

DECLASSIFIED
D.O. DIR
Authority 5200.30 mar 83
By TJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 5

<u>PAR AMOUNT</u>	<u>DESCRIPTION</u>
\$ 1,000 (Sw. franc. 5,000)	Swiss Confederation 3 1/2% 1932 bonds dated April 1, 1932 at Berne.
\$19,000 (Sw. franc. 95,000)	Swiss Confederation 3 1/2% 1933 bonds Series III dated April 1, 1933 at Berne.
\$ 3,600 (Sw. franc. 18,000)	Swiss Federal Railways 4% Loan of 1931 dated April 15, 1931, due April 15, 1951.
\$ 400 (Sw. franc. 2,000)	Swiss Federal Railways 4% Loan of 1931 dated November 20, 1931, due April 15, 1951.
<u>\$158,521.65</u>	

Also the following described stock assigned in blank.

Nominal Value \$10 per share.

<u>PAR AMOUNT</u>	<u>SHARES</u>	<u>DESCRIPTION</u>	<u>REGISTERED IN THE NAME OF</u>
\$1,000	100	Glen Alden Coal Co.	Charles Frederic & Co.
850	85	Standard Oil Co. of Indiana.	do
250	25	Reading Company.	do
700	70	Corn Products Refining Co.	do
1,000	100	The Chesapeak & Ohio Rwy. Co.	Schmidt & Co.
500	50	Union Pacific R.R. Co.	do
300	30	Corn Products Refining Co.	do
1,000	100	General Foods Corp.	do
1,030	103	Standard Oil Co. of N. J.	do
50	5	Consolidated Edison Co. of N. Y. Inc.	Shaw & Co. N. Y.
<u>\$6,680</u>	<u>668</u>		
<u>\$185,201.65</u>	<u>Grand Total</u>		

* Securities registered in the name of Charles Frederic & Co. and assigned in blank.

** Securities registered in the name of Max A. Isler and assigned in blank.

J. S. H.
JK

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By II NARA Date 7/21/99

FRB-NY
Box 2 BINDER 5

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The following report is furnished, at your request, under your Subscription Contract, in STRICT CONFIDENCE, by DUN & BRADSTREET, Inc. as your agents and employees, for your exclusive use as an aid in determining the advisability of granting creditor insurance, and for no other purpose.
PLEASE NOTE WHETHER NAME, BUSINESS AND STREET ADDRESS CORRESPOND WITH YOUR INQUIRY

SWISS BANK CORPORATION, NEW YORK AGENCY

NEW YORK CITY, N.Y.
15 Nassau Street
Same as 120 Broadway
(Equitable Bldg)

Frederick W. Lichtensteiger } Agents
Francesco L. Saroli

CD 630 1 April 15, 1940

The headquarters of this New York Agency which was opened on October 16, 1939 are located at Basle, Switzerland.

The Swiss Bank Corporation was chartered under Swiss Laws in 1872, and is engaged principally in commercial banking and as at December 31, 1939, had an authorized and fully paid in capital of 160,000,000 Swiss Francs. It is reputed to be one of the largest Swiss joint stock banks. It operates eighteen offices throughout Switzerland and two in London, England.

Frederick William Lichtensteiger was previously a deputy manager of the London Office of the Swiss Bank Corporation and Francesco L. Saroli was also associated with it. Francis Henry Gunther hitherto Procuration holder of the London office, is a sub-agent. E. F. Paltzer and E. Kuster are Procuration Agents of the New York office.

On September 19, 1939 the Swiss Custodian Corporation was chartered under New York laws with an authorized capital of \$100,000. On April 12, 1940 Frederick W. Lichtensteiger was given as President of that company and Francesco L. Saroli, Chairman of the Board. Gunther is Treasurer and Platzer is Secretary. On April 12, 1940 E. F. Paltzer stated that the corporation was organized to function as Custodian for the Customers American Securities and will act in the purchase and sale of United States Securities for its clients. He added that the entire authorized capital of \$100,000 has been paid in.

The following is a copy of the printed balance sheet of the Swiss Bank Corporation as at December 31, 1939:-

ASSETS		LIABILITIES	
Swiss Francs		Swiss Francs	
Cash	226,666.866	Share Capital	160,000,000
Bank and Bankers	287,076.188	Reserves	32,000,000
Bills receivable	261,127.840	Sight deposits	855,579.421
Short Advances	1,728,093	Time deposits	146,876,916
Advances to Customers		Fixed deposits	
etd.	391,909.947	(Obligations)	136,653,838
Government and other securities	150,522,960	Acceptances	9,810,057
Syndicates	8,851,752	Profit	9,626,378
Bank Premises and other property	22,680,974		
	-----		-----
S. Fcs	1,350,564,620	S. Fcs	1,350,564,620
	-----		-----

(CONTINUED)

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DUN & BRADSTREET, INC. CONTINUOUS SERVICE

PROPERTY OF FEDERAL RESERVE BANK OF NEW YORK-BANK SUPERVISION 03/25/1997 14:44 BEX3085148

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Authority 5200.30 MAR 83
By IJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 5

Continuous Service

The following report is furnished, at your request, under your Subscription Contract, in STRICT CONFIDENCE, by DUN & BRADSTREET, Inc. as your agents and employees, for your exclusive use as an aid in determining the advisability of granting credit or insurance, and for no other purpose.

PLEASE NOTE WHETHER NAME, BUSINESS AND STREET ADDRESS CORRESPOND WITH YOUR INQUIRY

SWISS BANK CORPORATION, NEW YORK AGENCY

NEW YORK CITY, N.Y.
(Page #2)

OD 630 1 April 15, 1940

Those contacted in outside quarters refer to the management of this agency as experienced bankers and thoroughly familiar with banking procedure. This New York Agency is operated under the supervision of the State Banking Department.

Purchases are made in connection with office upkeep in a satisfactory and prompt manner.

The subject occupies spacious quarters on the ground floor of a forty-story office building in excellent repair and situated in the downtown financial district.

4-17-40 (40)

N.Y.

DUN & BRADSTREET, INC.

PROPERTY OF FEDERAL RESERVE BANK OF NEW YORK-BANK SUPERVISION 03/25/1997 14:44 BEX3085148

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D.O. PIR

Authority 5200.30 MAR 83

By JJ NARA Date 7/21/99FRB-NY
BOX 2 BINDER 5

To Mr. Rouse Date November 15, 1939
 From R. Tirana Subject The Swiss Bank Corporation.
 Copies to Messrs. Sproul, Knoke and Roelse (Sanford)

This second note written in compliance with your request for an extensive survey of Swiss banking will be concerned with a brief description of the Swiss banking system and a rough analysis of the Swiss Bank Corporation's assets. The statement of the position of the Corporation since the end of 1929 translated into English will be found in the annex. The latter also contains certain explanatory remarks concerning the meaning and content of the various items shown in the balance sheet. The remarks that follow are of a general character. They are based partly on my knowledge of Swiss banking conditions and partly on official sources. They do not necessarily reflect in each particular case the activities and position of the Swiss Bank Corporation itself. By inference they may serve to throw some light on the Corporation, the position of which cannot be appreciated in detail from its published reports.

The composition of the Swiss banking system and the relative importance of the Swiss Bank Corporation in the system may be judged by the following analytical table relating to the total deposits and the balance sheet total of all Swiss banking institutions at the end of 1938.

<u>Groups</u>	<u>Total Deposits</u>		<u>Balance-Sheet Total</u>	
	Francs (000,000's)	In per cent	Francs (000,000's)	In per cent
1. Cantonal Banks	7,182	45.68	8,146	44.52
2. Big Commercial Banks	3,591	22.84	4,487	24.52
Of which:				
<u>Swiss Bank Corporation</u>	<u>(1,187)</u>	<u>(7.55)</u>	<u>(1,451)</u>	<u>(7.93)</u>
3. Medium and Small Local Banks				
a. Mortgage banks	1,992	12.67	2,282	12.47
b. Other banks	1,108	7.05	1,381	7.55
4. Raiffeisen Savings Associations	404	2.57	428	2.34
5. Savings banks	<u>1,446</u>	<u>9.20</u>	<u>1,573</u>	<u>8.60</u>
Total	15,722	100.00	18,297	100.00

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It will be seen that the Swiss Bank Corporation accounts for roughly 8 per cent of the aggregate deposits and total assets of all banking institutions receiving funds from the public. The position of the Corporation in the group of big commercial banks is naturally more significant; it accounts for roughly one-third of the aggregate deposits and of the total assets of the seven big commercial banks.

The above division of the Swiss banking system into various groups should not be interpreted as indicating a great degree of specialization in banking transactions. In fact a characteristic of all credit institutions in Switzerland is the fact that they perform a ^{great} variety of banking transactions irrespective of their legal constitution and the relative specialization suggested by their names. One distinct feature of the system is the large role played by mortgage credit in the system as a whole, regardless of whether the banks belong to one or more of the five principal groups.

The big Swiss banks are mixed deposit and industrial banks. They finance industry by means of long-term credits on a large scale but generally without taking direct control of enterprises, though they often have representatives acting as financial advisors on the board of these undertakings. They also conduct investment banking and underwrite public issues.

If their direct relations with industry are less close than in certain other Central European countries they have, on the other hand, established many of the trust companies, which, as holding companies, provide a channel through which the banks can exercise and influence industrial concerns without becoming too closely identified with them.

For the purpose of floating large loans they have formed a special bank cartel which operates with the syndicate of the Cantonal banks in connection with all investment issues. During and since the War they have financed international business on a considerable scale and have established close connections with leading foreign banks; they have, however, only a few branches abroad.

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PROPERTY OF FEDERAL RESERVE BANK OF NEW YORK - BANK SUPERVISION 03/23/1997 14:42 DEAS000000

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 By T.J. NARA Date 7/21/99

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The big Swiss banks experienced a sensational expansion during the last war and early post-war period. Their ascendancy was uninterrupted until about the beginning of the financial crisis in Europe which started in May 1931; even in this subsequent period they enjoyed certain advantages due to the fact that they were repositories for capital flight from various countries.

With the onset of the European crisis and the imposition of foreign exchange control in most of the Central and Southeastern European countries, where the banks had been in the habit of placing important sums, the structure of the assets began to weaken considerably. This situation was aggravated by the gold bloc currency crisis which culminated in the devaluation of their currencies in September 1936. The effect of these crises was to deprive the banks of their foreign funds which, though borrowed on short-term, had often been invested on long term. Another effect of these same crises was the depression that the Swiss commercial and industrial structure experienced with the attendant result of further deterioration of the Swiss assets of the big banks.

The extent to which the big banks were involved abroad is illustrated by the following table which shows some of their foreign investments at the end of 1934.

	Foreign investments subject to transfer restrictions	Total Foreign investments	Balance-sheet total
	(Francs (000,000's))		
Banque Commerciale de Bale	153	224	416
Banque Federale	143	172	435
Credit Suisse	200	...	1,146
Leu & Co.	100	102	307
Swiss Bank Corporation	150	...	1,199
Union de Banques Suisses	108	190	558

The above statement is naturally incomplete except perhaps as regards investments in countries with exchange restrictions. The statement does not take into account various so-called short-term loans, which on account of restrictions, have had to be renewed every time they fell due. Of the six banks in question it will be seen that the Swiss Bank Corporation has fared relatively well. The same may

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be said with regard to this Corporation if account is taken of the fact that most of the other banks, in particular Banque Commerciale de Bale and Lau & Co., have had to apply for moratorium provisions embodied in article 25 of the Federal Banking Law of November 8, 1934. Under this article the banks obtain a moratorium regarding their liabilities incurred in the past, for a certain specified period during which it is hoped that they will be able to realize on their frozen assets. The same judgment, with respect to the Corporation as distinct from the other banks, may also be inferred from the fact that the Corporation was only a minor creditor of Mendelssohn & Co., which suspended payments early in August this year. The amounts lent to the Amsterdam banking firm, naturally against collateral, was stated in the press to have amounted to Sw. fr. 12.1 million and U.S. \$2 million. These amounts, though large in an absolute sense, are relatively insignificant when related to the bank's total disposable funds.

1936

It should be observed that since the position of the big banks has shown a slight amelioration, following the improvement in Swiss conditions consequent on the devaluation of the franc in 1936. This improvement appeared, even before the outbreak of the War, to be perhaps the utmost that the big banks were likely to achieve in the future because most of the expansion in deposits in Switzerland was being increasingly diverted to other credit institutions, in particular the Cantonal banks. These latter institutions are more or less public banks conducting all sorts of transactions and have an indisputable advantage over the commercial banks in that their deposit liabilities are guaranteed by the Cantonal authorities. The long-run deterioration in the relative position of Swiss commercial banks is strikingly brought out by the continual decline in their deposit liabilities represented by "Obligations de Caisse", which may be taken to stand for the purely Swiss end of the deposit transactions of the big banks. (These bank bonds are item 24 in the Swiss Bank Corporation's balance-sheet.)

Two considerations need to be borne in mind with respect to the effects of the outbreak of the War on the position of Swiss banks, in particular the Swiss

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PROPERTY OF FEDERAL RESERVE BANK OF NEW YORK-BANK SUPERVISION 03/25/1997 14:42 BEX3085095

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 By TJ NARA Date 7/21/99

FRB-NY
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-5-

Bank Corporation. The first relates to the investments of these institutions in the British and French empires. These investments are likely to suffer the same fate with respect to transfer restrictions as the Swiss banking investments in Central and Eastern Europe. In addition to this the paralyzing effects of the War on Swiss internal conditions are likely to aggravate the situation further.

As an illustration of the extent to which the Corporation is engaged in industrial and commercial financing, and also in foreign investments, I quote the following breakup of the security portfolio contained in the report of the Corporation for 1934; a similar breakup by groups of countries is not made available in subsequent reports. It should be noted however that the items listed below are only a small portion of the bank's activities in industrial and foreign fields. The major part of these transactions are represented by current account debtors, items 7 and 8 in the balance-sheet of the Corporation which is appended. The absence of a noteworthy decline in these ^{latter} items should not be taken to mean the maintenance of sound credit transactions. It can more correctly be taken as representing the inability of the institution to liquidate a number of undesirable assets. In this connection one should be warned also against taking the distribution of profits (item 32 of the balance-sheet) as a necessary indication of a corporation's soundness and earning capacity. From item 29 of the balance-sheet it will be gathered that the surplus has been nearly halved by comparison with the depression years. Further, in view of the Corporation being a conservative and long established institution, it is not excluded that the Corporation has followed the same practice as the big French deposit banks in accumulating large hidden reserves out of which it has been possible to meet certain losses and to continue paying fairly substantial dividends. The above remarks are not meant to cast any suspicion so much as to serve as a warning in interpreting the various items in the Corporation's statement.

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A. Shares
(000's)

Banks

Switzerland	Fr. 5,261)	
Great Britain	" -)	Fr. 8,749
Other countries	" 3,488)	

Transport concerns

Switzerland	Fr. 168)	
Great Britain	" 245)	Fr. 951
Other countries	" 540)	

Industrial firms

Switzerland	Fr. 7,950)	
Great Britain	" 2,454)	Fr. 15,875
Other countries	" 5,469)	

Various shares

Switzerland	Fr. 2,185)		
Great Britain	" 206)	Fr. 2,418	Fr. 27,991
Other countries	" 29)		

B. Bonds
(000's)

States and Cities

Switzerland	Fr. 4,986)	
Great Britain	" 458)	Fr. 7,765
Other countries	" 2,341)	

Transport concerns

Switzerland	Fr. 152)	
Great Britain	" -)	Fr. 248
Other countries	" 116)	

Banks

Switzerland	Fr. 286)	
Great Britain	" -)	Fr. 1,561
Other countries	" 1,075)	

Industrial firms

Switzerland	Fr. 212)	
Great Britain	" -)	Fr. 654
Other countries	" 422)	

Various bonds

Switzerland	Fr. 277)		
Great Britain	" -)	Fr. 522	Fr. 10,350
Other countries	" 45)		Fr. 38,321

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By TJ NARA Date 7/21/99

FRB-NY
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In conclusion, it should be remarked that the unsatisfactory situation of the big Swiss banks, resulting from past errors or unforeseeable events and from the outbreak of the War, need never come to a head. These institutions, and, in particular, the Swiss Bank Corporation, constitute too important an element in the country's banking and economic structure for the Confederation to allow any significant crisis to develop. In case of difficulties the Federal authorities would come to the assistance of distressed banks. Legal provisions and machinery for such assistance already exist. At least, the precedents of 1931 and 1935, when the Confederation offered ample assistance, would lead one to expect such action in the future.

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By TJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

MISC. 4A
Misc. 4A.8-100M-8-58

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE
FOREIGN DEPARTMENT

DATE August 7, 1959.

TO Mr. Roche

1859

SUBJECT: Prussian Mint Bars held under

FROM T. J. Fay

DIVISIONAL FILES

Remark

In accordance with your request, we have perused the vault sheets in our possession and have ascertained that the following accounts have Prussian Mint bars, as indicated, in their gold holdings with us:

<u>Country</u>	<u>No. of Bars</u>
Austria	150
Belgium	149
Belgian Congo	82
Iran	5
Netherlands	180
Sweden	30
B.I.S.	2
Tripartite Commission	7
	<u>603</u>

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 Authority 5200.30 MAR 83
 By TJ NARA Date 7/21/99

FRB-NY
 Box 2 BINDER 6

MISC. 9B
 (MISC. 9B. 2-24M-12-58)

FEDERAL RESERVE BANK
 OF NEW YORK

OFFICE CORRESPONDENCE FOREIGN DEPARTMENT

DEC 3 1957

DATE December 3, 1957

To Mr. N. P. Davis
 FROM W. S. Rushmore
 SUBJECT DIVISIONAL FILES

Recently I informed you we had completed segregating certain types of gold bars held for account of Banque Nationale Suisse, Ordinary Account, from fine gold bars which are good delivery in the London market. Figures for the gold we have segregated are, as follows:

Type	Bars	Gross Ounces	Fine Ounces	Dollar Value
<u>Prussian</u>	749	302,814.96	299,841.235	\$10,494,443.18
Russian	113	44,916.44	44,910.674	1,571,873.54
Coin	999	429,397.48	389,695.424	13,639,339.72
* Not good delivery in London market	556	209,525.49	205,197.809	7,181,923.18
	2,417	986,654.37	939,645.142	\$32,887,579.62

* Copied from original: " probably bars of less than 350 fine oz."

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Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
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MISC. 3B
FORM NO. 64-7011-2-50

FOREIGN DEPARTMENT

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE ~~CONFIDENTIAL~~

JUN 17 1957

DIVISIONAL FILES

DATE June 10, 1957

TO Files

SUBJECT Visit to Treasury Department

FROM Peter P. Lang

on May 14, 1957.

EXCERPT

Mr. Exter and I spent about a half hour with Dr. Burgess at the Treasury in the early afternoon. Our discussion centered on two main topics -- (1) purchase by the Treasury of gold bars bearing Soviet bloc markings and (2) taxation of foreign central banks on income derived from investment in U. S. Government securities.

5/10/57

On the first subject, Mr. Burgess mentioned he had signed a letter addressed to us indicating the Treasury's willingness to buy Prussian Mint bars held under earmark by us prior to January 1, 1956. He suggested that we try to ward off any offerings of Prussian Mint bars which our correspondents might be holding abroad. When we mentioned that Bank of Canada had some of these bars in its own vaults which it was anxious to dispose of, Mr. Burgess said he saw no reason why we could not tell Bank of Canada to melt them and have them converted into Canadian Mint bars. It was the Treasury's conclusion that it would be politically impossible to do anything regarding the Prussian bars we have under earmark.

* Complete memorandum on file: TAXATION, - Investment Accounts

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DECLASSIFIED
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Authority 5200.30 MAR 83
By ZI NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

CDP 105
FEDERAL RESERVE BANK
OF NEW YORK
CABLE DIVISION

FOREIGN INFORMATION COPY FOR

INCOMING CABLEGRAM SERIAL NO. 4031

DIVISIONAL FILES
RECEIVED ON MAY 16 1957 8:11AM

OTTAWA 5/15/57 405P

FEDERAL RESERVE BANK OF NEW YORK
NEW YORK
NO. 145

Copy and correspondence on file
Gold Accounts - Canada

- PARA 1 PLEASE RELEASE FROM OUR ACCOUNT NO. 2 AND DELIVER TO THE ASSAY OFFICE FOR CONVERSION INTO UNITED STATES ASSAY OFFICE BARS FOR OUR ACCOUNT 369 PRUSSIAN BARS WEIGHING 148,310.225 GROSS TROY OUNCES SAID TO CONTAIN 148,289.866 TROY OUNCES OF FINE GOLD
- PARA 2 PLEASE EARMARK THE RESULTING UNITED STATES ASSAY OFFICE BARS IN OUR ACCOUNT NO. 1
- PARA 3 PLEASE ARRANGE FOR INSURANCE AND DEBIT OUR ACCOUNT WITH ALL CHARGES INCURRED IN THIS TRANSACTION

BANK OF CANADA

WU 43
PVT CDE FH

Handwritten initials/signature

UNLESS OTHERWISE INDICATED ABOVE, TEST FOR THIS CABLE IS CORRECT

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D.O. PIR
Authority 5200.30 MAR 83
By <u>ZJ</u> NARA Date <u>7/21/99</u>

FRB-NY
Box 2 BINDER 6

cf. Domestic Issues - Spain - US Bank

MISC. 140 B
(MISC. 140 B.1-30M-7-55)

UNDER SECRETARY OF THE TREASURY

WASHINGTON

May 10, 1957

Dear Mr. Exter:

Mr. Sanford and Mr. Davis have recently called our attention to the question which you raised originally in your letter of August 6, 1956, concerning gold bars bearing the markings of the Prussian Mint.

After considering carefully the information which you supplied regarding this matter, we would not object to receiving such Prussian mint bars as have been in the custody of your bank since the beginning of 1956, as it appears unlikely that such bars have been in the hands of unfriendly nations. However, we do not believe that it would be appropriate for this Government to accept any Prussian mint bars which have been sent to you since that date.

We do not propose that any announcement be made on this matter, but to avoid misunderstanding, we believe that if Prussian mint bars are received hereunder from any foreign monetary authority, that authority should be advised of our position with regard to shipments of Prussian mint bars subsequent to January 1, 1956.

Sincerely yours,

/s/W. Randolph Burgess

W. Randolph Burgess
Under Secretary

Mr. John Exter
Vice President
Federal Reserve Bank
of New York
New York 45, New York

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DECLASSIFIED
D.O. BIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

MISC. 3B
(MISC. 3B.2-75M-9-50)

FOREIGN DEPARTMENT *Spain* FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

1957

DATE May 8, 1957.

DIVISIONAL FILES
SUBJECT

Files

FROM Norman P. Davis

Mr. Elting Arnold called to advise that Assistant Secretary of the Treasury Kendall had signed the license with respect to the \$30 million gold loan from the First National City Bank to the Instituto Espanol de Moneda Extranjera, but that he wanted to make it understood that in case the gold collateral is offered to the Treasury for purposes of satisfying the loan, the Russian and Prussian bars will not be offered unless the other gold collateral is not sufficient.

I told Mr. Arnold that I thought we would not object to such an understanding insofar as the Russian bars are concerned, and also that I did feel that this understanding would not be applicable to the Prussian bars in case the Treasury should lift the ban on receiving either on purchase or for conversion Prussian bars that have been in our vaults since prior to January 1, 1956.

NPD/abm

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DECLASSIFIED
D.O. BIR
Authority 5200.30 mar 83
By TJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

8C. 140A.1-36M-8-86

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, NEW YORK

100/

INITIAL FILES

May 8, 1957

MEMORANDUM FOR THE FILES

Mr. Kendall informed me that he was about to sign the proposed license covering a pledge of gold to secure a loan from the First National City Bank to the Spanish authorities, but he wished to be sure that the Federal Reserve Bank of New York understood that the Russian and Prussian bars involved would not be foreclosed on unless they were actually needed for payment of the debt.

Accordingly, I telephoned Mr. Norman Davis in the Federal Reserve Bank and advised him of this position. After some discussion, in which I repeated the position would not preclude the use of the bars if the unpaid debt, including interest, exceeded the amount of the other bars, Mr. Davis indicated that the Federal Reserve Bank would proceed as we proposed. I strongly advised Mr. Davis against taking this matter up with the First National City Bank on the grounds that it was unnecessary to do so since, first, the position in no way compromised the security of the Bank and, secondly, the withholding of the bars, if the security was otherwise adequate, could be accomplished by the Federal Reserve Bank as the physical custodian of the pledged gold.

I then reported the conversation to Mr. Kendall.

(Initialed) E.A.

Elting Arnold

cc: Messrs. Willis
Bittermann
Smith
Davis (FRB, NY)

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DECLASSIFIED
 D.O. BIR
 Authority 5200.30 MAR 83
 By ZJ NARA Date 7/21/99

FRB-NY
 Box 2 BINDER 6

MISC. 140A.1-32M-3-55

FOREIGN DEPARTMENT
 FEDERAL RESERVE BANK OF NEW YORK

Mr. Truett
 Miss Zeller

DIVISIONAL FILES

NEW YORK 45, NEW YORK

August 6, 1956.

Mr. Andrew N. Overby,
 Assistant Secretary of the Treasury,
 Washington 25, D. C.

Dear Andy:

On my recent trip to Europe, I received information which should interest you, because it strongly supports the conclusion that Prussian Mint bars should not be considered as having Soviet blue markings.

When I was in Frankfurt, Germany, I spoke with Dr. Othmar Banninger about the status of the Prussian Mint. At my request, he consulted gold and coinage experts in the Bank deutscher Laender, among whom was one whose hobby is numismatics and who was in touch with fellow numismatists in East Germany. The consensus of expert opinion was that since 1945 the Prussian Mint has only minted minor coins for circulation. There was complete agreement that there had been no evidence of the Mint either producing or issuing gold bars since 1945. Similar views were expressed to me by officials of other European central banks, including the Bank of England and the Bank for International Settlements.

You may recall from the discussions on this subject in the spring that there were 2,536 Prussian Mint bars then under earmark here. In March, 20 of these bars were sold to the Treasury by the Attorney General of the United States following his vesting of the assets in this Bank of the Banque Nationale de Roumanie. It seems particularly pertinent that of the remaining 2,516 Prussian Mint bars under earmark in our vaults, 1,544 have been there since 1944 or earlier. An additional 369 bars have been in our vaults only since December 1955, but we have been informed that they were purchased by the Bank of Canada from the Bank of England in March 1946, that such bars were previously held under earmark in the Bank of Canada's vaults for the Bank of England and continued to be held there until they were shipped to us. Of the remainder, 139 bars have been in our vaults since 1947 and a further 289, now held for the Bank of England, have been either in our vaults or the vaults of the Bank of Canada since at least 1947. Finally, 149 bars have been earmarked here for Belgian account since 1948; 3 bars, now held for Bank Melli Iran, were received by us in 1952 but had been previously held under earmark in the Bank of Canada's vaults for an undetermined period of time; and 23 bars have been held in Spain's account since 1950.

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DECLASSIFIED
D.O. DIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

8/6/56.

MISC. 140 B
(MISC. 140 B.1-30M-2-54)

Mr. Andrew N. Overby

We have carefully examined 777 bars held for the Bank of Canada and the International Monetary Fund and found that all of these bars bore markings indicating years of production by the Prussian Mint in the early 1930's. Also, many of the bars so examined bore stamps and numbers of the Bank of England and assay stamps of official French assayers which, in our opinion, clearly indicate that such bars had been in the possession of central banks of friendly countries many years prior to 1945 and could not have been produced or issued by the Prussian Mint since 1945.

This summary, covering the Prussian Mint bars under earmark with us, shows clearly that by far the greater part of these bars could not possibly have been of Soviet bloc origin and that the possibility of such origin for the remainder is exceedingly remote.

C
O
P
Y

Prussian Mint bars have, of course, been acceptable to the Treasury in recent years. Between 1950 and 1955, for example, 103 such bars were included in the gold purchased by the Treasury and 250 additional bars were accepted at the Assay Office either in exchange for, or conversion into, Assay Office bars. The last purchase of Prussian Mint bars by the Treasury involved, of course, the previously noted 20 bars that were sold by the Attorney General. Prior to that transaction, the last purchase was of 10 bars included in the April 1955 sale of 178 bars by Amministrazione Speciale, Vatican City, while the last conversion involved 5 Prussian Mint bars in a total of 1,082 bars that were converted last December for the account of the Bank for International Settlements.

Thus available evidence indicates that the Prussian Mint has not produced or issued gold bars since 1945. We believe there is adequate information to conclude that bars bearing the stamp of the Prussian Mint should not be considered to have Soviet bloc markings and to support the return to the Treasury's previous practice of accepting such bars for purchase or conversion. I hope you will find this new evidence persuasive. *Treasury's decision to accept these bars*

I am sure you are as aware as we are of the unfortunate doubts and misgivings that are sometimes raised in the minds of foreign monetary authorities about the United States attitude toward gold, and indeed about the future of the sort of gold exchange standard that has grown up since the war, whenever the impediments that we put in the way of converting gold into dollars do not seem to them to be clearly justified. Such doubts and misgivings are disturbing to the confidence reposed in us as an international financial center, and, if allowed to grow, could have serious repercussions.

Sincerely yours,

John Exter,
Vice President.

MET:JE:NPD:PPL:rs

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DECLASSIFIED
D.O. BIR
Authority 5200.30 MAR 83
By <u>TJ</u> NARA Date <u>7/21/99</u>

FRB-NY
BOX 2 BINDER 6

MISC 140A.1-36M-10-55

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, NEW YORK

January 12, 1956.

MEMORANDUM

To: Mr. Elting Arnold,
Assistant General Counsel,
Treasury Department,
Room 2310, Main Treasury Bldg.,
Washington 25, D. C.

From: Norman P. Davis

Subject: The Prussian Mint Gold Bars

This memorandum, which is in response to your request to Mr. Exter, sets forth certain basic information regarding the Prussian Mint gold bars. It is based partly on our internal data, partly on our knowledge of gold practices abroad, and partly on my recollection of certain arrangements regarding German gold and its restitution by the Tripartite Commission. Unfortunately, most of our information regarding the postwar negotiations between the United States, the United Kingdom, and France, on the one hand, and the neutral countries, on the other, regarding the restitution of gold looted by Germany was contained in our Foreign Funds Control files which, as you know, were later destroyed by us at the direction of the Treasury Department.

Almost all bars that we have seen with German markings bear the stamp of the "Preussische Munze, Berlin". Up to 1945, the Prussian Mint functioned like our United States Assay Office, i.e., it weighed, assayed, and reissued with its own stamp gold bars that the Reichsbank received from abroad or from domestic mines; gold output was, however, very small, as will be noted below.

We do not know whether the Prussian Mint exists today. The reply by the Bank deutscher Laender to the gold questionnaire submitted

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D.B. PIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
BOX 2 BINDER 6

MISC. 140 B
(SEC. 140 B.1-30M-7-55)

#2 Mr. Etling Arnold 1/12/56

the Bank for International Settlements in 1950 did not mention the existence of a mint in West Germany. The Prussian Mint was, I am told, located in what became in 1945 the Russian zone of Berlin. It is therefore quite possible that it still exists in the Russian zone of Berlin or somewhere else in East Germany; this information can presumably be obtained from United States authorities in Berlin.

I do not see, however, what purpose would be served by its continued existence. Gold output in East Germany is negligible. Before the war Germany's gold output amounted to 8,680 fine ounces; and even assuming that most of this gold was mined in what is now East Germany, the size of the output would hardly justify the continued operation of a mint

Nor would there seem to be any reason why the Russians would wish to conceal their own gold bars by a Prussian Mint stamp. Russian bars are, as you know, considered "good delivery" in the London gold market and presumably also in those of Paris and other European centers.

The 368 Prussian Mint bars received by us last month from the Bank of Canada all bear the stamp of the Bank of England. The Bank of Canada informed me that it purchased these bars from the Bank of England in 1951 and that previously they had been kept in the vaults of the Bank of Canada under earmark for account of the Bank of England.

Except for the above shipment from Canada, the last previous receipt by us from abroad of Prussian Mint bars were included in a series of shipments from Spain between April 1950 and September 1951, containing

1/ According to the United Nations Statistical year book for 1954, West Germany's gold output in 1949 amounted to 1,445 fine ounces; presumably, therefore, the bulk of German gold before the war came from East Germany.

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Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
BOX 2 BINDER 6

MISC. 140 B
MISC. 140 B.1-30M-7-55)

#3

Mr. Elting Arnold 1/12/56

.284 Prussian Mint bars, valued at almost 18 million dollars; these were converted into United States Assay Office bars prior to being transferred to the account of the National City Bank of New York to be held as collateral for a loan to the Spanish Institute of Foreign Exchange.

At present we are holding, under earmark for account of certain foreign central banks, over 2,500 bars bearing the stamp of the Prussian Mint. All Prussian Mint bars now in our vaults have, we believe, been minted prior to 1945 and have since been outside the Soviet orbit. A list showing the names of the central banks for whose account these bars are held, along with the information regarding from whom and when they were received is appended.

Prussian Mint bars are presumably also held by foreign central banks, either in their own vaults or under earmark in London and possibly also elsewhere. As you will remember, most of the German gold turned over to the Tripartite Commission and later distributed by it was in the form of Prussian Mint bars. The list of such bars is, I understand, in your possession.

You will also remember that during the war the Swiss National Bank received Prussian bars from the Reichsbank and that Switzerland, under the so-called Understanding reached in May 1946 between the governments of the United States, the United Kingdom, and France, on the one hand, and of the Swiss Confederation, on the other, placed:

at the disposal of the three Allied Governments the amount of 250,000,000 Swiss francs payable on demand in gold in New York. The Allied Governments declare on their part that, in accepting this amount, they waive in their name and in the name of their banks of issue all claims against the Government of Switzerland and the Swiss National Bank in connection with gold acquired during the war from Germany by Switzerland. All questions relative to such gold will thus be regulated.^{1/}

^{1/} Article II, Paragraph 2 of the Understanding. See Department of State Bulletin, June 20, 1946, p. 1122

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DECLASSIFIED
 D.O. PIR
 Authority 5200.30 MAR 83
 By ZJ NARA Date 7/21/99

FRB-NY
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MISC. 140 B
 MISC. 140 B.1-30M-7-55)

#4

Mr. Elting Arnold 1/12/56

The sum referred to above, equivalent to 58.1 million dollars, was released from the Swiss National Bank's account with us in June 1947 and earmarked for account of the Tripartite Commission. This gold consisted of United States Assay Office bars; the Swiss National Bank presumably retained the Prussian Mint bars received from Germany.

Accordingly, the Prussian Mint bars distributed by the Tripartite Commission have been given a "clean bill of health"; and similarly such Prussian Mint bars that were held by Switzerland at the time of the 1946 Understanding have likewise received such a "clean bill of health".

In conclusion, therefore, we have no information regarding the location and the status of the Prussian Mint; nor do we have any evidence that would indicate that, if the mint still exists, it has produced a single gold bar since World War II. The Prussian Mint bars now held in our vaults were, we believe, issued before 1945 and have since been held outside the Russian orbit; and other Prussian bars of whose existence we are aware have been given a "clean bill of health" under international arrangements to which the United States Government has been a party.

In answer to your question regarding the various types of gold bars held in our vaults which might be considered as having Soviet bloc markings, we have very little information to supply. A number of years ago we held some gold for account of the Bank of Poland which bore the stamp of the Polish Mint. All of these bars were shipped by us to Poland some years ago. Except for the State Refinery, Moscow bars about which you already know, our records do not disclose at the present time any gold bars which might be said to bear Soviet bloc markings.

Except
 gold A/U
 - USSR
 Poland

Attachments.
 NPD/abm

000002259

205121

DECLASSIFIED
 D.O. PIR
 Authority 5200.30 MAR 83
 By ZJ NARA Date 7/21/99

FRB-NY
 Box 2 BINDER 6

COPY

copy given Mr. Smith (Jens)

1/6/56

January 5, 1956.

PPL

PRUSSIAN MINT BARS

<u>COUNTRY</u>	<u>NO. OF BARS</u>	<u>FROM</u>	<u>REMARKS</u>
Austria	150 ✓	Poland 4/4/44	Earmarked for Poland 4/4/44; transferred to B.I.S. No. 2 a/c 4/8/49 and to Austria 4/29/49.
Canada	325	Canada 12/13/55	Earmarked for Canada 12/13/55.
	43	" 12/20/55	Earmarked for Canada 12/20/55.
Congo-Belge	82 ✓	Belgium 6/12/39	Earmarked for Belgium a/c A 6/12/39. Transferred to Belgium a/c No. 3 on 3/28/47. Transferred to Banque du Congo Belge on 3/17/48 and to Banque Centrale du Congo Belge et du Ruanda-Urundi on 7/1/52.
England	289	Canada 9/19/52 10/7/52	Received from Canada and earmarked for England in September and October 1952. Originally Bank of England instructed Canada to ship the bars to F.R.B. and on 10/16/47 we received them from Canada and earmarked them for England. They were then exported to Canada in November and December 1950 and returned to us again in September and October 1952 for England's account.
Netherlands	180 ✓	176-Netherlands 10/7/38 12/6/38 6/19/39 2/5/40	Earmarked for Netherlands.
		4-Italy 1/24/40	Earmarked 1/24/40 for B.I.S. and transferred 2/3/40 to Netherlands.
Spain	23	Spain 5/8/50 5/18/50	Earmarked 5/8/50, 5/18/50. The bars also bear Bank of England stamp.

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 By ZJ NARA Date 7/21/99

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<u>COUNTRY</u>	<u>NO. OF BARS</u>	<u>FROM</u>	<u>REMARKS</u>
Norway	10 (Norddeutsche)	England 7/12/40	Earmarked for Norway.
B. N. S.	42 (Norddeutsche)	Switzerland 4/28/39	Earmarked for Banque Nationale Suisse.
<u>349</u> Total bars			

PRUSSIAN BARS

LAST SALE TO SECRETARY

<u>DATE</u>	<u>FROM</u>	<u>BARS</u>	<u>GROSS</u>	<u>FINE</u>	<u>DOLLARS</u>
4-20-55	Vatican (Admin)	10	4,048.28	4,047.874	\$141,675.58

These bars were included in:

178 bars	71,850.69	71,629.059	\$2,507,017.06
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LAST CONVERSION INTO ASSAY BARS

12-12-55	B. I. S.	5	2,021.63	2,021.386	\$ 70,748.50
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These bars were included in:

1082	432,918.870	431,269.084	\$15,094,417.98
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NOTE: The 20 Prussian Mint bars shown on the attached schedule as earmarked for Rumania were, together with all other bars held for Rumania, vested by the Attorney General on March 13 and sold to the Stabilization Fund on March 14, 1956.

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D.O.D. PIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

MISC. 3B 2-120M-10-51

OFFICE CORRESPONDENCE FOREIGN DEPARTMENT

Mrs. Beatty
FEDERAL RESERVE BANK
OF NEW YORK

DEC 24 1953

DATE June 27, 1952

TO Mr. N. P. Davis

DIVISIONAL FILES

FROM E. S. Rothman

Letter m. 7/3/52

A short while ago I spoke to you regarding a letter dated June 13, 1952 received by us from Albert Otten in connection with a claim against the German Reichsbank for gold bars "confiscated" in 1933. Since it appeared from Mr. Otten's letter that the Chase National Bank, New York, who was involved in this transaction, mentioned that its records were destroyed and therefore would be unable to aid Mr. Otten, I did not think that we would have any information to help in the matter.

However, after reviewing some of our old records of 1933 covering applications and licenses on gold exported, I found some information regarding the 9 gold bars which I believe to be the basis of Mr. Otten's claim. From our records, the history of the 9 gold bars is as follows:

1. Prior to the Executive Order of April 20, 1933, the Chase National Bank held the aforementioned 9 gold bars for account of N.V. Amsterdamsche Groothandel, Amsterdam.
2. On June 27, 1933, the Chase National Bank presented an application under the aforementioned Executive Order requesting permission to "retain" the aforementioned gold. The license for such application was denied.
3. On July 17, 1933, Chase presented a new Application (NY 167) requesting a license to deliver the gold to the Federal Reserve Bank of New York for export to the Reichsbank, Germany.
4. On August 8, 1934, License NY 116 was issued.
5. On August 22, 1934, the Chase National Bank delivered the 9 gold bars to the Federal for account of Reichsbank, Berlin.
6. On August 25, 1934 the 9 bars were exported to the Reichsbank, Berlin, in accordance with instructions received from that bank.

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DECLASSIFIED
D.O. DIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
BOX 2 BINDER 6

C. 48.2-120M-10-51

FEDERAL RESERVE BANK
OF NEW YORK

IN RE CORRESPONDENCE

DATE June 27, 1952

Mr. N. P. Davis

SUBJECT _____

FROM E. S. Rothman

-2-

Since we have no knowledge of what happened since August 1934, except as indicated in Mr. Otten's letter to us, I don't know exactly how far we should go with respect to furnishing Mr. Otten with the above information in our files. Your comments would be appreciated.

ESR:mal

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DECLASSIFIED
 D.O. PIR
 Authority 5200.30 MAR 83
 By TJ NARA Date 7/21/99

FRB-NY
 Box 2 BINDER 6

MISC. 38.2-1204-10-21

Reichsbk. Attachments
 FEDERAL RESERVE BANK
 OF NEW YORK

OFFICE CORRESPONDENCE FOREIGN DEPARTMENT

DEC 24 1953

DATE July 3, 1952.

TO Mr. N. P. Davis

DIVISIONAL FILES

SUBJECT Request by Albert Otten for information regarding gold bars confiscated by German Reichsbank

FROM E. S. Rothman

With reference to our conversation of this morning, we have in our files a copy of a letter which we sent to the Reichsbank, Berlin, on August 25, 1934, wherein the nine bars shipped to that bank on behalf of Amsterdamsche Groothandel are described as follows:

No. of Bars	9
Melt Number	12647
Bar Numbers	09988-96
Gross Ounces	3,622.98
Fineness	996.1
Fine Ounces	3,608.850

* Correspondence Files - Licenses/Applications per E S Rothman

ESR:as



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DECLASSIFIED
 D.O. PIR
 Authority 5200.30 MAR 83
 By ZJ NARA Date 7/21/99

FRB-NY
 BOX 2 BINDER 6

ALBERT OTTEN

FOREIGN DEPARTMENT

547 NORTH UMBERLAND ROAD

DEC 24 1953

WEST ENGLEWOOD, N.J.

DIVISIONAL FILES

June 13, 1952.

Federal Reserve Bank of New York
 United States Treasury
 New York, N.Y.

Re: Restitution Claims

Rothman m.
 6/27/52

Gentlemen:

I have a claim against the former German Reichsbank as to Gold Bars which were sold under duress in 1933 by a foreign subsidiary of my own company after Hitler came into power. I was at that time residing in Cologne, Germany.

That foreign subsidiary maintained Fine Gold in England, Luxembourg, Switzerland, and with the Chase National Bank in New York.

I have asked the latter to let me have a statement as to the quantity held at that time for the subsidiary in question - N. V. Amsterdamsche Groothandel in Amsterdam and to whom it was sold.

I refer to the enclosed letter from the Chase Bank, according to which their own records have been destroyed, but the Chase Bank suggests that you are in a position to let me have the information in question. I would be ready to submit evidence to you that I was the only owner of the N. V. Amsterdamsche Groothandel, which company was dissolved in 1938. I am a citizen since 1945.

No need to mention that the Fine Gold was legally held by the N. V. Amsterdamsche Groothandel. The Reichsbank in Cologne, Germany, appreciated during several years the holdings in question, considering the indebtedness of subsidiaries of N. V. Amsterdamsche Groothandel in foreign currency. However, when Hitler came to power my office was raided and I was threatened to be put in jail if I would not cause the other officers and members of the board, who all were living in the Netherlands and in France, to sell the Gold to the Reichsbank.

Kindly let me know whether you are in a position to be of help as indicated above. I am the owner of the Albot Steel Co., Inc., Lyndhurst, N. J. You can reach me by telephone at Rutherford 2-10400.

Yours very truly,

(Signed)
 Albert Otten

Copied from original Letter:
 "Advised Mr. Otten by phone that

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DECLASSIFIED
D.O.B. PIR
Authority 5200.30 MAR 83
By ZJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

FOREIGN DEPARTMENT

MAY 24 1952

~~DIVISIONAL FILES~~
THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
CABLE ADDRESS—CHASEBANK
NEW YORK

May 21, 1952 ENCLOSURE

2-45-FME

Mr. Albert Otten
547 North Umberland Road
West Englewood, New Jersey.

Dear Mr. Otten:

Reverting to your letter of April 22 addressed to Mr. Fitzgerald of our 42nd Street Branch, and your subsequent telephone conversation with the undersigned, we regret very much that we are unable to furnish you with the desired information as our records of the period mentioned in your letter have already been destroyed.

It occurs to us that you might be able to obtain some information from the United States Treasury through the intermediary of the Federal Reserve Bank of New York if you can produce satisfactory evidence to them that you are entitled to such information on behalf of the N. V. Amsterdamsche Groothandel in Amsterdam.

We again regret our inability to comply with your request and trust that you will appreciate our situation.

Yours very truly,

(Signed)
Frank M. Edelman
Assistant Manager

205129

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 D.O. PIR
 Authority 5200.30 MAR 83
 By TJ NARA Date 7/21/99

FRB-NY
 Box 2 BINDER 6

MISC. 50.2-100M-2-51

OFFICE CORRESPONDENCE

FOREIGN DEPARTMENT

APR 10 1952

FEDERAL RESERVE BANK

OF NEW YORK
 X Gold - Feb 7 - 1949 - 1952 - 1953 - 1954 - 1955 - 1956 - 1957 - 1958 - 1959 - 1960 - 1961 - 1962 - 1963 - 1964 - 1965 - 1966 - 1967 - 1968 - 1969 - 1970 - 1971 - 1972 - 1973 - 1974 - 1975 - 1976 - 1977 - 1978 - 1979 - 1980 - 1981 - 1982 - 1983 - 1984 - 1985 - 1986 - 1987 - 1988 - 1989 - 1990 - 1991 - 1992 - 1993 - 1994 - 1995 - 1996 - 1997 - 1998 - 1999 - 2000 - 2001 - 2002 - 2003 - 2004 - 2005 - 2006 - 2007 - 2008 - 2009 - 2010 - 2011 - 2012 - 2013 - 2014 - 2015 - 2016 - 2017 - 2018 - 2019 - 2020 - 2021 - 2022 - 2023 - 2024 - 2025

DIVISIONAL FILES

DATE April 8, 1952

TO Mr. E. S. Rothman

SUBJECT Gold bars imported from Poland and
11 gold bars imported from Portugal and
earmarked for B.I.S. a/c

FROM E. B. Keyes

Further to my memorandum of March 18 to you re the subject bars, I again spoke to Mr. Fred Smith of the Treasury's Legal Staff pointing out to him that according to our records the 20 mutilated U. S. Assay Office bars and the 5 Prussian Mint bars were imported into the U. S. from Poland on April 4, 1944 aboard a U. S. destroyer and the 11 mutilated U. S. Assay Office bars were imported from Portugal on Feb. 7, 1949 and immediately earmarked for B.I.S..

Mr. Smith remarked that on the basis of the above it appears as though the 25 bars which arrived aboard a U. S. destroyer are clean and would not present any problem in event of a sale by B.I.S. On the other hand, he felt that the 11 bars from Portugal are subject to the Declaration of February 22, 1944. - (re looked up, see file: Gold Regulations, Bureau)

E. B. Keyes

000002268

205130

SPAIN - NATIONAL CITY LOANS OF 1950 - 1951

1st an \$10,000,000 (June 16, 1950 - License NY 18-18 4/28/50)

	<u>Bars</u>	<u>Gross Oz.</u>	<u>Fine Oz.</u>	<u>Dollars</u>	<u>%</u>	<u>Less 1/2% and Est. Melting Chgs.</u>	<u>Net \$</u>	<u>Net \$</u>
U.S.	795	285,724.50	266,570.382	\$ 9,329,963.38				
Var.	<u>86</u>	<u>34,579.76</u>	<u>34,575.758</u>	<u>1,210,151.53</u>				
	881	320,304.26	301,146.140	\$10,540,114.91	105.40	\$26,436.79	\$10,513,678.12	105.13

2nd Loan \$10,000,000 (July 3, 1950 - License NY 18-18 4/28/50)

U.S.	240	94,282.38	93,328.535	\$ 3,266,498.74				
Var.	<u>522</u>	<u>209,141.73</u>	<u>206,733.283</u>	<u>7,235,664.89</u>				
	762	303,424.11	300,061.818	\$10,502,163.63	105.02	\$26,778.41	\$10,475,385.22	104.75

3rd Loan \$10,000,000 (Oct. 31, 1951 - License NY 18-22 3/10/51 supplementing NY 18-18 4/28/50)

U.S.	514	187,691.08	175,343.840	6,137,034.39				
Var.	<u>310</u>	<u>130,081.15</u>	<u>124,517.339</u>	<u>4,358,106.86</u>				
	824	317,772.23	299,861.179	\$10,495,141.25	104.95	\$26,563.10	\$10,468,578.15	104.68

RECAPITULATION

	2,467	941,500.60	901,069.137	\$31,537,419.79	105.12	\$79,778.30(a)	\$31,457,641.49	104.85
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* Includes 23 Prussian bars and 5 Russian bars received by us on May 8 and 18, 1950 and held in our vaults since those dates.

FOREIGN DEPARTMENT

(a) 1/2% Handling Charge on \$31,537,419.79 = \$78,843.55
 Melting Chg. of 25 cents per 100 gross ounces
 or fraction thereof on 373,900 gross ounces
 gold bars of various refiners 934.75
\$79,778.30

Revised 4/17/57
 per SA

000002269

205131

FRB-NY
 Box 2 BINDER

DECLASSIFIED
 S.O. BIK
 Authority 5200.30 MAR 83
 By JJ NARA Date 7/21/99

REPRODUCED FROM THE NATIONAL ARCHIVES

DECLASSIFIED
 D.O. PIR
 Authority 5200.30 MAR 83
 By TJ NARA Date 7/21/99

FRB-NY
 Box 2 BINDER 6

MISC. 3B
 (MISC. 3B.2-94M-12-53)

FEDERAL RESERVE BANK
 OF NEW YORK

FICE CORRESPONDENCE

DATE May 28, 1948.

TO Messrs. Knoke, Sanford and Rozell
 FROM Peter Lane

SUBJECT Prussian Mint Bars

With reference to the first shipment of Prussian Mint bars received by us on April 28 from De Nederlandsche Bank, it is interesting to note that, on the basis of the fine gold content determined by the Assay Office, there was a gain of .0127%. This is certainly a surprising development in view of the fears everyone seemed to have as to the genuineness of the bars. Our usual experience on melting and assaying of foreign bars .995 fine or better is that a slight loss occurs. The figures on the present shipment of 438 bars may be summarized as follows:

	<u>Gross</u>	<u>Fine</u>	<u>Value</u>
U. S. Assay Office Outturn	175,412.62	175,224.320	\$6,132,851.20
De Nederlandsche Bank Figures	<u>175,411.06</u>	<u>175,202.009</u>	<u>6,132,070.32</u>
Gain	1.56	22.311	\$ 780.88

We have another shipment of Prussian bars in process at the Assay Office and, after having received the Assay Office report, we may wish to let Mr. Fisher of the Bank of England know what our current experience with Prussian Mint bars has been. This may be of interest to the Bank of England in the light of its removal of German bars from its good delivery list. ||

PPL:MMV

000002270

205132

DECLASSIFIED
D.O. PIR
Authority 5200.30 MAR 83
By ZI NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

*Return to
Martenson*

DATE April 27, 1941

T Mr. Liddy
FROM G. C. Martenson

SUBJECT: Attachments

According to the information available the following is the present status of all the accounts on our books that have been attached:

Reichsbank There are at present two attachments against the Reichsbank. One was served on us on December 11, 1941, wherein Leo Zittman is the plaintiff in action for sum of \$88,940 with accrued interest and costs and expenses to recover damages for unjust enrichment. The attorneys for the plaintiff are Katz & Sommerich, 180 Broadway.

see APO letter 8/3/54
The other one was served on us on January 21, 1942, wherein John F. McCarthy is plaintiff in action to recover \$24,610 with interest from ~~May 29, 1939~~ and costs and expenses.

In both cases we certified to the Sheriff that the credit balance in the Reichsbank account was in excess of twice the amounts of the claims (\$137,880 and \$49,620, respectively).

Pending further instructions as to the amount which should be held to cover such attachments we have been holding the entire account blocked which consists of only the following dollar balances:

Reichsbank (Account without Designation)	\$218,224.80
Reichsbank Special Account	667,904.15
Reichsbank-Direktorium, Standstill Account 1938 No. 2	672.55
Reichsbank-Direktorium, Standstill Account 1938 No. 3	<u>4.84</u>
	\$886,906.16

Banque de France There are at present four attachments against the Banque de France. The first one was served on us on April 24, 1941 in suit by Daniel De Corter and Henri Wild, assignees of Banque Nationale de Belgique, plaintiffs, requiring us to withhold \$228,294,283.54 with interest from June 17, 1940 @ 6%, plus costs and expenses. Coudert Brothers are attorneys for the Banque de France. On May 29, 1941 we were directed by the Sheriff to release all monies from Account 1 in excess of \$200,000,000.

The second one was served on us on September 3, 1941 wherein Sigismund J. Stojowski and Roman Jozef Majewski, assignees of Bank Polski, are plaintiffs in action for \$64,050,641.30 with interest from June 1, 1940, and costs and expenses. Coudert Bros. are also attorneys for the Banque de France in this action. Mr. Martial is authorized to represent the Banque de France in both this and the Belgian action as per Banque de France cable No. 171 dated September 12, 1941.

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DECLASSIFIED
D.O. PIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

Misc. 2. 100-10-1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

April 27, 1942

DATE

TO Mr. Liddy

SUBJECT: Attachments

FROM G. C. Martenson

-2-

In a letter dated October 1, 1941, we received an order from the Sheriff to release all amounts from Account T in excess of \$180,000,000 which were attached on April 24 and September 5, 1941.

On December 11, 1941 we were served with the third attachment wherein Sigismund J. Stojowski and Roman Josef Majewski, assignees of the Bank Polski, are plaintiffs in action for the identical sum as in the second attachment - namely \$84,050,641.20 with interest from June 1, 1940 and costs and expenses.

The fourth attachment was served on December 12, 1941 and was identically the same as the third.

In connection with the last two attachments, we cabled the Banque de France as follows:

"Refer our No. 624. For technical procedural reasons plaintiffs caused new levy of attachment to be made on December 11, against property held by us for your account in suit then pending and commenced new identical suit on December 12, in which we were served on that day with further warrant of attachment. Martial and Coudert Brothers have been informed. Effect is to block your accounts as of those dates. Understand Coudert will undertake to arrange for release of working dollar balance."

On December 26, 1941, we received two releases from the Sheriff directing us to release all monies from Account T in excess of \$180,000,000, which were attached on December 11 and 12, 1941. In our cable No. 632 of December 29, 1941, we thus informed Banque de France.

We are accordingly withholding all accounts (dollars and gold) blocked excepting so much of the balance in Account T as is in excess of \$180,000,000. Balances in these accounts close of April 25, 1942 are as follows:

Dollars

Account Without Designation	\$ 3,164,901.78
Account M	9,075.90
Account S	5,261.83
Account T	194,561,529.55
Special Account	<u>14,243,057.07</u>
	\$211,988,846.11

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DECLASSIFIED
D.B. PIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

MISC. 93-100K-10-1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 27, 1948

T Mr. Liddy

SUBJECT: Attachments

FROM G. C. Martenson

-3-

<u>Gold</u>	
Ordinary Account	\$484,594,610.81
Account Z	<u>17,178,635.18</u>
	\$501,773,245.99

The only unblocked funds are \$14,561,589.53 of the balance in Account T.

Banque Nationale de Roumanie There is only one attachment on Rumania. This was served on us on November 19, 1941 in action wherein Erag Eisenbahnwerte Holding Aktiengesellschaft is plaintiff in action for \$4,264,089.34 with interest, costs and expenses. By letter dated December 18, 1941 we certified to the Sheriff that we were holding for the defendant, \$250,631.24 in dollar account and gold bars in excess of 248,000 fine ounces and in excess of \$8,505,000. On April 9, 1942 we debited the defendants account \$19.80 representing cable expenses. These, I understand, were properly charged since they were expenses due

Pending further instructions as to the amount which should be withheld from such account in connection with this attachment, we are holding all funds blocked in the defendants accounts which consist of the following dollars and gold:

<u>Dollars</u>	
Account S	\$ 250,611.44
<u>Gold</u>	
Account Without Designation	\$18,121,126.90

You may wish to have this information checked by the Legal Department.

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DECLASSIFIED
D.B. PIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 21, 1942

TO Mr. B. H. Webber
FROM A. L. Swanson

SUBJECT: _____

The following is a statement of the assets of the Reichsbank, Berlin, on our books as of 2:25 p.m. today:

Dollar Accounts

Reichsbank (Account without designation)	\$218,324.60
Reichsbank Special Account	667,898.69
Reichsbank-Direkterium Standstill Account 1938 No. 2	672.55
do No. 3	<u>4.86</u>
	\$886,900.70
Check in process of collection	45.00
	(7 406.47)
Checks in holdever pending disposition	<u>67,414.08</u>
	954,357.12
	\$954,359.73

Our records show no deferred credits, securities or gold held for Reichsbank at this time.

The following amounts are claims against such account:

Cost of cables sent by us in behalf of the Reichsbank during the month of December 1941	\$ 27.62
	+ 4.62
	<u>32.24</u>
As a result of a warrant of attachment served on us on December 11, 1941, wherein Leo Zittman is plaintiff and the Reichsbank and the Deutsche Gold-diskontbank are defendants for the sums of \$68,940 and \$40,230, respectively, we are holding this amount of the balance to the credit of the Reichsbank.	<u>137,880.00</u>
	\$137,907.62
	4.62
	<u>137,912.24</u>

Handwritten signature

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DECLASSIFIED
D.O. PIR
Authority 5200.30 mar 83
By <u>TJ</u> NARA Date <u>7/21/99</u>

FRB-NY
Box 2 BINDER 6

MISC. 140 A.1-50M-1-51

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK 45, NEW YORK

March 5, 1952.

Mr. F. O. Conolly, Manager,
Bank for International Settlements,
Basle, Switzerland.

ackn + reply 3/25/52

Dear Mr. Conolly;

I understand that at a recent meeting of the Managing Board of E.P.U., there was some discussion of two special features of handling bar gold in New York as compared to London:

- (a) a service charge made by the Federal Reserve Bank of New York for transfers of gold between accounts on its books; and
- (b) special assay charge in case a full melt is broken up to effect a transfer.

We assume that (a) refers to the charge of 15.24 cents per bar which we customarily make for labor costs incident to transfers of gold between accounts on our books.

As regards item (b), it is the practice of the United States Assay Office to melt and assay, and to make a charge therefor, all gold which it purchases other than unutilized U. S. Assay Office bars. A complete melt of U. S. Assay Office bars is considered mutilated if the melt is broken up after issuance. We should like to inform you, however, that the U. S. Assay Office occasionally issues gold bars as individual bars stamped not only with a melt number but also with a bar number. In such cases, the U. S. Assay Office regards the individual bar as a complete unit which, upon repurchase by the U. S. Treasury, will not be regarded as mutilated if re-deposited in the form in which it was issued. [It occurs to us, therefore, that you may wish to instruct us to deliver one or two complete melts to the United States Assay Office with a request that the bars in such complete melts be reissued as individual bars which might thereafter be used, together with complete melts, to enable you to make payments in gold to the nearest bar. It has not been the practice of the U. S. Assay Office, on the few occasions when it has reissued complete melts as individual bars, to make a charge for this service.

with reissue instructions 7

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D.O. PIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
BOX 2 BINDER 6

MISC. 140B-3EM-1-84

2.

March 5, 1952.

Hence, the cost of effecting the suggested operation would involve only insurance at 1/2 cent per thousand dollars valuation, plus a small trucking charge.

Yours faithfully,

Norman P. Davis,
Assistant Vice President

NPD:EC

Handwritten signature consisting of a large circle, a smaller circle, a rounded rectangle, and a stylized 'Y' shape.

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DECLASSIFIED
D.O.D. PIR
Authority 5200.30 MAR 83
By <u>TJ</u> NARA Date <u>7/21/99</u>

FRB-NY
Box 2 BINDER 6

MISC. 20.5-100M-2-01

FOREIGN DEPARTMENT

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE OCT 25 1951

DIVISIONAL FILES

DATE October 22, 1951.TO FilesSUBJECT Bank of Estonia gold earmarkedFROM W. S. Rushmorein name of B. I. S.

see also Webber m. 6/1/50

On Friday, October 19, Mr. Frohlich of the State Department informed me by telephone that the drafts of documents which I had forwarded to him in my memorandum of October 8 for use in connection with the request of the Acting Consul General of Estonia to invest and reinvest the dollars now on deposit with us in the name of the Government of Estonia had been approved by the State Department and the Office of Alien Property. A letter to that effect should be received by us in a few days.

At the same time Mr. Frohlich informed me that Mr. Johannes Kaiv, Acting Consul General of Estonia in Charge of Legation, was going to meet with representatives of the State Department in Washington on Wednesday, October 24, to discuss the status of gold held under earmark by us for the Bank for International Settlements which is the property of the Bank of Estonia. It seems that Mr. Kaiv would like to have the gold turned over to him for deposit with us in the name of the Government of Estonia. In the event that this should take place, he would sell the gold and invest the proceeds using the income thereon to run the diplomatic establishment in the United States of the Government of Estonia. Mr. Frohlich asked if we could furnish him, in writing, background material as to the status of such gold.

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DECLASSIFIED D.O. PIR Authority 5200.30 MAR 83 By <u>ZJ</u> NARA Date <u>7/21/99</u>

FRB-NY
BOX 2 BINDER 6

FORM NO. 6 (1951) 2-51

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 22, 1951.

To _____ SUBJECT _____
FROM _____

- 2 -

With the approval of Mr. N. P. Davis and Mr. Rozell, I informed Mr. Frohlich by telephone that the Bank for International Settlements in its letter of May 22, 1948 had requested us to establish on our books an earmarked gold account entitled "Bank for International Settlements Special Blocked Account Sub-Account No. 2" and to transfer to that account from its earmarked gold Account No. 5 206 gold bars containing 82,291.473 fine ounces and that in this connection Bank for International Settlements had described the gold as follows:

"Gold held earmarked at the Federal Reserve Bank of New York in the name of the Bank for International Settlements but in a separate account for the Bank of Estonia, Tallinn".

I also informed Mr. Frohlich that a quick review of our records indicated that Bank for International Settlements' Account No. 5 was apparently opened by us on January 5, 1940 in accordance with a request received from Bank for International Settlements in its cable of January 5, 1940 which read, in part, as follows:

"OBTAIN LICENSE TO TRANSFER APPROXIMATELY 1000 KILO FINE GOLD FROM OUR NUMBER 2 TO AN ACCOUNT NUMBER 5 IN OUR NAME. GOLD PROPERTY OF KESTI BANK REVAL".

*Gold Bars
of
Kestibank
Reference*

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DECLASSIFIED
 D.O. PIR
 Authority 5200.30 MAR 83
 By ZI NARA Date 7/21/99

FRB-NY
 Box 2 BINDER 6

MISC. 88-2-100M-2-81

FEDERAL RESERVE BANK
 OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 22, 1951.

TO _____ SUBJECT _____

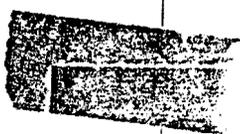
FROM _____

- 3 -

In accordance with the request of the Bank for International Settlements and the approval of the Treasury Department we transferred on January 5, 1940 from Bank for International Settlements Account No. 2 to its Account No. 5 32,225.729* fine ounces. I told Mr. Frohlich that I had not checked to find out how the balance in Account No. 5 had been increased to 82,291.473 fine ounces, but that I would do so if he thought he needed the information. He agreed with me that such information did not seem to be pertinent to the pending discussions with Mr. Kaiv.

The information given to Mr. Frohlich is not to be confirmed in writing.

WSR:chs

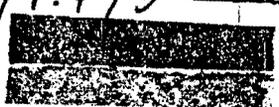


48,316.469 - Imported from Antwerp and England
 33,975.004 -
 82,291.473

.00 *
 .00 *
 2,834,386.00
 9,943,471.00
 9,841,671.00
 9,606,201.00

EPK
 4-24-52

32,225,729.00 * - Trans. 1/5/40.
 50,065,744. - " 1/11/40. → See OVER.
 82,291,473 - " 5/28/48.



[Handwritten signature]

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DECLASSIFIED
D.O. PIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

9000 - B.I.S.
9000 - Belgium

MISC. 140A.1-32M-3-55

FEDERAL RESERVE BANK OF NEW YORK
FOREIGN DEPARTMENT

NEW YORK 45, NEW YORK

AIR MAIL

DEC 7 - 1955

DIVISIONAL FILES

May 29, 1951.

Dear Horace:

This is for the purpose of adding one more point for you in case you have an opportunity to discuss with the B.I.S. and the Banque Nationale de Belgique people the various gold transactions which they have been conducting through us.

We are today in receipt of instructions from the B.I.S. to receive from Banque Nationale de Belgique 28,600 fine ounces in U.S. Assay Office gold bars of a fineness of .995 or better. Simultaneously, we have instructions from the Banque Nationale de Belgique to transfer to the B.I.S. a like number of fine ounces of gold but without specifying the type of bars. In attempting to select bars for this transfer, we have found that in order to come anywhere near the right amount we would have to move and subsequently replace some 900 bars in order to reach the necessary lots. It would be, of course, outrageous for us to have to absorb all this extra labor cost, which would be charged to the Foreign Department, in order to facilitate transactions of such piddling amounts. In the instant case, I propose, subject to change by L.W.K. on Thursday (he is absent on jury duty today), to inform both parties involved that we are transferring gold having a value of \$79,000 in excess of the amount specified by them, since that is the nearest we can come to the amount they specify without undue inconvenience to ourselves.

Ever since receipt of our circular letter advising of the intention of the Treasury to deliver coin bars on future sales, the B.I.S. has been specifying fine bars of .995 on all instructions relating to receipt or delivery of gold for its account, as in the case mentioned above. You will note that the Belgium bank did not, however, specify fine bars in its instructions to transfer from its gold account to the account of the B.I.S. It so happens that we hold substantial amounts of coin bars for Belgium which are not U.S. Mint bars, but nevertheless I presume that they conform to the standards of acceptability in most gold markets. It seems to me that if the B.I.S. is to insist on receiving only U.S. fine bars on its numerous gold deals with other central banks in Europe, it should arrange to have the transferor instruct us accordingly.

While I am about it, I might also mention that the number of transfers of gold in our vaults being arranged by the B.I.S. are

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O
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DECLASSIFIED
D.O.D. DIR
Authority 5200.30 MAR 83
By TI NARA Date 7/21/99

FRB-114
Box 2 BINDER 6

MISC. 140 B
(MISC. 140 B, 1-30M-6-62)

2.

Mr. H. L. Sanford

May 29, 1951.

getting to be more frequent than ever and, what is even more of a nuisance, they are in smaller lots. Furthermore, in a recent instance the B.I.S., in effecting a transfer, specified that it wished to have a specified lot transferred to Belgium. On this particular case it was convenient for us to comply, but it might be well for you to mention that it may not always be convenient for us to comply with their wishes with respect to transferring specific lots of gold.

I thought it just as well for you to know about these incidents in case the opportunity presents itself for you to discuss these questions with interested parties.

Yours sincerely,

Mr. Horace L. Sanford,
c/o Mr. L. K. O'Brien,
Bank of England,
London, E. C. 2, England.

NPD/atm

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P
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DECLASSIFIED
D.O. PIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
BOX 2 BINDER 6

C. 4A
N.C. 42.3-90M.4-58

BIS - sub/a 1, 2, 3
FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 1, 1950

TO General Files
FROM B.H. Webber

SUBJECT: Visit of Mr. Johannes Kaiv, Acting Consul of Estonia in charge of Legation

*
E X C E R P T of memorandum on file: Foreign Accounts - Estonia

[REDACTED]

Mr. Kaiv then brought up the subject of gold. He stated that it was his understanding that we had on deposit here for the account of the Bank for International Settlements, Basle, Switzerland, about 82,000 troy ounces of fine gold in which Eesti Pank had an interest. He asked us if we were in a position to confirm to him that such was a fact. He said that he had been endeavoring, through the Department of State and through other sources, to have such fact confirmed but had been unsuccessful. He explained that his primary interest in this connection was that he was charged

[REDACTED]

Note: Remainder of memorandum concerns Estonia's investment program.

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DECLASSIFIED
D.O. PIR
Authority 5200.30 MAR 83
By ZJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

FD-36 (Rev. 5-22-64)

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____

TO _____

SUBJECT: _____

FROM _____

-3-

under the law of Estonia to preserve the assets in the United States of the Government of Estonia and of the central bank, Eesti Pank. He did not know, in so far as Switzerland is concerned, whether the statute of limitations had run out and, therefore, he wanted to be certain to file the necessary claim to the gold as quickly as possible. Mr. Davis pointed out that, to his own knowledge, he knew nothing in the matter, but that even if the subject gold were on deposit here, he did not feel that, unless we ^{had} specific instructions from the Bank for International Settlements to give information with respect to such gold to Mr. Kaiv, we could reveal the information desired.

With respect to the statute of limitations in Switzerland, Mr. Kaiv was advised to consult his own lawyer.

Mr. Kaiv and Mr. Jackson then thanked us for giving them our time and took their leave at 12:10 p.m.

* * * * *

After our Estonian friends had left, Mr. Davis asked me to look into the matter of the gold about which Mr. Kaiv had been inquiring. My findings in this connection according to our records are set forth hereunder:

1. On January 5, 1940, Bank for International Settlements, Basle, in its cable No. 11, requested us to transfer from its Account No. 2 to an account to be opened and designated No. 5 approxi-

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DECLASSIFIED
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Authority 5200.30 MAR 83
By ZJ NARA Date 7/21/99

FRB-NY
BOX 2 BINDER 6

11/10 10-100M-3-48

FEDERAL RESERVE BANK
OF NEW YORK

FICE CORRESPONDENCE

DATE _____

TO _____ SUBJECT: _____
FROM _____

-4-

mately 1,000 kilos of fine gold, stating that such gold was the property of Eesti Pank, Reval. On the same day we gave effect to the instructions from the Bank for International Settlements by transferring 82 gold bars said to contain 32,225.729 troy ounces fine. (These 82 gold bars represented part of a shipment of gold received by us from Banque Nationale Suisse, Berne, Switzerland, on December 26, 1939 for account of Bank for International Settlements)

2. On January 31, 1940, pursuant to instructions from the Bank for International Settlements, Basle, as contained in its cable No. 57 dated January 31, 1940, to transfer from its Account No. 2 to its Account No. 5 approximately 16,000 ounces of fine gold, we transferred on January 31, 1940, 40 gold bars said to contain 16,090.740 troy ounces fine. (These 40 gold bars represented a whole shipment received from Banque Nationale Suisse, Berne, on January 24, 1940, for account of Bank for International Settlements).

3. On February 13, 1940, pursuant to instructions received from the Bank for International Settlements. Basle, as contained in its cable No. 65

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DECLASSIFIED
D.D. PIR
Authority 5200.30 mar 83
By TJ NARA Date 7/21/99

FRB-NY
BOX 2 BINDER 6

MIN. 92.9-10CM-9-49

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____

TO _____

SUBJECT: _____

FROM _____

-5-

dated February 2, 1940, we received from the Bank of England, London, and earmarked directly in Account No. 5 of the Bank for International Settlements, 40 gold bars said to contain 16,101.335 troy ounces fine.

4. On May 28, 1940, pursuant to instructions from the Bank for International Settlements, Basle, as contained in its cable No. 239, dated May 20, 1940, we received from the Bank of England, London, and earmarked directly in Account No. 5 of the Bank for International Settlements, 44 gold bars said to contain 17,873.669 troy ounces fine.

A summary of the gold thus earmarked in Account No. 5 of the Bank for International Settlements, Basle, follows:

<u>Date Earmarked</u>	<u>No. of Bars</u>	<u>Said to Contain Troy Ounces Fine</u>
1/ 5/40	82	32,225.729
1/31/40	40	16,090.740
2/13/40	40	16,101.335
5/28/40	44	17,873.669
	206	82,291.473

Pursuant to a letter dated May 22, 1948, from the Bank for International Settlements, Basle, we were requested to transfer the above 206 gold bars from Account No. 5 to an account in the name of

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DECLASSIFIED
D.O. PIR
Authority 5200.30 MAR 83
By ZJ NARA Date 7/21/99

FRB-NY
BOX 2 BINDER 6

FORM NO. 7-54

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____

TO _____

SUBJECT: _____

FROM _____

-6-

Bank for International Settlements to be opened and designated
"Special Blocked Account - Sub - Account No. 2". In its letter
of May 22, 1948, Bank for International Settlements stated that
such gold bars were held by it for account of Bank of Estonia,
Tallinn. We effected the transfer on May 28, 1948.

See also: Res. m. 10/22/51

BHW:as

FOREIGN DEPARTMENT
JUN 15 1950
DIVISIONAL FILES

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DECLASSIFIED
D.O. BIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
BOX 2 BINDER 6

(C O P Y)

BANK FOR INTERNATIONAL SETTLEMENTS

FOREIGN DEPARTMENT

20 02019

MAY 9 1952

DIVISIONAL FILES

Basle 4th August 1949.

Federal Reserve Bank of New York,
NEW YORK

Attention: Mr. Peter P. Lang, Manager, Foreign Department

Dear Sirs,

Conditions governing gold operations

In pursuance of wishes expressed by the representatives of various central banks, the Bank for International Settlements undertook in 1931 to collect detailed information concerning the regulations and practice in various countries with regard to gold operations.

For this purpose the Bank for International Settlements sent a questionnaire to the various banks of issue. The replies received were arranged in two pamphlets by our Bank and made available to the various central banks. We enclose the reply that the Federal Reserve Bank was good enough to send us on that occasion.

As the regulations have changed in the meantime in almost all countries, we have received requests from many quarters to bring our 1931 compilation up to date. We are therefore enclosing a new questionnaire. Would you be so kind as to pass it on to the competent department of your Bank for study and to return it to our Monetary and Economic Department?

Davis L. 12/29/52

We are making a similar request to most of the banks of issue and we shall have pleasure in sending you a copy of the new compilation as soon as we have received replies from all of them.

Thanking you in advance, we are, dear Sirs,

Yours faithfully,

MONETARY AND ECONOMIC DEPARTMENT

/s/

Head of the Statistical and
Documentation Service

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DECLASSIFIED
D.O. PIR
Authority 5200.30 MAR 83
By ZJ NARA Date 7/21/99

FRB-NY
BOX 2 BINDER 6

By Air Mail

22nd May 1948

Treasury Department
Foreign Funds Control,
Washington D. C.

BIS L 5/31/48

For the attention of Mr. Maxwell Anderson, Attorney.

Dear Sirs,

Re: License No. W-3262 (5/13/48)

We beg to refer to the letters exchanged on 13th May 1948 between Mr. John W. Snyder, Secretary of the Treasury, and our Chairman, Monsieur Maurice Frere, regarding the unblocking of certain assets, in the United States, of the Bank for International Settlements.

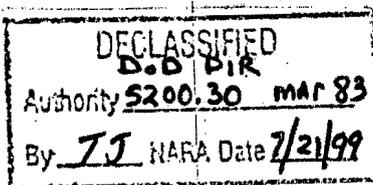
Following upon the letter dated 13th May 1948 from the Secretary of the Treasury, we have today given the necessary instructions to the Federal Reserve Bank of New York with regard to the segregation of the property remaining blocked. A copy of our letter to the Federal Reserve Bank of New York is enclosed.

In the course of the recent negotiations in Washington the question of unblocking certain property described in the letter of the Secretary of the Treasury was discussed, and it was agreed that you would give immediate consideration to the possibility of unblocking the property of the Bank for International Settlements in respect of the following accounts:

2. Dollar account of the Reichsbank Berlin (\$5,825.58 set off against part of the B.I.S. claim on Reichsbank on 26th June 1945).
8. Dollar account of the International Labour Office, Geneva.
10. Deposit account, expressed in ounces of fine gold deliverable in New York, held for account of the Central Commission for Rhine Navigation, Strasbourg.
11. Dollar accounts of the Bank for International Settlements as Fiscal Agent of the Trustess for the bondholders of the German External Loan of 1924.

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FRB-NY
Box 2 BINDER 6

- 2 -

12. Dollar accounts of the Bank for International Settlements as Trustee for the bondholders of the German Government International 5% Loan of 1930.
13. Dollar accounts of the Bank for International Settlements as Trustee for the bondholders of the Austrian Government International 7% Loan of 1930.

We understand that, having regard to the information furnished to you in the course of the recent negotiations, no further action on our part is at present necessary with regard to the cases set out above. We are of course at your disposal for any further information which you may require. We should be grateful if you would advise us in due course of the decisions taken concerning these accounts.

As regards the dollar account of the Union Internationale de Secours, Geneva (held in General Ruling No. 6 and other accounts under the name of S.A. Fiduciaire Suisse, Geneva), we have, as agreed with you in the course of our conversation, filed the usual application with the Swiss Clearing Office, Zurich. We shall revert to the matter later, if necessary.

As to the remaining property transferred to the Special Blocked Account with the Federal Reserve Bank of New York, we understood from our conversations in Washington that no steps could be taken for the time being by the Bank for International Settlements.

Faithfully yours,

BANK FOR INTERNATIONAL SETTLEMENTS

(Sgd.) AUBOIN

(Sgd.) van ZRELAND

General Manager

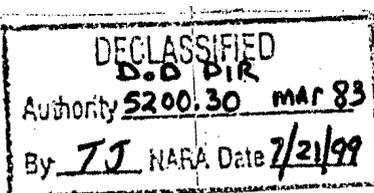
Manager

1 Enclosure

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FRB-NY
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BANK FOR INTERNATIONAL SETTLEMENTS

By Air Mail

Basle, 22nd May 1948

Federal Reserve Bank of New York,
NEW YORK 45, N.Y.

Dear Sirs,

According to the letters exchanged on 13th May 1948, between Mr John W. Snyder, Secretary of the Treasury, and our Chairman, M. Maurice Frere, photostatic copies of which are attached, the transfer of the undermentioned property held by the Bank for International Settlements in the United States to a special blocked account with the Federal Reserve Bank of New York is authorized under Executive Order No. 8389, as amended, notwithstanding General Ruling No. 11 A, as amended.

In accordance with this decision we should therefore be obliged if you would open in your books, in the name of the Bank for International Settlements, the special blocked account to which reference is made in the letter of the Secretary of the Treasury.

As the amounts which have to be transferred to the special blocked account are of different natures, we would suggest that the account should be divided into three sub-accounts. We should be obliged if you would credit these sub-accounts with the amounts set out below:

Sub-account I

1. \$ 32,553.34 Dollar account of the Bank of Japan for the account of the Japanese Treasury, Tokyo.
2. 5,825.58 Dollar account of the Reichsbank, Berlin.
3. 33,319.77 Dollar account of the Bank of Japan, Tokyo.
4. 105.52 Dollar account of the National Bank of Hungary, Budapest.
5. 2,157.80 Dollar account of the National Bank of Bucharest.
6. [REDACTED] Dollar account of the National Bank of Yugoslavia, Belgrade.

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- 8. \$ 8,045.89 Dollar account of the International Labour Office, Geneva.
- 9. 12,644.40 Dollar accounts of the Union Internationale de Secours, Geneva (held in General Ruling No. 6 and other accounts under the name of S.A. Fiduciaire Suisse, Geneva).

Total \$140,064.75

140,064.75
8,045.89

132,018.86

12,644.40

11,849.40
795.00

Of this total amount of \$140,064.75, please transfer \$128,215.35 from our account B in your books. To complete the total amount, you will receive from the Manufacturers' Trust Co., New York, the sum of \$11,849.40, in accordance with the instructions given in our letter to them of today's date, a copy of which is enclosed.

Sub-account II - gold held under earmark

- 7. Fine ozs 82,291.473 gold held earmarked at the Federal Reserve Bank of New York in the name of the Bank for International Settlements but in a separate account for the Bank of Estonia, Tallinn. *See: Rushmore m. 10/22/5*
- 10. 289.255 Deposit account expressed in ounces of fine gold deliverable in New York held for account of the Central Commission for Rhine Navigation, Strasbourg.

Total Fine ozs 82,580.728

Please transfer to this sub-account the following:

- (a) 206 gold bars containing 82,291.473 fine ounces to be taken from our earmarked account No. 5 held for account of the Bank of Estonia, Tallinn;
- (b) 1 gold bar No. 032553 (Melt No. 3652) containing 370.794 fine ounces to be taken from our earmarked account No. 2. Of this bar, an amount of fine ounces 289.255 is due to the Central Commission for Rhine Navigation, Strasbourg, in respect of their deposit account above mentioned and the balance of 81.539 fine ounces constitutes our own free property.

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By JJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

- 3 -

Sub-account III - Funds held by the Bank for International Settlements as Trustee or Fiscal Agent for International Loans

for closing
see BIS ltr
8/31/53

- 11. \$271,389.35 (approx.) Dollar accounts of the Bank for International Settlements as Fiscal Agent of the Trustees for the bondholders of the German External Loan of 1924.
- 12. 7,238.81 (approx.) Dollar accounts of the Bank for International Settlements as Trustee for the bondholders of the German Government International 5 1/2 per cent. Loan of 1930.
- 13. 20,067.46 (approx.) Dollar accounts of the Bank for International Settlements as Trustee for the bondholders of the Austrian Government International 7 per cent. Loan of 1930.

Total \$298,695.62 (approx.)

Please transfer to this sub-account the sum of \$683.75 held in our account entitled "Trustee Dawes Loan" in your books. The remaining amount will be transferred to you by Messrs J. P. Morgan and Co., Inc., New York, in accordance with the instructions contained in our letter to them of today's date, a copy of which is enclosed.

see Div. #16
mem. 9/10/53

According to the letters of 13th May 1948, withdrawals from the above-mentioned special blocked account shall be prohibited without the consent of the Treasury Department of the United States or any other United States Department hereafter authorized to administer blocked funds. It is, however, understood that by reason of special circumstances certain property described above may subsequently be unblocked upon request of the Bank for International Settlements presented by application or otherwise. We enclose, for your information, copy of our letter of today's date addressed to the Treasury Department, Washington, in this connection.

All property held in the United States by the Bank for International Settlements other than that specified above is to be considered,

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By	TJ NARA Date 7/21/99

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- 4 -

in accordance with the terms of the above-mentioned letter of the Secretary of the Treasury, as unblocked and need no longer be regarded as subject to the proviso of paragraph 1 of General License No. 94, as amended, or otherwise blocked.

We should, therefore, be obliged if, after making the transfers to the special blocked account from the Accounts B and Trustees Dawes Loan mentioned above, you would close these accounts and our Special C account and would transfer the balances to our free F account. The securities (Bankers Acceptances and Finance Notes) held for the B and Special C accounts should also be transferred to our free Safe-Custody Account F.

Thereafter the Bank for International Settlements will have the following free accounts with you:

Cash Account A

Cash Account F

Safe-Custody Account F

Gold Earmarked Account No. 2.

X # 128-5/27

We should be obliged if you would kindly advise us by cable of the execution of the above-mentioned transfers and also of the balances shown on the respective accounts after these transfers have been effected.

A copy of the present letter has been sent by us to the Treasury Department, Washington.

We wish to avail ourselves of this opportunity to extend to you our sincere thanks for your kind cooperation in this matter and beg to remain, dear Sirs,

Yours faithfully,

BANK FOR INTERNATIONAL SETTLEMENTS

(Signed) R. Auboin
General Manager

(Signed) Marcel Van Zeeland
Manager

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D.O. PIR
Authority 5200.30 MAR 83
By ZJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

STAMPED MAY 13, 1948

Photostat copy in Vault 172-6

Re: License No. W-3262

My dear Mr. Frere:

I am pleased to have received your letter of May 13, 1948, concerning the unblocking of certain assets in the United States of the Bank for International Settlements. In view of (1) the receipt by this Department of the information described in numbered paragraphs 1 and 2 of your letter, (2) the undertaking by the Bank to segregate in a special blocked account all property referred to in numbered paragraph 2 of your letter and not unblocked by this Department and (3) the conclusion of the agreement concerning gold meeting the requirements of numbered paragraph 3 of your letter, the transfer of the following property held by the Bank in the United States to a special blocked account with the Federal Reserve Bank of New York is hereby authorized under Executive Order No. 8389, as amended, notwithstanding General Ruling No. 11A, as amended:

1. Dollar account of the Bank of Japan for the account of the Japanese Treasury, Tokyo.
2. Dollar account of the Reichsbank, Berlin.
3. Dollar account of the Bank of Japan, Tokyo
4. Dollar account of the National Bank of Hungary, Budapest.
5. Dollar account of the National Bank of Roumania, Bucharest.
6. Dollar account of the National Bank of Yugoslavia, Belgrade.
7. Gold held earmarked at the Federal Reserve Bank of New York in the name of the Bank for International Settlements but in a separate account for the Bank of Estonia, Tallinn.
8. Dollar account of the International Labour Office, Geneva.
9. Dollar accounts of the Union Internationale de Secours, Geneva (held in General Ruling No. 6 and other accounts under the name of S.A. Fiduciare Suisse, Geneva).
10. Deposit account expressed in ounces of fine gold deliverable in New York held for account of the Central Commission for Rhine Navigation, Strasbourg.
11. Dollar accounts of the Bank for International Settlements as Fiscal Agent of the Trustees for the bondholders of the German External Loan of 1924.
12. Dollar accounts of the Bank for International Settlements as Trustee for the bondholders of the German Government International 5 1/2% Loan of 1930.

Pushover m.
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Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
BOX 2 BINDER 6

-2-

13. Dollar accounts of the Bank for International Settlements as Trustee for the bondholders of the Austrian Government International 7% Loan of 1930.

Withdrawals from such account shall be prohibited without the consent of this Department or any other United States Department hereafter authorized to administer blocked funds. It is understood that by reason of special circumstances certain property described above may subsequently be unblocked upon request of the Bank for International Settlements presented by application or otherwise.

All property held in the United States by the Bank other than that specified above is hereby unblocked and need no longer be regarded as subject to the proviso of paragraph 1 of General License No. 94, as amended, or otherwise blocked.

Sincerely yours,

Secretary of the Treasury

Mr. Maurice Frere
Chairman, Board of Directors
Bank for International Settlements
Basle, Switzerland

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D.O. PIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

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FOREIGN DEPARTMENT

Gold - BIS
FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

JAN 13 1953

DIVISIONAL FILES

DATE April 19, 1948.

TO Mr. Lang

SUBJECT: Remarks re Attached Memorandum

FROM C. R. Athern

(CC to Messrs. Knoke, Sanford and Rozell)

The attached ^X memorandum, titled "Treasury Position re Gold Transactions of B.I.S.", contains some material extraneous to the points which you discussed with me a short time ago. Besides touching on Stabilization Fund sales of gold to B.I.S. it covers, to a limited extent, transfers of gold and even sales by the Bank, the purpose of this being to sketch in the general background against which the Treasury appears to have experienced a change of thought.

An examination of the B.I.S. files from 1935 to the present (30 files) reveals nothing that would suggest that the Bank negotiated directly with the Treasury to get it to change its attitude as expressed in 1935-36 nor is there anything there to explain the apparent reversal of opinion. As you know we do not have a record of what was said on the telephone to the Treasury in obtaining preliminary approvals of sales from the Stabilization Fund and some of the people that handled this detail are no longer with us. Do you think it probable that the Treasury was over-cautious and conservative in the early days of administering the Gold Reserve Act and that its later more liberal attitude came about as a result of experience and changed world monetary conditions? I saw the same thing happen when I was connected with Foreign Funds Control. Their answer to many a proposition at first was "no", but later when they were obliged to recognize the practical aspects of a problem, they reversed their decisions.

Att.
CRA:lw

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Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

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BOX 2 BINDER 6

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FEDERAL RESERVE BANK
OF NEW YORK

1. 8. 2-50M-5-47

OFFICE CORRESPONDENCE

DATE April 19, 1948

TO Mr. Lang
FROM C. R. Athern

SUBJECT: Treasury Position re Gold Transactions of Bank for International Settlements 1935 to 1948

(CC to Messrs. Knoke, Sanford and Rozell)

Following the passage of the Gold Reserve Act of 1934 the B.I.S. cabled us in October 1935 asking us to inform it of the position of foreign central banks and itself regarding, among other things, imports of gold into the United States, holding, earmarking and releasing of gold, and reexports, and also as to whether dollar balances arising from the sale of gold here could be reconverted into gold free for export. In November, we replied to the inquiry at some length informing it of the provisions of the Gold Reserve Act and the Provisional Regulations and of certain licenses which we held to engage in transactions in gold. We stated specifically that the Treasury would sell gold for export for sale directly or through intermediaries to a foreign central bank which bought and sold gold at fixed prices whenever and so long as the rate of the dollar with the gold standard currency of the country of such central bank was below the gold export point.

The Bank acknowledged this letter in December but it was not until February 1936 that any question was raised. It cabled us at that time asking us to advise it of the views of the proper authorities as to whether a central bank of gold bloc which had statutory option to redeem notes either in gold or in gold currencies could buy gold direct or through its intermediary and also as to whether the B.I.S. itself was eligible to buy gold in its own name, stating that gold acquired by it would as a rule be resold to central banks for monetary purposes. We immediately replied that after discussion of the matter with the Treasury our answer to both the questions was "no". (Mr. Knoke discussed with Mr. Lochhead of the Treasury).

In October 1936 the B.I.S. asked us if the previous decision could not be reconsidered and it be placed on the same footing as central banks on the gold standard

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By TJ NARA Date 7/21/99

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 19, 1948

TO Mr. Lang
FROM C. R. Athern

SUBJECT: _____

- 2 -

for the purchases of gold. We replied that the terms set forth in our November 1935 letter continued to govern the sale of gold for export; that there was, however, a possibility that some changes might be made affecting the B.I.S. in which event we would keep it advised of developments. Two weeks later, we advised the Bank that the Secretary of the Treasury had announced that the United States would sell gold for export to, or earmark for, the exchange equalization or stabilization funds of those countries whose funds were offering to sell gold to the United States and that he would from time to time announce the names of such foreign countries, simultaneously naming Great Britain and France. *we also said B.I.S. was not affected*

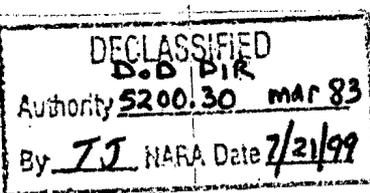
During the same month, October 1936, we received instructions to receive a shipment of gold from London and to sell this gold for the B.I.S. account. This was immediately done and was the first in a long series, extending until late in 1940, of sales of gold imported from London and Paris for that purpose.

In February 1937 the Bank inquired of us if the Treasury would in principle agree to a transfer of gold from the earmarked account of Nederlandsche Bank to an account in its own name on behalf of European central banks not members of the Tripartite Agreement. After telephoning the Treasury we replied that the Treasury would only pass on concrete cases and would not answer questions "on principle". In December 1937 the Bank asked whether it would be possible for us to transfer to one of its accounts gold already held under earmark for another foreign central bank or government and similarly if we would transfer gold from one of its accounts to another account consequent on a change of ownership on such gold. We replied that again the

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 19, 1948TO Mr. Lang

SUBJECT: _____

FROM G. R. Athern

- 3 -

Treasury was prepared to pass only on concrete cases of transfers to and from its accounts.

Later during the year 1938, and in 1939 and 1940, it requested numerous transfers between its earmarked gold accounts and the gold accounts of other central banks on our books, as well as between its own gold accounts. All of these were effected. Authorizations were, of course, obtained from the Treasury which specified in their wires to us that "in this case" we were authorized to effect the transfer but that the "decision should not be interpreted as a general ruling of the department or as an answer to any general inquiry on the subject". After twelve or more authorizations of this type the Treasury in approving a transfer to Belgium in January 1940, in every respect similar to prior transfers to the same country, omitted the clause that the action was not to be construed as a general ruling of the department. After five more authorizations of this same wording the Treasury in February then further omitted the phrase "in this case" giving us simply an unqualified authorization. There were numerous other transfers between February 1940 and May 1941 with unqualified Treasury authorization but in all these cases our cable advices to the B.I.S. continued to include the phrase "in this case".

The question might be raised here as to whether this change in the language of Treasury authorizations comoted a change of attitude or policy. It would simply appear that the Treasury abandoned the use of its qualifying phrases as it became clear that the transfers were all of a similar pattern, were nothing out of the ordinary and appeared to fit in with the normal operations of the Bank.

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FEDERAL RESERVE BANK
OF NEW YORK

FICE CORRESPONDENCE

DATE April 19, 1948.

TO Mr. Lang

SUBJECT: _____

FROM C. R. Athern

- 4 -

All during the summer of 1940 discussions were taking place between the Bank, the Treasury, and ourselves regarding its classification as a "blocked national". As a result of its blocked status, some of its requested transfers were held up or not acted on but this appears to have been because of considerations connected with Executive Order 8389 rather than with the Gold Reserve Act of 1934.

The Bank's first request, (at least since its inquiries in 1935 and 1936) to buy gold from the Treasury was made in March 1942. We received a straight wire authorization from the Treasury for a sale out of the Stabilization Fund with no qualifying phrases. (We do not know of course what was said over the telephone when the preliminary approval was given; there may, or may not, have been reservations expressed verbally which naturally were not incorporated in the license.) At any rate, we advised the Bank that we had been authorized by the Treasury "in this case" to buy the gold. During the next fifteen months we received similar requests, approximately eight in number, to buy gold for (as in the first instance) the No. 2 account, and in all cases in advising the Bank that their request had been approved by the Treasury we included the phrase, "in this case". The last of these transactions was effected in June 1943. We have no information available which would explain the Treasury's ready approval of these applications with its stand taken in 1935 and 1936 which seemed to imply that the Bank was not eligible to acquire gold from this country. Perhaps the Treasury's adverse opinion in the earlier years was based upon its traditional dislike of making statements or rulings in principle as contrasted with its readiness to act positively on concrete cases. In that event there would be

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 19, 1948

TO Mr. Lang
FROM C. R. Athern

SUBJECT: _____

- 5 -

no real conflict between the earlier stand and its favorable attitude in the later period. We have absolutely no information which would suggest that the Bank negotiated directly with the Treasury in the interim period in an attempt to establish its eligibility along with the central banks of other foreign countries approved by the Treasury.

In 1947 Governor Frère, whose bank was still a "blocked national", negotiated directly with the Foreign Funds Control Function of the Treasury Department and was able to get the Treasury's approval for the establishment of a free dollar account on our books; this is known as Account "F".

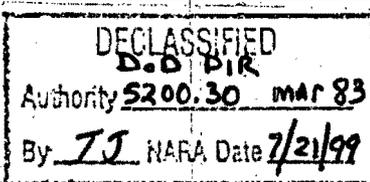
In March of this year we received a request to buy gold for the free account with dollars already in the account. A few days later we were instructed by the Bank to earmark the entire amount of this purchase for the Banque Nationale Suisse. Both of these transactions were immediately licensed by the Treasury without question or qualification. This action indicates a policy which, while appearing to be contrary to the one expressed in the early days (1934-1935) of the administration of the Gold Reserve Act, conforms with the one followed in the later period, 1942 and 1943.

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FRB-114
Box 2 BINDER 6

ATTACHMENT A

THE EXTENT OF GERMANY'S AND JAPAN'S INTEREST IN
AND CONTROL OF THE BANK FOR INTERNATIONAL SETTLEMENTS

The following memorandum is based primarily on published material and on a variety of confidential internal documents of the Bank for International Settlements which we have in the research files. Much of the information presented, however, is based on the writer's personal knowledge gained in the course of his five years' employment as an official of the B.I.S. in 1930-35. In all cases, the source of the information is appropriately indicated in the appended footnotes. In a few instances, as indicated in the footnotes, statements made represent merely the personal opinion of the writer, based on his experience at the B.I.S. and subsequent contacts with its officials and with its activities.

The Bank for International Settlements is located in Basle, Switzerland.^{1/} It has an authorized capital of 500 million gold Swiss francs (equivalent to about 163 million U.S. dollars), of which one fourth has been paid up.^{2/} The 200,000 shares, each of 2,500 Swiss francs par value,^{3/} have a wide international distribution, having been issued in twenty-six countries.^{4/} They are held in most countries by the central bank or by the latter's pension fund, but in the United States, England, France, Belgium, Danzig, and Japan most or all of the shares are held by individual investors, commercial banks, investment trusts, etc.^{5/} The shares of the B.I.S. were listed in 1930 on the Paris Bourse, and for many years there was an active market for them also in Brussels.^{6/} While there has been some movement of shares from one country to another (as, for instance, from the United States to France, Belgium, and Finland),^{7/} this has not affected the ratio of voting powers between the various nationalities, since the voting powers for each national tranche may be exercised solely by the central bank of the country of issue (or by a nominee of such central bank, or by a financial institution of the same nationality appointed by the board of the B.I.S.). This is in accordance

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- 2 -

with Article 15 of the Statutes of the B.I.S., which reads as follows:

"The ownership of shares of the Bank carries no right of voting or representation at the General Meeting. The right of representation and of voting, in proportion to the number of shares subscribed in each country, may be exercised by the central bank of that country or by its nominee. Should the central bank of any country not desire to exercise these rights they may be exercised by a financial institution of widely recognized standing and of the same nationality, appointed by the Board, and not objected to by the central bank of the country in question. In cases where there is no central bank, these rights may be exercised, if the Board thinks fit, by an appropriate financial institution of the country in question appointed by the Board."

The following table shows the distribution by countries of the original subscriptions to the shares of the B.I.S., as well as the distribution by countries of their present ownership according to the best information available to us. While the information on ownership dates back to 1940 or earlier, it is believed to be approximately accurate, since it is unlikely that there have been any substantial transfers of shares between countries since 1940,^{8/} and such transfers were infrequent before that time.^{9/} In most of the countries where the shares were originally subscribed, they were taken up by the central banks of those countries as investments for their own portfolio, not to be sold to the public.^{10/} Only the French tranche was listed on the stock exchange, and in only a few other countries (Belgium, Danzig, Denmark, the United Kingdom, and the United States) was a part of the local tranches made available for private dealings.^{11/} Under the B.I.S. statutes (Article 13) no shares could be transferred without the approval of both the B.I.S. and the central bank (or other institution) through whom the shares were originally issued.^{12/} In 1935, when some activity in international transfers of shares of the American and Danzig tranches was developing, the B.I.S. decided to withhold its consent to any further transfers of those shares to buyers in other countries;^{13/} this prohibition was lifted in 1937, but at the same time arrangements were made with the First National Bank of New York

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("the institution acting in lieu of a central bank," under Article 13 of the statutes) and the Bank of Danzig to regulate and restrain future transfers. 14/

Subscription and Ownership of Shares of the E.I.S.

<u>Country</u>	<u>No. of Shares Originally Subscribed</u>	<u>No. of Shares Now Owned (Estimated)</u>
Albania	500	500
Austria	4,000	4,000
Belgium and Luxembourg	19,772	27,987
Bulgaria	4,000	4,000
Czecho-Slovakia	4,000	4,000
Danzig	4,000	-
Denmark	4,000	4,000
England	19,772	23,072
Estonia	100	100
Finland	4,000	5,000
France	19,772	19,569
Germany	19,772	13,802 -
Greece	4,000	4,000
Hungary	4,000	4,000
Italy	19,772	19,911 -
Japan	19,770	19,770 -
Latvia	500	500
Lithuania	500	500
Netherlands	4,000	5,500
Norway	4,000	4,000
Poland	4,000	5,458
Rumania	4,000	4,000
Sweden	4,000	4,000
Switzerland	4,000	5,488
U.S.A.	19,770	2,839
Yugoslavia	4,000	4,000
Other countries	-	6,004
	<u>200,000</u>	<u>200,000</u>

In the above table, the first column shows with complete accuracy the number of shares originally subscribed within each country (in the early thirties); 15/ the same column indicates the number of shares which the central bank of each country is entitled to vote, except that it is not entirely clear who, if anyone, is now entitled to vote the 4,000 shares subscribed by the former Bank of Danzig (which was liquidated by the Nazis), or the 1,100 shares subscribed by the central banks of Estonia, Latvia, and Lithuania (countries which have been annexed

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Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

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BOX 2 BINDER 6

- 4 -

by the U.S.S.R.).^{16/} The second column in the table, showing the distribution of share ownership, contains only estimates but the figures are believed to be substantially correct as of today.^{17/} The 2,458 shares which were reported to be owned by nationals of the Free City of Danzig just before the European war have been added in these estimates to the share holdings shown for Poland, of which Danzig is now a part.^{18/} The shares which before the war were owned by nationals of Estonia, Latvia, and Lithuania continue to be shown under those headings, rather than as held in the U.S.S.R.^{19/}

As of January 1, 1939, the extent of Germany's direct or indirect interest in or control of the B.I.S. was the following:

(a) Ownership: The Deutsche Reichsbank (the government-controlled but privately-owned central bank of Germany)^{20/} owned all of the 19,772 shares of the German tranche^{21/} of the capital of the B.I.S., and a small number (probably less than 1,000) of shares of one or more other national tranches were held by other German owners.^{22/} The Deutsche Reichsbank also claimed ownership of the 4,000 shares originally subscribed by the Austrian National Bank.^{23/}

(b) Voting Control: The Deutsche Reichsbank was entitled to vote the above-mentioned 19,772 shares^{24/} and was being permitted by the B.I.S. at the time to vote the 4,000 shares taken over from the liquidated Austrian National Bank,^{25/} but it could not vote the other German-held shares.^{26/}

(c) Management Control: Under the statutes of the B.I.S., the President of the Deutsche Reichsbank, as the central bank of Germany, was an ex officio member of the Board of Directors of the B.I.S.,^{27/} and, in addition, was entitled to appoint two other German nationals to the Board of the B.I.S.^{28/} At the beginning of 1939, the following three German nationals were members of the B.I.S. Board, which at that time had seventeen members:^{29/}

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 By JI NARA Date 7/21/99

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Dr. Walther Funk, President of the Deutsche Reichsbank, Berlin
 (ex officio)
 Dr. Hermann Schmits, President, I. G. Farben-Industrie, A. G.,
 Frankfurt
 Kurt Freiherr von Schroeder, of the private banking firm,
 J. H. Stein, Cologne

At the same time, a German national--Mr. Paul Echler--was serving as Assistant General Manager of the B.I.S.^{30/} (The President of the B.I.S. (its chief executive officer) was a Dutch national, its General Manager a French national, and the four other executives were nationals of Italy, Belgium, Sweden, and Austria.^{31/})

(d) Deposits with B.I.S.: The German Government held on December 31, 1938 a long-term deposit of 76.6 million Swiss gold francs (about 25 million dollars) with the B.I.S., compared with the Bank's total deposit liabilities of 404 million Swiss gold francs.^{32/} This deposit, which was made under the terms of the Young Plan of German reparations, could not be withdrawn until the termination of the Young Plan,^{33/} which could not be legally terminated until Germany's creditors under the Plan ratified the Lausanne Agreement of 1932,^{34/} and this they had agreed not to ratify until their own war debts to the United States Government were cancelled.^{35/} On March 31, 1939, according to its Ninth AR, the B.I.S. also held a balance of \$78,330.76 to the credit of the German Government in a non-interest-bearing deposit under the terms of Article IX of the Young Plan Trust Agreement. It is believed that there were no other deposits of the German Government, or of the Deutsche Reichsbank with the B.I.S., or at any rate none of any consequence.^{36/} There were no private German deposits with the B.I.S., which dealt only with central banks and governments.^{37/}

(e) Investments of B.I.S.: At the beginning of the European war in the fall of 1939, we estimated that the B.I.S. had investments in Germany totaling approximately 285 million Swiss gold francs,^{38/} or the equivalent of a little over 90 million dollars,^{39/} representing about 55 per cent of the Bank's total assets

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as of the end of August 1939.^{40/} No information has since come to our attention which would either confirm or invalidate this estimate. The only authentic data ever made public on this score are those contained in the annual reports of the B.I.S. for the years ending March 31 of 1931, 1932, and 1933, according to which the Bank's German investments totaled about 400, 430, and 380 million Swiss gold francs on those respective dates. Subsequently, these investments were known by us to have been reduced by the Reichsbank's repayment of the B.I.S.' remaining share in the 100 million dollar credit granted to the Reichsbank in 1931 jointly with the Bank of England, the Bank of France, and the Federal Reserve Bank of New York,^{41/} and by application of the dividends on the Reichsbank's shares in the B.I.S.^{42/} On May 31, 1935, according to a confidential report prepared by the B.I.S. for its Board of Directors, the Bank's investments in Germany amounted to 304 million Swiss gold francs.

We are aware of no substantial changes during the course of the war in the above forms and extent of interest in or control of the B.I.S. by Germany, except that Germany acquired at various times and for various periods of time certain indirect interests in the B.I.S. because of the German army's occupation of various continental countries. It is believed, however, that during the war the B.I.S. shares originally subscribed by the countries occupied by Germany were not being voted by either the originally subscribing central banks or by the Deutsche Reichsbank, but that such shares, if they were voted at all, were voted by proxy by the President of the B.I.S.--Mr. Thomas H. McKittrick, an American citizen.^{43/} In the case of Czechoslovakia, the annual report of the B.I.S. for the year ended March 31, 1939 contained the statement that "The question of the voting rights attaching to the shares originally issued in Czechoslovakia has not yet been determined."

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The end of the war brought about the following changes in the above-described position with respect to German interests in and control of the B.I.S.:

(a) Ownership: The 19,772 shares formerly owned by the Deutsche Reichsbank presumably continue in its legal ownership, but the position in this respect is not clear because the Deutsche Reichsbank is no longer functioning throughout Germany as a single institution; ^{44/} its head office, in Berlin, has been closed by the Soviet military government ^{45/} and it is believed that the Reichsbank's branches in other cities of the Russian-occupied zone have also been closed. ^{46/} In the remainder of Germany, the former branches of the Reichsbank are being operated as independent clearing banks, but it is understood that no new reichsmark currency is being issued. ^{47/} The 4,000 B.I.S. shares originally subscribed by the Austrian National Bank and later claimed by the Reichsbank have now reverted to the Austrian National Bank, ^{48/} which has been reconstituted as the central bank of Austria. ^{49/} The present ownership of the 2,458 shares formerly owned by the Bank of Danzig is not clear; they will perhaps be claimed by the reconstituted Bank Polski as the central bank of Poland. ^{50/}

(b) Voting Control: Voting control of the 19,772 shares originally subscribed by the Reichsbank and the 4,000 shares originally subscribed by the Bank of Danzig is presumably in abeyance. ^{51/} The Austrian National Bank undoubtedly has regained the right to vote the 4,000 Austrian shares. ^{52/} If, as is believed, the central banks of Estonia, Latvia, and Lithuania have been liquidated, it is not clear who could vote the 1,100 shares subscribed by them. ^{53/} The same is true even if they have not been liquidated, since they would in any event have lost their former character of central banks of independent States. ^{54/}

(c) Management Control: The annual report of the B.I.S. for the year ended March 31, 1945, in presenting a list of the members of the Board of Directors

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which omits all German and Japanese names, states that "with regard to the German and Japanese membership of the Board, the legal consequences arising from the situation at the date of this report remain to be determined." No later information on this score is available. According to the same annual report, Mr. Paul Hechler, the German national who had been Assistant General Manager of the B.I.S. in 1939, was still acting in that capacity, but we have been orally informed by an official of the B.I.S. that Mr. Hechler died a few months ago.^{55/} At the present time, therefore, there is no German representation in the management of the B.I.S.

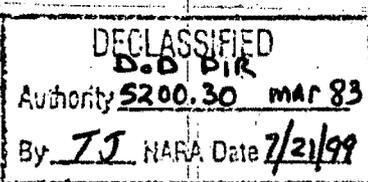
(d) Deposits with B.I.S.: The monthly statement of condition of the B.I.S. for February 28, 1946 (the most recent one available to us) shows the amount of the German Government's long-term deposit as 76.3 million Swiss gold francs (equivalent to 24.9 million dollars) compared with the Bank's total deposit liabilities of 251 million Swiss gold francs. There is no reason to believe that any new German deposits have been made with the B.I.S. during the war, especially in the light of the Bank's wartime policy of neutrality, which was outlined in the Bank's annual report for 1939-40 as follows:

"The Bank for International Settlements maintains business relations with most central banks. These relationships make it imperative that the Bank should undertake only such operations as are irreproachable from the point of view both of the belligerent and of other countries. In December 1939 certain rules of conduct which the bank had, as a matter of fact, observed since the month of September were codified and brought to the knowledge of its clients."

The rules thus laid down were that the bank would abstain: (1) from any transaction which would have the result of carrying out directly or indirectly for the account of the central bank or other institution of a belligerent country a financial operation on the market or in the currency of another country with which the former was in a state of war; (2) from disposing of its assets on the market of a

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belligerent country for the purpose of making or facilitating any payment to or on behalf of another country with which the former was at war; (3) from holding in its own name for the account of the central bank or other institution of a belligerent country gold under earmark or against assets on the market of another country with which the former country was at war.^{56/}

(e) Investments of B.I.S.: During the war a reduction of about two billion Swiss gold francs in the amount of the B.I.S.' investments in Germany took place through offsetting operations, the dividends on the German-held shares in the B.I.S. being credited as partial repayments of those investments.^{57/} There was no increase in the principal amount through accumulation of interest payments, which were currently transferred throughout the war, according to B.I.S. annual reports. Under the Bank's announced neutrality policy, and because of operating and liquidity considerations, no new investments in Germany are likely to have been made.^{58/} At the end of the war, therefore, the Bank's investments in the Reich were probably between 280 and 285 million Swiss gold francs, if the 1939 estimate of 285 millions can be considered as approximately accurate.^{59/}

The extent of Japan's direct or indirect interest in or control of the B.I.S. was as follows on January 1, 1939:

(a) Ownership: 19,770 shares of the Japanese tranches of the B.I.S. shares were held by a group of 15 Japanese banks acting in place of the Bank of Japan (the central bank of Japan),^{60/} the group being headed by the Industrial Bank of Japan, in whose name all of the Japanese shares are listed in the B.I.S. annual reports.^{61/} We have no knowledge that any shares of other national tranches were held in Japan.

(b) Voting Control: The voting rights attached to the 19,772 Japanese shares of the B.I.S. were exercised by the Industrial Bank of Japan as the

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nominee of the Bank of Japan.^{62/}

(c) Management Control: The Governor of the Bank of Japan was entitled to sit on the Board of Directors of the B.I.S. ex officio,^{63/} but never did so^{64/} and instead appointed a "substitute nominee."^{65/} He also appointed a second Japanese member of the B.I.S. Board representative of finance, industry or commerce.^{66/} At the beginning of 1939 the two Japanese members of the B.I.S. Board were:^{67/}

Misaakira Kano, London
 Seijiro Yanagita, London

These men were the London representatives of the Bank of Japan and the Yokohama Specie Bank, respectively.^{68/}

There was no Japanese manager of the B.I.S.^{69/}

(d) Deposits with B.I.S.: The Japanese Government had on March 31, 1939 an Annuity Trust Account deposit of \$1,080.96 with the B.I.S.,^{70/} representing Japan's accumulated but undistributed share in the sums paid by Germany on reparations account to the B.I.S. as trustee under the Young Plan.^{71/} We have no knowledge that the Japanese Government or the Bank of Japan had any other account with the B.I.S., but it is possible that the Bank of Japan had a small deposit standing to its credit. There were no private Japanese deposits with the B.I.S.^{72/}

(e) Investments of B.I.S.: We have no knowledge of any B.I.S. investments in Japan. The B.I.S. did have some funds invested in Japan in 1930 and early 1931,^{73/} but it is believed that all of those funds were withdrawn at the time Japan went off the gold standard (December 1931).^{74/}

The only wartime changes in the above-described status of Japanese interests in and control of the B.I.S. of which we have any knowledge are as follows:

- (a) Ownership: No change.
- (b) Voting control: No change.

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(c) Management control: While there were changes in the individuals who represented Japan on the B.I.S. Board of Directors, there was no change in their number during the war.^{75/} The 15th Annual Report of the B.I.S. (year ended March 31, 1945), however, gives no Japanese names in the list of its Board of Directors, and states:

"With regard to the German and Japanese membership of the Board, the legal consequences arising from the situation at the date of this report remain to be determined."

- (d) Deposits with B.I.S.: No change.
(e) Investments of B.I.S.: No change.

Federal Reserve Bank of New York
Foreign Research Division
O. Ernest Moore
April 10, 1946

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FOOTNOTES

AR = Annual report
 CD = Confidential document(s)
 prepared in the B.I.S.
 PI = Personal information
 PO = Personal opinion
 S = Statutes
 SA = Statement of account

1. S
2. SA, February 28, 1946
3. SA, February 28, 1946
4. Ninth and previous ARs
5. CD
6. CD
7. CD
8. PO
9. CD
10. CD
11. CD
12. S
13. CD; also circular letter of B.I.S. dated February 9, 1937 to central banks and First National Bank of New York
14. CD; also circular letter of First National Bank of New York to American shareholders dated July 26, 1937; and attached notice by the B.I.S.
15. AR
16. S
17. PO
18. PO
19. PO
20. 1938 AR of the Reichsbank

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Footnotes

21. Ninth AR
22. CD 1935; list of holders of American tranche in 1940
23. Ninth AR
24. S
25. Ninth AR
26. S
27. S
28. S
29. Ninth AR
30. Ninth AR: PI
31. PI; press accounts; Eleanor Lansing Dulles, The Bank for International Settlements at Work
32. SA, December 31, 1938
33. Young Plan
34. Young Plan; Lausanne Agreement
35. Concurrent agreement of creditor governments at Lausanne
36. PO based partly on PI in 1930-1935, partly on size of central bank deposits with B.I.S. in 1939
37. PI; speeches by B.I.S. officers; Dulles
38. Based on data given in rest of paragraph
39. Swiss gold franc used in Bank's accounts = 32.67 U. S. cents (SA, August 31, 1939)
40. SA, August 31, 1939
41. My memo of October 13, 1939, probably based on CD
42. My memo of October 13, 1939, probably based on CD
43. PO based on press reports, on Bank's policy of neutrality, and on omission of table of shareholders and their voting power from ARs beginning with Tenth AR

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Footnotes

44. Press reports
45. Neue Zürcher Zeitung and other press reports
46. FI based on absence of Reichsbank's name from all press reports and other information available on banking in the Russian zone
47. Schweizerische Handelszeitung
48. FO; S
49. Austrian Government decrees on file in Reference Library
50. FO
51. FO
52. FO; S
53. FO; S
54. FO; S
55. FI
56. My memorandum of May 18, 1944 (source of information forgotten, but may have been a letter from B.I.S. to us)
57. My memorandum of October 13, 1939, probably based on CD
58. FO
59. FO
60. C.D.; Civil Affairs Handbook for Japan, War Dept. (restricted); speech by President of B.I.S., November 14, 1930
61. 9 AR
62. My memorandum of May 1, 1936, FI, and S
63. S (Art. 28)
64. FI; AR
65. S (Art. 28); FI; AR
66. S (Art. 28)
67. 9 AR

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Footnotes

- 68. FI
- 69. 9 AR; FI
- 70. 9 AR
- 71. 9 AR; FI; Young Plan; B.I.S.; Trust Agreement
- 72. FI
- 73. FI
- 74. Personal recollection
- 75. AR

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MISC. S.S. 100M-10-41

FEDERAL RESERVE BANK
 OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 8, 1942TO Mr. LoganSUBJECT: Various Gold Accounts of the
Bank for International Settlements.FROM D. J. Liddy

<u>NAME OF ACCOUNT</u>	<u>PROPERTY OF</u>
<u>Account No. 1</u> No gold held	Lietuvos Bankas - BIS lb - 2/11/38
<u>Account No. 2</u> 405 U.S. Assay Office gold bars containing 166,444.749 fine ounces valued @ \$5,825,566.21 4 gold bars of various foreign refiners said to contain 1,595.019 fine ounces valued @ \$55,825.67 Totals 409 bars 168,039.768 fine ounces \$5,881,391.88	Bank for International Settlements
<u>Account No. 3</u> No gold held	Magyar Nemzeti Bank
<u>Account No. 4</u> No gold held	Banque Centrale de la Republique de Turquie
<u>Account No. 5</u> 27 U.S. Assay Office gold bars containing 10,205.884 fine ounces valued @ \$357,205.93 179 gold bars of various foreign refiners said to contain 72,085.589 fine ounces valued @ \$2,522,995.59 Totals 206 bars 82,291.473 fine ounces \$2,880,201.52	Eesti Pank
<u>Account No. 6</u> No gold held	Banco Central de Reserva de El Salvador

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By TJ NARA Date 7/21/99

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COPY

BANK FOR INTERNATIONAL SETTLEMENTS

~~SECRET~~
BASLE 11th February 1938.

8-10777

Federal Reserve Bank of New York,
New York.

Dear Sirs,

We have to acknowledge the receipt of your letter of February 1st and in compliance with the request contained therein to confirm that any gold which we may request you to earmark in our gold account No. 1 belongs to the Lietuvos Bankas, Kaunas.

We are, dear Sirs,

Yours faithfully,

BANK FOR INTERNATIONAL SETTLEMENTS

(signed)

Hechler
Assistant General
Manager

van Zeeland
Manager

* This account should not be confused with B.I.S. Sub Account No. 1

Special Blocked Account

ESR

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COPY

ATTACHMENT B

BANK FOR INTERNATIONAL SETTLEMENTS

BASLE

(temporarily at Chateau-d'Oex)

20th September 1940.

Federal Reserve Bank of New York,
New York.

Dear Sirs,

We wish to refer to your cable No.427 of June 29th by which you informed us that you have received a license from the U.S.Treasury authorising you to effect payments from our account which you consider normal transactions.

It is our understanding that the decision whether a particular operation has to be considered as normal remains with you and for this reason we venture to approach you with a view to obtaining some information as to the principles ruling your decisions. Going over our records we find that in some instances our instructions were executed at once, on the strength of the general license granted to you, whereas in identical cases you have applied for a special license from the Treasury.

You will find attached a list of all payments which we have asked you to make from our account since June 29th - when you obtained the general license covering normal transactions - with those payments specially marked for which special licenses have been asked.

We realise of course that many difficulties are raised by the new legislation and that time must pass before steps to improve its practical administration in the light of experience can be taken. Still we must point out that the present arrangements do constitute a serious interference with the daily business of this institution. In the hope of securing some improvement in this connection we asked you in our cable No.372 of August 30th to open in your books a new account "C" in our name, in which we should maintain a sum equivalent to the

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By ZJ NARA Date 7/21/99

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Federal Reserve Bank

- 2 -

20th September 1940.

dollar balances we hold for the countries named in Executive Order No. 8389 and amendments. We are grateful for your willingness to open such an account which has already shown its utility in giving us the occasion to transfer to it on receipt of Executive Order 8484 the equivalent of dollar balances held for the account of the central banks of the Baltic States. Your cable No. 528 of August 29th to the effect that both accounts require the same treatment under the Treasury ruling has been noted.

With the two accounts as they now stand we can assure you that transactions passing through Account "B" are such as we believe could be carried out by an American bank without application for a special license, and we hope that this assurance will enable you to regard them almost without exception as falling under the general license which has been granted to you in our favour.

We are somewhat at sea in connection with sales of our own gold from Account No. 2 to the U.S. Treasury (our cables No. 333 of July 23rd and No. 381 of September 13th). Such transactions have been customary for years, but apparently you are not able to regard them as falling under the general license. Would you be good enough to let us have your views in this connection, as it is important for us to be able to gauge the time necessary for proceeds of gold sales to become available? Nine days were required to obtain the license for the sale requested in our cable No. 333. X

We fully appreciate that your hands are not free in these matters and feel sure that you will go as far as you can to assist us.

I am, dear Sirs,

Yours faithfully,

/S/
President.

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Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

FRB-NY
Box 2 BINDER 6

FORM NO. 1-55-11-22

FOREIGN DEPARTMENT

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

NOV 18 1952

DATE June 25, 1947

DIVISIONAL FILES

SUBJECT: CHAIN RULE CALCULATION

TO Mr. Lang
FROM C. Pricher

From the gold coin purchased by the Secretary's Special Account from Argentina, we now have 30 bags of hand selected and machine counted English gold sovereigns in good condition. These bags contain 1,000 coins each or a total of 30,000 sovereigns.

In accordance with your instructions I gave the following figures to Mr. Dietrich by telephone this AM:

Statutory Basis

1. Sovereign	=	7.98805 grammes gross
30,000 "	=	7,704.64 gross troy ounces
7,704.64 @ 916.6	=	7,062.073 fine troy ounces
7,062.073 fine ozs.		
@ \$35	=	\$247,172.55

cut ✓

Actual Weight Basis

30,000 Sovereigns found by Cash Custody		
Division to weigh		7,691.09 gross troy ozs.
7,691.09 @ 916.6	=	7,049.653 fine troy ozs.
7,049.653 fine ozs. @ \$35	=	\$246,737.85

Mr. Dietrich told me that he intended to use the statutory basis.

Subsequent to the above referred to conversation I called Mr. Dietrich again to tell him that we had calculated the so-called statutory value by "chain rule" and suggested that it was the more accurate.

Mr. Dietrich insisted that he did not want to use a set of figures that the buyer could not prove to his own satisfaction but did not make an issue of it since it appears probable that the sale will be negotiated on the basis of our weights. He mentioned a telephone conversation that Mr. Eddy was to have with you and suggested this matter be referred to you to thrash out with Mr. Eddy.

Our "chain rule" calculation follows:

1 Sovereign		30,000 English Sovereigns
1 gross gram		7.98805 grams gross
1 fine gram		.9166 grams fine
1 fine ounce		.032150742 fine ounces
		\$35.00

Answer: 30,000 Sovereigns - \$247,172.90 (5)

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D.O. PIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/21/99

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MISC. S. S. 2-201-11-00

FOREIGN DEPARTMENT

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

MAR 8 1947

DIVISIONAL FILES

DATE June 3, 1947.

TO Mr. Sanford (Copy to Messrs.
Knoke and Rozell)
FROM Peter Lang

SUBJECT: Current Gold Shipments from
Argentina for Earmark in our Vaults.

As you know, gold which Argentina is currently shipping to us is in the form of U. S. Assay Office bars in unbroken melts which we had previously sold to Argentina for earmark and then exported. Inspection of the bars making up the first few shipments received indicates that Banco Central made no attempt to have the bars assayed and they have been returned to us in their original state with one exception. The exception is that, apparently for purposes of identification, each bar making up a melt has been numbered by the Banco Central by stamping such number into the end of the bar directly above the melt number. For example, melt No. 5443 consisting of 18 bars is numbered consecutively 1 to 18. A melt consisting of 21 bars is numbered consecutively 1 to 21 and so forth. In view of the manner in which Banco Central had numbered the bars, the question arose whether or not the Assay Office would accept such bars as a re-deposit in the event they were offered for sale.

In anticipation of the fact that sooner or later Argentina would request us to release such bars for sale, arrangements were made with the Assay Office to have Mr. Buford, the chief assayer, inspect the bars in our vaults. Mr. Buford did this yesterday and I was today advised by Mr. Tobin that, on the strength of Mr. Buford's report and recommendation, he, Mr. Tobin, and Mr. Solomon, the Superintendent of the Assay Office at New York, are not prepared to accept as a re-deposit bars marked in the manner indicated above. In

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By	TJ NARA Date 7/21/99

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MISC. 3 B.2-604-11-48

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 3, 1947.

TO Mr. Sanford (Copy to Messrs.
Knoke and Nesell)
FROM Peter Lang

SUBJECT: Current Gold Shipments from
Argentina for Earmark in our Vaults

- 2 -

other words, the Assay Office will consider these bars to be mutilated and would not be prepared to pay out such bars bearing numbers not placed on the bars by the Assay Office.

Since at least \$170,000,000 in gold, and possibly more, may be involved, I have requested Mr. Tobin (and he has agreed) to refer the matter to the Bureau of the Mint in Washington for final decision. Simultaneously, I believe we should take the matter up with the Treasury Department and this might best be done by clearing with the Treasury Department the attached form of cable which we should send to Banco Central putting it on notice as to the Assay Office decision. It should be noted that apart from the melting charges which are currently \$1.00 per 1,000 gross ounces and which would amount to about \$5,000 on \$170,000,000 in gold, a loss through melting will inevitably be incurred and this loss conservatively estimated at 1/16 per mill would cost the Banco Central another \$10,625.

On the basis of my own inspection of the bars and the fact that the weights on our scales coincide exactly with the weights at which we had previously carried the bars, which weights, in turn, were the same as the Assay Office weights, I am of the opinion that the decision of the Assay Office not to accept these bars as a re-deposit is an arbitrary one and would simply prove to be another irritation in our relations with the Banco Central particularly with

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 D.O. PIR
 Authority 5200.30 MAR 83
 By TJ NARA Date 7/21/99

FRB-NY
 Box 2 BINDER 6

MISC. 3 5-2-50M-11-48

FEDERAL RESERVE BANK
 OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 3, 1947.

TO Mr. Sanford (Copy to Messrs. Knoke and Rowell)
 FROM Peter Lang

SUBJECT: Current Gold Shipments from Argentina for Earmark in our Vaults

- 3 -

respect to gold transactions. Another factor to be considered is that, if the bars are treated as mutilated U. S. Assay Office bars, we will not be able to get full payment in case of sale but will have to take the somewhat less than 98% advance payment that the Assay Office ordinarily makes on foreign and mutilated U. S. Assay Office bars.

*c # 227
6/11/47*

It is important that we notify the Banco Central fairly promptly since its holdings of "good" U. S. Assay Office bars as of close of business today are less than \$24,000,000 and it is quite likely that we will soon be called upon to release from earmark and sell gold which we are currently receiving from Buenos Aires.

Att.
 PL:pd

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FEDERAL RESERVE BANK
OF NEW YORK

FOREIGN DEPARTMENT INFORMATIC COPY FOR

MAR 3 1947

OUTGOING TELEGRAM FILE NO. 3912

June 11, 1947

SENT ON

Banco Central de la Republica Argentina
Buenos Aires
No. 227

Reference your current gold shipments to us for earmark.
Examination of bars so far received indicates that you have stamped
each bar with your own number. We have discussed this matter with
the United States Assay Office and have been informed that any
United States Assay Office bars thus stamped will be considered
by it to be mutilated and will therefore in case of sale to it be
subject to the usual melting charge which effective July 1 will be
increased from \$1 to \$1.50 per 1000 gross ounces; also that as a
result of melting some loss is likely to occur. We calculate that
on a total of \$170,000,000.00 melting charges would amount to about
\$7,500.00 and loss through melting to about \$11,000.00

Federal Reserve Bank of New York

Cy AA 98
PVT. CDE.
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Authority 5200.30 MAR 83
By ZJ NARA Date 7/21/99

FRB-NY
Box - BINDER

OFFICE CORRESPONDENCE FOREIGN DEPARTMENT

OF NEW YORK

MAR 12 1947

DATE May 26, 1947

FILES

DIVISIONAL FILES

SUBJECT: Imports of gold at Newark Air-
port to be entered at the
Customs House, New York.

FROM B. H. Webber

~~Copies to Mr. Lang and Mr. Fricker~~

Today I delivered Mr. Lang's letter dated May 26, 1947 addressed to the Collector of Customs, Customs House, New York, to Mr. Smith of the Entry Division at the Customs House. The letter proposed that we be permitted to file Consumption Entries with the Customs House, New York covering approximately \$100,000,000 in gold bullion which will be consigned to us by Banco Central de la Republica Argentina, Buenos Aires. This movement of gold will commence arriving in the United States at the Port of Newark on or about Thursday, May 29th - there will be 14 plane-loads in all - by Pan American World Airways System.

After discussing the matter briefly with Mr. Smith of the Entry Division he conducted me into Mr. Laughlin, the Deputy Collector's office, where the three of us discussed the matter. Finally, Mr. Laughlin agreed to permit us to file Consumption Entries with the Customs House, New York covering gold transported by Pan American World Airways System from Buenos Aires to Newark Airport, such gold to be held under earmark in our vaults and/or to be sold at the United States Assay Office at New York. It was agreed that the permit indicate that the inspection by an Appraisers Stores man be made at our bank and/or the Assay Office. Mr. Laughlin will notify Mr. Bedford, Collector of the Port of Newark.

BHW:mm

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FEDERAL RESERVE BANK
OF NEW YORK

MISC. 5 0. -OM-414A

OFFICE CORRESPONDENCE

DATE March 1, 1945

TO Mr. Knoke
FROM T. G. Tiebout

SUBJECT Banco Central de la Republica
Argentina - Gold held in New
Orleans.

*See memos. 4/16, 3/4 5
2/8/46*

Mr. McNeill, in Counsel's office at the Treasury, called me this morning in response to my call of yesterday. I told him that I had called him pursuant to the suggestion of Mr. E. M. Bernstein, which he made in his telephone conversation with you yesterday, relative to the proposed reply of the Treasury Department to our letter of February 17, 1945 with reference to the Argentine gold in New Orleans, and more specifically, relative to the Treasury's view that our letter of February 17 tended to shift the responsibility for any taxes and additional expenses with respect to the gold to the Treasury Department.

I told Mr. McNeill that the letter was not intended, affirmatively, to shift the responsibility for such taxes and expenses to the Treasury but was designed to disclaim any liability for such taxes and expenses on the part of this bank. Mr. McNeill then said that he now understood this from Mr. Bernstein; that they thought it had been our intention to shift the responsibility for these items to the Treasury Department by reason of the reference in the first paragraph of our letter to the fact that we had shipped the gold "after ascertaining orally from the Treasury Department that neither such Department nor the State Department had any objection to the making of the shipments"; and also that it was our intention to bill the Argentines for any additional items of expense. I replied that I did not know anything about any such intention; and that if we incurred any additional items of expense with respect to the gold, I assumed we would, in the normal course, charge them to the Argentines, but that it had been our assumption that the Argentines would resist paying any additional charges resulting from the gold having been stopped in transit in New Orleans.

As to the genesis of the letter, I told Mr. McNeill that it was my understanding that the matter of this gold had been the subject of several conversations between you and Mr. Bernstein last fall; that late in November or early in December you had suggested that we make a record with the Treasury Department about our position relative to possible taxes and additional expenses; that we had also thought that perhaps the State and Treasury Departments were then, or would shortly be, prepared to let the gold go forward; that I believed that you had discussed this possibility with Mr. E. M. Bernstein early in December; that he did not know what the position of the Executive Departments of the Government would be in the matter; and that in one of our earlier drafts of the letter we had stated in the last paragraph that one of the purposes in writing the letter was to ascertain whether the State and Treasury Departments were, or in the near future

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 1, 1945.

TO Mr. Knoke
FROM T. G. Tiebout

SUBJECT _____

-2-

would be, prepared to let the gold go forward, but that in the light of more recent developments it did not seem appropriate to include this in the letter.

I then said to him that while I could not be sure of it, I had gathered from my conversation with you that Mr. E. M. Bernstein did not feel that the draft of reply to our letter of February 17 which had been prepared at the Treasury was entirely appropriate and that possibly Mr. Bernstein had in mind that Mr. McNeill and I should discuss the kind of reply that should be made. I told him that it would be entirely agreeable to me to do this if he should wish to.

Mr. McNeill said that he would put a memorandum in their files stating what he understood from our conversation had prompted our letter of February 17 and would take up with Mr. Bernstein the reply to be made to our letter to make sure that it would be satisfactory to him.

I also mentioned that it was my understanding, and had been brought out in Mr. Bernstein's conversation with you, that in so far as he knew there would be no objection to our writing the Argentines in the matter. I told Mr. McNeill that while I had not thought it through, it seemed to me that it would be appropriate for us to inform the Argentines about the possible tax liability, letting them know that we disclaimed any liability for such taxes or additional expenses involved by reason of the Government having stopped the gold in transit. He said that while he did not know whether there would be any objection to our writing the Argentines, if Mr. Bernstein had said there would not be, he felt confident this was correct.

I also asked Mr. McNeill whether he knew what the attitude of the Government was, - whether he thought there was any possibility of the gold being allowed to go forward. He said that he did not know the answer to this but that from what had come out of Mexico City he did not imagine there had been any change in our attitude toward Argentina or with regard to the resumption of gold shipments to Argentina.

T. G. Tiebout

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ack. 3/23/45

see also letter from N.O. Branch
8/5, 7, 8/44

February 17, 1945.

see letter to F.R.B. Atlanta 7/7/45
copy attached
see memo 2/14/45

S i r :

Attention: Mr. Edward M. Bernstein

On August 1, 1944, our shipment numbered 51 consisting of 86 bars said to contain 35,419.029 troy ounces of fine gold, and on August 3, 1944, our shipment numbered 52 consisting of 86 bars said to contain 35,539.283 troy ounces of fine gold, property of Banco Central de la Republica Argentina, each shipment being in 11 kegs numbered 557 to 567, inclusive, and 568 to 578, inclusive, respectively, were delivered by us to Railway Express Agency, Inc., New York City, after ascertaining orally from the Treasury Department that neither such Department nor the State Department had any objection to the making of the shipments, for forwarding to New Orleans to connect with steamer for Buenos Aires. Both shipments were covered by insurance for account of Banco Central de la Republica Argentina from our vaults to its vaults in Buenos Aires.

Upon arrival of the gold in New Orleans we were advised by the Treasury Department that exportation as scheduled had been prohibited by the United States Customs, and, accordingly, we made arrangements for holding the two shipments temporarily in the vaults of the New Orleans Branch of the Federal Reserve Bank of Atlanta and so advised Banco Central de la Republica Argentina.

see letter 11/17/44 - De Panny K... & Suran

The original binders issued by the insurance companies covering these shipments have been continued in effect by extensions thereof from time to time for seven and currently for fifteen day periods. As you know, these shipments have now been held over in New Orleans for upwards of six months. The insurers are now asking that it be understood that they will receive a premium varying, as between the several insurers, from one quarter of a cent to one cent per day per \$1,000 for insuring the gold so long as it remains in the vaults of the New Orleans Branch of the Federal Reserve Bank of Atlanta, or, in the alternative, that the original binders be continued but modified to provide that "This insurance is warranted free from claim for any loss or damage to the gold while in the vaults of the New Orleans Branch of the Federal Reserve Bank of Atlanta", in which event no charge would be made for insurance coverage for the time the gold has been and remains in such Branch. Such modification would necessitate opening

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2.

February 17, 1945.

the kegs and checking the bars at this time in the vaults of the New Orleans Branch, and similarly, before the bars leave the New Orleans Branch, so that both we and the insurers would know whether or not a loss had been sustained in transit. In this connection, under date of November 17, 1944, Banco Central de la Republica Argentina asked us, in effect, to advise them as soon as possible as to the amount of the premium for insurance accrued to date on these two shipments. So far we have not felt free to communicate with the Banco Central giving the requested information but cannot much longer delay writing and explaining the whole situation.

We would not, of course, wish to continue to hold the gold under earmark in the vaults of the New Orleans Branch indefinitely. Our Counsel has pointed out to us that the continued holding of the gold in New Orleans may subject it to the State of Louisiana Personal Property Tax and possibly also to the New Orleans and State of Louisiana "sales, use" taxes; that it would appear that such Personal Property Tax is levied with respect to property in the tax district on the tax day, which in the case of New Orleans parish is understood to be August first in each year, and that such "sales, use" taxes are payable not later than the 20th of the month covering the preceding month; and that so long as the property may be said to be in interstate and foreign commerce it would not be subject to any of these taxes, but that the opening of the kegs in New Orleans may furnish some ground for considering that the gold has ceased to be in interstate and foreign commerce. It appears from Prentice Hall, Inc. Louisiana Tax Service that the personal property tax rates for State and Orleans Levee District (Orleans parish) taxes (assessed at 100 per cent of full value) were \$11.25 per \$1,000 of assessed value in each of the years 1941 to 1943, inclusive; and that the personal property tax rates for city and school taxes (assessed at 85 per cent of full value) were \$28.50 per \$1,000 of assessed value in each of such years. It also appears that the State of Louisiana "sales, use" tax rate is 1 per cent and the New Orleans City "sales, use" tax rate is 2 per cent of sales price in the case of sales, and of cost price in the case of storage. Accordingly, it would appear that on personalty subject to such taxes, costing and having a full value of \$2,500,000, and stored in New Orleans, the State and Orleans Levee District tax would be \$28,125 per year, the city and school tax would be \$60,562.50 per year, the State "sales, use" tax would be \$25,000 and the New Orleans City "sales, use" tax would be \$50,000. Shipping the gold back to New York would involve an estimated freight and insurance expense of approximately \$5,500 in addition to a like amount of expense already incurred in the shipment of the gold to New Orleans.

We are writing the Treasury Department to point out that in the event the gold is not to go forward in the immediate future

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3.

February 17, 1945.

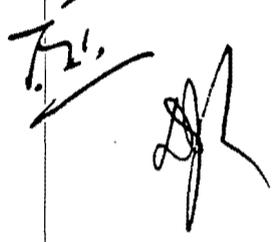
we propose to have the original binders for the insurance covering the shipments amended as stated in the third paragraph above, unless the Treasury Department would have some objection to our so doing, in order to dispose of the question of liability for insurance premiums while the gold remains in New Orleans and to be in a position to reply to the letter of November 17, 1944 from Banco Central de la Republica Argentina. Further, as stated above, we would not wish to continue to hold the gold in New Orleans indefinitely, since we would not be prepared to assume any liability for taxes with respect to the gold, either for the period for which it has been or for which it may remain in New Orleans; and in the event the gold is returned to New York, we would not be prepared to assume the costs and expenses involved in the shipments to and from New Orleans.

Very truly yours,

L. W. Knoke,
Vice President.

The Honorable,
The Secretary of the Treasury,
Washington, D. C.

TGT:HMG:rr



AS CHECKED TO H.G.



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DECLASSIFIED
D.O. PIR
Authority 5200.30 MAR 83
By TJ NARA Date 7/24/99

FRB-NY
BOX 2 BINDER 6

from and
FEB 8 1945
L. W. K.

Board of Governors
of the
FEDERAL RESERVE SYSTEM

OFFICE CORRESPONDENCE

Date January 26, 1945

To Chairman Eccles
From Robert Triffin

Subject: Ban on Gold Shipments to
Argentina

On my recent visit to Buenos Aires, I received from various circles first-hand information on a problem which directly concerns the relations between the Federal Reserve System and the Central Bank of Argentina.

Shipments of earmarked gold from the Federal Reserve Bank of New York to the Central Bank of Argentina were refused clearance papers in August 1944 by customs authorities at New Orleans. The Banco Central de la Republica Argentina made two cable inquiries to the Federal Reserve Bank of New York requesting information as to the reason for this action. Both cables were forwarded to the Treasury Department, but to date no reply has been made.

No official statement regarding the action of the customs officials has been released, but we understand that the shipments were held up as a result of consultations between the State Department and the Treasury. According to our information, the decision was taken at that time in contemplation of a more general freezing order on Argentine assets, on which action was expected momentarily. No progress has been made in this direction, however, and the ban on gold shipments has remained in effect for months as an isolated case in this field.

Whatever irritation or annoyance it may cause the Argentines, the action taken cannot restrict them in any way since they possess large reserves both within and outside of the United States and, in any case, are still allowed to use the gold earmarked here for purchases in our markets.

Repercussions within Argentina are definite and deserve careful consideration. The present Argentine Government has long considered the Central Bank as one of the main centers of opposition. Violent press campaigns have been waged against it in the nationalistic, pro-government sheets and the General Manager of the Bank, Raul Prebisch, was removed by the Government in October 1943. The prestige of the Bank is such, however, that the Government did not dare go further until it could strengthen its case with the public and the financial community with concrete evidence that the Bank had been remiss in its duties. The ban on gold shipments came as a godsend in this respect since the Bank could be accused of being responsible for the decision of leaving the gold under earmark, thus making the country directly vulnerable to the action which was taken here. This is now being exploited by the Government and we understand that a legislative draft has been prepared which would in effect completely destroy the Central Bank.

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- 2 -

The Central Bank has always been far more internationally-minded and more cooperative with us than any other agency of the Argentine Government. The change contemplated would be a step backward not only from the Argentine point of view but also from the point of view of our own national interests as well as for the prospects of post-war international collaboration in the monetary field. While the difficulties between the Government and the Bank are of long standing and do not originate merely in our action on gold, the Government now is in a far stronger position in its fight to destroy the Bank. The Bank has enjoyed considerable prestige in the country but its good standing has been weakened no doubt by the apparent justification of the Government's criticism against it which we have thus provided.

While in Buenos Aires, I kept in close contact with our embassy. Its views coincided with those expressed here on the attitude of the Central Bank with respect to this country and also on the practical effects of the ban on gold shipments. The latter point was made the subject of a specific communication cabled to State around the end of September or the first days of October.

This memorandum is not intended to suggest in any way a policy of "appeasement" in our relations with Argentina. On purely technical grounds, it appears evident that the particular measure here discussed can have little, if any, significance as a weapon of economic warfare and is, in my opinion, detrimental to this country's long-term interest, regardless of whether we wish to be "tough" or "soft" in our general policy toward Argentina.

Outright repeal would not be misinterpreted as a sign of weakness on our part if it were coupled with the institution of new, and possibly more significant, controls in some other direction. If, on the other hand, new developments in the Argentine situation should prompt a revision of our policy, resumption of gold shipments might be considered as our first step.

I have taken the liberty to bring this problem to the attention of the Board since the status of earmarked gold is of direct interest to the Federal Reserve System and since the Argentine Central Bank is under the mistaken impression that the action taken was decided upon at the initiative or at least with the full assent of the System.

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Authority 5200.30 mar 83

By TJ NARA Date 7/22/99

FRB-NY

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- U S PREVENTS EXPORTS OF ARGENTINE GOLD

WASHN - I N S - THE FEDERAL GOVERNMENT IN ITS SHARPEST COMMERCIAL REBUKE TO ARGENTINA TO DATE HAS PREVENTED THAT NATION FROM EXPORTING ALMOST TWO MILLION DOLLARS WORTH OF GOLD OUT OF THE UNITED STATES IT WAS LEARNED ON UNIMPEACHABLE AUTHORITY TODAY

THE GOLD WAS TO HAVE BEEN TRANSFERRED TO ARGENTINA FROM NEW ORLEANS LA

THE GOVERNMENT-S ACTION HAS DEPRIVED ARGENTINA OF THE FREE USE OF HER OWN GOLD ON DEPOSIT IN THE UNITED STATES BUT OFFICIALS POINTED OUT THAT THIS ACTION DID NOT CONSTITUTE A -FREEZE- OF HER ASSETS SUCH AS HAS BEEN INVOLVED AGAINST ENEMY NATIONS - THE ARGENTINA GOLD MAY STILL BE USED FOR OPERATIONS WITHIN THE UNITED STATES IT WAS POINTED OUT

OFFICIALS POINTED OUT THAT THE ARGENTINE GOVERNMENT RECENTLY HAS BEEN WITHDRAWING THE GOLD HELD ON ITS CREDIT IN THE UNITED STATES - APPARENTLY THIS WITHDRAWAL WAS AN ATTEMPT TO BUILD UP A GOLD FUND FOR STABILIZATION PURPOSES WITHIN ARGENTINA

RECENTLY THE ANTI-AMERICAN PAPER LA FRONDA BOASTED THAT ARGENTINA HAS ITS OWN GOLD FUND AND DID NOT DEPEND UPON THE NEW INTERNATIONAL STABILIZATION FUND DISCUSSED AT THE PRETTON WOODS CONFERENCE - ARGENTINA WAS EXCLUDED FROM THAT CONFERENCE

ALTHOUGH THE DENIAL OF GOLD EXPORTS IS AN ACTION WHICH MIGHT BE TAKEN AGAINST ANY NEUTRAL COUNTRY SUCH AS IRELAND OR SWEDEN IT SEEMED APPARENT THAT THE ACTION AGAINST ARGENTINA WAS TAKEN TO IMPLEMENT SECRETARY OF STATE HULL-S RECENT DENUNCIATION OF THAT -FASCIST- GOVERNMENT

-V-

8/16/44

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By ZI NARA Date 7/2/99

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MISC. 39-1-50M-9-49

C O P Y

FEDERAL RESERVE BANK
OF NEW YORK

C. FICE CORRESPONDENCE

DATE August 16, 1944

TO FILES

SUBJECT Argentine Gold Shipments

FROM L. W. KNOKE

Mr. Roelse informed me early this morning that, according to telephone calls received by him, United Press would publish a report from Washington this afternoon to the effect that the government in Washington had prevented Argentina from exporting \$2,000,000 worth of gold out of the United States. According to Mr. Roelse's informant, the dispatch was based on a statement made by somebody pretty close to the State Department, who had added that the matter rested with the Banco Central in Argentina and the Federal Reserve Bank of New York.

I called Orvis Schmidt to tell him what I understood was in the offing. After the report had appeared on the ticker early in the afternoon, I had it read to him and subsequently discussed its contents with him. I suggested that he try to find out from the State Department what the latter knew about the whole matter and also that somebody in Washington (in view of the third paragraph of the dispatch to the effect that Argentina could still use its gold for operations within the United States) give thought to the question of what should be the administration's policy in case Argentina should decide to reconvert her gold into balances and then transfer such balances to say the Banco de la Republica Oriental del Uruguay in Montevideo. Schmidt and I agreed that we here in New York at the moment could do nothing more than continue with increased watchfulness our scrutinizing of all Argentine payments as done for several months past.

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MISC. 28.1-50M-8-48

C O P Y

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 8, 1944.

Files

SUBJECT Argentine Gold Shipments

FROM H. L. Sanford

(Copies to Messrs. Sproul, Rouse, and Knoke)

Reference is made to my memoranda of August 4, 5, and 7
on this subject.

I talked to Mr. Schmidt on the telephone again at 5:15 p.m. August 7, and he said that he had not heard anything more from the State Department with respect to the question of gold shipments to Argentina. He mentioned that the State Department undoubtedly was turning the matter over in their minds and would take a little time. Schmidt said he thought that Section 5(b) of the Trading with the Enemy Act provided sufficient authority for the Bureau of Customs, as an arm of the Treasury, to stop the gold shipments in New Orleans. I told Mr. Schmidt that, with our limited knowledge of the whole Argentine picture, it seemed to us that the small needle pricks (advising us not to file further space allocation applications and stopping the export of the two \$1,250,000 shipments in New Orleans), in advance of the formulation and announcement of national policy with respect to Argentina, didn't make much sense.

At around 10 o'clock this morning Mr. Clark of Boyd, Weir and Sewell telephoned the bank and said that the gold, which is now on the S.S. "Parana", would have to be removed if the export thereof is not to be permitted, because the ship is to go to an ammunition dock to load explosives for the War Department and afterwards would not be permitted to return to its pier. I immediately telephoned

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 8, 1944.

Files

SUBJECT Argentine Gold Shipments

FROM H. L. Sanford

2.

Mr. Schmidt and told him of the above situation. He indicated that the matter is still being considered in the State Department and that he would ascertain what the State Department wants to do about this particular development. At 12:35 p.m. today Mr. Schmidt told me that he had cleared the matter with the State and Treasury Departments (he previously had told me he wished to discuss it with Assistant Secretary Gaston) and that the decision was to have the gold taken off the S.S. "Parana". Mr. Schmidt said that the whole Argentine problem is still being considered in the State Department and that ultimately it may get up to the President. In discussing the question of our filing applications for further space allocations, Mr. Schmidt indicated pretty clearly that he thought the attitude of the State Department is reflected in the blocking of the two gold shipments which we had already sent forward. I told Mr. Schmidt that we would probably want to cable the Banco Central tonight and would read to him later in the day our proposed cable, for clearance with the Treasury and State Departments.

During the course of the afternoon Mr. Rouse and I discussed the matter and subsequently we discussed it with Mr. Sproul, showing him a draft of cable which had been prepared for dispatch to Banco Central. It was agreed at this meeting that the question of our filing further applications for space allocations was rather academic at the moment, in view of the action which had

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MISC. 38.1-204-9-43

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 8, 1944.

To Files
FROM H. L. Sanford

SUBJECT Argentine Gold Shipments

3.

been taken by the United States Government with respect to the gold which had gone forward to New Orleans. Mr. Sproul approved the idea of Mr. Rouse telephoning Mr. Bell to discuss the general policy aspect of the matter.

In his telephone conversation with Mr. Bell, Mr. Rouse referred to the action taken in prohibiting the export of the two shipments from New Orleans, to which Mr. Bell replied that Assistant Secretary Gaston had found out that the State Department didn't want any gold to go out of the United States to Argentina at the present time and that the State Department felt very strongly about it. Mr. Rouse emphasized that this bank, of course, wished to comply enthusiastically with whatever national policy should be adopted. He pointed out, however, that the action with respect to the two \$1,250,000 shipments and the question of our filing applications for freight space appeared to have been taken in advance of any determination of national policy and seemed to be quite "small potatoes", in view of the more than \$500,000,000 of gold still held here for Argentine account. Mr. Bell said that the State Department appeared to be a little sorry that they hadn't stopped the movement some six months ago. Mr. Rouse read to Mr. Bell the cable which we were proposing to send to Banco Central and pointed out that I would clear it through Mr. Schmidt. Mr. Bell said that he had indicated to the Treasury people that we certainly should be permitted to

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FEDERAL RESERVE BANK
OF NEW YORK

O. FICE CORRESPONDENCE

DATE August 8, 1944.

To Files

SUBJECT Argentine Gold Shipments

FROM H. L. Sanford

4.

make our position clear in order to absolve us of any blame or claim of negligence in connection with our handling of the Argentine gold shipments and to place the responsibility where it belonged, i.e., on the United States Government. Mr. Bell said that he would discuss the matter with Assistant Secretary Gaston tomorrow.

Late in the afternoon we received advice from the New Orleans Branch that it would accept delivery of the "Parana" gold late this afternoon. We had received advice yesterday afternoon that the Branch had received the gold which was destined to leave on the S.S. "Segundo", but which was diverted to the Branch and never loaded on the "Segundo".

After clearing our proposed cable with Mr. Tiebout, with particular reference to the wording of such parts of the cable as might bear on the question of taxes on tangible property held in Louisiana, I telephoned our draft to Mr. Schmidt at about 5:00 p.m. and asked that he clear it with the Treasury and State Departments. The draft of cable as phoned to Mr. Schmidt was as follows:

"Following arrival in New Orleans of gold shipments referred to in our cables No. 332 and 337 we have been informed that United States Customs Service at New Orleans acting on instructions of Bureau of Customs Washington would not grant clearance to the steamers scheduled to carry the gold shipments with gold aboard STOP Consequently we have arranged for holding the two shipments temporarily in the vaults of the New Orleans Branch of the Federal Reserve Bank of Atlanta"

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205201

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Authority 5200.30 MAR 83
By ZJ NARA Date 7/21/99

FRB-NY
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MISC. 88-1-204-2-43

FEDERAL RESERVE BANK
OF NEW YORK

O. FICE CORRESPONDENCE

DATE August 8, 1944.

TO Files

SUBJECT Argentine Gold Shipments

FROM H. L. Sanford

5.

At 5:50 p.m. Mr. Schmidt called me back and said that if we have to send something to the Banco Central, it should be something along the following lines:

"Due to circumstances beyond our control the gold shipments represented in our cables No. - & - have been delayed and are being temporarily held in vaults of New Orleans Branch of Federal Reserve Bank"

I told Mr. Schmidt that I was sure that the above suggestion would not be acceptable to us and that the draft as submitted by us was the considered opinion of the bank's officers. I told him that I took exception to the phrase "due to circumstances beyond our control" and the words "have been delayed". Mr. Schmidt then, in view of my objections, suggested that the phraseology in our cable, as submitted, be changed to the following:

"..... we have been informed that exportation as scheduled was prohibited by United States Customs STOP",

the preceding and following parts of the cable to remain the same as in our draft. He said that he would have to clear the change in Washington and I said that I would do the same thing here. He subsequently called me back to say that it was agreeable and I said it looked all right to me, but that I would like to have a few minutes to check it here if possible. I discussed it with Mr. Tiebout and we agreed that it was acceptable to us. When I called Mr. Schmidt back at about 6:10 p.m., he had already left the office for the day.

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205202

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By TJ NARA Date 7/22/99

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C O P Y

MISC. NO. 1-50M-2-43

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 7, 1944

TO FILES

SUBJECT Argentine Gold Shipments

FROM H. L. Sanford

(Copies to Messrs. Sproul, Rouse, and Knoke)

m. 8/8/44

I was successful in contacting Mr. Schmidt by telephone at 9:50 a.m. today. Mr. Schmidt said that he had not yet heard from the State Department. He said that he understood that the State Department views had been sent on Saturday to Secretary Hull, who apparently was not at the Department. Schmidt said that he had made arrangements to receive advice from the State Department, through Mr. Collado, and that if he did not hear from him by noon or a little later today, he would contact the State Department and then telephone me. In order to be sure that Mr. Schmidt understood the nature of our problem, I explained the background and developments to date.

Mr. Schmidt told me that the United States Customs Service in New Orleans is holding up clearance of the two shipments which we forwarded to New Orleans last week. He said that he had been expecting to receive some repercussions from this action, inasmuch as one of the ships was due to sail on August 4. I explained that the sailing date of this ship had been deferred to August 7 or 8 and that the sailing of the other ship was due for August 7.

At about 11 o'clock Mr. Clark of Boyd, Weir and Sewell, Agents for the Argentine Merchant Marine telephoned the bank and gave the following message to Mr. Liddy, which message he had

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____

To _____

SUBJECT _____

FROM _____

2.

✓ received from His New Orleans Office:

"Customs at New Orleans have been instructed by Washington not to grant clearance to vessels with gold aboard."

Mr. Clark said that he intended to ask his New Orleans office to inquire of New Orleans Customs as to what agency in Washington had issued the order. I telephoned Mr. Schmidt and informed him of the telephone call which we had received from Boyd, Weir and Sewell and he said that he understood that the instructions which had gone forward to the New Orleans Customs were not to let the gold go aboard. He said that he would investigate and call me back.

At 11:45 I telephoned Mr. Schmidt again and informed him that we had been notified by Boyd, Weir and Sewell

- (a) that its New Orleans office had been advised by New Orleans Customs that it was on orders from the Bureau of Customs, Washington that they were not granting clearance to vessels with gold aboard;
- (b) that the gold had already been put on the S. S. "Parana" for safekeeping and probably would also be put on the S. S. "Segundo" for safekeeping.

Mr. Schmidt mentioned that the ships can sail any time they want to, without the gold. I told Mr. Schmidt that we wished to be informed of developments, inasmuch as if the gold were not permitted to leave New Orleans on the steamers, we would wish to order it into the New Orleans Branch of the Federal Reserve Bank, which has been acting as our agent.

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OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____

To _____

SUBJECT _____

FROM _____

3.

In this same conversation Mr. Schmidt said that he had again contacted the Secretary's Office of the Department of State and had been informed that the State Department was still waiting to hear from Secretary Hull. Mr. Schmidt said that he thought that he would report on developments to Assistant Secretary Gaston. Our conversation ended with the understanding that he would let me know as soon as he (Schmidt) hears from the State Department.

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 5, 1944

TO FILES

SUBJECT Argentine Gold Shipments

FROM H. L. Sanford

(Copies to Messrs. Sproul, Rouse, and Knoke)

Reference is made to my memorandum of August 4^X on this subject to the files.

At 1:20 p.m. on Saturday, August 5, I telephoned Mr. Bernstein, not having heard from him since my conversation at 6 p.m. on August 4. He said that he had talked with the State Department, but the State Department was not prepared to give him an answer as to our filing applications for space allocations for gold shipments to Argentina. He said, however, he expected that the State Department would do so shortly. Mr. Bernstein inquired whether we had already missed the boat, i.e., whether our not filing on Friday or Saturday meant that we would not get space allocations in time to ship to New Orleans in order to make the next scheduled sailing. I said that that was not necessarily so. (Our being able to ship to New Orleans in order to make the next scheduled sailing would depend upon how long the War Shipping Administration takes to process our application and also upon whether or not the sailing date should be deferred, as has frequently happened in the past.)

At 3 p.m. on August 5 Mr. Bernstein telephoned me to say that he had heard from the State Department as to further developments, namely, that the officers of the State Department were recommending to Secretary Hull that the U. S. policy toward Argentina so far pursued be continued and that, if anything, a stronger attitude be

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____

To _____

SUBJECT _____

FROM _____

2.

adopted. Mr. Bernstein said that the State Department had told him that they would not approve our filing applications for freight space allocations at this time, but would not say that we should not so file. Mr. Bernstein said that he had been informed by the State Department that Secretary Hull will get the recommendations of his advisors (assistant Secretaries) at 5 p.m. today. Bernstein said that the State Department won't be much concerned by our problem - if Secretary Hull turns down the general positive program recommended by the Assistant Secretaries, the Assistant Secretaries will likely say "What's the use of pin pricking?" (which would indicate that our problem would evaporate).

In response to my question, Mr. Bernstein said that Mr. Orvis Schmidt, Acting Director of the Foreign Funds Control in Washington, would provide liaison with us following Bernstein's departure on vacation today, and that if I would call Schmidt the first thing Monday morning, I could get word from him as to the situation then existing.

Bernstein said that if we wished to appeal to the State Department on whatever message is transmitted to us on Monday by Mr. Schmidt, Mr. Glasser, Assistant Director of the Division of Monetary Research, would present for us to the State Department anything we wished to have presented.

The tenor of my conversation with Bernstein was to the

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OFFICE CORRESPONDENCE

FEDERAL RESERVE BANK
OF NEW YORK

TO _____
FROM _____

DATE _____
SUBJECT _____

3.

effect that our problem should tend to solve itself one way or another. If the whole treatment of Argentine relations undergoes no stiffening, the matter of our filing for space allocations should present no problem. If the United States Government policy toward Argentina should stiffen, then it would appear that the matter of our filing would no longer be important.

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MISC. 4A.B-200M-10-48

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE 3/13/44

TO _____
FROM _____

SUBJECT: Argentine Gold Bars

Mr. Pricher spoke to the Argentine Consul today re the origin of the gold bars being shipped on this date and continuing for a period of time. Heretofore, all gold shipped was of U. S. origin. Commencing today shipments will consist of only gold bars received some time ago from such countries as England and Belgium - i.e. other foreign sources. However, the Argentine Consulate desires that we specify "U. S. and Argentina", as the source under country of origin on the Certificate of Origin.

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By ZJ NARA Date 7/22/99

FRB-NY
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Argentina
10/8

October 7, 1943

CONFIDENTIAL

Mr. W. S. McLarin, Jr., President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia.

Dear Mr. McLarin:

Banco Central de la Republica Argentina, Buenos Aires, which has an account on our books in which your bank participates, has requested us to ship to it, in lots of \$1,250,000, some of the gold which it has under earmark with us. Banco Central has also requested that these shipments be made via ships of the Argentine Merchant Marine now plying between the ports of New Orleans and Buenos Aires, and for this reason I am writing to you to inquire if you would be agreeable to have your New Orleans Branch handle these shipments for us in New Orleans, to the extent that we cannot handle them all from here.

We contemplate shipping the gold to New Orleans via Railway Express Agency Inc., and, if this is satisfactory to you, would request your New Orleans Branch to receive the shipments from the Railway Express Agency Inc. in New Orleans (at ship side), clear them through United States Customs, and deliver them to the steamers. It would be possible, of course, for us to engage the services of a forwarding agent, such as the American Express Company, but it would seem preferable, in view of the nature of the shipments, to avoid all unnecessary publicity, and this could, we feel, be best accomplished by having your New Orleans Branch handle these shipments for us. I might also mention that this would be in line with the policy we have followed from time to time with respect to gold shipments on the West coast where the Federal Reserve Bank of San Francisco has been good enough to help us in the past.

As in the case of shipments handled by the Federal Reserve Bank of San Francisco on our behalf, we would, of course, want to reimburse your New Orleans Branch for any out-of-pocket expenses incurred by it, as well as for its overhead expenses such as salaries of persons assigned to handle the shipments for the time spent by them on this work.

If it is agreeable to you to have your New Orleans Branch handle these shipments for us, will you kindly advise the Branch and us of your agreement. We would then write directly to the manager of the Branch, giving him all the necessary details.

Yours faithfully,

L. W. Knoke,
Vice President.

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 29, 1943.

TO Files
FROM H. L. Sanford

SUBJECT Gold Shipments to Argentina

(Copies to Messrs. Knoke and Liddy)

Reference is made to my memorandum on this subject dated June 28, covering telephone conversations with Mr. E. M. Bernstein of the Treasury.

Mr. Bernstein telephoned Mr. Knoke at approximately 1 p.m. today and said that he had again discussed the matter with the State Department and that the State Department representative had said that the State Department was not inclined "to budge one inch" from its previous position described in memorandum dated June 26 from D. J. Liddy to the Files and memorandum dated June 28 to the Files from H. L. Sanford, namely, that it would not let any gold be exported to Argentina.

At 1:45 p.m. the following draft of cablegram to Banco Central de la Republica Argentina was telephoned to Mr. Bernstein's secretary by Mr. Sanford's secretary, and later in the afternoon this cablegram was "cleared" with Mr. Bernstein by the writer, and dispatched to Argentina.

"Our No. 233 of June 17 Board of Economic Warfare has advised us in response to our application for air priority that it is able to recommend such priority for only those materials considered essential to the war or that are of emergency nature. STOP We are therefore not in a position at this time to make gold shipments to you by air"

HLS:EC

H.L.A.

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OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 28, 1943.

TO Files

SUBJECT Conversations with Mr. Bernstein

FROM H. L. Sanford

re Gold Shipments by Air to Argentina

(Copies to Messrs. Knoke and Liddy)

Mr. Knoke and the writer were in telephonic communication with Mr. E. M. Bernstein of the Treasury today at approximately 3:10 p.m. Mr. Knoke referred to his previous conversation on June 23 with Mr. Bernstein on the subject of Argentine gold shipments and to the conversation of Mr. Liddy and Mr. Bernstein on June 26. (See memoranda in the files, covering both of these conversations.) Mr. Bernstein confirmed that while he had agreed with us as to the advisability of permitting token gold shipments by air to Argentina, he also felt that the State Department must exercise the deciding influence these days. At this point Mr. Bernstein said that the State Department is completely disgusted with Argentina and that it wouldn't give Argentina a "dog's tail" these days.

Mr. Knoke said that his reason for calling at this time was to make sure that whatever views Mr. Bernstein expressed were the views of the Treasury and that whatever views Mr. Bonsal of the State Department expressed were those of the State Department. Mr. Bernstein confirmed that his statement of Saturday "that it would be a mistake for either the Treasury or the Federal to push anything at this time to help the Argentines ship their gold" represented the view of the Treasury and that Mr. Bonsal's statement to Mr. Bernstein that "the State Department would not let any gold go to Argentina at all" represents the view of our State Department.

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OFFICE CORRESPONDENCE

DATE June 28, 1943.

To Files
FROM H. L. Sanford

SUBJECT Conversations with Mr. Bernstein
re Gold Shipments by Air to Argentina

2.

(Mr. Bonsal is Chief of the American Republics Division of the State Department.)

Mr. Knoke furthermore said that we wished to be sure that the Treasury had in mind the following points in considering the matter of gold shipments to Argentina:

1. Canada permits shipments of gold held in Canada to all countries (other than enemy).
2. The Federal Reserve Bank of New York holds a license to export earmarked gold.
3. The matter of export of earmarked gold is now very important because of our record holdings of earmarked gold -- at present in excess of \$3,000,000,000.
4. The letter from A. A. Ballantine, Under Secretary of the Treasury, to this bank, dated March 15, 1933, in which was quoted a telegram from this bank to the Treasury, dated March 7, the contents of which telegram, Mr. Ballantine stated, were authorized by him in accordance with instructions from the Secretary of the Treasury and correctly expressed the policy of the Secretary of the Treasury with respect to the exportation of gold held under earmark at this bank.
5. The Treasury's plan for postwar monetary stabilization gives an important role to gold, and presumably nothing should be done to harm the prestige of gold.

At this point Mr. Bernstein had to interrupt the conversation and he promised to call back within the half hour.

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 28, 1943.

TO Files
FROM H. L. Sanford

SUBJECT Conversations with Mr. Bernstein
re Gold Shipments by Air to Argentina

3.

Mr. Bernstein telephoned at 4:15 p.m. and said that he had spoken with Mr. White, who had indicated that he was certain that the Treasury Department could not urge upon the State Department a change in policy with respect to Argentina, if, in fact, the State Department wanted to be "tough" with Argentina. Mr. Bernstein said that, if the State Department believes that small token shipments of gold to Argentina would give the Argentines the wrong idea of the real status of relations between the two countries (the State Department not wanting Argentina to gain the impression that the State Department is satisfied with its actions), then it would be difficult for the Treasury to make an adequate counter-response. Mr. Knoke replied that \$500,000 of gold shipments to Argentina in the course of a month, at a time when the Argentines are interested in moving a total of more than \$200,000,000, shouldn't cause Argentina to feel that "it is in clover" as far as relations with the United States are concerned, and that he thought that the State Department had many better ways to indicate that it is not satisfied with Argentina's foreign policy.

Mr. Knoke emphasized that we, of course, have no interest in the general question of what our State Department does in the conduct of relations with Argentina, but that he wished to point out that State Department action exercised through the medium of

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 28, 1943.

TO Files
FROM H. L. Sanford

SUBJECT Conversations with Mr. Bernstein
re Gold Shipments by Air to Argentina

4.

gold is not in line with our Treasury's policy to assign to gold a more important role in the post-war period. Mr. Bernstein said that he would have some difficulty in arguing for an easier policy toward Argentina with respect to gold, inasmuch as the Treasury for some time has been seeking a firmer policy toward Argentina on financial matters in general.

Mr. Knoke said that he was particularly anxious that the State Department realize in full the implications of refusing the export of earmarked gold to Argentina so that there would be no opportunity in the future for the State Department to say "why weren't these views brought to our attention?" Mr. Bernstein replied that he would bring our views to the attention of the State Department, not for the purpose of urging the State Department to change its decision not to permit the export of gold to Argentina, but simply for the purpose of placing before the State Department our views in the event that they wish to give any weight to them.

Mr. Knoke read a tentative draft of cable to Argentina, to be used if the State Department decision remains unchanged. It was agreed that Mr. Bernstein would telephone us tomorrow, after his conversation with the State Department.

HLS:EC



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BOARD OF ECONOMIC WARFARE

WASHINGTON, D. C.

~~OFFICE OF EXPORT CONTROL~~

JUN 2

In reply refer to: CE-5-2-MCP

June!
~~July~~ 23, 1943

Federal Reserve Bank of New York
Federal Reserve Station
New York, New York

Attention: Mr. D. J. Liddy

Gentlemen:

Reference is made to your letter of June 16, 1943, requesting an air priority for shipment of 207 tons of gold bullion to Banco Central de la Republica Argentina, Buenos Aires, Argentina.

It is regretted that we are able to recommend a priority for only those materials considered essential to the war, or that are of an emergency nature, and it is suggested that you forward the shipment via boat.

Very truly yours,

John K. O'Connor,
Acting Chief
Air Cargo Section
Transportation Branch

COPY SENT TO BUREAU
7/2/43

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 23, 1943

TO Files
FROM L. W. Knoke

SUBJECT Gold Shipments to Argentina

In discussing with Mr. E. M. Bernstein Argentina's renewed request of June 11 "Please begin shipments by air at your earliest convenience--", I again expressed the belief that in the interest of (a) the future of gold itself (which once again, in the White Plan, had been assigned a more important role), and (b) of avoiding unnecessarily adding to the friction in our relations with Argentina, the State and Treasury Departments should seriously consider the advisability of agreeing to small token shipments. I added that I made this recommendation because I felt that there seemed reasonable hope to think that after a few such token shipments had gone forward the Argentine bank would be satisfied that their gold was not frozen in this country and let it go at that. The tentative program I outlined to Mr. E. M. Bernstein was \$250,000 of gold during the first half of July, \$250,000 during the second half of July, similar shipments in August, and after that the next one say in October or November. This would reduce the Argentine gold holdings in this country by the trifling amount of say \$1,500,000--a mere drop in the bucket in view of the almost \$400,000,000 now held by us for that country. At the same time it could not hereafter be said that earmarked gold, of which we now have over \$3,000,000,000, could not be moved at the option of the owner. Mr. Bernstein thought that that was a reasonable program and added that he would try to push it with the State Department.

(Handwritten mark)

LWK:BOC

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 17, 1943.

TO Files
FROM H. L. Sanford

SUBJECT Gold Shipments by Air
to Argentina

(Copies to Messrs. Knoke, Liddy, and Lang)

I advised Mr. Bernstein by telephone today that we had dispatched a letter, dated June 16, 1943, to the Transportation Branch, Office of Exports, Board of Economic Warfare, Washington, D. C., making application for air transport priorities for the gold which Banco Central de la Republica Argentina has requested us to ship to it by airplane. I told Mr. Bernstein that a copy of this letter had been sent to him for his information.

Mr. Bernstein said he had previously talked to the State Department and that it was not favorably disposed toward the export of gold to Argentina. I said that as the Transportation Branch, Office of Exports, Board of Economic Warfare, or the Army Transport Service, would undoubtedly be discussing the matter with the Treasury and/or the State Department, I wished to give him our summary views on the matter of export of gold to Argentina by air, for his consideration in discussing the matter further with the State Department and with the air transport priorities authorities. The points I outlined to Mr. Bernstein were as follows:

- 1) It is generally realized that air transport facilities to South America are being strained by shipments of urgently needed freight and that, in terms of the total war effort, gold is not a very necessary commodity.

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 17, 1943.

TO Files
FROM H. L. Sanford

SUBJECT Gold Shipments by Air
to Argentina

2.

- 2) Notwithstanding (1), it would probably be advisable to indicate to Argentina, and to the world as a whole, that earmarked gold is freely exportable from the United States, within the limitations of the transportation facilities.
- 3) Such an indication could be given by the granting of priorities for token shipments of gold, say, in the amount of \$250,000 a week by plane via the east coast of South America to Buenos Aires and \$250,000 a week via the west coast to Buenos Aires. At this rate it would take a very long time for \$200,000,000 to be shipped to Argentina.

Mr. Bernstein said that he would again talk with the State Department as soon as ^{he} had the opportunity, and he indicated he believes that, to a considerable extent, the decision whether or not the export of earmarked gold to Argentina should be facilitated is to be arrived at by the State Department as a part of its whole attitude with respect to the relations between Argentina and the United States. Mr. Bernstein additionally commented that to permit the export of gold to Argentina is to reduce the "hold" which this country has on Argentina, to which I replied that Argentina has approximately \$354,000,000 of earmarked gold in this country at the present time, that its present plans contemplate shipments of only part of this amount (at the present time \$200,000,000), and that, in addition, Argentina has substantial dollar balances in this country. Furthermore, I indicated that

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 17, 1943.

To Files
FROM H. L. Sanford

SUBJECT Gold Shipments by Air
to Argentina

3.

at the rate of \$500,000 a week, the loss of Argentine assets would be a slow process, provided Argentina did not decide to ship by Argentine steamers from New Orleans to Buenos Aires (total costs 17.6 per cent, as compared with 1.6 per cent by air) or did not decide to send an Argentine warship for its gold. On the other hand, if it should be decided to allocate at least a token amount of air transport space for shipment of gold to Argentina, it might satisfy the Argentines or even discourage the whole program, once it became established in their minds that their earmarked gold is withdrawable.

Mr. Bernstein said that no quick action is to be expected, as it undoubtedly would be several days until the State Department completes its consideration of the matter.

HLS:EC

H. L. Sanford

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 14, 1945

TO Mr. Knoke

SUBJECT Gold Shipments to Buenos Aires

FROM H. C. Wallich

Copies to Messrs. Sproul (Rounds), Williams, Rouse, Roelse (Johnson), and Sanford

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By cable of June 11, the Argentine Banco Central has requested us to begin shipping gold by air. The fact that this request was made only a few days after a new regime came into power is not without interest. It is possible, of course, that the timing is purely fortuitous and has nothing to do with political developments. Nevertheless, if this were the case, one would almost assume that the Banco Central would purposely have refrained from approaching us at this time in order to avoid creating an erroneous impression. Two other explanations ought therefore to be taken into consideration. One is that there has been disagreement among Argentine authorities whether or not to ask for gold shipments, and that with the disappearance of the Castillo regime and the change of Finance Ministers, the party favoring shipments has now gained the ascendancy. The second possibility is that the new regime anticipates trouble with the United States. On the whole, the first alternative is more plausible. The Argentines can hardly fail to be aware that they cannot obtain shipping space for air transport at the present time. They may therefore aim merely at making a token shipment, in order to establish a precedent, by plane if possible, and otherwise by ship, as you anticipated some time ago. Since such a precedent would obviously not protect them in case of real trouble with this country, it is on the whole more likely that the explanation which assumes a reversal in the balance of opinions is the correct one.

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TREASURY DEPARTMENT
Washington

Oct. 10, 1946

Gentlemen:

The Federal Reserve Bank of New York, as fiscal agent of the United States, is hereby requested and instructed to send the following cablegram to Bank Nationale Suisse:

Our Treasury has informed us that the recent Allied Swiss gold settlement was based upon an understanding that you had received from the Reichsbank \$88,000,000 of gold which had been the property of the National Bank of Belgium; that in view of the Accord on this matter, the United States Government no longer considers this \$88,000,000 of gold to be "looted gold" under the United Nations Declaration of January 5, 1943, or the Gold Declaration of the Secretary of the Treasury of February 22, 1944; and that the remainder of the looted Belgian gold obtained by other countries will continue to be regarded as "looted gold" under these Declarations until settlements have been made therefor and accordingly until that time such gold will not be eligible for purchase by the United States. As you know, purchases by the United States of gold bars are effected through this bank as fiscal agent of the United States. Accordingly, we, as fiscal agent of the United States, would appreciate it if you would furnish us with the bar numbers and other identifying marks on the \$88,000,000 of gold acquired by you, so that in the event this gold is offered by any third country for sale to us as fiscal agent of the United States, we will not be required to reject such gold as "looted gold".

The Federal Reserve Bank of New York, as fiscal agent of the United States, is also authorized and instructed to send a similar cablegram to the Sveriges Riksbank substituting "Allied Swedish" for "Allied Swiss" in the first line of the cable and substituting "7,155.32664 kilograms" for "\$88,000,000" wherever the latter figure appears in the cable.

Please advise us promptly of any answers received to the foregoing messages.

Very truly yours,

John W. Snyder

Secretary of the Treasury

Federal Reserve Bank of New York
33 Liberty Street

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August 9, 1946.

TO Mr. Sanford
FROM Alfred H. Von Klemperer

Copies to: Messrs. Knoke, Logan, and Lang.

Pursuant to your request to Mr. Rosell, the following information is submitted on the history and composition of international agencies and commissions which are concerned with the reparation problem of World War II.

The problem of reparations was first approached during the Crimean Conference at Yalta in February 1945, when it was decided by the United States, British, and Russian heads of State to create an "Allied Reparation Commission" consisting of the United States, the United Kingdom, and the U.S.S.R. This commission was to meet in Moscow for the purpose of studying and making recommendations to the three governments on the general subject of German reparations.

In June 1945 the Allied Reparation Commission (also called "Allied Commission on Reparations") started negotiations in Moscow, and the result of these negotiations formed the basis of the agreement on German reparations which was reached during the "Tripartite Conference of Berlin" (usually known as the "Big Three Meeting of Potsdam") held from July 17 to August 2, 1945.

The Potsdam Agreement admitted France as an additional member of the Allied Reparation Commission. It also charged the "Allied Control Council" in Berlin with the determination of the amount and character of German industrial equipment to be removed as reparations, such determination to be made subject to recommendations of the Allied Reparation Commission.

The Potsdam Agreement created two distinct groups of reparation recipient countries. In the first group was Russia which was to supply Poland from its share of reparations. The second group consisted of France, the United States, and the United Kingdom, which were to share their receipts with the remaining allies.

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In late October 1945 the United States, France, and the United Kingdom began discussions at Paris pertaining to the distribution of reparations among the second group and on November 9, 1945 they were joined by the following countries:

Albania	Egypt
Australia	Greece
Belgium	India
Canada	Luxembourg
Czechoslovakia	Norway
Denmark	New Zealand
The Netherlands	Union of South Africa
	Yugoslavia

The Paris Conference resulted in the fixing of the percentage share of each individual country in the reparations to be received by the entire group. It also created an "Inter-Allied Reparation Agency" (hereinafter called "Agency") for the purpose of allotting reparations among the individual members of the group. It should be noted that the Agency only handles the distribution of German reparations to be received by members of the second group (that is, non-Russian), but that the over-all control of German reparations rests with the Allied Control Council and the Allied Reparations Commission in Berlin.

Reparations from non-German European countries will be discussed at the present Peace Conference in Paris, after no fundamental agreements could be reached during the recent Foreign Minister meetings of the "Big Four". The reparations from Japan are completely separate and are being handled through the Far Eastern Commission.

The Swiss Reparations Agreement

The above agreement provides for identification and liquidation of gold and German funds through a Swiss Government agency, in cooperation with "a

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commission" composed jointly of the United States, the United Kingdom, France, and Switzerland. Funds and gold that will be assigned to the three allied countries (U.S., U.K., and France), are to be turned over to the aforementioned "Inter-Allied Reparation Agency" for distribution amongst the 18 allied countries (see page 2) in accordance with the resolutions of the Paris Reparations Conference.

This would indicate that any accounts to be opened here in connection with the Swiss settlement -- as indicated in Mr. Lang's memorandum of August 5 -- would likely to be established for the "Inter-Allied Reparations Agency", an international body. There is the other, and less likely, possibility that the accounts may be opened for that unnamed commission (consisting of the United States, the United Kingdom, France, and Switzerland) which was set up under the Swiss Agreement to cooperate with a Swiss agency in the identification and liquidation of German property in Switzerland.

The U.S.S.R. is in no way connected with the Swiss settlement. The beneficiaries of the settlement are only those allied countries which are represented by the "Inter-Allied Reparations Agency".

The Reparation Agreement with Sweden

The agreement with Sweden is slightly different. It provides for only 21 million dollars to be transferred to the "Inter-Allied Reparations Agency", while 14 million dollars will be placed at the disposal of the "Inter-Governmental Committee on Refugees", and 42 million dollars are to be used for the purchase of commodities for the three western zones of Germany.

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TRANSCRIPT OF NOTES TAKEN AT MEETING HELD IN
WASHINGTON, D. C., ON JUNE 24, 1953, FOR THE
PURPOSE OF DISCUSSING THE LETTER DATED APRIL 17,
1953, FROM THE FEDERAL RESERVE BANK OF NEW YORK TO THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM AND THE
ENCLOSURES THERETO WITH REFERENCE TO THE GOLD POOL.

The morning session was attended by the following:

From the Board of Governors of the Federal Reserve System:

Governor M. S. Szymczak
George B. Vest, General Counsel
Frederic Solomon, Assistant General Counsel
Jerome W. Shay, Assistant Counsel
S. R. Carpenter, Secretary
Arthur W. Marget, Director, Division of
International Finance
Lewis N. Dembitz, Assistant Director, Division
of International Finance
George S. Sloan, Director, Division of Examinations
Robert F. Leonard, Director, Division of Bank
Operations
Frank M. Tamagna, Chief, Financial Operations and
Policy Section, Division of International Finance

From the Federal Reserve Bank of New York:

Walter S. Logan, General Counsel
Todd G. Tiebout, Assistant General Counsel
L. W. Knoke, Vice President
Norman P. Davis, Assistant Vice President
Charles R. Pricher, Special Assistant, Foreign Dept.
Edward G. Guy, Assistant Counsel.

Governor Szymczak opened the meeting at approximately 11:30 a.m.

Mr. Vest referred to the letter dated April 17, 1953, from the Federal Reserve Bank of New York to the Board of Governors of the Federal Reserve System with reference to the proposed gold pool and said that the purpose of the meeting was to discuss that letter and matters pertaining to the proposed gold pool. He said he thought it would be helpful for one of the representatives from the Federal Reserve Bank of New York to outline the proposed plan and its desirability. Mr. Logan said that Mr. Knoke had requested his (Mr. Logan's) opinion as to the legal aspects of the Federal Reserve Bank of New York holding gold in a pool instead of earmarking specific bars for

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correspondents. Mr. Logan said that his opinion had been to the effect that he knew of no insuperable legal obstacle, from the standpoint of the Federal Reserve Bank of New York, to the adoption of a procedure whereby the bank would in effect hold a pool of gold bars, and our correspondents for whose account we would hold the gold would each own an undivided interest in such pool of gold bars pro rata according to the number of ounces to which the respective correspondents would be entitled. In this connection Mr. Logan referred to the provision in the Federal Reserve Act authorizing the bank to "deal in" gold bullion. He also said that he thought that the Federal Reserve Bank's powers to deal in and make loans on gold bullion included the power to make loans on undivided interests in such a pool of gold bars, but that as a matter of fact the proposed gold pool plan had not developed to the point where it had been decided exactly what position should be taken with respect to gold loans to participants in the proposed gold pool.

Governor Szymczak asked what brought Mr. Knoke to the point of requesting such an opinion from Mr. Logan. Mr. Knoke replied that the volume of gold transactions at the time indicated a possible shortage both of space and manpower; that the benefits to be derived from the proposed plan had been so obvious that the British even after the end of the war clearly recognized the advantages of such an arrangement; that the cost of earmarking specific bars was considerably more than would be involved under the proposed gold pool; that the gold pool would enable the Federal Reserve Bank to give better, prompter service at less expense; that the examiners from the Board of Governors had mentioned the advantages of the pooling system and that Mr. Lang, the Chief Federal Reserve Examiner, had recently indicated that he felt that if a gold pool were established possibly 80% of the gold in the pool could be put under seal and not disturbed, leaving a sufficient working balance to take care of ordinary transfers or transactions.

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Governor Szymczak also asked how long the Bank of England had had a gold pool. Mr. Knoke said that the Bank of England established its gold pool in 1940 and had indicated at that time that they would revert to their existing earmarking procedure after the war was ended, but that apparently recognizing the advantages of the pooling system they did not give up their gold pool system until 1950 when they received several legal opinions indicating that their action in 1940 probably resulted in the Bank of England acquiring the ownership of the gold bars which had been deposited by correspondents and were placed by the Bank of England in the gold pool. Mr. Knoke also said that the British recognized that a complicated contract with the participants in the pool could possibly overcome the legal difficulties involved in a gold pool system, but that the Bank of England had not seen fit to embark upon such a program.

Governor Szymczak also asked how other foreign central banks felt about the gold pool system. Mr. Knoke said that our information indicated that other foreign central banks had viewed the Bank of England's gold pool with mixed feelings: De Nederlandsche Bank and Banque Nationale Suisse did not like the gold pool though they went along with it even after 1945; the BIS and the Banque de France appeared to approve of the gold pool; the Scandinavian banks went along with the Bank of England's gold pool but probably were not enthusiastic about it. As to the feeling of the foreign central banks to a gold pool at the present time, Mr. Treiber recently discussed the proposed gold pool plan briefly at the Bank of England and understood that the Bank of England probably would not be enthusiastic about a gold pool. Mr. Holtrop of De Nederlandsche Bank has indicated that he did not like the pooling system, and Dr. Keller of Banque Nationale Suisse has also indicated that he disapproved of the system. By and large foreign central banks probably would not be enthusiastic about a gold pool but possibly would go along with it if it appeared to be necessary. Mr. Knoke commented briefly upon recent discussions with

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Mr. Sproul with reference to what policy should be followed as to: (1) whether, if some of our correspondents refuse to participate in the gold pool, we would be willing to continue to hold specific unmutilated United States Assay Office gold bars under earmark for such correspondents, (2) if so, whether we should make a custody charge, or (3) whether we should bluntly insist that our correspondents take such gold bars away which might mean, for example, that they would ship them to Canada; Mr. Knoke said that this was a matter which would be resolved later if and when the gold pool program was further along.

Governor Szymczak said that he supposed that, if the Federal Reserve Bank of New York and the Board of Governors of the Federal Reserve System feel that the gold pool program should be put into effect, the matter would be discussed with the State and Treasury Departments. Mr. Knoke said in this connection that if the Board of Governors of the Federal Reserve System approved the proposed gold pool idea, the matter would be submitted to the Treasury Department and he indicated that we did not know at this time whether or not the Treasury Department would be favorably inclined to the proposed plan though possibly some persons at the Treasury might be opposed to the gold pool idea. Mr. Knoke also said that if the gold pool was approved by the State and Treasury Departments as well as the Federal Reserve System then Mr. Sproul might next write a personal note to Mr. Cobbold of the Bank of England with reference to our proposal, but Mr. Knoke said that this latter step was in the distant future.

Mr. Marget suggested that we might want eventually to take up with the State Department the question of just how much pressure it would be advisable to bring on foreign central banks to participate in the gold pool. Mr. Knoke indicated that he agreed with this but that at the present time he would like to discuss the merits of the program and he said that in the event of an emergency we might have to put the proposed gold pool into effect. Mr. Vest said

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that we probably could not decide exactly what we would want to do if certain central banks did not want to participate in the pool, but he indicated that that might be a key question for the Board of Governors to consider and felt that perhaps we should discuss the matter therefore with a view to being prepared to answer that question. Mr. Knoke indicated that he agreed with Mr. Vest, but he first wished to discuss the technical advantages pro and con with respect to the proposed gold pool and reiterated that at some time we might have to put the gold pool into effect; that we might in the event of a war even have to do as the British did when they put the gold pool into effect without first getting the consent of their foreign correspondents. Mr. Knoke further said that if we decide the gold pool has merits we can then decide exactly what steps should be taken in order to sell the program to the foreign correspondents.

Mr. Vest asked how much savings of vault space and manpower would result from the adoption of the gold pool. Mr. Davis said that our estimates in this connection were made in 1948 when we had much less gold than we now hold. Mr. Davis also said that he wished to point out that when the Bank of England referred to the advantages of the gold pool system it was not referring to saving space for the Bank of England probably had plenty of space for the gold deposited with it. Mr. Marget asked if they were then referring to manpower. Mr. Davis indicated that he thought they were and said that he would like to point out that a transfer involving the movement of gold involves a great amount of manpower. For example, a flat on which gold is moved will hold gold valued at approximately \$1 million or about one ton of gold. If gold in the amount of \$100 million is to be transferred approximately 100 flats would be involved. In addition each bar has to be weighed, entered and checked on a list and since triple controls are required a lot of people are involved. Mr. Pricher said that it was estimated that 8 to 10 compartments in our vaults would be freed by utilizing the gold pool and he referred to and quoted from

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the memorandum from Mr. Bilby to Mr. Knoke dated December 8, 1948, which was enclosed with the Federal Reserve Bank of New York's letter of April 17, 1953, to the Board of Governors. Mr. Knoke added that there would be a good deal of saving in bookkeeping records as well under the gold pool system. Mr. Vest asked what movements of gold would be involved if the gold pool were in effect. Mr. Davis indicated that among the movements of gold which would still be involved would, of course, be imports of gold and exports but that these transactions are handled rather simply. Mr. Vest inquired as to the total number of compartments for gold in the Federal Reserve Bank of New York. Mr. Pricher said he thought there were more than 24. Governor Szymczak inquired whether it would be possible to put the gold now in the custody of the Federal Reserve Bank of New York in fewer compartments. Mr. Logan indicated that that was not practicable because we have to identify and at times get at particular bars. In this connection, Mr. Davis pointed out that compartments that theoretically can hold gold bars valued at \$600 million may under the present earmarking system contain gold valued at only \$300 million. Governor Szymczak referred to the fact that under the gold pool plan a transfer could be accomplished by taking any bars rather than having to get at particular bars. Mr. Knoke pointed out also that transfers between participants in the gold pool could be executed in exact amounts under the gold pool plan. Mr. Davis said that under the gold pool participants might possibly even request transfers of gold in dollar amounts rather than in ounces.

Mr. Knoke stated that the Bank of England considers the gold pool system advantageous from the standpoint of the mechanics of operation. Governor Szymczak asked if any central bank other than the Bank of England had ever used the gold pool system. Mr. Knoke thought not; that at the present time Canada and the United States seemed to be the only two countries which are probably considered appropriate depositaries for gold and that the latter fact poses

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somewhat of a problem for us as to how we will treat a correspondent who does not wish to participate in the pool; under such condition, from a standpoint of policy, it might not be wise to insist on the correspondent's participating or taking his gold out of the United States since he really has no place to which to take it.

Governor Szymczak inquired if it would be possible to utilize the vault space for gold in the other Federal Reserve Banks. Mr. Knoke pointed out in this connection that the Federal Reserve Bank of New York was close to the United States Assay Office and that if gold were being held at the Federal Reserve Bank of St. Louis, for example, shipment would have to be made from the Assay Office to such bank; also the other Federal Reserve Banks have little or no experience in handling gold although such experience could, of course, be acquired. Mr. Leonard said that most of the Federal Reserve Banks were very cramped for vault space for their present operations. Mr. Vest said that the proposed plan included a provision for possibly moving the gold to other Federal Reserve Banks. Mr. Knoke pointed out in this connection that such a provision had been put in in view of our experience in the early days of World War II when the Treasury had indicated that it might be desirable for us to move the gold in our custody out of New York; and that the provision had been put in the present plan to answer problems which had arisen in connection with that previous experience. Mr. Vest asked if the gold were moved under the proposed plan to another Federal Reserve Bank would it, in effect, still be held by the Federal Reserve Bank of New York. Mr. Knoke said that at the present time the Federal Reserve Bank of New York holds at the Federal Reserve Bank of San Francisco certain gold for certain foreign correspondents. Mr. Vest said that as he understood it the Federal Reserve Bank of San Francisco in that connection acted as agent of the Federal Reserve Bank of New York. Mr. Logan said that a similar arrangement was contemplated under the proposed plan which has been drafted.

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Governor Szymczak inquired whether, if the proposed gold pool plan proceeded to the point where it was submitted to the correspondents and some of those correspondents refused to participate in the pool, it would be possible for them to move their gold to commercial banks. Mr. Knoke said that this was not possible because at the present time commercial banks are not licensed to hold gold, but that the foreign correspondents might possibly move the gold to Canada. In the latter connection, Mr. Davis said that such a move to Canada would constitute an expense to the foreign correspondent and furthermore he did not think there were facilities in Canada for handling much more gold.

Governor Szymczak asked why the Swiss and Dutch central banks did not approve of the Bank of England's gold pool. Mr. Logan said that the Bank of England's gold pool had not been set up in a meticulous way; that the foreign correspondents were not asked if they wished to participate in the pool or not; that it was not clear that under the way the pool had been set up the correspondents owned any gold; and that the legal opinions which the Bank of England eventually obtained indicated that all the correspondents had under the gold pool was a gold debt or right to demand gold. Such opinion was contrary to the first legal opinion which the Bank of England had obtained. Counsel for the Bank of England in the later opinions indicated that to avoid this situation which the Bank of England had created by establishing the pool without consulting the correspondent first, it would be necessary to have a complicated contract vis-a-vis the Bank of England and vis-a-vis the correspondents participating in the pool. Mr. Logan said that the Bank of England didn't work out any such contract, but that we have attempted to do just that, and he felt that under the proposed plan the correspondents participating in the pool clearly owned the gold in the pool. Mr. Davis read the following quotation from Mr. Rushmore's memorandum dated August 19, 1948, which memorandum is one of the attachments

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to Mr. Bilby's memorandum to Mr. Knoke dated December 8, 1948, which was enclosed with the Federal Reserve Bank of New York's letter dated April 17, 1953, to the Board of Governors of the Federal Reserve System:

"Mr. ten Cate, Manager of the Foreign Department of De Nederlandsche Bank, said that the general opinion in his bank was that they did not like the English system. He said that when gold is deposited in custody the depositor is entitled to the return of the same property originally deposited, whereas under the present English system all depositors of gold are joint proprietors of the gold. He said that they were still concerned about the legal status of the gold, i.e., whether they were still the proprietors of their gold or if they were just a general creditor of the Bank of England, notwithstanding the fact that the Bank of England had given them certain assurances on this question. * * *

Mr. Marget said he thought Mr. ten Cate's answer might be a little different from Mr. Logan's. Mr. Davis and Mr. Vest, however, felt that Mr. ten Cate's answer was the same as Mr. Logan's. Mr. Logan read the quoted material from Mr. Grafftey-Smith's letter, which appears on pages 2 and 3 of the Federal Reserve Bank of New York's letter of April 17, 1953, to the Board of Governors of the Federal Reserve System.

Mr. Marget said that if, as seems to be the case, there are clearly technical advantages in adopting the gold pool system and if the program proceeds to the point where we inform the correspondents of our proposals, what would be the grounds for those foreign correspondents objecting to participation in the gold pool and how could we resolve their doubts. In this connection Mr. Marget referred to the Bank of England's recent statements to Mr. Treiber and said that he wondered just why the Bank of England appeared cool to the proposed plan. There was a brief discussion by Mr. Knoke and Mr. Logan with respect to the latter point. Mr. Knoke also said that one block to participation by certain of the foreign correspondents might be that their own statutes and laws would prohibit their joining the pool. Governor Szymczak, Mr. Knoke and Mr. Logan also discussed briefly the traditional feeling of owners of gold that their gold should be segregated rather than mingled together in a pool.

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Mr. Carpenter, with reference to the steps which might be taken to resolve the doubts of foreign correspondents with respect to the gold pool, said that opinions might be obtained from the Federal Reserve System, the Treasury Department, possibly the International Monetary Fund, and perhaps others, to the effect that it was clear that the foreign correspondents owned an undivided interest in the pool and covering other points; he said that that was about the only assurance that probably could be given; and he thought that this would be quite effective. Mr. Logan said that, of course, that would still leave the traditional feeling referred to above favoring specific earmarking rather than pooling of gold. Governor Szymczak referred to the problem of looted gold and said that as he recalled one country at least got back some of its looted gold by being able to specifically identify and trace certain gold bars. Mr. Vest asked what the situation would be with respect to identification of bars in the pool. Mr. Davis and Mr. Knoke indicated that a bar list would be maintained of all gold bars in the pool and that all bars in the pool could be located at any given time. Mr. Leonard and Mr. Solomon also commented briefly on their understanding of the identification of gold bars in the pool.

Mr. Marget asked if Treasury Department officials had given any reason for disapproving of the gold pool. Mr. Knoke made it clear that although he anticipated that some officials in the Treasury Department might possibly object to the pool the matter had not been discussed with these officials; and Mr. Davis and Mr. Knoke said that Mr. Leland Howard appeared to favor the gold pool system. Mr. Marget and Mr. Vest said that an opinion of the Treasury lawyers favoring the proposed plan probably would be very reassuring to the foreign correspondents in view of the fact that since the Treasury Department would be participating in the pool along with the foreign correspondents, its interest would be similar to that of the foreign correspondents.

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Messrs. Davis, Marget, Logan, Dembitz and Tamagna discussed the question of whether the gold subscription of foreign countries in the International Monetary Fund might be analogous to participation in the proposed gold pool; and the conclusion seemed to be that there was not much similarity between the two cases since with respect to the Monetary Fund no country has a right to claim gold which has been subscribed to the Fund whereas with respect to the gold pool the participants in the pool own the gold in the pool. Mr. Davis pointed out that, notwithstanding that they have no right to reclaim specific bars delivered as subscription to the International Monetary Fund, most countries include such gold subscription as part of their official monetary reserves.

Mr. Marget said that the discussion seemed to indicate that the determination of how the foreign correspondents would react to the proposed gold pool and what should be done about such reaction, would be a matter which would be taken up after the Treasury Department's decision with reference to the proposed plan. Mr. Knoke who agreed with this said that if the Treasury Department did not participate in the pool there would be no use attempting to put the gold pool plan into effect; and he and Mr. Logan explained that since most transactions effected would involve the Treasury if the Treasury did not participate in the pool there would be no advantage in setting up the gold pool, and also that if the Treasury wouldn't go along with the proposed plan this might cause many of the foreign correspondents to hold back.

Governor Szymczak asked Mr. Vest what his opinion of the proposed plan was. Mr. Vest said that he agreed with Mr. Logan's opinion, that the proposed plan was within the authority of the Federal Reserve Banks and was not ultra vires. He said that other questions concerning the proposed plan would have to be resolved with reference to the participants in the plan and that we could not visualize all of the matters that might bother correspondents. He said that the draft which had been prepared by the Federal Reserve Bank of

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New York of letter to correspondents setting forth the proposed plan attempts to answer many of the questions which would be raised and that the Legal Division of the Board feels that probably most have been eliminated, but one could not be sure at this point that that was so; moreover, one could not be certain of the decision the courts might make with respect to all matters related to the gold pool because it was impossible to visualize all the factual situations which might be involved. Governor Szymczak asked if there was any possibility of getting a court to pass upon the gold pool plan right now. Mr. Vest said that he could not visualize any means of getting such an opinion; that a declaratory decision did not appear to be possible since no controversy was at the present time involved. Mr. Logan said that he did not think anyone would question that the proposed gold pool plan was not ultra vires for the Federal Reserve Banks. Governor Szymczak raised a question as to whether in connection with the Treasury Department's decision an opinion from the Attorney General would also be necessary. Mr. Logan and Mr. Vest indicated that they thought the Treasury Department lawyers would have to render an opinion with respect to their participation in the gold pool; that they did not think that the Treasury Department lawyers would have to obtain an opinion from the Attorney General to make their decision, and that an opinion from the Attorney General would add little if anything to the decision of the Treasury Department lawyers.

Mr. Vest said that from a procedural standpoint the Federal Reserve Bank of New York's letter of April 17, 1953, to the Board of Governors in effect submitted the proposed gold pool plan preliminary to discussion, that we are now having the discussion and, accordingly, the next step to be taken would be to present the matter to the Board of Governors to see if the Board of Governors has any objection to presenting the matter to the Treasury Department, that if the Treasury Department approves of the plan and also

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possibly the State Department approves, then the matter would be taken up with the other participants in the pool. Mr. Knoke said that as he understood it the matter was now before the Board of Governors of the Federal Reserve System. Mr. Logan said that he thought the Federal Reserve Bank of New York has submitted all information necessary to make a preliminary presentation of the matter to the Treasury Department. Governor Szymczak asked if the gold pool plan had come to the attention of the Board of Directors of the Federal Reserve Bank of New York. Mr. Logan said that as a matter of information the directors of the Federal Reserve Bank of New York have been informed of the plan. Governor Szymczak asked if the New York directors would not have to act upon the plan. Mr. Logan indicated that he thought they would before any contract was actually made, but said that that point had not yet been reached, of course, and that many changes might be made in the contract before it was in final form.

Mr. Leonard said that several years ago the examiners of the Federal Reserve Board had mentioned the possibility of considering a gold pool in their report to the directors of the Federal Reserve Bank of New York, including Messrs. Aldrich, Conway and Myers, and that at that time Mr. Aldrich had appeared to be very much interested in the idea.

The meeting recessed for lunch at 1:00 p.m.

* * * * *

After lunch the meeting reconvened at approximately 2:00 p.m. for the purpose of discussing the points covered in Mr. Vest's memorandum, a copy of which is attached hereto. All who were present at the morning session attended the afternoon session with the exception of Mr. Dembitz.

In connection with the first question in subparagraph (1)(a) of Mr. Vest's memorandum, referred to above, there was the following discussion.

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Mr. Marget said that he wondered if those who would be asked to participate in the pool would have any sound basis for refusing to do so; that as he understood it the Bank of England's pool was not looked upon favorably because it was not carefully set up and established; he said that if the correspondents were just arbitrary in their refusal that would be one thing, but if they had some real basis for refusing to participate that would be another, and in this connection he wondered if Mr. Holtrop, who apparently does not like the gold pool idea, would feel that he was losing something to authorize the gold of Netherlands Bank to be put in the pool. Mr. Vest said that it would be almost impossible at this time to know whether the foreign correspondents would have substantial objections to participation in the pool. Mr. Logan said that he would be reluctant to assume that the foreign correspondents would turn us down if we made a full presentation of the case, or that they would arbitrarily refuse to participate in the pool.

Mr. Marget asked what the pool would offer to the foreign correspondents in the way of savings. Mr. Leonard said that he thought the savings to the foreign correspondents resulting from the gold pool would be rather small. Mr. Knoke pointed out that we rather than the correspondents would substantially gain from the establishment of a gold pool. Mr. Knoke also noted that if the correspondents indicated to us that their statutes and laws did not permit them to join the pool then we, of course, could not require them to join the pool and would have to continue the individual earmarking of their gold, but we might make a charge for so holding gold. Mr. Knoke pointed out that the Bank of England's letter of March 25, 1953, stated that the Bank of England was sympathetic to our approach to the gold pool but that they were in a difficult position. Mr. Vest asked if the Bank of England had been a participant in the pool established at the Bank of England. Mr. Davis said that although the

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Bank of England did not own any gold he thought the British Stabilization Fund was a participant in the Bank of England's gold pool.

Governor Szymczak remarked that as he understood it if the proposed gold pool idea received the backing of the Board of Governors, the Treasury Department and perhaps others, the next step would be to consider exactly what the contract with the participants should contain and then to decide how to approach the proposed participants to join the pool. Mr. Marget asked at what point the International Monetary Fund would be approached so that their lawyers could also consider and presumably approve of the gold pool idea. Mr. Davis noted that the International Monetary Fund had been a participant in the British pool and Mr. Knoke said that originally the International Monetary Fund had been in favor of the gold pool idea, but recently after the Bank of England's experience seemed to have become less enthusiastic about the idea - Mr. Rooth had indicated only yesterday that he thought probably the International Monetary Fund might not like the idea - but in this connection Mr. Knoke said Mr. Rooth might be reflecting the approach of central banks rather than the Fund itself. Mr. Marget said he thought it would be important to get the International Monetary Fund's lawyers to consider the matter and Mr. Knoke agreed and indicated that he thought the International Monetary Fund's lawyers should be approached just before the matter was submitted to the foreign correspondents. Mr. Marget said that the discussion indicated to him that the matter would be presented first to the Board of Governors, then to the Treasury Department, and perhaps the State Department, and then to the International Monetary Fund. Mr. Knoke noted that the International Bank held no gold. Mr. Vest said he thought it would be a good idea to reserve decision on just when to present the matter to the International Monetary Fund, at least until the matter has been explored with the Treasury Department. Mr. Knoke said he

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thought it would be helpful in approaching the foreign correspondents to have the backing of the International Monetary Fund.

Mr. Knoke and Mr. Pricher noted that although the matter had not yet been resolved it would seem that if 50% of the proposed participants refused to join in the pool it would not be profitable to establish a gold pool. Mr. Leonard asked if the determining factor in this connection was the number of transactions or the amount of gold. Mr. Davis said that he thought the number of transactions would be more important but that was a difficult thing to determine in advance.

Governor Szymczak said he thought the second question under subparagraph (1)(a) of Mr. Vest's memorandum had been answered.

Mr. Knoke asked if those present generally felt we would be justified in making a charge for earmarking. Mr. Vest said he thought such a charge would be justified, but that the imposition of the charge might be misunderstood and, accordingly, it would be important to give careful consideration to what impression was being created in imposing the charge. Mr. Leonard asked if the charge would be for profit or as a penalty. Mr. Knoke said that he had in mind that the charge would more than cover expenses; that the charge should be a small penalty. Mr. Tamagna asked if the present charges for earmarking included overhead. Mr. Knoke said no; that at one time in the 1920s we did make a custody charge but that we had discontinued the charge because, although Mr. Logan would never admit it, the lawyers indicated that to make such a charge might be to increase the bank's liability. Mr. Logan said that he did not recall the details of the discussion that Mr. Knoke had reference to, but that the matter of charging involved the difference between the liability of a bailee for hire and of a gratuitous bailee. There followed a further brief discussion clarifying the charges which the bank presently

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makes in connection with earmarking gold. Mr. Vest noted that if the Federal Reserve Bank charged for all expenses, including overhead, it still might be acting merely as a gratuitous bailee and if that were done he wondered if that would have any effect on the desirability of proceeding with the proposed gold pool. Mr. Knoke said he thought it would have no effect because the most desirable features of the gold pool are saving of space and manpower rather than the expense involved. Mr. Leonard added that the gold pool also resulted in eliminating inefficiency and unnecessary operations. Mr. Knoke said that the real problem in gold transactions was in obtaining the necessary manpower, not paying for it; that we faced that problem at one time and that we might be faced with it again in the future. Mr. Marget said that as he understood it, the present discussion was directed to consideration of what we would tell the foreign correspondents in connection with charges and that the real reason for making the charge for specific earmarking was to act as a deterrent to such earmarking. Mr. Knoke said he felt the charge was distinctly a penalty but that he did not feel that it needed to be so explained to the foreign correspondents. Mr. Vest said that apparently if the foreign correspondents said that they would be willing to pay all our costs including a reasonable custody charge if we would continue to earmark their gold our answer would be that we needed the space and in an emergency we would also have a manpower problem. Mr. Logan said possibly the Bank of England might take the position that it was willing and preferred to pay a charge in return for our continuing to earmark England's gold with the Federal Reserve Bank. Mr. Leonard noted that if the rate was a penalty rate we would want to consider whether those who can't come in because of their statutes should be treated the same as those who could come in but for other reasons do not wish to. Mr. Davis said we would also have to consider whether any charges should be made with respect to gold not eligible to go into the pool.

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With respect to subparagraph (1)(b) of Mr. Vest's memorandum, Mr. Vest said that he had talked this matter over with Mr. Logan at lunch and that he thought a slight clarification or change in the proposed letter to correspondents would take care of this matter.

With reference to subparagraph (1)(c), Mr. Vest said that the first part of this paragraph had already been discussed and with reference to the second part of subparagraph (1)(c) he assumed that the contract for participation of the World Bank would be the same as with the other correspondents. Mr. Logan said that he thought that it would be. With reference to the question of whether the proposed letter to foreign correspondents would be sent to institutions which have no gold, Mr. Logan referred to the footnote on page 1 of the proposed letter to correspondents enclosed with the Federal Reserve Bank of New York's letter dated April 17, 1953, to the Board of Governors.

With reference to subparagraph (1)(d) of Mr. Vest's memorandum, Mr. Vest referred to the discussion, noted above, concerning possible objections which the Treasury Department might have to the gold pool, and he asked Mr. Davis if he wished to discuss the matter of the exclusion of United States coin bars from the pool. Mr. Davis said that about all he knew was included in the material which had been submitted to the Board of Governors with the Federal Reserve Bank of New York's letter of April 17, 1953; that he felt that, in effect, the Treasury had resolved the question of United States coin bars when it approved of the letter dated June 17, 1952, from the Federal Reserve Bank of New York to correspondents, a copy of which was included with the material submitted with the Federal Reserve Bank of New York's letter dated April 17, 1953, to the Board of Governors of the Federal Reserve System; Mr. Davis noted that the Treasury Department did possess a substantial amount

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of coin bars most of which were held at Fort Knox. Mr. Leonard asked what the cost of converting these coin bars to fine bars would be. Mr. Davis said that he was not sure but he thought it would cost the Treasury Department several million dollars to convert its present holding of coin bars to fine bars. Mr. Tamagna said that as he understood it the Treasury Department had enough fine bars so that it would not, under normal circumstances, need to use the coin bars. Mr. Knoke said that at one time the Treasury Department looked favorably upon coin bars but that that was no longer so. Mr. Tamagna said that it would probably be cheaper ordinarily for the Treasury to ship fine bars from its various storage facilities than to convert into fine bars, coin bars which might be at the site needed.

In connection with the possible objections which the Treasury Department might raise to the plan, Mr. Solomon said that although he had not given the matter any previous consideration and perhaps it was not a worthwhile suggestion, he wondered whether, if the Treasury Department raised objections to the pool, consideration should be given to the possibility of a Federal statute covering the gold pool plan; and in connection with such suggestion, Mr. Solomon referred to the Federal statute providing for recording of liens on ships. Mr. Vest and Mr. Solomon indicated that any such proposed Federal statute covering the gold pool would, of course, require Treasury support. Mr. Logan said that he thought that Mr. Solomon's suggestion should be given careful consideration; that a Federal statute might give the plan appropriate dignity and formality; that if a Federal statute were to be recommended to Congress he thought that consideration should be given to a provision in such statute to the effect that the states of the United States are prohibited from imposing any tax on gold or gold transactions and that problems in connection with attachment could also be covered in the statute. In the latter connection,

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Mr. Vest referred to subparagraph (2) of his memorandum and said that the proposed letter to correspondents enclosed with the Federal Reserve Bank of New York's letter of April 17, 1953, to the Board of Governors had attempted to cover many of the doubts which might be involved in connection with the question of attachment, that under all circumstances it was not entirely clear to him whether A and B could contract in a way which might affect C, an attaching creditor, but that he felt the draft submitted went about as far as it could in this direction. He also noted that even if all questions are reasonably clear under New York law other states at some future time might also be involved and moreover it was difficult to visualize all the factual situations which might possibly arise. Mr. Vest asked what the other lawyers felt about this question of attachment. Mr. Logan said that there was no use kidding ourselves, that those who wished to raise objections to the gold pool idea have something substantial to talk about in connection with the uncertainties of an attachment and he said that while he felt that the provisions relating to attachment in the proposed letter to correspondents would be upheld under New York law one could not be certain of future cases in other states or under all factual situations, and he said that, of course, if an attaching creditor thought there would be some advantage in raising the issue he, of course, would do so. Mr. Davis said that he could not see why a creditor would prefer gold in the pool to gold set aside in connection with an attachment. Mr. Shay said that he recalled the proposed letter to correspondents contained a provision which gave complete discretion to the Federal Reserve to withdraw gold from the pool, that such a provision would reduce the problem of loss but not necessarily the question of litigation.

Mr. Knoke said that the question occurred to him whether the bank would assume any liability if on winding up the pool a shortage occurred. Mr. Vest referred to the clause covering the standard of care required of the

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Federal Reserve Bank of New York which attempts to cover that problem; and Mr. Carpenter and Mr. Solomon noted that the bank has the same problem under the present system of earmarking gold. Mr. Logan said that of course a lot more exculpatory clauses could be inserted in the proposed contract but that such clauses would probably scare the proposed participants in the pool and that the proposed contract represented what seemed to be a reasonable compromise.

Mr. Vest referred to subparagraph (3) of his memorandum concerning the extent of the interest of the Federal Reserve Bank in the pool. Mr. Knoke noted that the Federal Reserve Bank could not own gold under the present gold regulations. Mr. Logan said that the Treasury could, of course, amend its regulations so as to permit the bank to own gold; and he said that under the proposed plan either the Treasury Department or the Federal Reserve has to be prepared to buy and sell under or over withdrawals which would be only small amounts; that it is contemplated that the Treasury Department gold license to the Federal Reserve Bank of New York will probably have to be revised under the proposed plan and that such revision could provide for either the bank or the Treasury making such purchases and sales. Mr. Vest asked, in connection with a loan on gold, what happens if the borrower fails to pay. Mr. Tiebout said that under the present gold license the Federal Reserve Bank of New York may acquire a pledge interest in gold in connection with foreign gold loans and that from time to time the Treasury Department has orally confirmed this fact to the bank.

Mr. Leonard asked if the question of a trustee's right to have an interest in trust property held by him offered any analogies to the question of Federal Reserve participation in the pool. Mr. Logan said that it was his impression that under New York law trust property of two or more trusts might be mingled and that the trustee might also mingle his own property in the trust although neither of these practices was looked upon favorably. Mr. Vest

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said that a question of ethics might be involved and Mr. Tiebout said that he was under the impression trust property could not be so mingled.

Mr. Shay asked whether gold would be removed from the pool in the event that the Federal Reserve Bank of New York made a loan on gold to one of the participants. Mr. Logan said that that question had not been resolved as yet one way or the other. Mr. Knoke said it was his impression that the gold should be segregated from the pool in the event of a loan. Mr. Logan said that that would seem to be the cleaner way of doing it but that he did not think the matter had been resolved as yet. Mr. Vest said that to remove the gold from the pool in such an event might resolve some of the doubts concerning the possible participation in the pool by the Federal Reserve. Mr. Solomon, Mr. Davis and Mr. Tiebout commented briefly on similar questions in connection with commercial bank loans on gold to foreign participants in the pool. Mr. Tamagna said that if charges at a penalty rate were imposed on gold outside the pool including gold used as security for a loan, this would, in effect, be penalizing the borrower for borrowing on gold in the pool. There was a very brief discussion with reference to the number of gold loans presently in effect at the Federal Reserve Bank of New York. Mr. Vest said that if the gold were to be segregated from the pool in the event of a loan on gold consideration would have to be given to whether such provision should be put in the proposed letter to correspondents. Mr. Knoke said that this raised the question of how much advertising we wished to do in connection with gold loans. Mr. Leonard asked how many commercial bank loans on gold were outstanding at the present time. Mr. Davis said that they amounted to approximately \$160 million and that in addition three or four were pending. Mr. Leonard said that the provision in the contract might be in very general terms to the effect that in the event of any loan on gold, and this would, he said, include commercial

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bank loans and Federal Reserve Bank loans, the gold would be segregated from the pool.

Mr. Vest referred to subparagraph (4) of his memorandum concerning the participation of other Federal Reserve Banks in connection with the gold pool. Mr. Logan said that at the present time the other Federal Reserve Banks participate with the Federal Reserve Bank of New York in all transactions contemplated by the letter of terms and conditions. There was a brief general discussion of present participation of the Federal Reserve Banks in the foreign accounts carried by the Federal Reserve Bank of New York.

Governor Szymczak referred to subparagraph (5) of Mr. Vest's memorandum and he said that he thought the question involved had already been discussed.

Governor Szymczak said that he suggested that a few days be allowed to lapse to enable those present at the discussion to raise any questions as to the practicable operation of the plan; that thereafter the proposed plan be taken up with the Board of Governors and he suggested that the matter be presented to the Board briefly; and then on the basis of the Board's offering no objection that the matter be considered with the Treasury Department, etc., as noted above. Mr. Vest said that a memorandum covering the basic facts would be prepared for the Board of Governors so that the Board of Governors could consider if it wished to inform the Federal Reserve Bank of New York that the Board concurred in the suggestion that the matter be taken up with the Treasury Department. Governor Szymczak said that the matter would eventually be also taken up with the Fund and others, and that he suggested that the Board of Governors be informed from time to time of the progress being made.

Mr. Davis said perhaps Mr. Sproul would at some point wish to take the matter up at the Presidents' Conference. Governor Szymczak suggested that Mr. Sproul might wish to discuss the matter at the meeting of the Policy Committee at the

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Board of Governors. Governor Szymczak also said that the first question which he thought the Board of Governors would wish to know was how immediately urgent the proposed plan is; that he thought it would be necessary to make a case for the immediate urgency of the plan stating reasons why, facts and figures, and also indicating that even if not immediately urgent it might become so in the event of an emergency. Mr. Vest asked Mr. Knoke if he would arrange to supply the facts and figures to which Governor Szymczak had referred.

After the close of the meeting, Mr. Logan suggested keeping in mind the necessity for amending the gold regulations and covering that matter with the Treasury Department.

Edward G. Guy
September 23, 1953

Attachment.

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