

CHAPTER XVI

TRANSPORTATION IN BOND AND  
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Article 887. Kinds of entry.--(a) The following entries may be made for merchandise to be transported in bond:

(1) Immediate transportation without appraisement. (Articles 888 to 894)

(2) Warehouse and rewarehouse withdrawal for transportation. (Articles 896 to 900)

(3) Warehouse withdrawals for exportation or for transportation and exportation. (Articles 901 to 903)

(4) Transportation and exportation. (Articles 904 to 911)

(5) Exportation. (Article 912)

(6) Foreign manifests. (Articles 914 to 919)

(b) The copy of each entry made in any of the above-named classes which is retained in the office of the forwarding collector must be signed by the party making the entry.

(c) Before shipping merchandise in bond to another port for the purpose of warehousing or rewarehousing, the shipper should ascertain from the collector at the intended port of destination whether or not warehouse facilities are available there.

IMMEDIATE TRANSPORTATION WITHOUT APPRAISEMENT.

Article 888. Classes of goods--Entry authorized--(a) Tariff act of 1930, section 552:

T. Ds. 10850,  
16372, 21219,  
38181, 39345.

Any merchandise, other than explosives and merchandise the importation of which is prohibited, arriving at a port of entry in the United States may be entered, under such rules and regulations as the Secretary of the Treasury may prescribe, for transportation in bond without appraisement to any other port of entry designated by the consignee, or his agent, and by such bonded carrier as he designates, there to be entered in accordance with the provisions of this act. (Special provisions concerning the shipment of baggage under this provision of law are contained in Article 423.)

(b) Such entry may be made for merchandise in general order warehouse at any time within one year from the date of importation.

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T. D. 38289.

(c) One or more entire packages of merchandise covered by an invoice from one consignor to one consignee may be entered for consumption or warehouse at the port of first arrival, and the remainder for immediate transportation without appraisement, provided all the merchandise covered by the invoice is entered simultaneously.

T. D. 38181.

(d) Immediate transportation without appraisement entries may be accepted for merchandise shown on the invoice, bill of lading, carrier's certificate, or manifest to be destined to any place within the municipal or port limits of any designated port of destination, in which case the merchandise should be consigned to the collector of customs at the port of destination. This practice should not, however, be extended so as to include shipments to points not within either the port limits or municipal limits of a port merely because of their proximity to such ports.

T. D. 30065.

(e) Merchandise covered by different bills of lading or carrier's certificates naming different consignees at the port of destination can not be included under one immediate transportation without appraisement entry.

T. D. 20111.

(f) Several importations may be consolidated in one immediate transportation without appraisement entry when the bills of lading or carrier's certificates name only one consignee at the port of first arrival.

T. D. 43577.

(g) Carload shipments of livestock may not be entered for immediate transportation without appraisement unless they will arrive at destination before it becomes necessary to remove the seals for the purpose of watering and feeding the animals, or unless the route be such that the removal of the seals and the watering, feeding, and reloading of the stock may be done under customs supervision.

T. D. 38253.

(h) Immediate transportation without appraisement entries covering merchandise subject to detention or supervision by other Federal governmental agencies must contain a sufficient description thereof to enable the representatives of the governmental agencies interested to determine the contents of the cases. The merchandise shall be forwarded only upon written permission of the agency concerned.

T. D. 39345.

(i) For procedure as to merchandise subject to quarantine, disinfection, and special inspection see Chapter X.

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Article 889. Who may make entry.--Any person shown by the bill of lading or manifest, by a certificate of the carrier bringing the merchandise to the port of arrival, or by any other document satisfactory to the collector, to have a sufficient interest in the merchandise for that purpose, may make an entry for immediate transportation without appraisement.

Article 890. Form of entry.--(a) Customs Form 7512 shall be used as a combined entry, invoice, and manifest and shall describe the merchandise in such detail as to enable the collector to make an estimate of the duties due thereon. The collector may require evidence to satisfy him of the approximate correctness of the value or quantity stated in the entry.

(b) The value stated on entry at the port of first arrival is not binding on the ultimate consignee making entry at the port of destination.

T. Ds. 37341,  
39378.

Article 891. Procedure at Port of Origin.-- When merchandise is entered for immediate transportation without appraisement, nine copies of Customs Form 7512 will be required at the port of origin, six copies of which will be used as the entry and disposed of as follows:

One copy to be retained by the collector at the port of origin as a record;

Two copies to be mailed immediately to the collector at the port of destination, one copy of which will be used for making entry and the other as the office record;

One copy to be mailed to the comptroller of customs in whose district the port of origin is located;

One copy to be mailed to the comptroller of customs in whose district the port of destination is located; and

One copy for use as a permit when required.

T. D. 39514.

Three copies of Customs Form 7512 will be used as the manifest and will be disposed of in accordance with General Provisions, Article 874 (c).

Sec. 491  
T.A. 1930.

Article 892. Entry at port of destination. - (a) Merchandise received under immediate transportation without appraisement entry may be entered for transportation and exportation or for immediate exportation as well as on any of the other forms of entry, and will be subject to all the conditions pertaining to merchandise

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entered at a port of first arrival, provided, not more than one year has elapsed from date of original importation. If more than one year has elapsed only entry for consumption may be accepted. Such entry must show the name of the port of first arrival, the transporting carrier and the number of the immediate transportation entry.

(b) The right to make entry at the port of destination will be determined in accordance with the provisions of Article 285 of these Regulations.

(c) When the shipment represents a portion of an invoice, the balance of which has been entered for consumption or warehouse at the port of first arrival, it may be entered on a certified extract of the consular invoice filed at the first port.

(d) All importations forwarded under immediate transportation without appraisement entries must be held by the bonded carrier at the port of destination until released by the collector of customs.

T. Ds. 12157,  
30592, 39345,  
Tariff Act 1930,  
Sec. 484 (a).

Article 893. Unclaimed and short-landed goods.-- All the merchandise included in the immediate transportation without appraisement entry not entered within 48 hours after delivery of the manifest to the collector at the port of destination will be treated as unclaimed, unless the collector authorizes in writing a longer time. When notations on the manifest or a report from the collector at the port of arrival show certain merchandise to have been short-landed, such merchandise should not be included in the entry.

Article 894. Disposition of entry.-- Upon the final disposition of the merchandise the transportation entry and accompanying papers (except the record file copy) will be attached to the final entry for liquidation at the headquarters port.

REWAREHOUSE AND TRANSPORTATION

T. D. 37341.

Article 895. Procedure.-- Rwarehouse and transportation is practically a diversion and the procedure outlined in Article 881, headed "Diversion," should be followed.

WAREHOUSE AND REWAREHOUSE WITHDRAWALS  
FOR TRANSPORTATION

T. D. 37341,  
38539, 47021.

Article 896. Form of Entry -- Time. (a) Merchandise may be withdrawn from warehouse for transportation to another port of entry, provided that the total period of time for which such merchandise may remain in bonded warehouse shall not exceed the time fixed by law or any

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fact on the manifest and return it to the collector.

T. Ds. 37460,  
40351.

Article 909. Change of destination--Change of entry--  
(a) The foreign destination of such merchandise may be changed by the parties in interest upon notice to the collector at the port of exit from the United States. The collector at the port of exit may in his discretion refer the application for a change of foreign destination to the collector at the port of entry if the circumstances require such action.

(b) Such merchandise may be entered for consumption or warehouse. If the merchandise is subject on importation to restriction or prohibition by Federal governmental agencies it may be entered for consumption or warehouse only on written permission issued by the agency concerned or under regulations issued by such agency. (See Chapter X.)

Article 910. Retention of Goods on Dock and Splitting of Shipments.- On written application of a party in interest and the written consent of the owner of the dock the collector may, in his discretion, allow in-transit merchandise to remain on the dock, under the supervision of a customs officer without expense to the government, for any period not exceeding 90 days. The Bureau may extend the time determined by the collector. The splitting up of shipments for exportation should not be permitted, except where various portions of a shipment are destined to different destination or where the exporting vessel can not properly accomodate the entire quantity or in other similar circumstances. The collector may at any time in his judgment send the merchandise to general order.

Article 911. Limitation of time for exportation.--  
Tariff act of 1930, section 491:

\* \* \* Any merchandise, destined to a foreign country, entered for transportation in bond through the United States, which shall remain in the United States during a period of one year from the date of its arrival at the port of exit (but in no case less than one year after the effective date of this Act) without having been entered for consumption or warehouse, shall be considered unclaimed and abandoned to the Government \* \* \*.

EXPORTATION FROM CUSTOMS CUSTODY OF FOREIGN MERCHANDISE UNENTERED OR COVERED BY AN UNLIQUIDATED CONSUMPTION ENTRY; OR MERCHANDISE DENIED ADMISSION BY THE GOVERNMENT.

Article 912. Procedure. (a) Direct exportation.  
(1) When foreign merchandise in customs custody for which no entry has been made or completed or which is

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covered by an unliquidated consumption entry, or foreign merchandise in customs custody which has been denied admission by any government agency (see Article 337), is to be exported direct without transportation to another port, a transportation entry and manifest (Customs Form 7512) shall be filed in quadruplicate and be disposed of as follows:

Two copies for the use of the collector;

One copy to be mailed by him to the comptroller of customs for his district; and

One copy to be used as a permit.

(2) Exportation bond (Customs Form 7557) shall be required with the entry provided a consumption entry bond (Customs Form 7551 or 7553) was not previously given. (See Article 1252 for cancellation of export bonds)

(3) When the merchandise has been landed or is transferred from one vessel to another and has not been entered for consumption or, in the case of rejected goods entered for consumption, if the statistical copy of the consumption entry has not been sent to the Section of Customs Statistics (see Article 1284), Customs Form 7513 shall be used as the export declaration, in the manner provided in Article 908 (a) and (b).

(4) Except in the case of rejected goods for which the statistical copy of the consumption entry has not been sent to the Section of Customs Statistics, when the merchandise has been entered for consumption the exporter shall file a shipper's export declaration on Customs Form 7525, as provided in Article 1267.

(5) When the merchandise is exported in the importing vessel without landing, the customs officer in charge of the vessel shall certify that the vessel was constantly under customs supervision, and that the merchandise entered for exportation was not discharged, during her stay in port. Such transaction shall be reported daily to the Section of Customs Statistics on Customs Form 7513 in the manner provided in Article 908 (a) (2). A charge shall be made against the vessel term bond (Customs Form 7569) if on file, or a vessel bond on Customs Form 7567 shall be given, as in the case of residue cargo for foreign ports. (Article 150 (c) as amended.)

(6) Gunpowder and other explosive substances, the deposit of which in any public store or bonded warehouse is prohibited by law, may be entered on arrival from a

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foreign port for immediate exportation in bond by sea, but shall be transferred directly from the importing to the exporting vessel.

(b) Indirect Exportation.- (1) When merchandise of the character enumerated in paragraph (a) (1) is to be transported in bond to another port for exportation, it may be entered for transportation and exportation in accordance with the procedure in Article 905 (a) and (b).

(2) Forwarding procedure.- The merchandise will be forwarded in accordance with the general provision for transportation in bond, Articles 873 to 886.

(3) Procedure at destination.- On arrival at the port of exportation the same procedure will be followed as is provided in Articles 882 and 886. When the merchandise is to be transferred the procedure prescribed in Article 901 (b) (3) shall be followed. The provisions of Articles 909 and 910 shall also be followed in applicable cases.

(4) Except in the case of rejected goods when the statistical copy of the consumption entry has not been sent to the Section of Customs Statistics (see Article 1284), when the merchandise has been entered for consumption the exporter shall file a shipper's exportation on Customs Form 7525, as provided in Article 1267, and attach same to the copy of the export entry mailed to the collector at the port of exit. When the declaration is required and is not filed at the port of origin, the export entry shall be stamped:

"Shipper's export declaration on Customs Form 7525 must be filed at the port of exportation."

(5) When the merchandise has not been entered for consumption or, in the case of rejected goods, when the statistical copy of the consumption entry has not been sent to the Section of Customs Statistics, the transaction shall be reported by the collector at the port of exportation on Customs Form 7513 in the manner provided in Article 908 (a), whether there is a transfer of the merchandise or not.

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*File*

BOWEN BUILDING  
WASHINGTON, D.C.  
REPUBLIC 6363.

July 9, 1943

Secretary of the Treasury  
Washington, D. C.

Attention Mr. John W. Pehle

Dear Sir:

Pierre David-Weill  
Lazard Freres & Co.

I. Introduction

On July 14, 1942, there was filed, through the Federal Reserve Bank of New York, an application on behalf of Mr. Pierre David-Weill, for a license, identified as No. N.Y. 435924.

On July 22, 1942, there was filed, through the Federal Reserve Bank of New York, an application on behalf of Lazard Freres & Co. for a license, identified as No. N.Y. 439145.

These two applications, one of a partnership and one of an individual, have been pending for about a year, during which time the Treasury Department has conducted investigations, conferences and examinations. As a result of these studies, questions have arisen concerning certain transactions in the late summer and early fall of 1940. We believe that it would be helpful to set forth an explanation of these transactions.

II. Parties

LAZARD FRERES & CO. is a partnership engaged in the banking business. In several locations and with changes from time to time in its ownership or management, it has been in business in this country for about a century, during which time it has developed and maintained an unimpeachable reputation for honesty, integrity and fair dealing.

MR. PIERRE DAVID-WEILL is a partner in the French banking firm of LAZARD FRERES & CIE., this French firm being a partner in the American partnership of Lazard Freres & Co. Mr. David-Weill came to this country in May, 1942.

MR. ANDRE MEYER is a partner in the French banking firm of LAZARD FRERES & CIE. Mr. Meyer came to this country in July, 1940.

ULITEX is a Panamanian company, created in the early summer of 1940.

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1939. Among its assets were some \$725,000 of United States Government bonds and other securities held by Lazard Freres & Co. Mr. Meyer, his wife, and Mr. David-Weill are Ulitex' only creditors, in an aggregate amount substantially equal to all the corporate assets.

FRENCH AND FOREIGN INVESTMENT COMPANY, LTD. (FAFIC) is an investment corporation organized in Canada in 1928. Some 300,000 shares of Fafic are among the assets owned by Ulitex.

THE OLIVEIRA company is a Panamanian company created in the spring of 1939. Mr. Meyer and his wife are the only creditors of Oliveira, in an aggregate amount substantially equal to all the corporate assets.

THE SOCORRO CORPORATION is a New York corporation formed in August 1940 to perform custodial functions. It acted as custodian for the assets of Ulitex and other corporations.

### III. The Relevant Transactions

#### A. From the European Side

Mr. Pierre David-Weill was, after Mr. Meyer had left for America in the summer of 1940, the dominant partner in France of Lazard Freres & Cie. Upon his demobilization from the French Army in July 1940 and for several months thereafter, Mr. David-Weill found himself in the center of a situation which may be summarized as follows:

1. Lazard Freres & Cie. was and for generations had been identified as a Jewish firm. Consequently, it was the target for all the inspired propaganda constantly levelled at Jews and so-called "international bankers".
2. At the time of the French collapse, Lazard Freres & Cie. had closed its Paris office and had removed to Chatel-Guyon, in Unoccupied France. Among the German measures then in effect was one which prohibited financial transactions between Occupied and Unoccupied France.
3. Some time after June 14, 1940 the Germans had blocked all securities belonging to Lazard Freres & Cie, and to that firm's present and past partners and their families.
4. The French stock exchanges were closed.
5. With two partners (Mr. David-Weill and Mr. Meyer) under threat in the press and on the radio of deprivation of citizenship,

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banking and industrial clients of the firm were daily becoming increasingly nervous about continuing their deposits with a Jewish banking firm.

6. These factors had given rise to an alarming rate of withdrawals, the deposits in the French firm having in the first six or seven months of 1940 decreased from about one billion francs to about 650,000,000 francs.

It must be made clear that at no time was there ever any question of the solvency of the French firm. The liquidity, on the other hand, was seriously affected by the inability of Lazard Freres & Cie. to convert into francs substantial amounts of securities and advances covering deposits, because the securities themselves were blocked and the exchanges closed or because the commercial paper and advances were not rediscountable in Occupied France (where the Bank of France, a former primary source of rediscount facilities, was located).

This accelerated rate of withdrawals, occasioned by the operation of the factors enumerated above, the firm's life-long tradition of punctually meeting every obligation, the knowledge that the failure of a Jewish banking firm to meet its obligations on demand would be ideal raw material for the Nazi propaganda machine to level against the Jewish community in France, the anxiety to avoid any repercussions on the firm's good name all over the world, and the knowledge that possibility of insolvency would give the Germans a welcomed opportunity to force the sale at distress prices of personal and quite considerable assets of Mr. David David-Weill--all these considerations combined to make it essential that to the extent the demand deposits exceeded the liquid assets of the firm, this difference be immediately obtained to the end that under no circumstances would the firm fail to meet every demand made upon it.

After full consideration of expected withdrawals and after general discussions of the firm's situation with the firm's General Manager, Mr. Jean Frederic Bloch-Laine, who had just returned to France from the United States to report to his Government on his mission as head of the French Purchasing Commission in the United States, it was concluded that an additional \$2,000,000, approximately, was urgently needed to meet deposit liabilities.

This information was conveyed to Mr. Marcel Blum, of Les Fils Dreyfus, Basle, who conveyed it to Mr. Meyer in New York. In addition, Mr. David-Weill, on August 26, 1940, cabled Mr. Meyer, one part of the cable reading:

"We may be forced shortly into liquidation.  
Cable urgent your dispositions."

The situation in France was becoming increasingly tense when on

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September 5, 1940, Dreyfus received a remittance of \$1,200,000 from New York for Mr. David-Weill and also received a cable from Mr. Meyer, the relevant portion of which reads:

"Consider it essential you see Pierre earlier and transmit him following message from me STOP In view of strong probability technical reasons may prevent my finding means meeting your additional requests think you should consider carefully long range wisdom concluding pending transaction unless in itself it is sufficient to actually provide solution.

Despite the clear suggestion in this message that unless sufficient funds could in fact be provided to meet all the firm's requirements and thus to save the firm, it was quite pointless to dissipate "good" money in a futile attempt to save the firm, Mr. David-Weill not only vigorously reaffirmed his desire that the transfer be made, but, through Mr. Blum, conveyed word that additional funds were urgently needed. As a result, in addition to the \$1,200,000 remitted to Dreyfus on September 5, 1940, two additional remittances were made, one of \$500,000 on September 18, 1940 and one of \$250,000 on October 21, 1940. By October 21st, it had become more certain what the actual needs were and that they were somewhat less than had been anticipated. As a consequence, \$125,000 of the October 21st remittance was transferred to the United States.

Two observations on the foregoing discussion are particularly relevant at this point:

1. Every cent of the net remittances to Lazard Freres & Cie., with the exception of a small amount held in reserve for living expenses and payroll purposes, was used to discharge current liabilities of Lazard Freres & Cie., and for no other purposes.

2. The compelling and irresistible circumstances giving rise to the need for the funds, the frantic efforts to obtain the funds, the necessary operations to remit the funds, and the receipt of the bulk of the funds all took place before September 7, 1940, the earliest reported date when Mr. David David-Weill's citizenship was taken away (other reports gave later dates.) This should completely dispel any possible suspicion of a connection between the transactions in question and the restoration of Mr. David David-Weill's citizenship.

B. Remittances and Sources -- From the American Side.

As has been indicated, there were three remittances to Dreyfus: one on September 5, 1940 for \$1,200,000, one on September 18, 1940 for \$500,000 and one on October 21, 1940 for \$250,000 (of which \$125,000 was retransferred to the United States), or a gross total of \$1,950,000. The sources of these funds were as follows:

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First, as to the source of the \$1,200,000 remittance of September 5, 1940. On September 5th, Ulitex' account on the books of Socorro consisted of a credit of \$57,045 received from Les Fils Dreyfus, Basle, on August 21, 1940, and a credit of \$500,000 received from the Bank of London and South America, Buenos Aires, on August 27, 1940. It is to be noted that both of these sums came to this country subsequent to the date of Executive Order 8389, as amended, dated June 17, 1940. The proceeds of certain sales of securities owned by Ulitex in an amount of \$581,415.93 was credited to Ulitex' account by Socorro on or before September 5th. The aggregate of these credits thus amounted to \$1,138,460.93. Socorro made an advance to Ulitex of approximately \$60,000 against \$143,000 worth of securities in the process of liquidation on the New York Stock Exchange, which advance together with the \$1,138,460, Ulitex' previous credit, brought the total credit on September 5th to approximately \$1,200,000. On September 5th, \$1,200,000 was transferred from the account of Ulitex to the account of Les Fils Dreyfus, Basle, with the Bank of Manhattan.

Second, as to the source of the \$500,000 remittance of September 18th. After the completion of the liquidation of the securities referred to above and the discharge of the temporary advance of \$60,000, there stood to the account of Ulitex a credit of approximately \$81,000. On August 19th, Oliveira received in its account with Lazard Freres & Co., New York, from the Bank of London and South America, Buenos Aires, the sum of \$450,000 and on August 27th, from the same source and to the same account, Oliveira received a credit of \$48,835.42. It is to be noted again that both of these sums were received in New York from abroad subsequent to the date of Executive Order 8389, as amended, dated June 17, 1940. On September 18th, from this aggregate sum of \$498,835.42, Oliveira paid \$420,000 to the Bank of Manhattan for the account of Dreyfus. This \$420,000 plus the \$80,000 difference between the September 5th Ulitex remittance to Dreyfus and the total amount of Ulitex' balance with Socorro at the Bank of Manhattan made up the \$500,000 remitted on September 18th.

Third, as to the source of the \$250,000 remittance of October 21, 1940. On October 21st, Pacific made a loan of \$250,000 to Ulitex which in turn transmitted the proceeds to the account of Dreyfus at H. Cassel & Co., New York. This loan was repaid with interest on November 20th, 1940, one month after the date of the loan. In the meantime, \$125,000 had been retransferred from Switzerland to the credit of Ulitex' in Socorro's account at the Bank of Manhattan on October 25th, so that the net remittance to Switzerland referred to in the present paragraph amounted to \$125,000.

No discussion of the remittances and sources from the American side would be complete without reference to the receipt into this country, and consequently subject to our jurisdiction, of \$1,020,468.84 which on October 22, 1940, was received from the Bank of London and South America, Buenos Aires, and credited to Ulitex' account on the books of Socorro.

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This receipt, together with the \$125,000 retransferred to this country, as explained above, making a total of \$1,146,000, exceeded by approximately \$171,000 the aggregate payments sent abroad out of funds held in the United States before the Executive Order, i.e., approximately \$725,000, representing proceeds of securities sold plus \$250,000 borrowed from Pafic by Ulitex.

If to this excess of \$171,000 is added the approximately \$79,000 which was received in this country by Oliveira in excess of the transfer of \$420,000 made by this company, the total of the funds brought into this country after the blocking order, over and above the amounts remitted to Switzerland as a result of the above-mentioned transactions, amount to approximately \$250,000.

Stated differently, the total remittances to Switzerland, all of which had been completed by October 21, 1940, thus aggregated \$1,950,000, as follows:

September 5, 1940	\$1,200,000
September 18, 1940	500,000
October 21, 1940	250,000

Per contra, there were received from abroad subsequent to the blocking order the following remittances:

For account of Ulitex -

August 21, 1940	\$ 57,045
August 27, 1940	500,000
October 22, 1940	1,020,468.84
October 25, 1940	125,000

and for account of Oliveira -

August 19, 1940	450,000
August 27, 1940	48,835.42

or a total of ..... \$2,201,349.26

In short, in connection with the so-called Swiss transfers, though approximately \$850,000 in this country prior to the Executive Order was temporarily used merely to facilitate the transactions enumerated above, in the last analysis about \$250,000 in excess of all amounts transferred abroad was received from abroad subsequent

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to the date of the Executive Order.

IV Conclusion

To the extent that there are documents available evidencing the accuracy of the foregoing statements, such documents have been made available to and are in the possession of the Treasury Department. As to statements not supportable by documents available in this country, we submit the facts form such a clear, logical and understandable pattern as to permit of no doubt as to their accuracy or as to their motive. The entire transaction was one calculated to preserve the integrity of an old-established banking firm and to avoid having visited upon the members of a community the dire consequences which would surely have ensued upon any default by that firm. That the spirit and intent of applicable Executive Orders were not violated is apparent not only from the high purpose of the transaction itself but from the results of that transaction. For aside from having been restricted to the single purpose intended, that is, to insure liquidity of the French firm and to avoid the consequences of a lack of liquidity (with the excess of funds over what was necessary having been retransferred to this country), the transaction was preceded and followed by steps which resulted in cash receipts into this country, and consequently subject to our jurisdiction, of some \$2,200,000 as compared to aggregate transfers of \$1,950,000.

There is attached a memorandum signed by Mr. David-Weill, with annexed exhibits, containing a comprehensive statement, documented to the extent presently possible, of all facts known to him personally with respect to the European end of these transactions.

We hope that this letter and the enclosed memorandum will serve to clarify your questions concerning the September-October 1940 transactions and we welcome an opportunity to discuss with you further matters concerning these applications.

Sincerely yours,

DEMPSEY AND KOPLOVITZ,

By

William J. Dempsey

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M E M O R A N D U M

1. In a letter which I delivered to Mr. Pehle on June 7th, I explained the urgent needs of Lazard Freres & Cie., Chatelguyon, which led to the transfers made by ULITEX and OLIVEIRA from the United States to Switzerland in September and October 1940, and I outlined the manner in which these remittances had been used by me upon receipt to discharge the demand obligations pressing upon my firm. In my testimony before Mr. Lesser on June 11th, I confirmed and amplified the statements previously made to Mr. Pehle. This memorandum is intended to present a summary of the facts in chronological order and, at the same time, to submit such evidence as is available to us here to substantiate the statements I have made.

2. During the weeks preceding the Armistice, the Franc deposits of the French firm had been reduced from about one billion francs at the beginning of 1940 to approximately 650 million francs. We were exposed to continued withdrawals because as a Jewish banking firm we were under constant attack by the German propoganda agencies. Our deposits, at the time of the Armistice, were covered to the extent of between 370 and 380 million francs by Cash and Government Bonds, and to the extent of 200 million francs by first-class Commercial paper and credits, of which 160 million francs were guaranteed by the French Government. This paper and these credits, in ordinary times, could either have been readily discounted or sold to other banks. The balance of some 70 to 80 million francs of deposits was covered with a considerable margin either by securities belonging to the three partners, by securities and long-term credits in the firm and, above all, by the very substantial assets owned in France by David David-Weill.

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3. There was at no time any question of the solvency of the French firm. However, from the time of the Armistice a succession of measures were taken by the Nazis which made it increasingly difficult for us to dispose of or make available certain of our French assets. For example, the securities of the firm and of all the partners were blocked shortly after the German occupation, and beyond this, for a prolonged period, some 200 million francs of Commercial paper and credits referred to above, and under other circumstances readily rediscountable, became unavailable to us because of restrictions in connection with the separation of France into the occupied and unoccupied zones.

4. Accordingly, from the date of the Armistice until the receipt by me of the remittances from abroad, our firm was in a position of varying, but in general of increasing difficulties. We were faced with the growing likelihood of deposits being withdrawn in excess of the amount we might be able to meet out of our liquid resources available in France. It need hardly be pointed out that vicious propoganda directed against us during this whole period as a leading Jewish banking firm increased both the probability and the rate of substantial withdrawals.

5. During this whole period of accelerating withdrawals, my principal preoccupation was to do whatever lay within my power to see that, if at all possible, my firm lived up to its tradition of meeting its obligations on demand. In this I was guided in a measure by the ordinary business consideration of fair dealing with an extensive clientele and by the thought that failure to meet our obligations, no matter what the circumstances, would inevitably direct criticism against the name of

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my firm wherever located. Furthermore it seemed to me at the time that this would furnish the Germans with a pretext to seize or sell at distress prices my father's assets in France, thus playing into their hands. But beyond this, there was another consideration that weighed heavily with me. The failure of a prominent Jewish banking firm in France, even though this had been brought about without any question of the firm's solvency but purely as a result of restrictions arising from the occupation would have been perverted into the most vicious form of propaganda material directed not only against us, but against the Jewish community in France as a whole. Such a development I felt I must at all cost avoid.

6. As you know, in line with our international activities we have always had substantial interests outside of France. These interests were represented by our share in the capital of the London and New York firms and by other investments and balances, which latter we have always regarded as a kind of secondary reserve to which we could have recourse in an emergency wherever it might arise. Among these resources we had had on deposit in the Argentine an amount entirely adequate to provide the additional liquidity required by the French emergency which I have described; and as far as I knew at the time of these events, this deposit was still in the Argentine. It was this reserve in the Argentine which I was counting on, and it was this reserve in the Argentine which was sent to France to the extent of our actual needs and was used to meet these needs.

7. Of the funds remitted to me at Chatelguyon: \$125,000 was immediately retransferred to the United States as, by the time it reached me it had become evident that it was in excess of our actual needs.

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With the exception of this amount, and a small amount in no event over 10 million francs used or held in reserve for living expenses and payroll, all the funds remitted to me at Chatelguyon were used to discharge the current liabilities of Lazard Freres & Cie., Chatelguyon, and for no other purpose whatsoever. These liabilities have now been fully met with the exception of some small accounts of clients with whom it had not been possible to establish contact but for which, however, provision has been made.

8. The remittances from Switzerland reached me just in time. Without them, I would not have been in a position to meet the demands of depositors as they arose. Subsequently, we found it possible by various means to convert some of our previously illiquid assets into cash. We divested ourselves of the proceeds of this conversion as rapidly as possible and to the greatest extent possible by making loans to friendly individuals, in such a way that these amounts would not fall into the hands of the Germans and could be repaid to us after the war. Evidence of our intention to do this is to be found in a letter dated February 24, 1941 (Exhibit 1) to Andre Meyer, from which I quote in translation of a sentence on page 5, as follows:

"If our plans are realized we will have around 50 million of excess of liquidity and, at that time, the question will arise to know what we must do with this money".

My recollection is that the amount we divested ourselves of in this manner was approximately 50 million francs, and beyond this my father withdrew, long after the emergency had passed, approximately 12 million francs which represented merely his normal requirements for a reasonable period ahead for himself and a rather large family, and which amount, had it been left in the firm, would have been constantly subject to the possibility of German seizure as Jewish balances and

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would, in fact, having long since been so seized.

9. As you will readily understand, absolute proof of this resume can only be furnished when we are once again in possession of our books of account which are in France. On the other hand, if you should deem it necessary, I have no doubt that I could get confirmation of the general situation that confronted my firm as a leading Jewish banking firm from Mr. Dean Jay, of Morgan & Cie., Paris, who was in France in the midst of these tragic events. Some of the more detailed facts to which I refer in this memorandum, I believe would be confirmed by Mr. Christian Valensi, now in the United States with the Military Mission of North Africa, and who at the time of these events was in the Treasury in France and is familiar with some of the facts I have recounted. However, I am sure that you will understand my reluctance to approach third parties in regard to a matter of such delicacy, and I believe that the story in its main aspects can be substantiated to your satisfaction by a review of certain relevant documents, copies and translations of all of which are appended.

10. I first draw your attention to a telegram to Jean Frederic Bloch-Laine from Switzerland, received on June 18, 1943 (Exhibit 2) in answer to my telegram to him of June 14th (Exhibit 3), copies of which are attached. In this telegram, Bloch-Laine, who was fully familiar with what had transpired, confirms categorically both the reason for the remittances and the purposes for which they were used. In this connection, I take the liberty of drawing your attention to the fact that Jean Frederic Bloch-Laine is well and favorably known to the authorities in both the Treasury and the State Department,

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and I am sure that those who know him would assure you that his statements can be accepted without discount.

11. I now proceed to analyze certain exchanges of telegrams and letters between Andre Meyer and various individuals connected with the French firm, and all dealing with the developing crisis in the affairs of our firm and the efforts being made to meet it.

On July 25, 1940, a cable was received by Andre Meyer from Pommery and Caroli (Exhibit 4), who were in charge of the French firm, from which we translate in part as follows:

"Pierre demobilized gone to fetch Berthe and parents STOP Baldi Pommery Gedeon plan to leave for Paris Saturday to study reopening office STOP Pillet-Will (address of Lazard Freres & Cie., Paris) at present occupied STOP Everything going well important movements as anticipated".

In view of the French and German censorship, it was impossible in cables to spell everything out, but "important movements as anticipated" clearly referred to and was understood by Andre Meyer to refer to the withdrawal of funds.

In a cable received by Andre Meyer on July 29, 1940, signed Caroli and Pommery (Exhibit 5), there appears the sentence:

"For our information is the agreement of May 17th technically possible of realization".

to which he answered the same day (Exhibit 6):

"Agreement technically impossible now Cable if something else must be arranged immediately".

On the 17th of May, when it became apparent that the military situation was very critical, Andre Meyer was alone in Paris. Acting for himself and on my behalf (I was at that time in the army), he took certain dispositions with a view to preparing for any conceivable

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emergency. Among these was the agreement to which reference is made.

The agreement was that Lazard Freres & Cie., Paris, would advance temporarily up to \$2,000,000 out of their dollar balances to Andre Meyer and me on the security of 300,000 FAFIC shares belonging to ULITEX, these securities being worth in the neighborhood of \$6,000,000. (This agreement was never in fact invoked, and it is set forth merely to make the preceding cables intelligible).

On August 6, 1940, having had no reply, Andre Meyer cabled (Exhibit 7):

"Our No. 6 asked if you received our cable saying agreement technically impossible asking you if something else must be arranged immediately".

To this, he received a reply from Chatelguyon, signed Lazard (Exhibit 8):

"For Andre Your No. 29 merely asking for information no steps need be taken at the moment".

On July 24th, a law had been promulgated authorizing the Government to deprive any French national of his citizenship if he had left French territory between May 10th and June 30th, 1940, without an order of mission or legitimate motive. On August 1st, the Vichy radio gave a list of personalities who would be deprived of their nationality, among which Andre Meyer. On August 1, 1940, Andre Meyer sent us the following telegram (Exhibit 9):

"From Andre Newspapers here published a list of persons who may be deprived of their citizenship and estates and I do not understand why my name is included"

To which I replied from Vichy (Exhibit 10):

"We do not understand either STOP Origin is attack against you and firm among others by French radio We are trying to clear up matters Greetings Pierre David-Weill".

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A little later in August, Bloch-Laine came back from the United States in order to report to the French Government in his capacity as former head of the French Purchasing Commission in the United States. He was general manager of the French firm. After a few days during which we reviewed together the situation of the firm, and the effects of the German occupation upon our affairs, and the increasing violence of Nazi propoganda on the radio, we reached the conclusion that in all probability we would require about \$2,000,000 if we were to meet all our obligations on demand. During the month of August, the rate of withdrawals had been increasing and we realized that we would only be in a position to meet them if we could draw on what we had always considered our reserve for emergencies abroad.

I explained the situation fully to Marcel Blum, of Les Fils Dreyfus, Basle, who conveyed my message to Andre Meyer in the most pressing way.

On August 26, 1940, I sent a cable to Andre Meyer, part of which reads (Exhibit 11):

"We may be forced shortly into liquidation  
Cable urgent your dispositions Regards".

12. During this period we took whatever steps we could to try to make our Commercial credits eligible for rediscount and we explored every possibility of making our illiquid French assets in some manner available. However, in every direction we ran into a stone wall. Meanwhile, it was becoming daily more evident that our banking friends and our industrial customers were becoming increasingly

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disturbed about the possible consequences to them of continuing their accounts with a Jewish banking firm, and particularly with one two partners of which were threatened with deprivation of citizenship and confiscation of property. By the beginning of September we had reluctantly reached the conclusion that we would be faced with the early necessity of meeting the bulk of our deposit liabilities. Under these circumstances, our request for remittances, communicated to Andre Meyer as indicated above, became ever more pressing.

13. On September 5, 1940, Andre Meyer cabled the following to Marcel Blum at Basle (Exhibit 12);

"For Marcel - Before concluding transaction and in any event waiting to conclude until speak to you Friday forenoon 10 A.M. our time STOP Consider it essential you see Pierre earlier and transmit him following message from me STOP In view of strong probability technical reasons may prevent my finding means meeting your additional requests think you should consider carefully long range wisdom concluding pending transaction unless in itself it is sufficient to actually provide solution - signed: Andre"

This message was intended to convey to me Andre Meyer's thought that unless sufficient funds could in fact be provided to meet all our requirements and thus save the firm, it was quite purposeless to throw good money away.

The same day, September 5, 1940, \$1,200,000 were remitted from New York to Switzerland. The transfer of these funds from Switzerland to me in unoccupied France was held up by Les Fils Dreyfus, Basle, until Andre Meyer's message had been transmitted to me and until, after fully considering it, I had on September 6th or 7th reaffirmed to Les Fils Dreyfus, Basle, my strong desire that the

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transfer to me be made at once. At the same time, through Marcel Blum, I sent word back to Andre Meyer urgently pressing for additional amounts. In response to this request \$500,000 was remitted to Switzerland on September 18, 1940, and \$250,000 on October 21, 1940, of which las remittance \$125,000 was retransferred to the United States on October 26, 1940, for the reasons mentioned in paragraph 7.

14. From this you will see that all of the funds required to meet the current obligations pressing on my firm in unoccupied France had been requested by me, and the bulk of the funds had actually been received by me, prior to the 7th of September 1940. The reason that this is of importance is because, although my father had been back in France since July 27th, some time between the 7th and 10th of September, to everybody's surprise and dismay, he was deprived of his citizenship. I think it must be clear, in view of the sequence of events and the character of the requirements of my firm, evidence of which has been previously presented to you in this memorandum, that the remittances did not and, in fact, could not have had anything to do with the question of my father's status.

15. May I now draw your particular attention to two letters sent to Andre Meyer: one, addressed "My dear Dick" (the name of the messenger who was good enough to bring it to him) dated October 15, 1940 (Exhibit 13), and one dated September 20, 1940 (Exhibit 14). I hope that you will read these letters in their entirety because I feel that only thus will you be able to appreciate the circumstances in which they were written. Furthermore, I think this contemporaneous

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account will convince you of the nature of the difficulties of my French firm which I was bending every effort to meet, and that these efforts had nothing to do, and could have had nothing to do, with my father's denationalization.

From these letters I quote the following passages:

From the letter of September 20, 1940:

"You can imagine that the decision concerning my father was for us a source of sadness and preoccupation. This decision was learned of through the press without any question having been asked beforehand.

"According to our information it has the aspect of a personal vengeance of P.L. (Pierre Laval) against the firm to which he attributes a part of the responsibility for his fall in 1935. He will do everything he can to prevent any change and you yourself are under attack more than the others.

"The decision concerning my father was received with universal indignation, even in those circles nearest the Government. I am not sure that, in spite of the position of P.L., the Chief of State will not reverse the decision.

"The aim sought is at once to please the Germans by discrediting the banks with so-called political ramifications and to distract public opinion which might become impatient about the meager results, to say no more, of the policy pursued since the Armistice. \*\*\*\*

"In short, we are living on a volcano. We must put ourselves in a position to stand anything and to be able to undress at any time without risking to provoke thereby other criticisms and other dangers which would then lead us to personal situations that I prefer not to envisage.

"With a hundred (100 million francs) we will be liquid to a hair before having paid up some 12 million francs of uncalled capital of SOLVAC which must be covered from other sources. \*\*\*\*

"We will then be able to present ourselves with resources and liquidity capable of meeting in advance any questions which might be asked.

"As long as we have decided to stay here with our head up (and anyhow I do not think it is physically possible to consider anything else for the time being) we must have means to play the winner. So we are in an island more and more cut off from the rest of the world, and if we do not have here (in France) the means we might have to dispose of one of these days, we might be in no better position than if we did not have them at all.

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"This is not very gay but do not think that my morale is less good than ordinarily, on the contrary I feel a certain joy in doing what I consider my duty in spite of wind and tide".

From the letter of October 5, 1940:

"As I had foreseen, the situation as far as we are concerned has become tense. The withdrawals have continued at an accelerated rythm. The deposits are reduced to about 265 (in francs) which will be further reduced by about 40 through announced withdrawals. \*\*\*\*

"After numerous conversations with Rueff and Graviere, with Moreau-Neret and Ardant (in the course of which the authorities have asked us for detailed information on our balance sheet which, I am glad to say, is very decent) nobody wanted to take the responsibility of a rediscount to which they recognized we had a right. Finally, we hope that the State (this meaning the Treasury) will reimburse about 125 of the G.I.R.M. credit right away. But perhaps not in the unoccupied zone because the Groupement (G.I.R.M.) has gone back to Paris, without having told us beforehand, and the payment is assigned to the Central Office of the Treasury in Paris. There is not one of them, because they fear German inquiries, who wants to take any responsibility. Between Vichy and Paris, even for the Ministry of Finance, the communications are slow and difficult. There will be a fortnight tomorrow that we are occupied with this problem all day long and, in the meantime, we are stopping all important payments.

"My father handed his brief to the Commission last Saturday and I believe that we will soon have a reaction. One cannot make any forecast, but the press is favorable and the reprobation against this measure general.

"The Academie des Beaux Arts, the Universite of Paris, the Museums, Admiral Lacaze, Gosset, Cognacq, etc., have manifested themselves directly and vehemently towards the Marshal and towards the Commission. \*\*\*

"I don't know if you know that they, the Germans, have blocked our securities (Firm, partners, commanditaires and family) in Chollet, following a supposed denunciation concerning securities which would have been delivered by Chollet to one of the family who, in turn, would have had them transferred to the unoccupied zone (it is not true)."

16. A word in regard to my father. For years he had devoted himself almost entirely to philanthropic and public-spirited enterprises.

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His activities had received the highest recognition and he had attained, among others, the following distinctions:

Grand Officier of the Legion of Honor  
 Member of the French Institute  
 President of the Board of National Museums  
 Founder and vice-chairman of the Cite Universitaire  
 Vice-chairman of the Friends of the Universite de Paris  
 Vice-chairman of the Amis du Louvre  
 Vice-chairman of the Societe des Arts Decoratifs  
 Former Regent of the Bank of France  
 President of the Hopital prive Antoine Chautin

At the time that he was denationalized, there was an immediate and spontaneous expression of sympathy. Many distinguished individuals who had been associated with him in his far-glung activities voiced their protest directly to the Government. (Exhibits A to G) (\*) As a result of these expressions, and without my father having done anything more than write a letter of protest to Marshall Petain and file a formal application for review of his case with the Commission, at the end of the month of October the decision concerning his citizenship was reversed after consideration by a Commission of Frenchmen in unoccupied France. This Commission was presided over by General Pretalat and included two other members: Mr. La Grange, Maitre des Requetes au Conseil d'Etat, and a naval officer Capitaine de Vaisseau Labie. The Commission reversed the decision concerning both my father and one other individual, Mr. Jean Stern, who were the only two of those who had left France who were then back in the country.

On the very date of this decision, Andre Meyer was deprived by decree of his citizenship and his properties.- Newspaper "Le Temps", October 31, 1940 (Exhibit 15).

17. Earlier in this memorandum, I have indicated to you that the

(\*) We enclose a few letters chosen among those of which I have copies here.

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Germans regarded my firm with particular hostility. For example, in October 1940, I was told by Mr. Moreau-Neret, General Secretary of the Treasury and an old friend, that the French authorities in Paris had received a communication from the German substantially as follows:

"We ask that you choose 30 important Jewish concerns which will have to be provided with a Commissaire within 48 hours. This Commissaire will take over the management of these concerns. We would like you to make suggestions as to the names of these Commissaires. The choice of these 30 concerns we leave to your discretion, with the exception of six concerns".

He added that among these six concerns expressly designated by the Germans was Lazard Freres & Cie., Paris. The very next day, a Commissaire for Lazard Freres & Cie. was named whose powers were limited to the occupied zone.

On June 30, 1941, after promulgation of the decree forbidding Jews to exercise the profession of banker, we withdrew from the banking business in France as per circular enclosed (Exhibit 16). We quote an extract from a report made by your Ambassador in Berlin which reached us through a friendly channel:

"Lazard Freres in Paris closed - Lazard Freres & Cie., Paris, has, according to the German press, issued a circular announcing that it will immediately discontinue business and commence liquidation, in accordance with the law of June 2, 1941, in regard to Jewish enterprises.

"The German press notes this fact with satisfaction since, it alleges, the liquidation of this bank represents the closing of one of the worst chapters in the history of French banking. This bank is credited by the German press with having had considerable influence on the French Government and to have been closely associated with the Lazard Brothers, in London, some of the directors of which were also directors of the Bank of England. 'It almost goes without saying' says the Deutsche Bergwerkszeitung 'that this banking institution which had become so powerful also made use of its influence in the field of politics since the directors and managers of this institution were all Jews who did not lose sight of their international aims and even betrayed the national interests of France' - Source of information: Deutsche Bergwerkszeitung, August 5, 1941".

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In other words, it is clear that the particular hostility which the Germans had towards us in the beginning was in no sense abated in the end.

Mr. Andre Meyer concurs in the foregoing to the extent of his personal knowledge, and has authorized me to state that this represents a fair statement of his understanding of the difficulties facing Lazard Freres & Cie. as communicated to him by Pierre David-Weill at the time.

Respectfully submitted,

PIERRE DAVID-WEILL

July 8, 1943.

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342262

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Box 48

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. J. J. O'Connell

DATE: December 29, 1945

FROM : Mr. J. B. Friedman

SUBJECT: Legal Aspects of Activities and Accomplishments Handled During  
October 1945, by or under the Direction of Mr. Joseph B. Friedman

PROBLEMS INVOLVING THE UNITED KINGDOM

Sessions proceeded throughout the month on the U.S.-U.K. finance and trade discussions. Considerable progress was made toward agreement on many features of the issues involved but no final settlement was reached. (Messrs. Bronz, Brenner and Scott, in conjunction with Monetary Research)

PROBLEMS INVOLVING FRANCE

Proposed French Exchange Control Codification

JICA, Algiers, procured from secret sources a document purporting to be a codification of the French exchange control laws which would be enacted in France subsequent to the elections. A copy was forwarded to Treasury through War Department with a request that it be translated and examined. State Department also received copies of this material and requested translation. Upon translation it appeared that the document was a comprehensive law codifying all previous legislation in France concerning the control of exchange, gold, securities, foreign assets, etc. Copies of a translation of the document were made available to State, War, Commerce and other interested agencies. (Mr. Brooks).

Defrosting License

(See September 1945 and prior reports)

The French defrosting license, mentioned in previous reports, was issued on October 5. A set of questions and answers on the effect of the license was released through the Foreign Exchange Committee in New York and numerous specific questions were answered. (Mr. Arnold and members of the Foreign Funds Control Staff)

PROBLEMS INVOLVING BELGIUM

Defrosting License

(See September 1945 and prior reports)

Issuance of the Belgian defrosting license was ensured by the settlement of the questions concerning the status of American assets

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## PROBLEMS INVOLVING GERMANY

### Looted Gold

The State Department submitted to the Treasury a proposed cable instructing a State Department representative to attempt to reach agreement with the British and French for the distribution of the gold captured by American forces in Germany on the basis of a gold pot theory. Under this theory, the gold would be distributed to claimant nations on a pro-rata basis. Treasury urged that distribution of the gold be delayed until an effort has been made to recover the Belgian gold which was looted from the French by the Germans and which reports of the Military Government show was shipped to the Swiss National Bank. A cable for this purpose was drafted by Treasury and submitted to the State Department. Treasury has been informed, however, that State's representative on the reparations commission has already opened discussions with the French and British on the gold pot theory and has, perhaps, reached some tentative agreements. (Messrs. Locker and Scott in conjunction with Monetary Research)

### Recruitment of Swiss Technicians for Service in Germany

The Treasury representative in Bern cabled that the ETO has requested permission to use the "T" account for payment of Swiss francs to Swiss technicians who would be employed by the Military Government in Germany. The reason for recruiting Swiss technicians was that German language speaking technicians were needed and that such personnel could not be recruited in any of the liberated European countries. Treasury cabled suggestions that an attempt be made to recruit personnel in Austria or Czechoslovakia, to which the Army replied that such a procedure is against "theater policy". Further discussions with the War Department and State Department led to the dispatch of a cable by the War Department requesting further information and indicating that both Treasury and State were opposed to the plan on the ground that liberated countries were in greater need of dollar exchange and that their nationals would be more inclined to enforce security measures than Swiss nationals. (Mr. Scott in conjunction with Monetary Research)

### German Cartels

Word was received by the Cartel committee that a proposed law was under consideration in Berlin for the decentralization of German industry. While an early draft was under consideration in the Cartel committee, later drafts began to arrive and it became apparent that the normal procedures of the Cartel committee would not be able to keep up with the speed of developments in Berlin, so that if the committee is to have any effectiveness, it must adopt a new procedure. Accordingly, at the suggestion of Colonel Bernstein,

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Office Memorandum • UNITED STATES GOVERNMENT

CONFIDENTIAL

DATE: January 17, 1946

TO : Mr. J. J. O'Connell

FROM : Mr. J. B. Friedman

SUBJECT: Legal Aspects of Activities and Accomplishments Handled During  
November 1945, by or under the Direction of Mr. Joseph B. Friedman

PROBLEMS INVOLVING THE UNITED KINGDOM

Financial and Trade Negotiations

This office continued to assist in the negotiations with the British for a credit to meet the prospective deficiency in its balance of payments. The troublesome points about which the lengthy discussions have revolved are the conditions on which waiver of interest will be permitted and the scope of commitments to be made with respect to monetary policies.

Secretary Vinson received a letter from Lord Keynes expressing the attitude of the Chancellor of the Exchequer with respect to Bretton Woods and British adherence. The tone of the letter indicated that the Chancellor would make British adherence and cooperation dependent upon the size and the terms of the credit then being negotiated. A reply was drafted in which a firm statement was made that it had always been our understanding that the transitional arrangements provided for in the Fund Agreement were intended to permit British adherence in advance of definitive arrangements for the solution of its postwar financial problems. The letter indicated that the position taken by the Chancellor was an astonishing one in view of prior discussions and expressed the hope that this position would be re-examined and modified. (Messrs. Bronz, Brenner and Scott in collaboration with Monetary Research)

PROBLEMS INVOLVING LIBERATED AND OCCUPIED TERRITORIES GENERALLY

Army Dollar Remittances

(See October 1945 report)

A proposal has been drafted to eliminate the opportunity which soldiers now have of exchanging their black market profits in the occupied areas for dollars. This proposal provides that payment of soldiers' salaries would be made in a new dollar instrument of limited negotiability tentatively designated as "military payment bills". In form these instruments would be similar to "military payments orders" which are currently in use. Such dollar instrument could be freely transferred between authorized personnel and could be used for the purchase of local currency as needed by the soldier. Local currency, however, would not be reconverted into dollars, hence Allied military currency reserve accounts in the Treasury would always be protected.

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By WRS for W. DeLoach NARS, Date 6/20/00

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current administrative expenses. The French also made known their desire that the Moroccan franc be the sole official currency in Tangier. It was agreed that State Department would assume the responsibility for discussing with the French the problem of legal tender in Tangier, and that the Treasury would advise the French that our Legation in Tangier would acquire the necessary local currency in either francs or pesetas in whatever manner the Committee of Control authorized.

The Tangier Committee of Control wishes to purchase with francs from the United States Army some surplus uniforms for the police force in Tangier. This problem is being considered by those interested in surplus property disposal. (Mr. Brooks in conjunction with Monetary Research)

#### PROBLEMS INVOLVING GERMANY

##### Looted Gold

Following discussions in Treasury, the State Department's proposed cable committing the United States to a distribution of captured German gold in accordance with the so-called gold pot theory, was cleared by Treasury Department. (Messrs. Locker and Scott, in conjunction with Monetary Research)

##### Looted Currencies

A United States proposal for the disposition of currency captured by armed forces in Germany was agreed upon by State and Treasury, and a cable despatched to the Angell Mission under this proposal. Currencies of invaded United Nations would be presumed looted and returned to the country of issue. Currencies of satellite countries would also be returned to the country of issue but would be given into the custody of Soviet authorities. Currencies of non-invaded United Nations having reparation claims against Germany would also be returned. All other currencies, including the neutral currencies and currencies of United Nations not having reparation claims against Germany, would be placed in the reparations pool. (Mr. Scott in conjunction with Monetary Research)

##### Entry of American Businessmen Into Germany

The State Department has proposed that limited numbers of American businessmen be permitted to visit Germany for the purpose of investigating their property. The War Department is prepared to admit approximately 100 persons per month. Treasury has taken the position that American businessmen should preferably be excluded from Germany until the reparation allocations have been made and until commercial facilities are available for remittance and other financial purposes. A cable is

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British and French concurrence, it felt that, in the event of Allied agreement, it could approve the joint use of all the specific sanctions contained in Secretary Vinson's letter of September 13 (see monthly report for September). State is presently clearing the use of sanctions through the Department, and in the meantime a cable embodying the following points has been agreed upon with Treasury for dispatch once final clearance is received within State: (1) This Government considers it essential that full agreement be reached among the Allies on use of economic sanctions before negotiations with the neutrals begin; (2) Over-all importance of eliminating German external assets outweighs disadvantages that might accrue as result of sanctions; (3) Sanctions should be used if neutrals fail to agree that (a) the vesting applies to all German assets and (b) recognize our authority to dispose of proceeds free of neutral counter claims; (4) If necessary, we would be prepared to permit the neutrals to satisfy their pre-war claims out of German assets, provided an effective job is done on uncovering and turning over to ACC all German external assets. Such satisfaction could not be on a 100% basis, however; (5) Sanctions available for application include suspension or revocation of privileges available under the freezing control, withholding from neutrals of stocks of surplus property abroad, withdrawal of shipping facilities, and refusal to neutrals of admission to United Nations Organization. (Mr. Locker in conjunction with Members of the Foreign Funds Control Staff)

Implementation of Gold Declaration

It will be recalled that we recently requested our Missions in the neutrals to obtain certain gold information from the governments to which they are accredited as part of the neutrals' adherence to the Gold Declaration of February 22, 1944. A report from Switzerland purporting to give us the requested information has been received. Although this information was completely inadequate, it was agreed to defer a further approach to the Swiss pending Swiss decision regarding Allied investigation of the SNB and the BIS. On the basis of information from Germany indicating that looted gold was presently stored in the SNB and the BIS, it had been decided that the Allies would attempt to investigate the two banks in question.

Our Legation at Stockholm advised us that, as a result of an informal request for the desired gold information, the Swedes had indicated that they would probably be able to make the information available informally, but no specific commitment was given. The Legation requested instructions as to whether it should raise the matter on an official level or should continue its efforts to obtain the information informally. In reply, we advised the Legation that it should continue

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its efforts in an informal manner and should try to obtain the information by the first of January. If at that time, however, no results have been obtained, we would then consider making a formal approach to the Swedes. (Mr. Locker in conjunction with Members of the Foreign Funds Control Staff)

Japanese Assets

It will be recalled that as a result of a report from Bern advising that the Japanese were holding certain unblocked funds, the State, War and Navy coordinating committee on Japan requested General Mac Arthur to have the Japanese Government instruct its representatives abroad to turn over all unblocked assets to the United States-United Kingdom Safehaven authorities. In this connection, during the month, we received a report from the military authorities in Japan to the effect that the Japanese have been establishing "secret custody accounts" in the neutrals since the beginning of 1944. Fearing that their assets in the neutrals would be blocked, the Japanese Government had ordered the Yokohama Specie Bank to transfer a part of its deposits with correspondent banks in neutral countries to the various Japanese Legations for safe keeping. The report listed the various withdrawals that had been made from banks in the neutrals for this purpose. In order to make certain that all such secret funds were delivered to the United States-United Kingdom authorities, we requested State to furnish this information to our Missions in Madrid, Lisbon, Stockholm, and Bern. (Mr. Locker in conjunction with Members of the Foreign Funds Control Staff)

Eire

On November 1st, a Safehaven note modelled after that presented to the Governments of Spain and Portugal was presented to the Government of Eire. As yet, no reaction has been received from the Irish Government. (Mr. Locker in conjunction with Members of the Foreign Funds Control Staff)

LEGISLATION

Section 9(a) of the Trading with the Enemy Act.  
(See October 1945 report)

In conjunction with representatives of the office of the Alien Property Custodian and Justice, the Treasury continued to work on the drafting of legislation which will make it clear that former owners of vested property who are nationals of foreign countries cannot bring suit enjoining the sale of such property by the Custodian. The Treasury has been pressing for this legislation as the most

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