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Authority DOD DIR 5200.30
By NARA Date 7/15

NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 2

MISC. 3 8.1-60M-4-46

FEDERAL RESERVE BANK OF NEW YORK

See memo - 7/8/47

OFFICE CORRESPONDENCE

DATE March 21, 1947.

TO Mr. Sanford

FROM N. P. Davis

SUBJECT: Seven Million dollar gold loan by the Chase National Bank to the National Bank of Rumania.

See memo - 3/24/47
(Mr. Sanford)

Mr. William Evarts, Counsel for the Chase National Bank, has informed me that on March 18, 1947, the Chase National Bank signed an agreement with the Rumanian Ambassador to the United States under which the Chase agreed to lend up to $7,000,000 to the Rumanian National Bank to be secured by gold deposited at the Union Bank of Switzerland accompanied by a certification of the Rumanian National Bank that it has owned such gold since prior to the war. The purpose of the loan is to pay for seed urgently needed for planting this spring's crops. It is understood that the seed is already on wharfside awaiting payment before it can be shipped. It is contemplated that the $7,000,000 loan will be supplanted at an early date by a $50,000,000 loan on gold to be advanced by a syndicate of United States banks.

Several days ago, Mr. Orvis A. Schmidt, Associate Director of the Division of Monetary Research, Treasury Department, supplied me with the following background information regarding the above loan:

The Rumanian Government has been putting considerable pressure on the United States Government for some time in order to obtain the release of its blocked dollar assets to finance the purchase of materials urgently needed to avert widespread starvation in Rumania. The State and Treasury Departments have been reluctant to release Rumanian funds before obtaining a settlement with respect to looted gold which the Rumanian National Bank purchased from the Germans. It is understood that approximately $50,000,000 worth of gold is known to have been so purchased. An arrangement has been recently concluded under which the Rumanian Government has undertaken to deliver 18 tons of gold to the United States Legation in Switzerland. Within 30 days after receipt of such gold, the United States, Great Britain and France will accept that amount as a complete settlement of the looted gold problem or return the gold to Rumania. It is understood that the United States and Great Britain are prepared to accept this as a final settlement but that the French Government has been holding out for a larger amount. It is hoped, however, to obtain the French consent within the 30-day period. Meantime, the State Department is supporting the loan by the Chase National Bank and the prospective loan by a syndicate of banks in order that starvation in Rumania be not blamed upon this country's refusal to release blocked Rumanian funds.

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FED RES. BANK
BOX 1 - BINDER 2

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

cc Messrs. Rounds and Logan

copy. C262.2
X C 262.1

DATE October 24, 1946.

TO Mr. Knoke

SUBJECT: Cat

FROM Allan Sproul

copy attached

See file C261 Roumanian Gov'n memos - 9/6/46; 10/25/46

Messrs. Kleitz and Grant of the Guaranty Trust Company called this afternoon to discuss with me a cable which they had received from their Brussels office (copy attached) concerning a possible loan on gold to the Banque Nationale de Roumanie. They said they realized that there were political implications connected with this proposed transaction and that they would have to discuss it with Washington, but before doing so they wanted to talk with me and to find out whether, for any reason, I thought they should go no further with it. I told them that the first or underlying question seemed to me to be the distribution of our surplus grains (assuming that the Roumanians meant wheat and oats when they spoke of corn) at a time when various countries of the world are still short of food and UNRRA is going out of existence and the United Nations Assembly is supposed to be setting up an organization to take its place. I said that it seemed to me to be not just a question of who had the dollars, borrowed or otherwise, with which to buy our surplus grain, but how it is to be distributed to meet hunger and famine wherever it may exist.

Having explored that aspect of the problem, I said that there were then other political aspects which they would want to discuss with the State Department. They mentioned the recent pronouncement of the State Department with respect to loans of dollars to countries which shouted about "dollar slavery". After the State Department, I said, would come the Treasury Department because if they were to proceed with the loan, or any part of it, they would have to have, first, a license which would permit them to have a beneficial interest in the gold pledged by the Roumanians and, second, they would have to have a license freeing Roumanian funds to that extent because Roumanian funds in this country are still frozen. I said that I assumed they would want to have the gold in this country and they said that they most certainly would; that they would want to have it right in our vaults.

That brought us down, I said, to the credit problem which, at this stage at least, seems to be a minor one because if the Roumanians have $100 million of gold (and I indicated that we had no figures to support such gold holdings by the Roumanians), and if it can be brought here, the only credit risk remaining is the remote one of a reduction in the dollar price of gold. I told them, however, that I had my own views about loans on gold; that ordinarily I thought that such loans were the business of central banks, or central banks and governments, and not business for the private banking system, at least under present conditions. I said that we made loans on gold but that we made them for short periods to meet temporary needs over a harvest or shipping season and that we would not be interested in a five year loan on gold. Neither did I think, however, that the Roumanians should borrow for five years on gold; that what they would be trying to do is to leave with us the whole responsibility of carrying what is left of the gold standard. They would get their dollars with which to buy our cereals on the basis of the present price of gold and if, later, the price of gold were increased they would have a windfall profit and a further substantial

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FED RES. BANK
BOX 1 - BINDER 2

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

cc Messrs. Rounds and Logan

DATE October 24, 1946.

TO Mr. Knoke

SUBJECT:

FROM Allan Sproul

call on our goods. I said that if they have $100 million of gold and cannot see their way clear to meet their situation within five years I thought they ought to sell gold as and when they need dollars.

Mr. Kleitz asked me if I thought the Guaranty Trust should go no further with the inquiry and I told him that while I was dubious about the whole transaction, I did think he ought to take it up with Washington so as to be sure that he had all of the available facts at his disposal. Mr. Kleitz said that he would do this, trying to get in touch with Mr. Clayton at the State Department and then, if necessary, with Mr. Overby at the Treasury Department.

(During the conversation Mr. Kleitz and Mr. Grant mentioned the fact that there had been some question about a Roumanian purchase of gold from Switzerland which involved bars suspected to have come from German hands after the markings and numbers had been changed, and also to the fact that the Roumanians mentioned petroleum in connection with repayment, and that this would raise the question of American petroleum properties in Roumania.)

AS:EAV
Att.

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FED RES. BANK
BOX 1 - BINDER 2

FEDERAL RESERVE BANK
OF NEW YORK

Backup

OFFICE CORRESPONDENCE

DATE November 6, 1946.

TO Mr. P. P. Lang

SUBJECT: Attachments on Banque Nationale de Roumanie.

FROM G. C. Martenson

The records of the Foreign Department indicate that the F.R. Bank of N.Y. has been served with three warrants of attachments in connection with court actions against the account on our books of Banque Nationale de Roumanie. The first of these attachments has been released but the last two are still pending determinations of suits. The three attachments can be summarized as follows:

First Served on us on December 19, 1940 in an action in the Supreme Court of the State of New York, County of Kings, wherein the Commission for Polish Relief, Ltd. is Plaintiff and the Banca Nationala a Romaniei (National Bank of Rumania) is Defendant, the sum claimed in the action being $3,060,704 with interest from May 2, 1940, at the rate of 6 per cent per annum and costs and expenses. In our letter of January 29, 1941 to the Sheriff we certified, among other things, that we had an account on our books in the name of Banque Nationale de Roumanie; that the dollar account credit balance was $247,609.22 and gold bars in the earmarked gold account contained in excess of 180,000 fine ounces, valued in excess of $6,300,000. This attachment was released on February 21, 1941 on receipt of an order of the same date from the Sheriff.

Second Served on us on November 19, 1941 in an action in the Supreme Court of the State of New York, County of Kings, wherein Ehag Eisenbahnwerte Holding Aktiengesellschaft is Plaintiff and the Banca Nationala a Romaniei (National Bank of Roumania) is Defendant, the sum claimed in the action bein $4,264,089.34 with interest, costs and expenses. In our letter of December 18, 1941 to the Sheriff we certified, among other things, that we had an account on our books in the name of Banque Nationale de Roumanie; that the dollar account credit balance was $250,831.24 and gold bars in the earmarked gold account

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By NARA Date 2/15

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FED RES. BANK
BOX 1 - BINDER 2

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 6, 1946

TO Mr. P. P. Lang

SUBJECT: Attachments on Banque Nationale de Roumanie

FROM G. C. Martenson

contained in excess of 243,000 fine ounces, valued in excess of $8,505,000. The Supreme Court extended to February 17, 1943, the plaintiff's time to commence an action on the above suit.

Third Served on November 2, 1942 in an action in the City Court of the City of New York, County of New York, wherein Israel Blum is Plaintiff and Banque Nationale de Roumanie (National Bank of Rumania) is Defendant, the sum claimed in the action being $2,250 with interest, costs and expenses. In our letter of November 6, 1942 to the Sheriff we certified, among other things, that we had an account on our books in the name of Banque Nationale de Roumanie; that the dollar account credit balance was $250,811.24 and gold bars in the earmarked gold account contained approximately 374,889.341 troy ounces of fine gold valued at approximately $13,121,126.90; and that all of the property in said bank's account is or may be subject to the "Second" attachment above. The Sheriff, in his communication of November 10, 1942, demanded that we turn $4,000 of Rumania's property (or money) over to him before November 16, 1942 but we replied in our letter to him of November 14, 1942 that we were not in a position to comply with his demand citing (1) the prior "Ehag" attachment (2) the Trading with the Enemy Act, as amended (3) Executive Order No. 8389 and (4) the necessity of a specific license from the Secretary of the Treasury issued under the Gold Reserve Act of 1934 in the event we were to transfer gold. We did however apply to the Treasury for a license to turn over the $4,000 to the Sheriff but the application was denied.

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FED RES. BANK
BOX 1 - BINDER 2

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 6, 1946

TO Mr. P. P. Lang

SUBJECT: Attachments on Banque Nationale de Roumanie

FROM G. C. Martenson

-3-

It appears that subsequently various orders were "served" on us by mail purporting to extend the time of the plaintiff and the Sheriff to commence action to reduce the attached property to possession. Mr. John J. Clarke in his memorandum of Feb. 21, 1944 to Mr. Liddy mentions the fact that a legal question exists with respect to the validity of the service of these orders.
For further details see Mr. Clarke's memos of Feb. 9, 1944 and June 7, 1943.

Pending further instructions as to the disposition of the above mentioned suits we are holding all of the assets blocked in the account of the Banque Nationale de Roumanie which consists of the following:

Dollar Account Designated	
Banque Nationale de Roumanie	
Account S	$250,811.44
Gold Custody Account Designated	
Banque Nationale de Roumanie	$13,121,126.90

G C Martenson

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DECLASSIFIED
NND Authority 978025
By TJ NARA Date 9/31/99

RG 56
Entry 56-69A 4707
File German: Gold Looted Holdings + Transfer
Box 80
490/39/29/03

August 23, 1944

DEPARTMENT OF STATE

Paraphrased and sent August 17, 3 p.m.

FOREIGN ECONOMIC ADMINISTRATION

AMEMBASSY,

MADRID.

2281

FROM THE DEPARTMENT, TREASURY AND FEA.

CONFIDENTIAL. FROM A CONFIDENTIAL SOURCE IT HAS BEEN LEARNED THAT CREDIT SUISSE ZURICH HAS OFFERED THE INSTITUTO DE MONEDA EXTRANJERA UP TO 20 MILLION SWISS FRANCS WORTH OF GOLD LOCATED IN BUENOS AIRES AGAINST PAYMENT IN SWISS FRANCS. WE SHOULD APPRECIATE ANY INFORMATION YOU MAY OBTAIN ON THIS MATTER OR WITH RESPECT TO ANY SIMILAR GOLD TRANSACTIONS, ESPECIALLY WITH RESPECT TO THE EXTENT TO WHICH SUCH ARRANGEMENTS HAVE BEEN OR MAY BE EMPLOYED BY GERMAN INTERESTS TO TRANSFER THEIR LOOTED GOLD INTO GOLD NOW ON DEPOSIT IN THE WESTERN HEMISPHERE.

SENT TO MADRID, REPEATED TO BERN, LONDON AND BUENOS AIRES.

HULL
(RLH)

DCR:RLH:ATM

CODE ROOM:
REPEAT TO:

AMLEGATION, BERN, #2830
AMEMBASSY, LONDON, #6520
AMEMBASSY, BUENOS AIRES. #1299

WTSTONE
LIAISON, 8/7/44
RA-813-OFFLEISCHER:MP

cc: 8/25/44 For Information - Messrs. Glasser, Taylor, Ness, Fisher, Schmidt, Sachs, Gilbert, Miss Scullen, O'Flaherty, R. Shwartz, Richards, Bennett, Robinson, Alk, Moskovitz, Luxford, DuBois, NY Fed., General Records, "German gold moving"

EOB:t

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By NARA Date 2/15

NON-RECD NON-REC
FED RES. BANK
BOX 1 - BINDER 2

MISC.-38
(MISC. 8.2-76M-9-56)

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

Correspondence files
C 261 Spain - Instituto Espanol
X C 262 a Russian Gold

DATE October 4, 1957.

Files

SUBJECT Russian Gold Bars.

FROM Norman P. Davis

Copies to Messrs. Hayes, Exter, Sanford, Lang, Roche, Guy, and Div. Files

Approximately six years ago the Spanish Foreign Exchange Institute shipped to us approximately $31,000,000 in gold bullion to serve as collateral for an overdraft credit arrangement by the National City Bank of New York in the amount of $30,000,000. An official of the National City Bank consulted both with us and the United States Treasury Department in order to determine which of the bars in the shipment might best be melted down and reissued as United States Assay Office bars. In fact, some of the gold in the shipment was identified as having been part of the gold looted by the German authorities during the last war and melted and reissued as 1937 Prussian Mint bars. As a result, approximately half of the gold, including most of the Prussian Mint bars, in this shipment was delivered to the U. S. Assay Office for conversion into U. S. Assay Office bars. Included in the gold which was not so converted were five bars bearing the stamp of the Russian Mint in Moscow, inasmuch as this type of bar at that time enjoyed a high reputation for always having the weight and fineness of not less than the amount stamped thereon. Upon completion of the conversion, the entire shipment was transferred to an account in the name of the National City Bank of New York, pursuant to license issued by the Secretary of the Treasury authorizing such transfer, for the purpose of collateralizing the $30,000,000 credit arrangement. At the maturity of the credit arrangement some three years later, the

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FED RES. BANK
BOX 1 - BINDER 2

gold was retransferred in our vaults from the account of the National City Bank to that of the Spanish Foreign Exchange Institute.

In May, 1957, however, a new credit arrangement similar to the previous one was entered into between the First National City Bank of New York and the Spanish Foreign Exchange Institute, and the same gold collateral was transferred in our vaults to an account in the name of the lending bank pursuant to a license issued by the Secretary of the Treasury, who was fully aware that five bars in the collateral consisted of Russian Mint bars, and, notwithstanding the fact that Mr. W. Randolph Burgess had previously written to this bank stating that the Treasury Department, for the time being, preferred not to accept the deposit of gold bars bearing Soviet bloc markings. At the time that such license was issued, we requested the Treasury Department to authorize us either to advise the First National City Bank that five bars of the collateral consisted of Russian Mint bars which the Treasury Department had said it would prefer not to purchase, or authorize us to inform the First National City Bank that the Treasury had given us assurances that it would purchase such Russian Mint bars, if need be, to satisfy the indebtedness for which they served as collateral. However, the Treasury Department insisted that we say nothing about this subject to the First National City Bank and, instead, gave to us assurances that if the gold were offered in satisfaction of the loan all of it would be on an equal basis in so far as a purchase by the Treasury were

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concerned.

More recently we were informed that this last credit arrangement was never actually used by the Spanish Foreign Exchange Institute, and, in fact, that it had been canceled, whereupon the gold collateral was retransferred in our vaults from the account of the First National City Bank of New York to the account of the Spanish Foreign Exchange Institute, which instructed us to sell all of the gold to the United States Treasury Department.

After a delay of several days, the Treasury Department informed us that it was not prepared to purchase the five Russian Mint bars and that we might so inform the Spanish Foreign Exchange Institute. Before we had had an opportunity to pass on this message to the Spanish Foreign Exchange Institute, the latter cancelled its order for the sale of the gold.

It is now our understanding that it is the position of the Treasury Department and also of the State Department that we should not inform the Spanish Foreign Exchange Institute that the Treasury Department has informed us that it would not purchase the five Russian Mint bars which it holds in our vaults. It is our view, on the other hand, that it is our duty as a custodian on behalf of the Spanish Foreign Exchange Institute to so inform it, in order that it may avoid embarrassment which might result in case the particular bars in question are later transferred to the account of some other central bank without knowledge on the part of the transferor or the transferee of the "taint" which our Treasury Department has placed on these particular bars.

NPD/abm

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FED RES. BANK
BOX 1 - BINDER 2

FEDERAL RESERVE BANK
OF NEW YORK

C 262.2
N4-20

OFFICE CORRESPONDENCE

DATE July 11, 1951.

TO The Files

SUBJECT

FROM Norman P. Davis

X C252.4

cat

(Copies to Messrs. Knoke, Tiebout, Sanford, Rozell & E. Carroll)

About ten days ago Mr. Jensen of the National City Bank handed to me a bar list of gold having a value of approximately $10,500,000 which the Instituto Espanol de Moneda Extranjera proposes to ship to the Federal Reserve Bank of New York to serve as collateral for a $10,000,000 increase in the gold loan due June 5, 1953, made by National City Bank to Instituto.

I sent the bar list to Mr. Fred Smith for checking against records of the Treasury and State Departments to ascertain whether any of the bars listed therein had been looted and, if so, whether it had been given a release by the Tripartite Gold Commission in connection with the settlement with Spain. Mr. Smith advised me today that of the 761 bars listed, 503 appear to be clean, 187 were looted from the Netherlands and subsequently placed in the German depot account at the Swiss National Bank, 3 bars were looted from Belgium and subsequently placed in the German depot account at the Swiss National Bank, 50 bars were looted from the Netherlands but were subsequently sold to Spain by Portugal, 18 were looted from Belgium and subsequently sold to Spain by Portugal. The 190 bars which were looted from the Netherlands and Belgium and subsequently placed in the German depot account at the Swiss National Bank were not contained in the list of gold bars submitted to the Tripartite Commission by Spain and consequently were not given a specific release. However, the Treasury Department, with

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FED RES. BANK
BOX 1 - BINDER 2

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 11, 1951.

TO The Files

SUBJECT

FROM Norman P. Davis

concurrence of the State Department, takes the attitude that Spain acted in good faith in negotiating the settlement with the Tripartite Commission and that said 190 bars should be deemed to have been given a release. As a consequence, the Treasury would be willing to purchase said bars.

It should be noted that a substantial part of the gold which was shipped to us in connection with the currently outstanding loan by National City Bank to Instituto consisted of bars which were sold to Spain by the Swiss National Bank, acting on behalf of Germany. However, all of said bars were disclosed by the Spaniards at the time of the Tripartite settlement, whereas the 190 questionable bars contained in the proposed new shipment were not so disclosed. In this regard, it is my understanding that Belgium and the Netherlands agreed to waive any claim against countries with which the Tripartite Commission had made a settlement. Whether said waiver would apply to gold which was not disclosed at the time of settlement I do not know.

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By NARA Date 2/15

NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 2

March 23, 1950

Notes for Mr. Knoke's report to directors on custody of gold serving as collateral to Spanish loans by The Chase National Bank and the National City Bank

After over two months of painstaking labor, we have just completed arrangements under which we will act as custodian for two of our biggest banks here of gold serving as collateral for two loans to Spain, one for $30 million and the other for $20 million.

We have through all our negotiations been in close touch with the Treasury and State Departments and have ascertained that substantially all the gold which will serve as collateral to the $20 million loan had been disclosed by the Spaniards at the time of the Tripartite settlement with Spain, so that such gold is clear for purchase by the United States; and we have also ascertained that about 42 per cent of such gold had been looted by the Germans from the Dutch and Belgians, remelted into Prussian mint bars, and most of it then sold to the Swiss who in turn had sold it to Spain. However, we were told by the Treasury that the latter regarded the gold as tainted only in the hands of the first purchaser, so that as to the gold sold first to Switzerland and then by Switzerland to Spain, such gold was not considered as tainted in the hands of the Spaniards. As regards the gold collateral for the $30 million loan, we have been told by the lender that he received from the Spaniards Prussian mint bars and had them converted into British bars; also that he was satisfied that this gold was not looted. But we have not traced this gold back.

In completing these arrangements, we have followed the principle that we should ask for all reasonable protection and assume

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FED RES. BANK
BOX 1 - BINDER 2

no risks other than reasonable business risks, but that we would not impede such transactions by insisting on unduly severe requirements. We have felt and feel, as the only holders in this country of a license permitting the holding of gold, that we cannot readily escape acting as custodian in cases like these.

We have, however, asked for, and have been assured that we will receive, not only from the borrowers but also from both lenders, an indemnity declaration in form satisfactory to our lawyers, which will indemnify us, among other things, against liability for the receipt of this gold and the recasting thereof into United States Assay Office gold bars. In addition we are getting the usual letters of indemnity in respect of the transfer of the gold to, or the receipt of the gold into, an account in the name of the respective lending banks to be held by us as security for the loans to Spain.

We are aware that there is no assurance that we may not be sued in respect of this gold which I said is in part at least looted gold and while we would have recourse against either of the two American banks and the Spaniards in the event of such suit, such suit might conceivably be given publicity, which undoubtedly would be unpleasant.

We shall hold this gold in custody for account of the American lenders under the authority given us by the directors on October 27, 1949 to open gold custody accounts for account of American banks as collateral for loans granted by them, and I am reporting the present transaction as a matter of interest to the directors.

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FED RES. BANK
BOX 1 - BINDER 2

MISC. 1408-25M-6-48

DEPARTMENT OF STATE
WASHINGTON

January 14, 1949

Dear Mr. Barth:

In your letter of January 12 you ask, in connection with current negotiations for a loan to the Instituto Espanol de Moneda Extranjera of Madrid, whether the gold holdings of the Instituto and the Spanish Government can now be used free of all Allied claims for the restitution of gold looted by the Axis powers and whether there is any objection to the contemplated loan.

There is no objection to an extension by the Chase National Bank of the loan described in your letter. Your understanding that the status of the gold holdings of the Government of Spain and its monetary authorities have been clarified with respect to tainted gold is correct. Consequently, no claim can be laid to any gold held by the Spanish Government or the Instituto on the basis that such gold was looted and no limitations exist any longer to the disposition of Spanish monetary gold holdings for the reason that it could include looted gold.

Sincerely yours,

For the Secretary of State:

/s/ Theodore C. Achilles

Theodore C. Achilles,
Chief, Division of Western
European Affairs.

Mr. Alfred W. Barth,
Vice President, Foreign Department,
Chase National Bank,
New York, New York.

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FED RES. BANK
BOX 1 - BINDER 2

Copies to Messrs. Sproul
Sanford (Rozell)

MISC 1 B.2-80M-11-46

FEDERAL RESERVE BANK OF NEW YORK

Spain (261)
Spanish Institute

OFFICE CORRESPONDENCE

DATE June 18, 1947

TO FILES

SUBJECT:

FROM L. W. KNOKE

Mr. Howard Sheperd of the National City Bank called me today. The National City Bank has before it a request from the Spanish Institute for a one-year revolving credit of $10 million against gold in London, which in case of need or advisability, could and would be shipped to New York. The City Bank is about to discuss the matter further with the Department of State at a high level, although at a lower level they have been given to understand that the Department of State would raise no objection. Did I know anything about this?

I said I knew nothing about it, but it seemed to me that a short-term credit of that nature was not out of order. I warned him, however, of the possibility of looted gold and discussed that situation in some detail. Towards the end of the conversation, Sheperd indicated that one purpose of the loan, if concluded, would be to enable the Spanish to effect to I.T.& T. a payment in connection with the sale of the telephone system there to the Spanish Government, which was overdue.

July 3, 1947

I called Mr. Sheperd to find out what, if anything, had happened. He told me the Department of State had turned City Bank down completely. Sheperd thinks the Spanish may have done the business with a Swiss bank.

GW

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By NARA Date 2/15

NON-RECD NEW-REF
FED RES. BANK
BOX 1 - BINDER 2

Please file in general Czechoslovakia file.

9/22/39

PUBLISHED IN THE
NEW YORK HERALD TRIBUNE
THURSDAY, SEPTEMBER 21, 1939

Czechs Expect 35 Million Gold To Be Returned

Bank of England Reported Ready to Turn It Over to Provisional Government

The Bank of England will turn over to a provisional Czecho-Slovakian government to be formed soon in London more than $35,000,000 in gold impounded by the bank after Czecho-Slovakia fell into the hands of Fuehrer Adolf Hitler, it was disclosed yesterday by George J. Janecek, Czecho-Slovakian Commissioner General to the New York World's Fair.

Some members of the former government are now in London and it is expected that the provisional government will be formed within a week, according to Mr. Janecek.

After Germany took possession of Czecho-Slovakia last March, the German government attempted to gain control of the $35,000,000, as well as of about $4,500,000 of Czecho-Slovakian funds held here by a group of banks headed by the Chase National Bank, Mr. Janecek said.

The Bank of England, however, invoked a clause in an agreement with the Bank for International Settlements which permits the impounding of funds in the case of an emergency such a sthe fall of Czecho-Slovakia's government.

The American banks, according to Mr. Janacek, have refused to turn over the funds in their possession either to the Czech ministry here or to representatives of the German government.

Former Premier Mylan Hodza and Jan Masaryk, formerly Czecho-Slovakia's Ambassador to England, are now in London, and it is expected that the provisional Czecho-Slovakian government will be formed with Dr. Eduard Benes, former President of the nation, as its head. Mr. Janecek said that the action of the Bank of England in restoring to Czecho-Slovakia was in line with the declaration of the British Prime Minister, Neville Chamberlain, that the Czechs would be free again when the European war was over.

Mr. Janecek said that Czecho-Slovakia also had about $4,500,000 on deposit in France, but did not know if any action had been taken to turn the money over to the provisional government.

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DECLASSIFIED
Authority DOD DIR 5200.30
By NARA Date 2/15

NON-RECD ~~NON-REC~~
FED RES. BANK
BOX 1 - BINDER 2

April 6, 1939.

Dear Chairman Eccles:

I telephoned you yesterday to advise you about further developments concerning Czechoslovak deposits held in New York. You mentioned that, while I have kept you posted from time to time about this situation, you would like to have me write you a brief summary so that it might be available as a matterof record for the Board.

The German army entered Czechoslovakia on Wednesday, March 15. The next afternoon, March 16, Secretary Morgenthau telephoned to me to say that, after consultation between the Treasury and the State Department, it had been decided to ask me to telephone the principal banks in New York to request that until Monday, March 20, they voluntarily refrain from making any important or unusual transactions in Czechoslovak bank accounts originating on or after March 15. The Secretary mentioned that he thought it was important to take this position for a few days until the confused situation in Czechoslovakia might become clearer. I told the Secretary that in substance that was the position which we had taken, for the time being, here in the bank with respect to the deposit of the Czechoslovak National Bank and that I would comply with his request so far as the other principal banks in New York were concerned. Accordingly, I got in touch with the senior officers of seven of the banks and most of them

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NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 2

said that that was the position which they would normally take in any event and that they would be glad to cooperate. They understood, however, that the request was not a formal one and that their cooperation was voluntary. One bank, while agreeing to cooperate so far as they could, raised some question as to their legal right to refuse to honor withdrawals even for a temporary period.

On Tuesday, March 21, having heard nothing further from the Secretary of the Treasury, I telephoned to him to say that I assumed that the banks were now free to handle Czechoslovak accounts in whatever way they deemed best. After consulting with the State Department he telephoned me about lunch time on Tuesday, March 21, saying that he "did not want to suggest to the banks what they should do from now on, that it was up to them and to their lawyers."

On Thursday, March 30, Undersecretary Hanes telephoned to me to ask that we try to obtain "voluntarily" from the banks in New York the amount of deposits which they held for the Czechoslovak National Bank. He explained that the information was to be made available to the State Department which was considering giving it to the Czechoslovak Minister in Washington. I told Mr. Hanes that I would get in touch with him about this on Saturday, April 1. Accordingly, I called him on the telephone that morning, saying that, in our opinion, if the Treasury wants this information they should demand it of the banks as a matter of law rather than to ask them to surrender it voluntarily. I mentioned, however, that the total amount was so small that, in my opinion, the

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FED RES. BANK
BOX 1 - BINDER 2

risks of demanding the information for the Czechoslovak Minister outweighed any possible benefit to the Czechs themselves - such risks, for instance, as resentment and possible retaliation in Germany against American property there. Furthermore, I explained, that if the Czechoslovak Minister wanted to do something about these deposits, he could find a list of the banks which are correspondents of the Czechoslovak National Bank set forth as a matter of public record in Skinner's Bankers Almanac. Mr. Hanes agreed with me, saying that we should not ask the banks voluntarily to give up the information and that so far as he was concerned, he would not demand it.

On April 1, shortly after this conversation with Mr. Hanes, we received a cable order to transfer $35,000 from the Czechoslovak National Bank account with us to the Bank for International Settlements on Monday, April 3. I telephoned you on April 1 advising you of this message which was properly tested in every way, and said that we could see no reason, regardless of the possible motive for the transfer, for refusing to honor it. I mentioned that, in my opinion, there might be greater liability on us for refusing to make the transfer than in honoring the order. As you will remember, you agreed with me and said that you did not see how we could decline to make the payment.

On Tuesday, April 4, the Federal Reserve Bank of New York received a letter, dated April 3, from Mr. Hurban, the Minister of Czechoslovakia to the United States. A copy of this letter is attached. I tried, unsuccessfully, to reach you on April 4 to advise you of this letter but you were not available.

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FED RES. BANK
BOX 1 - BINDER 2

Accordingly, I telephoned you yesterday, April 5, and told you that we had decided, with advice of counsel, that the best position for us to take, even in face of the letter of the Czechoslovak Minister, was to honor drafts against the account of the Czechoslovak National Bank with us, provided they were properly drawn and tested. It is our opinion that there is less risk to the bank in following this procedure than in refusing to honor a draft merely because, as the Czechoslovak Minister says, it might or might not have been drawn "under duress." Indeed, were we not to do so, the risk of embarrassing Czech nationals themselves by refusing to make their balances here available for necessary or normal payments might be great. But apart from that, we see no appropriate alternative.

As I mentioned to you on the telephone we are now considering whether, in all the circumstances, it might not be wise to ask the National Bank of Czechoslovakia not to make any more deposits with us so long as present conditions persist. In view of possible political implications in this act, however, I shall consult with you further before we take any definite steps.

Faithfully yours,

GEORGE L. HARRISON

George L. Harrison,
President.

Hon. M. S. Eccles, Chairman,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

Enc.

GLH:AB

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DECLASSIFIED
Authority DOD DIR 5200.30
By [signature] NARA Date 7/15

NON-RECD ~~NEW~~-REF
FED RES. BANK
BOX 1 - BINDER 2

25-1

IN REPLY REFER TO:

TREASURY DEPARTMENT

UNITED STATES CUSTOMS SERVICE

NEW YORK, N. Y.

OFFICE OF THE COLLECTOR
DISTRICT NO. 10
ADDRESS ALL COMMUNICATIONS FOR THIS OFFICE TO THE COLLECTOR OF CUSTOMS NEW YORK, N. Y.

NOV 19 1947

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

Sir:

I hereby certify that a shipment of ~~fine~~ gold ~~bars~~ 60 KG imported from **France** covered by Free Entry 318983 for 1880 cases and entered in the name of **Federal Reserve Bank of New York** as ultimate consignee, which arrived on 11/1 1947 on the Cruiser Georges Leygues ~~xxxxxxx~~ at pier ____ Port of New York, the original port of entry for the said shipment, and that the said consignee declared to the Collector of Customs at the said port that said ~~fine~~ gold ~~bars~~ bars contain 2,889,324.856 ounces of fine gold ________ /fine of a value of $101,126,369.96, ~~xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx Assay Office at New York through the Federal Reserve Bank of New York, as fiscal agent of the United States,~~ and I further certify that said shipment of fine gold bars has been in customs custody throught the period in which it has been situated within the customs limits of the continental United States, having been transferred from Pier ________ New York to the Federal Reserve Bank of ~~U.S. Assay Office at~~ New York in the custody of a Bonded Truckman. ~~United States Customs Inspector.~~

Respectfully

~~G. W. O'Keefe~~
Assistant Collector.

[initials]

Gold to be delivered to the Federal Reserve Bank of New York and held under earmark for account of a foreign central bank by the Federal Reserve Bank of New York under license No. NY-18-1 issued to the Federal Reserve Bank of New York pursuant to the Provisional Regulations issued under the Gold Reserve Act of 1934 and/or to be entered for sale to the U.S. Assay Office at New York pursuant to the Provisional Regulations issued under the Gold Reserve Act of 1934

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NON-RECD ~~[illegible]~~-REF
FED RES. BANK
BOX 1 - BINDER 2

MISC. SE 60M-6-43

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE February 15, 1945.

TO Mr. Knoke

SUBJECT Bank of France Statement

FROM A. C. Madden

Copies to Messrs. Williams, Roelse, Sanford and Liddy (Lang, Rozell)

The following is an analysis of the December 28 statement of the Bank of France, of which we have now received a copy. Comparative figures from the statements for selected dates since the beginning of the war are presented in a table attached to this memorandum.

The December 28 statement reveals a decline in gold holdings (which had remained unchanged at 84.6 billion francs since 1941) to 75.2 billion. The decline was due to the repayment on December 22 to the National Bank of Belgium of 9,446 million francs of gold which had been entrusted in 1940 to the Bank of France and which the latter had been forced to deliver to the Reichsbank. To compensate the Bank temporarily for the loss of gold, a new item is shown on the asset side of the balance sheet entitled "Debt of the State Relative to the Gold Deposit of the National Bank of Belgium" in the amount of 9,446 million francs. The Bank's gold holdings continue to be valued at the 1940 parity of 176.50 to the pound and 42.30 francs to the dollar. A revaluation of the gold reserve on the basis of the present franc-dollar rate (50 francs to the dollar) would restore the book value of the gold to what it was before the transfer of the Belgian gold took place.

Total credits to the private economy increased since July 13 (date of the last previous statement) by 16.2 billion francs to 34.8 billion. Of this expansion 13.8 billion was in the form of bills discounted and 1.4 billion in the form of open market purchases. Temporary advances to the State, other than for occupation costs, stood at only 15.8 billion on December 28 compared with 70.8 billion on July 13. These advances had risen as high as 74.6 billion on August 31 last. Their decline was a result of the recent Liberation Loan, which enabled the government to repay approximately 72 billion francs of its debt to the Bank. These advances to the State are expected to increase again, since national expenditure far exceeds revenue.

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FED RES. BANK
BOX 1 - BINDER 2

MISC. 5B.1-50M-6-43

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE

TO

SUBJECT Bank of France Statement

FROM

Since the amount of such advances which the Bank is authorized to grant to the State under the agreement of September 29, 1938 (ratified September 1, 1939) was increased from 70 billion francs to 100 billion in July 1944, there remained on December 28 a margin of approximately 84 billion francs on which the State could draw. Advances to the State for occupation costs increased 16.8 billion francs after July 13, to 426 billion.

Notes in circulation showed a net decline from 585 billion on July 13 to 572 billion at the end of the year. However, the circulation had reached an all-time high of 639.8 billion in October. The reduction from the high point in the note circulation reflects the result of the Liberation Loan, 72 billion francs having been subscribed in notes by the public in Metropolitan France.1/ Included in the total note circulation on December 28 were the following notes, amounting to 17,270 million, which have appeared on the balance sheet only since the liberation: (a) approximately 7 billion francs in Bank of France notes taken to England in 1940 and used in France by the Allied armies; (b) notes drawn before the liberation to meet the needs of the French Forces of the Interior in the amount of 4,200 million francs; and (c) 5,400 million francs of so-called tricolor notes issued by the Allied armies at the time of the invasion. These last are to be withdrawn entirely from circulation at an early date.

The decline of over 9 billion francs in private deposits to 37,855 million is a further result of the Liberation Loan. The account of the Reichskreditkassen, which in 1941 reached 64 1/2 billion francs and which stood at 1,853 million on July 13 has disappeared from the December 28 balance sheet.

1/ The final results of the Loan are given as 164 1/2 billion francs, of which 162 billion francs was subscribed by Metropilitan France and 2 1/2 billion francs by the Empire. The total from Metropolitan France includes, in addition to the amount subscribed in notes, 53 billion francs from bank deposits and 37 billion francs from treasury bonds.

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FED RES. BANK
BOX 1 - BINDER 2

25-20

25-20

see memo 12/26/44

MISC. 140A—100M—6-44

FEDERAL RESERVE BANK OF NEW YORK

December 22, 1944.

Sullivan & Cromwell,
48 Wall Street,
New York, N. Y.

Paul Fuller, Jr., Esq.,
Coudert Brothers,
2 Rector Street,
New York, N. Y.

Dear Sirs:

In accordance with instructions from Banque de France, we have today transferred 15,848 bars said to contain 6,379,828.838 troy ounces of fine gold from the earmarked gold account on our books designated "Banque de France Ordinary Account" to the earmarked gold account on our books in the name of Banque Nationale de Belgique. 6,379,828.838 troy ounces of fine gold constitute 33.59 troy ounces of fine gold more than would be contained in 198,433.84169 kilograms of fine gold.

In accordance with instructions from Banque Nationale de Belgique, we have today transferred from its account to Banque de France Account T $1,175.65, representing the value of 33.59 troy ounces of fine gold at $35 a troy ounce.

Very truly yours,

FEDERAL RESERVE BANK OF NEW YORK

By (signed)
D. J. Liddy,
Manager, Foreign Department.

RHB:AW

I hereby certify that the foregoing signature is the genuine signature of D. J. Liddy, who is an officer of the Federal Reserve Bank of New York with the title of Manager, Foreign Department, and that he has full power and authority to sign the foregoing communication on behalf of the Federal Reserve Bank of New York.

(signed) R.H.B.
Assistant Secretary,
Federal Reserve Bank of New York.

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By NARA Date 2/15

NON-RECD
FED RES. BANK
BOX 1 - BINDER 2

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NOTIFICATION OF CONTEMPLATED TRANSACTION IN ACCORDANCE WITH LICENSE NO. W-2366 . NY- 668031

(To be executed and filed in triplicate with the Federal Reserve Bank of the district in which the licensee resides or has his principal place of business or principal office or agency.)

Licensee's Notification # F-1

To the Secretary of the Treasury
Washington, D. C.

S i r :

A. In accordance with the provisions of License No. W-2366 issued under Executive Order No. 6560 of January 15, 1934, as amended, the undersigned hereby notifies you that, unless the undersigned is informed within 10 days after the receipt of this notification that the Treasury Department disapproves, the undersigned contemplates making the following payment, transfer or withdrawal, pursuant to the terms of the above license, from the account with the undersigned in the name of Banque de France

Description of contemplated transaction (including the nature, purpose, amount, date and conditions thereof and the names and nationalities of the payee and all other parties thereto):

We are momentarily expecting to receive instructions from the Banque de France to transfer 15,848 gold bars said to contain 6,379,828.838 troy ounces of fine gold from the gold earmarked in its Ordinary Account maintained with us, to an earmarked gold account maintained with us designated Banque Nationale de Belgique Account A.

December 19, 1944.

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By NARA Date 7/15

NON-RECD NON-REC
FED RES. BANK
BOX 1 - BINDER 2

B. (If waiver by the Treasury Department of the 10 day period during which it may disapprove this transaction is desired, it should be so stated and the reasons given below):

Waiver pursuant to this notification is repectfully requested immediately for the reason that we should like to be in a position to effect the transfer described in paragraph A without delay upon receipt of instructions which we anticipate shall be received by us from the Banque de France.

C. The licensee represents and warrants that no party other than those mentioned in paragraph A above has any interest, direct or indirect, in the contemplated transaction or transactions of which notification is given herein, except as follows:

We have no knowledge of any other interest.

D. The licensee represents and warrants that all the facts herein stated are correct and true and that he does not have knowledge of any material facts in connection with such notification which are not fully and accurately set forth herein. (Attach hereto schedules of any additional material information.)

E. The licensee represents and warrants that he has complied, and agrees that he will comply, in all respects, with the Executive Order No. 6560 of January 15, 1934, as amended, and the regulations issued thereunder, and with any and all licenses issued to the applicant pursuant thereto, including the license referred to above.

Federal Reserve Bank of New York
(Licensee)

By _____
D. J. Liddy,
Manager, Foreign Department.

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Authority DOD DIR 5200.30
By NARA Date 2/15

NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 2

Copy on C 261 Banque Nat Belg

REPUBLIQUE FRANCAISE

TRESORERIE GENERALE AUX ETATS-UNIS
(GENERAL TREASURY IN U. S. A.)

November 9, 1944

LE TRESORIER PAYEUR GENERAL
E. A. MARQUAIS

30 BROAD STREET
NEW YORK 4, N. Y.
HANOVER 2-2980-1

Federal Reserve Bank of New York,
Foreign Department,
33 Liberty Street,
New York, N.Y.

J Reach

Attention Mr. D.J. Liddy

Dear Mr. Liddy:

I am enclosing herewith 4 a copy of a telegram sent from Paris and addressed to me concerning the accord obtained between the Banque de France and the Banque Nationale de Belgique.

Sincerely yours,

E.A. MARQUAIS

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By NARA Date 2/15

NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 2

FOR. 77A.1-25-5-43

FOREIGN DEPARTMENT

FEDERAL RESERVE BANK
OF NEW YORK

TRANSLATION

FROM

DATE

TO of Cable sent from Paris by the Minister of Finance to the Tresorier Payeur General, New York

REF. NO.

The Banque de France, having concluded an agreement with the Banque Nationale de Belgique concerning the difference with respect to the gold of the latter, proposes to withdraw from the Federal Reserve Bank of New York 178,433.841 kilos of gold from its holdings and to transfer them to the account of the Banque Nationale de Belgique.

98.433.841

Inasmuch as Mr. Martial is absent, the Banque de France requests you kindly to intervene with the Federal Reserve Bank in order to obtain the license required for this operation. Obtain the license quickly as the transfer must have been made at the latest by December 23 of this year.

Instructions have been given by the Banque Nationale de Belgique to its attorneys to drop all proceedings and withdraw the attachments.

GL (November 9, 1944).

TRANSLATOR'S NOTE:
THIS TRANSLATION IS MADE TO THE BEST OF THE TRANSLATOR'S KNOWLEDGE AND ABILITY. HOWEVER, NO RESPONSIBILITY IS ASSUMED FOR ITS CORRECTNESS.

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By NARA Date 2/15

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FED RES. BANK
BOX 1 - BINDER 2

6. Belgian Gold. The French Finance Ministry announced yesterday that France will repay to Belgium an undisclosed amount of gold which Belgium intrusted to the Bank of France not long before the German occupation began in 1940 and which the Vichy government turned over to the Germans. (Trib., p. 3.)

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FED RES. BANK
BOX 1 - BINDER 2

MISC. 38.1-50M-6-43

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1944.

TO Mr. Moore

SUBJECT Belgian gold suit against Bank of France.

FROM T. G. Tiebout

Replying to your memorandum of August 30, 1944, on the above mentioned subject, the following would be an accurate statement in the matter:

> "In February, 1941, suit was brought in the Supreme Court, State of New York, by Banque Nationale de Belgique against Banque de France for alleged failure to deliver gold held for safekeeping. Subsequently, the claim of Banque Nationale de Belgique was assigned to two assignees and in April, 1941, a new suit in their names was commenced in which gold and dollar balances held by Federal Reserve Bank of New York for the account of Banque de France were attached. The amount claimed in the first action was $260,000,000 and in the second action approximately $228,000,000, with interest in each case. The two suits, which involve the same cause of action, are still pending, have not been brought to trial, and remain undetermined. It is understood that the first suit may be considered as superseded by the second suit."

The statement quoted in your memorandum is inaccurate for the following reasons:

1. The suits are not "for the recovery of gold". They are for money damages predicated on alleged breach of contract and conversion.

2. The first suit was commenced in February, 1941.

3. In the first suit the warrant of attachment was not delivered to the sheriff and no levy was made thereunder, and accordingly, I do not think it may be said that the first suit "sought to recover the equivalent of the amount named from the stocks of gold held under earmark for the Bank of France at the Federal Reserve Bank of New York". It is understood that the first suit was commenced by the personal service of the summons and complaint on Mr. Martial as alleged agent of Banque de France. There is some question whether suit could be properly so commenced and whether Banque Nationale de Belgique could sue Banque de France in our courts. Hence the assignment to the assignees, who are stated to be residents of the State of New York. A judgment recovered in

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By NARA Date 1/15

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FED RES. BANK
BOX 1 - BINDER 2

MISC. 38.1-60M-8-43

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1944

TO Mr. Moore

SUBJECT

FROM T. G. Tiebout

the second suit would, in all probability, be satisfied out of the property attached, and in this sense the second suit, and only the second suit, "sought to recover the equivalent of the amount named from the stocks of gold held under earmark for the Bank of France at the Federal Reserve Bank of New York". Furthermore, since the dollar balances as well as the gold were attached, recovery was sought from such property also. It is understood that by its answer, Banque de France has appeared in the second suit and that any judgment recovered therein might therefore be satisfied out of property of Banque de France other than that attached in the action.

If you do not approve of, and use, the statement quoted above, I wish you would let me (or in my absence, Mr. Logan) see whatever statement you do propose to use.

T. G. Tiebout

Copy to Mr. Knoke.

TGT:HMG

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Authority DOD DIR 5200.30
By NARA Date 7/15

NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 2

Rider D-2

REPORT FORM TFR-300 - SERIES B
BANQUE DE FRANCE, CLERMONT-FERRAND, FRANCE

On April 24, 1941, a warrant of attachment was served on Federal Reserve Bank of New York in an action in the Supreme Court of the State of New York, County of New York, wherein Daniel DeGorter and Henri Wild, Assignees of Banque Nationale de Belgique, are plaintiffs and Banque de France is defendant, the sum claimed in the action being $228,294,283.54 with interest from June 17, 1940, plus costs and expenses.

On May 29, 1941, Federal Reserve Bank of New York was served with a certified copy of an order of the above mentioned Court in said action releasing from the levy of attachment made under the warrant of attachment therein all moneys and credits then held by Federal Reserve Bank of New York in the name of Banque de France in its dollar account designated "Account T" to the extent that such moneys and credits exceeded the sum of $200,000,000; and on the same day Federal Reserve Bank of New York was directed by the Sheriff of the County of New York to release all moneys from said "Account T" in excess of the sum of $200,000,000 which had been attached by him in said action, since such release had been directed by Court Order.

On September 3, 1941, a warrant of attachment was served on Federal Reserve Bank of New York in an action in the Supreme Court of the State of New York, County of New York, wherein Sigismond J. Stojowski and Roman Jozef Majewski, Assignees of Bank Polski, are plaintiffs and Banque de France is defendant, the sum claimed in the action being $64,050,641.30 with interest from June 1, 1940, plus costs and expenses.

Under date of October 1, 1941, Coudert Brothers, New York City, Counsel for the defendant, Banque de France, in the above mentioned actions, mailed to Federal Reserve Bank of New York certified copies of orders of the Court in the above mentioned actions, each dated September 30, 1941, releasing from the levies of attachment made under the warrants of attachment therein all moneys and credits then held by Federal Reserve Bank of New York in the name of Banque de France in its dollar account designated "Account T" to the extent that such moneys and credits exceeded the sum of $180,000,000, and releases, dated October 1, 1941, addressed to Federal Reserve Bank of New York by the Sheriff of the County of New York directing said bank "to release all from Account T in excess of the sum of $180,000,000" which had been attached by him in said actions, since the same had been directed by Court Order.

Federal Reserve Bank of New York has no knowledge or information respecting the addresses or nationalities of the plaintiffs in the above mentioned actions except that it is alleged in the complaints therein that said plaintiffs are residents of the State of

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By NARA Date 7/15

NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 2

New York. Federal Reserve Bank of New York is informed and believes that Banque Nationale de Belgique is a foreign corporation duly organized and existing under and by virtue of the laws of Belgium, and that Bank Polski is a foreign corporation duly organized and existing under and by virtue of the laws of Poland. It appears from the complaint in the action first above mentioned that such action involves the alleged conversion by Banque de France of 6,522,693.82 ounces of fine gold, property of Banque Nationale de Belgique, and from the complaint in the action wherein the Assignees of Bank Polski are plaintiffs that such action involves the alleged conversion by Banque de France of 1,830,018.3 ounces of fine gold, property of Bank Polski.

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By NARA Date 2/15

NON-RECD. NON-REC
FED RES. BANK
BOX 1 - BINDER 2

Rider D-2

REPORT FORM TFR-300 SERIES B
LIETUVOS BANKAS

On June 3, 1941, a warrant of attachment was served on Federal Reserve Bank of New York in an action in the Supreme Court of the State of New York, County of New York entitled "Corneliussen & Stakgold Inc., V. Lietuvos Bankas", the sum claimed in the action being $8,453.22, together with costs and expenses. On June 10, 1941, Federal Reserve Bank of New York filed with the Sheriff of the County of New York a certificate to the effect that on June 3, 1941, it had no account on its books in the name of Lietuvos Bankas, and held no property known to it to belong to Lietuvos Bankas, that on May 15, 1941, the account in the name of Lietuvos Bankas on the books of the Federal Reserve Bank of New York was closed and said account and all property held therein was transferred to an account with the Federal Reserve Bank of New York in the name of the Government of Lithuania. The Federal Reserve Bank of New York has not been advised of any further action in this matter.

(A similar rider was prepared for report form TFR-300 Series B The Government of Lithuania)

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By NARA Date 2/15

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FED RES. BANK
BOX 1 - BINDER 2

Misc. 3B-6M-1-40

FEDERAL RESERVE BANK
OF NEW YORK

Bk Fraulee

OFFICE CORRESPONDENCE

DATE November 27, 1940.

TO FILES

SUBJECT

FROM Allan Sproul

Bk Polski
Polish Govt.

Mr. Janus Zoltowski, Polish Financial Counsellor, called on me yesterday morning with further reference to gold belonging to the Bank of Poland which was held by the Bank of France. He said that he had consulted with attorneys here as to possible legal steps which might be taken in this country in order to assert or establish the rights of the Bank Polski with respect to its gold held by the Bank of France, and he wondered whether or not it would be possible for his counsel to talk to Mr. Logan.

I told Mr. Zoltowski that I would speak to Mr. Logan about this, but that I could tell him right now that Mr. Logan and this bank could not be placed in the position of seeming to collaborate with the Bank Polski in mapping a legal campaign against the Bank of France. Mr. Zoltowski said that he understood this, but that his counsel thought it might be helpful to discuss the matter with Mr. Logan.

Today, I telephoned to Mr. Zoltowski and told him that I had talked to Mr. Logan about the above matter, and that we both thought that no useful purpose could be served by having his counsel consult with Mr. Logan at this time. Mr. Zoltowski said that he understood our position, but that later he might advise us of any action which it is proposed to take.

AS:R

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By NARA Date 7/15

NON-RECD NON-REC
FED RES. BANK
BOX 1 - BINDER 2

9/27

September 26, 1940.

Banque de France,
Clermont Ferrand,
France.

Dear Sirs:

With reference to our letter of August 7, 1940, we are pleased to enclose our statement covering 9,003 gold bars (part of 14,658 gold bars) received by us per the Railway Express Agency, Inc., on March 28, 1940, which are now under earmark for your Ordinary Gold Account.

Very truly yours,

per pro
(Foreign Department)

AL:MAC

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BOX 1 - BINDER 2

7/27

July 25, 1940.

S i r : **Attention: Mr. B. Bernstein**

The Banque de France has requested us to transfer the balance of its earmarked gold Account P; namely, 64,177.212 fine ounces, to the earmarked gold account of Bank Polski. This gold is being held by us earmarked in the Account P of Banque de France, pursuant to license No. NY-18-1 issued to us by the Secretary of the Treasury under date of March 24, 1937.

We should appreciate an early ruling as to whether or not we may effect the above mentioned transfer.

We are pleased to enclose:

1. Copy of the Bank Polski cable of July 6, 1940, transmitted to us by the Bank of England.
2. Copy of our cable of July 8, 1940 to the Bank Polski, transmitted by us through the Bank of England.
3. Copy of the Bank Polski cable of July 11, 1940, transmitted to us by the Bank of England.
4. Copy of the Bank Polski cable of July 11, 1940, to the Banque de France transmitted by us to the Banque de France on July 12, 1940.
5. Copy of the Banque de France cable to us of July 23, 1940.
6. Copy of the Banque de France cable of July 24, 1940, to the Bank Polski transmitted by us to the Bank Polski through the Bank of England.
7. Copy of our cable of July 24, 1940 to the Banque de France.

Very truly yours,

D. J. Cameron,
Manager, Foreign Department.

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

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re Memo - 7/2/40
J. R. B. to Treas. Dept

X C 261.4

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Bordeaux, France

DATE: June 26, 1940, 3 p.m.

REC'D: 1 p.m., 27th.

NO.: 99

FOR THE TREASURY DEPARTMENT FROM MATTHEWS.

Reference is made to telegram of June 26, noon, my No. 97.

After we had discussed the matter of dyeing of securities, Governor Fournier explained to me for 20 minutes the extreme embarrassment caused him by the failure of the New York Federal Reserve Bank to communicate with his Bank. For practically 15 days, he said, the Federal Reserve had been silent; they did not answer even the most routine cables. There was no acknowledgement of instructions having to do with accounts of the Bank of France. Reference, telegram of June 25, 7 p.m., my No. 95: the Governor said that he had not even had confirmation of such credit transfers as that to the Swiss National Bank, which he said had been designed entirely in line with the policy of the United States in keeping Swiss gold from getting into the hands of the Germans.

The Governor felt that at least some explanation was due from the Federal Reserve out of common courtesy. He said that he was still the governor general of a central

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FED RES. BANK
BOX 1 - BINDER 2

central bank in close relationship with the Federal Reserve of the United States, and it was "totally inexplicable" that it had failed to communicate with him.

The Governor said that through your kind intervention he had received official confirmation of the crediting to the Bank of France account by the recent gold transaction. Reference: your telegram of the nineteenth of June. Up to the present the Governor had not even yet received direct confirmation from the Federal Reserve nor any reference to the 5 percent which remained to be credited. In the most emphatic way he asked that we try to get some satisfaction, or at least an explanation of the reason.

At no time have I seen the Governor as indignant as he was about this.

Last night Rueff came in to say good-bye. He has departed for (Chatel), having been named to the armistice commission. Wiesbaden may be his immediate destination.

BIDDLE.

COPY

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FED RES. BANK
BOX 1 - BINDER 2

9/11

September 9, 1940.

S i r s : Attention: Mr. H. Merle Cochran.

We refer to our letter of July 24, 1940, enclosing a statement showing the amounts paid by us from September 1939 through July 24, 1940, under instructions from the Reichsbank, Berlin, and the Bank for International Settlements, Chateau d'Oex, to the German Embassy, Washington, D. C., the German Consulate General, New York, and the German Consulate, San Francisco.

In this connection, we are writing to inform you that from July 24, 1940, through September 7, 1940, we have paid $66,000 to the German Embassy, Washington, D. C. During this same period, no payments were made by us to the German Consulate General, New York, or the German Consulate, San Francisco.

Respectfully,

L. W. Knoke,
Vice President.

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Enc.
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FED RES. BANK
BOX 1 - BINDER 2

7/26
X Reichsbank
X C797.3

July 24, 1940.

S i r : Attention: Mr. N. Merle Cochran

We enclose for your information a statement showing the amounts paid by us under instructions from the Reichsbank, Berlin, and the Bank for International Settlements, Chateau d'Oex, to the German Embassy, Washington, D. C., the German Consulate General, New York, and the German Consulate, San Francisco, since September, 1939.

It is interesting to note that no payments were made directly to the Embassy and Consulates prior to September, 1939.

Respectfully,

L. W. Knoke,
Vice President.

Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Enc.

DJC:BOC

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BOX 1 - BINDER 2

1/26

PAYMENTS MADE BY THE FEDERAL RESERVE BANK OF NEW YORK, BEGINNING SEPTEMBER 1939, TO THE GERMAN EMBASSY, WASHINGTON, D.C., THE GERMAN CONSULATE GENERAL, NEW YORK, AND TO THE GERMAN CONSULATE, SAN FRANCISCO

(From the account of the Reichsbank up to December 14, 1939, and since that date from the account of the Bank for International Settlements)

Paid to the German Embassy, Washington, D.C.

Date Paid	Amount	
1939		
September	$ 138,765.94	
October	69,536.57	
November	80,224.63	
December	80,224.63	
1940		
January	182,580.79	
February	72,202.17	
March	80,224.63	
April	130,224.63	
May	160,000.00	
June	100,777.90	
July (24th)	60,000.00	
Total		$1,154,761.89

Paid to the German Consulate General, New York

1939		
September	213,053.70	
October	151,363.82	
November	704,980.00	
December	7,980.00	
1940		
January	33,000.00	
February	-0-	
March	-0-	
April	50,000.00	
May	-0-	
June	-0-	
July (24th)	35,000.00	
Total		1,195,377.52

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Paid to German Consulate, San Francisco

Date Paid 1940	
March	$ 60,000.00
GRAND TOTAL	$2,410,139.41

RECAPITULATION

Date Paid 1939	Amount
September	$ 351,819.64
October	220,900.39
November	785,204.63
December	88,204.63
1940	
January	215,580.79
February	72,202.17
March	140,224.63
April	180,224.63
May	160,000.00
June	100,777.90
July (24th)	95,000.00
GRAND TOTAL	$2,410,139.41

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BOX 1 - BINDER 2

Italy

-261- Italy

MISC. 3 B. 1—60M—4-44

FEDERAL RESERVE BANK
OF NEW YORK

X 140171

OFFICE CORRESPONDENCE

DATE May 10, 1945 XC 261

TO Mr. Knoke

SUBJECT Italian Tyrol Gold

FROM T. A. Sumberg

Copies to Messrs. Sproul, Rounds (Rouse), Williams, Roelse, Sanford and Liddy (Lang, Rosell)

X C261 - Italy misc - Italian Financial Mission

CONFIDENTIAL

There was a brief dispatch in yesterday's Daily News to the effect that American soldiers have found some of Italy's gold in the Italian Tyrol. So far as I know, no other newspaper carried this dispatch. It is not improbable that the dispatch is accurate, though what it calls "the gold reserve of the Bank of Italy" is more than the 5 million to 15 million dollars it mentions. Mr. Matteoli, co-head of the Italian Financial Mission recently in this country, is authority for the statement that the Germans took Italy's gold from Rome to Milan and then to Fortezza, a small fortified city in the Italian Tyrol near the Brenner Pass. He did not know if the German authorities took the gold northward over the Alps, though Swiss and Swedish newspapers have reported this to be the case. It is of course possible that the Germans left all or part of their gold loot at Fortezza, which was what the American soldiers hit upon. The amount of gold reported taken out of the vaults of the Bank of Italy early in 1944 amounted to about 122.5 million dollars, of which 10.9 million dollars was taken up by the Swiss National Bank in settlement of a debt of a group of Turin banks that was guaranteed by the Bank of Italy, 12.9 million dollars by the BIS in liquidation of its Italian portfolio,[1] and the remaining 98.7 million dollars going into the hands of the Germans.

It is not possible to predict which countries will finally get whatever gold the Americans did find in the Italian Tyrol. Army authorities are probably

1/ The possible embarrassing implications of this transaction for the BIS are discussed in my memorandum of March 2, 1945, "Italian Gold and the BIS."

Encl. 2973

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FED RES. BANK
BOX 1 - BINDER 2

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE

TO

SUBJECT

FROM

keeping the gold in custody for disposition according to the squaring of accounts agreed to at the peace settlement negotiations. It seems likely that Albania and Yugoslavia will eventually get the 3 and 2 million dollars (respectively) reportedly taken from them by Italy. A newspaper of the National Liberation Movement of Albania has asked that its claim on Italy be satisfied from the gold-filled salt mine recently discovered in Germany. According to a Rome dispatch, Italians are also asking that Italy's looted gold be returned out of this new kind of gold strike.

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REF. 41.1 14M-2-48

FEDERAL RESERVE BANK
OF NEW YORK

RESEARCH MEMORANDUM

Copy on 140.71

To Mr. Knoke

Date April 1, 1949.

From Erika Teutsch

Subject Netherlands Gold Holdings.

Copies To Messrs: Sproul, Rounds, Williams, Roelse, Rouse, Sanford, N. P. Davis, Bilby, Moore, Lang, Rozell, Athern, O'Flaherty, Bloomfield, Garvy, Webber, Von Klemperer, and Rosa.

C O N F I D E N T I A L

We have recently received data regarding Dutch gold holdings, which include information on the gold held by the Nederlandsche Bank as shown in the latter's balance sheet, as well as the holdings of the Dutch Exchange Equalization Fund and of the Dutch Government, which have never been made public. The Nederlandsche Bank and the Dutch Ministry of Finance, which were the sources of the data, have requested that neither the information be quoted nor any reference to it be made public.

1. Aggregate Holdings

Total gold holdings of the Nederlandsche Bank, the Dutch Exchange Equalization Fund, and the Dutch Government declined by more than 75 per cent—

TABLE I

NETHERLANDS GOLD STOCKS
(In millions of dollars)

December 31	Nederlandsche Bank	Exchange Equalization Fund	Netherlands Government	Total
1938	997.9	139.6	0.4	1,138.0
1939	688.8	64.2	0.2	753.2
1945	270.4	0.2	143.2	413.8
1946	265.6	139.0	17.5	422.1
1947	235.3	5.4	12.9	253.6
1948	167.1	4.1	12.9	184.2

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from 753 million dollars to 134 million--between December 31, 1939 and December 31, 1948, as shown in Table I. The holdings of the Fund and the government are administered by the Nederlandsche Bank, and according to our information, officials of the Nederlandsche Bank and the Ministry of Finance expect these accounts to be absorbed eventually by the bank.

Only a small portion of the Dutch gold stocks are actually held in the vaults of the Nederlandsche Bank at Amsterdam; the bulk is kept at the Federal Reserve Bank of New York, and the remainder in London, Ottawa, and South Africa.

2. Changes in Gold Holdings During the German Occupation

Dutch gold holdings on December 31, 1939, the last date for which figures are available prior to the German invasion, were valued at 753 million dollars; at the end of 1945, they had declined by 45 per cent to 414 million. This contraction was caused chiefly by the loss of 164 million dollars' worth of Nederlandsche Bank gold which the Germans appropriated,[1] and by the disposal of 142 million dollars' worth by the Netherlands Government-in-Exile in London to finance its wartime activities.

3. Changes in Gold Holdings Since the End of 1945

Liquidation of gold stocks since December 31, 1945 has exceeded additions of gold by approximately 230 million dollars. There have been no new additions of gold since the end of the war from normally recurring sources, such as domestic production and the settlement of international trade balances, although these balances have been favorable with some of the weaker-currency countries. On the other hand, recoveries, through the return of looted gold, salvage operations, and receipts from the Tripartite Commission in Brussels and

1/ An additional 39 million dollars worth of gold was confiscated by the Occupation authorities from private individuals.

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the Javasche Bank, amounted to 68 million dollars, as presented in Table II.

TABLE II

POSTWAR ADDITIONS TO DUTCH GOLD STOCKS
(In millions of dollars)

Year	Source	Amount
1947	Tripartite Commission, Brussels	40.4
1947	Recovery from salvage of ship sunk during first days of invasion	1.5
1947-1948	Requisitioned from nationals under Foreign Exchange Control Decree 1/	4.3
1947	Received from Javasche Bank (central bank of the Netherlands East Indies) as 30 per cent share of payment by the Netherlands of gold participation in Bretton Woods Agencies:	
	to International Monetary Fund	20.6
	to International Bank	1.7
	Total	68.5

1/ The Nederlandsche Bank on March 7, 1946 issued a regulation under the authority conferred upon it by the Foreign Exchange Control Decree of 1945, requiring residents of the Netherlands to declare gold, precious metals, and foreign exchange holdings, held within the country, to the Nederlandsche Bank. A similar regulation issued on July 8, 1946, applied to such assets held abroad. By May 1, 1947, the declared property had to be deposited with the Nederlandsche Bank.

The Netherlands Government has been allocated an additional 34 million dollars' worth of gold by the Tripartite Commission in Brussels which it hopes to receive in the near future. It has furthermore attempted to reopen negotiations with Switzerland with respect to the restitution of an additional 137 million dollars' worth of looted Dutch gold which the Germans presumably disposed of in

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BOX 1 - BINDER 2

Switzerland. The basis for this new claim, according to the Netherlands Government, is that additional evidence has been discovered showing that considerably larger amounts of Dutch gold were delivered to the Swiss National Bank than were thought to be in Swiss possession at the time of the Washington agreement of May 25, 1946.[1/]

By way of comment it may be pointed out that Switzerland has so far been unwilling to reopen negotiations on this issue. It is their contention that the Washington agreement stated specifically that the Swiss payment of 58 million dollars' worth of gold was in complete settlement of "all claims against the Government of Switzerland and the Swiss National Bank in connection with gold acquired during the war from Germany by Switzerland. Thereby all questions relating to this gold have been settled." Since the agreement was signed also in the name of the Netherlands, Switzerland considers itself to be under neither legal nor moral obligation to consider these new Dutch claims.

Reductions in the Dutch gold stocks since the end of the war have amounted to some 300 million dollars. More than half of this amount was turned over to the Federal Reserve Bank of New York in repayment of loans; about one quarter is accounted for by the participation in the International Monetary Fund and the International Bank; and the remainder was transferred to liquidate trade deficits, chiefly with Belgium and Switzerland. Table III shows the most significant reductions since the end of the war.

1/ In accordance with this agreement which was signed by representatives of the United States, France, and the United Kingdom, on behalf of the allied nations (including the Netherlands), and by Switzerland--Switzerland paid 58 million dollars' worth of gold to the Tripartite Commission in Brussels in restitution of the looted gold acquired from Germany during the war.

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TABLE III

MAJOR POSTWAR REDUCTIONS OF DUTCH GOLD STOCKS
(In millions of dollars)

Year	Item		Amount
1946	Participation in International Bank		5.5
1947	Participation in International Monetary Fund		68.7
	To Federal Reserve Bank of New York in repayment of loan		130.9
	In settlement of trade balances, of which:		31.7
	To Belgium	15.2	
	To Switzerland	4.1	
1948	To Federal Reserve Bank of New York in repayment of loan		40.7
	In settlement of trade balances, of which:		15.3
	To Belgium	8.7	
	To Switzerland	6.2	
1949	To Federal Reserve Bank of New York in repayment of loan		10.4
Total			303.2

4. Significance of Gold Stock

The sole importance of the gold stock since the Dutch departure from the gold standard in 1936 has been as an emergency reserve to meet foreign trade deficits and other international obligations; there has been no direct relationship to the internal monetary system.

The government's concern over the sharp decline in the Dutch gold holdings was expressed in the following section of the Foreign Exchange Memorandum presented to Parliament in April, 1948, by the Ministers of Finance, Economic

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Affairs, and Agriculture:

The Government wishes to avoid as far as possible a further diminution of the stock of gold. For not only does it consider it necessary to keep the present gold cover of the banknote circulation as far as possible intact, but it is also of the opinion that the situation in which the Kingdom is at present obliges it to have a last reserve available to safeguard the most elementary interests.

ET:emc

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MISC. 3 8.2—60M-12-47

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE May 28, 1948

TO Messrs. Knoke, Sanford and Rozell

SUBJECT: Prussian Mint Bars

FROM Peter Lang

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:

	Gross	Fine	Value
U.S. Assay Office Outturn	175,412.62	175,224.320	$6,132,851.20
De Nederlandsche Bank Figures	175,411.06	175,202.009	6,132,070.32
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:es

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COPY

AIRGRAM

From The American Legation
Tangier, Morocco
Date May 7, 1943
Received: May 21, 4 p.m.

The Secretary of State
Washington

A-62, May 7, 6:00 p.m.

My telegram No. 636 of May 1, 1943.

M. Jean Babst, Director General of the State Bank of Morocco in Rabat, called on me this morning obviously for the purpose of making an explanation of the transfer of gold from the State Bank of Morocco in Tangier in February which was the subject of my telegram mentioned above.

M. Babst's explanations have only deepened the mystery of this suspicious gold movement. He stated that the gold had been shipped by order of a letter from M. de Boisanger, Governor of the Bank of France in Paris, transmitted through the Banco Nacional Ultramarina in Lisbon but added that he believed, although he was not certain, that the gold had been consigned to the Instituto de Moneda in Madrid. When he was shown a statement that from inquiries made by the British Embassy in Madrid the Instituto had no information about this gold shipment, M. Babst said he could not believe this was true.

When I asked him if the Bank had a receipt from the consignee, he said the gold had been delivered by the Bank to the Iberia Air Line in Tangier and that the only receipt the Bank had was the receipt from Iberia.

M. Babst endeavored to represent the transaction as a simple banking transaction without any other significance. He declined to admit that the Bank of France in Paris was necessarily an instrument of the German occupation authorities, and repeated several times he felt sure the gold had not fallen into the hands of the Germans.

In the course of the conversation he also made the astonishing admission that the State Bank of Morocco in Tangier had made the shipment without waiting for a reply to a telegram to him informing him of the orders which had been received for its shipment.

I said it was incredible to think that M. Rizet, local Director of the State Bank of Morocco, should have acted in a matter of such importance which had obvious political aspects without having consulted the representative in Tangier of the French Protectorate authorities, namely the French Consul General.

He insisted that the transaction appeared to M. Rizet as a "normal banking transaction" and that it never occurred to M. Rizet to question the orders from the Bank of France involving a commitment entered into before November 8, 1942.

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I said that under the circumstances I thoughtM. Rizet should be a prominent candidate for our Proclaimed List. M. Babst finally admitted that perhaps M. Rizet, whose main concern was banking, had not been sufficiently alive to the political implications of the transaction.

M. Babst also endeavored to contend that the agency of the State Bank of Morocco in Tangier was neither a French nor a Shersefian institution but an international bank in a "neutral" territory, and that it could not be responsive on that account to the political situation in French Morocco.

I said this was an absurd contention and pointed out that the State Bank of Morocco had been created by the Act of Algeciras, that it had been born as a result of a political act, that the Bank in Tangier had always been sensitive to political considerations, and that while it might be understandable that the State Bank of Morocco agency in Tetuan, which was under the immediate control of a Spaniard, might take political instructions from the Spanish authorities in Tetuan, it was inconceivable that the agency of the Bank in Tangier, under the immediate control of a French national, and under the immediate administrative jurisdiction of the State Bank in Rabat should claim not to be influenced by political considerations affecting the French Protectorate.

Mr. Dempster, who has been associated with the Legation ever since 1912, and who is qualified as no one else to form a judgment concerning the political and economic aspects of the Bank structure, was present during the greater part of the hour's interview.

Mr. Dempster shares my strong impression that there is far more to this transaction that we have been allowed to see, and he and I both consider the explanations offered by M. Babst almost puerile in character.

Considering what we know of the chicanery for which General Nogues, the French Resident General, has been responsible since November 8, 1942 and many of his associates, I do not think it by any means improbable that this gold has been secreted away in order that itmay be employed by Nogues and his Vichy-minded associates, including perhaps some of the authorities in Vichy, to serve them at a convenient moment in the future as a useful nest egg in their ultimate political maneuverings.

I suggest that if there is a Treasury representative in this neighborhood, with a thorough knowledge of French, he might be assigned to the task of running this transaction down, should the Department consider it sufficiently important.

Full despatch following by next courier.

CHILDS

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BOX 1 - BINDER 2

To Files September 5, 1942

From L. W. Knoke Banque d'Etat du Maroc

I called Mr. Pehle this morning with reference to our memorandum of September 2. I referred to the State Department dispatches of November 1941 indicating that gold from Dakar had actually gone into the State Bank of Morocco, and explained why I had preferred not to bring them into my memorandum. I mentioned that such gold from Dakar might well be Polish or Belgian gold with the result that if we opened a gold account for the Banque d'Etat du Maroc and this somehow became known, we might find ourselves saddled with more attachment suits; also, that Boisanger's statement that the Banque was unable to procure gold elsewhere should be taken with a grain of salt since in a pinch it might be able to turn to Dakar.

Pehle replied that he had not changed his mind, that he would be reluctant to see such account opened, particularly because of the Treasury's refusal to do anything for the Free French and that, unless the Research Division of the Treasury Department felt differently, he would not even take it up with the State Department. If, however, the matter had to be referred to the latter, he felt sure that, at least at the moment, the State Department would not care to do anything for the French (or Morocco) because they seemed to be sore at the French.

LWK:BOC

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BOX 1 - BINDER 2

Poland

Polish Gold

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The Strange Odyssey of the Polish Gold

The arrival last April of two United States Navy destroyer-escorts bearing an undisclosed amount of Polish gold wrote the final chapter to one of the most astounding stories to come out of this war. To a small group of Polish officials, now in New York, it meant the end of a 10,000 mile journey - the successful fulfillment, after nearly five years, of one of the most unusual missions entrusted to anyone in the war.

The story begins in the fateful days in September 1939, when Poland, outnumbered in everything but courage and a will to fight, was unsuccessfully attempting to stem the might of the German army. Five days after the outbreak of war, the German wehrmacht was at the outskirts of Warsaw and the Polish Government was preparing to flee. A most difficult problem, however, was presented by the Polish gold reserves - 75 tons of it - still in Poland and offering a lucrative prize to the Nazis. About $20,000,000 of the gold stock had been shipped abroad before the war and was safe in England, Canada, and the United States. Twenty million dollars worth, however, still remained in the vaults of the Bank Polski in Warsaw and $45,000,000 in various branches of the Bank in eastern Poland, to which it had been moved in the summer of 1939.

The capital was already under bombardment when it was decided to attempt a rescue of the gold still in Poland, although, with most avenues of escape already cut off and with the country infested with spies and saboteurs who were destroying the few remaining roads and bridges, failure seemed almost inevitable. Nevertheless, a detailed plan was devised whereby the gold scattered

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BOX 1 - BINDER 2

throughout Poland was to travel by the best means of transportation still available and to converge at a designated point on the Rumanian border.

In Warsaw, the Bank Polski selected a group of trusted officials and employees to convoy the gold out of Poland. The Polish Army, through liaison officers assigned to travel with the gold, arranged to maintain contact, in so far as this was possible in the face of the rapid advance of the German army. After a hurried search through the blazing city, the group collected fifteen omnibuses, which, it was thought, would arouse less suspicion than armored vehicles and therefore could more easily mingle with the stream of refugees on the roads going south. Further to disguise the caravan, the gold was concealed in ordinary packing boxes which to the casual eye would appear to contain nothing more than clothing and odd bits of personal possessions. "Refugees" carefully chosen and placed on the buses also added to the camouflage.

On September 5, 1939 the strange procession left Warsaw. At the same time similar convoys started from the various points in eastern Poland where the gold had been stored. Although the Germans did not immediately pick up the trail of these converging caravans, the Polish leaders realized that they were completely at the mercy of German bombing or strafing planes which might detect them on the roads leading out of Poland. The buses traveled mostly at night - picking their way along without lights and in constant danger of running into wrecked equipment and shell holes or colliding with straggling refugees.

After many close calls - avoiding advanced German units only by a few hours when the rapidly changing front threatened to trap them - all the convoys reached the Rumanian frontier at the prearranged spot. There the Polish leaders, exhausted after their hard trip over the devastated roads, persuaded the Rumanians to provide a special train. In the comparative safety of

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neutral territory the train sped across Rumania without serious incident to the Black Sea port of Constanza.

According to plan, the wanderers were met at the Rumanian port by an oil tanker manned by British officers and a mixed crew, consisting largely of Rumanians and Bulgarians. The carefully worked out strategy suffered a temporary setback when many of the seamen, learning of the dangerous cargo they were to carry, at first refused to sail and then agreed only after much persuasion, reinforced by some show of force. Meanwhile, German "diplomacy" had been hard at work. It was only through the frantic efforts of the leaders of the convoy that, despite the reluctant crew, the tanker was able to shove off only a few hours ahead of a German warning to Rumania not to allow the gold to get away "under any circumstances".

Fully aware that Russia by this time had entered the picture, the ship cautiously hugged the shoreline, keeping a constant watch for Russian submarines which were known to be in the Black Sea. After an anxious voyage, the tanker finally put in at Istanbul.

The plan now called for a journey through Turkey to French Syria, where the Polish leaders hoped at long last to join forces with an ally. The lengthening shadow of the swastika, however, had proceeded them to Istanbul. For there they found the neutral Turks much perplexed over aiding in the conspiracy of snatching the Polish gold from the Germans. After hurried negotiations in which, it is understood, an American oil company came to the rescue by temporarily providing the cash needed to pay for guarding the gold, permission was finally given. A special train promptly puffed off for a rendezvous with French cruisers lying off shore at Beirut, Syria. Crossing the border of Syria, the gold-runners breathed a sigh of relief, realizing for the first time that they had at least an even chance to succeed in evading the Nazis. Nevertheless, no time was lost at Beirut and the gold was soon on its way to France.

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BOX 1 - BINDER 2

At the end of September 1939 the first contingent of the Polish party arrived with their gold at Toulon, on the southern coast of France, and the remainder followed in a few days. The gold was then transported by train to the southwestern part of France, where it was deposited in the vaults of the Navarre branch of the Bank of France. Finally relieved of the $65,000,000 treasure which had been entrusted to them, the Polish officials became part of the ever growing throng of refugees in France - content in the feeling that their mission had been completed.

History, however, was to prove them to be wrong, for such was the speed of subsequent events that by the spring of 1940 it became evident that the gold on which Poland counted so heavily as a reserve for the economic security of her country after the war was still not safe from the Nazis, whose looting tactics by this time had become well known. During those days in June 1940 when France was being rapidly engulfed into Nazi Europe, the Polish officials lost contact with the French authorities to whom they had handed over their gold. They did not know that the French were themselves in much the same position the Poles had been in ten months before. The Bank of France was making hurried arrangements for the transfer of all gold in France, including the Polish stock, to Africa. Despite the losses sustained, France still had more resources than Poland had had and therefore was successful in transferring the gold to French warships. Laden with Europe's refugee gold, which by this time had grown to tremendous proportions, the French naval vessels steamed off without delay, with French West Africa their destination. After a stopover at Casablanca and one false start for a transatlantic crossing which was suddenly interrupted by a change of orders, the gold hoard arrived at Dakar. From there it was transported to the interior of French West Africa for safekeeping.

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BOX 1 - BINDER 2

At about the same time, the Bank Polski officials, through roundabout channels, had received word which confirmed their suspicions that their gold had once more eluded the Germans and for the time being at least was secure in the heart of Africa, perhaps not far from the mines from which some of it had originally been extracted.

This again proved to be only a brief respite from their long struggle with the invader. As the Germans continued to overrun Europe and then Africa with the help of their Italian allies, there were recurring rumors that, under strenuous pressure from the Germans, the French were permitting the return to occupied France of not only the French gold, but the Belgian and Polish reserves as well. Feeling this time that their mission had finally failed, the Polish officials turned to the protection of the American courts in an attempt to force the Bank of France to replace Poland's gold out of the stock which France had been able to ship to the United States before the complete collapse of French resistance. Many anxious months passed with the Poles still wondering whether they could salvage anything out of the wreckage that had been their country.

In the early part of 1943 news came to the Polish patriots which seemed unbelievable - the Polish gold was still in French West Africa! With strong doubts that it could be true, they immediately started an investigation. The Polish officials, who by this time had reached the United States, soon received a laconic message from the investigators in Africa: "gold still intact". It had remained - bar for bar and coin for coin - in the same boxes in which it had made its escape from France. It seemed incredible. Of all the gold of the invaded countries, why should the Polish gold - which had seemed destined to be the first to go - have been left untouched by the Germans? There seemed to be no answer.

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BOX 1 - BINDER 2

The Polish Government in exile lost no time in approaching General de Gaulle and his Committee in Algiers for assistance. The Free French readily conceded the emigre Polish Government's right to the gold. Arrangements were then made for its transfer to the mammoth vaults of the Federal Reserve Bank of New York and of the central banks of other United Nations. At last, the Poles were sure this would be the final stage of the long and hazardous journey.

The appearance in New York of part of the Polish gold, arriving under the protection of the United States - the mightiest fleet in the history of the world - seemed a far cry from the dilapidated Polish buses crowded with refugees and picking their way through the night only one step ahead of the German invaders.

All this, and no doubt more, was in the minds of the guardians of the Polish gold when, assembled in a hotel room in New York, word came that the precious cargo had reached New York. They now knew that at last their post-war reserve was safe from the looting hands of the Nazis and that their mission, begun on September 5, 1939, had finally been completed.

Walter H. Rozell, Jr.
June 7, 1944

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BOX 1 - BINDER 2

See letters 2/21/44
3/23/44

MISC. 38.1-50M-6-43

FEDERAL RESERVE BANK OF NEW YORK

C261 - Poland

OFFICE CORRESPONDENCE

DATE March 30, 1944.

TO MR. KNOKE

SUBJECT POLISH GOLD SHIPMENT

X701.2 copy C261 Pol

FROM H. L. SANFORD

see memo of Mr. Knoke 3/29

(Copies to Messrs. Liddy and Lang)

As suggested by Mr. Reeves of the State Department, I contacted the Chief of Staff, Commandant of the Third Naval District, 90 Church Street, this morning, with respect to the shipment of the Polish gold. The Chief of Staff, Captain McKinney, made arrangements for Captain Ranney to call on me later in the day. Captain Ranney subsequently called at the bank and advised us that the approximately $27,000,000 of Polish gold is now enroute to New York on two naval ships, the amount on each ship not being known at this time. Captain Ranney said that the ships would dock at the Navy Yard, Brooklyn, and would be ready to discharge the gold on Monday, April 3, at 8:15 a.m.[a] I advised Captain Ranney that we would make all necessary preparations and be ready with trucks to receive the gold at the abovementioned time and place.

In view of the fact that the gold is insured at the present time only to the extent of $4,000,000 on each ship, Mr. Liddy communicated with Mr. Karpinski, Managing Director of the Bank Polski, who authorized our placing insurance on that part of the gold not already covered so as to obtain protection during the period of delivery from the naval ships to this bank's vaults. As a result, the gold will be fully insured during the trip from the Naval ships to the bank's vault, although it was insured only to the extent of $8,000,000 during the ocean voyage.

a/ April 3, 1944 - arrival of ships was delayed, and delivery of gold occurred April 4 beginning at 9:15 a.m.

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NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 2

MISC. 38.1-50M-8-43

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 30, 1944.

TO MR. KNOKE

SUBJECT POLISH GOLD SHIPMENT

FROM H. L. SANFORD

2.

Mr. Lang will be in charge of the delivery of the gold at the Navy Yard and will give a receipt to the commanding officers of the naval ships. He will be identified to Captain Ranney by means of an officially signed letter of the bank which will bear Mr. Lang's specimen signature. In view of the size of the operation (it is estimated that eight trucks will be used), we are making arrangements to borrow from other departments of the bank some nineteen men to assist in this operation. In addition, some twenty to twenty-two of the bank's protection men will be assigned to the operation.

H. L. S.

HLS:EC

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FED RES. BANK
BOX 1 - BINDER 2

MISC. 3B.1-50M-10-42

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE November 4, 1943.

TO FILES

SUBJECT X 850 - Poland - Bk Polski
XC 261 - Polish Gov't.

FROM H. L. Sanford

(Copies to Messrs. Sproul, Knoke, Logan, Liddy, and Brome)

see memos 7/9/13/40 12/29/43 see note from Treasury with State Dept letters 8/28/4

Mr. Karpinski, Managing Director of Bank Polski, called on me this morning, and during the course of our conversation told me that he had been informed that the French authorities in Africa had acknowledged the claim of the Poles for their gold, amounting to $64,000,000, held in Africa. Although numerous details remain to be worked out, Mr. Karpinski said that they were discontinuing their legal action in the United States against the Bank of France for the recovery of their gold. Mr. Karpinski said that ultimately they expect to bring to this country some of the gold now held in Africa and that some might be sent to Canada. Mr. Karpinski said that he thought that perhaps 20 to 30 per cent of the gold was in the form of coin, including United States coin, British sovereigns, Russian rubles, French coins, and perhaps other types of coins. No details have been worked out yet as to the time or method of transportation of the gold to this country.

Mr. Karpinski suggested that perhaps Messrs. Sproul and Knoke would be interested in the above information.

HLS:EC

H. L. Sanford

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FED RES. BANK
BOX 1 - BINDER 2

MISC. 3B.1-50M-10-42

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 4, 1943. X76514

TO Files

SUBJECT Visit of Mr. Leon Baranski

FROM H. L. Sanford

(Copy to Mr. Knoke)

see also memo of Mr Knoke 6/4/43

After calling on Mr. Knoke, Mr. Leon Baranski, General Manager of Bank Polski, London, accompanied by Mr. Karpinski, Manager of Bank Polski, called on me this morning. During the course of a general conversation, these gentlemen indicated to me that they had been informed that the "Polish gold" has been located in French West Africa and has been found to be intact.

During the course of their visit, I advised Mr. Karpinski of the total dollar balance now held by us for Bank Polski and of the certified balance.

HLS:EC

H. L. S.

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RG 56
Entry 20A4757
File UFFICIO ITALIANO DEI CAMBI as liquidator of Istituto Nazionale per i Cambi con l'Estero - Cl. 62850 CONF. SECURITY FILE
Box 2

ADDRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON 25, D. C.

CONFIDENTIAL

DEPARTMENT OF STATE
WASHINGTON

April 21 1955

Dear Mr. Creighton:

Reference is made to your letter of March 23, 1955, concerning the claim of Ufficio Italiano dei Cambi, as liquidator of Istituto Nazionale per i Cambi con l'Estero, for the return of $3,021,120.00, vested by Vesting Order No. 7496 as the property of Germany, and subsequent conversations between officers of this Department and the Department of Justice.

As already pointed out to your representative, the Tripartite Commission for the Distribution of Monetary Gold has completed the drafting of its awards and the decisions, including the Istcambi gold claim, are now under review by the Governments of the United States, United Kingdom and France and therefore not final. It can, however, be assumed with some degree of certainty that no changes will be requested with respect to the decision on the Italian Istcambi gold claim which was denied by the Commission. However, inasmuch as the awards are not yet final and consequently not published, their contents should be kept strictly confidential and should not be divulged to any person outside your office.

With this understanding there is attached, in compliance with your request, a photostat copy of the relevant portion of the Commission's award with respect to the claim submitted by the Italian Government.

It is also understood that the decision of the Office of Alien Property with respect to the parallel claim for the return of $3,021,120.00, if issued prior to the publication of the Gold Commission's award, would make no reference to or quotation from the attached

Cl. 62850

Mr. Thomas H. Creighton, Jr.,
Chief, Claims Section,
Office of Alien Property,
Department of Justice.

RECEIVED
APR 21 1955
CLAIMS BRANCH
OFFICE OF ALIEN PROPERTY

Miss Merrill acknowledge receipt -

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attached text of the Commission's decision with respect to the related gold claim.

I hope that the attached decision, which contains quite elaborate background information and reasoning, will assist you in your task and make it unnecessary to examine the Minutes of the Commission. If after receipt of the attached text you still consider that necessary, however, the relevant Minutes will be made available to one of your officers for inspection in the Department.

Sincerely yours,

Jack C. Corbett

Jack C. Corbett
Director, Office of International Financial
And Development Affairs

Enclosure:

Photostat copy of the Tripartite Gold Commission's Istcambi gold decision.

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By VR NARA Date 1015

RG 56
Entry 20A4757
File UFFICIO ITALIANO DEI CAMBI as liquidator of Istituto Nazionale per i Cambi con l'Estero - Cl. 62850 CONF. SECURITY FILE
Box 2

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WASHINGTON 25, D. C.

DEPARTMENT OF STATE
WASHINGTON

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Mr. Thomas H. Creighton, Jr.,
Chief, Claims Section,
Office of Alien Property,
Department of Justice.

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RG 56
Entry 70A4757
File UFFICIO ITALIANO DEI CAMBI as liquidator of Istituto Nazionale per i Cambi con l'Estero - Cl. 62850 CONF. SECURITY FILE

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Sincerely yours,

Jack C. Corbett
Director, Office of International Financial
And Development Affairs

Enclosure:

Photostat copy of the Tripartite Gold Commission's Istcambi gold decision.

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Department of State

BUREAU / DIVISION: OFD:FN

ENCLOSURE

TO

Letter drafted 4-11-55

ADDRESSED TO

Mr. Thomas H. Creighton

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Claim No.2, in respect of 1,777.3383 kgs of fine gold originating from the Reichsbank.

The antecedents of this gold are extremely complicated and the Commission is obliged to set down all the facts which occasioned its delivery to the Bank of Italy for the account of the Istcambi.

The facts are that on the 3 December 1940 an agreement was made on behalf of the Italian and German Governments, between representatives Masi of the Istcambi and Puhl of the Reichsbank, whereby sums of 3 million dollars and 4 million dollars would be placed at the disposal of the German Embassy at Washington. The details of this agreement have never been communicated in full to the Commission by the Government of Italy but it is certain, from the correspondence, that it was negotiated at the level of the Foreign Office of each of the two countries. 3 million dollars in notes were delivered to the German Consul, Borchers, by the Italian representative in New York, the funds being obtained from the Bank of Naples in New York on account of the Istcambi. Italy, by this means, lightened what was called her "E" account. A letter from the Istcambi to the Reichsbank, dated 5 February 1941, requested that a credit in respect of the sum of 3 million dollars thus advanced should be opened at the Reichsbank in favour of the Istcambi, in dollars. Another letter dated 3 December 1941 from the Reichsbank to the Istcambi describes the accounting transactions which were subsequently effected in respect of the advance of 3 million dollars made under the agreement. Various amounts were debited to the Istcambi on account of expenses and war purchases and the remainder was shown as being held with the Deutsche Goldiskontobank for gradual purchases of Swiss francs for the account of the Istcambi.

Following upon this first transaction, a second one consisting in the advance of a further sum of 4 million dollars from the same sources, was initiated in a similar manner. 4 million dollars in notes were handed in May 1941 by the Italian representative in Washington to German Consul Thomson, who, owing to the imminence of the American decree of 14 June 1941 freezing German assets, appeared unable to utilise the full amount. A total of 978,880 dollars was disposed of by this German official and a credit for this sum was opened at the Deutsche Goldiskontobank for the account of the Istcambi, but the balance of 3,021,120 dollars was retained at the German Embassy at Washington, "for Italian account and risk", as stated in a letter from the Reichsbank to the Istcambi dated 25 June 1941. No mention is made as to whether the Italian Embassy at Washington attempted or was unable to recover this sum of bank notes. The letter from the Reichsbank to the Istcambi of the 3 December 1941 mentioned above refers to a credit opened for that portion of the dollars disposed of by Herr Thomson but states that, since 900,000 dollars of German deposits had been frozen, the Reichsbank could only open a credit for 78,880 dollars less expenses, with the Deutsche Goldiskontobank and that the rest would be compensated in gold from Germany and dollars existing in Italy.

With regard to the 3,021,120 dollars which remained in notes at the German Embassy at Washington, the Reichsbank suggested to the Istcambi that 21,120 dollars should be credited to the Istcambi's "various transfers account" with the Deutsche Verrechnungskasse and later the Reichsbank in a letter, dated 28 March 1942 to the Italian Finance Ministry proposed, in view of the difficulties which it would encounter in negotiating the dollar notes in the United States, taking as a "starting point", for a suggested "bridging transaction" an amount of 2 million dollars. A settlement was offered whereby the counter-value of 2 million dollars, at 35 dollars per fine ounce of gold, i.e. 1,777.3418 kgf would be credited to the central office of the Bank of Italy in a "gold at sight account".

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Box 2 20535

The official translation, furnished by the Government of Italy of the letter of 28 March 1942 from the Reichsbank to the Italian Ministry of Finance is quoted hereunder in full.

" After his recent return from Italy, Mr. Caravias, Director "of the Reichsbank, informed us of the conversation he had "with you regarding the difficulties arising from the "Italian monetary situation for the loss of the counter-value "of $3.021.120 deposited on our behalf, to be utilised in "America in a commission account.

" From our correspondence with you or from the reports sent "to you by Mr. Cimino concerning the utilisation as a commission "account of a part of your assets in America, you can understand "that our intention was to do our best in this delicate and "difficult situation. Although for us there are limited "possibilities, we tried our best to obtain on the market of "currencies and gold, a gold exchange. We, therefore think, "that in the present circumstances we did all we could for you.

" Nevertheless, on the basis of Mr. Caravias' report, we "restudied the possibility to resolve the problem of the loss "of the counter-value of the above-mentioned sum, and we "obtained the following results;

"since, up to now we do not know what has happened to the "amount in question and that in the most favourable case it "will only be possible to sell the banknotes with a great loss, "we shall fix as a starting point (and consequently not as a "subject of credit) for the proposed bridging transaction, "two-thirds of the original amount, that is $2,000,000. In "order to avoid further factors of uncertainty in the proposed "transaction, we shall fix as countervalue of the above mentioned "amount, kg. 1,777.3418 fine gold (that is $2.000.000 at $35 "per ounce fine gold) which we shall credit to the Central "Office of the Bank of Italy in a gold at sight account. "Considering that we must fix a day of maturity to this bridging "transaction (which is an exception to our regulations) and that "you have also declared that this credit is only intended for a "short period, the Central Office of the Bank of Italy should "engage itself to return us the aforesaid amount of gold not later "than December 31, 1942. However, if the dollar amount "mentioned at the beginning of this letter can be utilised "through our medium, for your account, we shall credit the Bank "of Italy with the countervalue in fine gold of the proceed, "thus reducing the obligation of returning the gold, assumed "by the Bank of Italy at the opening of the bridging credit.

" At your agreement to our proposal, we will promptly apply "the transaction".

In accordance with this proposal the Reichsbank advised the Istcambi on 13 July 1942 as follows:-

" With reference to the previous correspondence on the known "matter and to the conversation held in our office on June 7, "1942, we beg to inform you that we have credited, for your "order and account, the Banca d'Italia, Rome, with

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File UFFICIO ITALIANO DEI CAMBI as liquidator of Istituto Nazionale per i Cambi con l'Estero - Cl. 62850 CONF. SECURITY FILE
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" Kg. 1,777.3418 gold fine

"in a new "Gold at sight account".

On the same day the Reichsbank addressed the Bank of Italy, Central Administration, as follows:-

" Answering to your Governor's esteemed letter of June 29th "1942 we are pleased to inform you that your institute has "been credited, by order and account of the Istituto Nazionale "per i Cambi con l'Estero, Rome, in a new account opened with "the Deutsche Reichsbank, free of commission and non-interest "bearing, headed with "Banca d'Italia - Rome - Sight account, "gold" with:

" Kg. 1,777.3418 of fine gold

" The amount of this account can be disposed of as agreed with "Director General Masi, therefore also in Swiss francs or in "other foreign exchange.

" From your letter we have taken due note of your irrevocable "engagement to return the above mentioned amount of fine gold "within December 31st, 1942. Should we in the meantime make "a revaluation of the dollar balance deriving from the well-"known transaction for account of the Istituto Nazionale per i "Cambi con l'Estero, from the amount of gold to be returned an "amount of fine gold corresponding to the gold value of the "proceeds from the revaluation is to be deducted. It is agreed "that, for the computation of the gold amount to be deducted "corresponding to the proceeds from the revaluation, dollars "will be converted into Reichsmarks at the rate of R.M.2,790 = "= 1 kg, of fine gold.

" In case your "sight account, gold" will be disposed of in "foreign exchange, we shall compute, till further notice, the "gold at the same rate of R.M. 2,790 = 1 kg. of fine gold and "the foreign exchange at Berlin average rate.

" We should be obliged, however, if you will kindly apply to "us for advice before making any operations of substantial "amount".

It will be observed that, although the amount of the account (valued at 2 million dollars) could be converted into Swiss francs or other foreign exchange, there was an irrevocable obligation for the Istcambi to return, by 31 December 1942, an amount of fine gold equivalent to that which had been placed at its disposal. This is a vital point in the transaction of which the Istcambi was made aware.

Following upon these negotiations the Bank of Italy telegraphed, on 29 January 1943, to the Reichsbank in the following terms:-

" With reference to communications made you by our delegate "in Berlin, please transfer to our Central Cash, Rome whole "amount of deposit - see your letter of July 13th 1942, Nr. "68 V. Stop. Please follow same rules as for preceeding "transfer for account of Istcambi".

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The gold was duly delivered in Rome, as proved by a letter from the Reichsbank dated 3 February 1943 and a receipt from the Bank of Italy, dated 5 February 1943, for 147 bars containing 1,766.472 kgf and 37,580 miscellaneous gold francs, containing 10.8698 kgf. A verification by the Bank of Italy showed that the fine gold content of the consignment was 1,777.338326 kgf and this gold remained in the vaults of the Bank of Italy with the latter's gold reserves. It was transferred, for the account of the Istcambi to the branch of the Bank of Italy at Milan on 23 September 1943 and later moved to Fortezza.

With the collapse of Italy in 1943 and the constitution of a "Italian Social Republic" in Northern Italy, a decree was promulgated by Mussolini on 25 January 1944 to the effect that the power to dispose of the central bank's gold reserve was vested "in the State". On 5 February 1944, 71,098.009211 kgf of the Bank of Italy's gold including the 1,777.338326 kgf which it held for the account of the Istcambi were surrendered, pursuant to the Rahn-Mazzolini agreement, to the Germans at Fortezza. The gold was removed from Fortezza at the end of February 1944 and was deposited at the Reichsbank in March 1944. Such was the fate of the gold, obtained in the circumstances described above by the Istcambi from the Reichsbank, in February 1943, which the Government of Italy claims for restitution.

Finally, the Commission has been informed by the Italian Embassy in Brussels in a letter dated 29 March 1949 and from other sources, that the whole of the 3,021,120 dollars, retained by the German authorities in the Embassy at Washington subsequent to the transactions of May 1941, were recovered intact and placed under the control of the American Custodian of Enemy Property. The Commission understands that the Government of Italy is attempting to establish a claim to restitution of the dollars before that authority but it (the Commission) is satisfied that the claim of the Government of Italy to a proportional share of the pool of monetary gold in respect of the loss of the 1,777.3383 kgf is one on which it is empowered to adjudicate.

The Government of Italy has presented many arguments in support of its claim to restitution of this gold. It has stated that the gold was wrongfully removed by Germany because the Rahn-Mazzolini agreement was illegal, effected under duress and without compensation. It has contended that the gold belonged to Italy, via the Istcambi. The gold is alleged to have belonged to Italy as a result of the non-fulfillment of compensatory arrangements envisaged in the original Masi-Puhl agreement and Italy has further stated that "our dollar deliveries to the German Embassy in Washington were made substantially in the interest of the Reichsbank". The Government of Italy has admitted that the gold was deposited conditionally with the Istcambi on 13 July 1942 but it contends that the date of reimbursement was postponed by six-monthly periods up to the date of the Rahn-Mazzolini agreement of 5 February 1944 and that this procedure does not reflect the true situation. The conditional deposit or loan is contested by the Government of Italy on the ground that Germany never contemplated the return of the 3,021,120 dollars which formed the basis of the transaction and did not intend to furnish any compensation for 3 million dollars other than the 2 million dollar gold credit. The Government of Italy, further, holds that all the circumstances of the deposit of the gold in Rome were merely a cloak whereby the Reichsbank could cover itself since, a) it was unaware of the fate of the dollars; b) it was not authorised to settle definitively; c) various German laws precluded this, and finally d) the convertibility and possibility of disposal made such a gold credit a permanent settlement for 2 million dollars advanced. Thus the Italian Government contends that a wrongful removal took place of what was Istcambi's actual property. It alleges an actual sale of this gold against dollars previously paid against a price later to be determined.

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In the view of the Commission the situation regarding the 1,777.338326 kgf held by the Bank of Italy on account of the Istcambi at 8 September 1943, the date of the armistice between Italy and the Allied Powers, was that (1) because of an original agreement for a dollar advance by Italy and for compensation on disposal by Germany, (2) because the Germans had not disposed of a part of the dollars so advanced, an unsecured loan was made to Italy via the Istcambi of an amount of gold representing the counterpart of two-thirds of the dollars which had not been disposed of. Now the dollars do not represent any more than a counterpart antecedent to the real transaction but they did play a part in the initiation of the new loan, the part whereby redemption might be possible if they were rediscovered or liquidated. The loan of the gold was made under certain conditions inasmuch as there was a possible redemption, but without such redemption the Istcambi pledged itself to restore "the aforesaid amount" at a maturity date, subsequently extended at least twice from the 31 December 1942 and still extended at the 8 September 1943. The Istcambi was, in the opinion of the Commission but a department of the central monetary authority of Italy and because the Istcambi was the department whereby the Italian dollar account in New York could be lightened, the original Masi-Puhl agreement was handled through the Reichsbank and the Istcambi. But effectively, Italy was the loser at that moment of the value of 3,021,120 dollars and a proposition was made to Italy via Istcambi that a countervalue of 2 millions of these dollars should be loaned contingent upon their realisation, should they reappear. Should they not, the loan was terminable and the Italian State would lose thereby.

The crucial issue in this case before the Commission is, can this gold be considered as monetary gold belonging to Italy within the terms of Part III of the Paris Agreement? That it was borne in the Bank of Italy's gold accounts and was removed from Rome with the Bank of Italy's gold stocks is established, but can this particular parcel of gold be considered as part of the monetary reserve of Italy? It was gold held for a particular purpose - earmarked in connection with the complicated dollar transaction which has been described above. It could not be used by Italy, even if it was in Italy's possession as borrower except in relation to the extinction in whole or in part of the dollars held by Germany, and there is no proof before the Commission that the dollars were used by Germany. As such the Commission cannot regard this gold as being held in the Bank of Italy for the purposes of its monetary reserve, that is to say for the backing, inter alia, of the currency.

On the evidence before it the Commission holds that the 1,777.3383 kgs of gold in respect of which restitution is claimed by the Government of Italy did not constitute monetary gold belonging to Italy within the meaning of the Agreement.

The question as to whether it was or not looted by Germany or wrongfully removed into German territory does not therefore arise.

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MOBILIZATION PLANNING FOR FOREIGN ASSETS CONTROL - 1949 material from Sham file

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NSRB Doc. 118/6
(Temporary Cover Memo)
August 10, 1949

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NATIONAL SECURITY RESOURCES BOARD
Board Secretariat

SUBJECT: Mobilization Planning for Foreign Economic Measures - Foreign Assets Control

CONTENTS: Monograph prepared by NSRB staff to serve as a general guide for Executive Branch agencies in their participation in mobilization planning for foreign economic measures.

COMMENTS: This monograph was prepared by the NSRB staff after consideration of a report submitted by an interagency study group consisting of the following people who participated as individuals: Chairman, Elting Arnold (Treasury); E. F. Rains, (Treasury); Donald Sham (Justice); William J. Stibravy (State); Stanley Metzger (State); H. J. Cummings (Commerce); and Louis Dembitz (Federal Reserve Board). The initial draft of the monograph has been revised by the NSRB staff in the light of further comments by members of the above study group.

ACTION: Heads of agencies having an interest in this monograph (State, Treasury, Interior, Justice, Commerce, and Federal Reserve Board) are requested to transmit to the Chairman of the National Security Resources Board a letter indicating their acceptance of the monograph.

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3. World War II experience demonstrated the difficulty of devising any selective identification of currency, necessary for selective and partial controls after the war. Thus the controls were abandoned in 1947 and purchasers of U. S. currency during the war at depressed figures reaped a profit. It is, therefore, unlikely that new controls in a future war would have anything like the former depressing effect on dollar values abroad.

4. It is doubtful that currency import controls would be a worthwhile supplement to blockade in the prevention of the movement of goods between the Western Hemisphere and the USSR. It is also believed that only police action in the broad sense of the term can be adequate to check potential Soviet activities elsewhere in the Western Hemisphere deemed prejudicial to the interests of the United States. It is doubtful that dollar import controls of the type herein discussed could add anything of value in this regard.

5. The interagency study group considered the possibility of issuing new type currency at an appropriate time and invalidating the old soon thereafter, as a means of making enemy dollar holdings worthless. The difficulties involved both in the U. S. and for innocent holders of dollars abroad were found to outweigh any probable advantages.

VI. Controls over Foreign-Owned Gold Located Abroad

Description

The potential field for U. S. controls over foreign-owned gold located abroad stems from our own sales and purchases of gold. Such measures may be applied directly to an enemy or potential enemy or indirectly through third countries. They can be applied unilaterally but ordinarily require interallied collaboration to be fully effective. Such controls would probably take the form of refusal to buy gold from, or sell it to, a potential enemy directly or through third countries in order that the enemy might not benefit from such purchases or sales of gold.

During World War II the U. S. (under a 1944 Gold Declaration of the U. S., U.K., and USSR) refused to buy any gold from abroad from a country that had not broken relations with the Axis or any country which after January 22, 1941 acquired the gold from a country which had not broken relations with the Axis. The Treasury acquired no gold until it was satisfied that it had not been acquired directly or indirectly from Axis powers or that it was not gold releaseable only because other gold had been so acquired. Declarations similar to that of the U. S. were issued, or the original adhered to, by most of the United Nations.

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Purposes

The principal war connected purposes of controls over foreign-owned gold might be:

1. To hinder the acquisition of foreign exchange, or perhaps of gold, needed by an enemy or potential enemy country for war purposes, including procurement of goods, espionage, sabotage, and subversion.

2. To discourage the looting of gold in overrun areas and prevent its use by an enemy or potential enemy.

Current Use

Other than its ordinary peacetime regulations with regard to the buying and selling of gold, the U. S. does not have any controls over foreign-owned gold located abroad except the residual controls remaining under the Gold Declaration of February 22, 1944 (actually applying now only to Portugal and Turkey). All purchases and sales of gold are at the discretion of the Secretary of the Treasury with the approval of the President.

Potential Use of Gold Controls

At the outset it should be noted that this appraisal is predicated on current estimates of USSR and satellite gold holdings and on knowledge of current Russian and satellite dealings in gold. If further evidence should disclose substantial error in these estimates or if Russian practices in dealing with gold should undergo radical revision (e.g. if Russia should suddenly undertake to dump huge amounts of gold on the world market) or if further study of the gold situation should so warrant, the problems involved in this section might well be recanvassed.

1. Peacetime and "Cold War" Use

Under present economic conditions a decision by the U. S. not to buy gold from or sell it to the USSR and satellites would only be an irritant and would have little practical effect. Russia has shown no interest in selling gold to the U. S. and, with perhaps a minor exception, has not recently sold gold to other countries. So long as satisfactory quantities of gold can be sold in black markets at a premium, there seems little reason to believe that the USSR would be interested in selling gold to governments at the official $35 price. The quantities thus saleable are, of course, limited if the premium market is to be maintained.

The USSR has access to substantial dollar balances in the U. S. which, should it desire, could be increased substantially by the sale of increased quantities of raw materials which the U. S. is most anxious to obtain. Further, barring the sale of Russian gold to the United States

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INTERNATIONAL BANK FOR

RECONSTRUCTION AND DEVELOPMENT

WASHINGTON 25, D. C.

CONFIDENTIAL

MEMORANDUM WITH REGARD TO A PLAN FOR MOBILIZING FOREIGN ASSETS IN THE UNITED STATES BLOCKED UNDER FOREIGN FUNDS CONTROL

January 5, 1948.

The object of this memorandum is to outline for purposes of discussion a plan for effecting the mobilization of foreign-owned assets in the United States which are still subject to foreign funds control.

I. The Problem

1. A substantial amount of cash and securities now held by banks and bankers in the United States for foreign account is blocked under the United States foreign funds control. Part of these assets are held directly for the account of the foreign owners, but a substantial part are held for the account of Swiss and other foreign banks who in turn hold such assets for account of owners in third countries.

At the present time, in order to unblock their assets, foreign owners must obtain from their respective governments a certification that there is no enemy interest in their assets. Because many of the owners of such assets have heretofore failed to pay taxes or to comply with laws requiring them to report or sell their foreign assets to their governments, they are now subject to penalties or confiscation of their assets and are reluctant to disclose to their governments

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their identities as owners.

2. The United States Government desires to terminate foreign funds control, but does not desire to release any enemy assets. Under the present procedure, determination whether or not there is any enemy interest in any particular blocked assets requires that the beneficial owner disclose his identity to his government and obtain a certification from that government.

3. It has been proposed that owners of blocked assets be given a specified period of time within which to request certification of their assets by their governments, and that, if they fail to do so within the time specified, such assets be vested in the United States Alien Property Custodian. It is doubtful whether the threat of vesting would, under present circumstances, force the owners to approach their governments and request certification.

4. It has also been proposed that the United States Government, to the extent that it knows (or can by a census or otherwise ascertain) the ownership of foreign-held assets blocked in the United States, disclose the information to the governments of the countries whose nationals are the owners of such assets. Presumably, this suggestion would apply only to blocked assets owned by nationals of Marshall Plan countries. The justification of such proposal is that the United States should assist such countries in mobilizing their foreign-held assets and to that extent alleviate the burden on the United States of giving Marshall Plan assistance to such countries. This proposal is, of course, limited to assets held in the United States directly for account of the owner and would not deal with assets held through institutions in Switzerland and other third countries. It is also subject to criticism on the ground that it

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violates traditional American principles.

5. In some quarters there is a desire to find some means whereby the blocked foreign-owned assets can be released from foreign funds control and mobilized for Marshall Plan assistance or otherwise without violating traditional American principles with regard to the freedom of property from arbitrary seizure. Such a plan should meet the following requirements:

(a) It should provide means whereby the United States Government can be reasonably satisfied as to the absence of enemy interest in the assets to be released.

(b) It should provide such inducement to the respective foreign governments as to assure their agreement and cooperation.

(c) It should provide such inducement to the owners of the assets as will assure their participation.

II. The Proposed Plan

1. Machinery would be established for determining, to the satisfaction of the United States Government, the non-existence of enemy interest in the assets to be released without requiring the disclosure to their respective governments of the identities of the owners of such assets. Such machinery might be set up at the Federal Reserve Bank of New York or some other agency with the assurance that information disclosed to such agency would be held confidential. Insofar as concerns assets held for account of Swiss banks, the assistance of the Swiss Compensation Office might be invoked. It should be recognized that any plan which does not require certification as to ownership by the government of the country of which the claimant is a national must rest largely upon the examination

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of documentary evidence which could be supplemented by limited field investigation work in cases in which an on-the-ground investigation would seem warranted. Arrangements could be made to have the cost of the examining and investigating machinery borne by the owners of the assets.

2. When it has been determined that there is no enemy interest in particular assets, the assets will be released from foreign funds control on condition that (a) a certain percentage thereof be surrendered for remittance to the government of the country of which the owner is a national in lieu of penalty for failure to return such assets; and (b) the remainder of such assets would be liquidated in orderly fashion over a specified period of time and the proceeds be invested in United States Government or other suitable securities which shall be held in non-transferable form for a specified period of years.

3. The amount to be surrendered and remitted to the respective governments in lieu of penalty would, of course, have to be determined by agreement with such governments, as would also the machinery for remitting such amounts.

4. If the amount remaining after deduction of the surrendered percentage is invested in bonds of the United States or an agency of the United States, such amount can be applied for the purposes of the Marshall Plan. If there are objections to using bonds of the United States or one of its agencies for the purpose, such amount might be invested in long-term bonds of the International Bank for Reconstruction and Development. In that case, however, the Bank would probably not be willing to make any commitment in advance as to the use of the funds so invested other than that they would be used for the making of

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loans for the purposes specified in the Articles of Agreement of the Bank in the same manner as other funds borrowed by the Bank, due consideration being given to the source of the funds in determining the types of loans for which they should be used.

5. In order to block the bonds for the agreed period of years, they could be issued in registered form in the names of the accounts in which the funds are held at the time of issuance with appropriate restrictions against transfer for such period. Or they could be issued in regular form and deposited with the Bank against non-transferable deposit receipts.

6. If bonds of the United States or one of its agencies are used they would, of course, be, directly or indirectly, obligations of the United States Government. On the other hand, if bonds of the International Bank are used, they would, along with other outstanding bonds of the Bank, be indirectly guaranteed by the United States and other member countries of the Bank to the extent of the 80% of their subscriptions to the capital stock of the Bank which is subject to call only when needed to meet such obligations of the Bank.

7. In order to provide for the timely solution of the problem, a reasonable limit, such as six months, should be placed upon the time during which owners could apply for unblocking under the plan. It might also be advisable for the United States Government to make it clear that at the end of such period all such blocked assets not so released would be vested in the Alien Property Custodian.

8. The proposed plan would not be practicable as regards assets which are not in readily marketable form. However, should some such plan be adopted, provision might be made for the unblocking of such assets after non-enemy interest has been determined provided the amount in lieu of penalty is paid by the owners.

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FEDERAL RESERVE BANK OF NEW YORK

RESEARCH MEMORANDUM

orig 140.71

To Mr. Knoke

Date July 25, 1946

From R. Simons, Foreign Research Division.

Subject Swiss-Allied Agreement on German Assets

Copies To Messrs: Sproul, Rounds, Williams, Roelse, Rouse, Sanford, Lang, Rozell, Webber, and Garvy.

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The negotiations of the Swiss-Allied agreement on German assets carried out earlier this year between Switzerland, on the one hand, and the United States, Great Britain, and France - representing the Allied nations - on the other, were shrouded in considerable secrecy, and the American newspaper reports on their progress and even on the final settlement have been scanty, so that any detailed study has until now been impossible. However, Swiss newspapers just received, together with the text of the agreement recently released, make it possible to present this brief survey.

1. Provisions of the Agreement

The agreement provides for the elimination of Germany's financial influence in Switzerland by the liquidation of her assets there, for the surrender of half of the proceeds to the Allies for reparations, and for payment by Switzerland of 250 million francs (58,140,000 dollars) in gold payable on demand in New York in settlement of Allied claims on gold looted and resold by Germany to Switzerland during the war.

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Assets of Germans in Germany (now estimated by the Swiss at about 500 million francs, or approximately 116 million dollars) will be liquidated by the Swiss Compensation Office in accordance with a procedure detailed in an annex to the accord. Of the proceeds, 50 per cent will be placed at the disposal of the Allies, to be used in the rehabilitation of war-devastated areas and for famine relief in accordance with the inter-Allied agreement at the Paris Reparations Conference last November and December. The Allies will be permitted to draw immediately up to 50 million Swiss francs against their share of the proceeds for the use of the Intergovernmental Committee on Refugees. The Swiss Government also undertakes to put at the disposal of the Allies 250 million francs payable on demand in gold, with the understanding that with its acceptance the Allied governments will waive for themselves and their banks all claims on gold which Germany sold to Switzerland during the war. At the same time the agreement provides for the immediate lifting of Allied blacklists in so far as they affect Switzerland and for the unfreezing of Swiss assets in the United States.

The Germans affected by the liquidation of assets are to be reimbursed in German currency, half of which will be supplied by Switzerland from its funds in the German clearing office (an arrangement which is not to prejudice in any way the future settlement of the Swiss clearing claims, or to indicate Allied recognition of the right of Switzerland to dispose of these funds). In order to provide for cooperation between Switzerland and the Allies in carrying out the agreement, a joint commission is to be set up, to consist of representatives of the United States, Great Britain, and France, as well as a delegate from Switzerland. The Swiss Compensation Office will keep this commission informed of its activities and consult it before making important decisions. The joint commission, as well as private parties affected by

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the decisions of the Compensation Office, will have the right to appeal such decisions to a three-man court of appeal to be set up by the Swiss. If disagreements still remain between the joint commission and the Swiss authorities, they are to be referred to a court of arbitration consisting of a member selected by the Allies, one selected by Switzerland, and a third agreed on by the four governments.

2. Original Positions of the Allies and of Switzerland

In order to put the above provisions in perspective, it is interesting to review the original demands made by the Allies and the position taken by each party in the negotiations. The Allied attempt to acquire German assets held in Switzerland was based on the agreement, expressed in the Potsdam Declaration in August 1945, to use German external assets for reparation purposes, and in Law No. 5 subsequently issued by the Allied Control Council in Berlin, under which such assets were to be taken over by the Allies. The acquisition of this property was considered important not only as a source of funds for the reconstruction of countries which had suffered from German invasion and occupation, but also as a safeguard against the use of the assets for the financing of future German aggression. From information available to them as occupying powers, the Allies estimated that German assets in Switzerland were as high as 750 million dollars.

With regard to gold, the Allies had discovered from captured records that the Germans had melted down gold stolen in occupied countries and manufactured falsely dated bars which they then resold to neutral countries, including Switzerland. It was also known that gold that had been given by the Belgian Government to France for safekeeping had been surrendered to Germany by the Vichy Government and later found its way to Switzerland. In view of Allied warnings throughout the war that they would not recognize the legality of transfers of German-looted property, the Allies now brought forward

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a claim for most of the gold which Switzerland acquired from Germany during the war.

Switzerland maintained a strong front against almost all the Allied claims. On the question of German assets, her main thesis was the illegality of the proceedings as a whole, since she refused to admit the applicability to Swiss territory of laws passed by the Allied Control Council and denied the status of the Control Council as a legitimate German government, while on the other hand insisting on the inviolability of private property rights, including those of Germans, under her own laws. The Swiss were also afraid that their future neutrality, and even more their reputation as a sound international banking center and a safe haven for funds (a reputation important to her balance of payments), might be damaged by investigation and seizure of the German assets. Their own estimate of the extent of such holdings in Switzerland amounted to only 250 million dollars, and at the same time the suggestion that an Allied authority should undertake the investigation and liquidation of these holdings in Switzerland was opposed by them as jeopardizing their independence. Even if a liquidation of German assets were undertaken, it was held, the proceeds should be applied against Swiss claims under the clearing agreement with Germany, which by Swiss estimate, would have led to a cancellation of both claims.

On the question of gold, the Swiss contention was that the National Bank had acted in good faith and with the usual caution in all dealings with Germany. Switzerland could not, therefore, be accused of knowingly receiving stolen property, and she denied that she would have been able to refuse to buy gold from Germany, since, unless she had also suspended gold purchases from the Allies which were important to their war effort, such a refusal would have been a breach of her neutrality. The Swiss attitude on the Belgian

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gold was that the blame lay with the Vichy Government in giving up the gold, but that Germany acquired the metal by legal means and it could not be classified as loot. The Swiss, then, though they agreed with the principle that looted property should be returned to its rightful owners, denied that they held any such property and insisted that at least before they surrendered any part of their gold, definite proof that it was looted should be furnished.

3. Final Compromise

With original positions as far separated as these, it is hardly surprising that the negotiations, which began on March 18, were difficult and drawn out. The Allies' contentions on the subject of looted gold, and their estimates of the amount of such property (which at one point were as high as 200 million dollars) naturally met with particularly strenuous objections from the Swiss, and caused the temporary interruption of the negotiations. Just as the Allies, in view of the role of the negotiations with Switzerland as a test case, made an effort to secure recognition of their basic premises as well as the best possible settlement of their actual claims, so the Swiss seem to have been encouraged in a firm stand by the importance of setting a precedent for other neutrals, and there was even some feeling in Switzerland that the independence of small nations was at stake, an argument that was weakened when it became known that the three powers were representing many of the smaller nations with whom Switzerland has particularly good relations.

First news of the agreement met with a very unfavorable reception in Switzerland, especially since it brought no immediate announcement of the cancellation of blacklists or the unfreezing of Swiss assets in the United States. When the full provisions of the accord were made public, however, they were generally supported, though not without criticism from some quarters, where it was thought that Switzerland had not sufficiently defended her legal rights and that the terms were imposed by superior power. The final settlement,

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BOX 1 - BINDER 3

while inevitably entailing considerable financial sacrifices for Switzerland, does in fact represent important concessions to her point of view. In a preamble to the accord, which took the form of a letter from the Swiss delegation to the head of the Allied delegation, the Swiss declared:

> "In the course of the discussions which have taken place, the Allied Governments, fully recognizing Swiss sovereignty, claimed title to German property in Switzerland by reason of the capitulation of Germany and the exercise of supreme authority within Germany, and sought the return from Switzerland of gold stated to have been wrongfully taken by Germany from the occupied countries during the war and transferred to Switzerland.
>
> "The Swiss Government stated it was unable to recognize the legal basis of these claims but that it desired to contribute its share to the pacification and reconstruction of Europe, including the sending of supplies to devastated areas."

By this preface explaining the conditions under which an agreement had been reached, the Swiss formally maintained their position as to the legality of the whole proceedings. Of perhaps more practical importance was the limitation of seizure and liquidation to the assets of Germans in Germany, exempting from the effects of the law those Germans residing in Switzerland, the protection of whose rights under their laws the Swiss had particularly upheld. The amount of assets that will benefit from this concession has been estimated at as much as one half of the total. In addition, while under Public Law No. 5 the question of compensation is left to the Control Council, the Swiss succeeded in having indemnification of the German owners included in the provisions of the agreement. These limitations on the severity of the measures with regard to German assets increased their legality in Swiss eyes and made the whole agreement more acceptable.

The Swiss will also receive one half of the proceeds of liquidation, instead of giving up the complete sum to the Allies for reparations. Swiss fears that Allied investigation and liquidation of German assets in Switzerland

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might threaten their sovereignty were allayed by the leaving of all important functions in the hands of the Swiss Compensation Office and giving the Swiss-Allied joint commission merely consultative authority. Though the possibility of recourse to arbitration will give the joint commission considerable influence in spite of this limitation, the Swiss feel satisfied that their independence has been maintained. On the question of gold, too, Switzerland made no formal concessions, giving no admissions that she held looted gold or promises to aid in tracing it, but simply setting aside a lump sum with the proviso that the whole gold question should thereby be settled.

In spite of the concessions, some of them merely formal, that were made to Switzerland, and their importance in persuading the country to accept the agreement, she will be making considerable financial sacrifices. In addition to the 58,140,000 dollars of gold, the Allies will get one half of the proceeds from the liquidation of German assets, which are now estimated by the Swiss at about 116,280,000 dollars, but which will probably amount to more after further investigation by the clearing office in cooperation with the joint commission. Even these sums, however, are small compared with the original Allied claims of 750 million dollars in assets and 200 million dollars in gold. Moreover, Switzerland was able to secure the unfreezing of her assets in the United States and the ending of Allied blacklisting of Swiss firms. The latter measure is valuable for Switzerland, though her contention that blacklisting would in any event not have been long continued in peacetime is borne out by the recent general lifting of blacklists by Britain, Canada, and the United States. The effect of the unfreezing measure will be limited by the complications of certification by the Swiss clearing office of assets as Swiss-owned, as well as by the probable unwillingness of the Swiss National Bank to take over dollars or gold until the present excess of such holdings in Switzerland has been reduced so that transfers will represent

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4. General Comments

In view of her wartime role of cooperating with Germany without too much resistance, and of the sound legal and strong moral position of the Allies, Switzerland managed to obtain surprisingly favorable terms. Not only did she fully uphold her position with regard to the legality of Allied claims, but her financial concessions were small by comparison with the demands first made, while she will gain considerably from the ending of blacklists.

For the Allies, the results were unsatisfactory in that the overall promises they had sought to establish were denied, and neither the Allied Control Council as the legal successor of the German Government nor the applicability of Law No. 5 in neutral countries was formally accepted. However, they successfully opposed the principle that German assets should be canceled against neutral clearing balances and other claims in Germany, and obtained some funds for reparation purposes. Though their success in this case was limited, negotiations with other neutrals, whose attitude had already been more cooperative during the war, have turned out to be less difficult, and the results more satisfactory, as will be shown in a study now being made on the agreement with Sweden.

RS:DJK

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FEDERAL RESERVE BANK
OF NEW YORK

CORRESPONDENCE

DATE June 5, 1940.

L. Knoke

SUBJECT Comments on Attached Cable

W. H. Rozell

(Copies to Messrs. Sproul, Williams, Roelse (Sanford), McKeon).

CONFIDENTIAL

The attached cable from the Embassy in Switzerland, which I have studied at your suggestion, throws interesting sidelights on recent movements of capital and gold to this country.

Because of its central geographical position and official neutrality backed by a relatively strong army, Switzerland, according to this cable, is regarded as a reliable intermediary for international monetary transactions, with the result that Swiss gold movements during recent months have been numerous. Imports of gold to Switzerland during the first quarter of 1940 totaled 215,400,000 Swiss francs (about $47,800,000) and exports, 324,200,000 Swiss francs ($72,700,000). Since about 65 per cent of the imports reportedly came from Russia and Germany and about 75 per cent of the exports found its way to the United States, it is clear that this country has been buying appreciable amounts of gold of Russian origin. Details of this traffic are given in this cable. According to the information received by the American Embassy, the bulk of the Russian gold is assayed and remelted at Le Locle, at the branch of the Swiss Bank Corporation and reshipped to the United States, where the dollar proceeds are credited to the account of the "Soviet commercial representation in New York" at the Swiss Bank Corporation's office in New York.

According to our records, total gold imports from Switzerland during the first quarter of 1940 aggregated $45,800,000 (as compared with a figure equivalent to about $54,500,000 reported in the cable). Of this amount, $15,500,000 was earmarked for official account, while $14,900,000 was consigned to the Swiss Bank Corporation, N. Y. An examination of the Swiss Bank's weekly

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OF NEW YORK

OFFICE CORRESPONDENCE DATE

TO SUBJECT

FROM

foreign exchange reports to us, however, indicates no corresponding rise in Russian deposits. Although this bank's reported foreign deposits rose $11,600,000 between January 5 and March 27, 1940, this rise was concentrated in Swiss accounts, which were built up ~~to~~ by the net amount of $15,100,000 during the period. The absence of any increase in reported deposits corresponding to the gold imports cannot be explained by the fact that it is in a domestic account, since such accounts are not carried by foreign bank agencies. Of course, the proceeds of the gold sales may have been expended or the account may even be carried in the name of one of the Swiss Bank's other branches or the head office. In any case, the explanation is not obvious from their weekly reports to us and it therefor might be well, when an appropriate occasion arises, to inquire of the Swiss Bank as to the manner in which the Soviet account is handled for the purpose of our reports.

Imports of gold to Switzerland from Germany, which exceeded exports to Germany by 40,400,000 Swiss francs, or about $9,000,000, during the first three months of 1940, admittedly are largely of Russian origin, and may very well be associated with the mysterious 17 ton shipment from Russia to Germany, which reportedly was made after the occupation of Poland. It will be recalled that in a confidential cable from Berlin on October 27 it was stated that Russia sent this gold, via Germany, to the Netherlands and also to Switzerland, to be used for Russian purchases either in those countries or in other countries.

Information given in the attached cable also throws further light on the recent shipments of gold to this country from Italy. During the first quarter of 1940 Italian gold imports to this country amounted to nearly

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FEDERAL RESERVE BANK
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TO SUBJECT

FROM

$20,000,000, whereas the reported gold reserve of Italy declined only by about $7,000,000. A good part of the imports to the United States may be accounted for by the Italian imports of gold from Switzerland, which during this period exceeded exports to Switzerland by 16,400,000 Swiss francs, or about $5,700,000. This movement is said to reflect, in part, traffic in gold in which the Banca d'Italia engages in order to profit by the difference in price between gold pieces and ingots and, in part, by Swiss payments in gold for certain raw materials urgently needed for the Swiss army.

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1/27/41

Chase - Chemical Bank Corp.

1. Analyze the dollar accounts carried by the agency for its head office and branches in France and Switzerland. See whether, in connection with transactions conducted over such accounts, there is any indication of German, Italian or Japanese ownership or interest. Quite possibly the accounts themselves will give no such indication but correspondence files might.
2. Look over the agency's exchange orders, see where they originate and whether there are any indications that they are placed for German, Italian or Japanese account.
3. Do the same with the agency's securities orders.
4. Check into the agency's securities custody accounts particularly for indications of German, Italian or Japanese ownership or interest.
5. Get a list of the New York banks with which the New York agency carries accounts.

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May 27, 1941.

6. What is the volume and the nature of the business which Swiss Bank Corporation, New York, does with Carl Marks & Co., Inc., a firm reported to be active in German dollar securities?

7. Does Swiss Bank Corporation do similar business with other over-the-counter firms? Yes not plenty

8. Swiss Bank Corporation, New York, is reported to do business in gold with Swiss Bank Corporation, Zurich, against dollar notes which are sent by airmail to New York for account of a client by the name of Young. What are these transactions?

9. It is contemplated that Swiss Bank Corporation, New York, should open a credit in favor of Herman A. Holz, New York, on behalf of Alfred J. Amsler & Co., in Schaffhouse, Switzerland, which guarantees the credit. Has any such credit been opened and what is the volume of the business?

4 Sub Pp

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FOREIGN FUNDS CONTROL

May 13, 1941

To: Mr. Knoke

With reference to the Swiss Bank Corporation you may find the attached despatches Nos. 1443, 1627, and 3121 of interest.

JOHN W. PEHLE

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January 31st, 1941

On 26th October 1940 Berliner Handelsgesellschaft, Berlin, advised Swiss Bank Corpn., New York, that they had received for their account $100,000 from Carl Marks & Co., Inc.

HWA

Copies to:

Mr. Pehle
Mr. Towson
Mr. Carre
Mr. Leman
.....
.....
.....
.....

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February 13th, 1941.

MR. 1022

It is understood from a delicate source that the Swiss Bank Corporation, 15 Nassau Street, New York, N.Y., wrote on December 20th, 1940 to Swiss Bank Corporation, Zurich, Switzerland, re sale of gold against dollar notes for 2000 Sw. Frs. monthly. The dollar notes are to be sent by air mail to New York, for account of "Client Young" who cables "by these instructions I do not forfeit right contest my being considered French national".

CONFIDENTIAL

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April 22nd, 1941.

BIN. 11614.

It is understood from a delicate source that Alfred J. Ansler & Co., Schaffhouse, Switzerland, wrote on 5th February, 1941, to Herman A. Nels, Box 24, Post Office Station "C", West 18th St., New York, sending -

(a) Letters in which sender outlines a scheme for the purpose of circumventing any decrees which the U.S.A. may enact in respect of Continental credits, and on the freezing of funds, in the future. Sender suggests a "trial run" as a test case, and invites the co-operation of addressee, (who is sender's representative in the U.S.), with the connivance of the Swiss Bank Corporation, to prove the practicability of the scheme. If the scheme works out well, sender might continue it for larger amounts periodically. (Details of the scheme as per attached copy letter dated 4th February, 1941).

(b) Letter reporting a shortage of special alloy steels and copper tubings. Sender states that the former could be got from Germany but only if sender supplied the fine metal (nickel, etc.) required to make these alloys. The copper tubings could also be obtained from Germany, but only against an equal weight of copper.

(c) Letter stating that senders are endeavouring to obtain, through their own Government, a definite statement from the Axis Powers whether shipments destined for the U.S.A. will be given transit permits or other-wise. At present these permits are issued, but are actually withheld by the Axis Powers.

(d) Letter re Code Word, as follows:-

UNIVERSAL TRADE CODE

"Please enter against code word A O G M Z (No. 04049)
Swiss Bank Corporation, New York Agency
15 Nassau Street, New York."

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Alfred J. Amsler & Co.
- 3 -
Schaffhausen, Switzerland

February 4th, 1941.

Mr. Herman A. Metz,
New York.

Dear Sir,

FINANCE

You know there are periodical rumours of all European Continental credits in the U.S.A. going to be blocked. Last year you studied the matter and submitted various interesting advices. At the time we did not accept any of them, for one thing because we felt sure about the position of this country and for another thing because we had an equally implicit trust in the USA.

These two arguments have not changed since then in the least, but all the same, we have decided to give a trial to scheme which the Swiss Bank Corporation develops.

As a test case, we have chosen our invoice No. 960.

The scheme works as follows:

a) The Swiss Bank Corporation, New York Agency, 15 Nassau Street, New York, opens a credit account in your favour for the amount of US$ 5300 and odd, repayable within, say, two months. That this credit is guaranteed by us is evident, but is an entirely internal arrangement.

b) You will have to go to the Swiss Bank Corpn. Office, receive - formally - the amount for which the credit has been opened, and give a regular receipt, and at the same time pay - formally - the same amount into our account with the Swiss Bank Corpn., and, of course, also receive a receipt. We have specially opened an account with the Swiss Bank Corpn. for the purpose, in our name.

c) After you have received payment from the customer against our invoice No. 960, you remit this amount to the Swiss Bank Corpn. against your credit account (Thus not into our own account), so that your debit balance at this Bank will be reduced to zero.

d) Immediately the transaction under b) has been completed we can transfer the credit balance on our account to Switzerland.

On the debit balance of your account, interest of course will have to be paid. Needless to say that this interest, as well as all other actual expenses connected with this transaction, will be defrayed by us. You will have to send us your D/Ns.

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The idea underlying this scheme is readily understandable: On the one hand, there is an account between you and the Swiss Bank Corpn., in which you figure as debtor. On the other hand, there is an account between the Swiss Bank Corpn. New York Agency, and ourselves, in which we figure as creditor, but only for a day or so, i.e., only for as long as its takes the telegraphic advice of payment, and the telegraphic transfer from N. Y. to Schaffhouse, to be established.

If the U.S.A. should stop all payments to Swiss citizens, we would have no money in the U.S.A., - at least not on this particular transaction, - and we would have nothing to get either, since the equivalent in US$ of the goods despatched by us to you, would have to be used by you to settle your debit balance with the Swiss Bank Corpn.

The scheme outlined and which we are giving a trial, is neither cheap nor convenient. If it operates all right, however, we might continue it later on, at least periodically for larger amounts. We figure, for inst. that later on letters of transfer could be made out directly to the Swiss Bank Corpn. and that thus you could recover your overages right on the spot, without having to wait for TTs from us. But as said, before making any radical changes in our USA banking arrangements, we want to see how this trial transaction works out.

Yours very truly,

Per Pro ALFRED J. AMSLER & CO.

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RECEIVED
APR 19 1941
L. W. K.

April 18, 1941

Files

Mr. Cochran

Mr. Klaus telephoned me this morning, referring to my recent memorandum in regard to the interest of Mr. Knoke of the Federal Reserve Bank of New York in having made available to him information from the F. B. I. in regard to Swiss banking activities which might be useful to Mr. White in making the New York State examinations in the near future of the two Swiss banking establishments in New York. Mr. Klaus offered to have the F. B. I. people here instruct their representative in the Federal to make all pertinent information available to Mr. Knoke, and to offer any suggestions which might be helpful. Mr. Klaus reminded me that the F. B. I. does not have its men in the two Swiss institutions in New York, but agreed with me that the F. B. I. does obtain considerable information on Swiss banking operations.

I promptly gave the foregoing information to Mr. Knoke by telephone, who asked that the F. B. I. get its preliminary report or suggestions to him next Monday if possible, since he is leaving shortly thereafter on a business trip to Indiana. Mr. Klaus, with whom I then spoke, was to make this point in his conversation with the F. B. I. headquarters.

At 3 p.m. Mr. Klaus telephoned me that the F. B. I. had informed him that they already have a man in the office of Mr. White who should be able to make directly all appropriate suggestions for the latter's guidance in investigating the Swiss banking institutions in New York.

HMC:lap-4/18/41

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MJSC. 28-15M-12-40

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X260.4

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE CONFIDENTIAL DATE April 22, 1941.

TO Mr. Knoke SUBJECT: Swiss Bank Corporation

FROM W. H. Rozell

In analyzing the weekly capital movements reports filed by the New York Agency of the Swiss Bank Corporation, one of the principal difficulties arises from the fact that a great deal of their reported Swiss deposits, which account for over 80 per cent of all foreign deposits, apparently are held for the account of the head office. From the information available to us it is impossible to know to what extent the head office's deposits represent dollar accounts carried by the head office for third countries, such as Germany, Italy, or Russia. It would therefore be extremely useful if the State bank examiners could obtain for us some indication of the breakdown of the head office deposit account. An examination of the instructions for debits and credits to this account might reveal the identity of the head office's depositors.

As to security transactions executed by the New York Agency for Swiss account, it would be instructive to know what proportion of these are for head office account and whether any of the head office transactions are by order of third countries.

Other useful information, if available, might include:

(1) The outstanding deposit held for the head office and for other large Swiss accounts, except the Swiss National Bank, which is reported to us each week.

(2) The amount of securities, if any, held in custody for foreign accounts, especially for third countries.

(3) The banks and others abroad from and to which the New York Agency of the Swiss Bank Corporation ordinarily buys and sells Swiss francs.

(4) The New York banks with which the New York Agency carries accounts. This information might be useful, if in the future we wished to follow the Agency's activities in this market.

WHR:EC

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CDE. 7.12 :M 4-40
FEDERAL RESERVE BANK
OF NEW YORK

FILE COPY

OUTGOING CABLEGRAM—SERIAL NO. 6500

2 SENT ON July 18, 1940

ATTENDED TO
JUL 18 1940
FOREIGN ACCOUNTS DIVISION
BY

State Bank of U. S. S. R.

Moscow

No. 4

Upon receipt of your Nos. 70 and 71 and instructions from Lietuvos Bankas Kaunas and Latvijas Banka Riga on July 15 we applied to Secretary of Treasury for license to transfer gold pursuant to Provisional Regulations issued under Gold Reserve Act of 1934. We also applied today for licenses to transfer gold pursuant to Executive Order No. 8484 issued July 15, 1940 prohibiting except under license transactions involving property in which Latvia, Estonia or Lithuania or any national thereof has on or since July 10, 1940 had any interest. Will cable you when we receive advice of action on applications for such licenses. Have no instructions regarding gold referred to in your No. 72

Federal Reserve Bank of New York

lb
RCA 100

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BOX 1 - BINDER 3

April 26, 1944

Mr. L. W. Knoke
D. J. Liddy

On April 28, 1941, we transferred the assets standing in the name of Banque Nationale du Royaume de Yougoslavie to a new account in the name of the Government of Yugoslavia. The balances thus transferred were as follows:

Dollar Account - - - - - - - $20,967,416.37

Gold Account - - - - - - - - $46,882,925.25

At the present time the dollar balance in the account of The Government of Yugoslavia Dollar Account is $583,479.97, which indicates that the balance has been decreased since April 28, 1941 by $20,383,936.40. The bulk of this decrease was occasioned by transfers at various times which we made to The Chase National Bank of the City of New York, New York, for account of The Chase National Bank of the City of New York, London, for account of Royal Yugoslavia Government.

Since the transfer of the gold balance on April 28, 1941, there have been no new deposits nor any releases.

The following amounts were held in the name of the Banque Nationale du Royaume de Yougoslavie as of the end of last March.

	(In thousands of dollars)
Chase	882
National City	216
Irving	29
Guaranty Tr.	149
J. P. Morgan	(a)
Total	1,276

(a) Balance only $151.19.

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4/10

April 8, 1942.

Your Excellency:

Reference is made to your letter to us dated April 26, 1941, in which you authorized and instructed us to open a dollar account and a gold account in the name of the Government of Yugoslavia, and to transfer to such accounts the dollar balance and the gold held by us in the name of the Banque Nationale du Royaume de Yougoslavie. Such gold was described in your letter (as well as in license No. W-614 dated April 25, 1941, which authorized such transfers, and in the certification of your authority to give such instructions, issued by the Secretary of State under section 25(b) of the Federal Reserve Act) as follows:

> "2,194 bars said to contain 876,294.991 troy ounces of fine gold and foreign coins contained in 3,956 bags and said to contain 463,217.175 troy ounces of fine gold * * *."

3,538 of the 3,956 bags of gold coin referred to in such description were received by us from Banque Nationale du Royaume de Yougoslavie during the year 1940, and were included in the boxes referred to in our letter to you dated September 14, 1940, in which we requested your assistance in obtaining instructions from Banque Nationale du Royaume de Yougoslavie authorizing us to open such boxes, weigh the contents thereof and earmark such contents for their account. Such instructions were received by us by cable dated September 23, 1940, and during the month of November, 1940, the boxes were opened and the contents weighed under the joint supervision of the auditors of this bank and the examiners of the Board of Governors of the Federal Reserve System. The results of such weighing indicated that the contents of the 3,538 bags weighed approximately 461,274.69 troy ounces, so that at an estimated fineness of 900/1000ths such bags apparently contained approximately 415,147.221 troy ounces of fine gold. Our records indicate that copies of our detailed statements showing the weights thus found were mailed on December 3, 1940, to Dr. Vladimir Rybar, Counselor of the Yugoslav Legation in Washington, in accordance with the request contained in his letter to us dated September 25, 1940. Copies of such statements were also mailed to Banque Nationale du Royaume de Yougoslavie; and by letter dated November 30, 1940, a copy of which is enclosed herewith, our General Auditor sent them a general statement of all of the gold then held by us for their account, with the request that they confirm the correctness of the information given. On April 22, 1941, we received from Banque Nationale du Royaume de Yougoslavie a letter dated March 10, 1941, a copy of which is also enclosed herewith, advising us that their records indicated that the contents of said 3,538 bags should weigh

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His Excellency,
Constatin Fotitch,
Minister of Yugoslavie
to the United States.

approximately 461,426.23 troy ounces, which at an estimated fineness of 900/1000ths would equal 415,283.607 troy ounces of fine gold.

As you undoubtedly know, absolute accuracy and uniformity in the weights of large quantities of gold is not possible; and it is not unusual for weights to vary somewhat. In this case, however, the difference was sufficiently large to justify our reweighing the gold. Since this gold was held under the joint seal of our auditors and the Federal Reserve examiners (and had been so held since its removal from the original packing cases) it was not practicable to reweigh it until the next examination of this bank by the Federal Reserve examiners. Accordingly, during the recent examination of this bank by the Federal Reserve examiners, the gold was reweighed under the joint supervision of our auditors and the Federal Reserve examiners. The results of such reweighing indicate that the contents of the 3,538 bags weigh approximately 461,389.34 troy ounces, which at a fineness of 900/1000ths would equal 415,250.406 troy ounces of fine gold. Detailed statements showing the weights thus found are enclosed herewith. Our records have been changed, as of prior to March 31, 1942, to show these corrected weights.

Accordingly, the general description of the gold held by us under earmark in The Government of Yugoslavia Gold Account should henceforth read as follows:

> "2,194 bars said to contain 876,294.991 troy ounces of fine gold and foreign coins contained in 3,956 bags and said to contain 463,320.360 troy ounces of fine gold * * *."

These changes do not, of course, affect any previous action taken with respect to this gold, but we assume that you will wish to change your records accordingly. We regret exceedingly the inconvenience which this change in weights may cause you.

Respectfully yours,

L. W. Knoke
Vice President.

His Excellency,
Constantin Fotitch,
Minister of Yugoslavia
to the United States,
Royal Yugoslav Legation,
Washington, D. C.

Encs.
RHB:BW
OWB.

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DECLASSIFIED
Authority DOD DIR 5200.30
By NARA Date 2/15

NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 3

COPY

Original in vault file.

April 25, 1941

Certification pursuant to Section 25(b)
of the Federal Reserve Act, as amended.

Dear Sirs:

This certification relates to and includes the following described property:

$20,967,416.37 on deposit with and held by the Federal Reserve Bank of New York to the credit of the dollar account in the name of Banque Nationale du Royaume de Yougoslavie, any and all checks, drafts and other items that have been or may be received by such Federal Reserve Bank from Banque Nationale du Royaume de Yougoslavie for collection and credit to such account and the proceeds thereof, and any and all amounts which may hereafter be received by such Federal Reserve Bank from or for the account of Banque Nationale du Royaume de Yougoslavie; and

2194 bars said to contain 876,294.991 troy ounces of fine gold and foreign coins contained in 3,956 bags and said to contain 463,217.175 troy ounces of fine gold, which bars and coins are now held by the Federal Reserve Bank of New York in the earmarked gold account in the name of Banque Nationale du Royaume de Yougoslavie, and are all of the bars and coins so held by said Federal Reserve Bank in said account.

I hereby certify to the Federal Reserve Bank of New York, pursuant to the provisions of Section 25(b) of the Federal Reserve Act, as amended, as follows:

(1) That I have received a notification from the Acting Secretary of the Treasury, complying with Section 25(b) of the Federal Reserve Act, as amended, of the issuance of the following licenses relating to the above-described property:

License No. W-614, dated April 25, 1941, issued to the Federal Reserve Bank of New York by the Acting Secretary of the Treasury under Executive Order No. 6560, as amended, authorizing the Federal Reserve Bank of New York (a) to pay and transfer, upon the order of Constantin Fotitch, the property

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By NARA Date 7/15

NON-RECD NON-REC
FED RES. BANK
BOX 1 - BINDER 3

described above to the Federal Reserve Bank of New York for credit to accounts on its books designated "The Government of Yugoslavia Dollar Account" and "The Government of Yugoslavia Gold Account", respectively, and (b) to hold, treat and otherwise deal with, upon the instructions of Constantin Fotitch, any and all checks, drafts and other items that have been or may be received by the Federal Reserve Bank of New York from Banque Nationale du Royaume de Yougoslavie and have been or may be returned to such Federal Reserve Bank unpaid; and

License No.N.Y.-18-1, dated March 24, 1937, issued by the Secretary of the Treasury under section 34 of the Provisional Regulations issued under the Gold Reserve Act of 1934, as amended, authorizing the Federal Reserve Bank of New York to transport, import, melt and treat, and export gold then held by it under earmark for any foreign government or foreign central bank, or sent to it after January 30, 1934, from abroad by any foreign government or foreign central bank, or delivered to it for account of any foreign government or foreign central bank by the United States or pursuant to a license granted by the Secretary of the Treasury, and to earmark such gold and to hold it in custody for any foreign government or foreign central bank.

License dated April 25, 1941, issued by the Acting Secretary of the Treasury under Section 34 of the Provisional Regulations issued under the Gold Reserve Act of 1934, as amended, authorizing the Federal Reserve Bank of New York to transfer the above-described bars and foreign coins held by such Federal Reserve Bank in the earmarked gold account in the name of Banque Nationale du Royaume de Yougoslavie, to an earmarked gold account in the Federal Reserve Bank of New York, designated "The Government of Yugoslavia Gold Account", and to deal with such gold on the terms and conditions set forth in License No. N.Y.-18-1 issued to the Federal Reserve Bank of New York.

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FED RES. BANK
BOX 1 - BINDER 3

(2) That Yugoslavia is a foreign state recognized by The Government of the United States.

(3) That Constantin Fotitch is Minister of Yugoslavia to the United States and is recognized by me as being the accredited representative of Yugoslavia to the Government of the United States.

(4) That said Constantin Fotitch has certified to me, in accordance with the provisions of Section 25(b) of the Federal Reserve Act, as amended, that the Banque Nationale du Royamme de Yougoslavie is the central bank of Yugoslavia; that he has authority to receive, control, and dispose of any and all of the property described above; and that he has full power and authority to authorize and instruct the Federal Reserve Bank of New York to open accounts on its books in the name of the Government of Yugoslavia to be designated "The Government of Yugoslavia Dollar Account" and "The Government of Yugoslavia Gold Account" and to pay and transfer to such accounts the property which is described above.

(5) That I recognize the Banque Nationale du Royamme de Yougoslavie as the central bank of Yugoslavia and accept and recognize the authority of said Constantin Fotitch to act with respect to any and all of the property described above, and to open accounts on the books of the Federal Reserve Bank of New York in the name of the Government of Yugoslavia and to pay and transfer to such accounts the property which is described above.

Enclosed herewith are authenticated copies of the notification and licenses referred to in item (1) above and of the certification referred to in item (4) above.

Also enclosed herewith are authenticated specimen signatures of Constantin Fotitch, Minister of Yugoslavia to the United States.

(signed) CORDELL HULL

Secretary of State

Federal Reserve Bank of New York,
New York, New York.

Enclosures.

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Authority DOD DIR 5200.30
By NARA Date 2/15

NON-RECD NON-REC
FED RES. BANK
BOX 1 - BINDER 3

MISC. (A-A)

FEDERAL RESERVE BANK OF NEW YORK

November 30, 1940.

Banque Nationale du Royaume de Yougoslavie,

Belgrade, Yugoslavia.

Dear Sirs:

A regular audit of the accounts of the Foreign Department of the Federal Reserve Bank of New York as at the close of business November 29, 1940, indicates that the following gold was being held in our vaults under earmark in your name:

151 United States Assay Office gold bars containing 57,591.163 fine ounces.

3,538 bags of foreign gold coin said to contain 415,147.221 fine ounces.

3,063 gold bars of various refiners said to contain 1,225,380.523 fine ounces.

36 gold bars of various refiners said to contain 14,749.490 fine ounces.

The above mentioned 36 gold bars were received per the s.s. CAMERONIA on October 29, 1940, from the Bank of England, London, and are, at the present time, temporarily earmarked at the fine troy ounce weight furnished to us by the Bank of England, London, in its cable of October 24, 1940, advising us the despatch of the shipment.

Please compare the above amounts with your records and confirm to the General Auditor the correctness of the information given. A specially addressed envelope is enclosed for this purpose.

Very truly yours,

G. W. Ferguson,
General Auditor.

Enc.

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By NARA Date 7/15

NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 3

MISC. 3B-1RM-12-40

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 19, 1941

Mr. Knoke

SUBJECT: Gold Reserves of Yugoslavia and Greece

FROM F. M. Tamagna

Copies to Messrs. Roelse (Sanford) and McKeon (Cameron)
(Prepared at request of Mr. Knoke)

According to the ticker, the newspaper "Messaggero" (the leading newspaper in Rome) reported in an Ankara dispatch today that the gold reserves of Yugoslavia and Greece had been transferred to Egypt and placed in custody of the National Bank there.

The entire gold stock of Yugoslavia as of the end of February 1941 was estimated by this Division at not less than 131 million dollars, of which 83 million in the disclosed reserves and 48 million in the undisclosed reserves. According to the statement of the National Bank of Yugoslavia for February 28 last, "or en caisse" (i.e., gold in Yugoslavia) amounted to 68 million dollars; on the same date, gold earmarked for Yugoslav account at this bank amounted to 69 million dollars. Some unreported gold, in excess of our figures of undisclosed gold stock, is probably still held in London, since shipments from England to the United States for Yugoslav account are continuing. During March, the total Yugoslav stock probably declined to 108 million dollars, owing to the sale of 23 million of gold from the earmark account at this bank. This, however, would not affect the amount of gold remaining in Yugoslavia, which may, therefore, be estimated at not more than the amount officially stated by the bank, i.e., 68 million dollars.

Greece's gold reserves have been reported to amount, during recent years, to 28 million dollars; no undisclosed gold stocks are believed to exist. Apart from 6.7 million dollars of gold earmarked at this bank, the whereabouts of the reserves have been unknown; the balance was probably either located entirely in Greece or distributed between Athens and London.

FMT:MPS

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By NARA Date 2/15

NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 3

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- ROME - U P - THE NEWSPAPER MESSAGGERO REPORT
-ED IN AN ANKARA DISPATCH TODAY THAT THE GOLD
RESERVES OF YUGOSLAVIA AND GREECE HAD BEEN
TRANSFERRED TO EGYPT AND PUT IN THE
NATIONAL BANK THERE

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BOX 1 - BINDER 3

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By NARA Date 2/15

NON-RECORD Federal Reserve Bank Box 1 Binder 3

MISC. 3 B.2-60M-12-47

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 10, 1948.

TO Files

SUBJECT:

FROM H. L. Sanford

(Copies to Messrs. Knoke, Rozell and Roche)

I talked to Mr. Abramovic of the Yugoslav Embassy on the telephone this afternoon and he confirmed that the "National Bank of Yugoslavia, Belgrade" and the "National Bank of Yugoslavia in Belgrade", which appear in the letter dated August 9 signed by Ambassador Kosanovic, in each case refers to the Banque Nationale de la Republique Populaire Federative de Yougoslavie, Belgrade.

C 201 Gold Bars

According to Mr. Abramovic, the quantity of 5,000 kilograms of gold bars mentioned in the Ambassador's letter as to be shipped to Zurich is to be read as "not less than 5,000 kilograms fine of gold bars."

I arranged to let Mr. Abramovic know when we have made final arrangements for transportation and insurance, and I also told him that if we had to sign an airplane charter contract we would wish to receive from the Ambassador his authorization to us to enter into a charter contract on his behalf. It was arranged with Mr. Abramovic that we would send cables to the National Bank and the Swiss Bank Corporation after I advised Mr. Abramovic that all details of the shipment were arranged.

Authorization 8/12/48 on C 201 gold bars

H. L. Sanford

HLS:EC

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Authority DOD DIR 5200.30
By NARA Date 7/15

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FED RES BANK
BOX 1 BINDER 3

MISC. 3 B.2-60M-12-47

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 10, 1948.

TO Files SUBJECT:

FROM H. L. Sanford

(Copies to Messrs. Knoke and Rozell)

Mr. Eddy informed me today that the Treasury was prepared to send us an authorization (in form to be drafted by us) to cover the transfer of gold from the Government of Yugoslavia account to the National Bank account to serve as collateral for a loan by this bank to the National Bank.

Mr. Eddy also said that the agreement reached by Yugoslavia with the United States on July 19, 1948 cleared all of the gold held in this country for the Yugoslavs in so far as the Gold Declaration of February 22, 1944 is concerned.

H. L. Sanford

HLS:EC

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Fed Res Bank
Box 1 Binder 3

Copies to Messrs. Sanford and Rozell

MISC. 3 8.2-60M-12-47

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 6, 1948

TO FILES

SUBJECT: LOAN TO YUGOSLAVIA

FR L. W. KNOKE

When talking with Mr. Abramovic on the telephone today, I asked him these two questions:

1. Why did they want to borrow on the gold instead of selling it?
2. How did they propose to pay off the loan at maturity?

In reply to the first question Abramovic said that gold was something worth holding on to, that it was the best kind of cover.

As to the second question they had in mind paying off with dollars from exports or existing private balances and assets in the United States which they intended to mobilize from invisible items such as emigrant remittances, earnings from shipping, etc. If their expectations did not materialize and the amount thus received was not enough, then they would sell gold.

As to the possibility of shipping some of their gold here back to Yugoslavia, Abramovic explained that at any rate more gold would be left here than shipped abroad; they were presently thinking in terms of shipping from $10 million to $14 million. He added that at any rate no shipment would be made until after the debt to the United States Government had been paid.

LWK:BC

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By NARA, Date 7/15

NON-RECD - NON-REF
FED RES. BANK
BOX 1 - BINDER 3

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INCOMING PRIVATE WIRE F R B N Y

INCOMING PRIVATE F R B

TELEGRAM

INCOMING PRIVATE WIRE F R B N Y

TELEGRAM

INCOMING PRIVATE F R B

TELEGRAM

FFCD

THE FEDERAL RESERVE BANK OF NEWYORK IS HEREBY DIRECTED (NOTWITHSTANDING GENERAL LICENSE NO. 53A OR ANY OTHER LICENSE OR OTHER AUTHORIZATION NOW OUTSTANDING OR HEREAFTER ISSUED WHICH DOES NOT EXPRESSLY REFER TO THIS DIRECTION) TO CONTINUE TO HOLD AS BLOCKED PROPERTY 1218 GOLD BARS, SAID TO CONTAIN 487,215.734 TROY OUNCES OF FINE GOLD HELD IN THE ACCOUNT DESIGNATED ON ITS BOOKS AS "THE GOVERNMENT OF YUGOSLAVIA GOLD ACCOUNT" AND NOT TO PERMIT ANY PAYMENT, TRANSFER OR WITHDRAWAL WITH RESPECT THERETO EXCEPT AS HEREAFTER AUTHORIZED BY A LICENSE EXPRESSLY REFERRING TO THIS DIRECTION.

RELLA R SHWARTZ ACTING DIRECTOR

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Authority DOD DIR 5200.30
By NARA Date 2/15

NON-RECD NON-REF
FED RES. BANK
BOX 1 BINDER 3

~~Yugoslavia~~ Gets U. S. Gold

WASHINGTON, March 1 (AP).—Gold worth $51,625 was exported to Yugoslavia during the week ended Feb. 11, the Commerce Department reported today.

No information on the specific transaction could be obtained from government agencies. Officials said Yugoslavia is able to get it in payment for a trade transaction or to buy it outright for industrial purposes.

The State Department said the gold was not part of $60,000,000 in Yugoslav gold "frozen" in this country during the war. The Philippines got $278,412 worth in the same week, while Britain shipped $40,599,237 worth to the United States.

March 1, 1948

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By NARA Date 2/15

NON-RECD NON-REF FED RES. BANK BOX 1 - BINDER 3

MARSHALL REBUFFS YUGOSLAV DEMAND

Rejects Plea for Frozen Gold, Suggesting That Our Ignored Claims Be Met First

BY BERTRAM D. HULEN

Special to THE NEW YORK TIMES.

WASHINGTON, Jan. 14 — The United States refused today the request of Yugoslavia for the release of her funds of up to $70,000,000 that are frozen in this country.

The refusal was contained in a sharp note from Secretary of State Marshall in reply to one delivered last Friday by Sava N. Kosanovitch, the Yugoslav Ambassador, details of which have previously been given out.

The funds include $56,000,000 in gold that, with other funds, was shipped out of Yugoslavia shortly before the German invasion and deposited with the Federal Reserve Bank of New York for the credit of the National Bank of Yugoslavia. Since 1945 that country has made several efforts to have the funds released.

Secretary Marshall made it clear in his note today that the attitude of this Government might change if Yugoslavia were disposed to do something about United States claims against her. In this connection the note said:

"If the Yugoslav Government is disposed to provide the United States Government and its nationals the adequate and effective compensation for losses and expenditures to which they are justly entitled, it will be possible to achieve

Continued on Page 8, Column 1

at an early date a satisfactory general settlement, to include arrangements concerning Yugoslavia's assets in this country, as originally contemplated."

United States claims for expropriation of properties exceed $42,000,000. In addition, Secretary Marshall recalled, there are claims for the two United States airplanes shot down over Yugoslavia in August, 1946, and United States accounts with Yugoslavia in regard to lend-lease, pre-UNRRA civilian relief and several minor matters are unsettled.

Although many efforts have been made to reach adjustments, he emphasized, they have been met with unsatisfactory counter-offers and, in every respect, failure.

Charges on Motives Dismissed

Secretary Marshall also dismissed as without foundation allegations made by Ambassador Kosanovitch concerning the United States motives in the long negotiations for a settlement. Among these was the contention that this country, by continuing to freeze the funds, intended to obstruct Yugoslavia's economic reconstruction and hinder her participation in the general reconstruction of Europe.

The Secretary of State pointed to the many contributions the United States has made toward the relief and reconstruction of Yugoslavia and then declared sharply that "the Yugoslav Government has not only declined to participate in, but has even actively attacked, the common European recovery program."

Secretary Marshall rejected out of hand a further charge that by its attitude the United States was violating the Bretton Woods Agreement.

Times Jany 15, 1948

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By NARA Date 2/15

NON-RECD NON-RESP
FED RES BANK
BOX 11 BINDER 3

YUGOSLAVS INSIST U. S. RELEASE GOLD

Note Threatens Court Action, International or American—Fund Put at 60 Million

By HAROLD B. HINTON
Special to THE NEW YORK TIMES.

WASHINGTON, Jan. 5—The Yugoslav Government has presented a new demand for the release by the United States of Yugoslav funds totaling $60,000,000 to $70,000,000, including $56,000,000 in gold, Ambassador Sava N. Kosanovitch announced today. A formal note was handed to Under-Secretary of State Robert A. Lovett last Friday.

"Further delay in the unfreezing of these reserves, under whatever pretext, can be interpreted only as an intention to obstruct the economic reconstruction of Yugoslavia and to hinder her participation in the reconstruction of European economy, thus hampering the reconstruction of Europe in general," the note stated.

The Ambassador said also that he had placed the matter on the agenda of the United Nations Economic and Social Council for consideration at its next meeting, in about six weeks.

Negotiations Begun in 1945

The gold and other funds were shipped out of Yugoslavia just before the invasion by the Germans and deposited with the Federal Reserve Bank of New York for the credit of the National Bank of Yugoslavia. Since 1945 there have been sporadic negotiations regarding release of the funds.

About $20,000,000 was spent by the Yugoslav Government in Exile during the war, the Ambassador said. He indicated that Marshal Tito's Government was willing to waive any complaints it might have about the validity of United States action in permitting the Government in Exile to use the funds.

The Yugoslav note of Friday said the Yugoslav Government was prepared to compensate United States nationals for properties nationalized in Yugoslavia, but that it "firmly refuses to concede that the question of the unfreezing of the monetary reserves and the other assets of the National Bank is contingent upon previous agreement on the other questions."

The note added that United States claims as first advanced amounted to $43,300,000, which was later reduced to $20,000,000.

YUGOSLAVS INSIST U. S. RELEASE GOLD

Continued From Page 1

can investments in Yugoslavia was only $5,167,000.

The two largest American enterprises, both now nationalized, were the plant of the Socony Vacuum Company and a plant belonging to a firm the Ambassador described as the Federal Gas and Electric Company of New York. Both were badly damaged by Allied bombers during the war.

"I am sorry to say this," the Ambassador asserted at a news conference today, "but if we had left the gold to Hitler, we would not have today to prove our right to it. Even Austria, former enemy which has not yet signed a peace treaty, is getting its monetary reserves back."

He mentioned Poland and Hungary as other nations to which formerly impounded assets had been released.

The note further charged that retention of the Yugoslav funds was a violation of the Brettor Woods agreement, to which both the United States and Yugoslavia are parties. Mr. Kosanovich quoted Section 2, Paragraph 14, of the agreement, limiting fund-blocking to the war and transition period to follow it, and Section 2b, Paragraph 8, forbidding enforcement of contracts in any member country that violated the exchange controls of another member.

The note indicated that the Yugoslav Government would consider "undertaking other means for the settlement of this problem," if the United States continued to insist on settling nationalization claims before turning over the funds. The Ambassador said this meant legal action, either in United States courts or before an international tribunal.

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NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 3

TREASURY DEPARTMENT
UNITED STATES CUSTOMS SERVICE
NEW YORK, N. Y.

122-8

OFFICE OF THE COLLECTOR
DISTRICT NO. 10
ADDRESS ALL COMMUNICATIONS FOR THIS OFFICE TO THE COLLECTOR OF CUSTOMS NEW YORK, N. Y.
IN REPLY REFER TO

Yours Sincerely

June 27, 1938

Copy C261. Swiss 3/3

Federal Reserve Bank of New York,
33 Liberty Street, New York, N.Y.

Sir:

I hereby certify that a shipment of fine gold bars imported from Havre, France covered by Free Entry 366992 for 4 cases and entered in the name of Federal Reserve Bank of NY as ultimate consignee, which arrived on June 27 1938 on the Steamer S.S. Normandie at Pier 88 N.R. Port of New York, the original port of entry for the said shipment, and that the said consignee declared to the Collector of Customs at the said Port that said fine gold bars contain 6,443.629 ounces of fine gold over .995 fine of a value of $ 225,527.02 and* ~~are intended for sale to the U.S. Assay Office at New York through the Federal Reserve Bank of New York as fiscal agent of the United States~~ I further certify that said shipment of fine gold bars has been in customs custody throughout the period in which it has been situated within the customs limits of the continental United States, having been transferred from Pier 88 N.R. New York to the ~~U.S.~~ Federal Reserve Bank of ~~Assay Office at~~ New York in the custody of a United States Customs Inspector.

*Gold to be delivered to the Federal Reserve Bank of New York and held under earmark for a foreign central bank by the Federal Reserve Bank of N.Y. under license No. NY-18-1 issued to the Federal Reserve Bank of New York pursuant to the Provisional Regulations issued under the Gold Reserve Act of 1934.

Respectfully,

Assistant Collector.

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Authority DOT DIR 5200.30
By NARA Date 2/15

NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 3

MISC. 3-8. 1—60M—6-44

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 29, 1945.

TO Mr. Knoke

SUBJECT 1/2 Per Cent Commission Charge on Swiss Franc Payments

FROM H. L. Sanford

Would you kindly inquire whether Banque Nationale Suisse has made other refunds of commission deductions in cases where Swiss francs were paid to accounts of New York City banks with Swiss commercial banks in the period since January 1. (See attached table of payments ordered by us since January 1.) (J. P. Morgan protested informally about several deductions which had been made, the banks which have received refunds on one payment will be looking for refunds on their other payments, and other banks which have not protested either formally or informally should in all fairness receive refunds in cases where deductions have been made.) After you talk to Banque Nationale Suisse, it would help us if Banque Nationale Suisse would cable us their decision as to refunds, in cases where deductions of commissions may have been made by them; i.e., whether they will go ahead and make refunds on all such cases in addition to the four cases about which we wrote to them.

With respect to humanitarian payments, I would not be inclined to seek any refund of commission deductions which may have been made in the period between January 1 and June 25, unless the Swiss bring up the subject. As to humanitarian payments, the only formal protest was by Vaad Hahatzala (copy of their letter attached - it was sent to the Treasury for its information). The 20 million Swiss franc joint account of A.J.J.C. and War Refugee Board representative was, you will recall, put on a basis of only actual disbursements being subject to commission deduction (these Swiss francs were subsequently sold back to Banque Nationale Suisse).

H.L.S.

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Authority DOD DIR 5200.30
By NARA Date 2/15

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FED RES. BANK
BOX 1 - BINDER 3

Copy in 260.3

MISC. 38.1-50M-8-43

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 24, 1945

TO FILES

SUBJECT SWISS FRANCS

FROM L. W. KNOKE

see file Deposit C261 - 3/B Lucas 1/27/45

Mr. E. M. Bernstein advised me this morning that the Swiss have agreed to make Swiss francs 20,000,000 available for a special (humanitarian) purpose. The transaction will go through in a few days in one amount; the dollars will be paid to us here in New York by one of the banks.

* * * *

The amounts made available by the Swiss to the Army will be paid in dollars not in Swiss francs. The procedure will be somewhat like this: The Treasury will give us dollars. We will credit them to the free dollar account of the Swiss National Bank under cable advice to the latter, with the request that they give a dollar credit to _____(the Army's designee).

* * * *

Probably next week Straessle will recommend to his government that our monthly quota of Swiss francs 8,250,000 be increased to 12,000,000 per month. Meanwhile, Bernstein is preparing a statement for Mr. Straessle explaining why the Treasury requests this increase. His statement will lay emphasis on the fact that our government needs these francs for its own purposes, this time not so much for humanitarian purposes.

* * * *

Bernstein has told Straessle that Foreign Funds Control will not do anything with reference to General Ruling No. 17 (tightening of which has been threatened by the Treasury in newspaper articles) until the Swiss bankers now on their way back from this country reach home, or at any rate not without first advising Straessle.

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NON-RECD NON-REF
FED RES. BANK
BOX 1 - BINDER 3

OFFICE CORRESPONDENCE

DATE January 5, 1945.

TO Files

FROM H. L. Sanford

SUBJECT Transactions in Swiss Francs with the Swiss National Bank

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

I talked with Mr. Bernstein this morning concerning several matters involving our accounts with the Swiss National Bank and the Swiss National Bank's accounts with us.

I referred first to a conversation which I understood Mr. Southworth had had with Mr. Lang, in which Mr. Southworth seemed to favor taking up the balance of the 3,250,000 franc January plafond, i.e., 750,000 Swiss francs, prior to effecting a transfer of 516,000 Swiss francs for the State Department. I indicated to Mr. Bernstein that I believed that if we did this the Swiss might well wonder if we were going to settle for the November and December American living expense remittances, and that I would favor not taking up the 750,000 amount now, but would make the 516,000 Swiss franc State Department payment out of the No. 4 account. I referred to the negotiations which Mr. Bernstein had told me about for an increase in the monthly plafond from 8,250,000 francs to 12,000,000 francs, and I indicated that I thought we shouldn't take any action now that might make it appear that we weren't intending to settle, under the existing rules of the game, for the November and December living expense remittance amounts. Mr. Bernstein said that he was in full agreement that we should at some point make settlement for the November and December living expense amounts. He further indicated that he thought we should use our own judgment as to when and how much of the remaining amount of the No. 2 account plafond

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By NARA Date 2/15

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FED RES. BANK
BOX 1 - BINDER 3

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 5, 1945.

TO Files

FROM H. L. Sanford

we should call up - at the time I talked to Mr. Bernstein I had not yet seen the cable from the Banque Nationale Suisse which indicated payments during December to American citizens totalling $71,000. November and December living expense remittances would aggregate 652,080 Swiss francs, which, when deducted from the remaining part of the plafond, would give a usable amount of 97,920 Swiss francs. Until some answer is received from the Swiss on the Treasury's request for an increase in the total monthly plafond to 12,000,000, it appears to me to be advantageous to carry along the uncalled 750,000 part of the No. 2 plafond as a "reserve", which we shall probably not use but may have to, and in the meantime to make the 516,000 francs State Department payment out of the No. 4 account, of which the present balance is 3,725,000 francs. The 239,000 francs in the No. 2 account will provide for the small living expense transactions that go through from day to day, and would also take care of small State Department payments.

The question of No. 2 account vs. No. 4 account and the possible desirability of maintaining only one account was discussed by Bernstein and me, and he indicated that he favored the maintenance of only the No. 2 account, as do I. It was agreed that after we hear from the Swiss concerning the request for an increase in the combined plafond to 12,000,000, we will ask the Swiss National Bank whether they have any objection to our merging balances in the No. 4 account into the No. 2 account and discontinuing the No. 4 account.

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MISC. 56.1-50M-F-43

FEDERAL RESERVE BANK OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 5, 1945.

TO Files

SUBJECT Transactions in Swiss Francs with the Swiss National Bank

FROM H. L. Sanford

I also mentioned to Bernstein that there is a problem as to how in the future (now that the Swiss are to receive freely exportable gold for all the francs supplied) payments to the Swiss into Account "T" are to be made for American living expenses of the previous month under General License No. 33. I pointed out to Mr. Bernstein that one possible way to accomplish this would be to advise the Swiss National Bank that in future we would make a monthly transfer* from their Ordinary Account to their "T" account in an amount corresponding to the payments to United States citizens advised to us by the Swiss National Bank, if they wish us to do so and would give us general blanket instructions to this effect. Mr. Bernstein said that he thought that possibly the recent exchange of cables between ourselves and the Swiss National Bank is broad enough to cover this matter (it does not appear to me that they are). He added, however, that, if we cared to make the gesture, we could cable the Swiss National Bank to this effect.

write?

* Note for Mr. Lang:

Are our present letters of authorization or licenses from the Treasury broad enough to cover this sort of transaction, i.e., a transfer of dollars from Ordinary Account to Dollar Account "T" of the Swiss National Bank each month, or should we obtain some sort of a blanket license?

H.L.S.

HLS:EC

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answ. Sanford

SCHWEIZERISCHE NATIONALBANK — BANQUE NATIONALE SUISSE
BANCA NAZIONALE SVIZZERA

ZÜRICH-BERN

AARAU, BASEL, GENÈVE, LAUSANNE, LUGANO, LUZERN, NEUCHÂTEL, ST. GALLEN, BIEL, LA CHAUX-DE-FONDS, WINTERTHUR

ALTDORF, BELLINZONA, CHUR, FRIBOURG, HERISAU, LIESTAL, SCHAFFHAUSEN, SCHWYZ, SION, SOLOTHURN, WEINFELDEN, ZUG

TELEGRAMM-ADRESSE
DIRECTIONAL
SCHUTS
TELEPHON NR. 28.47.40

Zurich, October 7th, 1946

answ. 11/12/46

Answered
11/12/46
L.W. Knoke

Federal Reserve Bank of New York
New York

Attention: Mr. L. W. Knoke, Vice-President.

Dear Sirs:-

We have lately received from you an increasing number of orders for payments of large amounts of Swiss francs covering humanitarian purposes. Normally, these remittances would not disturb us in one way or another, but in these times when we unfortunately have but a limited use for foreign exchange and gold, you will realize that there are certain considerations regarding our monetary situation which we cannot simply overlook. Therefore, the least we can do is to control the use to which the francs created against our gold purchases are being put. This control proves that time and again the beneficiaries apply the funds to transactions which are not in line with our regulations and sometimes not in the interest of Switzerland. We must therefore solicit your kind co-operation in preventing the continuation and further spreading of this practice.

In order to show you just what we have in mind we cite the following examples.

You have asked us to effect the following payments by order of the General Conference of 7th Day Adventists, viz.:

September 5, 1946 Fr. 100.000.-
October 1, 1946 Fr. 100.000.-.

Upon our enquiry we have learned that these francs are intended for payments which are not covered by our regulations for the transfer of dollars. As a matter of fact, the Swiss

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FED RES. BANK
BOX 1 - BINDER 3

Division of said organization whishes to spend them partly on the construction of churches, chapels, etc. in Switzerland and partly on the accumulation of reserves. You will agree that these are not cases of help to the needy, nor can they be termed as purposes of a humanitarian character in the proper sense of the word. At present, we are not in a position to convert dollars for the financing of building construction, as this would only result in additional pressure in a field where supply is already lagging far behind demand. As to the accumulation of reserves, this is a strictly financial transaction which we cannot facilitate - no matter whether the beneficiary is a religious or a worldly organization. You will recall that we must restrict our dollar purchases to the financing of Swiss exports and transfers in cases of need for subsistence. While we executed the first payment of Fr. 100.000.-, we withheld the second as per our cable of October 3, 1946.

A number of Jewish relief organizations also receive regular remittances in Swiss francs from you. While we fully sympathize with the humanitarian intentions of the organizations in question we must, nevertheless, investigate whether or not these payments must by all means be made by way of Switzerland and by conversion into Swiss francs. Moreover, we must ascertain how the Swiss francs are being used by the ultimate beneficiaries. Our findings are, that a large portion of these payments could just as well be transferred directly in dollars to the countries of destination; the detour via Switzerland would thus seem to be quite superfluous. Besides, the francs are being spent in many cases on transactions in gold coins, foreign bank notes, and also on commercial operations outside of the regulations valid in Switzerland and in the third countries concerned. Many of these transactions are downright detrimental to Swiss interests. In this connection we also wish to state that many remittances in favor of Jewish relief organizations are destined for beneficiaries in Shanghai. Now, it would seem quite evident that a direct payment

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from America to Shanghai would certainly be just as convenient or even more so, and we feel that we really cannot be expected to furnish Swiss francs for such purposes. We are reliably informed that the major portion of the francs remitted for beneficiaries in Shanghai are utilized in Switzerland for the purchase of dollar bills and so-called financial dollars at cheap rates and also for the purchase of watches to be exported through black market channels.

All this not only applies to your franc remittances but also to some of the orders of payment in terms of dollars. When requesting information from the beneficiaries as to the purpose of the remittances, we often find that the usefulness of our restrictions is being questioned because, so we are told, if we refuse the conversion, the beneficiaries could simply apply for a direct franc remittance which would be granted in America more or less for the asking. As pointed out in a former letter, we feel that once we have turned down an application for conversion of dollars, the beneficiaries ought to have no means of overriding our decision with the assistance of the American Authorities.

A short time ago our Berne office got in touch with the US Treasury Representatives in that city. It seems that the latter agreed to transmit a memorandum on our problem to the Treasury in Washington. Yet, we thought it useful to inform you directly of our observations and we should thank you to examine the problem. Your co-operation in limiting transfers to Switzerland to a strict minimum and in referring applicants to the possibility of effecting direct dollar remittances to third countries (i.e. without detour via Switzerland and without conversion into Swiss francs), will be greatly appreciated.

We are, dear Sirs,

yours very truly,
BANQUE NATIONALE SUISSE

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By NARA Date 2/15

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FED RES. BANK
BOX 1 - BINDER 3

Swiss Nat'l Bk

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 16, 1946

TO Files

SUBJECT Becker

FROM T. G. Tiebout

On Thursday, September 12, Mr. McNeil of the Treasury Department telephoned me and said that at the request of Messrs. Rubin and Schmidt (probably Seymour J. Rubin, Deputy Director, Office of Economic Security Policy, State Department, and Mr. Orvis A. Schmidt, Director of Foreign Funds Control, Treasury Department) he was calling me to ascertain on an exploratory basis what my reaction would be to this bank as bank and not as fiscal agent requesting Banque Nationale Suisse to furnish us with the bar numbers or other description of the 88 millions in gold which was in the German depot for Belgian gold in Switzerland and which the Swiss admitted they now held, the object being that since the gold settlement between the Swiss and Britain, France and the United States was on the basis of the last three mentioned countries releasing any further claim against Switzerland in respect of German property, the Treasury would wish to be able to identify such Belgian gold if transferred to third-party nations, as for example, Sweden, Portugal or Spain, and offered for sale to the United States, so as not to be impelled under the gold declaration of the Treasury of February 22, 1944 to consider such gold as looted property. I asked Mr. McNeil what objection there would be ~~to this bank asking~~ for this information "at the request of our Treasury", or in other words, as fiscal agent. He indicated, as I then understood it, that Rubin and Schmidt had endeavored to obtain the information through the American Embassy in Switzerland and had not met with success and would therefore prefer to leave the government out of it. I told Mr. McNeil that before giving him my reaction I would like to discuss the matter with Mr. Knoke since it might be that he would feel that he had such contacts with the Swiss that we could appropriately ask for the information as bank. Mr. McNeil informed me that he would be absent from the Treasury on the afternoon of Thursday, September 12, and all day Friday, the 13th, and requested that I speak with Mr. Locker or Mrs. Schwartz. After discussing the matter with Mr. Knoke we felt that it would be better if I talked with Mr. McNeil today, Monday, September 16, which I have now done.

In my conversation with Mr. McNeil today, I informed him that I had discussed the matter with Mr. Knoke; that on the basis of the information which we had, being the information that Mr. McNeil had given me, Mr. Knoke felt, and I agreed with him, that there was no appropriate basis on which we as a bank could ask the Banque Nationale Suisse for the information; that we felt that the Swiss might well resent it if we did; that as for the 58 million in gold to be paid under the settlement, the Swiss had some 760 million in gold in custody with us which they wanted to reduce and we had no doubt but that such gold would be used in the 58 million dollar settlement, and that it was Mr. Knoke's suggestion that as to future imports of

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FED RES. BANK
BOX 1 - BINDER 3

MISC. 3 8.1-60M-4-46

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 16, 1946

TO Files

SUBJECT

FROM T. G. Tiebout

gold intended for sale to the United States or if and when offered to us as a pledge for a loan on gold the Treasury or this bank, as the case may be, get from the non-adherents to the gold declaration statements that any such gold had not been in German possession.

Mr. McNeil then said that he contemplated that the gold in custody with us would be used in the 58 million dollar settlement but protested that it was not feasible to get declarations as to non-German possession in respect of future imports of gold because the Treasury would know, in fact, that particular gold had been in German possession. To this I replied that it might be necessary to draft a somewhat detailed form of declaration to meet the precise facts, and Mr. McNeil agreed. Mr. McNeil also said that Rubin and Schmidt had not endeavored to obtain this information; that they were now in Spain or Portugal and had endeavored to obtain through the American Embassy in Switzerland without success other information relating to gold; and he reiterated that his request was entirely exploratory and that the Treasury would not wish to request us to obtain the information unless the British and French made a similar request. He said he would discuss the matter further with his associates at the Treasury Department with particular reference as to whether they would wish to have us make the request as fiscal agent. I said that I hoped he would feel free to discuss the matter further with me at any time, particularly in the light of any further information or new developments.

T. G. Tiebout

Copy to Mr. Knoke

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By NARA Date 2/15

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FED RES. BANK
BOX 1 - BINDER 3

CDE. 7.13 GM 6-42
FEDERAL RESERVE BANK
OF NEW YORK

OUTGOING CABLEGRAM-SERIAL NO. 4677

2 SENT ON: July 5, 1946

See Cable #2 - 7/3/46

Banque Nationale Suisse
Berne
No. 3

ONE Your No. 2 received today. In accordance with your first paragraph have today effected transfers to your ordinary account as follows:

(a) 34,271 gold bars containing 13,806,086.117 troy ounces of fine gold from your special earmarked gold account.

(b) 6,301 gold bars containing 2,606,028.917 troy ounces of fine gold from your Special Gold Account T. Your special earmarked gold account and your Special Gold Account T closed.

TWO Shall effect on July 8 under cable advice transfer to new Gold Account G as requested in your paragraph Two

Federal Reserve Bank of New York

RCA 85
Private code jo

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By NARA Date 2/15

NON-RECD NON-REP
FED RES. BANK
BOX 1 - BINDER 3

CDE. 7-13 5M 6-45
FEDERAL RESERVE BANK
OF NEW YORK

OUTGOING CABLEGRAM-SERIAL NO. 4675

SENT ON July 5, 1946

2

Banque Nationale Suisse
Zurich
No. 677

See Cable #271- 6/7/46

ONE Your unnumbered untested night letter July 3 received this morning. Have today effected transfers to your ordinary account as follows:

(a) $43,192,670.52 from your account T.

(b) $29,392.82 from your special account under Tripartite Agreement.

Balance your ordinary account as of close July 5 $59,175,820.61.

All other dollar accounts closed.

TWO In accordance with your Berne Office cable No. 2 we have also effected transfers to Berne's ordinary gold account as follows:

(a) 34,271 gold bars containing 13,806,086.117 troy ounces of fine gold from Berne's special earmarked gold account.

(b) 6,301 gold bars containing 2,606,028.917 troy ounces of fine gold from Berne's Special Gold Account T. Berne's special earmarked gold account and Special Gold Account T closed.

THREE Shall effect on July 8 under cable advice transfer to new gold account G as requested in paragraph Two of Berne's cable No. 2

Federal Reserve Bank of New York

RCA 169
Private code jo

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By NARA Date 2/15

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FED RES. BANK
BOX 1 - BINDER 3

FEDERAL RESERVE BANK OF NEW YORK

EXECUTION AND FILE COPY

INCOMING CABLEGRAM-SERIAL NO. 3509

RECEIVED ON JULY 5, 1946 8:38 AM

BERNE, JULY 3, 1946 18:00

FEDERAL RESERVE BANK OF NEW YORK
NEW YORK
NO. 2

Cable #3 - 7/5/46

WE REFER TO TODAY'S CABLE OF OUR ZURICH OFFICE.

FIRST PLEASE TRANSFER TO OUR EXISTING ORDINARY GOLD ACCOUNT ALL OUR HOLDINGS IN SPECIAL EARMARKED GOLD ACCOUNT AND ACCOUNT T.

SECOND ON THE OTHER HAND WE KINDLY REQUEST YOU TO TRANSFER APPROXIMATELY 5,088,840 FINE OUNCES GOLD FROM OUR ORDINARY GOLD ACCOUNT TO A NEWLY OPENED ACCOUNT G IN OUR NAME. THIS GOLD AND ALL FUTURE HOLDINGS IN THIS NEW ACCOUNT G BELONG TO THE SWISS CONFEDERATION.

PLEASE CABLE EXECUTION WITH ALL PARTICULARS

MANY THANKS

BANQUE NATIONALE SUISSE

ATTENDED TO JUL - 5 1946 By FOREIGN ACCOUNTS DIVISION

ATTENDED TO JUL - 8 1946 By FOREIGN ACCOUNTS DIVISION

RCA 75
PRIVATE CODE
TEST CORRECT
AOR

Is Transaction Subject to Executive Order No. 8389?
Yes ✓
No.
License No. W-2867
Black List
Gray List
Checked By:

Translated by	
Inspected by	
Signatures OK	
Amount OK	
Test OK	
Blotter Entry	
Pay't Number	
Pay't Made	
Pay't Checked	
Pay't Entered	

TEST CORRECT J. Addy C. Burke
TEST INCORRECT

NOTE: UNDERLINED WORDS WERE RECEIVED MUTILATED. REPETITION HAS BEEN REQUESTED AND WHEN RECEIVED WILL BE PROMPTLY COMMUNICATED.

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FED RES. BANK
BOX 1 - BINDER 3

MISC. 3 B.2-60M-12-47 Files

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 14, 1948

TO Mr. Bilby

SUBJECT: Deposits received for account of Banque Nationale Suisse for Humanitarian Purposes.

FROM W. S. Bushmore

(Copies to Messrs. Sanford, Lang, and Rozell)

The attached statement shows the volume and dollar value of deposits received during August 1948 from various New York commercial banks for account of Banque Nationale Suisse, Zurich, for humanitarian purposes. This statement may be helpful to you in deciding whether or not we should continue to receive this type of payment.

We used to send a monthly statement similar to the attached statement to the U. S. Treasury, but we discontinued the practice in November 1947, as the Treasury was no longer interested in the deposits. The Treasury's interest in the deposits was the one reason why the dollar deposits were channeled through us after we discontinued selling Swiss francs for humanitarian purposes.

Mr. Lang has informed me that, some time ago he spoke to one or two of the New York banks, which deposit such funds with us, and was told that they were depositing the funds with us instead of crediting the account of the Banque Nationale Suisse on their books, because their customer insisted that the funds be deposited with us. It seems that the remitters feel that by making the deposits with us, there is less likely to be difficulties at the other end.

WSB:ht

File

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DEPOSITS RECEIVED DURING THE MONTH OF AUGUST 1948 FROM VARIOUS NEW YORK COMMERCIAL BANKS FOR ACCOUNT OF BANQUE NATIONALE SUISSE, ZURICH, FOR HUMANITARIAN PURPOSES

Date 1948	Amount	Received From	Description
August 2	$ 7,379	The Amalgamated Bank of New York, New York	By order of Labor Zionist Committee for Relief and Rehabilitation for payment to Mr. Gochsheimer Labor Zionist Committee for Relief and Rehabilitation Schrennengasse 37 Zurich.
August 3	25,000	do	By order of Jewish National Workers Alliance for payment to Comite Internationale pour le Placement des Intellectuels Refugies Geneva 1 Rue du Rhone, Geneva.
August 4	200,000	Manufacturers Trust Company, New York	By order of Jewish Agency for Palestine, New York, for credit to Union Bank of Switzerland, Geneva in favor of the Office Palestinien de Suisse, Geneva.
August 4	14,373.50	Public National Bank & Trust Company of New York, New York	By order of Jewish Labor Committee, New York, for payment to Doctor Libman Hersch, 18 Avenue Pierre Odier, Geneva.
August 4	30,000	The Amalgamated Bank of New York, New York	By order of Jewish National Workers Alliance for payment to Comite pour l'Assistance en Population Juive Frappee par la Guerre, 1 Rue du Rhone, Geneva.
August 6	50,000	National City Bank of New York, New York	By order of Hebrew Sheltering and Immigrant Aid Society for payment to Verband Schweiz Israelit Fluchtlingshilfen Olgastrasse 10 Zurich

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FED RES. BANK
BOX 1 - BINDER 3

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By NARA Date

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Date 1948	Amount	Received From	Description
August 9	$ 100,000	Manufacturers Trust Company, New York	By order of Jewish Agency for Palestine, New York, for credit of Union Bank of Switzerland, Geneva, in favor of the Office Palestinian de Suisse, Geneva.
August 10	300,000	Bank of the Manhattan Company, New York	By order of Westminster Bank Ltd., London, by order of Poiro Geneva beneficiary Preparatory International Refugee Organization
August 16	200,000	Sterling National Bank & Trust Company of New York, New York	By order of World Jewish Congress New York, for account of Union Bank of Switzerland, Geneva, for account of World Jewish Congress, Geneva.
August 20	250,000	Manufacturers Trust Company, New York	By order of Jewish Agency for Palestine, New York, for credit of Union Bank of Switzerland, Geneva, in favor of Office Palestinian de Suisse, Geneva.
August 24	30,000	National City Bank of New York, New York	By order of Hebrew Sheltering and Immigrant Aid Society for payment to Verband Schweis Israelit Fluchtingshilfen Olgastrasse 10, Zurich.
August 25	48,200	The Amalgamated Bank of New York, New York	By order of Hadassah for payment to Union de Banques Suisse, Geneva, for Child & Youth Immigration Bureau Account
August 27	100,000	The Chase National Bank of the City of New York, New York	By order of American Jewish Joint Distribution Committee Inc. for account of Banque Nationale Suisse St. Gall, in favor of the Jewish Refugee Fund at the disposal of Saly Mayer voucher 43.
	$ 1,354,952.50		

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Authority RDT DIR 5200.30
By NARA Date 2/15
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By NARA Date 7/15

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FED RES. BANK
BOX 1 - BINDER 3

[redacted]

M-1500M-3-46

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE September 26, 1947

TO Mr. Knoke

SUBJECT Letter dated January 15, 1947 from Banque Nationale Suisse re numbers of gold bars of Belgian origin

FROM T. G. Tiebout

See my attached memorandum dated August 1, 1947 to Mr. Sanford.

Mr. Banning reported to me that there were no new developments, and shortly after August 1 I telephoned Mr. McNeill to ask him how the matter stood. He said that he would have to check up on it but as he recalled the Treasury had decided to abandon its endeavor to get this information. He agreed to let me know whether we could close our file. Since then I have not heard further from him. Of course, it is too late to acknowledge the letter of January 15, 1947 from the Banque Nationale Suisse and in the circumstances I would like to file the letter and forget about the whole thing unless and until it is revived.

T.G. Tiebout

yes
GK

Att. Return of letter and
"Looted Gold" file.

[redacted]

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By NARA Date 7/15

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FED RES. BANK
BOX 1 - BINDER 3

MISC. 4 A.2-150M-5-46

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 1, 1947

TO Mr. Sanford

FROM T. G. Tiebout

SUBJECT: Letter dated January 15, 1947 from Banque Nationale Suisse re numbers of gold bars of Belgian origin.

With reference to the above mentioned letter which you will find herewith, please see Mr. Knoke's note of February 7, 1947 attached thereto. I have not done anything about this and while the Legal Department file does not show any subsequent developments, it seems to me that there were subsequent developments, as to which, however, I should appreciate your advice. If there are no such further developments, perhaps, to dispose of this, I should telephone Mr. McNeill and let him know that I was holding this expecting that we would hear from the Treasury if they were interested in pursuing the matter.

T. G. Tiebout

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205427