interested in having their assets unblocked might be able to go before notaries or attorneys and submit proof to them that there were no enemy interests in assets held in this country through Switzerland and that the notaries or attorneys would issue certifications as to their findings which would then be recognized by American courts.

Mr. Bruppacher was told the Treasury did not feel that such an attack on the certification procedure stood any chance of success.

Mr. Bruppacher then asked whether it was likely that the Trading with the Enemy Act or the Treasury's powers under it would soon be terminated and he inquired what would be the effect of such termination upon the certification procedure. He was told that the termination of the freezing controls would result in the unblocking of blocked assets and that thereafter such assets could be dealt with freely. It was indicated to him, however, that the Treasury did not feel that there was any immediate likelihood of the termination of the powers with respect to blocked assets.

Mr. Richards stated to Mr. Bruppacher that he wanted to put him on notice that the Treasury by adopting the certification procedure had not waived its rights to license any transactions. He pointed out that the licensing authority stemmed from a delegation by the President to the Secretary of the Treasury and that the Treasury Department could not withdraw from the field and leave a foreign government in the position of being the sole entity through which assets could be unblocked. He stated, however, that in general and as a matter of principle applicants residing in Switzerland who requested unblocking of their assets would be referred to General License No. 95.

Mr. Richards also adverted to stories which he had heard that Frenchmen were coming into Switzerland on a temporary basis and attempting to use influence to obtain Swiss certification. It was pointed out that although there is no objection to the Swiss certifying assets held by Frenchmen permanently residing in Switzerland, we desire that the Swiss

321975

DECLASSIFIED

Authority NND 968103By JB NARA Date 4-20-00RG 131Entry FFC Control FileFile Switz DefrostBox 457

February 5, 1947

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*Rewritten
7/10/47*

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 Authority NND 968103
 By RB NARA Date 4-20-00

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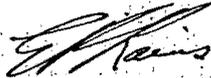
do not certify the assets of Frenchmen whose residence in Switzerland is only temporary. Mr. Brubacher said that he understood that this was so and that there was a similar problem with respect to Swiss citizens coming to the United States temporarily and applying directly to the Treasury for the unblocking of their assets. Mr. Brubacher was told that the United States adopted the same view here as in the case of Frenchmen coming to Switzerland, namely that if a Swiss came to the United States on a permanent basis, the Treasury would consider his application for unblocking, but that our normal course in the case of a Swiss temporarily within the United States would be to refer him to the provisions of General License No. 95.

Mr. Richards stated that the Treasury might in the future have occasion to discuss with the Swiss their use of the certification procedure as a means of collecting penalty taxes. In reply to a question, Mr. Brubacher stated that although the normal tax on foreign holdings declared to the Swiss Government is 15% of the annual income on such holdings, the penalty tax with respect to undeclared assets is between 30 and 50% of the capital invested abroad.

Mr. Brubacher volunteered to send to the Treasury the text of the decrees enacted by the Swiss Federal council in implementation of the defrosting agreement between Switzerland and the United States.

Mr. Brubacher indicated that his work and that of Mr. Witmer had fallen off considerably and that they might give consideration to returning to Switzerland since the Treasury seemed to take the view that most matters relating to the freezing control and its relation to Switzerland were to be handled through Mr. Mann in Switzerland directly with the Swiss Government.

The conference terminated at 10:30 A.M.


 E. F. Rains

cc: Messrs. Richards, Mann, Friedman, Arnold and Banning.

321977

DECLASSIFIED
 Authority NND968103
 By JB NARA Date 4-26-00

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 Box 457

EA:jcl

American Legation,
 Stockholm, February 21, 1947

Dear John:

Our conversations with the Swedes yesterday afternoon were devoted mainly to the question of "beneficial interest" which the Swedes had stressed in their communications. I think that there was some confusion in Gronwall's mind about the problem. In so far as the question of a different definition of German interest in the basic sense was concerned, John and I believe we may have convinced Gronwall that there was no problem. Our definition with regard to "control or a substantial part" may be somewhat broader than the Swedish idea of control, but the difference is not enough to cause any difficulty. Thus we were able to confine the discussion largely to the question of the location of German property with regard to dollar deposits and holding companies. Gronwall was reluctant to accept our views, but by continued reiteration of the idea that we were not attempting to settle the final disposition, we felt that we had gone some distance toward shaking his original objections. Of course, this conversation was in a sense hypothetical since Gronwall showed no sign whatever of weakening on his basic proposal.

During the conversation I was reminded of a point which I should have developed earlier. Gronwall again referred to the question of non-Swedish blocked interests held through Sweden and indicated that they should be dealt with by the Treasury. As you may know, a group from the International Monetary Fund, consisting of Ed. Bernstein, DeSalliers and Fulaki of Egypt, traveled on my plane as far as Copenhagen. DeSalliers was at some pains to remind me of the Belgian difficulties with Sweden. To the best of my recollection he stated that the Swedes were at present willing to release Belgian assets in Sweden only upon individual application, but they have utterly refused to consult the Belgian Government about each case. As you know, the Belgians are extremely anxious to bring about such consultation. They claim they know that German assets in neutral countries have been cloaked through Belgium, but they are not at all certain they are aware of all the cases. I think this attitude on the part of the Swedes underlies the pertinent part of Gronwall's proposal, although he has not stated his motives for this part at any time. When I emphasized that the United States was unable to regard defrosting of Sweden as a purely bilateral problem, inasmuch as we had a general pattern which we consider right and proper and had extended to numerous countries, Gronwall replied that the Swedes could not regard the matter a purely bilateral either, because they also had problems with other countries. He did not develop the point in such a way that it directly related to DeSalliers' question, but in retrospect I feel there was undoubtedly a relationship in his mind.

cc: Overby, Schmidt, Friedman, R. Schwartz, Manning, Rains, H. Davis (NYF), Mann (Bern, Saider (Paris), Surrey and Metzger (State)

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Incidentally, DeSelliens expressed great regret that the United States had not seen fit to support the Belgian position in any way. I told him that we could hardly assume to do so as a unilateral matter, but I intimated that he might give consideration to some such means as a resolution of IARA. He responded that a long time ago he had made such a suggestion to Orvis, who had replied that he would take it under advisement. However, DeSelliens had never received any answer. I suppose that our own situation is still such that we cannot back even a movement in IARA in aid of the Belgians. Perhaps I was a bit unwise in even intimating the matter to DeSelliens. At the time my recollection of the discussion which you and I had of the problem before I went to Brussels was somewhat obscure. In any event, I think it is best to inform you of the episode.

This noon we are to be the guests of the Foreign Office at lunch. I regret that a previous engagement forced our Minister to decline, as his presence might have signalized the beginning of an intensive effort to bring the Swedes around. I expect that some moderately prominent Swedish persons will be present.

Later in the afternoon we expect to see Grenwall about his proposal with respect to segregation of enemy assets. While we are more or less marking time on the main issue, I think it is desirable to explore as many subsidiary points as possible, both to clear them up in themselves and also to keep the nose of the Swedes to the grindstone.

Sincerely,

(Signed) Eiting

Mr. John S. Richards,
 Acting Director,
 Foreign Funds Control,
 Treasury Department,
 Washington.

321979

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By	JB NARA Date 4-26-00

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Mr. Richards said he had discussed the certification of the Swiss decree informally with a representative of the State Department and felt that such certification probably could be obtained and that such certification by the State Department plus the protection afforded the banks by the acquittance clause of Section 5(b) in acting under our directive license would amply protect them from any possible liability which they might otherwise have for participating in this program. He said that copies of the proposed directive license had been furnished to the Federal Reserve Bank of New York and we were now prepared to discuss it with the attorneys present and consider any suggested revisions.

Mr. MacVeagh inquired as to what was to be the ultimate disposition of the property transferred to the "AX" account. Mr. Richards replied that while, of course, the Office of Alien Property might vest such property if it so desired, the property was really being set aside for future discussions with the Swiss as to its ultimate disposition; that conflicting custodian problems were now being discussed at the IARA conference at Brussels and that an attempt would probably be made to reach agreement with the Swiss with respect to these assets along the lines of the decision ultimately arrived at with respect to property of this type by the IARA countries.

Mr. Richards also stated that we would be prepared to license re-transfers of any property whose transfer was effected under mistake; that the Swiss decree provided for the correction of such mistakes and we were prepared to implement it in that respect.

Mr. Reeves was concerned about identifications previously received by the banks, particularly where the property now directed to be transferred had previously been identified as that of a friendly national, e.g., French. Mr. Richards felt that very few cases of this type would arise as the Swiss banks would not transfer under the decree unless they were sure the property was German or Japanese, and that we could concern ourselves with such cases when they arise, that in all probability they would merely mean that the Swiss bank had discovered an error in its previous identification.

It was also agreed that we would delete from the directive license the words in paragraph 1 directing the banks to transfer on instructions of any person for whose account the assets are held so that the banks would only be directed to transfer the assets upon instructions of the person in whose name such assets are held.

It was also agreed that we would include in the license a waiver of General Ruling No. 6 which had been inadvertently omitted and that we would give consideration to revising paragraph 4 to make it clear that

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the license cannot be revoked by the Secretary so as to affect transactions already executed thereunder.

Messrs. Reeves, Carson and MacVeagh agreed that if the Swiss Government represented to the State Department that this was a valid decree of the Swiss Government and the State Department certified to that and the Treasury issued the proposed directive license that they would be in a position to advise their clients to proceed. They also felt that it would be desirable to have the State Department certify that the agreement of November 22, 1946, between Secretary Snyder and Pettipierre was an executive agreement of the United States, so that they would then have it clearly from the State Department that the Swiss decree was issued to carry out an agreement to which this Government is a party.

Mr. Richards said the Treasury would be pleased to take up the matter of certification with the State Department and that representatives of the Federal Reserve Bank of New York would probably want to participate since they are interested both in the question of obtaining certification of the Swiss decree and in a Section 25(b) certification of the "AX" account. He said we would also be pleased to have the New York attorneys submit any suggestions which they might have as to revisions in the language of the directive license.

After the meeting, it was decided that Mr. Logan would submit a proposed program for effectuating the decisions of the meeting and the matter would then be taken up with the State Department with representatives of the Federal Reserve Bank of New York present.

H. R. Pollak

321981

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Authority NND968103

By JB NARA Date 4-20-00

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File Switz Defrost

Box 457

FOREIGN FUNDS CONTROL

Mar. 7, 1947

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

J. S. Richards

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Authority NND 968103
By JB NARA Date 4-20-00

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SWITZERLAND: DEPOSITING SWISS ACCOUNTS
VOLUME - 1
1/13/44

321989

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Authority NND 968103
By B NARA Date 4-20-00RG 131Entry EFC Control FileFile Switz De FrostBox 457

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
 TO: Secretary of State, Washington
 DATED: July 6, 1946 (rec'd 6th)
 NUMBER: 1200

SECRET

The following message is from Legation and Mann,
 for the Department and Trent.

We understand that, under proposed defrosting procedure covering Switzerland, Swiss Government will be provided with a list of names of persons whose assets may not be certified except after prior consultation with Department of Treasury. Will you advise if we are correct in assuming that any list furnished to Swiss Government will not only include Swiss firms which are enemy-controlled or owned but also Swiss individuals and concerns who unless deleted for merit are or have been on Proclaimed List.

Information is requested, in this connection, as to whether any vesting or other action is contemplated in regard to concerns who although not owned by enemy nevertheless aided the enemy materially. Concerns such as these may fall under Section Two of trading with Enemy Act, and HR 5089 may affect them.

APC is to receive copy.

PLITT

DC/L:AN

7-6-46

Schwartz
11/3
Gandy
11/3
File
11/3

321984

DECLASSIFIED
Authority NND968103
By JB NARA Date 4-20-00

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Box 457

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

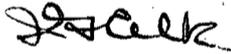
TO ✓ Mr. Arnold, Mr. Richards, Miss Hodel

July 8, 1946. ✓

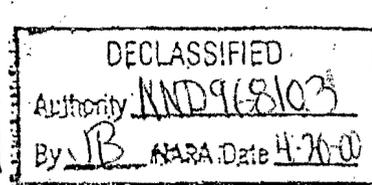
FROM Mr. Alk

I am attaching hereto a memorandum for the files dealing with some defrosting conversations I participated in in Switzerland.

We promised the Swiss that Mr. Mann would be advised with respect to the correct interpretation of the subjects covered in paragraph 1. of the memorandum.



I. G. Alk



RG <u>131</u>
Entry <u>FFC Control File</u>
File <u>Switz Defrost</u>
Box <u>457</u>

MEMORANDUM FOR THE FILES:

July 3, 1946

On July 3, 1946 Messrs. Reagan, Mann and Alk met with Dr. Hohl, Dr. Schwab, Mr. Ott and Mr. Gutt and discussed some general questions concerning the draft defrosting letter. The following questions were raised:

1. May it certify in case the non-Swiss interest exceed 25 percent but the interest of any other nationality does not exceed 25 percent? The following cases were cited as illustrations:

- (a) Swiss corporation - 60 percent Swiss, 10 percent French, 10 percent Swedish, 10 percent Belgian and 10 percent Dutch;
- (b) Swiss corporation - 60 percent Swiss, 10 percent French, 10 percent Swedish, 10 percent Belgian, 10 percent German;
- (c) Swiss corporation - 75 percent Swiss, 25 percent German.

Mr. Ott stated that in the conversations at Washington, the Swiss were advised that in the three cases mentioned, the Swiss could certify without obtaining assurances from the other countries.

Messrs. Alk and Mann stated that it was their understanding that if the total non-Swiss interest exceeded 25 percent the Swiss could not certify without obtaining assurances. Moreover, in any case where the German interest in the corporation was substantial or constituted control, the Swiss could not certify.

It was agreed that Mr. Alk would canvass this matter in Washington and that Mr. Mann would be advised of the correct interpretation.

2. Dr. Hohl raised the case of the holding companies and stated that he could not understand why a holding company should not be treated the same as any other corporation. He stated that they would like a change in the letter which would make it possible for widespread holding companies to be certified on the same basis as other companies.

DECLASSIFIED	
Authority	NND 968103
By	B. NARA Date 4-20-00

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File	Switz De Frost
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- 2 -

Mr. Alk and Mr. Mann explained the practical difficulties with respect to such a solution, and suggested that the Swiss authorities prepare a list of the holding companies which they believed should be treated like an ordinary corporation. It was suggested that the list be accompanied by a statement indicating the nature of the companies, the nature of their corporations, the type of assets held by the companies and the distribution of the stock holdings. Mr. Alk stated that if such a list were submitted, consideration would then be given to the possibility of extending special treatment to these concerns. Dr. Schwab indicated that such a list would be prepared.

3. Dr. Schwab raised the question as to the necessity of paragraph 4 and stated that in view of the bank secrecy laws it would be difficult for the Swiss Government to submit the list called for by this paragraph. He stated that this was a question of principle and that the requirement of such a list was evidence that we had no confidence in the Swiss.

He stated that Mr. Schmidt had suggested the possibility that the United States might submit a list of names and he inquired why this could not be done.

Messrs. Reagan, Mann and Alk explained the reasons for such a list and suggested that in lieu thereof the Swiss might desire to make their certification records available for inspection to the Treasury Representative. When Dr. Schwab inquired as to the reasons why the Swiss were being asked for such a list but not the other countries, the reply was made that the other countries were giving whatever information was required on an informal basis. In addition it was pointed out that the problems arising by the use of omnibus accounts was peculiarly a Swiss problem and had not arisen in any great degree in other countries.

4. Mr. Ott averted to paragraph 8 relating to currency. He indicated the difficulty of going back to June 14, 1941 and stated that the Swiss were studying this question and would submit their suggestions as soon as possible.

I. G. Alk

321987

DECLASSIFIED
Authority NND 968103
By JB NARA Date 4-20-00

RG 131
Entry FFC Control File
File Switz De Frost
Box 457

In reply please refer to: ~~XXXX~~

JUL 31 1946

To: Mr. Walter Murray
State Department
From: John S. Richards

Will you kindly send the attached by Air
Mail from the Department and Treasury to the American
Legation, Bern, for Imm and Emig.

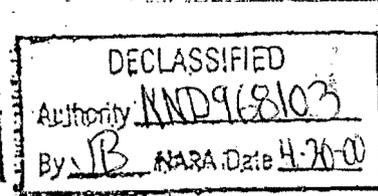
15/ J. S. Richards

*Let Gene
15/ Richards
100 C. Shreeves
100 C. Shreeves*

Richardson

RMS. EFR EA.
RRShwartz:rhb 7/16/46

ms



RG	131
Entry	FFC Control File
File	Switz Defrost
Box	457

This is with reference to your 1200, July 5, 1946.

We have been reviewing the cases which should be excluded from certification by the Swiss pursuant to paragraph one of the proposed Swiss defrosting letter. Before we give you a final list of names for presentation to the Swiss in this connection, we thought it advisable to explore with you some of our preliminary recommendations in this connection.

1. As far as we can determine there should be comparatively few Swiss cases which should be indicated to the Swiss as not eligible for certification under the proposed Swiss defrosting license. This follows from the fact that practically all of the suspicious persons and firms in Switzerland, which may have had some relationship with firms or persons in Germany, were put on the Proclaimed List. Prior to lifting the Proclaimed List, each of those cases was reviewed with the view to determining which of these persons or firms was subject to General Ruling No. 11A. After making this determination, the persons or firms which fall within this category were immediately blocked as German. Accordingly, although those persons or firms may now have been removed from the Proclaimed List, they are still blocked as German and the Swiss would run up against a blank wall if they attempted to certify them. Since these blockings were done from time to time and no over-all records were kept, it would not be possible for us to prepare such a list for the Swiss.

2. In this connection it would be useful if someone familiar with the Proclaimed List files could examine them with a view to determining the names of persons or firms which were put on the Proclaimed List because they may have been holding assets for Germans, as our files in this connection are very incomplete. If such information were furnished to us we could block such cases as German before the defrosting procedure is put into effect.

3. The assets of Buchrie and his Gerlikon company, at the request of the Alien Property Custodian, were blocked on an ad hoc basis prior to Buchrie's removal from the Proclaimed List. Automatically, therefore, the Swiss could not certify the Buchrie assets in this country.

It is our understanding that the Alien Property Custodian is giving consideration to vesting all Buchrie and Gerlikon assets in this country on the ground that during the war Buchrie acted extensively and exclusively on behalf of the Germans in the production of munitions. In this connection it would be useful if you could furnish us with details relating to Buchrie's activities on behalf of the enemy, with particular reference to such items as Buchrie's technical experts being sent to Germany, etc. It may be useful if you could request certain investigations to be made in Germany in this connection.

Buchrie and his agent, Gazda, who came to the United States in 1940, are understood to be about to institute suit against A.O.G. Co., (formerly American Gerlikon Gazda Co.) for royalties said to be due to Swiss Gerlikon and Gazda in connection with production of 20mm. anti-aircraft cannon for the United States and British navies. Potential claim is \$129,000,000 although attorneys for A.O.G. indicate that claim may be considerably less. United States Navy is reported to be desirous of resolving this question. According to Treasury records, Swiss Gerlikon has some \$1,300,000 and Buchrie about \$340,000 in the United States. However, your despatch No. 13754 of April 23 indicates that Buchrie has \$5,000,000 in the United States. Please advise

DECLASSIFIED
 Authority NND 968103
 By B NARA Date 4-20-00

RG 131
 Entry FFC Control File
 File Switz Defrost
 Box 457

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Richards

DATE: September 6, 1946

FROM : A. N. Overby

SUBJECT:

I discussed with the Secretary this afternoon the problem of trying to expedite the Swiss defrosting vs. our interest in acquiring Swiss francs and the problem of exchange stability in the Swiss franc. I told the Secretary that we expected an aide memoire from the Swiss early next week which would probably propose putting the Swiss under General License No. 94. I indicated to him some of the possible difficulties which might arise in connection with meeting our Swiss franc requirements for our own and humanitarian purposes, the possible increased cost of Swiss francs, and the possibility of considerable instability in the market.

The Secretary does not feel that we would be justified in acting as an umbrella for the Fund until such time as Switzerland applies for admission to and is admitted to the Fund. He also feels that we would probably not be justified in trying to engage in any exchange operations to maintain an orderly market for Swiss francs. He suggested that we do not unduly press for defrosting but continue in an orderly fashion, at the same time trying to work out the problems of our exchange requirements.

cc: Mr. Glasser

DECLASSIFIED

Authority NND 968103By JB NARA Date 4-20-00RG 131Entry FFC Control FilesFile Switz DefrostBox 457

4-2

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In reply please
refer to: 96595

OCT 16 1946

To: Mr. Norman P. Davis,
Asst. Vice President,
Federal Reserve Bank,
New York, N. Y.

From: Margaret W. Schwartz,
Acting Chief, Licensing Division.

Enclosed, for your information, are copies of the
letter and other materials recently sent to Mann in Bern re-
lating to the Swiss defrosting proposals. A copy of these
counter-proposals was sent to you with my memorandum of
September 20, 1946 (our Ref. No. 96589).

M. W. Schwartz

Enclosures

*279 enc.
1st Schwartz
1st Schwartz*

Schwartz's orig. sig.

There was no initialed copy.

MWSchwartz:ems 10/15/46

321991

DECLASSIFIED

Authority NND 968103
By JB NARA Date 4-20-00RG 131Entry EFC Cont'd FileFile Switz DefrostBox 457

OCT 11 1946 -

Dear Jim,

I am enclosing a copy of my memorandum and enclosures of today's date to the State Department concerning Swiss defrosting. We are hopeful that the State Department will get the material we have submitted to it in the air pouch that leaves Washington today around noon time. In that way it may be that the material will be in your hands during the time Orvis is in Switzerland.

I have just recalled that around the time the Swiss Parliament was ratifying the Accord there was considerable discussion to the general effect that the Swiss intended the certification defrosting procedure to insure the collection of Swiss taxes owed by persons holding property in the United States. If the Swiss press this point unduly it will increase our difficulties on this end in insisting that persons in Switzerland obtain the unblocking of their property only by proving up to the Swiss Compensation Office. In any event, of course, we cannot make any general commitment to the Swiss that we will not unblock property here held by persons in Switzerland but we intend that most cases be handled through the certification procedure of General License No. 95 rather than through direct approach to this office. I am not certain just what can be done if the Swiss are adamant in their desire to use this system for the collection of their taxes. However, I would appreciate your giving consideration to the problem and any comments you may have which would eliminate difficulties from this end. The State Department is aware of this problem. It was not included in the memorandum being sent by pouch merely because to do so at this late date would delay the transmittal of the memorandum.

Sincerely,

(SIGNED) J. S. RICHARDS

X
Mr. James H. Hams ✓
U.S. Treasury Representative
American Legation
Bern, Switzerland

Enclosures

JSRichards:ltm 10/11/66

Only copy
received in
files
JSC

321992

DECLASSIFIED
Authority NND 968103
By JB MARA Date 4-20-00

RG 131
Entry F.F.C. Control File
File Switz Defrost
Box 457

OCT 11 1946

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To : Mr. Baker
From : Mr. Richards

Please send the attached cable to Amlegation, Bern,
for Mann from Treasury and repeat to Lisbon for Schmidt from
Treasury. The memorandum referred to in the cable is also
attached and you are requested to send it by Air Courier
Pouch to Amlegation, Bern, for Mann from Treasury.

mws

RWilliams:ebb 10/10/46
Rueben

CA Cleared in
principle with
F. Trubson
CA

DECLASSIFIED
 Authority NND 968103
 By B AARA Date 4-20-00

RG 131
 Entry FFC Control File
 File Switz Defrost
 Box 457

RESTRICTED

TZ-495

AMLEGATION

BERN

1. We are forwarding by air-pouch our detailed comments concerning Swiss counter-proposals re defrosting for your guidance in further negotiations with Swiss (Re ur 1624 Oct 1) (Sent to Bern for Mann from Treas as _____ Repeated to Lisbon for Schmidt from Treas as _____) Swiss representatives here have been advised that upon receipt of our views you will promptly undertake detailed discussions with Swiss authorities. Please report promptly your progress.

2. Re Swiss proposal for immediate inclusion in General License 94 (our 1899 Sept 16 and ur 1578 Sept 20) we prefer not to give Swiss final answer at present. It is suggested therefore that, at time you reopen negotiations on defrosting you advise Swiss that you have been requested to obtain certain info which Treas desires in order to give further consideration to this request. The info desired is set forth in our 1899. In this way, it may be possible that decision concerning General License 94 can be delayed until we are in better position to

Judge likelihood

321994

DECLASSIFIED
Authority NND968103
By JB NARA Date 4-20-00

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Entry FFC Control File
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Box 457

judge likelihood of prompt agreement on certification
procedure.

CODE ROOM: Please repeat foregoing to Lisbon for Schmidt
from Treas as _____.

ml RWilliams:ebb
RWilson

10/10/46

Cl

JGR
Cleared up
concepts with *H. Friedman*
Cl.

DECLASSIFIED
Authority NND 968103
By JB NARA Date 4-20-00

RG 131
Entry EFC Control File
File Switz Defrost
Box 4571

In reply please refer to: 97643

OCT 21 1946

Dear Jim:

We are now making a final review of our files to select the Swiss cases which should be excluded from Swiss certification under the proposed defrosting procedure. We are anxious to complete this job as soon as possible so that we will be prepared for the time when General License No. 95 is made applicable to Switzerland. ✓

In this connection you will recall that our instruction of August 5, 1946 requested a review of Proclaimed List files, excluding the hard core list, with a view to determining whether any of these persons held assets for Germans. We realize that such review would entail considerable work and are wondering whether the Embassy has been able to spare the manpower for the job. We would be interested to have your comments or report in this connection. In addition, in the reference instruction we set forth the facts at length on several questionable cases and requested your recommendation as to the advisability of excluding them from certification. Have you any recommendations on these cases?

Sincerely yours,

151 J.S. Richards
John S. Richards
Acting Director

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

*151 mailed
100 J.S. Richards
100 Clerk
100 Baker
100 Tucker*

Richards's orig. sig.

BD
RES
Duffield 10/17/46

DECLASSIFIED

Authority NND 968103By B NARA Date 4-20-00RG 131Entry EFC Cont'd FilesFile Switz DefrostBox 457

MEMORANDUM FOR THE FILES

October 24, 1946.

Re: Conference with Jouett Shouse on Release of Swiss Assets.

In accordance with his request for an interview, a conference was held in Mr. Richards' office on October 10 which was attended by Messrs. Shouse, Richards, Rains, Banning and Mrs. Margaret Schwartz.

Mr. Shouse stated that he represented certain Swiss clients who had substantial investments in the United States. These clients are said to be highly respected and influential Swiss citizens of Jewish faith. He indicated that his clients who are the beneficial owners of one or more operating concerns here now desire to have their assets released in order to use certain of these resources to form new corporations which would manufacture similar or related products. He emphasized that there would be no attempt to take assets out of the United States, that the companies owned by his clients have a perfectly clear record, have never been controlled in any way by the Alien Property Custodian, and are under American management. It was pointed out by Mr. Shouse that in connection with the release of this property his clients were anxious to avoid paying any tax to the Swiss Government and would be adverse to requesting a certification from any Swiss agency when Switzerland is included in General License No. 95.

Mr. Shouse mentioned that he was fully aware of the Treasury's objectives relating to property in which there might be some German interest and that he fully concurred that such assets should not be released as long as there remained a shadow of doubt as to the ownership. He added, however, that in his view property under American management, controlled by persons in Switzerland, could be released if absolute proof were furnished as to the ownership. In this connection, he stated that he would assume the full burden of proof and, if necessary, would be willing to request that all relevant documents be submitted to the Treasury. He felt that such documents would prove conclusively that no German interest was involved. In addition, he will, if desirable, request the interested persons to come to the Treasury from Switzerland for detailed discussions.

Mr. Shouse seemed to feel that a line of demarcation could be drawn between operating companies controlled from abroad and assets such as bank accounts and securities in the United States owned by persons residing abroad. Apparently he felt that in the former case more adequate proof could be furnished regarding the ownership and the fact that the concern was operating freely under our laws and our management should carry some weight.

321997

DECLASSIFIED

Authority NND 968103
By JB NARA Date 4/20/00RG 131Entry F.F.C. Control FileFile Switzer De FrostBox 457

- 2 -

Mr. Richards mentioned that Treasury has generally licensed business enterprises organized in the United States where only a minority ownership interest was held by nationals of blocked countries but that in no case had we taken such action where the controlling interest was held by blocked nationals. He further stated that the usual certification procedure will be set up and that any exceptions from the rule might seriously jeopardize the entire program and added that it is exceptionally difficult in any case to be completely satisfied that no enemy interest is involved. Mr. Richards advised, however, that the views and proposals of Mr. Shouse would be given full consideration. He further mentioned that while this matter did not appear to require immediate determination Mr. Shouse would be advised of our decision in due course.

After the conference terminated, Mr. Richards suggested that we consider the possibility of unblocking enterprises in the United States of the type mentioned by Mr. Shouse provided that we were furnished with adequate proof of the ownership.



John A. Banning

321998

DECLASSIFIED
Authority NND968103
By JB AHSA Date 4-20-00

RG 131
Entry F.F.C. Control Files
File Truste ACCT'S
Box 475

TRUSTE: DEPOSITING TRUSTE ACCOUNTS

DECLASSIFIED
 Authority NND 968103
 By: JB ANARA Date 4-20-00

RG 131Entry FFC Control FileFile Trieste ACCTSBox 475

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108558

JAN 12 1948

To : Mr. Stanley Metzger
 Assistant to the Legal Adviser
 Department of State

From: John S. Richards
 Director

The following is suggested as a basis for reply to despatches Nos. 3928 of December 5 from Rome and 239 of December 22 and 245 of December 29 from Trieste:

As was pointed out to Italians at the time of defrosting negotiations with them certification under General License No. 95 of blocked assets in U.S. of residents of FTT by Italian Government is not contemplated by Treasury and State. Establishment of separate certification procedure for such assets to be administered by FTT authorities is not favored in view both of relatively small amount of assets and existing political situation. On the other hand, Department believes unblocking without certification is not desirable as it would permit disposal of assets by owners without exercise of any control over their use by military government.

Treasury proposes, with concurrence of Department, that assets of residents of FTT be unblocked on the basis of individual applications filed with the Federal Reserve Bank of New York and supported by non-enemy certificates issued by AMG. This unblocking procedure would allow use of assets without loss of control by military government. State and Treasury would appreciate your comments on proposal. If favorable, would also appreciate your suggestions on form of certificate and basis on which they would be issued as well as proposed text of press release to be issued in FTT.

Procedure suggested above would be applicable and non-enemy certificates may be issued with respect to citizens of any other country residing in Trieste, including citizens of Germany and Japan except those whose property is subject to Treasury's General Filing No. 11A, i.e., citizens or subjects of Germany or Japan who at any time on or since January 1, 1945 have been within Germany, Japan,

322000

DECLASSIFIED

Authority NND 968103By JB NARA Date 4-20-00RG 131Entry FFC Control FilesFile Trieste ACCISBox 475

- 2 -

Italy, Hungary, Bulgaria or Rumania. Property of persons falling in this category is not unblocked unless the person involved is a bona fide refugee. Such refugee cases should, for the time being, be raised with Treasury and Department.

JOHN S. RICHARDS

RWilliams:MSchwartz:ebb 1/7/48

322001

DECLASSIFIED

Authority NND968103
By JB ADRA Date 4-20-00RG 131Entry FFC Control FileFile Trieste ACCISBox 475

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MAY 11 1948

110031

To : Mr. R. R. Tompkins
Chief, Foreign Funds Control Department
Federal Reserve Bank of New York

From : Margaret W. Schwartz
Chief, Licensing Division

It has been decided that the unblocking of assets of residents of Trieste will be handled on the basis of specific applications filed with the Treasury Department. In this connection a procedure has been worked out for the issuance by the American Military Government authorities in Trieste of non-enemy certificates to bona fide residents of Trieste, other than General Ruling No. 11A persons, who desire the unblocking of part or all of their dollar assets. This procedure will serve, not only to establish the status of the applicant as to residence and citizenship, but will also enable the American Military Government to control the use of the dollars.

All applications for the unblocking or disposition of Trieste assets must accordingly be supported both by satisfactory evidence as to the ownership of the property and by the appropriate non-enemy certificate issued by the American Military Government.

You may approve such applications without reference to this Office where you are fully satisfied as to the ownership of the property. Doubtful cases should, of course, be referred to this Office.

MS / Margaret W. Schwartz

cc: McHugh, Davis, Gewirtz, Nelson, Anderson, Jallan, Rains, Shwartz

MRC
MWSchwartz:ltm 5/7/48

322002

DECLASSIFIED

Authority NND 968103By JB NARA Date 4-20-00RG 131Entry EFC Control FileFile Trieste ACCISBox 475

MEMORANDUM FOR THE FILES

July 1, 1948

Attached is a draft law mobilizing Trieste external assets, a draft calling for a census of Trieste external assets and a draft report form to be used in connection with the census. Copies of each of these drafts were delivered to Mr. Ivan White, financial advisor to AMG in Trieste on June 25, 1948. Mr. White was advised that the draft report form does not purport to be a final product. This is because it was not given much attention in view of the fact that it seems unlikely that the AMG will call for a census of Trieste external assets.

At the time these drafts were delivered to Mr. White, he was advised that a transfer order need be in no particular form provided that it states that the person executing the same irrevocably authorizes the person to whom it is directed to act in accordance therewith. Mr. White was provided with a sample form which had been dictated over the phone by Mr. Harding Cowan of the Federal Reserve Bank of New York. Mr. Cowan stated that he had discussed the matter with Mr. Harvey Reeves and the attorney for the Chase Bank.

In the course of the meeting, Mr. White indicated that he was interested primarily in a law providing for the mobilization of Trieste dollar assets. He was advised that Treasury would be very glad to cooperate in the drafting of regulations to be issued under the mobilization law but that it would be necessary for Treasury to have additional information before it could proceed effectively. Mr. White stated that materials already submitted were very helpful and that he thought the AMG would be able to prepare its own regulations.

It should be noted that the mobilization law provides for compensation in accordance with regulations to be prescribed by the AMG. Mr. White indicated that the AMG has considered offering the holders of dollar assets the privilege of accepting immediate payment in lire for their assets or turning the assets over to the AMG to become a part of a revolving fund from which compensation in dollars would ultimately be effected to the extent that the revolving fund operated successfully.

T. M. Anderson

224
T. M. Anderson: new: 7-1-48

322003

DECLASSIFIED
 Authority NND 968103
 By JB AMRA Date 4-26-00

RG 131
 Entry F.F.C. Control File
 File Trieste ACCT'S
 Box 475

MEMORANDUM FOR THE FILES

July 1, 1948

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T. M. Anderson

T. M. Anderson:mdv:7-1-48

322004

DECLASSIFIED

Authority NND968103By B NARA Date 4-20-00RG 131Entry F.F.C. Control FileFile Trieste ACISBox 475

DRAFT - 6/25/48

Original Delivered
to Juan White 6/25/48
JWC

DRAFT LAW MOBILIZING TRIESTE EXTERNAL ASSETS

Whereas, in order to promote the economic recovery of Trieste and otherwise to provide for the general welfare of persons therein it is necessary for the [AMB] to assume control over and to utilize certain of such assets: Now therefore

Be it enacted:

§ 1. Assignment of Foreign Exchange Assets. Any person subject to the jurisdiction of Trieste who owns directly or indirectly, in whole or in part, any foreign exchange asset shall, when so ordered by the [AMB] 2/, assign and transfer all his right, title and interest therein to the [AMB].

§ 2. Vesting of Foreign Exchange Assets. The [AMB] may by regulation, order or otherwise vest in itself or any person designated by it all right, title or interest in any foreign exchange asset to the extent that such right, title or interest is owned, directly or indirectly, in whole or in part, by any person subject to the jurisdiction of Trieste. The [AMB] may perform any act or take any action which it deems necessary or appropriate to obtain possession or control over any foreign exchange asset vested under authority of this section. The [AMB] may operate, administer, control and otherwise exercise complete dominion over any such asset.

1/ Use applicable phraseology under Trieste law.

2/ It is assumed the AMB will issue this law.

DECLASSIFIED Authority <u>NND968103</u> By <u>JB</u> MARA Date <u>4-20-00</u>	RG <u>131</u> Entry <u>FFC Control Files</u> File <u>Trieste ACCIS</u> Box <u>475</u>
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- 2 -

§ 3. Compensation for Foreign Exchange Assets Transferred or Vested. Compensation for assets transferred under section 1 hereof [or vested under section 2 hereof] ~~§~~ shall be made pursuant to regulations prescribed by the [AMG].

§ 4. Rules and Regulations; Delegation of Authority. The [AMG] is authorized and empowered to prescribe and issue from time to time regulations, rulings, orders and instructions to carry out the purposes of this [Law]. The [AMG] may perform any act or take any action authorized under this [Law], by or through such officers or agencies as it may designate.

§ 5. Definitions. For the purposes of this [Law] the following terms shall have the meanings set forth below:

(a) "Person" shall mean any natural person, any collective person or any juristic person under public or private law and any political sub-division, public corporation, agency or instrumentality of the Government of Trieste.

(b) "Person subject to the jurisdiction of Trieste" shall mean any person resident or domiciled in Trieste at any time on or since

_____ A natural person is a resident of Trieste within the meaning of this [Law], if he has continuously resided in Trieste for _____ consecutive months at any time since

_____ A juristic person is a resident of Trieste within the meaning of this [Law] if it is incorporated under the laws thereof or has its principal place of business therein.

~~§~~ Delete this bracketed material if a forfeiture of vested assets is contemplated.

§ Insert date.

322006

DECLASSIFIED	RG 131
Authority NND 968103	Entry EFC Control File
By JB NARA Date 4-20-00	File Trieste ACCIS
	Box 475

(c) "Foreign exchange asset" shall be deemed to include all assets, movable and immovable, located outside Trieste and all rights and interests in or claims to such assets, whether present or future, including but not by way of limitation, land and buildings, stocks, shares or other evidences of ownership, patent rights or licenses thereunder, bonds, bank balances, claims, obligations and other evidences of indebtedness, checks, drafts, bills of exchange and other instruments of payment drawn on or issued by persons outside Trieste, and, in general, property of any nature whatsoever; and currency (other than Trieste legal tender), gold or silver coin, or gold, silver or platinum bullion or alloys thereof in bullion form, wherever located.

§ 6. Conflicting Law. In case of conflict this [Law] shall supersede any prior laws, decrees, or _____ to the extent of such conflict.

§ 7. Punalties. Any person violating the provisions of this [Law] or any regulation, order or instruction issued hereunder shall upon conviction be liable _____

§ 8. Effective Date. This [Law] shall become effective upon _____

- Insert provision appropriate under Trieste law.
- A forfeiture provision concerning vested assets could be included.

MJ Marks, TM Anderson, EF Reius

DECLASSIFIED

Authority NND968103
By JB NARA Date 4-20-00RG 131Entry FFC Control FileFile Trieste ACCTISBox 475*Original delivered**Drop [Law] CALLING FOR A CENSUS
of TRIESTE EXTERNAL ASSETS**See*

§ 1. Prohibited Transactions. Any transaction involving any foreign exchange asset owned or controlled, directly or indirectly, in whole or in part, by any person subject to the jurisdiction of Trieste is hereby prohibited except to the extent authorized by section 3 hereof. Any transfer in violation of this [Law] and any agreement, arrangement or understanding of any type made, whether before or after the effective date hereof, with intent to defeat or evade this [Law] is null and void.

§ 2. Declaration of Foreign Exchange Assets. Any person subject to the jurisdiction of Trieste owning, holding, or having title to, or custody, control or possession of, directly or indirectly, in whole or in part, any foreign exchange asset or any person subject to the jurisdiction of Trieste who as agent or representative of any other such person has any information with respect to any foreign exchange asset owned or controlled, directly or indirectly, in whole or in part, by such other person, shall file on or before _____ with the [AMG] a written declaration of such asset in such form and manner as may be prescribed by the [AMG]. Such declaration shall contain a description of the asset, its approximate value, its location, the declarant's interest therein, the interest of any other person therein, and such further information as may be required by the [AMG].

- 1/. Whether word "law", "decree", "order", etc. is more appropriate can only be determined by those currently familiar with Trieste legal situation.
- 2/. This section to be included only in event no similar provision is contained in law applicable in Trieste.
- 3/. This section calls for a declaration of non-dollar external assets in addition to all dollar assets.
- 4/. Insert appropriate date.
- 5/. It is assumed here that the AMG will issue this [Law].

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Authority NND 968103
By B NARA Date 4-20-00RG 131Entry FFC Control File
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Box 475

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§ 3. Exemptions, Rules and Regulations, Delegation of Authority.

The [AMC] may exempt from the prohibition of section 1 hereof any transaction otherwise prohibited by such section. The [AMC] may grant such extensions of time or exemptions as it deems advisable for the making of any or all of the reports required by this [Law]. The [AMC] is authorized and empowered to prescribe and issue from time to time regulations, rulings, orders, licenses and instructions to carry out the purposes of this [Law]. The [AMC] may perform any act or take any action authorized under this [Law], by or through such officers or agencies as it may designate.

§ 4. Definitions. For the purposes of this [Law] the following terms shall have the meanings set forth below:

(a) "Person" shall mean any natural person, any collective person or any juristic person under public or private law and any political sub-division, public corporation, agency or instrumentality of the Government of Trieste.

(b) "Person subject to the jurisdiction of Trieste" shall mean any person resident or domiciled in Trieste at any time on or since _____ . A natural person is a resident of Trieste, within the meaning of this [Law], if he has continuously resided in Trieste for _____ consecutive months at any time since _____ . A juristic person is a resident of Trieste, within the meaning of this [Law], if it is incorporated under the laws thereof or has its principal place of business therein.

(c) "Foreign exchange asset" shall be deemed to include all assets, movable and immovable, located outside Trieste and all rights and interests in or claims to such assets, whether present

1/ Insert date.

322009

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Authority NND 968103
By B NARA Date 4-20-00RG 131Entry FFC Control FileFile Trieste ACCTSBox 475

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or future, including but not by way of limitation, land and buildings, stocks, shares or other evidences of ownership, patent rights or licenses thereunder, bonds, bank balances, claims, obligations and other evidences of indebtedness, checks, drafts, bills of exchange and other instruments of payment drawn on or issued by persons outside Trieste, and, in general, property of any nature whatsoever; and currency (other than Trieste legal tender), gold and silver coin, and gold, silver and platinum bullion and alloys thereof in bullion form, wherever located.

§ 5. Conflicting Law. In case of conflict this [Law] shall supersede any prior laws, decrees, or _____ §/ to the extent of such conflict.

§ 6. Penalties. Any person violating the provisions of this [Law] shall upon conviction be liable _____ §/.

§ 7. Effective Date. This [Law] shall become effective upon _____ §/.

§/. Insert provision appropriate under Trieste law.

§/ Mark: Anderson/ksmd

§/ Insert date.

322010

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Authority AND 968103
By JB NARA Date 4-20-00

RG 131
Entry EFC Control File
File Trusts ACCIS
Box 475

1st Dept Original to white sheet

REPORT FORM To Be Used by All Persons Required to File Reports Pursuant to [Law No. _____]

To the [AKO];

The undersigned, pursuant to [Law No. _____] and regulations issued thereunder hereby makes the following report:

PART A: NAME, ADDRESS, AND CITIZENSHIP OF PERSON WHOSE FOREIGN EXCHANGE ASSETS ARE REPORTED.

Name
(First name) (Middle name) (Last name)

Any aliases or variant spellings of name

Last known address
(Number) (Street) (City) (Country)

All addresses other than the above since ✓ (give particulars, including dates):

Citizenship

PART B: SCHEDULE OF ASSETS OF PERSON REQUIRED TO BE REPORTED.

Type	Dollar Assets (Value in Dollars)	Non-Dollar Assets (Value in applicable currency)
1. Cash, currency, and deposits	:	:
2. Financial securities (stocks and bonds, etc.) payable in dollars	:	:
3. Financial securities (stocks and bonds, etc.) not payable in dollars	:	:
4. Notes, drafts, debts and claims	:	:
5. Miscellaneous personal property and personal property liens	:	:
6. Real property, mortgages, and other rights to real property	:	:
7. Interests in estates and trusts	:	:
8. Partnerships and profit-sharing agreements	:	:
9. Insurance policies and annuities	:	:
10. All other property	:	:

PART C: ADDITIONAL INFORMATION CONCERNING ASSETS

1. Describe the assets set forth in Part B.

Type	Brief Description of Assets	Value
.....
.....
.....
.....
.....
.....

✓ Insert date.

DECLASSIFIED
Authority NND968103
By B NARA Date 4-20-00

RG 131
Entry FFC Control File
File Truste ACIS
Box 475

PART C: ADDITIONAL INFORMATION CONCERNING ASSETS - Continued.

2. If the Asset described in this report is located at a place other than the address of the reporter, specify name and address of custodian of the property and location of the property
3. To your knowledge does the national have, or have use of, or access to any safe, safe deposit box, or other receptacle for property?
If the answer is Yes and the contents of such safe, box, etc., have not been included in this report, explain why
4. Describe any adverse or other claims, including any legal actions or proceedings whatsoever, asserted or existing against, or with respect to, any asset reported, stating the name, address, and citizenship of the adverse or other claimants, and all relevant facts regarding the nature and origin of the claim, including the exact title of legal actions or proceedings and the court in which they were brought

PART D: NAME OF PERSON MAKING REPORT.

NAME
ADDRESS
BUSINESS
RELATIONSHIP TO NATIONAL

PART E:

CERTIFICATION

I,, certify that I am the person, or that I am the of the
 (State relationship of signatory to the person making this report)

 (Name of partnership, association, corporation, or other entity making this report)
, making this report, that I am authorized to make this certificate, and to the best of my knowledge and belief that the statements set forth in this report are true and accurate and all material facts in connection with said report have been set forth therein.

.....
(Date)

.....
(Signature)

.....
(Address)

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Authority NND968103
By B ARPA Date 4-20-00

RG 131
Entry FFC Control File
File us Property Enemy Conty
Box 475

**THE MATERIAL IN THIS FOLDER
MUST NOT BE REMOVED**

PROPERTY OF UNITED STATES PROPERTY IN FOREIGN COUNTRIES

DECLASSIFIED

Authority NND968103By JB NARA Date 4-20-00

RG

131Entry FFC Control FileFile US Property Enemy Country

Box

475*File*
JWT
October 4, 1943MEMORANDUM

TO: Mr. Luxford

FROM: R. N. Cook

On October 3, 1943 (New York Times, Oct. 4, 1943) the United States Chamber of Commerce announced its approval of the report on "Treatment of United States Property in Enemy Countries" by its Foreign Commerce Department Committee. This report, a copy of which is attached to this communication, opposes confiscation by the United States of enemy property.

Your attention is respectfully directed to the list of members of this Committee on page two of the report.

Copies of this report have been distributed to all members of your staff.

R. N. Cook

RNCook:im

322014

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Authority NND968103
By JB MARA Date 4-26-00

RG 131
Entry FFC Control File
File us Property, Enemy Country
Box 475

Inclosure to letter
dated 10-4-43

Treatment of United States Property in Enemy Countries

The Board of Directors of the Chamber of Commerce of the United States, at its meeting September 17-18, 1943, approved this report of the Foreign Commerce Department Committee.



SEPTEMBER, 1943

FOREIGN COMMERCE DEPARTMENT
CHAMBER OF COMMERCE OF THE UNITED STATES
WASHINGTON 6, D. C.

322015

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Authority NND 968103
By B NARA Date 4-20-00

RG 131
Entry FFC Control File
File us Property Enemy Captivity
Box 475

TREASURY DEPARTMENT

Washington

DISCUSSION OF PUBLIC DOCUMENTS

Washington, D. C.

April 21, 1943

322016

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Authority: NND 968103By: JB NARA Date 4-20-00RG 131
Entry FFC Control File
File us Property Enemy (ait)
Box 475

TREASURY DEPARTMENT

Washington

DISCUSSION OF PUBLIC DOCUMENTS621 Washington Building
April 21, 1943
8:00 p. m.Lecture by Mr. E. M. Bernstein,
Asst. Director of Monetary Research,
Treasury Department.In re: Proposed International Stabilization FundReporters: A. R. Brown
A. H. Miller

322017

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Authority NND 968103By JB NARA Date 4-20-00

RG

131Entry FFC Control FileFile us Property, Enemy Capt

Box

475

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I am just giving you the picture for the countries that are running short. Let me give you the picture of the countries that are running credit balances.

When the Fund's accumulation of a particular currency drops to a dangerously low figure, then the Fund has to make a report embodying an analysis of the causes of the depletion of the currency holdings of that country and finally make recommendations. That means they can do the same thing for a country on the other side of the fence, is that clear? Those recommendations might very well be now of great value, it may very well, I think, tell them to reduce tariffs.

That gives you, I think, as good a picture as we can without great detail, how the Fund operates. It buys and sells currency. When it gets too low on currency and sees the causes for the depletion of its holdings of a country whose quota it is running short of, it renders a report and renders it as soon as it is becoming obviously short of that currency. It has other purposes too as long as you have these hundreds of millions in blocked funds. In some countries they cannot, under any circumstances, be released without adverse monetary distribution in the country in which the funds are blocked. Now, the British would like very much to rid themselves of these blocked balances and they would like a way of getting rid of them which wouldn't impose too severe a strain on their exchange resources.

322018

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Authority NND 968103By JB NARA Date 4-20-00

RG

131Entry EFC Control FileFile us Property, Enemy Conty

Box

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Other countries feel the same way. There are at least a dozen countries who have funds blocked because of the war and I don't mean politically, and they would like to get the money out. The Fund could be useful for that too. It could, from time to time, undertake to release, to finance the release of portions of the funds that are blocked. Let's assume that when the Fund is established, it takes a census of the blocked funds which are blocked for economic and not political reasons. It would ask every country to report the aggregate of the blocked funds it has in other countries, not other governments asking them if they could get some kind of an over-all census. This would not be difficult to get because in most countries this kind of thing is done through a Government account. This isn't the case of an American in England whose money is blocked and he can't take it out. This is the case of an authorized (inaudible word) in Argentina, so there wouldn't be any problem in getting the census. Suppose that amounts to a billion dollars in funds as of July 1, 1945. It is prepared to release one hundred million out of the billion. It would then pro-rata distribute that to all countries that have blocked funds and here is what they would do -- after they returned the money they would give them the money in foreign exchange if they needed it in foreign exchange, otherwise they would get it in their own currency, Argentina would get it in pesos. Suppose the Fund announces it is ready to absorb one hundred millions, suppose the Argentina share is ten million --

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Authority AND 968103
By JB NARA Date 4-20-00

RG 131
Entry FFC Control File
File us Property Enemy Conty
Box 475

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the Fund would either turn over ten million in pesos, or ten million in foreign exchange, whichever is required. Excuse me -- of the whole ten million, Argentina would undertake, beginning three years from July 1, 1945, to repurchase four hundred thousand dollars worth a year --excuse me, two hundred thousand dollars worth a year, for twenty years. At the end of the twenty years, they would repurchase four million. England would undertake to repurchase the same amount, at the end of twenty years they would have repurchased four million. The Fund would then be rid of eight million out of the ten million. The Fund would then assume that whatever it pays back becomes free if it pays it back. There would be a charge of 1 per cent. See, it doesn't make any difference what figure you use in a few years you could get rid of all blocked balances and the funds would absorb these blocked funds for the period in question.

Mr. Schmidt: May I ask a question? Let's assume a hundred million were funds blocked in England. When the Fund decides that it is going to finance \$10,000,000 what do the British do vis-a-vis the Fund?

Mr. Bernstein: The British turn over title to the blocked funds and the International Stabilization Fund would have the right to invest the dividends if they wanted to in regular or special securities.

Comment: Securities of a special type.

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Authority NND 968103
By JB NARA Date 4-20-00RG 131
Entry EFC Control File
File us Property, Enemy Capt
Box 475

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Question: The Fund just takes title to the funds?

Mr. Bernstein: Yes, takes title to the funds but it has the use of the funds but I haven't gone into such details.

The British might say what do you want to tie this money up for twenty years, so we will sell you a security that pays you 2%. Now, the Fund also has rights of blocking funds of other countries when it is needed. Suppose it was short of dollars, what could the Fund do that might be the efficient way of carrying this out for them? If the Fund was short of dollars, it could, for example, sell some gold to the United States. It has gold contributed to it. It may say that certain bonds the Fund has could be marketed in the United States. I presume these bonds, by the way, I presume they could be marketed in the United States under the iron-clad guarantee or endorsement of the Stabilization Fund. The Fund has the right to issue its own obligation, it can appeal to our federal reserve banks and borrow direct from them, it can redirect any balance it has if the federal reserve wants to do it, and finally, it doesn't have to go to the United States at all, it might find that Brazil or Mexico for the time being have abnormal balances of dollars that it is willing to lend under a guarantee. So, the Fund does have the device for transmitting the contributed resources that it gets and that is so far, a description of how the Fund operates.

We can stop now and I need ten minutes to finish when I resume.

fls.

(Recess taken and discussion resumed).

322021

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Authority NMD96103

By W611 NARA Date 3/2/00

RG

Entry 131
FFC General

File Fed Res Bnk of Minn

Box 121

FEDERAL RESERVE BANK OF MINNEAPOLIS

**THE MATERIAL IN THIS FOLDER
MUST NOT BE REMOVED**

**RETURN TO FOREIGN FUNDS CONTROL
GENERAL CORRESPONDENCE FILES
ROOM 390, 390 ~~Room~~ 390**

322022

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Authority: NMD96103
By (W6) NARA Date 3/2/60RG 131
Entry FFC General
File Fed Res Bnk of Minne
Box 12A

April 18, 1940

Dear Sir:

Executive Order No. 8389 of April 10, 1940, and Regulations of the same date impose certain restrictions on receipts, payments, transfers, and certain other transactions involving property in which Norway or Denmark or any national thereof has at any time on or since April 8, 1940, had any interest.

The Secretary of the Treasury has issued certain instructions governing the issuance and payment of checks and other transactions affected by Executive Order No. 8389, addressed, inter alia, to all disbursing officers and other officers and employees making or receiving payments on behalf of the United States or any department, bureau, agency or instrumentality thereof.

Copies of these instructions are enclosed herewith with the request that you cause them to be brought to the attention of all persons in the employ of your Bank and in the employ of the Branch Bank in your District who are affected thereby.

Very truly yours,

Dudley T. Easby, Jr.,
Attorney in the Office of the
General Counsel.

Cashier,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota.

Enclosures

DTE:mv

322023