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Authority 5200.30 MAR 83  
By JI NARA Date 7/22/99

FRB-NY  
BOX 2 BINDER 6

SOME POINTS THAT MIGHT BE DISCUSSED AT  
MEETING ON GOLD BAR POOL ARRANGEMENT.

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(1) What are the general prospects and problems concerning acceptance of the gold bar pool plan by foreign central banks and others eligible to participate as depositors in the pool arrangement

(a) In this connection what is the current thought with respect to those who are eligible to participate but who refuse to do so? Would their gold be continued under earmark, or would they be required to withdraw their gold from the Reserve Bank for custody elsewhere?

(b) Presumably it is expected that any foreign correspondent in the class eligible to participate at the initiation of the plan would be permitted to sign and become a participant at any date after the original effective date of the plan. If so, is it sufficiently clear under the arrangement that all participants would stand on the same contractual basis?

(c) At what point should there be preliminary discussions with the World Bank and Fund? If such institutions can and will participate, will the contract for their participation be the same contract as that with other participants?

(d) Is there any reason to believe that the Treasury may object to the exclusion of U. S. coin bars from the gold bar pool or raise other objections to the plan?

(2) Under the contract the participants would own ounces of gold rather than gold bars, and ounces of gold would seem to constitute fungible property. Nevertheless, the question arises as to the extent of the rights of an attaching creditor. It may be that under New York law he would have

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access only to the participant's -- defendant's share of ounces of gold. Even with this assumption, however, the question would remain as to pooled gold deposited in another state either in a Reserve Bank or a commercial bank.

(3) It is apparently contemplated that the participants (depositors in the gold pool) will be the owners of all property interests in the gold bar pool; in other words, that the Reserve Bank is not to be in the position of debtor. In this connection will there be any situation in which the Reserve Bank will have property interests in the pool in its own right, such as interest resulting from its acting as pledgee for loans made by itself, or will others such as commercial banks have an interest in the pool as pledgees?

(4) Is it contemplated that other Federal Reserve Banks will participate in the gold bar pool and, if so, on what basis?

(5) Should there be preliminary discussions at some point with the State Department in view especially of Section 25(b), paragraph (3), of the Federal Reserve Act.

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By ZJ NARA Date 7/22/99

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FORM NO. 7 (3-2-59)

FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

(Copy to Messrs. Knocke, Sanford,  
Lang and Rosell)

TO Mr. Bilby

FROM W. S. Rushmore

DATE August 19, 1948

SUBJECT: Bank of England Method of  
Holding Gold in Custody  
for Foreign Account.

Mr. Knocke has asked me to pass along to you information that I obtained during my European trip, regarding the system employed by the Bank of England in holding gold in custody for foreign account.

In 1948, due to the shortage of clerical help brought about by the war, the Bank of England decided it would have to revise its gold earmark procedure. Instead of holding particular gold under earmark for a foreign central bank account, it decided to put all the gold in one "pool", except gold coin, and maintain gold custody accounts in the form of fine ounces for foreign central banks. Gold coin is still held under earmark on the pre-war basis.

This decision raised a legal question as to the status of the fine ounce accounts. The question was whether the foreign central bank would become a general creditor of the bank, or would it still have a gold custody account in the form of fine ounces rather than specific bars. The bank's solicitors ruled that there was no legal difference between an ounce account and an earmark account of specific bars, as long as the gold was segregated from the bank's gold and was not used by the bank.

The Bank of England informed its foreign central bank correspondents of the change in the manner of holding gold in custody. In its letter it stressed the fact that the change was being undertaken because of the shortage of staff due to the war. It further stated that it hoped to revert to the old system as soon as the war was over. In reply to this letter the Bank of England received agreement from all but two banks. Some of the banks that agreed did say, however, that they expected the Bank of England to revert to the former earmarking procedure after the war. This, of course, has not been done. Both of the banks that did not agree inquired about the legal status of the new method. These two banks were the Nederlandsche Bank and the Banque Nationale Suisse. The Nederlandsche Bank accepted the legal opinion communicated to it by the Bank of England. The Banque Nationale Suisse has never formally accepted it.

The whole foundation for the ounce account system is the English market practice of dealing in good delivery bars.

When gold is received for earmark it can only go into the stock if it is in good delivery bars. Every bar that is not good delivery is refined as soon as practicable at the depositor's expense. Coin bars and fine bars go into the same stock. It is therefore possible for someone who deposited fine bars to receive coin bars at the time the gold is released. If a bank specifically requests fine bars and originally deposited them, it would be given fine bars if available.

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FEDERAL RESERVE BANK  
OF NEW YORK

## OFFICE CORRESPONDENCE

DATE August 19, 1948

TO \_\_\_\_\_

SUBJECT: \_\_\_\_\_

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The gold held for foreign account is completely segregated from gold held by the Bank of England for its own account.

Whenever gold is received by the Bank of England, each bar is weighed separately. The bank weighs gold to 1/40th of an ounce. Every bar must pull its weight plus two grains. If a bar weighs dead weight, it is marked down to 1/40th below. The fine ounces are calculated from tables and are carried to three places. The third place is raised only if the fourth place is a nine.

The Bank of England accepts assay certificates whether or not they are signed. They do not check signatures on assay certificates. Where two assays are involved, they take the British over the other assay, or if two continental assays are involved, they take the lower of the two. They do not recognize pure gold. All bars assayed at 1,000 are marked down to .9999.

Each bar that is received is given a number and is stamped with the Bank of England seal.

While the Bullion Office actually handles the gold, the Dealing and Accounts Office issues all instructions regarding the receipt and release of gold. Because of this dual control two sets of ledgers are maintained, one in the Dealing and Accounts Office and one in the Bullion Office. The Dealing and Accounts Office only records the fine ounces by account, while the Bullion Office records the number of bars, gross ounces, fineness, fine ounces, source, melter, assayer, date received and account.

The Bullion office uses tabulating machines to maintain its gold bar records. It has a dual card system. One set of punch cards is prepared from the original weight list after appropriate changes have been made at the time the gold is weighed. The second set of cards is prepared from a weight list that is made up at the time the gold is weighed. These cards are always prepared independently and are always kept separate. In order to do this, there are two separate sections in the tabulating section of the Bullion Office. One group of clerks is only allowed to handle one set of cards and another group the other set. No one individual can handle both.

After the cards are punched, they are compared in a comparing machine. The cards are inserted in the same order in two places in the same machine, each set being handled by an individual from the respective sections. The machine automatically stops whenever any two cards do not agree.

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By ZI NARA Date 7/22/99

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FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 19, 1948

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The dual system is also followed in the Ledger Section of the Bullion Office. One group of clerks maintains the ledger records from one set of cards and another group checks the ledger from the other set of cards. The set of cards used to prepare the ledger is run in one tabulating machine and the set of cards used for checking is run in another tabulating machine. Neither set of cards is ever used in the other machine.

Each time a transfer of gold is requested by a foreign central bank the Dealing and Accounts Office issues instructions to the Bullion Office which office makes appropriate notations in its records. There is ample space on the punch cards to record a number of transfers. In this connection the Bank of England does not require an advice from the bank which is to receive the gold. It merely advises the receiving bank that so much gold was received from the bank ordering the transfer.

Whenever a foreign central bank requests that gold be exported, the Dealing and Accounts Office instructs the Bullion Office to prepare a total number of fine ounces for shipment. The shipment is prepared from the gold that is most easily available, without reference to the type of gold that was originally received.

Weekly audits are made of the gold records in each office.

Under the ounce system it is not always possible to deliver the exact amount of fine ounces when closing an account. In these cases it is necessary to make a small adjustment in sterling at the official rate.

There have been instances when orders to ship gold have been cancelled after the gold had already been packed. Under the ounce system the gold was held in the boxes and used to fill another order even though it came from a different bank.

A limited amount of gold is held on the ground floor level to meet the bank's daily needs. This gold is held under the dual control of the Principal's Office of the Bullion Office and the Ledger Section of the Bullion Office. Each night before closing a person from the Ledger Section and the Principal or Assistant Principal verify the number of bars held on the ground floor level. The Bullion Office is also located on the ground floor.

The balance of the gold is held in the larger vaults below the ground floor level. These vaults are under a four way control; two people from the Bullion Office, one from the Gold Post in the Dealing and Accounts Office on behalf of the Chief Cashier, and one from the Auditing Department.

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FEDERAL RESERVE BANK  
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OFFICE CORRESPONDENCE

DATE August 19, 1948

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FROM \_\_\_\_\_

SUBJECT: \_\_\_\_\_

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Each transaction that is effected in the Bullion Office on instructions of the Dealing and Accounts Office is confirmed by the former office to the latter office.

In a discussion of this matter with Mr. Fisher, I learned that he would like to see world wide acceptance of the good delivery bar principle for holding gold in custody for foreign central bank and international account and for settling international balance of payments. He believes that good delivery bars for world wide acceptance should be .995 fine or better, that they should be mint bars or bars of private refiners with which there has been long good experience. He feels that the U. S. Treasury's policy of melting all bars except unutilated U. S. Assay bars is very wasteful. He does not like the melt system nor the practice of not accepting unutilated U. S. Assay bars as a redeposit when separated from the melt in which they were issued.

While at the Bank of France, the Bank for International Settlements, the Banque Nationale Suisse, De Nederlandsche Bank, and the Banque Nationale de Belgique, I inquired as to what they thought of the English system of holding gold in custody for foreign account.

Mr. Haies, Director of the Caisse Generale of the Bank of France, did not offer any objection to the English system. His only comment was that the English system saves considerable time in handling gold.

Mr. Thigraah, who is in charge of a section in the Banking Department at the Bank for International Settlements which handles foreign exchange and gold operations, expressed a liking for the English system if all bars are .995 fine or better.

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 proprietor 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

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FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 19, 1948

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this question. He also mentioned that such a system might prove troublesome in tracing looted gold. He pointed out that the gold held by the Germans was traced through the books of the Reichsbank (I do not think this last objection is well founded, since under the English system, they are able to tell the source from which particular bars were received). To sum it up, Mr. ten Sate said that they were fearful of difficulties that might arise in the future.

Messrs. Pfeninger and Motta of the Banque Nationale Suisse said they did not like the English system, because it raised the question as to the legal status of the gold, notwithstanding the fact they had received certain assurances from the Bank of England on this question.

Mr. Libreak of the Banque Nationale de Belgique said that they did not like the English system, because the legal status of the gold is not clear. He said that Bank of England could not offer legal documentation which proves beyond doubt that gold so held will not be used to pay creditors should the Bank of England fail.

You will note from the foregoing comments that there is a rather strong feeling against the English system due to uncertainty regarding the legal status of the gold. If we should adopt the English system in one form or another, I feel that we will have difficulty obtaining the agreement of some countries. In order to help overcome this obstacle at the outset, I recommend that consideration be given to including in our letter to our foreign correspondents, advising them of the establishment of a gold pool system, some definite assurances as to the legal status of the gold.

I understand that we are now considering establishing a gold pool only for United States Assay Office gold bars which the United States Assay Office will accept as a redeposit, i.e. United States Assay Office gold bars which are unutilated, and, if issued originally in melts, the melts are still intact. Since only 60.5% of the gold bars we now hold under earmark for foreign or international account is in the form of United States Assay Office gold bars acceptable to the United States Mint as a redeposit, I recommend that consideration be given to creating additional pools for gold bars (other than good U. S. Assay bars) which are acceptable as good delivery in the London market. In order to do this, we could establish three gold pools; one for United States Assay Office gold bars which the

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REG. U. S. G. 5-5004-12-47

FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 19, 1948

SUBJECT: \_\_\_\_\_

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United States Assay Office will accept as redeposits, one for fine gold bars acceptable as good delivery in the London market, and one for coin bars acceptable for good delivery in the London market. All other gold bars not conforming to these standards and all gold coin would continue to be held under earmark on the present basis. While the United States Treasury would probably only agree to participate in the gold pool for good United States Assay Office gold bars, I believe the establishment of the other two pools at this time is advisable. It would save us considerable time in handling transactions involving such gold because it would eliminate the necessity of our preparing weight lists for gold transfers and for gold received from abroad for earmark. The preparation of weight lists for foreign bars or mutilated Assay Office bars requires more time and effort than the preparation of weight lists for good United States Assay Office gold bars. On the other hand, if we adopted a punch card system for recording gold bars, similar to the English system, the problem of weight lists would be substantially reduced. The second and third gold pools would also eliminate the necessity of physically moving gold in order to effect transfers between accounts on our books. While it would be necessary to physically move the gold in case of a sale to the United States, I think it might facilitate matters to draw from one of two pools rather than from a particular account. At times in the past all gold held for a particular account has been under Federal Reserve Board Examiner's seal, and, in some instances, it has been necessary for us to have an examiner come from Washington to break his seal to release a certain quantity of gold and to reseal the balance in order to avoid having to weight the balance at the time of the next examination.

Two pools have been recommended, one for fine bars and one for coin bars, since I do not think it is fair for a foreign account to receive coin bars, if it originally deposited fine bars, as long as the Treasury insists on melting all but good delivery United States Assay bars. Our experience shows that as a rule there is more loss incurred in melting coin bars than fine bars.

If at some future time the Treasury agrees to participate in pools two and three, we could then consider the possibility of combining the three pools into one. In this connection I feel that the Treasury should give very careful consideration to changing its present practices of issuing bars in melts and of melting down all foreign bars and mutilated United States Assay Office bars. All the foreign central banks that I visited have accepted for years bars that are good delivery in the London market. I was told at each bank

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FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 19, 1948

TO \_\_\_\_\_  
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SUBJECT: \_\_\_\_\_

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that their experience had been very good. As it is possible the Treasury may change its position in this matter, I have purposely limited the gold bars that would go into pools two and three to bars that are good delivery in the London market, excepting, of course, good United States Assay Office bars.

Since the establishment of the gold pool procedure requires an amendment to our letter of terms and conditions, which requires the approval of the Board of Governors and the agreement of our foreign correspondents, I think it would be advisable to cover as many types of gold bars as possible at this time. Otherwise we would have to do the same thing all over again at some future date for bars other than good United States Assay Office gold bars.

As of August 16, 1948 we had under earmark the following types of golds:

	Good U.S. Assay Office Bars		Bars of Various Refiners Including Mutilated U.S. Assay Office Bars	
	No. of Bars	Dollar Value at \$35 per Fine Troy Oz.	No. of Bars	Dollar Value at \$35 per Fine Troy Oz.
Earmarked Gold Accts. Maintained under Section 14E of Federal Reserve Act	95,901	\$1,354,217,005.07	101,964	\$1,425,407,328.29
Earmarked Gold Accts. Maintained as Fiscal Agent of the U. S.	20,988	399,240,864.52	-	-
International Monetary Fund	50,148	707,503,169.29	6,971	95,307,150.72
Secretary of the Treasury - Special Account	1,667	23,974,487.46	-	-
Treasurer of the United States Special Gold Custody Account	-	-	-	-
	<u>168,704</u>	<u>\$2,384,935,526.34</u>	<u>108,935</u>	<u>\$1,520,714,479.01</u>

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FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 18, 1948

TO \_\_\_\_\_  
FROM \_\_\_\_\_

SUBJECT: \_\_\_\_\_

Gold Coin  
No. of      Dollar Value  
Bags      at \$35 per  
                 Fine Troy Oz.

Marked Gold Accts.  
Maintained under  
Section 14B of  
Federal Reserve Act

9,621      \$60,350,378.40

Marked Gold Accts.  
Maintained as Fiscal  
Agent of the U. S.

-      -

International Monetary Fund

-      -

Secretary of the  
Treasury - Special  
Account

9,966      \$1,508,705.51

Treasurer of the  
United States  
Special Gold  
Custody Account

19,587      \$61,859,083.91

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 By ZJ NARA Date 7/22/99

FRB-NY  
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FEDERAL RESERVE BANK  
 OF NEW YORK

OFFICE CORRESPONDENCE

FOREIGN DEPARTMENT

DATE APR 20, 1973

TO: Mr. [unclear] Questions with regard to gold  
policies and procedures to be discussed  
with the Treasury Department.

FROM: Norman P. Davis DIVISIONAL FILE

(Copies to Messrs. Sanford and Howell, and Div. Files)

1. We already have in mind to take up with the Treasury our proposed gold pool. Certain other matters are so interrelated with the gold pool proposal that they should be taken up with the Treasury concurrently. For instance, the gold pool plan contemplates that the Treasury Department participate therein. Unless the Treasury participates only through the Stabilization Fund, a part of the gold in the general fund of the Treasury would be held at the Federal Reserve Bank of New York. This dovetails with our other proposal that the Treasury earmark gold at Fort Knox in exchange for gold now held in our vaults for account of the International Monetary Fund, and possibly for other accounts as well. The gold to be earmarked in our vaults for the Secretary of the Treasury might then be placed in the gold pool and subsequently used for making sales of gold to foreign central banks through the gold pool. Thus, it would be contemplated that the Treasury would, in effect, abandon its practice of selling gold only f.o.b. at a United States Mint or Assay Office. By agreeing to buy and sell gold through our gold pool, the Treasury would, in effect, be assuming possible liability for the cost of transporting gold between our vaults and the U. S. Assay Office vaults, whenever the Treasury's participation in the gold pool is exhausted by sales or, contrarilywise, has become unduly large by purchases. So long as the Treasury continues its practice of charging the one-fourth per cent

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handling charge on all purchases and sales of gold, there would seem to be no reason why the Treasury would object to assuming the possible liability of moving the gold between our vaults and the U. S. Assay Office vaults. This point should be borne in mind when and if we should propose to the Treasury that it abandon or reduce the one-fourth per cent charge. Mr. Logan has remarked that after the gold pool has become effective there is no reason why we should not store part of the pooled gold at the U. S. Assay Office. If this be so, perhaps we should abandon the proposal for earmarking gold at Fort Knox and address our attention to an arrangement for earmarking at the Assay Office.

2. I think we should again request the Treasury to place on a more orderly basis the mechanics of effecting purchases and sales of monetary gold. At the present time gold transactions with foreign central banks and governments are effected by the Federal Reserve Bank of New York as fiscal agent of the Treasury on the basis of telephonic authorization from Mr. George Eddy or one of his assistants. It has been the custom of the Treasury to confirm such authorizations in writing many weeks, or even months, after the transactions have been completed. While it is true that the system has worked reasonably smoothly, nevertheless, I think it is unsatisfactory and dangerous to effect transactions involving vast sums on the basis of oral authorization from a person who has no official standing in the Treasury Department. The Treasury Department has been unable to give us timely written authorizations because it has been unable or unwilling to set forth in

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writing criteria for determining from whom it will buy gold and to whom it will sell gold. For instance, the Secretary has announced that he is prepared to sell gold for all legitimate monetary purposes. For a long time it was the practice of the Treasury to obtain certain information regarding the purpose for which a prospective purchase of gold was being made. More recently, however, it has been the practice of the Treasury to sell gold for earmark in our vaults without obtaining any further information as to the purpose of the purchase. Under the circumstances, it seems to me that the Treasury could appropriately authorize this bank, as fiscal agent of the United States, to sell gold for account of the Stabilization Fund to any foreign monetary authority which has requested us to purchase gold for earmark in our vaults. Since it would be our practice, in any event, to continue to keep the Treasury fully and immediately informed with regard to all gold transactions, the Treasury would not be surrendering its control by giving us such an authorization which could be withdrawn or revoked at any time. It would seem to me quite appropriate for the Treasury to consider that purchases of gold by foreign central banks and monetary authorities, which have established accounts with us and which have requested us to hold gold so purchased under earmark, may be assumed to be for legitimate monetary purposes. On the other hand, sales of gold by the Treasury for immediate export could continue to be subject to specific authorization in each case and to the obtaining of such statements of purpose as the Treasury may require.

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Similarly, the Treasury might give us blanket authority to purchase for account of the Stabilization Fund any gold held by us under earmark for a foreign central bank or State. If the Treasury feels that it might hesitate to buy gold held from any particular account or country it could make a specific exception with respect thereto.

We also effect purchases and sales of gold between the Stabilization Fund and the General Fund of the Treasury on oral authorization from one of Mr. Eddy's assistants and such authorizations are confirmed in writing at a later date. As a practical matter, all gold transactions between the Stabilization Fund and the General Fund are almost automatic, since the former purchases gold only to offset sales to foreign monetary authorities, and vice versa. It seems to me, therefore, that we should be given blanket authority to effect purchases and sales of gold between the General Fund and the Stabilization Fund with the understanding that the authority would be exercised only after consultation in each instance with Mr. Eddy's office. The U. S. Assay Office is already authorized to effect sales to or purchases from the Stabilization Fund upon instructions of the Federal Reserve Bank of New York as fiscal agent of the United States.

The Treasury should review and clarify its policy and practice with respect to the purchase of imported gold bullion. Under date of January 31, 1934, the Secretary of the Treasury announced that he would "buy imported fine gold bars through the Federal Reserve Bank of New York, as fiscal agent of the United States, and other gold,

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foreign or domestic, through the Mints and Assay Offices<sup>2</sup>. The Secretary has never strictly conformed to this announcement. It has been the practice ever since the announcement for the U. S. Assay Office (acting under authority of § 34.93 of the Gold Regulations) to purchase directly for the General Fund gold bullion imported for sale to the United States. Furthermore, the Secretary has followed the practice of purchasing gold held under earmark for foreign account through the Federal Reserve Bank of New York, as fiscal agent of the United States, rather than through the Assay Office, as he announced he would do. Under the procedure established in February 1934, pursuant to a memorandum of instructions signed by you with respect to the "procedure for the purchase of imported fine gold bars through the Federal Reserve Bank of New York, as fiscal agent of the United States," gold bars imported for sale must be deposited at the Assay Office and the depositor must furnish to the Federal Reserve Bank of New York a statement on Form FRB 33<sup>2</sup> describing the gold and identifying the shipper; thereafter, the Federal Reserve Bank of New York is to deliver a copy of said statement to the Assay Office, together with a letter from the United States Customs Service stating that the gold in question has been in continuous customs custody, and a letter addressed to the superintendent of the U. S. Assay Office by the Federal Reserve Bank of New York expressing the opinion that the subject gold is "such as the Secretary of the Treasury stated in his statement of January 31, 1934 he would purchase through the Federal Reserve Bank of New York

<sup>2</sup>§34.40(b) of the Gold Regulations requires the importer to file a statement on Form TB-23 with the Mint.

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6.

as fiscal agent of the United States." I have found no instructions from the Treasury as to criteria to be used in determining whether to write such a letter, nor is there any requirement that the Treasury be consulted informally before writing such a letter, although I believe that it has been customary to keep the Treasury informed with regard to such imports. I recommend that the practice of writing such letter be discontinued.

Another analogous question involving gold imports which needs clarification relates to the declaration of February 22, 1944, by the Secretary of the Treasury regarding gold looted by the Germans, and purchases of gold from countries which have not broken relations with the axis. As I understand it, the United States has settled its accounts on this question with Switzerland and Spain and has abandoned any effort to retrieve looted gold from Portugal. The Treasury Department, therefore, now regards the declaration as a dead issue, but it has not formally authorized this office nor the Mints and Assay offices to disregard the declaration.

EPD/abm

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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

FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 28, 1949

Mr. Bilby

SUBJECT: \_\_\_\_\_

FROM: Peter Lang

Referring to our conversation today on the gold pool and the 1/4% "handling charge", we handled two shipments of Prussian Mint bars for De Nederlandsche Bank in April and May 1948. These bars were converted into U. S. Assay Office bars and the Assay Office conversion charges amounted to about \$5,000. The gold was valued at about \$11,650,000 and the 1/4% "handling charge" would have been about \$29,000.

Therefore, if the 1/4% charge was abolished on sales of Assay Office bars to the Treasury, the Dutch would be in a position to save \$24,000 by having the conversion made. This certainly would be a substantial inducement to all foreign central banks to have their foreign bars converted into Assay Office bars which could then go into the pool and be free of the 1/4% penalty charge which would still apply to sales of foreign bars.

PPL:es

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16.0 D.A. FORM-12-47

FEDERAL RESERVE BANK  
 OF NEW YORK

**FFIC - CORRESPONDENCE**

(Copy to Messrs. Knoke, Sanford,  
 Lang and Rozell)

DATE August 19, 1948

Mr. Bilby

SUBJECT: Bank of England Method of  
 Holding Gold in Custody  
 for Foreign Account.

FROM W. S. Rushmore

Mr. Knoke has asked me to pass along to you information that I obtained during my European trip, regarding the system employed by the Bank of England in holding gold in custody for foreign account.

In 1940, due to the shortage of clerical help brought about by the war, the Bank of England decided it would have to revise its gold earmark procedure. Instead of holding particular gold under earmark for a foreign central bank account, it decided to put all the gold in one "pool", except gold coin, and maintain gold custody accounts in the form of fine ounces for foreign central banks. Gold coin is still held under earmark on the pre-war basis.

This decision raised a legal question as to the status of the fine ounce accounts: The question was whether the foreign central bank would become a general creditor of the bank, or would it still have a gold custody account in the form of fine ounces rather than specific bars. The bank's solicitors ruled that there was no legal difference between an ounce account and an earmark account of specific bars, as long as the gold was segregated from the bank's gold and was not used by the bank.

The Bank of England informed its foreign central bank correspondents of the change in the manner of holding gold in custody. In its letter it stressed the fact that the change was being undertaken because of the shortage of staff due to the war. It further stated that it hoped to revert to the old system as soon as the war was over. In reply to this letter the Bank of England received agreement from all but two banks. Some of the banks that agreed did say, however, that they expected the Bank of England to revert to the former earmarking procedure after the war. This, of course, has not been done. Both of the banks that did not agree inquired about the legal status of the new method. These two banks were De Nederlandsche Bank and the Banque Nationale Suisse. The Nederlandsche Bank accepted the legal opinion communicated to it by the Bank of England. The Banque Nationale Suisse has never formally accepted it.

The whole foundation for the ounce account system is the English market practice of dealing in good delivery bars.

When gold is received for earmark it can only go into the stock if it is in good delivery bars. Every bar that is not good delivery is refined as soon as practicable at the depositor's expense. Coin bars and fine bars go into the same stock. It is therefore possible for someone who deposited fine bars to receive coin bars at the time the gold is released. If a bank specifically requests fine bars and originally deposited them, it would be given fine bars if available.

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By TJ NARA Date 7/21/99

FRB-NY  
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FC. 2 B. 2-60M-12-47

FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 19, 1948

SUBJECT: \_\_\_\_\_

FROM: \_\_\_\_\_

- 2 -

The gold held for foreign account is completely segregated from gold held by the Bank of England for its own account.

Whenever gold is received by the Bank of England, each bar is weighed separately. The bank weighs gold to 1/40th of an ounce. Every bar must pull its weight plus two grains. If a bar weighs dead weight, it is marked down to 1/40th below. The fine ounces are calculated from tables and are carried to three places. The third place is raised only if the fourth place is a nine.

The Bank of England accepts assay certificates whether or not they are signed. They do not check signatures on assay certificates. Where two assays are involved, they take the British over the other assay, or if two continental assays are involved, they take the lower of the two. They do not recognize pure gold. All bars assayed at 1,000 are marked down to .9999.

Each bar that is received is given a number and is stamped with the Bank of England seal.

While the Bullion Office actually handles the gold, the Dealing and Accounts Office issues all instructions regarding the receipt and release of gold. Because of this dual control two sets of ledgers are maintained, one in the Dealing and Accounts Office and one in the Bullion Office. The Dealing and Accounts Office only records the fine ounces by account, while the Bullion Office records the number of bars, gross ounces, fineness, fine ounces, source, melter, assayer, date received and account.

The Bullion office uses tabulating machines to maintain its gold bar records. It has a dual card system. One set of punch cards is prepared from the original weight list after appropriate changes have been made at the time the gold is weighed. The second set of cards is prepared from a weight list that is made up at the time the gold is weighed. These cards are always prepared independently and are always kept separate. In order to do this, there are two separate sections in the tabulating section of the Bullion Office. One group of clerks is only allowed to handle one set of cards and another group the other set. No one individual can handle both.

After the cards are punched, they are compared in a comparing machine. The cards are inserted in the same order in two places in the same machine, each set being handled by an individual from the respective sections. The machine automatically stops whenever any two cards do not agree.

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IC. 2 D.2-60M-12-47

FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 19, 1948

SUBJECT: \_\_\_\_\_

FROM \_\_\_\_\_

- 3 -

✓ The dual system is also followed in the Ledger Section of the Bullion Office. One group of clerks maintains the ledger records from one set of cards and another group checks the ledger from the other set of cards. The set of cards used to prepare the ledger is run in one tabulating machine and the set of cards used for checking is run in another tabulating machine. Neither set of cards is ever used in the other machine.

✓ Each time a transfer of gold is requested by a foreign central bank the Dealing and Accounts Office issues instructions to the Bullion Office which office makes appropriate notations in its records. There is ample space on the punch cards to record a number of transfers. In this connection the Bank of England does not require an advice from the bank which is to receive the gold. It merely advises the receiving bank that so much gold was received from the bank ordering the transfer.

Whenever a foreign central bank requests that gold be exported, the Dealing and Accounts Office instructs the Bullion Office to prepare a total number of fine ounces for shipment. The shipment is prepared from the gold that is most easily available, without reference to the type of gold that was originally received.

Weekly audits are made of the gold records in each office.

Under the ounce system it is not always possible to deliver the exact amount of fine ounces when closing an account. In these cases it is necessary to make a small adjustment in sterling at the official rate.

There have been instances when orders to ship gold have been cancelled after the gold had already been packed. Under the ounce system the gold was held in the boxes and used to fill another order even though it came from a different bank.

A limited amount of gold is held on the ground floor level to meet the bank's daily needs. This gold is held under the dual control of the Principal's Office of the Bullion Office and the Ledger Section of the Bullion Office. Each night before closing a person from the Ledger Section and the Principal or Assistant Principal verify the number of bars held on the ground floor level. The Bullion Office is also located on the ground floor.

The balance of the gold is held in the larger vaults below the ground floor level. These vaults are under a four way control; two people from the Bullion Office, one from the Gold Post in the Dealing and Accounts Office on behalf of the Chief Cashier, and one from the Auditing Department.

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 By TJ NARA Date 7/21/99

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OC. 8 B.2-60M-12-47

FEDERAL RESERVE BANK  
 OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 19, 1948

SUBJECT: \_\_\_\_\_

FROM \_\_\_\_\_

- 4 -

Each transaction that is effected in the Bullion Office on instructions of the Dealing and Accounts Office is confirmed by the former office to the latter office.

In a discussion of this matter with Mr. Fisher, I learned that he would like to see world wide acceptance of the good delivery bar principle for holding gold in custody for foreign central bank and international account and for settling international balance of payments. He believes that good delivery bars for world wide acceptance should be .995 fine or better, that they should be mint bars or bars of private refiners with which there has been long good experience. He feels that the U. S. Treasury's policy of melting all bars except unutilated U. S. Assay bars is very wasteful. He does not like the melt system nor the practice of not accepting unutilated U. S. Assay bars as a redeposit when separated from the melt in which they were issued.

While at the Bank of France, the Bank for International Settlements, the Banque Nationale Suisse, De Nederlandsche Bank, and the Banque Nationale de Belgique, I inquired as to what they thought of the English system of holding gold in custody for foreign account.

Mr. Naies, Director of the Caisse Generale of the Bank of France, did not offer any objection to the English system. His only comment was that the English system saves considerable time in handling gold.

Mr. Thiersch, who is in charge of a section in the Banking Department at the Bank for International Settlements which handles foreign exchange and gold operations, expressed a liking for the English system if all bars are .995 fine or better.

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 proprietor 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

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Authority 5200.30 MAR 83  
By JI NARA Date 7/2/99

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FC. 2 8.2-80M-12-47

FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 19, 1948

TO \_\_\_\_\_

SUBJECT: \_\_\_\_\_

FROM \_\_\_\_\_

- 5 -

this question. He also mentioned that such a system might prove troublesome in tracing looted gold. He pointed out that the gold held by the Germans was traced through the books of the Reichsbank (I do not think this last objection is well founded, since under the English system, they are able to tell the source from which particular bars were received). To sum it up, Mr. ten Cate said that they were fearful of difficulties that might arise in the future.

Messrs. Pfeninger and Motta of the Banque Nationale Suisse said they did not like the English system, because it raised the question as to the legal status of the gold, notwithstanding the fact they had received certain assurances from the Bank of England on this question.

Mr. Libreck of the Banque Nationale de Belgique said that they did not like the English system, because the legal status of the gold is not clear. He said that Bank of England could not offer legal documentation which proves beyond doubt that gold so held will not be used to pay creditors should the Bank of England fail.

You will note from the foregoing comments that there is a rather strong feeling against the English system due to uncertainty regarding the legal status of the gold. If we should adopt the English system in one form or another, I feel that we will have difficulty obtaining the agreement of some countries. In order to help overcome this obstacle at the outset, I recommend that consideration be given to including in our letter to our foreign correspondents, advising them of the establishment of a gold pool system, some definite assurances as to the legal status of the gold.

✓ I understand that we are now considering establishing a gold pool only for United States Assay Office gold bars which the United States Assay Office will accept as a redeposit, i.e. United States Assay Office gold bars which are unutilated, and, if issued originally in melts, the melts are still intact. Since only 60.5% of the gold bars we now hold under earmark for foreign or international account is in the form of United States Assay Office gold bars acceptable to the United States Mint as a redeposit, I recommend that consideration be given to creating additional pools for gold bars (other than good U. S. Assay bars) which are acceptable as good delivery in the London market. In order to do this, we could establish three gold pools; one for United States Assay Office gold bars which the

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GC. D. B. 404-12-47

FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 19, 1948

SUBJECT: \_\_\_\_\_

FROM \_\_\_\_\_

-6-

United States Assay Office will accept as redeposits, one for fine gold bars acceptable as good delivery in the London market, and one for coin bars acceptable for good delivery in the London market. All other gold bars not conforming to these standards and all gold coin would continue to be held under earmark on the present basis. While the United States Treasury would probably only agree to participate in the gold pool for good United States Assay Office gold bars, I believe the establishment of the other two pools at this time is advisable. It would save us considerable time in handling transactions involving such gold, because it would eliminate the necessity of our preparing weight lists for gold transfers and for gold received from abroad for earmark. The preparation of weight lists for foreign bars or mutilated Assay Office bars requires more time and effort than the preparation of weight lists for good United States Assay Office gold bars. On the other hand, if we adopted a punch card system for recording gold bars, similar to the English system, the problem of weight lists would be substantially reduced. The second and third gold pools would also eliminate the necessity of physically moving gold in order to effect transfers between accounts on our books. While it would be necessary to physically move the gold in case of a sale to the United States, I think it might facilitate matters to draw from one of two pools rather than from a particular account. At times in the past all gold held for a particular account has been under Federal Reserve Board Examiner's seal, and, in some instances, it has been necessary for us to have an examiner come from Washington to break his seal to release a certain quantity of gold and to reseal the balance in order to avoid having to weight the balance at the time of the next examination.

Two pools have been recommended, one for fine bars and one for coin bars, since I do not think it is fair for a foreign account to receive coin bars, if it originally deposited fine bars, as long as the Treasury insists on melting all but good delivery United States Assay bars. Our experience shows that as a rule there is more loss incurred in melting coin bars than fine bars.

If at some future time the Treasury agrees to participate in pools two and three, we could then consider the possibility of combining the three pools into one. In this connection I feel that the Treasury should give very careful consideration to changing its present practices of issuing bars in melts and of melting down all foreign bars and mutilated United States Assay Office bars. All the foreign central banks that I visited have accepted for years bars that are good delivery in the London market. I was told at each bank

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By ZJ NARA Date 7/2/99

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FEDERAL RESERVE BANK  
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 19, 1948

TO \_\_\_\_\_  
FROM \_\_\_\_\_

SUBJECT: \_\_\_\_\_

- 7 -

that their experience had been very good. As it is possible the Treasury may change its position in this matter, I have purposely limited the gold bars that would go into pools two and three to bars that are good delivery in the London market, excepting, of course, good United States Assay Office bars.

Since the establishment of the gold pool procedure requires an amendment to our letter of terms and conditions, which requires the approval of the Board of Governors and the agreement of our foreign correspondents, I think it would be advisable to cover as many types of gold bars as possible at this time. Otherwise we would have to do the same thing all over again at some future date for bars other than good United States Assay Office gold bars.

As of August 16, 1948 we had under earmark the following types of gold:

	Good U.S. Assay Office Bars		Bars of Various Refiners Including Mutilated U.S. Assay Office Bars	
	No. of Bars	Dollar Value at \$35 per Fine Troy Oz.	No. of Bars	Dollar Value at \$35 per Fine Troy oz.
Earmarked Gold Accts. Maintained under Section 14E of Federal Reserve Act	95,901	\$1,354,217,005.07	101,964	\$1,425,407,328.29
Earmarked Gold Accts. Maintained as Fiscal Agent of the U. S.	20,988	299,240,864.52	-	-
International Monetary Fund	50,148	707,503,169.29	6,971	95,307,150.72
Secretary of the Treasury - Special Account	1,667	23,974,487.46	-	-
Treasurer of the United States Special Gold Custody Account	-	-	-	-
	<u>168,704</u>	<u>\$2,384,935,526.34</u>	<u>108,935</u>	<u>\$1,520,714,479.01</u>

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 By TJ NARA Date 7/21/99

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SC. 3 9. 5-60M-12-47

FEDERAL RESERVE BANK  
 OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 18, 1948

TO \_\_\_\_\_ SUBJECT: \_\_\_\_\_

FROM \_\_\_\_\_

- 8 -

Gold Coin

No. of Bags	Dollar Value at \$35 per Fine Troy Oz.
9,621	\$60,350,378.40
-	-
-	-
9,966	81,508,705.51
-	-
19,587	\$141,859,083.91

Earmarked Gold Accts.  
 Maintained under  
 Section 14E of  
 Federal Reserve Act

Earmarked Gold Accts.  
 Maintained as Fiscal  
 Agent of the U. S.

International Monetary Fund

Secretary of the  
 Treasury - Special  
 Account

Treasurer of the  
 United States  
 Special Gold  
 Custody Account

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D.O. PIR
Authority 5200.30 mar 83
By <u>II</u> NARA Date <u>7/22/99</u>

FRB-NY  
BOX 2 BINDER 6

TREASURY DEPARTMENT

WASHINGTON

October 10, 1946 ENCLOSURE

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 - # 413 Riksbank substituting "Allied Swedish" for "Allied Swiss" in the first line of 10/10/46 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,

/s/ John W. Snyder

Secretary of the Treasury

Federal Reserve Bank of New York  
33 Liberty Street  
New York, New York

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

FRB-NY  
 BOX 2 BINDER 6

ANALYSIS OF ARGENTINA'S GOLD ACCOUNT  
 FROM ITS PEAK HOLDINGS TO MARCH 26, 1947  
 INCLUSIVE

Peak Balance (12/18/45)		\$788,954,521.68
<u>Releases</u>		
Exports	\$254,244,549.84	
Sales	371,410,795.88	
Transfers (U.S.S.R.)	<u>6,523,450.01</u>	
	\$632,178,795.73	
<u>Less</u>		
Purchases	<u>37,905,234.88</u>	<u>594,273,560.85</u>
Balance (3/26/47)		\$194,680,960.83

Foreign Department  
 Foreign Operations Division  
 Foreign Accounts Section  
March 26, 1947.

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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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Argentina  
Gold Movements

Exports - 10/29/43 - 2/15/47:

Gold Bars	\$291,483,046.51	
" Coin	<u>23,998,955.32</u>	<u>\$ 315,482,001.83</u>

Balance 2/15/47

\$259,854,787.55

Sales - 2/16 - 5/23

200,515,673.43

Balance 5/23 (Sold during period 5/23 - 9/10)

59,339,114.12

Imports 5/26 - 9/10 (Bars)

\$320,423,292.20

Sales from Imports

212,071,455.04

Balance 9/18/47

\$ 108,351,837.16

Summary of Excess Bar Imports Over Bar Exports

Bar Exports	\$291,483,046.51
" Imports	<u>320,423,292.20</u>
Excess	<u><u>\$ 28,940,245.69</u></u>

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 Authority 5200.30 MAR 83  
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FRB-NY  
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*Key*

ARGENTINA  
IMPORT SHIPMENTS NOS. 1 THRU 62  
FROM MAY 26, THRU SEPTEMBER 9, 1947

Expenses Incurred By Us On Behalf of Banco Central de la Republica Argentina

Freight:

Air (Pan American)	\$507,118.40*	
Steamer (2 shipments)	<u>65,565.88</u>	\$572,684.28

Other Expenses:

Insurance	\$279,910.97	
Trucking	19,792.15	
Labor Costs	<u>7,514.87</u>	<u>307,217.99</u>

Total Expenses \$879,932.27

\*Freight expenses on F.A.M.A. shipments paid in Argentina. \$507,118.40 includes charges as shown on Pan American Airway bills under discussion.

Melting charges on gold sold	\$ 8,162.45	
Loss incurred through melting	<u>2,876.57</u>	<u>\$ 11,039.02</u>

Total expenses on exports of \$315,482,001.83 = \$3,261,886.32 or 1.0339%  
 " " " imports " \$320,423,292.20 = 879,932.27 " .2746%

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

FRB-NY  
 Box 2 BINDER 6

September 10, 1947

BANCO CENTRAL DE LA REPUBLICA ARGENTINA

IMPORTS-EXPORTE

EXPORTS

U. S. Bars

1943-44	\$ 58,831,622.80	
1946-47	<u>222,065,064.59</u>	\$280,896,687.39

Foreign Bars

1943-44	\$ 2,405,829.19	
1946-47	<u>8,180,529.93</u>	10,586,359.12

Gold Coin

1946-47		<u>23,998,955.32</u>
---------	--	----------------------

Total Exports \$315,482,001.83

Imports (Movement commenced 5/21/47)

Via Pan-American

15 Lots	* \$106,373,153.99	
12 Lots	* 12,550,048.41	
15 Lots	* <u>93,717,099.10</u>	\$212,640,301.50

Via FAMA

18 Lots		75,000,220.34
---------	--	---------------

Via Ocean Freight

2 Lots		<u>32,782,940.33</u>
--------	--	----------------------

Total Imports \$320,423,462.17

Imports less Exports \$ 4,941,460.34

\*Please note that the first and third lots via Pan-American equal about 200 million dollars which seems to fulfill the two contracts between Pan-American and the Banco for 100 million dollars each.

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 By TJ NARA Date 7/21/99

FRB-NY  
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Argentine  
 Gold Transactions in  
 New York  
 January 2, 1947 to July 1, 1948

Held under earmark as of January 2, 1947		\$ 433,277,579.57
Plus: Imports	504,673,331.64	
Purchases	-	
Transfers	-	
		<u>504,673,331.64</u>
		937,950,911.21
Less: Exports to Argentina	58,256,925.45	
Sales to Aramco	82,801,016.68	
Sales to Treasury	784,473,435.74	
Transfers	-	
		<u>925,531,377.87</u>
Balance under earmark as of July 1, 1948		<u><u>12,419,533.34</u></u>

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

FRB-NY  
 Box 2 BINDER 6

Gold - Argentina

ANALYSIS OF ARGENTINA'S GOLD ACCOUNT  
 FROM DECEMBER 18, 1945 (DATE OF PEAK HOLDINGS)  
 TO OCTOBER 20, 1948 INCLUSIVE

Peak Balance (12/18/45)		\$ 788,954,521.68
<u>Remarks</u>		
Imports for direct earmark	\$517,552,098.69	
Purchases	<u>37,905,234.88</u>	<u>555,457,333.57</u>
		\$1,344,411,855.25
<u>Releases</u>		
Sales	\$988,423,305.38	
Exports to Argentina	254,244,549.84	
Exports to Canada (sold to National City Bank)	82,801,016.68	
Transfers (U.S.S.R.)	<u>6,523,450.01</u>	<u>1,331,994,321.91</u>
Balance on 10/20/48		<u>\$ 12,419,533.34</u>

Foreign Department  
 Foreign Operations Division  
 Foreign Accounts Section  
 October 21, 1948.

Note: - In addition to the above transactions which passed through the gold account held by us for Argentina, there have been eight shipments of gold totalling \$41,532,312.70 imported and sold direct to the U.S. Assay Office, since September 7, 1948.

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As of January 9, 1948.

*Mr. L. g  
7/21/99*

BANCO CENTRAL DE LA REPUBLICA ARGENTINA

Imports (Movement commenced 10/14/47)

<u>Via Pan-American</u>	<u>Sovereigns</u>	<u>Total Sovereigns</u>	<u>Value</u>	<u>Total Value</u>
24 Lots	9,725,000		\$80,023,583.15	
<u>Via F.A.M.A.</u>				
8 Lots	3,650,000		30,032,921.24	
<u>Via Steamer</u>				
S/S Mormacrio	1,945,000		16,003,277.85	
S/S Fletero	1,460,000		12,018,231.08	
S/S Rio Parana	<u>1,460,000</u>	18,240,000	<u>12,009,055.84</u>	\$150,087,069.16

Movement completed

FOREIGN DEPARTMENT  
FOREIGN OPERATIONS DIVISION  
FOREIGN ACCOUNTS SECTION

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*JP*

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D.D. BIK  
Authority 5200.30 MAR 83  
By T.J. NARA Date 7/21/99

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Box 2 Binder 6

REPRODUCED AT THE NATIONAL ARCHIVES

DECLASSIFIED

D.O. PIR

Authority 5200.30 mar 83

By ZJ NARA Date 7/21/99

FRB-NY

Box 2 BINDER 6

OFFICE CORRESPONDENCE

att

DATE February 3, 1949.

Peter P. Lang

SUBJECT

E. S. Rothman

Attached is a statement of our experience for the year 1948 on gold bars of "various refiners" sold to the U. S. Assay Office at New York.

It should be noted that the loss shown on ".900 bars" sold for account of Banco Central de la Republica Argentina is not exactly a "true" picture. Such gold consisted mainly of bars, that according to our records, were U. S. coins melted by Argentina into "Casa de Moeda" bars. The U. S. Assay Office advised us that evidently Argentina, in order to complete the melting as speedily as possible, had added flux with the result that when the gross weight was ascertained, such weight included a residue of flux. This would tend to inflate the gross weight and also the fine weight inasmuch as the statutory fineness of .900 was used.

When the Assay Office had completed its process of melting the "Casa de Moeda" bars, the resultant fine weight as compared to the "distorted" fine weight as advised by Argentina, showed a loss, that is not completely "true".

\* Any substance or mixture, as silicates, limestone, and fluorite used to promote fusion, esp. the fusion of metals or minerals.

Webster's Collegiate Dictionary.

Att.  
ESR:mr

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Gold Imported and Sold Direct to United Assay Office

Gold Released from Earmark and Sold To Secretary of the Treasury-General a/c

Total

Country of Gold	Gold Imported and Sold Direct to United Assay Office				Gold Released from Earmark and Sold To Secretary of the Treasury-General a/c				Total		
	Shipper	Assay Office	Fine	Loss Percent	Shipper	Assay Office	Fine	Loss Percent	Shipper or Cash Custody	Assay Office	Fine
					222,117,669	222,117,669			222,117,669	222,117,669	
					1,593,533,901	1,593,504,522			593,533,901	1,593,504,522	
					239,355,663	239,339,713			239,355,663	239,339,713	
					5,179,212,969	5,179,211,917			688,271,689	20,687,526,227	
					155,659,382	155,650,836			155,659,382	155,650,836	
					187,851,276	187,850,019			187,851,276	187,850,019	
					1,902,595,123	1,902,677,533			902,595,123	1,902,677,533	
					37,888,268	37,888,104			37,888,268	37,888,104	
					28,675,273	28,671,806			28,675,273	28,671,806	
					1,073,919,377	1,073,774,998			1,073,919,377	1,073,774,998	
					2,958,722,205	2,958,712,176			2,958,722,205	2,958,712,176	
					85,834,302	85,827,694			85,834,302	85,827,694	
					11,278,916,240	11,278,706,784			11,278,916,240	11,278,706,784	
					16,853,874,254	16,853,512,250			16,853,874,254	16,853,512,250	
					23,599,800,888	23,599,066,161			23,599,800,888	23,599,066,161	
					1,908,216	1,906,716			1,908,216	1,906,716	
					13,115,787	13,114,062			13,115,787	13,114,062	
					1,511,233	1,512,626			1,511,233	1,512,626	
					1,911,055	1,912,635			1,911,055	1,912,635	
					211,627,812	211,595,325			211,627,812	211,595,325	
					3,750,589	3,750,198			3,750,589	3,750,198	
					52,125,216	52,117,119			52,125,216	52,117,119	
					171,267,918	171,924,797			171,267,918	171,924,797	
					146,500,285	146,489,026			146,500,285	146,489,026	
					362,316,563	362,215,123			362,316,563	362,215,123	
					289,004,888	289,721,558			289,004,888	289,721,558	
					10,368,918	10,365,050			10,368,918	10,365,050	
					1,051,111,252	1,051,231,321			1,051,111,252	1,051,231,321	
					309,107,725	309,297,627			309,107,725	309,297,627	
					156,965,166	156,935,181			156,965,166	156,935,181	
					69,183,117	69,115,167			69,183,117	69,115,167	
					1,274,606,616	1,274,101,189			1,274,606,616	1,274,101,189	
					120,175,274	120,111,201			120,175,274	120,111,201	
					269,218,850	269,065,881			269,218,850	269,065,881	
					72,206,113	72,195,317			72,206,113	72,195,317	
					11,310,107	11,293,615			11,310,107	11,293,615	
					171,603,785	171,479,856			171,603,785	171,479,856	
					502,910,676	502,666,014			502,910,676	502,666,014	
					118,125,330	115,115,712,760			118,125,330	115,115,712,760	

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 Authority 5200.30 MAR 83  
 By T1 NARA Date 7/21/99

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