

Folder No.
BANK FOR INTERNATIONAL SETTLEMENTS

*See c 261 - Jos. V. Catonik
 memo 6/1/50 - 10/22*

By Air Mail

Basle, 22nd May 1948

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

*See letters 5/27/48
 6/10/48
 7/2/48
 7/8/48*

Dear Sirs,

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

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

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

Sub-account I

- | | | |
|----|--------------|--|
| 1. | \$ 32,553.34 | Dollar account of the Bank of Japan for the account of the Japanese Treasury, Tokyo. |
| 2. | 5,825.58 | Dollar account of the Reichsbank, Berlin. |
| 3. | 33,319.77 | Dollar account of the Bank of Japan, Tokyo. |
| 4. | 105.52 | Dollar account of the National Bank of Hungary, Budapest. |
| 5. | 2,157.80 | Dollar account of the National Bank of Roumania, Bucharest. |
| 6. | 44,817.33 | Dollar account of the National Bank of Yugoslavia, Belgrade. |
| 7. | 595.12 | Dollar account of the Bank of Estonia, Tallinn. |

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

Total \$140,064.75

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

Sub-account II - gold held under earmark

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

Total Fine ozs 82,580.728

Please transfer to this sub-account the following:

(a) 206 gold bars containing 82,291.473 fine ounces to be taken from our earmarked account No. 5 held for account of the Bank of Estonia, Tallinn;

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

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

- | | | |
|-----|------------------------|---|
| 11. | \$271,389.35 (approx.) | Dollar accounts of the Bank for International Settlements as Fiscal Agent of the Trustees for the bondholders of the German External Loan of 1924. |
| 12. | 7,238.81 (approx.) | Dollar accounts of the Bank for International Settlements as Trustee for the bondholders of the German Government International 5½ per cent. Loan of 1930. |
| 13. | 20,067.46 (approx.) | Dollar accounts of the Bank for International Settlements as Trustee for the bondholders of the Austrian Government International 7 per cent. Loan of 1930. |

Total \$298,695.62 (approx.)

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

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

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

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

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

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

Cash Account A

Cash Account F

Safe-Custody Account F

Gold Earmarked Account No. 2.

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

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

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

Yours faithfully,

BANK FOR INTERNATIONAL SETTLEMENTS

(Signed) R. Auboin
General Manager

(Signed) Marcel Van Zeeland
Manager

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FEDERAL RESERVE BANK
OF NEW YORK

SENT BY

COPY OF TELEGRAM

OCTOBER 9, 1947

SEND TO FILES

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BOARD OF GOVERNORS
WASHINGTON, D.C.

WE HAVE RECEIVED FOLLOWING CABLE DATED TODAY FROM THE BANK FOR INTERNATIONAL SETTLEMENTS:
QUOTE NO. 111 FOR PRESIDENT ALLAN SPROUL.

IN ORDER TO ANTICIPATE THE DISPOSAL OF THE AMOUNT CORRESPONDING TO A PART OF THE GOLD DUE TO THE BANQUE DE FRANCE FROM THE DISTRIBUTION TO BE MADE BY THE GOLD COMMITTEE IN BRUSSELS AND IN VIEW OF THE DELAY BEFORE POSSIBILITY OF ACTUAL DISPOSAL BY FRENCH STABILIZATION FUND THE BANK FOR INTERNATIONAL SETTLEMENTS IS READY TO GRANT THE BANQUE DE FRANCE ACTING ON BEHALF OF THE FRENCH STABILIZATION FUND UNDER USUAL GUARANTEE A CREDIT FACILITY FOR A DURATION OF MAXIMUM 2 MONTHS AND FOR A GLOBAL AMOUNT NOT TO EXCEED THE EQUIVALENT OF \$25,000,000.00 NAMELY

ABOUT \$5,000,000.00 IN GOLD BERNE AND LONDON
ABOUT \$10,000,000.00 IN GOLD NEW YORK AND
\$10,000,000.00

THE TWO LAST MENTIONED BEING SUBJECT TO OBTAINING LICENSES AMERICAN TREASURY TO DISPOSE FOR THIS PURPOSE AND FOR THE MENTIONED DURATION

PARAGRAPH 1 ABOUT 9,000 KILO FINE GOLD DEPOSITED AT THE FEDERAL RESERVE BANK OF NEW YORK NEW YORK OUR ACCOUNT NO 2

PARAGRAPH 2 \$10,000,000.00 IN OUR ACCOUNT B.

THE AMOUNT OUTSTANDING WILL BE REIMBURSED NOT LATER THAN DECEMBER 15TH 1947 BY THE BANQUE DE FRANCE WHICH WILL REMIT TO THE CREDIT OF BANK FOR INTERNATIONAL SETTLEMENTS AT THE FEDERAL RESERVE BANK OF NEW YORK NEW YORK THE AMOUNT OF GOLD AND DOLLARS PUT AT THEIR DISPOSAL AT THE BEGINNING OF THE OPERATION BY THE DEBIT OF OUR ACCOUNTS NO. 2 AND B WHICH WILL THUS BE

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RESERVE BANK
OF NEW YORK

SENT BY

SEND TO FILES

OCTOBER 9, 1947

COPY OF TELEGRAM

BOARD OF GOVERNORS WASHINGTON, D.C.

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COMPLETELY RESTORED AS THEY WERE BEFORE THE OPERATION. WILL YOU PLEASE ASK FOR NECESSARY LICENSES IF YOU HAVE NO OBJECTION TO THE ABOVE TRANSACTIONS. THIS REQUEST IMPLIES ONLY A TEMPORARY UTILISATION OF OUR BLOCKED FUNDS FOR THE PURPOSE AND DURATION MENTIONED ABOVE WITHOUT PREJUDICE TO THE QUESTION OF THEIR EVENTUAL DE-BLOCKING. THANKS FOR CO-OPERATION PLEASE CABLE.

FREE

PRESIDENT

BANK FOR INTERNATIONAL SETTLEMENTS UNQUOTE

PLEASE FURNISH TEXT OF IT TO TREASURY FOR ITS INFORMATION SO THAT IT MAY PROMPTLY DETERMINE WHETHER IT WOULD BE PREPARED ON APPLICATION TO ISSUE THE NECESSARY

LICENSES

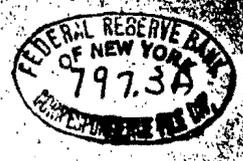
THREE WE ARE PRESENTLY STUDYING THE MATTER AND SHALL REVERT TO IT SHORTLY

FOUR IF IT IS FELT THAT THERE IS NO OBJECTION TO THE TRANSACTION AS FAR AS THE SYSTEM IS CONCERNED WE WOULD LATER ON MAKE FORMAL APPLICATION TO THE TREASURY FOR THE NECESSARY LICENSES.

KFOKE

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THE BANK FOR INTERNATIONAL SETTLEMENTS -
WARTIME ACTIVITIES AND PRESENT POSITION

(Revised)

Federal Reserve Bank of New York
Foreign Research Division
M. A. Kriz

June 11, 1947

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Chart

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INTRODUCTION

This study is a comprehensive survey of the B.I.S. from 1939 to the present. Its purpose is to analyze and appraise the documentary evidence so far available^{1/} regarding the wartime operations and policies of the B.I.S., and to ascertain its present status and prospects.

Since this paper is written to enable the reader to reach his own conclusions, it has been necessary to present the account of the B.I.S. activities in all the relevant detail. The supporting evidence, however, is single-spaced in order to distinguish it for the reader who is interested only in the main trends and policy.

^{1/} An account of operations from 1939 to 1946, together with various documents, submitted by the management of the B.I.S. to its board of directors, has recently been made available to us.

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SUMMARY OF FINDINGS

The B.I.S. calls for special study at this time because of the emergence of three problems having to do with: (a) deblocking the B.I.S. funds in the United States; (b) ascertaining the B.I.S. stake in the German settlement; and (c) coordinating B.I.S. activities with those of the Bretton Woods institutions.

The documentary evidence on the B.I.S. policies and operations from 1939 to the present, made available to us by the B.I.S., together with various British, French, Dutch, or other non-American sources, are believed to be accurate and definite enough to warrant the following findings:

1. Neutrality Policy

A. While respecting the Allied blockade introduced at the outbreak of the war, the B.I.S. enabled the neutral central banks, prior to the German occupation, to send gold to the United States; and it was even able to safeguard gold physically held on the continent of Europe that the central banks had deposited with it. The B.I.S. itself sent nearly all of its free assets to the United States.

B. It made it a rule to carry out gold operations only if it obtained formal assurances that the gold even before the war was in the ownership of the central bank that wished to deliver it to the B.I.S. for exchange or purchase. The B.I.S. maintained as complete a documentation as possible with regard to the gold received; but it has not always been in a position to check the veracity of the statements made to it. When an investigation, initiated in September 1945, made it possible to identify among the gold bars received from the Reichsbank through the intermediary of the Swiss National Bank, some

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gold that the National Bank of Belgium had deposited in 1940 with the Bank of France, the B.I.S. offered to restore its equivalent to the Bank of France.

C. It took safeguarding measures in favor of the countries occupied by Germany, Italy, and the Soviet Union by declining to execute orders that would have implied recognition of political and territorial changes not recognized by Great Britain and France; by refusing to comply with contradictory instructions received from two managements of a central bank, one remaining in the capital of the country concerned under German occupation, and the other established in London; by refraining from effecting any remittances of foreign exchange to occupied countries; and by either suspending the distribution of its dividends or making the distribution without an actual remittance of foreign exchange.

D. It restricted transfers of the B.I.S. shares in occupied countries to cases such as those arising in case of death, avoiding all transfers of an abnormal character, especially when there was any suspicion of duress.

E. No meetings of the board of directors took place during the war, and the annual general meetings were all held by proxy. It had, as chairman of the board of directors, a British citizen up to the end of 1942 and a Swiss citizen thereafter, and an American as president during the whole war.

2. Principal Activities

A. In the course of the war years, the B.I.S. increased its liquidity by acquiring gold, representing last November one quarter of its total assets (and now representing about one fifth because of the recent reinvestment of liquid funds).

B. It reduced its assets on the Italian, Hungarian, French, and Polish markets, and to a minor extent also on the German, and correspondingly increased

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its realizable assets in dollars, Swiss francs, and gold on the American, British, and Swiss markets by 119 million Swiss gold francs. Apart from the investments in Germany under the Hague Agreements, all credits by the B.I.S., as well as all investments made on individual markets since the bank commenced operations, either have been recovered at their full value, or as regards certain rather insignificant amounts still outstanding at the present time, have been amply secured.

C. As a result of a balance sheet total of 494 million Swiss gold francs on February 28, 1947, 203 million consist almost entirely of investments at sight or short term in gold, dollars, or Swiss francs. The remainder consists of investments made in 1930-31 in Germany under the Hague Agreements, while 229 million on the liabilities' side represent long-term deposits of various governments, likewise in application of the Hague Agreements.

3. Present Status

A. The basic problem now facing the B.I.S. is the consequence of the tying up of its permanent resources in Germany as a result of the bank's explicit obligations under the Hague Agreements. For this reason, the B.I.S. has requested the "creditor governments" under the Hague Agreements: (1) to abstain from any action that might affect the rights of the B.I.S.; and (2) to reserve the rights of the B.I.S., should the treaties or agreements in force be modified.

B. Furthermore, the future of the B.I.S. depends upon the place which will be given to it in the new international financial set-up. There seems to be no haste to implement the Bretton Woods resolution calling for its liquidation. Indeed, the functions that might be entrusted to the B.I.S. appear ample enough to warrant its continued existence.

C. The future of the B.I.S. is likely to be determined by the Western European countries which control, as they always have, the bank's board of

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directors. As to the voting powers, over 50 per cent are held by Western European central banks, those of Central and Eastern Europe controlling about 19 per cent. The United States holds 9.9 per cent, although it has never exercised the right to vote; however, it may have of necessity to intervene in the B.I.S. in its capacity as the sole occupying power of Japan and as a participant in the occupation of Germany, the only other countries holding a large proportion of the voting powers. The predominantly Western European character of the B.I.S. is also apparent from the geographical distribution of its assets and liabilities.

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I. NEUTRALITY POLICY

1. Statement of Neutrality Policy

In order to provide a clear and precise definition of its neutrality policy, the B.I.S. took the initiative of making on December 18, 1939 a declaration in which it specified the kind of operations from which it intended during the war to refrain on principle, irrespective of its statutory right to carry on such operations. This declaration was merely a public confirmation of the self-imposed rules of conduct observed by the B.I.S. since September 1, 1939.

The following are the relevant extracts from this declaration; a copy of which this bank received on February 8, 1940:

"(1) The B.I.S. will abstain from any transaction the result of which would be to carry out, directly or indirectly, for the account of the central bank (or other institution) of a belligerent country, a financial operation on the market or in the currency of another country with which the former is in a state of war at the time of such transaction.

(2) The B.I.S. will abstain:

- (a) from disposing of its assets on the market of a belligerent country for the purpose of making or facilitating any payment to or on behalf of another country with which the former is at war;
- (b) from holding in its own name for the account of the central bank (or other institution) of a belligerent country gold under earmark or other assets on the market of another country with which the former country is at war.

(3) The B.I.S. will take all suitable measures and will, in particular, demand from its correspondents appropriate statements in order to satisfy itself before any transaction is carried out that such transaction does not fall directly or indirectly within the categories indicated above."

Both Great Britain and France, which at that time were the only belligerents against Germany (apart from Poland) and had the largest interests in

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the B.I.S., found this declaration entirely satisfactory. It was accepted as corresponding to the undertaking required by the British authorities of banks dealing on the British market, with the result that the B.I.S. was relieved of making a special declaration for each operation. As to the Bank of France, which raised the question of recognition of the territorial changes imposed by Germany, it was also fully satisfied when the president of the B.I.S. signified to the Governor of the Bank of France his agreement to the principle that "the bank will not effect any operation or take any decisions entailing the recognition of changes of a political or territorial nature which have not been unanimously recognized."^{1/}

2. Application of the Neutrality Declaration

The neutrality declaration was applied as follows:

A. Gold

a. Response to Allied Blockade. After the outbreak of the war, a large number of central banks of neutral countries wished to alter the location of their reserves and, in particular, to send part of them to the United States. In applying its neutrality declaration, the B.I.S. adopted the principle that it would not send gold overseas (i.e. through the Allied blockade) unless it was the property of a neutral bank and had either belonged to that bank prior to September 1, 1939 or been acquired from another neutral bank. Under these circumstances the B.I.S. had no difficulty in obtaining the necessary British navicerts and American licenses. In interpreting this general principle, the B.I.S. stated expressly:

"Needless to say, in accordance with the general principles adopted for the conduct of its affairs, the Bank abstained from any transaction with a belligerent

^{1/} Letter of September 22, 1939, reproduced in "The Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," made available to us by the B.I.S.

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country the practical result of which would be to evade the enemy blockade by supplying the said country with gold or foreign exchange overseas.

"On the other hand, the Bank was able to render services to a certain number of neutral banks desirous of placing part of their reserves in safety overseas but prevented from doing so by the difficulty of organizing the transport or taking out insurance policies at an acceptable rate."^{1/}

Such operations were fairly extensive in the early stages of the war. Thus between August 31, 1939 and March 31, 1940 the B.I.S. helped central banks of still neutral countries to acquire gold in the United States to a total of 21,000 kilograms (equivalent to 23.6 million dollars), and it sent more than 16,000 kilograms (equivalent to 18.6 million dollars) to the United States for its own account.^{2/}

b. Response to American, British, and Soviet Declarations. In compliance with the precautions as to the origin of the assets and particularly of the gold transferred to it, which it had adopted at the outbreak of the war, the B.I.S. took note of the declaration of January 5, 1943, in which the United Nations gave formal warning to persons and institutions in neutral countries

^{1/} "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 8.

^{2/} In order to help neutral banks wishing to send part or all of their gold abroad, the B.I.S. had succeeded in overcoming the material difficulties of transport and insurance, chiefly by exchanging gold between one market and another or by shipping it via the port of Genoa, then outside the area of military operations. The bank was able to bring down its charges in this connection to a figure that "may be regarded as moderate considering the circumstances" (between 3 1/2 per cent and 2 1/8 per cent). In order to limit the risks incurred, the bank had fixed a maximum for its operations so as never to have more than 1,500 kilograms at sea and 1,500 kilograms in transit by land.

After the invasion of France, the bank had itself to organize the transport of gold from Bern to Lisbon, whether for its own account or for its correspondents.

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concerning property of which the occupied countries had been despoiled. Likewise, it took note of the declaration by the American, British, and Soviet Governments, dated February 2, 1944, on the subject of the purchase of gold looted from occupied countries by the enemy powers:

"Without waiting for an authoritative interpretation (especially as regards gold) of the declaration of January 5, 1943, drafted in very general terms, the Bank made it a rule to carry through operations proposed to it only if satisfactory evidence was forthcoming concerning the origin of the gold to be dealt with in the operations."^{1/}

Consequently, the B.I.S. refused to carry out operations that did not provide sufficient guarantee. Thus an offer by the National Bank of Rumania to deposit with the B.I.S. a considerable amount of gold received from Germany was declined.

As to the gold received in payments to the B.I.S. itself, the B.I.S. attempted to obtain formal assurances to the effect that the gold in question even before the war was in the ownership of the central bank that wished to deliver it to the B.I.S.:

"The gold transmitted by the Bank of Italy (as part of the arrangements described on page 31) had belonged to it before the war. As regards the gold emanating from the Reichsbank [see page 28], the B.I.S. since 1943 had received only the amounts strictly necessary to cover the transfers due to it by the Reichsbank, together with the small amounts due by Germany to various countries in respect of postal payments. These remittances were made exclusively by the transfer to the B.I.S. of gold already in Switzerland, deposited with the Swiss National Bank. No direct shipment of gold was made by the Reichsbank to the B.I.S. and, for the transfers received from the former, the B.I.S. furnished no equivalent other than reichsmarks standing to its credit in Berlin, since the matter concerned solely the settlement of a debt towards the B.I.S. dating from the period 1930-31 and contracted in application of the Hague Agreements. The B.I.S. also demanded and obtained on various occasions the assurance that only gold would be transferred to it which had

^{1/} "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 31

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belonged to the Reichsbank before 1st September 1939, and the checking of the marks on the gold bars revealed no indications to the contrary."^{1/}

The B.I.S. maintained "as complete a documentation as possible" with regard to the gold that it received during the war from the Swiss National Bank for the account of and under instructions given by the Reichsbank. "But it had no means of verifying the exactitude and scope of the assurances thus given."^{2/}

As a matter of fact, the B.I.S. actually received from the Reichsbank remittances of gold that Germany had looted in occupied Europe. So far, however, only one case has been established; moreover, the amount of gold involved is rather unimportant. As a result of investigations initiated in September 1945 to trace and identify such gold, it was found that among the gold bars received by the B.I.S. from the Reichsbank through the intermediary of the Swiss National Bank there were 1,607 kilograms (equivalent to 1.8 million dollars) which had formed part of the gold that the National Bank of Belgium had deposited in 1940 with the Bank of France. This was a part of the 198,433 kilograms (equivalent to 223 million dollars) of Belgian gold that the Vichy Government had delivered to the German occupation authorities in 1941 and which the Bank of France had restored to the National Bank of Belgium in December 1944. The Belgian gold was melted down by the Prussian Mint, and the new bars, bearing fictitious dates of remelting spread over the period between 1934 and 1939, were transmitted to the B.I.S. between August 1943 and March 1944 by the Swiss National Bank by order

^{1/} "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 37.

^{2/} "Supplement to the Report of the Management to the Board of Directors on the Period Since the Last Board Meeting" (November 1946), pages 3 and 4.

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and for account of the Reichsbank.^{1/} The investigation established that none of the remaining gold acquired by the B.I.S. from the Reichsbank during the war formed part of the gold of the National Bank of Belgium.

In these circumstances the B.I.S. offered to restore an equivalent amount of gold to the Bank of France on the understanding that the latter (in agreement with the National Bank of Belgium) would renounce all claim to the gold acquired by the B.I.S. from the Reichsbank during the war. The Bank of France transmitted this offer to the French Government, which in turn laid the proposal, through the Brussels Tripartite Commission for the Restitution of Monetary Gold, before the American and British Governments.

In offering to restore the Belgian gold the B.I.S. was aware that it was creating a precedent that could be invoked in other cases. For this reason the Board of Directors considered it necessary to define as follows the position of the B.I.S.:

"If, later, other bars should be proved to be "looted" gold, it (the B.I.S.) naturally could not adopt any attitude other than that taken with regard to the bars identified in the minutes of 14th June (i.e. concerning the identification of the Belgian gold). But the Board of Directors clearly reserves full liberty of judgment with regard to any evidence which may be brought in such a case.

"The Bank has made a special file of all the documents supplied by the Bank of France, which, on the one hand, enable the bars in question to be identified, and, on the other, clearly show the circumstances in which the said bars were seized and remelted by the German authorities.

^{1/} The 1,607 kilograms of the Belgian gold consist of 129 bars, of which 17, weighing 205 kilograms, are still the property of the B.I.S. and are under earmark for its account with the Swiss National Bank. The balance, namely 112 bars, of a total weight of 1,402 kilograms, was transferred in March 1944 to the National Bank of Rumania by debiting its gold sight account at the B.I.S., and was then delivered to the Union de Banques Suisses, by order and for account of the National Bank of Rumania.

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It is in fact of the utmost importance that, in any cases which may arise, the bank should be in a position to base its decision upon evidence produced and found satisfactory."^{1/}

B. Safeguarding Measures in Favor of Countries Occupied by Germany, Italy, and the Soviet Union

The situation of central banks in countries which were at one time or another under German, Italian, or Russian occupation led the B.I.S. to take a variety of safeguarding measures. It declined to execute orders that would have implied recognition of political and territorial changes not recognized by Great Britain and France; it refused to comply with contradictory instructions received from two managements of a member central bank, one remaining in the capital of the country concerned under German occupation, and the other established in London; and finally it refrained from effecting any remittances of foreign exchange that might have been seized or utilized by the occupying authorities - payments which were due being made as a rule by offsetting the amounts to be remitted against the B.I.S. outstanding claims on the respective markets.

The most important protective measures were the following:

Czechoslovakia: The first case arose when in October 1939^{2/} the B.I.S. received an order from the Bank of Bohemia and Moravia to dispose of part of the

^{1/} "Supplement to the Report of the Management to the Board of Directors on the Period Since the Last Board Meeting" (November 1946), page 5.

^{2/} In May 1939 the B.I.S. surrendered Czechoslovak gold to Germany valued at 10 million pounds sterling which it held under earmark for account of the National Bank of Czechoslovakia. This incident gave rise to violent polemics in the British Parliament and in the international press. Obviously the National Bank of Czechoslovakia acted under duress in giving instructions to the B.I.S. to transfer the gold. However, these instructions were formally irreproachable; the B.I.S. consulted with the British and French authorities (according to our information) as to whether there were legal grounds, such as an existing or prospective state of war, for refusing to comply with the order; and they were told that there were none. As the gold (for the most part, at least) was physically located in London at that time, the British Government could itself have prevented the delivery of the gold had it so wished. It did not do so, however, ostensibly for the reason that it was precluded by the terms of the protocols of 1930 and 1936 from taking any steps to prevent the Bank of England from obeying the instructions given to it by its customer, the Bank for International Settlements, to transfer gold (according to a statement by the Chancellor of the Exchequer in Parliament on June 5, 1939). Clearly, the Czech gold incident was but a symptom of the international situation then prevailing,

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gold earmarked for its account. This order bore the customary authorized signatures. The management of the B.I.S., however, considered that, under the general principles adopted for the conduct of the bank's affairs in time of war, it was not possible to execute an order which would have implied recognition of political and territorial changes not recognized by Great Britain and France. The Bank of Bohemia and Moravia did not press the matter, and its assets consequently remained as they had been at the outbreak of the war.

Norway: In June 1940 the B.I.S. found itself faced with contradictory instructions from two managements of the Bank of Norway, one in London and one in Oslo, both claiming the right to dispose of the assets of the Bank of Norway. It decided that it was not competent to decide the questions of fact and law involved and that it was consequently unable at that time to permit any disposal of the assets of the Bank of Norway.

Baltic States: In July 1940 the central banks of Lithuania, Estonia, and Latvia requested the B.I.S. to place their gold at the disposal of the State Bank of the U.S.S.R. The B.I.S. replied that it could not at that time permit disposal of the assets that had been entrusted to it, and a reply to this effect was likewise made to the State Bank of the U.S.S.R. which had requested confirmation of the execution of the instructions. Later in 1940 the three Baltic central banks instructed the B.I.S. to close their accounts and hand over the balance together with their gold deposits to the State Bank of the U.S.S.R. The B.I.S., however, maintained its decision of principle,

The occupation of the Baltic States by the German army in July 1941 again raised the question of the central banks of those countries. The B.I.S. received communications from these three banks thanking it for not having given effect to their disposal orders and proposing now to dispose of their assets in gold and their dividends. The B.I.S., maintaining the line of conduct adopted in 1940, refused to comply with these instructions until a definitive de jure situation had been created as regards the countries themselves and the central banks concerned.

Greece, Yugoslavia, and Belgium: The safeguarding measures taken in connection with the Bank of Norway and the Baltic States were extended during 1941 to the Banks of Greece, Yugoslavia, and Belgium. The National Bank of Yugoslavia instructed the B.I.S. on April 5, 1941 that if Yugoslavia should find itself involved in a war with one of its neighbors, dollars should be bought by the debit of all its accounts with the B.I.S. and that these dollars should be deposited for the account of the National Bank with the Federal Reserve Bank of New York. The B.I.S. received this cable on April 7 - on the same day that it learned of Yugoslavia's entry into the war, and immediately carried out the instructions received by depositing a total of 2.7 million dollars with the Federal Reserve Bank of New York for the account of the National Bank of Yugoslavia. After this, the B.I.S. lost all contact with the Bank of Yugoslavia until the summer of 1941 when it received both from Belgrade and from London communications that raised doubts regarding the right of disposal and the country of residence of the authorities acting in the name of the National Bank of Yugoslavia. In conformity with the policy followed in similar cases, the bank blocked the remaining deposits of the National Bank of Yugoslavia and the dividends that would have been paid to the latter.

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As regards the National Bank of Belgium, up to the time of the death of Mr. Janssen in June 1941 the B.I.S. received no communications other than those emanating from the head office of the National Bank in Brussels where Mr. Janssen had resumed his functions in July 1940, the B.I.S. having been at that time officially advised of this. Later on, the B.I.S. learned, on the one hand, of the death of Mr. Janssen and of the appointment of Mr. Goffin to succeed him, and on the other hand, that the Belgian Government in London had appointed Mr. Theunis Governor of the National Bank of Belgium. The B.I.S. declared itself incompetent to settle the questions of fact and of law arising out of this situation, and took safeguarding measures similar to those adopted in the case of other occupied countries.

European Commission of the Danube: Another question was raised in connection with the European Commission of the Danube. In November 1940 the B.I.S. received instructions from the commission which, according to the warnings by one of the bank's directors, did not appear to have been given as a result of a regular decision since they had been taken in the absence of the British members of the commission. Consequently, no action was taken on these instructions. In 1941 the commission reiterated the instructions given previously, but the B.I.S. finally persuaded the executive committee of the commission not to persist in the matter.

Remittance of B.I.S. Dividends: The dividends due the central banks of Norway, Greece, and Yugoslavia, and the central banks in the Baltic States were credited to a suspense account; those due Germany, Belgium, and France were offset against income which the B.I.S. was to receive on its investments in these countries; and as regards Holland, a country that had actually been absorbed into the German monetary system, the B.I.S. was able to obtain from the Reichsbank, on its assets in reichsmarks, a small capital repayment, sufficient to enable the dividends due the shareholders living in Holland to be paid without an actual remittance of foreign exchange. This de facto offsetting of remittances of foreign exchange from the B.I.S. against the transfers which were due it offered the advantage (which had been employed on the German market even before the war),

"not only of facilitating such transfers, but of avoiding delicate questions with which an actual remittance of foreign exchange might have confronted the bank in certain cases. Thus, in occupied countries, it might have been contended that, owing to the financial measures taken by the occupying authorities, an actual remittance of foreign exchange would in practice have benefited the latter, rather than the central bank of the country. A payment by means of offsetting ruled out any such risk.

"The offsetting procedure was thus an effective means not only of safeguarding the material interests of the bank, but also of keeping it out of any political controversy, while actually protecting the interests of the occupied countries."

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The protective measures were discontinued at the close of the war in Europe, except as regards the three Baltic central banks. In the opinion of the B.I.S., the legal position of these banks has not yet been cleared up.

C. Transfers of B.I.S. Shares in Occupied Countries

By its statutes, the B.I.S. has the right to accept or to refuse requests for transfer of its shares. Because of the possibility that its shares might have become subject to measures of confiscation or forced sale under exceptional laws and decrees of the authorities of occupation, the B.I.S. attempted to ensure that no abnormal demands for transfer should be submitted to it. In agreement with the central banks concerned, it was found possible to restrict transfers in the occupied countries to "obligatory and straightforward cases,"^{1/} such as those arising in the event of death. Whenever application seemed abnormal, the transfer in question was postponed or refused or the request withdrawn.

D. Administration and Management

Since the directors belonging to belligerent nations could not be called to a meeting at Basle, no meetings of the board of directors were held during the war. As a matter of fact, the last prewar meeting took place on July 10, 1939, and the first postwar meeting on December 9, 1946. However, it was agreed by the principal board members that the directors should, as in the past, be kept informed of the exact nature of all the B.I.S. operations and should be consulted on any general question arising out of the conduct of the bank's affairs. The practice of consulting the directors by correspondence was so far extended that it was agreed that the president of the bank should send each member of the board all the documents that were normally handed to him at the meetings and that the

^{1/} "Report of the Management to the Board of Directors on the Period Since the Last Board Ruling," page 13.

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necessary decisions of the board of directors should be taken by correspondence, the president of the bank asking each member individually for his agreement.

Likewise, only pro forma annual general meetings were held in each of the years 1940-1946, the banks with voting rights having authorized the president of the B.I.S. to represent them. The meetings adopted the resolutions proposed by the board of directors, which however pertained exclusively to routine matters essential to the continuance of the bank's corporate existence, such as relieving the individual directors of liability for bank actions of the preceding year, approving the annual accounts, and providing for the payment of a dividend.

As to the actual exercise of the right to vote, I understand that among the banks in countries under German control during the war, those of Bohemia and Moravia and of Danzig voted at the annual meetings;^{1/} but in all cases where there were two central banks, one under the German occupation and the other in London, neither bank as a matter of fact attempted to exercise the right to vote.

The delicate problems pertaining to the renewal of the terms of the members of the board of directors and of the president were handled in such a way as to place the bank beyond reproach. The fact that the B.I.S. had, as chairman of the board of directors, a British citizen up to the end of 1942 and a Swiss citizen thereafter, and an American as president during the whole war, should be adequate proof that it pursued a neutral, if not actually a pro-Allied, policy rather than a pro-German one.

^{1/} The B.I.S. recognized an arrangement according to which the National Bank of Bohemia and Moravia was entitled to the shares held previously by the National Bank of Czechoslovakia; while the Bank of Danzig had never been dissolved legally, having maintained an office at the Reichsbank. As to the National Bank of Austria, its shares had been acquired by the Reichsbank in 1938 and were voted by the Reichsbank thereafter.

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The following record as to the personnel changes may be of interest:

Board of Directors: At the end of 1942 an important question arose concerning the management of the bank. The term of office of Sir Otto Niemeyer as chairman of the board of directors expired, and the term of office of the vice-chairman also came to an end. The principal members of the board were approached on this subject, and the question was settled by the designation of Mr. Weber, president of the Swiss National Bank, as chairman. At that time Mr. Weber informed the other directors of his intention to place his mandate as chairman at the disposal of the board as soon as the latter could resume its meetings.

The terms of office of Mr. Rooth and Dr. Trip, which terminated on March 31, 1943, were renewed by the board of directors from April 1 of that year by correspondence. As regards Dr. Trip, it was possible to overcome the difficulty arising out of the fact that he no longer held the office of president of the Nederlandsche Bank, and the composition of the board of directors was thus maintained with as few changes as possible. In April 1944 Lord Catto, the new Governor of the Bank of England, became an ex-officio director of the bank; and after the liberation of France and Belgium, the new Governor of the Bank of France, Mr. Monick, and the new Governor of the Belgian National Bank, Mr. Frere, likewise became directors. In January 1945 Senator Einaudi was appointed Governor of the Bank of Italy and became ex-officio director of the B.I.S.

To bring the above account up to date, the following principal changes in the composition of the board of directors have also to be recorded. Mr. Weber, who completed his term of office in November 1945, intimated that he would not stand for re-election for a further period of three years, with the result that the position of chairman remained vacant between December 1945 and June 1946. At the end of June 1946 the board elected Mr. Frere as chairman, and he assumed office on July 1, 1946.

The term of office of Dr. Trip expired in March 1946. In view of his impending resignation on May 1, 1946 as president of the Nederlandsche Bank, Dr. Trip did not desire re-election to the board. In place of Dr. Trip, the board of directors elected Dr. Holtrop, the new president of the Nederlandsche Bank, to serve as a director effective as of July 1, 1946.

In May 1946 Mr. Gutt, who was appointed as second Belgian director in April 1945, resigned from the board of directors upon being appointed Managing Director of the International Monetary Fund.

As to the directors of German and Japanese nationality, the annual reports of the B.I.S. for 1944-45 and 1945-46 contain a statement to the effect that "the legal consequences arising from the situation at the date of this report remain to be determined." The names of the German and Japanese directors have, of course, been omitted from the list of directors.

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Presidency: Mr. T. H. McKittrick assumed the functions of President of the B.I.S. on January 1, 1940, by virtue of the decision taken by the board of directors at its meeting of June 12, 1939. His term of office expired on December 31, 1942. With the entry of the United States into the war, Mr. McKittrick belonged to a belligerent nation, and his re-election by the board raised a delicate question. The situation was even more difficult because the term of office of Sir Otto Niemeyer as chairman of the board of directors had expired, and the term of office of the Vice-President had also come to an end. As mentioned above, Mr. Weber agreed to serve as chairman of the board of directors and, by virtue of the authority that had been conferred upon him by his colleagues, he renewed Mr. McKittrick's term of office for a period of three years from January 1, 1943. At the expiration of his term of office in December 1945, he agreed to a further six months, and left the B.I.S. at the end of June 1946.

Since the departure of Mr. McKittrick, Mr. Roger Auboin, a Frenchman, has been in charge of the B.I.S. for the time being, in his capacity of general manager. The former deputy manager, Mr. Hechler, who was a German national, died in December 1945. A Danish banker, Oluf Berntsen, was appointed manager in March 1946.

II. PRINCIPAL DEVELOPMENTS SINCE 1939

To indicate the magnitude and the composition of the B.I.S. assets and liabilities, the monthly balance sheet figures are shown in the chart on the following page. In the course of the eight years covered by the chart, the balance sheet total has declined from 606 million Swiss gold francs on March 31, 1939, to 459 million on February 28, 1947, and important changes have taken place in its composition.

1. Resources

Apart from its capital and reserves, the resources of the B.I.S. consist of long-term deposits under the New Plan^{1/} and of short-term or sight deposits by central banks or other depositors, either in national currencies or in gold.

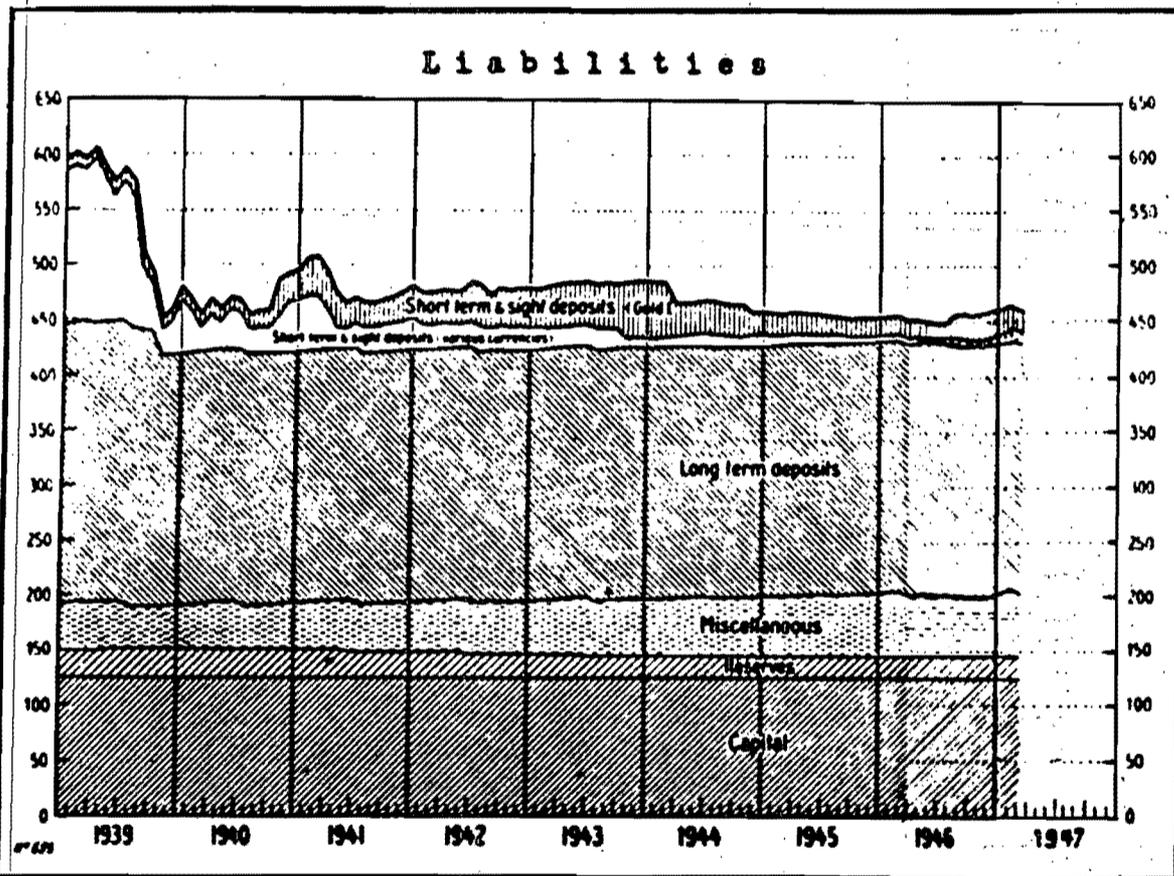
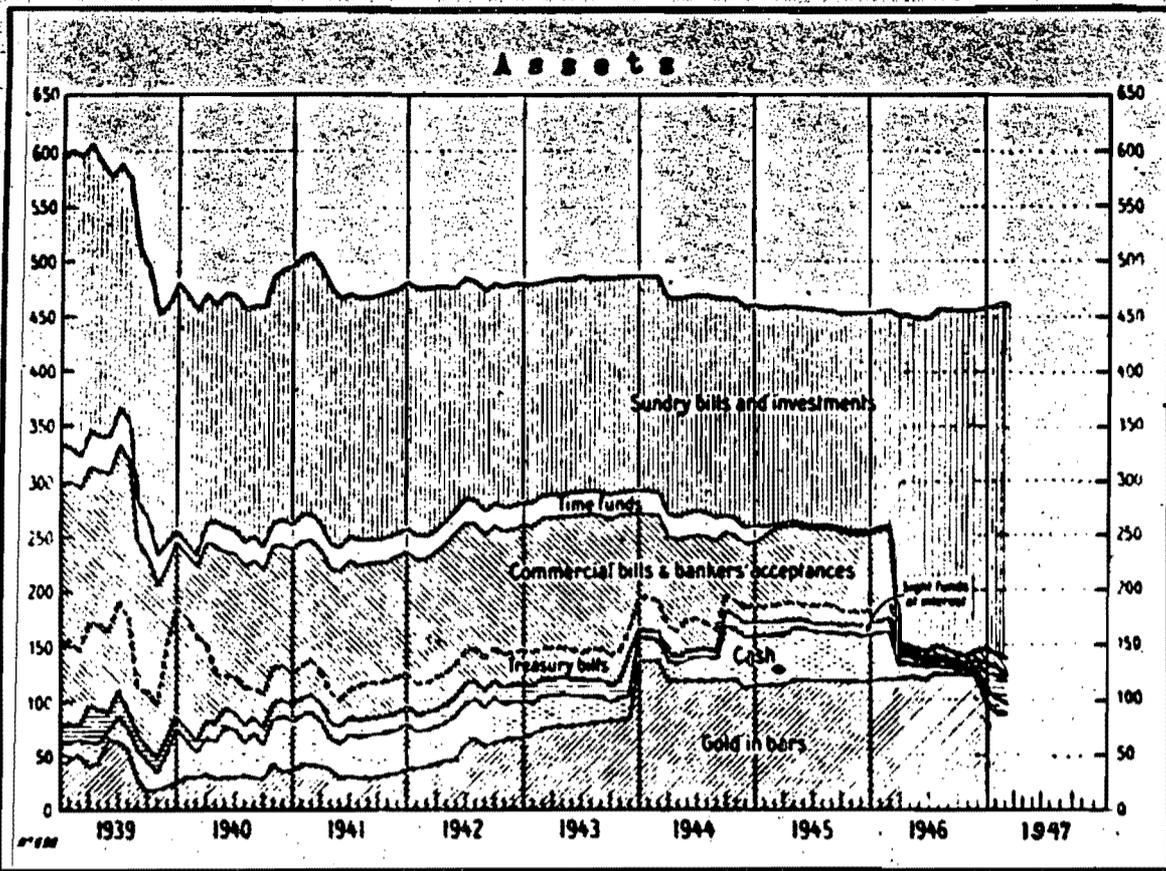
^{1/} The "New Plan" was the official name for the plan for German reparations that came into force in May 1930. It included the "Young Plan" and the "Hague Agreements."

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BANK FOR INTERNATIONAL SETTLEMENTS - ASSETS AND LIABILITIES

(In millions of Swiss gold francs)



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A. Long-Term Deposits

As may be seen from the chart, the only change in the long-term deposits outstanding occurred in September 1939 when the B.I.S. reimbursed, at the demand of the French Government, the French Government Guarantee Fund to the extent of 24.6 million Swiss gold francs.

This deposit had originally been supplied by the French Government in accordance with the New Plan for German reparations as a guarantee fund from which the so-called "creditor governments" other than the French were to receive foreign exchange in the event of certain contingencies. As there was no need to maintain this deposit after the outbreak of the war, the B.I.S. agreed to reimburse it "on condition that the French Government undertook to reconstitute it if one of the 'creditor governments' contested the reimbursement and to indemnify the B.I.S. for the consequences of any action taken against it in this connection."^{1/}

Accordingly, the long-term deposits have consisted since September 1939 of the Annuity Trust Account deposits and the German Government deposit. The Annuity Trust Accounts were opened by the B.I.S. in 1930 in the name of the "creditor governments" under the New Plan^{2/} for the purpose of receiving reparation funds from the Government of Germany. The "creditor governments" could withdraw freely the sums credited to their account, except the non-interest-bearing "minimum deposits" that they were required to maintain for the duration of the New Plan, which were fixed at a total equivalent of 155 million Swiss gold francs (at present they amount to 152.6 million Swiss gold francs). On the other hand, the German Government undertook to maintain at the B.I.S. until the termination of the New Plan in 1966 a non-interest-bearing deposit equivalent to 50 per cent of the deposits of the "creditor governments" (77.4 million Swiss gold francs, at present 76.3 million Swiss gold francs). Both the deposits of the "creditor governments" and of Germany are guaranteed by a gold clause.^{3/}

^{1/} "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 5.

^{2/} Belgium, Czechoslovakia, France, Great Britain (including Canada, Australia, New Zealand, Union of South Africa, and India), Greece, Italy, Poland, Portugal, Rumania, and Yugoslavia.

^{3/} The deposits, even when in currencies other than reichsmarks, are calculated in reichsmarks, but the German Government gave the undertaking "that the reichsmark shall have and shall retain its convertibility in gold or foreign exchange as provided in Section 31 of the law of 30th August 1924 and, that in all circumstances, for the general purposes of the plan, the reichsmark shall have and shall retain a mint parity of 1/2790 of one kilogram of fine gold, as defined in the German coinage law of August 30, 1924" (Article 3 of the Trust Agreement).

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These deposits constitute about 50 per cent of the B.I.S. resources, inclusive of capital and reserves; and as we shall see below (page 28), they have been invested by the B.I.S. on the German market. Since the long-term deposits do not bear interest, they were the most important source of income for the B.I.S.; indeed, in creating these deposits, there was a clear intention to provide the B.I.S. with a minimum income deemed necessary for its functioning.

B. Short-Term and Sight Deposits

In addition to long-term deposits, the B.I.S. receives short-term and sight funds mostly deposited by central banks^{1/} to take advantage of the special services and facilities of the B.I.S. and also to express a desire to participate in its work. These declined from 160 million Swiss gold francs in March 1939 to less than 29 million in February 1947.^{2/}

The short-term and sight deposits are denominated either in various currencies or in gold. A fairly large reduction occurred in those "in various currencies" in the second part of 1939; and since then the amount outstanding has been negligible.^{2/} On the other hand, the deposits in gold increased considerably, reaching their highest level of 50.6 million Swiss gold francs in

^{1/} Deposits are also received from the Red Cross and other international institutions.

^{2/} The following table shows the principal changes in the B.I.S. short-term and sight deposits:

B.I.S. Short-Term and Sight Deposits

(In millions of Swiss gold francs)

	<u>In various currencies</u>			<u>In gold</u>	<u>Total</u>
	<u>Central banks for their own account</u>	<u>Central banks for the account of others¹⁾</u>	<u>Other</u>		
1939 - March	143.5	1.8	4.4	9.7	159.4
- June	122.1	1.7	2.8	13.3	139.9
- August	53.8	1.7	0.7	14.1	70.3
- September	40.2	1.4	1.6	10.7	53.9
1940 - March	32.0	1.6	1.1	12.9	47.6
1941 - March	33.9	1.7	1.2	35.6	72.4
1942 - March	17.3	1.3	4.6	29.0	52.2
1943 - March	15.2	1.3	1.3	39.7	57.5
1944 - March	7.0	1.3	1.6	29.6	39.5
1945 - March	7.9	1.2	0.8	18.8	28.7
1946 - March	3.7	0.6	0.4	17.0	21.7
1947 - February	8.1	0.9	0.7	18.9	28.6

1) Funds held by central bank for account of their respective Treasuries.

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October 1943. Their reduction in March 1944 was due, for the most part, to the disappearance of the deposit of the Swiss National Bank (see below). These gold deposits, measured in weights of fine gold, are a new type of gold operations that the B.I.S. has gradually developed. Like any funds deposited in the form of currency, this gold becomes the property of the B.I.S., which is not obligated to return the same identical bars of gold, but only the same weight of fine gold at the place where the original deposit was made. It maintains a 100 per cent reserve in gold bars against such deposits, which of course do not bear interest. The actual deposit of gold has the advantage of making it clear that the gold enjoys the immunities granted to B.I.S. assets in a number of countries. On the other hand, it has of course the disadvantage that the depositing central bank must part with its title to the gold, retaining only a claim to gold of similar weight and fineness. These gold deposits play an important part in connection with the settlement of international postal transactions through the B.I.S., as well as with operations for the adjustment or transfer of foreign exchange, which it would be difficult to handle otherwise. In 1946 there were on the B.I.S. books 25 such gold deposit accounts, against 20 in 1940.

Dollar Deposit by the Swiss National Bank: Among the specific deposit transactions, mention may be made of the 3 million dollar deposit that the B.I.S. received from the Swiss National Bank, repayment of which was demanded in December 1942. The B.I.S. was unable to repay this deposit in Swiss francs, even by utilizing part of its limited gold stock in Switzerland, because such an arrangement would have left the future of its franc position insecure. On the other hand, the United States Treasury declined to issue a license authorizing the repayment of this deposit by debiting the B.I.S. account with the Federal Reserve Bank of New York, on the ground that such an arrangement would be a violation of the foreign funds control regulations. This situation gave rise to protracted negotiations in 1943 and 1944, which resulted, first, in the conversion of the dollar deposit into a gold deposit, and ultimately, in the following complicated transaction effected on November 10, 1944: The Swiss National Bank's claim expressed in weight in gold was converted into dollars, and that amount into Swiss francs at the rate of 4.29 1/2; the sale in Bern of the gold necessary to provide the amount in question, namely about 2,622.5 kilograms, was effected at the price of 4,913 Swiss francs per kilogram fine (instead of the official buying price of 4,869), in order that the B.I.S. should not have to bear a heavier charge than that which would have resulted from the mere execution of the contract. The gold thus sold was taken from the B.I.S. stock in Bern, which had been greatly increased in consequence of the transport of the Italian gold to Switzerland (see below, page 31).

C. Reserves

The slight reduction in the reserves in 1942-43 (from 21 million Swiss gold francs to 19.6 million) shown on the chart reflects the appropriation for the dividend payment for that year. At present the reserves amount to 19.9 million Swiss gold francs, representing 4 per cent of the B.I.S. liabilities.

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2. Assets

The upper part of the chart following page 18 shows the changes in the assets of the B.I.S. It will be seen that in the course of the war years the B.I.S. endeavored to increase its liquidity and, from the data in Table III on page 27 showing the composition of its net assets by principal currencies, that the B.I.S. strengthened its assets in U. S. dollars and Swiss francs. The reclassification of the B.I.S. investments in 1946, "as a result of events in Germany," is likewise reflected in the chart.

A. The Increasing of the Bank's Liquidity

Upon the outbreak of the war, the B.I.S. faced the dilemma whether it should maintain its investments on the various markets, or take steps to reduce them systematically "thus preparing the way either for a liquidation or at least for a radical transformation of its own position."^{1/} After the directors had been consulted by correspondence, the policy was adopted of not taking any special measures toward a systematic liquidation of the bank's assets, but rather of protecting the bank's interests as much as possible "in a manner consonant with the policy of strict neutrality."^{1/} Acting upon these principles, the B.I.S. immediately took all the precautionary measures that the situation called for. It was thus decided not to embark upon any new operations entailing a reduction of the bank's liquidity, but to subordinate considerations of the yield from the bank's investments to considerations of their safety and liquidity.

The liquidity position of the B.I.S. is shown in Table I, the principal asset items being given as percentages of the balance-sheet total.

^{1/} "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 4.

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TABLE I

LIQUIDITY POSITION

Principal Assets as Percentage of Balance-Sheet Total

	<u>March 1939</u>	<u>March 1945</u>	<u>March 1946</u>	<u>Nov. 1946</u>	<u>Dec. 1946</u>	<u>Feb. 1947</u>
Gold	6.4	24.9	26.6	27.0	21.3	18.9
Cash (incl. sight funds)	9.3	13.0	3.0	1.3	1.9	1.5
Bill portfolio	35.7	18.4	2.6	1.2	5.8	6.0
Time funds at interest	5.4	0.6	0.6	2.4	3.3	3.1
Sundry bills and investments	42.7	43.1	7.3	5.7	5.3	6.4
Funds invested in Germany			59.9	62.4	62.0	64.1
Other assets	<u>0.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.4</u>	<u>0.0</u>
Total assets	100.0	100.0	100.0	100.0	100.0	100.0

The contrast in the positions at various dates is striking. Gold, which was rather a negligible item before the war (6.4 per cent of the assets only), represented until recently over one fourth of the total balance sheet (27 per cent in November 1946), bill portfolio and time funds at interest having been almost completely liquidated. Only since last December has there been a change in the B.I.S. gold policy, a rather substantial amount of gold having been sold and the proceeds kept partly in cash but largely invested in bills and time funds at interest.

As to the B.I.S. gold position, it is summarized in Table II. The first column shows the gold that appears in the B.I.S. balance sheet. However, as already mentioned (page 21), part of this gold is held as a 100 per cent reserve against gold deposits (column 2), and only the difference between these two items represents gold held for the B.I.S.'s own account (column 3). To complete the picture, column 4 shows gold held under earmark for account of central banks, which however is not entered in the balance sheet.

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TABLE II
GOLD POSITION

(In millions of Swiss gold francs)

<u>End of</u>	<u>Gold Shown in B.I.S. Balance Sheet</u>			<u>Gold held under earmark and not intered in Balance sheet</u>
	<u>Total</u>	<u>Reserve against gold deposits</u>	<u>Held for own account (1 - 2)</u>	
	(1)	(2)	(3)	(4)
1939 - March	38.7	9.7	29.0	236.7
- June	62.6	13.3	49.3	172.3
- August	14.6	14.1	0.5	135.4
- September	16.5	10.7	5.8	101.2
1940 - March	30.5	12.9	17.6	73.2
1941 - March	40.1	35.6	4.5	65.1
1942 - March	42.1	29.1	13.0	51.6
1943 - March	75.1	39.7	35.4	Not Available
1944 - March	118.3	29.6	88.7	54.5
1945 - March	114.0	18.8	95.2	51.4
1946 - March	120.2	17.0	103.2	49.5
- November	123.0	20.7	102.3	Not Available
- December	97.1	19.0	78.1	" "
1947 - February	86.8	18.9	67.9	45.9

In the months preceding the outbreak of the war, the B.I.S. stock of gold declined, since it was largely employed to cover reimbursements of deposits. It began to increase again after September 1939, although the B.I.S. maintained in the early years of the war a long-term position in U. S. dollars without any great change. The increase in 1942 reflected the preparation for the reimbursement in gold of the dollar deposits of the Swiss National Bank; that in 1943 was due to the remittance of Italian gold (see page 31) and also to the purchase of gold in New York. By means of part of this Italian gold, the B.I.S. in March 1944 discharged its obligation to the Swiss National Bank on account of its dollar deposit (page 21). Thereafter, the gold holdings remained practically unchanged until December 1946, when the B.I.S. began selling gold and gradually investing the proceeds in commercial and Treasury bills.

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In the early years of the war, about one half of the B.I.S. gold was held in New York and the remainder principally in Bern. For March 31, 1945 (latest date available) the distribution of the B.I.S. gold is given as follows:

(In millions of Swiss gold francs)

Bern	53.6
New York	31.0
London	10.0
Portugal	<u>0.6</u>
Total	95.2

The increase in the gold deposit in London was a new development.

Deposits of earmarked gold for the account of third parties, which were not entered in the balance sheet, fell from 237 million Swiss gold francs on March 31, 1939 to 73 million on March 31, 1940 and 45.9 million on February 28, 1947. The geographical distribution of the gold held by the B.I.S. under earmark for account of the participating central banks and other depositors was as follows on February 28, 1947:

(In millions of Swiss gold francs)

Czechoslovakia	20.7
Former Baltic States	14.3
Rumania	1.7
Hungary	1.1
Bulgaria	0.1
International institutions	6.0
Various	<u>2.0</u>
	45.9

B. The Increasing of the Assets on the American, British, and Swiss Markets

Simultaneously with the increasing of its liquidity, the B.I.S. pursued a policy of strengthening its realizable assets in dollars, Swiss francs, and gold on the American and Swiss markets (and to some extent also on the British

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market) by withdrawing its investments from other markets. This policy, and its results, are examined in relevant detail on pages 28 to 37, but may be summed up as follows.

Apart from the investments in Germany under the Hague Agreements, all credits by the B.I.S. as well as all the investments made on individual markets from the time the bank began operations either have been recovered at their full value or are amply secured as regards certain rather insignificant amounts still outstanding at the present time.

The net assets of the B.I.S. in various markets before the war and at the close of hostilities are given in Table III. The first and the last lines of the table show the amounts outstanding on August 31, 1939 and on September 30, 1945, while the intermediate lines indicate the nature of the changes that have taken place. A glance at the table shows that the net assets of the B.I.S. in Germany, Italy, Hungary, Belgium, France, and Poland were reduced, while those in the United States, Switzerland, and Great Britain were increased during the war. The principal changes were the following (figures in parenthesis after titles referring to columns of Table III).

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TABLE III

CHANGES IN ASSETS ON THE VARIOUS MARKETS
 DURING THE PERIOD FROM SEPTEMBER 1, 1939 TO SEPTEMBER 30, 1945
 (In millions of Swiss gold francs)

	<u>Germany^{3/}</u> (1)	<u>Italy</u> (2)	<u>Hungary</u> (3)	<u>Belgium^{1/}</u> (4)	<u>France^{1/}</u> (5)	<u>Bank of Poland</u> (6)	<u>U.S.A.</u> (7)	<u>Great Britain</u> (8)	<u>Swit- zerland</u> (9)	<u>Other Markets</u> (10)	<u>Total</u> (11)
Net assets as at August 31, <u>1939^{1,2/}</u>	64.3	54.1	35.1	20.6	8.8	3.4	30.5	0.2	2.6	0.7	220.3
Changes during the period from September 1, 1939 to September 30, 1945											
Net earnings	+ 45.1	+ 5.5	+ 1.1	+ 5.1	+ 1.7	+ 0.1	+ 1.1	- 0.1	- 10.5	+ 0.1	+ 49.2
Transfers between markets and amounts utilized for B.I.S. dividend	- 47.0	- 59.6	- 33.1	- 5.8	- 5.3	- 2.4	+ 30.6	+ 8.9	+ 80.0	+ 0.3	- 33.4
Net assets as at September <u>30, 1945^{1,2/}</u>	62.4	-	3.1	19.9	5.2	1.1	62.2	9.0	72.1	1.1	296.1

The net assets in each market as shown above represent the surplus of

- (a) the total assets of the B.I.S. in the currency of the country, together with bar gold held in that country, over
- (b) the liabilities in the same currency and in gold deliverable in that country, without regard to the country of the debtor or creditor concerned. The Belgian and French Treasury Bills issued in Holland with exchange options, however, are included above under the respective debtor countries.

Certain of the currency assets are covered by gold guarantees.

The Annuity Trust Account Deposits and the German Government Deposit, amounting to about 153 and 76 million Swiss gold francs respectively, are recorded in the accounts of the bank in reichsmarks as defined by the Young Plan. No information with regard to the bank's investments in reichsmarks has been received in respect of the period from April 1, 1945. It has been assumed that these investments have continued to bear interest at the same rates after that date as prior thereto. This interest has been credited to a suspense account.

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a. The Transfer of Interest on the Investments in Germany and the Slight Decline in the Capital of These Investments
(Column 1 of Table III)

The B.I.S.'s present investments in and its other claims on Germany represent without exception amounts arising from operations in 1930-31, i.e., the first two years of the bank's existence, and all resulted from obligations incumbent upon the bank under the Young Plan and the Hague Agreements.

No new funds have been placed by the B.I.S. on the German market since July 1931; and the bank succeeded, even during the war, in obtaining the discount and interest earned each year and in slightly reducing the amount of the principal. The transfer of interest has been discontinued since March 31, 1945.

The following is a condensed outline of the B.I.S. relations with Germany.

In January 1930, at The Hague, the German reparation problem formed the subject of a number of agreements, the principal ones of which were the agreement with Germany and the convention with Switzerland (the latter containing the charter and the statutes of the B.I.S.). Under these agreements the B.I.S.: (1) was founded by the central banks designated for this purpose; (2) was required to carry out various functions in connection with reparations; and (3) concluded, in May 1930, with the "creditor governments" a trust agreement under which it assumed definite obligations and obtained specific rights.

The obligations of the B.I.S., as trustee for the "creditor governments," included the receipt of deposits from the "creditor governments" and from Germany (see above, page 19), and also assistance to Germany in "circumstances which might of themselves lead to a transfer postponement."^{1/} Specifically, the B.I.S. was to extend: (a) direct assistance to the Reichsbank in the form of short-term credits in foreign exchange which were to provide "temporary assistance in transferring the annuities;" and (b) indirect assistance in the form of the investment in reichsmarks on the German market, in agreement with the Reichsbank, of a part of the annuity receipts, which was to have the effect of "returning to the German economy" a part of the annuity (the B.I.S. credit mechanism making it possible "to provide the foreign exchange with which to pay the current allotments to the creditors on account of the annuity").^{2/} Not only was it the function of the B.I.S. to intervene in order to prevent the risk of an interruption of transfers, but it was also laid down that "the second measure, that of investing within Germany some portion of the annuity receipts, should also find its uses in normal times."^{2/}

^{1/} Experts' Report of June 7, 1929 forming an integral part of documents approved at The Hague.

^{2/} Experts' Report of June 7, 1929.

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To fulfill the obligations laid upon it by the Hague Agreements, the B.I.S. after July 1930, progressively increased its investments in the German market. As the German situation became critical in May-June 1931, it increased its intervention to the maximum in the two ways expressly stated in the articles of the Experts' Report quoted above:

a. It participated to the extent of one quarter with the Federal Reserve Bank of New York, the Bank of England, and the Bank of France in the short-term credit of 100 million dollars opened in favor of the Reichsbank;

b. It increased its investments on the German market to 426 million Swiss gold francs - "the maximum compatible with its means and with due regard to its liquidity."

By July 1931 the bank had thus invested in Germany an amount equivalent to the total of the resources at long term at its disposal under the New Plan (i.e., the minimum deposits of the "creditor governments" and the deposits of the German Government) and an important fraction of its own funds.

It was in these circumstances that President Hoover proposed on June 30, 1931 the suspension for one year as from July 1 of all payments in connection with intergovernmental debts, and the governments concerned agreed to such provisional suspension.^{1/} In 1932 a conference of the interested governments met in Lausanne where an agreement was signed providing for a final settlement replacing the reparation annuities under the Hague Agreements. The treaty of Lausanne, however, was not ratified by any of the signatory powers. As a result, the provisional measures have alone remained applicable, and no definite settlement of the problem as it affects the B.I.S. had been arrived at before the war broke out.

The short-term credits in dollars to the Reichsbank had been reimbursed by April 1933. As to the remainder of its interventions on the German market under the New Plan, this amounted to 294.3 million Swiss gold francs on September 30, 1939 and 291.3 million on February 28, 1947.

^{1/} On July 23, 1931 the Right Honorable J. Ramsay MacDonald, Prime Minister of Great Britain, officially communicated to the B.I.S. a joint declaration of the representatives of the Governments of the United States, Belgium, France, Germany, Italy, Japan, and the United Kingdom. This declaration recommended: (1) that the credit recently granted to the Reichsbank by the central banks and the B.I.S. be renewed at maturity; and (2) that concerted measures be taken by the financial institutions of the various countries in order to maintain the volume of credits they had so far granted to Germany.

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Germany's debts towards and claims on the B.I.S. as of February 28, 1947 may be summarized as follows:

(In millions of Swiss gold francs)

	<u>Debts to the B.I.S.</u>	<u>Claims on the B.I.S.</u>	<u>Balance</u>
Reichsbank	36.2 ^{a/}	23.4	- 12.8
Private shareholders		2.3	+ 2.3
Golddiskontbank	69.0		- 69.0
German Government	<u>186.1</u>	<u>76.3</u>	<u>- 109.8</u>
Total	291.3	102.0	- 189.3

^{a/} The Reichsbank's debt consists of its balance on current account (30.6 million) and of a claim in respect to gold (5.6 million). The latter relates to bars received in Bern from the Reichsbank during the war in connection with the service of the B.I.S. assets in Germany - bars which have since been established to have been in fact the property of the National Bank of Belgium (see above, page 10).

Up to the close of the financial year ended March 31, 1945, the B.I.S. had regularly received the interest on its investments in Germany. During the war years, remittances of gold and foreign exchange from Germany to ensure the transfer of all discount and interest earned on the B.I.S. investments in Germany amounted to 42.6 million Swiss gold francs. Moreover, the total of these investments was reduced by 4.4 million Swiss gold francs by offsetting the B.I.S. dividends due the Reichsbank. In early 1945 an agreement was concluded with the Reichsbank for the automatic renewal of the B.I.S. investments in Germany "in the event of an interruption of communications;"^{1/} and after long negotiations the Reichsbank offered in April 1945 to sell to the B.I.S. against reichsmarks an amount of gold equal to about 1,525 kilograms - an amount sufficient to enable the usual transfers of interest to be made up to the end of 1945. The B.I.S. accepted this offer but "naturally made it a condition that the gold in question, as in previous transactions, should have belonged to the Reichsbank since before the war."^{2/} This gold, the minting certificates of which bore dates prior to August 31, 1939,^{3/} was deposited at the Reichsbank at Constance and earmarked in the name of the B.I.S. The Constance branch received a standing order to carry out the instructions of the B.I.S. with regard to the transport of this gold to Switzerland at a later date. However, "in view of the exceptional circumstances and of the military events in progress at the time, the management of the bank felt constrained to leave the gold where it was until further notice and to await the re-establishment of more normal conditions."^{4/}

^{1/} "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 41.

^{2/} "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 42.

^{3/} "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 43.

^{4/} "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 44.

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Under these conditions no further transfers of interest have been received by the B.I.S. since March 31, 1945. In connection with the closing of the accounts on March 31, 1946, it was decided to enter all the bank's holdings on the German market at their nominal value (or their current value in the case of bills that have not yet matured). Simultaneously, the assets in reichsmarks were reclassified in the balance sheet as "sundry" (see the chart). A further change was made on March 31, 1947 when the funds invested in Germany (291.2 million Swiss gold francs) were segregated from "sundry bills, investments, and claims" and shown as a separate item, representing 58.3 per cent of the balance sheet total.

b. Repayment of the Investments on the Italian Market
(Column 2 of Table III)

At the outbreak of the war a considerable volume of the investments of the B.I.S. were in Italy (54.1 million Swiss gold francs). These investments were protected by a gold clause and by special rights granted by the Bank of Italy to the B.I.S. in respect to rediscounting them and converting the proceeds into gold especially earmarked for this purpose.

The average amount of gold that the B.I.S. had requested the Bank of Italy to maintain with it in view of its considerable investments in Italy was 6,000 kilograms. Before the war the Bank of Italy had kept a much higher amount with the B.I.S. During the last few days of August 1939, however, the Bank of Italy had withdrawn a substantial part of its gold earmarked with the B.I.S. (8,000 kilograms); and soon after the outbreak of the war it gave orders for another 2,500 kilograms to be sent it. This withdrawal brought down the Bank of Italy's deposit to the minimum that the B.I.S. had requested the Bank of Italy to maintain with it. As Italy was neutral at that time, the management of the B.I.S. decided to negotiate with the Bank of Italy with a view to inducing it to re-establish its gold deposits with the B.I.S. at a higher level, "thus avoiding a systematic liquidation of the bank's investments in the Italian market."^{1/} These negotiations led nowhere.

In April 1943 the Bank of Italy again proposed to withdraw nearly 3,000 kilograms of gold from its deposit with the B.I.S., but it subsequently withdrew its request. On the other hand, the B.I.S. asked the Bank of Italy to increase the amount of its deposit, which had fallen very much below the level agreed upon before the war.

^{1/} "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 4.

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"It had, at the same time, reminded the Banca d'Italia of the special rights which the B.I.S. derived from its contract with that bank as regards the rediscounting of its investments in Italy and the earmarking of an equivalent proportion of the Banca d'Italia's metallic reserves.

"The Governor of the Banca d'Italia having replied that he would endeavor, in spite of exceptional circumstances, to observe the undertakings entered into with the B.I.S., the latter, on 1st October, gave the Banca d'Italia instructions to rediscount a part of its portfolio and to convert the proceeds into gold (about 3,000 kgs).

"The Banca d'Italia's reply confirmed the rights of the B.I.S. but pointed out various difficulties, the metallic reserve of the Banca d'Italia having been evacuated from Rome to Northern Italy. By cables dated 9th and 19th November the B.I.S. then instructed the Banca d'Italia to rediscount the whole of its portfolio and to convert the proceeds of that operation into gold in accordance with the terms laid down in the contract.

"A cable dated 26th November from the Banca d'Italia confirmed the execution of the rediscount operation, and a letter dated 6th December confirmed that an amount of 15,795 kilograms of gold, withdrawn from the gold set aside for this purpose by the Banca d'Italia just before the war, had been placed at the disposal of the B.I.S."1/

Steps were immediately taken to transport this amount to Switzerland. The B.I.S., in fact, was able to receive in Switzerland in April 1945 some 12,605 kilograms of gold from its deposit earmarked with the Bank of Italy.

"The balance of that deposit, the total of which was 15,795 kilograms, was reimbursed as to 2,967 kilograms by taking over gold earmarked in Bern for the Banca d'Italia with the B.I.S. and, as to 223 kilograms, by drawing upon the Banca d'Italia's gold deposit account at sight, delivery Bern."2/

c. Repayment of the Previous Credits in favor of the National Bank of Hungary
(Column 3 of Table III)

Out of 35 million Swiss gold francs of credits outstanding at the beginning of the war in favor of the National Bank of Hungary,3/ 33 million were

- 1/ "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 35.
- 2/ "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 39.
- 3/ These credits had originated in 1931 as part of accommodations to Central European banks extended by nearly a dozen central banks, including the Federal Reserve Bank of New York.

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repaid partly under arrangements made in 1940,^{1/} and partly in 1941 through "a partial and voluntary reimbursement to the B.I.S. of its credit in gold dollars by ceding it gold which the B.I.S. held in New York for the account of the National Bank of Hungary."^{2/}

d. Renewal and Partial Repayment of the Belgian and French Treasury Bills
(Columns 4 and 5 of Table III)

The B.I.S. before the war held Belgian and French Treasury bills, with an exchange option. The greater part of these holdings had been acquired from the firm of Mendelssohn of Amsterdam and were discountable with the Nederlandsche Bank.

The Belgian Treasury bills reached final maturity in May 1940. The B.I.S. then started negotiations for their renewal, but only in 1943 did the Belgian Government in London agree to pay to the B.I.S. in dollars the whole amount of the interest in arrears, on condition that the dividends due to the Belgian National Bank (London) should likewise be settled in dollars and that the dividend payments to private shareholders in Belgium should continue to be made without an actual remittance of foreign exchange. A definite settlement was reached in February 1946, when the old bills were exchanged for new ones at a fixed term of one year. The rate of interest was reduced, but the B.I.S. obtained an exchange option between dollars and Swiss francs. In addition, all the interest still outstanding was paid in the form of new bonds.

As to the French Treasury bills, which were renewable every three months, an agreement was concluded in June 1942 for their repayment by means of half-yearly installments up to February 1946. The occupation by Germany of the rest of France in November 1942, however, led to a revision of that agreement, under which amortization continued to the equivalent of the amounts in Swiss francs that the B.I.S. found it necessary to sell to the Bank of France to cover its expenses in France (chiefly dividends and taxes). In 1945 the French Treasury bills 3.3 million florins were repaid in Swiss francs, the currency of payment being chosen by the B.I.S. in accordance with the terms of the contract. At the same time the French Treasury offered the B.I.S. new bills of the same amount for one year

^{1/} The syndicate credit granted to the National Bank of Hungary fell due in July 1940. At that time the National Bank of Hungary offered the banks participating in the syndicate credit a choice between: (a) immediate reimbursement in current dollars; and (b) consolidation of the credit in gold dollars for eight years at one per cent interest and reimbursement in seventeen equal half-yearly payments. Most of the participants accepted the immediate repayment in present day dollars. But the B.I.S., as regards its own share, preferred the repayment in gold dollars within eight years, its credits granted to Hungary having been fully covered by the deposits of the National Bank of Hungary with the B.I.S. which had, moreover, expressly reserved "the right of utilizing them for setting-off purposes in the event of any delay in the service of the debt."

^{2/} "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 24.

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bearing interest at 2 per cent with an option between dollars and Swiss francs. The bank accepted these bills, the nominal amount of which was approximately 7.8 million Swiss francs. Since the currency of payment chosen was the Swiss franc, the accounts in connection with the new bills are kept in that currency.

e. Partial Repayment of the Investments in Poland
(Column 6 of Table III)

The investments of the B.I.S. on the Polish market amounted to 3.3 million Swiss gold francs in August 1939. After the invasion of Poland, the payment guarantee and the gold guarantee given by the Bank of Poland in respect of the investments by the B.I.S. on the Polish market were expressly confirmed; and an offsetting was made between the balance of the foreign exchange accounts of the Bank of Poland with the B.I.S. and the latter's claim, thus bringing down the B.I.S. investments to 3.2 million Swiss gold francs. In the subsequent years the dividends on B.I.S. shares belonging to the Bank of Poland were earmarked for amortization; and in 1942 and 1943 the B.I.S. reduced its investments on the Polish market by buying gold from the Bank of Poland (4,800 ounces in 1942 and an unspecified but presumably identical amount in 1943) which it immediately sold to the Bank of England in order to acquire the sterling necessary for the payment of its dividend in Great Britain and the sterling area.

f. Increase in Realizable Assets on the American, British, and Swiss Markets
(Columns 7 to 9 of Table III)

As a counterpart of the reduction in the assets on the national markets reviewed above, the B.I.S. has increased its realizable assets in dollars, Swiss francs, and gold on the American, British, and Swiss markets by 119.5 million Swiss gold francs.

Up to March 1942 by far the largest shift was towards the American market, while in the subsequent years the shift was toward the Swiss. In accordance with the principles which shortly before the war had been adopted by the board of directors of the B.I.S., only negligible long positions were maintained in other foreign currencies. The B.I.S. assets in London were increased only in the financial year April 1, 1944 to March 31, 1945.

The evolution of the B.I.S.'s assets on the American and Swiss markets is shown in Table IV:

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TABLE IV

B.I.S. ASSETS IN THE UNITED STATES AND IN SWITZERLAND

	<u>On the U.S. Market</u> (In millions of dollars)	<u>On the Swiss Market</u> (In millions of Swiss francs)
Aug. 31, 1939	5.1	0.7
Mar. 31, 1942	17.0	18.3
Mar. 31, 1944	17.3	38.2
Mar. 31, 1945	20.5	99.9
Mar. 31, 1946	20.6	104.5
Feb. 28, 1947	20.6	60.1

Including B.I.S. owned gold held in New York and in Bern, respectively.

In the early years of the war the B.I.S. assets held in the United States, consisting of gold in New York and of dollar balances and investments, increased fairly regularly. It may be mentioned that during the financial years 1940-41 and 1941-42 the increase was partly due to repayments made by the National Bank of Hungary in respect of the credits granted to it in 1931 (see above, page 32). The increase shown in 1944-45 was connected with a reimbursement by the B.I.S. in Swiss francs of a deposit of the Swiss National Bank amounting to roughly 3 million dollars (see above, page 21). The bank, moreover, converted part of the increase in its dollar reserves into gold in New York by purchases of gold from the American Treasury. The result is that the B.I.S. reserve in dollars and gold in New York now is much greater than before the war.

The net assets of the B.I.S. in Swiss francs and in gold in Bern also increased, the sharp rise in 1944 being due to the repayment obtained by the B.I.S. of its investments in Italy (see above, page 31). Since the end of the war a part of the Swiss francs which were accumulated during the war has been utilized for investments with or advances to various European central banks, which thanks to these transactions were able to acquire dollars on the Swiss market. This explains the decline in the assets on the Swiss market between March 1946 and February 1947.

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To effect operations on the American and Swiss markets, the B.I.S. had to obtain the necessary licenses. As regards the system of American licenses, the following account has been submitted by the management of the B.I.S.:

"The B.I.S., immediately after the first blocking measures in 1940, had taken the initiative of transferring to a special "C" account all the funds held on behalf of countries subject to the blocking decree. For its part, the Federal Reserve Bank of New York had taken the initiative of applying for a general license, which it obtained, covering all the normal operations of the B.I.S. But when Switzerland itself became subject to the license regime, in June 1941, the B.I.S. was likewise obliged to apply for a license for each operation. The licenses in respect of current operations were generally granted."^{1/}

As to the refusal by our Treasury to grant a license necessary for withdrawing the Swiss National Bank's dollar deposit with the B.I.S. (see page 21), the following excerpt from the B.I.S. annual report for the year ended March 31, 1945 may be given here, for the record:

"It thus happened that an operation as simple as the repayment to a central bank in a neutral country of a deposit expressed in the currency of another country gave rise to protracted negotiations requiring most careful handling, one difficulty being that while the Bank for International Settlements naturally endeavored to fulfill its own obligations in the strictest manner, the financial policies pursued in the two countries concerned were not in every respect reconcilable... An example of this kind shows what difficulties have been caused by wartime legislation and conflicting monetary policies even in the case of an intrinsically simple operation with a neutral central bank. But the example also shows that, thanks to the good will of the parties concerned, it has been possible to find practical solutions which answered all the requirements of the existing situation."^{2/}

In Switzerland, where the Swiss authorities in 1942 had instituted a control over dealings in gold, the B.I.S. received special authorizations in

^{1/} "Report of the Management to the Board of Directors on the Period Since the Last Board Meeting," page 26.

^{2/} "Bank for International Settlements Fifteenth Annual Report for the period April 1, 1944 to March 31, 1945, page 148.

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line with the principles of its constituent charter:

"On the other hand, as the Swiss National Bank desired to prevent arbitrage operations on the Swiss franc, the B.I.S. complied with the National Bank's wishes and kept in touch with it as regards such gold operations as it might have occasion to effect against Swiss francs."

In Great Britain the B.I.S. was relieved of applying for special authorization for each transaction, its declaration of neutrality having been found satisfactory by the British authorities (see page 7).

3. Profits and Dividends

The increase in liquidity during the war years, and the discontinuance in 1945 of the German transfers which had supplied the B.I.S. with the larger part of its gross revenue, resulted in a gradual reduction of profits, and ultimately beginning with the financial year 1945-46, in a net loss (0.6 million Swiss gold francs in that year). A somewhat smaller deficit is expected for the financial year 1946-47 (0.45 million Swiss gold francs). The reduction in the current deficit is due partly to the increase in productive investments by the sale of gold (see page 23), partly by a redistribution of investments.

The B.I.S. views as follows its profit and loss position:

"As soon as the bank is able to return to a more rational distribution and employment of its assets, it will be able, while rendering services which are not in its power at present, to increase the volume and the average yield of its investments considerably and, in this way, amply to cover its current expenditure."^{1/}

Profits were large enough for distribution of the statutory dividend of 6 per cent only in 1939-40. In 1940-41 and in 1941-42 recourse was had, to make up the statutory dividend, to the dividend reserve fund. After the exhaustion of this fund, the dividend for 1942-43 was fixed roughly at 4 3/4 per cent per share and in 1943-44 at 4 per cent per share. In the financial years 1944-45 and 1945-46 no dividend was declared.

^{1/} "Supplement to the Report of the Management to the Board of Directors on the Period Since the Last Board Meeting" (November 1946), page 7.

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The manner of dividend payments has undergone many vicissitudes. Owing to the monetary measures taken in a large number of countries, it was not possible to pay the dividend in the currency of each tranche as before the war. For the year 1939-40 the dividend was to have been paid in U. S. dollars, but as a result of measures taken by the American Treasury between April and July 1940 to block the funds of European occupied countries, this decision proved inapplicable. Accordingly it was decided in 1941 that the dividend calculated in U. S. dollars should be paid to the shareholders in the currencies of the country of their residence, at the buying price of the U. S. dollars of the respective central bank. This system was maintained in later years except that the Swiss franc was introduced, concurrently with the dollar, as an alternative basis of calculation of dividends.^{1/}

The need to remit foreign exchange to the member central banks in payment of its dividends gave the B.I.S. an opportunity to facilitate the transfer of amounts that the foreign central banks owed to the B.I.S., especially in respect to interest on its investments in the same markets. This method, which had been employed in the German market even before the war, was extended to Belgium, Holland, and France for the period of German occupation. The distribution of dividends to Norway, Greece, Yugoslavia, and the Baltic States was suspended. As to the sterling necessary for payment in Great Britain and the sterling area, the B.I.S. sold gold in London to the Bank of England in 1942 and 1943. This gold had been transferred to the B.I.S. from the Bank of Poland against its assets in the Polish currency (see page 34).

4. Trustee and Agency Functions

We need not concern ourselves here with the B.I.S. trustee and agency functions. As trustee for the German Government International 5 1/2 per cent Loan 1930 (Young Loan, issued under the Hague Agreements) and for the Austrian Government International Loan 1930 (the service of which had already been suspended before the war) the B.I.S. in May 1945, however, had addressed letters to the various governments concerned, calling their attention to the guarantees and privileges attaching to the respective loans and requesting that all the rights of the bondholders be respected in connection with any future measures regarding reparations or other claims that might be made upon Germany.

The B.I.S. is also fiscal agent of the trustees for the Dawes Loan 1924.

^{1/} The B.I.S. obtained the permission of the U.S. Treasury to utilize its dollar assets to pay not only its dividends in the United States, but also the dividends due in various countries that still had free disposal of their dollar assets.

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III. PRESENT STATUS AND PROSPECTS

Because of its past policies and operations, the B.I.S. has a stake in the German settlement, and its future will accordingly depend above all on the disposition of the pre-1939 international financial obligations of Germany. Apart from this, the B.I.S. prospects are also likely to be determined by the place given it in the postwar international financial set-up.

1. The B.I.S. and the German Settlement

The final debacle of the World War I reparations left the B.I.S. a heavy inheritance. In order to assure the B.I.S. a source of income, the "creditor countries" and Germany agreed to maintain long-term non-interest-bearing deposits with it; and since these funds were invested in Germany as a result of the explicit obligations laid upon the B.I.S. by the Hague Agreements, the fate of these investments, representing 58 per cent of the bank's balance-sheet total, is likely to have a direct bearing on that of the B.I.S. itself.

For this reason, the President of the B.I.S. on May 2, 1945 addressed a letter to the Finance Ministers of the "creditor governments" under the Hague Agreements and to the Secretary of the Treasury of the United States, regarding the rights and obligations of the B.I.S. under the Hague Agreements. This letter is a long document analyzing the legal situation for the B.I.S. under the treaties and conventions still in force, as regards both its investments in Germany and its relation with the "creditor governments."

The B.I.S., it was argued, has fully carried out the obligations laid upon it by the Hague Agreements, by investing its long-term resources in Germany (see above, page 28); but it has been in a position to do so only because the Hague Agreements conferred on it the following important guarantees and rights:

1. The B.I.S., and all its property, assets, and deposits of other funds entrusted to it, located on the territory of the participating countries, from the

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beginning had been declared "immune from any disabilities and from any restrictive measures, such as censorship, requisitions, seizure or confiscation, in time of peace or war, reprisals, prohibition or restriction of export of gold or currency, and other similar interferences, restrictions, and prohibitions."^{1/} These provisions still apply, in the view of the B.I.S., to investments made by the bank on the German market.

2. In addition - and this is still viewed by the B.I.S. as an "essential guarantee" - the bank, which had the responsibility under the New Plan of fixing the time and extent of its interventions on the German market, had also the right of reducing or of removing its investments on that market at any time that it might consider opportune and in any case before the end of the period of application of the New Plan. The B.I.S. argued further that it possessed the practical means to reduce its investments in Germany by applying the reichsmarks previously acquired to the payment of deliveries in kind, and by demanding payments from the German Government in currencies other than reichsmarks.^{2/} The B.I.S. recalled that by the terms of the Experts' Report,

"the liability of the German Government with regard to the annuities contemplated in this Plan is not fulfilled until all sums, the transfer or payment of which may be from time to time postponed, have actually been transferred in full to the Bank for International Settlements in approved foreign currencies, or utilized for deliveries in kind."

^{1/} Article X of the Agreement with Germany.

^{2/} "In other words, after having, at the time of its interventions, purchased more reichsmarks than was necessary for the payment of deliveries in kind, the bank possessed in the mechanism of the Plan itself the means of converting these reichsmarks into 'currencies other than reichsmarks' at the rate laid down by the Plan as soon as it considered desirable and in any case before the end of the period of application of the Plan." (From the letter of May 2, 1945 to the "creditor governments" under the Hague Agreements of 1930.)

The rights of the B.I.S. as a creditor have not been altered, in the views of the B.I.S., by the suspension of annuity payments which

"was not accompanied by any instrument which could validly modify the previous legal position

"So long as the application of the Plan is merely suspended in this manner, the essential rights of the bank have suffered no final harm and the bank, placed in these circumstances, can only reserve the right of asserting them at the time of a final settlement.

"Under its statutes, the bank is in any event required to hold itself entirely aloof from political questions, which are the exclusive sphere of the interested governments.

"The bank, therefore, had not to interfere in the relations between these governments and it must maintain this attitude in future, except naturally in cases where it becomes a question of exercising the incontestable right of satisfying itself that the guarantees concerning the service and the future reimbursement of investments in Germany made by the bank under the Plan are either simply maintained and respected or replaced by advantages and guarantees of equal value."^{1/}

The letter ended by asking the governments:

1. In view of the obligations that the B.I.S. had contracted vis-a-vis them, to abstain from any action that might affect its rights.
2. To reserve the rights of the B.I.S., should the treaties or agreements in force be modified.

2. Possible Place of the B.I.S. in the New International Financial Set-Up

Whether it will now prove possible to settle the question of the B.I.S. investments in Germany - a question that has been unsolved since 1932 and which has indeed been immensely complicated by the Second World War - I do not know. Any German settlement is bound, however, to affect the position of the B.I.S. Furthermore, an imperative demand is likely to arise for a reviewing of the position of the B.I.S. because of the need for avoiding duplication and for

1/ The letter of May 2, 1945 to the "creditor governments" under the Hague Agreements of 1930.

coordinating international financial activities between the B.I.S. and the International Fund and International Bank. Indeed, there may be some urgency for such a review since the B.I.S. has lately become more active: The board of directors met in December 1946 and again in February 1947, and although the interval between the meetings may be longer than between the regular ten meetings each year provided for in the bank statutes, their periodicity is a sign of a revival of the institution. Several postwar commercial credits have been granted (the first one to the Bank of Finland), and although the amounts involved are small, the very resumption of commercial operations may be indicative of a B.I.S. resolution to re-enter the field of international lending. Even the research activities of the B.I.S. have recently been intensified, as may be judged from the flow of publications.

A. The Case Against the B.I.S.

At the Bretton Woods monetary and financial conference of July 1944, the following resolution was adopted: "The United Nations monetary and financial conference recommends the liquidation of the Bank for International Settlements at the earliest possible moment."

The above form in which the resolution was finally recommended by the conference was rather mild in comparison with the drastic text submitted to the conference by a subcommittee, which required that "no nation will be admitted to either the proposed International Monetary Fund or the Bank for International Reconstruction which has not previously broken with the Bank for International Settlements."

Mr. J. W. Beyen, head of the Dutch delegation and former President of the B.I.S., vigorously opposed this drastic proposal, and in doing so was supported by the British delegates, particularly the representatives of the Bank of England.^{1/} Their opposition probably accounts for the much more lenient text finally adopted.

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The reasons why the future of the B.I.S. was questioned at Bretton Woods can probably be found in the attitude of some delegates who saw the existence of the B.I.S. as a threat to the Bretton Woods program. In the course of the discussions on postwar monetary cooperation that took place in 1943 and 1944, it was repeatedly suggested from some quarters that the B.I.S. might be the logical institution to handle the postwar currency reconstruction.^{1/} The Bretton Woods resolution may thus be construed as a countermove by the more ardent sponsors of the new program against some of their opponents.

The charges against the B.I.S. have never been substantiated, to my knowledge, by any documentary evidence of the bank's connivance with Germany. On the contrary, the British Government has repeatedly declared itself to be satisfied with the B.I.S.'s neutrality, and the Bank of England did routine business with the B.I.S. throughout the war;^{2/} the central banks of the European Governments in exile in London concluded during the war arrangements with the B.I.S. which they presumably considered satisfactory to themselves; and even the United States Department of State recognized the international character of the B.I.S. when in 1942 it issued a passport to the president of the B.I.S., then on a visit in the United States, for his return to Switzerland.

The opposition against the B.I.S. has lately subsided. The Bretton Woods resolution on the liquidation of the B.I.S. is not mandatory but merely a recommendation to the respective governments, and there does not seem to be any haste in any quarters to implement it. The Western European countries continue their participation in the B.I.S. as a matter of course.

^{1/} It may be recalled that the American Bankers Association and some leading individual bankers, like Mr. Leon Fraser, the former American President of the B.I.S., took the position that the expansion of the B.I.S. would obviate the necessity for creating a new international institution.

^{2/} The Chancellor of the Exchequer, Sir Kingsley Wood, for instance, told the House of Commons on October 13, 1942, that: "No transactions have taken place or can take place...which would confer any economic or financial advantage on any belligerent nation to the detriment of another...The bank today carries on only a routine business."

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B. Possible Functions for the B.I.S.

This may be the time to examine dispassionately the resources and the facilities of the B.I.S. and to attempt to salvage what is useful from the bank. There is indeed a widespread feeling that, in spite of the establishment of the International Monetary Fund and the International Bank for Reconstruction and Development, there are valid reasons for the continued existence of the B.I.S. First, it is a convenient meeting place for European central bankers. Second, it possesses a certain amount of funds which are available for small credit accommodations, such as those recently granted to the Bank of Finland and other European central banks. Third, it has had sixteen years of experience. Finally, it is in a position to carry out transactions from which the International Monetary Fund and the International Bank are debarred by their statutes.

This last reason is probably the crux of the matter, and for this reason I should like to quote a list of concrete suggestions that Mr. Moore elaborated in a memorandum last August:

"The B.I.S. has performed and can continue to perform the following useful functions which the World Fund and Bank are not in position to undertake:

- "(a) Acting as agency and intermediary for technical collaboration between central banks, as for example in the coordination of credit policies, the standardization of gold handling terms and policies, foreign exchange operations, etc. The B.I.S. would, as before the war, use as the principal channels of its action the monthly, annual and special meetings of central bank officers, and the organized exchange of data and documentation.
- "(b) Acting as depository for the foreign exchange holdings of various central banks and managing the investment of such holdings in various foreign markets in such a way as to facilitate (and not hamper) the credit policies of the central banks in whose markets the investments are made.

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- "(c) Holding gold under earmark for central banks which prefer to entrust their holdings of earmarked gold to an international institution enjoying immunities from seizure, expropriation, embargo, etc., and facilitating swaps and clearing operations between gold-earmarking accounts.
- "(d) Accepting from central banks and others gold-weight accounts, i.e., accounts denominated and repayable in fine ounces of physical gold, and making transfers between such accounts at the depositors' request.
- "(e) Acting as depository and clearing agent for the International Postal Union in the settlement of postal, telegraph, and telephone balances due from one nation to another.
- "(f) Acting as depository for various international organizations, such as the International Labor Office and the Red Cross, which have receipts and disbursements in a variety of currencies.
- "(g) Acting as trustee or fiscal agent for international loans such as the Dawes and Young Loans, the Austrian Government International Loan of 1930, etc., which were floated and have to be serviced in a number of foreign markets.

"There may be new functions which have grown or will develop out of the Second World War and which the B.I.S. could usefully perform.

"For instance, all of the new reparations problems have not yet found a solution and it may yet prove desirable to assign some function in this connection to the B.I.S. It is true that the abandonment of the idea of purely financial reparations in favor of the transfer of physical assets hardly seems to call for the services of a financial institution of the B.I.S. type. On the other hand, the new type of reparation transfers has already broken down in Germany, and is also meeting with severe criticism on the part of those who favor maintaining a sound industrial economy in Germany. There is still a possibility, therefore, that the present system of reparations may give way to something more nearly resembling the World War I type of reparations, in which event the B.I.S. ought to be a useful intermediary.

"A second possibility would be for the B.I.S., with suitable changes in staff and organization, to serve as the European branch or agent of the World Fund and Bank.

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"The B.I.S. could very well serve as trustee for the international loans floated or made by the new World Bank. It would be not only simpler and more convenient, but politically less embarrassing, to have an international institution acting in this capacity than to designate private banks or individuals in specific countries.

"There would doubtless arise in the future other functions of a miscellaneous character which could best be performed by the B.I.S. In this category of operations by the B.I.S. in the past have been, for example, convoking the international committee of experts to consider the desirability of a postponement of Germany's reparation payments; annually appointing the members of the bankers' international standstill committee for Germany; handling the exchange of currencies (from francs into reichsmarks) after the Saar plebiscite; compiling and distributing texts and translations of the various countries' foreign exchange control regulations, and of their monetary, central banking and commercial banking legislation."

Conversations have recently been held between the B.I.S. and the International Bank for Reconstruction and Development on the subject of cooperation between the two institutions. As a result of the offer of assistance made by the B.I.S., the International Bank expressed its willingness to avail itself, from time to time as the occasion arises, of the information, experience, and facilities of the B.I.S. The extent and character of this assistance, however, have not been determined.

3. Present Control

Whether the B.I.S. will ultimately fit into the Bretton Woods set-up will obviously depend to a large extent on the policy that Western Europe, including Great Britain, may follow in this respect. Indeed, the B.I.S. is at present what it always has been - an essentially Western European institution. Although the B.I.S. business with the Federal Reserve Bank of New York and with the American market was of a substantial order, the greater part of the free resources of the bank being invested in dollars or in gold in the United States, the bank never had any occasion for active intervention in the Western Hemisphere.

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As to the participation of Japan in the B.I.S., it has been purely formal, the reason for the Japanese subscription to the B.I.S. capital being that at that time the Japanese Government was a partner in the 1930 agreements as a creditor of Germany.

The essentially Western European character of the B.I.S. is apparent from the present composition of the board of directors, from the distribution of voting powers and ownership of capital and from the geographical distribution of the B.I.S. assets and liabilities.

A. Board of Directors

At present there are eleven directors (including 4 alternates); and they are all citizens of Western European countries. The manner of their appointment, and their names, are shown in the following statement:

Board of Directors

1. Ex-Officio Directors:

<u>Representing the</u>	<u>Director</u>	<u>Alternate</u>
Bank of England	Lord Catto of Cairncatto	Cameron F. Cobbold
Bank of France	Emmanuel Monick	Jean Bolgert
Bank of Italy	Luigi Einaudi	P. Stoppani
National Bank of Belgium	Maurice Frere ^{1/}	Hubert Ansiaux

2. Appointed Directors:

<u>Appointed by the Governor of the</u>	<u>Director</u>
Bank of England	Sir Otto Niemeyer ^{2/}
Bank of France	Baron Brincard
Bank of France	Marquis de Vogue
Bank of Italy	Dr. Donato Menichella
National Bank of Belgium	Vacant

3. Elected Directors:

<u>Governor of the</u>	<u>Director</u>
Nederlandsche Bank	Dr. M. W. Holtrop
Sveriges Riksbank	Ivar Rooth
National Bank of Switzerland	Ernst Weber

^{1/} Chairman of the board of directors of the B.I.S.

^{2/} Vice-Chairman of the board of directors of the B.I.S.

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As the statement shows, there are three classes of directors (in accordance with Article 28 of the statutes):

1. Ex-Officio Directors: These are governors of the "founder" central banks, those of Belgium, France, Great Britain, and Italy being at present active directors.^{1/} The governors are entitled to appoint alternates to attend meetings of the board at which the governors themselves are unable to be present.

2. Appointed Directors: Each governor of the "founder" central banks may appoint a second director of his own nationality, chosen among persons representative of the finance, industry, or commerce of their country (France and Germany each had two directors of this class).

3. Elected Directors: Nine other directors may be elected by the board of directors from a group of nominees submitted by the governors of the participating central banks. In fact, however, there have always been only three elected directors -- the governors of the central banks of Holland, Sweden, and Switzerland -- who have regularly been re-elected at the expiration of their three-year terms.

After an interval of more than six years, the board of directors met on December 9, 1946, with the attendance of the governors of the central banks of Belgium, Holland, Sweden, Switzerland, and Italy, of the alternates for the governors of the Bank of England and the Bank of France, and of the appointed directors listed above, with the exception of the second Italian director. The very fact that the governors of the smaller central banks attended the meeting personally, even though those of the Bank of England and the Bank of France were represented by their alternates, may perhaps be indicative of the interest that the participating banks attach to the B.I.S. at the present time.

^{1/} The Federal Reserve System has, of course, never participated in the B.I.S. although two American directors, co-opted at the bank's opening, served until 1935; as to the Reichsbank and the Bank of Japan, their present status is undetermined (see below, page 17).

As to the German and the Japanese membership of the board, the B.I.S. has not listed since 1944 any directors of these nationalities; and it has inserted in the published list of directors the following statement: "With regard to the German and Japanese membership of the board, the legal consequences arising from the situation at the date of this report remain to be determined."

B. Voting Power and Present Ownership of Shares

The voting power and the present ownership of the shares of the B.I.S. are likewise vested primarily in Western European countries. No voting right is attached to the ownership of the shares, the right of representation and voting being exercised by the central banks of the countries in which the shares were subscribed. In the United States the First National Bank of New York has the right of voting as representative of the group of American banks.

The shares subscribed in each country have been either kept by the central bank or ceded to the public, as in the United States,^{1/} in France, and in Belgium. Transfers take place only with agreement of the central bank of the country of issue. The B.I.S. may decline or accept any transfer of shares and shall not transfer shares without the prior consent of the central bank of the country of issue.

The number of shares that the participating central banks are entitled to vote (which corresponds to the number of shares subscribed in each country) and the present ownership of the shares are given in Table V.

^{1/} The American tranche amounted to 19,770 shares. Of these, 16,000 shares were subscribed by 105 American banks, including J. P. Morgan and Company, New York; First National Bank of New York; and First National Bank of Chicago, which guaranteed the subscription of the whole tranche; the balance was subscribed by the latter and later resold. On January 31, 1947 the United States private shareholders held 3,494 shares.

TABLE V

PERCENTAGE DISTRIBUTION OF VOTING POWER AND
PRESENT OWNERSHIP OF SHARES

	<u>Voting Power</u>	<u>Present Distribution of Ownership</u>
1. Great Britain	9.9	11.1
2. Continental Western and Mediterranean Europe ^{1/}	41.7	47.6
3. Central and Eastern Europe ^{2/}	18.7	18.0
4. Enemy countries:		
Germany	9.9	10.9
Japan	9.9	9.9
5. United States	9.9	1.7
6. Balance (Present ownership unknown)	-	0.8
	<u>100.0</u>	<u>100.0</u>

1/ Including Belgium and Luxembourg, Denmark, France, Greece, Italy, Netherlands, Norway, Sweden, and Switzerland.

2/ Including Albania, Austria, Bulgaria, Czechoslovakia, Danzig, Estonia, Finland, Hungary, Latvia, Lithuania, Poland, Rumania, and Yugoslavia.

Over 50 per cent of the voting power and almost 60 per cent of the shares are held by Western Europe, including Great Britain.

The stake of the United States is second only to that of Western Europe since this country not only controls 9.9 per cent of the voting power (although it has never exercised it), but has of necessity to intervene in the B.I.S. in its capacity as the sole occupying power of Japan and as a participant in the occupation of Germany, the only other countries holding an important share of the voting power.

As to Central and Eastern Europe, as reflected in item 3 of Table V, the figures somewhat exaggerate its relative importance, on two counts: first, the position of the Baltic countries, which aggregate 0.5 per cent in both voting powers and present ownership of shares, remains to be settled, at least de jure, the B.I.S. having not recognized their annexation; and secondly, Danzig inflates

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the table figures by 2 per cent for voting powers and 1.2 per cent for present ownership, although the question of its voting rights likewise remains in abeyance.

C. Present Geographical Distribution of the B.I.S. Assets and Liabilities

Finally, the Western European character of the B.I.S. is apparent from the present geographical distribution of the B.I.S. assets and liabilities as given in Table VI.

TABLE VI

GEOGRAPHICAL DISTRIBUTION OF B.I.S. ASSETS AND LIABILITIES
ON FEBRUARY 28, 1947

(In millions of Swiss gold francs)

	<u>Assets</u>	<u>Liabilities other than capital and reserves</u>	<u>Balance</u>	<u>Capital and reserves</u>	<u>Net balance for each market</u>
I. United States	63.5	0.1	+ 63.4	4.1	- 59.3
II. Western Europe:					
Switzerland	61.8	0.4	+ 61.4	6.8	- 54.6
Belgium	36.7	9.4	+ 27.3	32.6	+ 5.3
United Kingdom	11.8	32.5	- 20.7	26.2	+ 46.9
France	14.5	83.7	- 69.2	24.0	+ 93.2
Netherlands	6.8	-	+ 6.8	6.5	- 0.3
Italy	-	26.7	- 26.7	23.4	+ 50.1
Rest of Western Europe	<u>0.1</u>	<u>2.1</u>	<u>- 2.0</u>	<u>14.1</u>	<u>+ 16.1</u>
Total	131.7	154.8	- 23.1	133.6	+ 156.7
III. Central and Eastern Europe except Germany	7.2	21.4	- 14.2	47.3	+ 61.5
IV. Germany	291.3	76.3	+ 215.0	25.7	- 189.3
V. Japan	-	1.5	- 1.5	23.4	+ 24.9
VI. All other	<u>0.2</u>	<u>3.8</u>	<u>- 3.6</u>	<u>1.9</u>	<u>+ 5.5</u>
Grand Total	493.9	257.9	+ 236.0	236.0	-

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The following conclusions emerge from the table:

1. Of the B.I.S. assets other than investments in Germany, 132 million Swiss gold francs are held in Western Europe, mostly in Switzerland and Belgium, and 63 million in the United States (in deposit with the Federal Reserve Bank of New York and with other American banks). One third of the B.I.S. assets other than those tied up in Germany are thus held in the United States and two thirds in Western Europe. The part held in Central and Eastern Europe other than Germany is insignificant.

2. Of the B.I.S. resources other than capital and reserves, 155 million originate in Western Europe, consisting predominantly of government deposits under the Hague Agreements. There are practically no American deposits.

Federal Reserve Bank of New York
Foreign Research Division
M. A. Kriz

June 11, 1947.

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INTERNAL CORRESPONDENCE

DATE April 4, 1947.

TO Mr. Sprong SUBJECT: Bank for International Settlements
FROM E. L. Sanford (for visit of Messrs. Frere and Auboin)
(Copies to Mr. Rouse and Mr. Knoke)

In response to your request for a summary of matters to be discussed here and in Washington by Messrs. Frere and Auboin, I asked Mr. Athern to prepare the attached memorandum, which I have examined in draft form and made certain suggestions with respect thereto.

Mention should be made of the fact that on April 15, 1946 we filed with the Office of Alien Property Custodian reports, pursuant to General Order No. 434 of the Alien Property Custodian, with respect to property or interests as of December 31, 1945 of

the Bank for International Settlements. Such reports covered all dollar, security and gold holdings of the Bank for International Settlements with the Federal Reserve Bank of New York. The purpose of the reports which were required by the Office of the Alien Property Custodian was to record property in which Germany or Japan or nationals thereof have or may have interests.

Another matter which should be mentioned at this time is that, in connection with a revision of our gold license NY-15-1 now under discussion with the Treasury, it is proposing a separate license for the Bank for International Settlements, licensing us to hold the gold which we now have under earmark for the Bank for International Settlements, but stating that only upon specific authorization by the Secretary of the Treasury are we licensed to

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INTERNAL CORRESPONDENCE

DATE April 4, 1947

TO

Mr. Sproul

SUBJECT: Bank for International Settlements
(for visit of Messrs. Frere and Auboin)

FROM

H. L. Sanford

2.

transport, melt and treat, export, or transfer the earmark of the gold now held by us. On the other hand, the new gold license under which the gold held for all other foreign accounts would be covered would permit transfers from one earmarked account on our books to another, and also other gold transactions, without further authorization.

H. L. S.

Att:

HLS:EC

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DATE February 28, 1947.

TO Mr. Cowan

SUBJECT: Present Status of the B.I.S.

FROM M. A. Kris

Copies to Messrs. Knoke (Roelse), Sanford (Lang, O'Flaherty, and Webber), and Moore (Rozall).

Pursuant to your request I am sending you two statements, showing the present composition of the board of directors of the B.I.S., and the subscription and ownership of its capital.

Pending the circulation of a study on the "Policies and Operations of the Bank for International Settlements, 1939-1946", which I am now completing, I should like to point out the following by way of comment on the two statements:

1. Composition of the Board of Directors

As Statement 1 shows, there are at present 11 directors and 4 alternates, all citizens of Western European countries. After an interval of more than six years the board of directors met on December 9, 1946, with the attendance of the governors of the central banks of Belgium, Holland, Sweden, Switzerland, and Italy, of the alternates for the governors of the Bank of England and the Bank of France, and of the appointed directors listed under 2 in Statement 1 with the exception of the second Italian director.^{1/}

^{1/} There are three categories of directors (in accordance with Article 28 of the statutes):

1. Ex-officio directors: These are governors of the "founder" central banks, of which only those of Belgium, France, Great Britain, and Italy are at present active directors. The United States has, of course, never participated officially, but in the first few years of the B.I.S. two American directors were coopted; as to German and Japanese membership, see below. The governors are entitled to appoint alternates to attend meetings of the board if they themselves are unable to be present.

2. Appointed directors: Each governor of the "founder" central banks may appoint a second director of his own nationality, chosen among persons representative of finance, industry, or commerce of his country (France and Germany have had two directors of this class).

3. Elected directors: Nine other directors may be elected by the board of directors from a group of nominees submitted by the governors of the participating central banks.

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OFFICE CORRESPONDENCE

DATE _____

TO _____

SUBJECT _____

FROM _____

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As to the German and the Japanese membership of the board, the B.I.S. has not listed since 1944 any directors of these nationalities; and it has inserted in the published list of directors the following statement which presumably reflects its point of view: "With regard to the German and Japanese membership of the board, the legal consequences arising from the situation at the date of this report remain to be determined."

2. Subscription and Ownership of Shares of the B.I.S.

Statement 2, which is arranged in accordance with the present status of the respective countries under our Foreign Funds Control, shows the distribution by countries of the original subscriptions to the shares of the B.I.S. (first column) and of their present ownership (as estimated in accordance with the information available to us).^{1/}

Since all shares are voting shares and since the power to vote them is retained by the central bank of the country in which the shares were originally issued (Article 15 of the Statutes), column one of the table shows also the distribution of the voting powers.

The statement itself is self-explanatory except with regard to two rather minor points: The shares originally subscribed and held at present by

^{1/} While the information on ownership dates from 1940 or earlier, it is believed to be approximately accurate since it is unlikely that there have been any substantial transfers of shares between countries since 1940, and such transfers were not frequent even before that time. A residual (item VII), showing the ownership at present unknown to us, is given at the bottom of the statement.

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OFFICE CORRESPONDENCE

DATE _____

SUBJECT _____

FROM _____

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Danzig are given as a separate item under V because, from the point of view of the Foreign Funds Control regulations, the status of Danzig and of Poland, of which Danzig is now a part, are not identical. A complex legal situation has obviously arisen, since the Bank of Danzig was never legally dissolved by the German authorities after the occupation of the Free City of Danzig, and since, of course, Poland has in no way re-established the prewar regime of Danzig.

As to the Baltic States (Estonia, Latvia, and Lithuania) which are now part of Russia, the B.I.S., in pursuance of its neutrality policy, has never recognized the annexation of these countries by Russia in 1940, their re-establishment under Germany's aegis from 1941 to 1944, or their subsequent reoccupation by the Soviet Union in 1945.

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Statement 1

Composition of the Board of Directors as of December 1946

1. Ex-officio directors:

<u>Central Bank</u>	<u>Director</u>	<u>Alternate</u>
Bank of England	Lord Catto of Cairncatto	Cameron F. Cobbold
Bank of France	Emmanuel Monick	Jean Bolgert
Bank of Italy	Luigi Einaudi	P. Stoppani
National Bank of Belgium	Maurice Frere	Hubert Ansiaux

2. Appointed Directors:

<u>Appointed by the Governor of</u>	<u>Director</u>
Bank of England	Sir Otto Niemeyer
Bank of France	Baron Brincard*
Bank of Italy	Marquis de Vogues*
National Bank of Belgium	Dr. Donato Menichella
	Vacant

3. Elected Directors:

<u>Governor of</u>	<u>Director</u>
Nederlandsche Bank	Dr. M. W. Holtrop
Sveriges Riksbank	Ivar Rooth
National Bank of Switzerland	Ernst Weber

* Appointed directors at the inception of the B.I.S. in 1930.

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Subscription and Ownership of Shares of the R.I.B.
By groups of countries in accordance with
the present status of Foreign Funds Control

<u>Country</u>	<u>No. of Shares Originally Subscribed</u>	<u>Per Cent of Total</u>	<u>No. of Shares Now Owned (Estimated)</u>	<u>Per Cent of Total</u>
I. Enemy Countries:				
Germany	19,772	9.9	19,802	9.9
Japan	19,770	9.9	19,770	9.9
Total	39,542	19.8	39,572	19.8
II. Blocked Countries:				
Sweden	4,000	2.0	4,000	2.0
III. Generally Licensed Countries: - No certification procedure established for old assets				
A. Former Enemy Countries:				
Bulgaria	4,000	2.0	4,000	2.0
Hungary	4,000	2.0	4,000	2.0
Italy	19,772	9.9	19,911	10.0
Rumania	4,000	2.0	4,000	2.0
Total	31,772	15.9	31,911	16.0
B. Other Countries:				
Estonia	100	.1	100	.1
Latvia	500	.2	500	.2
Lithuania	500	.2	500	.2
Yugoslavia	4,000	2.0	4,000	2.0
Total	5,100	2.5	5,100	2.5
Total A, and B	36,872	18.4	37,011	18.5
IV. Generally Licensed Countries: Certification procedure established for old assets				
Austria	4,000	2.0	4,000	2.0
Belgium and Luxembourg	19,772	9.9	27,987	14.0
Czechoslovakia	4,000	2.0	4,000	2.0
Denmark	4,000	2.0	4,000	2.0
Finland	4,000	2.0	5,000	2.5
France	19,772	9.9	19,569	9.8
Greece	4,000	2.0	4,000	2.0
Netherlands	4,000	2.0	5,500	2.8
Norway	4,000	2.0	4,000	2.0
Poland	4,000	2.0	4,000	2.0
Switzerland	4,000	2.0	5,488	2.8
Total	75,544	37.8	87,544	43.9

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<u>Country</u>	<u>No. of Shares Originally Subscribed</u>	<u>Per Cent of Total</u>	<u>No. of Shares Now Owned (Estimated)</u>	<u>Per Cent of Total</u>
V. Completely Unblocked Countries:				
Albania	500	.2	500	.2
Danzig	<u>1,000</u>	<u>2.0</u>	<u>2,458</u>	<u>1.2</u>
Total	4,500	2.2	2,958	1.4
VI. United States and United Kingdom:				
United States	19,770	9.9	2,839	1.4
United Kingdom	<u>17,772</u>	<u>9.9</u>	<u>20,072</u>	<u>10.0</u>
Total	39,542	19.8	22,911	11.4
VII. Balance (Present ownership unknown)				
	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>3.0</u>
GRAND TOTAL	200,000	100.0	200,000	100.0

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OFFICE CORRESPONDENCE

DATE February 14, 1947.

TO Mr. Sproul

SUBJECT: Governor Frere's Letter of

FROM O. Ernest Moore

January 13. - B.I.S. Unblocking.

Copies to Messrs. Knoke and Roelse.

X 260.2

Attached is a draft of a reply to Governor Frere's letter to you of January 13. I have had to delay this draft until I could find an opportunity to look into the highly complicated freezing regulations which affect the B. I. S., and in the constant stream of other rush matters it has been difficult to do this. However, I have just learned from Mr. Norman Davis of a development which simplifies, and in fact solves, the whole problem.

He informs me, after talking with a Treasury official, that a set of amendments to various freezing regulations has recently been worked out, and is expected to be issued within two or three weeks, which will automatically

entitle the B. I. S. to open a free dollar account for new funds and transactions, while its existing dollar assets (and the income therefrom) will continue to be blocked. This is certainly a logical development, confirming the opinion which I had already formed that there should be no real difficulty in arranging for such a free account, similar to what has already been done in some other cases.

The interest in and degree of control of the B. I. S. by former enemy countries or their nationals was fully treated in a memorandum which I wrote on April 10, 1946, since when there has been little change. A copy of that memorandum is attached. Such supplementary information as has since become available to us will be presented in a few days by Mr. Kriz in the form of two memoranda which he is writing (one of them based on the confidential B. I. S. report on its wartime activities, recently received from Mr. McKittrick, the other being a revision of a 1940 memorandum written by me on the enemy interest in and control of the B. I. S.).

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February 14, 1947.

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

Dear Mr. Frere:

I regret that a heavy pressure of other matters has somewhat delayed this reply to your letter of January 13, from which I was pleased to learn of your and Mr. Auboin's forthcoming visit to the States.

It is certainly understandable that you should wish to discuss with the Washington authorities the question of when and how

the B. I. S. assets held in this country can be released, now that the war is so far in back of us and so much progress has been made in the freeing of other dollar assets which were blocked during the war. Your suggestion of a free dollar account seems to me a reasonable one which might well receive serious consideration in Washington, pending the ultimate release of existing B. I. S. dollar assets. These are, I hasten to add, only my personal views, and it remains to be seen just how much can be accomplished along these lines, but there seems to be ground for hoping that some sort of solution could be worked out.

Looking forward to seeing you and Mr. Auboin some time next month, I am, with kindest regards,

Sincerely yours,

Allan Sproul,
President.

OEH:AMC *U*

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RESEARCH MEMORANDUM

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To Mr. Knoke
From M. A. Kriz, Foreign Research Div.

Date - February 6, 1947.
Subject Resumption of the Meetings
of the Board of Directors of the
Bank for International Settlements

Copies To Messrs: Spradl, Rounds, Williams, Roslase, House, Sanford, Overby,
Moore, Lang, Rosell, O'Flaherty, Bloomfield, Garvy, and
Febber, and Miss Burnett.

The board of directors of the Bank for International Settlements met on December 9, 1946 after an interval of more than six years. This is an event of some interest to us for the following reasons:

1. The meetings of the board of directors of the B.I.S. are being regularly resumed, the next one being scheduled for this month.
2. The last meeting was attended by the Governors of the central banks of Belgium, Holland, Sweden, Switzerland, and Italy, by the alternates for the Governors of the Bank of England and the Bank of France.
3. The meeting was presided over by Governor Frere, who succeeded Governor Weber on July 1, 1946 as chairman of the board of directors.
4. As to the agenda of the meeting and the resolutions adopted, only the following rather fragmentary information is in my possession:
 - a. The board of directors, by a unanimous vote, approved Mr. Thomas H. McKittrick's conduct of the bank during the war years. Mr. McKittrick, who resigned on June 30, 1946 as president of the B.I.S., had been in Basel last December before the meeting of the board of directors to help draft a

1/ Those present at the December meeting were the following: Mr. Maurice Frere, Governor of the Bank of Belgium; Dr. M. W. Holtrop, Governor of the Bank of Holland; Mr. Ivar Rooth, Governor of the National Bank of Sweden; Senator L. Einaudi, Governor of the Bank of Italy; Mr. E. Weber, Governor of the National Bank of Switzerland; Sir Otto Mameyer, alternate for the Governor of the Bank of England. Others present were: Mr. Grafty Smith, Chief of the Exchange Department of the Bank of England; Mr. Jean Bolgert, alternate for the Governor, and Chief of the Exchange Department, of the Bank of France; Mr. Hubert Ansiaux, of the Bank of Belgium; Professor P. Stoppani, of the Bank of Italy; Baron Brignard, of the Bank of France; Marquis de Vogue, of the Bank of Italy.

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lengthy report on the B.I.S. operations during the war years. However, he was not present at the meeting. A telegram of congratulations was transmitted to him by Governor Frere while he was on the high seas en route to the United States.

b. The report referred to above is said to consist of two parts, the first section being devoted to the bank's operations on reparations account following the First World War, the second dealing with the bank's commercial operations in connection with the financing of international trade.

c. The B.I.S. granted a short-term commercial credit accommodation of 2 million Swiss francs to the Bank of Finland.

The resumption of the meetings of the board of directors of the B.I.S. has been suspended since the resumption of hostilities. I will, therefore, submit to you in the near future a comprehensive study which will enable you to find answers to the many questions which arose in our minds during the war regarding the attitude and the policies of the B.I.S.

WAK:DJK

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OFFICE CORRESPONDENCE

DATE January 8, 1947

TO Mr. Knoka
FROM M. A. Kriz

SUBJECT The Soviet Union and the Bank
for International Settlements

Copies to Messrs. Roelse, Sanford (Lang, O'Flaherty, and Webber), Overby, and Moore (Rozell).

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

A restricted report from the American consulate general in Basel, Switzerland, to the State Department, a copy of which we received recently, contains information of some interest as to the attitude of the Soviet Union vis-a-vis the Bank for International Settlements. Briefly, it states that:

1. The U.S.S.R. is taking an increased interest in the B.I.S. The reasons for the Soviet attitude are:

"The Soviet Union or some member of that Federal State have their possession the shares of the Bank for International Settlements previously held by the central banks of Estonia, Latvia, Lithuania, and "perhaps also those owned by the Reichsbank."

B. The Bank for International Settlements' gold reserves and its investments in Germany will become "in the near future" a subject of deliberations between the "Big Four," so that the U.S.S.R. has cause to concern itself with the problem of the B.I.S.

C. The "various accusations" against the Bank for International Settlements, including those by "the nationals of the U.S.S.R.", as to its wartime attitudes and policies "seem to have vanished." In this connection, the following extract from the report is of particular interest:

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OFFICE CORRESPONDENCE

DATE _____

TO _____ SUBJECT _____

FROM _____ - 2 -

"Here in Basel the record of that Bank under its American President and staff was generally known in banking circles, also that every important officer of that institution was intent on international work and cooperation, including the German Government's representative here during the war, the late Mr. Paul Hechler. The latter was often sent to Berlin where he fought President McKittrick's battles to a successful conclusion. This was well known to the initiated here. In any case, when those interested were able to inform their governments of the facts, the various accusations against the Bank would seem to have vanished. Among these may be included the nationals of the U.S.S.R. The latter, it appears, always showed great interest in the Bank's activities and seemed willing to accept the statements which were made."

The following conclusion of the American consul general may also be quoted in full:

In any case, it would appear that exploratory work has been for some time underway with a view to lining up eventually Moscow solidly for the World Bank, through the Bank for International Settlements. It is argued here that if it will prove useful to retain a reorganized Bank for International Settlements at Basel as a contact for various Bretton Woods institutions in Europe, then there is also every reason to strengthen that Bank."

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NON-RECORD REE MATERIALS
BOX 1 BINDER 1

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BANQUE DES RELEMENTS INTERNATIONAUX
(Bank for International Settlements)

General Manager

Basle, November 22, 1946.

Mr. Maurice Proro,
Governor of the Banque Nationale de Belgique,
Brussels.

Dear Sir:

I prepared this week the supplement to the Report of the management to the Board of Directors covering the period from October 1, 1945 to November 30, 1946.

In referring to the main Report (dated October 1, 1945), of which we sent a copy to McKittrick at the Chase in London, as we had agreed, it has occurred to me that you might remind McKittrick that this report could be of great assistance to us in giving Washington a fair idea of our activities during the war.

In particular, the figures mentioned in paragraphs 12 and 20 concerning the European gold placed in safety by the Bank in the United States at the outbreak of the war, either for its own account or for the account of countries which were neutral, and which were inventoried subsequently, are truly of very great interest: 21,000 kilograms for the central banks and 16,500 kilograms for the Bank's own account from September 1, 1939 to March 31, 1940, 10,000 kilograms for its own account and more than 10,000 kilograms for the central banks during the subsequent months of 1940. Similarly, in paragraph 24, the transfer in dollars to the United States of all the deposits of the Banque Nationale de Yugoslavia on the very day of the German invasion.

As it is very unlikely that Mr. Eugene Meyer will read the entire report, I believe that if McKittrick would be so good as to show him these passages or remind him that we safeguarded in full all the Czechoslovakian gold in existence at the outbreak of the war and all the gold of the Baltic countries, for the purpose of delivering to the rightful owners when the borders have been definitely determined, this might induce Mr. Eugene Meyer to have our report studied by one of his personal assistants and might give him an exact idea of the part played by us during the war.

On the other hand, do you not believe that it might be advisable that at the time deemed proper this report be brought in an appropriate form to the knowledge of the Federal, although it is not represented at the present time on our Board of Directors?

These thoughts occurred to me after your departure, but I wanted to submit them to you before you see McKittrick again in Brussels. At any rate I am having a second copy of the Report in English sent to McKittrick in London.

Faithfully yours,

(Sgn) R. Auboin

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7/26/99 - FRB-NY NAZISSETS
NON-RECORD REE MATRICIALS
BOX 1 BINDER 1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 8, 1946.

Mr. Knoke

SUBJECT Liquidation of the Bank for

Mr. O. Ernest Moore

International Settlements.

I am in basic agreement with your memorandum of September 30 to the Files, outlining the remarks which you made to Secretary Snyder concerning early liquidation of the B. I. S. The only comments that occur to me are the following:

(1) In your paragraph numbered 3, "highest level" is possibly too eulogistic. I think it would be truer to say that the B. I. S.' information service is at a high level. Back in the early thirties, the B. I. S. had more economists, better coverage, and perhaps more intimate contacts with

those responsible for the problem in various countries.
(2) In the next sentence, I would have preferred to say "Europe" instead of the "world," since the B. I. S. had never been able to do much in or with Latin America, and has been largely restricted since the beginning to Europe, Japan, and the United States (and mainly to the fact that its statutes limited its activities to gold standard countries).

(3) Under your "5" or possibly "6", I would have preferred to include some reference to the spirit in which liquidation is to take place. The Bretton Woods resolution was certainly in the wrong spirit. I cannot understand why every new organ of international collaboration has to start out by casting slurs upon its predecessor, which it seems to me belittles the new organization and the whole undertaking of international cooperation. It is not the predecessor organizations which deserve censure but the governments and the peoples who have failed to support those organizations. The proper way to proceed, if the B. I. S. has to be liquidated, is to do so in active contact and cooperation with the B. I. S.

self.

W. M. C. *Wm*

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NON-RECORD REC MATERIALS
BOX 1 BINDER 1

FEDERAL RESERVE BANK
OF NEW YORK

INTERNAL CORRESPONDENCE

DATE September 30, 1946

TO FILES
FROM L. W. KNOKE

SUBJECT: LIQUIDATION OF THE BANK FOR
INTERNATIONAL SETTLEMENTS

Secretary Snyder had asked me, through Mr. Overby, to see him and inform him how I felt about the early liquidation of the Bank for International Settlements. In my conversation today, I advised him as follows:

1. The ultimate fate of B.I.S. had pretty well been determined by Bretton Woods legislation. It would seem difficult for B.I.S. long to survive the bitter assaults made upon it at Bretton Woods.
2. Accordingly, liquidation was merely a question of time.
3. The Bank's operations were today at low ebb. The information service, however, remained at its highest level. Its ability to keep itself informed about political and economic conditions in the various countries of the world, including Eastern Europe, was unquestioned. At this time and for some time to come, B.I.S. naturally would continue better equipped for this task than the Fund or the Bank.
4. The Bretton Woods resolution only recommended liquidation at the earliest possible moment.
5. This moment, it seemed to me, had hardly arrived yet. Wisdom would seem to dictate that (a) the best use be made of B.I.S. during the earlier stages of building up the Bank and Fund; (b) one await the development of Bank and Fund before finally doing away with B.I.S.
6. These arguments were doubly valid (a) in the absence of need for haste; (b) in view of the fact that insistence on early

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NON-REWARD REE MATERIALS
BOX 1 BINDER 1

FEDERAL RESERVE BANK
OF NEW YORK

INTERNAL CORRESPONDENCE

DATE September 30, 1946

FILES

SUBJECT:

L. W. KNOKE

-2-

liquidation might prove a source of friction with other governments holding to a different belief. This would not be worth the candle.

7. I would say nothing of the technical aspect of early liquidation which was complicated and might render early action difficult if other countries elected to insist on the literal interpretation of the B.I.S. statutes.

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NON-RECORD REF MATERIALS
BOX 1 BINDER 1

OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1946.

TO Mr. Overby

SUBJECT Liquidation of the B. I. S.

FROM O. Ernest Moore

Copies to Messrs. Knoke and Roelse.

CONFIDENTIAL

Referring to your inquiry through Mr. Knoke, I am outlining below what seem to me the most important pros and cons on the question of whether the B. I. S. should be liquidated in the near future:

The Pros

1. At the Bretton Woods Monetary and Financial Conference of July 1944 the following resolution was adopted: "The United Nations Monetary and Financial Conference recommends the liquidation of the Bank for International Settlements at the earliest possible moment." The Bretton Woods Conference was a conference of official representatives of 44 governments, the same governments, in the main, as now constitute the membership of the World Fund and Bank to which the solution of international monetary and financial problems has been entrusted. It is incumbent upon our government, as the one which called the Bretton Woods Conference and dominated its sessions, to see that this resolution is faithfully carried out.

2. The B. I. S. was under Axis control during most of the war period, since the Axis occupied the territories and dominated the governments and central banks of countries owning perhaps as much as 80 per cent of the B. I. S.'s capital stock. It has been charged and it is widely believed that the B. I. S. followed a pro-Axis policy during the war. Even before the outbreak of war it adopted a pro-Axis attitude by surrendering to Germany the gold which Czechoslovakia held under earmark with the B. I. S. With the defeat of the Axis, it is logical that the B. I. S. should suffer the conse-

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NON-RECORD REE MATERIALS
BOX 1 BINDER 1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1946.

TO Mr. Overby

SUBJECT Liquidation of the B. I. S.

FROM

O. Ernest Moore

-2-

quences of its pro-Axis actions and policies.

3. The B. I. S. was founded on mistaken principles which have since been thoroughly discredited: the maintenance of the gold standard, and the independence of central banks from government influence. It would be a profound error to continue an institution which endeavored to put such principles into practice.

4. The B. I. S.'s functions with respect to world monetary stabilization and organization can be performed as well or better in the future by the World Fund and Bank, while, on the other hand, the B. I. S.'s functions with respect to reparations and interallied debts growing out of the First World War have long since expired and cannot be revived. There is, therefore, no further need for the B. I. S.

5. If the B. I. S. were to be continued as a going concern, its policies and operations would be sure to conflict at some points with those of the World Fund and Bank, which would thus be hindered in the successful execution of the difficult tasks they have to perform. Continuance of the B. I. S. might even induce some countries which would otherwise join the Fund and Bank to stay out and follow policies of which the Fund and Bank would not approve.

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NON-RECORD REE MATERIALS
BOX 1 BINDER 1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1946.

TO Mr. Overby

SUBJECT Liquidation of the B. I. S.

FROM

O. Ernest Moore

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The Cons

1. The Bretton Woods resolution on the liquidation of the B. I. S. is not mandatory. It is merely a recommendation to the respective governments, adopted at a conference the decisions of which, in President Roosevelt's words, were not to be binding "either morally or legally on the Governments represented, but will be referred to the respective Governments for adoption or rejection." At the last prewar international financial conference (the London Monetary and Economic Conference of 1933), which was called by the American and British Governments and attended by 64 governments, two of the resolutions which were unanimously adopted contained the following with respect to the

B. I. S.:

"The Conference wishes to reaffirm the declarations of previous conferences with regard to the great utility of close and continuous co-operation between Central Banks. The Bank for International Settlements should play an increasingly important part not only by improving contact but also as an instrument for common action."

* * *

"With a view to arriving at an agreed interpretation of the data revealing the tendency of developments in general and in activity, and an agreed policy, Central Banks should consult together continuously, each Central Bank in case of difference of opinion, acting on its own judgment of the situation. The Bank for International Settlements constitutes an essential agency for Central Bank action designed to harmonise conflicting views and for joint consultation. This instrument should continue to be employed, as far as possible, for the realisation of the principles set forth in the present note. It should continuously examine the application of the principles of the working of the gold standard and study such modifications thereof as experience may prove desirable."

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 NON-RECORD REE MATERIALS
 BOX 1 BINDER 1

MISC IN 10-11-46

FEDERAL RESERVE BANK
 OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1946.

TO Mr. Overby

SUBJECT Liquidation of the B. I. S.

FROM O. Ernest Moore

2. The fact that the B. I. S. had a Swiss citizen as Chairman and an American as President during the war would normally suggest that it was following a neutral or even pro-Ally policy rather than a pro-Axis one.

In its annual reports and public statements, the B. I. S. claims that it has been strictly neutral throughout the war. The annual report for the year ended March 31, 1940, contained the following statements:

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

The rules thus laid down were that the bank would abstain: (1) from any transaction which would have the result of carrying out directly or indirectly for the account of the central bank or other institution of a belligerent country a financial operation on the market or in the currency of another country with which the former was in a state of war; (2) from disposing of its assets on the market of a belligerent country for the purpose of making or facilitating any payment to or on behalf of another country with which the former was at war; (3) from holding in its own name for the account of the central bank or other institution of a belligerent country gold under earmark or against assets on the market of another country with which the former country was at war.

In the 1940-41 report, the bank's neutral policies were reiterated:

"The Bank has adhered to the principles of scrupulous neutrality which it laid down for itself in the autumn of 1939, confining its activities strictly to transactions whereby no question can possibly arise of

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NON-RECORD RE-MATERIALS
BOX 1 BINDER 1

FORM NO. 1-5000-0-21

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1946.

TO Mr. Overby

SUBJECT Liquidation of the B. I. S.

FROM O. Ernest Moore

conferring economic or financial advantages on any belligerent nation to the detriment of any other. Moreover, no operations are carried out which might directly or indirectly run counter to the monetary policy of the central bank in the country concerned or in practice constitute a circumvention of the legal provisions governing the disposal of the currency of that country. When the Bank has been faced with opposing claims to the same assets, it has been careful to examine the legal questions involved, having obtained, in some instances, legal opinions from independent experts, and in case of doubt it has adopted a course of action designed to protect the various interests involved."

Similar language is contained in subsequent reports.

The movements in the B. I. S.'s published balance sheets and in its profit statements do not indicate that it carried on business of any consequence during the war. The Bank's 1941-42 report states: "The extension of the area of the war and the intensification of financial and economic warfare (not least in the United States) have led to a further decline in the volume of the Bank's operations, the total turnover being, in fact, less than one-half of the figure reached in the previous financial year." The 1942-43 report mentions a further decline by one-third in the total turnover, the 1943-44 report says that the turnover declined in that year by nearly another third, and the 1944-45 report speaks of a "further decline." Instead of building up its investments in or claims on Germany, the B. I. S. reduced the value of its German assets during the war by applying in reduction thereof the dividends payable on B. I. S. shares owned by Germany. The bank also arranged with Germany to pay to it in gold the interest earned on its German investments.

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7/26/99- FRB-NY NAZI ASSETS
NON-REWARD REF MATERIALS
BOX 1 BINDER 1

FEDERAL RESERVE
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1946.

TO Mr. Overby

SUBJECT Liquidation of the B. I. S.

FROM O. Ernest Moore

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According to our information, the B. I. S. surrender of the Czech gold was made in obedience to properly authenticated instructions of the owner of the gold, the National Bank of Czechoslovakia, and only after the B. I. S. had consulted with the British and French authorities as to whether there were legal grounds (such as an existing or prospective state of war) for refusing to comply with the order and had been told there were none. As the gold (for the most part, at least) was physically located in London at the time, the British Government could itself have prevented the delivery of the gold had it so wished, but it did not.

The fact that the majority of B. I. S. shares were owned by the central banks and residents of Axis and Axis-occupied countries during most of the war does not necessarily mean that the votes corresponding to those shares could be controlled by the Axis. In the first place, B. I. S. shareholders' meetings during the war were confined to the most routine matters, such as approving the annual accounts and the auditors' report and relieving the directors of responsibility for the year's operations. Secondly, voting was almost entirely by proxies placed in the hands of the bank's president or chairman. Moreover, in the case of countries such as Norway and Poland, for which there was an Axis-occupied institution within the country and a refugee institution outside the country, both claiming to be the central bank, the B. I. S. did not choose between the two, according to our information, but communicated information and official documents about shareholders' meetings to both, a procedure which is said to have created no special complications. The right to vote B. I. S. shares is exercised in all cases by the central

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7/26/99 - FRB-NY NAZI ASSETS
NON-DEMAND REC MATERIALS
BOX 1 BINDER 1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1946.

TO Mr. Overby

SUBJECT Liquidation of the B. I. S.

FROM

O. Ernest Moore

-7-

bank of the country in which the respective shares were originally subscribed; this is true also in countries where some or all of the shares are owned by private investors. Thus, whatever number of shares originally subscribed in other countries the Nazi authorities or banks might acquire, they could never vote directly more than the 27,772 shares originally issued in Germany, Austria, and Danzig, representing less than 14 per cent of the total of B. I. S. shares. An additional 20,272 shares (about 10 per cent of the total) could be voted directly by Italy, representing the Italian and Albanian tranches.

maintain its neutrality is correct, it would be unjust for the Allied Governments to carry out the curt and peremptory recommendation adopted at the Bretton Woods conference. Unless the American Government is in possession of incontrovertible evidence of the B. I. S.'s guilt, fairness would seem to demand that the B. I. S. should not be required to liquidate without a hearing of some sort. The charter and statutes of the B. I. S., as well as the convention which it signed with the Swiss Government and the trust agreement which it entered into with the governments which were reparation creditors, contained detailed provisions for the settlement of disputes between the B. I. S. and any interested central bank or government, though only with respect to the interpretation or application of the charter, statutes, convention, trust agreement, and New Plan (i.e., the final version of the Young Plan as amended at the Hague). These provisions might, however, be examined with a view to determining whether they could be used in the present instance. Another possibility would be to refer the charges against the B. I. S. to the

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7/26/99 - FRB-NY NAZISSETS
NON-REWARD REC MATERIALS
BOX 1 BINDER 1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1946.

By Dvorby

SUBJECT Liquidation of the B. I. S.

O. Ernest Moore

-8-

International Court of Justice of the United Nations. Under the United Nations Charter, any organ or specialized agency of the United Nations is entitled to ask the Court for an advisory opinion "on legal questions arising within the scope of their activities."

3. However mistaken the principles upon which the B. I. S. was founded may have been, those were the principles which were universally recognized at the time as the soundest ones, as evidenced by the governments' own actions in supporting and ratifying the agreements setting up the B. I. S. and in granting it the various special immunities which it enjoys. If the opinion of governments and central banks as to the validity of the B. I. S.'s monetary principles has changed, there is nothing to prevent suitable amendments to the statutes of the B. I. S. Had it not been for the political and economic uncertainties which prevailed from 1931 to 1939 and for the ensuing world war, it seems obvious that the B. I. S. itself would have taken the necessary steps to amend the basic principles of its statutes.

4. The B. I. S. has performed and can continue to perform the following useful functions which the World Fund and Bank are not in position to undertake:

- (a) Acting as agency and intermediary for technical collaboration between central banks, as for example in the coordination of credit policies, the standardization of gold handling terms and policies, foreign exchange operations, etc. The B. I. S. would, as before the war, use as the principal channels of its action the monthly, annual and special meetings of central bank officers, and the organized exchange of data and documentation.

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7/26/99 - FRB-NY NAZI ASSETS
NON-REWARD RE-MATERIALS
BOX 1 BINDER 1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1946.

TO Mr. Overby

SUBJECT Liquidation of the B. I. S.

FROM

O. Ernest Moore

-9-

(b) Acting as depository for the foreign exchange holdings of various central banks and managing the investment of such holdings in various foreign markets in such a way as to facilitate (and not hamper) the credit policies of the central banks in whose markets the investments are made.

(c) Holding gold under earmark for central banks which prefer to entrust their holdings of earmarked gold to an international institution enjoying immunities from seizure, expropriation, embargo, etc., and facilitating swaps and clearing operations between gold-earmarking accounts.

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(d) Accepting from central banks and others gold-weight accounts, i.e., accounts denominated and repayable in the form of physical gold, and making transfers between such accounts at the depositors' request.

(e) Acting as depository and clearing agent for the International Postal Union in the settlement of postal telegraph and telephone balances due from one nation to another.

(f) Acting as depository for various international organizations, such as the International Labor Office and the Red Cross, which have receipts and disbursements in a variety of currencies.

(g) Acting as trustee or fiscal agent for international loans such as the Dawes and Young Loans, the Austrian Government International Loan of 1930, etc., which were floated and have been serviced in a number of foreign markets.

5. There may be new functions which have grown or will develop out of the Second World War and which the B. I. S. could usefully perform.

For instance, all of the new reparations problems have not yet found a solution and it may yet prove desirable to assign some function in this connection to the B. I. S. It is true that the abandonment of the idea of purely financial reparations in favor of the transfer of physical assets hardly seems to call for the services of a financial institution of the

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7/26/99 - FRB-NY NAZI ASSETS
NON-REWARD REE MATERIALS
BOX 1 BINDER 1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1946.

Mr. Overby

SUBJECT Liquidation of the B. I. S.

FROM

O. Ernest Moore

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B. I. S. type. On the other hand, the new type of reparation transfers has already broken down in Germany, and is also meeting with severe criticism on the part of those who favor maintaining a sound industrial economy in Germany. There is still a possibility, therefore, that the present system of reparations may give way to something more nearly resembling the World War I type of reparations, in which event the B. I. S. ought to be a useful intermediary.

A second possibility would be for the B. I. S., with suitable changes in staff and organization, to serve as the European branch or agent of the World Fund and Bank.

The B. I. S. could very well serve as trustee for the international loans floated or made by the new World Bank. It would be not only simpler and more convenient, but politically less embarrassing, to have an international institution acting in this capacity than to designate private banks or individuals in specific countries.

There would doubtless arise in the future other functions of a miscellaneous character which could best be performed by the B. I. S. In this category of operations by the B. I. S. in the past have been, for example, convoking the international committee of experts to consider the desirability of a postponement of Germany's reparation payments; annually appointing the members of the bankers' international standstill committee for Germany; handling the exchange of currencies (from francs into reichsmarks) after the Saar plebiscite; compiling and distributing texts and translations of the various countries' foreign exchange control regulations, and of their monetary, central banking and commercial banking legislation.

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7/26/99 - FRB-NY NAZISSETS
NON-REWARD REC MATERIALS
BOX 1 BINDER 1

FORM NO. 1 (REV. 11-15-41)

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1946.

TO Mr. Overby

SUBJECT Liquidation of the B. I. S.

FROM O. Ernest Moore

-11-

6. It would be technically difficult to carry out a prompt liquidation of the B. I. S. Article 55 of the Bank's statutes provides as follows:

"The Bank may not be liquidated except by a three-fourths majority of the General Meeting. It shall not in any case be liquidated before it has discharged all the obligations which it has assumed under the Plan."

It might be easy enough to arrange for a three-fourths majority vote of the shareholders in favor of liquidation, but such a vote would be without effect so long as the B. I. S. has not discharged all the obligations which it

assumed under the (New) Plan. Article 54 of the statutes says:

"As long as the New Plan . . . is in force, the Bank:—

"(1) shall carry out the functions assigned to it in the Plan;
". . . ."

The New Plan, however dead it may be in actual practice, is legally still in force. While it was nominally terminated at the Lausanne Conference in 1932, the Creditor Powers agreed at that conference that they would not ratify the abandonment of the New Plan unless and until their war debts to the United States Government were cancelled. These allied war debts have not been cancelled, nor has the slightest move been made to cancel them. It is very questionable whether enough votes can ever be summoned in/to cancel them, as many members of Congress will doubtless always prefer not to relieve the debtor governments of the "stigma" of default. Thus, the New Plan lives on and may well continue to do so until 1938, the prescribed year for its complete fulfillment.

It might be possible to circumvent these difficulties by first having Article 55 amended to exclude the second sentence, but this would entail new

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7/26/99- FRB-NY NAZISSETS
NON-RECORD REF MATERIALS
BOX 1 BINDER 1

REG. D. 1-20M-11-48

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 30, 1946.

TO Mr. Overby

SUBJECT Liquidation of the B. I. S.

FROM O. Ernest Moore

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complications: (1) Article 4, which has a similar tenor, cannot be amended in the usual way (i.e., on a proposal by a two-thirds majority of the Board and a majority vote of the Annual Meeting); its amendment would require, in addition, a Swiss law supplementing the Bank's charter, and the Swiss Government obligated itself, in its convention with respect to the B. I. S., not to sanction any amendment to Article 4 (and certain other specified articles) without the agreement of all of the signatory governments (Germany, Belgium, France, Great Britain, Italy, and Japan). (2) If early amendment of Article 4 proved impossible, it might also be difficult to amend Article 59, because Article 59 specifies that even ordinary amendments must not be inconsistent with the special restrictions placed upon the amendment of specified articles which include Article 4 and 59.

The governments which entrusted the execution of the New Plan to the B. I. S. could presumably appoint some other organization as the future agent for the same functions and transfer those functions from the B. I. S. to the new agency, but this would not do away with the B. I. S. in its much more realistic capacity as a monetary and central banking agency, which is what the Bretton Woods resolution really aimed to do.

7. Finally, an enforced liquidation of the B. I. S. would be unwise because it would reflect upon the sincerity and integrity of the World Fund and Bank and of the governments which contribute them. Instead of casting blame and discredit upon an institution which represented the first earnest effort to bring about financial cooperation between the nations, and which failed largely

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7/26/99- FRB-NY NAZI ASSETS
NON-RECORD REF MATERIALS
BOX 1 BINDER 1

FEDERAL RESERVE BANK
OF NEW YORK

MAILED 11-11-46

OFFICE CORRESPONDENCE

DATE August 30, 1946.

TO Mr. Overby

SUBJECT: Liquidation of the B. I. S.

FROM O. Ernest Moore

-13-

because the governments themselves would not heed its pleas for mutual trust and assistance, the governments should now credit the B. I. S. with its due, should develop close contacts with it through their respective central banks, and should leave it to the B. I. S. itself to decide whether and when it should liquidate.

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7/26/99 - FRB-NY NAZI ASSETS
NON-REWARD REF MATERIALS
BOX 1 BINDER 1

FEDERAL RESERVE BANK
OF NEW YORK

OUTGOING CABLEGRAM-SERIAL NO

3613

FILE COPY

May 23, 1946

SENT ON

Bank for International Settlements
Basle
No. 38

Attention Mr. McKittrick

*See letters 5/25/46, 5/25/46
See memo 5/23/46*

With reference to our recent discussion and after further
consideration we would prefer to withdraw the whole balance presently
standing to our credit on our account with you. We would therefore
appreciate it if you will arrange accordingly.

Federal Reserve Bank of New York

PC/ 36
Private Code nor

CABLE DIVISION

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7/26/99 - FRB-NY NAZI ASSETS
KON-RECORD REF MATERIALS
BOX 1 BINDER 1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

077

DATE May 23, 1946

FILES (COPY TO MR. SANFORD)

SUBJECT: OUR ACCOUNT WITH THE BANK FOR
INTERNATIONAL SETTLEMENTS

FROM L. W. KNOKE

See letter 5/23/46
Cable # 33, 5/23/46

I mentioned to Mr. Knapp this morning (and asked him to pass the information on to Mr. Szymczak) that we had recently discussed the matter of our account with the Bank for International Settlements. We had come to the conclusion that in the light of the Bretton Woods agreement calling for the liquidation of the B.I.S. and in view of the fact that the Alien Property Custodian might ~~seize~~ ~~before long~~ ~~invest~~ the B.I.S. accounts on our books (upon which we had always looked as a kind of collateral to protect our account in Basle), we would wish to close this account. We had mentioned this matter to Mr. McKittrick just before he returned to Switzerland and were planning to inform our board of directors this afternoon and then cable to Basle.

LWK:FOC

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RG 82 FRIS - NY NON RECORD REF MATERIAL

P-00168-00175 Box 1 - BINDER 1 - B.I.S. - ITALY 01/11/44 - 3/6/45 7/15/99

FEDERAL RESERVE BANK OF NEW YORK

INTERNAL CORRESPONDENCE

DATE March 6, 1945.

TO Mr. Sprou
FROM L. W. Knoke

SUBJECT

The attached is a copy of a letter which I received from Mr. McKittrick on February 26.

I asked Foreign Research to give me whatever information was available on B.I.S.'s Italian portfolio; in reply, I received Mr. Sumberg's and Mr. Moore's attached memoranda of March 2.

On the face of it, the transaction looks odd but, as Mr. Moore points out, we are hardly in position to sit in judgment when all that we have to go by are assumptions.

My problem, however, is what to do now vis-a-vis the Treasury. Should I or should I not send a copy of McKittrick's letter? In view of the commotion this \$3,000,000 transaction has caused at the Treasury for the last three years and the Treasury's steadfast refusal to allow B.I.S. to use its dollar funds here for payment to the Swiss National Bank in settlement, I don't think I can afford to say nothing. I propose, however, instead of sending a copy simply to say to the Treasury that, according to a note which I received from Mr. McKittrick, B.I.S. has now been able to discharge its obligation as the result of some gold derived from the B.I.S.'s Italian portfolio and that Mr. McKittrick adds that it is a great relief to him to have this troublesome affair now out of the way and that he hopes the authorities in Washington will be gratified that their wish to

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CORRESPONDENCE

DATE March 6, 1945.

Mr. Sproul
L. W. Knoke

SUBJECT

2.

have European liabilities settled with European assets has been given effect. It is possible (if not probable), in the light of past experience, that the Treasury will not be bashful about asking me for a copy of the letter, in which case I suppose I would have to send one.

I would appreciate your advice in the matter.

Attts. (2)

LWK:EC

Handwritten notes and signatures:
Admin. Team
Kitts
W. H.
D.

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7/15/99

RG 82 - FRB - NY NON RECORD REF MATERIALS

Box 1

BINDER 1

PP 00168 - 00175

B.I.S. 9/11/44 - 3/6/45

Italy

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OFFICE CORRESPONDENCE

FEDERAL RESERVE BANK
OF NEW YORKDATE March 2, 1945.TO Mr. KnokeSUBJECT Italian Gold and B. I. S.FROM G. Ernest Moore

(Copies to Messrs. Spruell (Reynolds), Williams, Roalse, Sanford, and Liddy (Lang, Rosell))

(Prepared at the request of Mr. Knoke)

See memo - 3/6/45
Mr. Knoke to Mr. Spruell

Referring to Mr. McKittrick's letter of January 16, Mr. Sunberg is submitting to you this afternoon a memorandum discussing the liquidation of the B. I. S.' Italian portfolio and criticizing the poor judgment of the B. I. S. in accepting 3 million dollars of gold from a government which is not even recognized by neutral Switzerland. On the face of it, it certainly looks as though the B. I. S. had laid itself open to the charge of accepting tainted money. It is difficult, however, to reconcile such poor judgment with the great financial and international experience of Mr. McKittrick. While I am not in a position to attempt to defend the B. I. S.' action, I naturally wonder if there could not be some circumstances that are unknown to us. For one thing, there is the immunity which the B. I. S. enjoys with respect to its assets in a number of countries. Italy was among the countries which subscribed at the Hague in 1930 to a "convention respecting the Bank for International Settlements" containing the following paragraphs:

"10. The Bank, its property and assets and all deposits and other funds entrusted to it shall be immune in time of peace and in time of war from any measure such as expropriation, requisition, seizure, confiscation, prohibition or restriction of gold or currency export or import, and any other similar measures."

I wonder whether this clause would bind any and all governments operating on Italian territory. I also wonder whether the B. I. S. may not have arranged, when the Italian surrender was impending, to have some of the Italian gold earmarked as collateral for its Italian investments. If such were the case,

... could argue that the B. I. S. was perfectly entitled to

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Box 1

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B.I.S. 7/11/44 - 3/6/45

Italy

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE March 2, 1945.TO Mr. KnobeSUBJECT Italian Gold and B. I. S.FROM O. Ernest Moore

-2-

withdraw the gold from Italy, regardless of the regime which happened to be in power at the time and regardless of the question of recognition by other governments. Even if gold was not set aside as collateral, it is very probable that the Italian Government had given the B. I. S. a gold clause; I believe I remember that it did as far back as the early thirties.

I do not pretend to know anything about the legal aspects of this situation, but I thought you might want to consider some of these possibilities.

OEN:AMC

7/15/99

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BINDER 1 PP. 00168 - 00175

B.I.S. 9/11/44 - 3/6/45

Italy

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BANK FOR INTERNATIONAL SETTLEMENTS

The President

see memo - 3/6/45
" " " " 3/6/45
" " " " 3/6/45
" " " " 3/6/45

see letter to Foreign 7:30 AM
3/8/45
Cable # 80-9/14/43

BASEL, January 15, 1945.

RECEIVED

FEB 28 1945

L. V. K.

Air-Mail
via Cherbourg

Dear Mr. Thoke,

I last wrote you on November 6, 1943, regarding the deposit of the Swiss National Bank with the B.I.S. which amounted originally to some 3 million dollars and was subsequently converted into a gold claim, New York delivery. Now I am happy to tell you that this obligation has been discharged.

Receipt here last April of the gold derived from the B.I.S. Italian portfolio put the question of payments in Switzerland on an entirely new basis and made it possible to negotiate a settlement here of the debt question. The negotiations were far from easy, but in the end they resulted in a complicated transaction whereby gold was sold to the Swiss National Bank, the amount due in New York was reconverted from gold into dollars, and the B.I.S. purchased with Swiss francs from the National Bank the dollars needed to effect repayment. Of course in practice the whole thing was bookkeeping except for the delivery of gold, and the upshot of it all was just as if the National Bank had paid the B.I.S. a commission of 1 3/8 % to deliver gold in Switzerland instead of New York.

It is a great relief to me that this troublesome affair is now out of the way and I hope the authorities in Washington will be gratified that their wish to have European liabilities settled with European assets has been given effect.

I have been hoping almost desperately for a chance to visit America again but the necessary occasion has not presented itself. There can be no doubt that for the present I am useful here in helping to keep the ship on an even keel while political storms are raging in Europe.

My best though belated wishes to you and your colleagues for a successful and happy new year. Particular regards to Mr. Sproul.

Yours sincerely,

J. G. ...

L. V. Thoke, Esq.,
Vice-President of the
Federal Reserve Bank of New York,
New York.

7/15/44

RG 82 - FRB - NY NON-RECORD REFERENCE MATERIAL

Box 1

BINDER 1 P.P. 00168 - 00175

B.I.S. 9/11/44 - 3/6/45

Italy

205754

ICE CORRESPONDENCE

DATE Sept. 11, 1944.

Mr. Knoke

SUBJECT Status of B. I. S. Control.

O. Ernest Moore

Copies to Messrs. Sprague (Rounds), Williams, Roelse (Johnson), and Sanford. (Prepared at the request of Mr. Knoke)

The status of so many countries with respect to the war has become so dubious for the time being that it is difficult to say precisely what their status is with respect to B. I. S. shareholdings. Basically, however, I think there is no doubt that the New York Sun's article is correct. The situation at the present moment is as follows:

The B. I. S. share-voting powers of Axis or Axis-controlled countries are, at the most, the following:

Countries	Number of Shares Controlled
Albania	500
Czecho-Slovakia	4,000
Danzig	4,000
Denmark	4,000
Estonia	100
Germany (including Austria)	23,772
Greece	4,000
Hungary	4,000
Japan	19,770
Netherlands	4,000
Norway	4,000
Poland	4,000
Yugoslavia	4,000
Total	80,142

Allied or Allied-controlled countries may now vote, as a minimum, the following shares:

Countries	Number of Shares Controlled
Belgium and Luxembourg	19,772
England	19,772
France	19,772
Rumania	4,000
U. S. A.	19,770
Total	83,086

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BOX 1

BINDER 1 pp. 00168 - 00175

B.I.S. 9/11/44 - 13/6/45

Italy

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ICE CORRESPONDENCE

DATE Sept. 11, 1944.

Mr. Knoko

SUBJECT Status of B. I. S. Control.

O. Ernest Moore

-2-

Three of the neutral countries are entitled to vote shares as follows:

<u>Countries</u>	<u>Number of Shares Controlled</u>
Finland*	4,000
Sweden	4,000
Switzerland	4,000
Total	12,000

There are four other countries which have B. I. S. shareholders and whose status at the present time remains doubtful:

<u>Countries</u>	<u>Number of Shares Controlled</u>
Bulgaria	4,000
Italy	19,772
Latvia	500
Lithuania	500
Total	24,772

It thus appears that the Germans' claim to definite control of B. I. S. shares is limited to 80,142 shares, or 40.07 per cent of the 200,000 shares outstanding. Only by adding to these 80,142 shares all but one of the smallest of the four doubtful countries could one assume that Germany now controls more than 50 per cent of the total B. I. S. shares. I do not think one would be warranted in doing this. In the case of Italy, most of the country, including the capital and the head office of the central bank, is now held by the Allies. In the case of Bulgaria, the country is practically an associated nation of the Allies, since it is arranging an armistice with the Allies and has broken off relations with Germany.

* Finland has signed an armistice, fighting with Russia has ceased, and German troops are scheduled to be out of Finland by September 15.

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7/11/99 RG 83 FRB - NY NON-RECORD REF MATERIAL
Box 1
BINDER 1 PP. 00168 - 00175
B. I. S. Italy

205756

7/15/99

BOX 1 BINDER NO 1 PP00168-00175

Italy B.I.S.

FEDERAL RESERVE BANK OF NEW YORK

ICE CORRESPONDENCE

DATE Sept. 11, 1944.

TO Mr. Knoke

SUBJECT Status of B. I. S. Control.

FROM O. Ernest Moore

-3-

But it is highly doubtful whether even all of the countries listed above as Axis-controlled are properly classified by such a list. Yugoslavia, for instance, is in part occupied by Yugoslav patriots and possibly, by now, Russians, and it is reported that the puppet Croat Government has been overthrown and that its head has fallen into the hands of the patriots. In the case of three countries (Greece, Norway, and Poland) legitimate central banks exist in London, and I should think that the B. I. S. would not have committed itself by counting either Axis-controlled or Allied-controlled votes in these particular cases. This is a question of fact to which we do not have the answer.

On the whole, I think it is a fair conclusion that Germany no longer controls a majority of the B. I. S. shares, regardless of whether it ever did in the past.

All of the above refers to voting control of the shares. Although we have no recent information, it is probable that the percentage of the shares owned in Axis or Axis-controlled countries is somewhat greater than the percentage of total votes controlled, but not enough so to change the basic situation.

OEM:AMC *AMC*

00175

205757

DATE May 18, 1944.

Mr. Sproul

SUBJECT Current Status of B. I. S.

O. Ernest Moore

Copies to Messrs. Knoke, Williams, Roelse (Johnson), and Sanford.
(Prepared at the request of Mr. Knoke)

In recent articles published in the Evening Post and P.M., the B. I. S. is depicted as an Axis-dominated center of intrigue, espionage, and peace-feelers where Mr. McKittrick, an American citizen, deals and collaborates freely with the enemy despite our trading-with-the-enemy legislation, and where representatives of Allied high finance gather around a table with their opposite numbers from Germany in order to participate in fat dividend distributions while our boys are dying at the front. These articles - if they are not deliberate falsifications - are a blend of misinformation, ignorance, and fantasy, and no attempt is here made to refute the many foolish statements they contain. The following is merely aimed to present such information as is available to us concerning: (1) the nature of the B. I. S.' current business activities and the extent to which it has maintained its neutrality in such activities; (2) the desirability, or not, of keeping the B. I. S. in existence; and (3) the present control of the B. I. S.

Information on the B. I. S.' operations since the outbreak of the Second World War is fragmentary. In its annual report for 1939-40, the bank stated that the outbreak of war had compelled it to adopt certain new rules of conduct in order to enforce its neutral status:

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

The rules thus laid down were that the bank would abstain: (1) from any transaction which would have the result of carrying out directly or indirectly for the

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OFFICE CORRESPONDENCE

DATE May 18, 1944.

Mr. Sproul

SUBJECT Current Status of B. I. S.

FROM O. Ernest Moore

-2-

account of the central bank or other institution of a belligerent country a financial operation on the market or in the currency of another country with which the former was in a state of war; (2) from disposing of its assets on the market of a belligerent country for the purpose of making or facilitating any payment to or on behalf of another country with which the former was at war; (3) from holding in its own name for the account of the central bank or other institution of a belligerent country gold under earmark or against assets on the market of another country with which the former country was at war.

In the 1940-41 report, the bank's neutral policies were reiterated:

"The Bank has adhered to the principles of scrupulous neutrality which it laid down for itself in the autumn of 1939, confining its activities strictly to transactions whereby no question can possibly arise of conferring economic or financial advantages on any belligerent nation to the detriment of any other. Moreover, no operations are carried out which might directly or indirectly run counter to the monetary policy of the central bank in the country concerned or in practice constitute a circumvention of the legal provisions governing the disposal of the currency of that country. When the Bank has been faced with opposing claims to the same assets, it has been careful to examine the legal questions involved, having obtained, in some instances, legal opinions from independent experts, and in case of doubt it has adopted a course of action designed to protect the various interests involved."

Similar language is contained in subsequent reports. The 1941-42 report adds: "The extension of the area of the war and the intensification of financial and economic warfare (not least in the United States) have led to a further decline in the volume of the Bank's operations, the total turnover being, in fact, less than one-half of the figure reached in the previous financial year," while the 1942-43 report mentions a further decline by one-third in the total turnover.

As a result of its self-imposed restrictions, the bank's assets and liabilities have remained almost static at the extremely low level to which they had fallen by August 1939:

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205759

DATE May 18, 1944.

TO Mr. Sproul

SUBJECT Current Status of B. I. S.

FROM O. Ernest Moore

-3-

	<u>August 31,</u> <u>1939</u>	<u>June 30,</u> <u>1943</u>
(millions of Swiss gold francs)		
Principal Assets		
Gold owned	28.6	78.5
Cash and sight funds	39.6	41.3
Rediscountable bills	177.2	148.4
Investments and time funds	265.2	218.2
Principal Liabilities		
Central bank deposits	55.5	18.1
Gold sight deposits	14.1	39.4
Long-term government deposits	253.5	229.0

Total assets of the bank fell from 1,901 million Swiss gold francs (621 million dollars) on March 31, 1931 to 512 million Swiss gold francs (167 million dollars) on August 31, 1939, and on June 30, 1943, stood at only 486 million Swiss gold francs (159 million dollars). It is obvious, therefore, that the B. I. S. is no longer carrying on any sizable volume of business. Nor is the bank engaging in any extensive gold-earmarking operations (which are never shown in the statement of condition). According to the 1939-40 annual report the total of earmarked gold held at the B. I. S. fell from 90 million dollars on March 31, 1939, to 34 million on March 31, 1940. By March 31, 1942, according to the latest annual report, earmarked gold had fallen to 18 million dollars.

The stagnation of the bank's business is also apparent in the sharp diminution of profits since the beginning of the war, which has in recent years made it necessary to use up the dividend reserve and a year ago prevented for the first time the payment of the full 6 per cent dividend.

Of the numerous types of operations in which the B. I. S. engaged during the thirties, the following are still performed in a minor (for the most part,

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Mr. Sproul

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insignificant) way - subject to the abovementioned restrictions which outlaw transactions favoring any belligerents: (1) clearing of earmarked gold holdings between central banks; (2) administering deposits in weight of gold through which inter-central bank transfers can be made; (3) international postal transfers; (4) holding deposits and performing certain technical services for international bodies such as the Red Cross and possibly the I. L. O. and League of Nations. The bank is still trustee or agent for a number of international financial obligations (German reparations, Young and Dawes loans, Austrian 1930 loan) but, of course, has nothing to do in this field at present beyond recording the continuation of defaults. A function which the bank had undertaken for some years before the war - the revival of international trade financing - is stated in the 1941-42 report to have "practically ceased, this branch of the Bank's activity being barely kept alive by a limited number of transactions with two neutral central banks." The latest B. I. S. report states that there are at present 26 central banks and international institutions which have gold-weight accounts on the bank's books; these are used primarily, it seems, in connection with the international postal transfer system, which operates through central banks.

Types of business in which the B. I. S. formerly engaged and which are now completely suspended include: (1) clearing of reparation and inter-Allied debt transfers; (2) limited exchange clearing through "currency transfer accounts;" (3) encouragement, through example and otherwise, of flow of investments from capital-rich to capital-poor countries and reduction of high interest rates in the latter; (4) encouragement, similarly, of conversion of short-term funds into

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middle and long-term investments; (5) supplying and organizing currency stabilization credits; (6) granting seasonal credits to central banks; (7) supplying and organizing emergency credits to central banks.

In addition to these financial functions, the B. I. S. in its early days served: (1) as a meeting place for monthly interchanges of opinion between 9 or 10 leading central banks and annual discussions between 25 or 26 shareholding banks; (2) as a compiler and disseminator of financial statistics and information; (3) as a medium for concentrating central bank reserves with the central banks of the markets where invested; (4) as a source of moral support for central banks; and (5) as technical adviser to central banks. Of these five functions, only the second is still being exercised. The bank continues to issue its annual report, the usefulness of which has, if anything, been enhanced by the war owing to the

difficulty of obtaining reliable information of the sort it contains. It has published a very useful series of compilations of foreign exchange restrictions in various countries, for which (it says in its 1941-42 report) there has been an active demand. By special arrangement, the Federal Reserve Bank of New York has been receiving regularly from the B. I. S. copies (in triplicate) of its daily review of the European press and of the texts and English translations of all important decrees, laws, etc., on currency and central banking matters in Europe and elsewhere. These summaries and documents have been of the highest utility in our research work. In addition, the B. I. S. has sent us, on several occasions since this country entered the war, the published returns of European central banks and, on one occasion, a set of microfilms reproducing numerous important articles on financial and economic subjects from European periodicals.

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OFFICE CORRESPONDENCE

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SUBJECT Current Status of B. I. S.

FROM O. Ernest Moore

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There is absolutely no reason for believing that the B. I. S. has been unneutral in the sense of favoring Germany over the Allies. Two facts are at the bottom of this widespread illusion: (1) the B. I. S.' transfer of some Czech gold to Germany in March 1939; (2) the fact that the German army is in control of most of the countries represented in the B. I. S. Point (2) will be dealt with below. As to (1), the B. I. S. acted on the basis of duly authenticated instructions from the owner of the earmarked gold in question, namely, the National Bank of Czechoslovakia; but before doing so, it consulted the Bank of England, with which it had in turn earmarked the Czech gold, and was told that there was no reason why the transfer should not be made. The German army was in full possession of Czechoslovakia, which had been declared a protectorate of Germany, and it was clear that neither England nor any other country was going to declare war against Germany or try to undo what had taken place. It was certainly not for a neutral, non-political body like the B. I. S. to set itself up as a judge when sovereign nations, and the Bank of England as the ultimate depository, had already submitted to the fait accompli. Had it done so, it might well have been accused of sacrificing its own basic principle of uninterestedness in political matters, which its founders had deemed the only possible basis for an international institution of its kind. It was the Bank of England, not the B. I. S., which should have held up the Czech gold transfer.

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DATE May 18, 1944.

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SUBJECT Current Status of B. I. S.

FROM

O. Ernest Moore

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which indicate plainly that it is not subservient to the Nazis. According to information confidentially disclosed by Mr. McKittrick during his visit to this country a year ago, the B. I. S. accepted from the French, without the knowledge of the Germans, a small amount of gold which had been transported from Dakar via southern France to Switzerland. It facilitated the return to Rumania of certain certain Rumanian gold in Switzerland, which the Rumanians apparently were afraid to leave in Switzerland because they were resisting German demands that Rumania supply them with Swiss francs. The B. I. S. purchased from the Bank of France its gold and escudo holdings in Portugal, without the knowledge of the Germans, and later resold some needed escudos (or gold with which to acquire them) to the French, but has refused to sell escudos to the Nazis. The B. I. S. has made no Swiss francs available to Germany other than dividend payments, while Germany has continued to pay to the B. I. S. in Swiss francs the interest on its German investments, such interest amounting to three times the B. I. S. dividend payments.

Is the B. I. S. worth keeping alive, or has it become a nuisance and a liability? I believe that the short-term answer is clear from what is said above about the B. I. S.' neutrality: it clearly has not favored the Nazis and has not, willingly or unwillingly, harmed the Allied cause in any way since the war began. (The Czech gold incident antedated the war by six months.) Consequently, there is no strategic reason for doing away with the B. I. S. at this time, even if that were possible. Actually, the withdrawal of Allied personnel and representation in the B. I. S. would not kill it, but would simply force it into the Nazi control which some now pretend to see. If the British have left some of their good men at the B. I. S., it can only be because they find it advantageous to

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O. Ernest Moore

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their war effort, since the B. I. S. is a prime source of financial and economic information which should not be left as a monopoly of the Nazis. From the long-run or postwar viewpoint, there is also much to be said in favor of maintaining the B. I. S. As I have argued elsewhere, the B. I. S. could be made into a suitable instrument for the handling of the postwar currency stabilization scheme. But even if the proposed International Monetary Fund is set up, there are many things the B. I. S. could usefully do, at least during the reconstruction period. There is, for instance, no provision in the Monetary Fund plan for contacts and consultation between central banks, such as the B. I. S. formerly provided. Such contacts and consultation will undoubtedly continue to be useful, if not necessary, even with the existence of the Fund. An international bank of this sort is very useful to other international bodies which have to deal in a great many currencies. The B. I. S.'s functions as trustee or agent for various international loans will have to be continued in one form or another. While the old Young Plan and the First World War debts are fast beyond recall, there will be a host of new international financial settlements growing out of the present war, which the B. I. S. would be admirably fitted to handle. Without going into the matter exhaustively, it seems clear that this is not the time to permit the folding-up of the B. I. S.

The degree of Nazi control of the B. I. S. cannot be measured by simply totaling up the number of shares owned in countries occupied by the Nazis. Ownership of B. I. S. shares carries no voting rights. Shares can be voted only by central banks (or institutions appointed by or agreeable to them), and only by the central banks which originally subscribed to such shares. Even so, of course, it

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It is easy for some to assert that the Nazis control the central banks of the occupied countries and therefore dictate how they vote their B. I. S. shares. This is mere assumption, and it is unfortunate that the B. I. S. has not seen fit to publish the facts, which, I am certain, would invalidate the assumption. But no single fact has come to my notice which would bear out such an assumption, and there are many circumstances which point in the other direction. Some of them have been mentioned above, and we may now add the following:

(1) In its 1938-39 report the B. I. S. stated that "the question of the voting rights attached to the shares originally issued to Czecho-Slovakia has not yet been determined." Thus the Czech voting rights were apparently not turned over to the Germans at the May 1939 meeting of shareholders, and there would appear to be no reason why they should have been subsequently. There would have been even less reason for transferring to Germany the voting rights for Poland and the Baltic countries, in view of Russia's partial occupation of the former and full occupation of the latter. Similarly, there would be less reason to give Germany the voting rights for other European countries occupied during the war, in view of the existence of two governments (real and puppet) for most of these countries. It would appear obvious, in view of the action taken with respect to the Czech shares, that the voting rights attached to the shares of other occupied countries are simply being held in abeyance until the end of the war.

(2) The two top executives of the bank are a neutral and an American. Ernst Weber of the Swiss National Bank is chairman; Thomas H. McKittrick is president) and both have been elected or reelected since the Nazis allegedly obtained control.

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OFFICE CORRESPONDENCE

DATE May 18, 1944.

TO Mr. Spraul

SUBJECT Current Status of B. I. S.

FROM O. Ernest Moore

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(3) There have been no significant changes in the board of directors or among the managers. In fact, when Dr. Trip was dismissed by the Nazis as president of De Nederlandsche Bank, Mr. McKittrick (we have been confidentially informed) asked the Nazis to permit him to continue on the board of the B. I. S., instead of replacing him (as the Nazis certainly would have preferred) by Rost van Tonningen, the new president of the Dutch central bank. Moreover, we have been reliably informed that the recent murder of Alexandre Galopin, one of the B. I. S. directors and the head of Belgium's largest bank, was due to the financial assistance he had given the underground resistance to the Nazis in Belgium.

(4) Instead of increasing its assistance to Germany and her allies, the B. I. S. has rather been concentrating on the liquidation of its investments in those countries. The annual reports speak of regular reductions in the item ("sundry bills and investments") which is known to be made up primarily of German bond holdings. They also report very substantial reductions in the B. I. S. credit to Hungary.

Other facts could be cited to show that there has been no effective control of the B. I. S., but those here presented are the ones which come most readily to mind.

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OFFICE CORRESPONDENCE

DATE December 9, 1942TO Mr. KnokeSUBJECT Status of B.I.S.FROM O. E. Moore

Copies to Messrs. Sproul (Rounds), Roelke (Johnson), and Sanford
(Prepared at request of Mr. Knoke)

Strictly Confidential

The following is in answer to your inquiry of December 7 as to the accuracy, or otherwise, of the statements made regarding the Bank for International Settlements in the Treasury's attached letter to Mr. Fraser. For the sake of clarity, I repeat in quotes under each numbered item the Treasury's statement.

1. "The majority of the ownership of the Bank for International Settlements is vested in enemy countries or in countries dominated by the enemy and as a consequence the Axis exercises ultimate voting control of the bank despite the fact that the president of the bank at present is an American." Precise information on the distribution of BIS share ownership is not available. Moreover, the implication of the Treasury's statement, that voting control of the shares is a consequence of the ownership distribution, is inaccurate. You will recall that the power to vote BIS shares remains permanently with the central banks (or other designated institution) of the countries in which the shares were originally subscribed. The distribution of voting control is shown in the attached table, from which you will see that 76.23 per cent of the capital stock is now voted by banks in enemy or enemy-dominated countries. With respect to the ownership distribution, while we cannot cite exact figures, we do know that the enemy and enemy-dominated countries own more shares than they are authorized to vote, and I would estimate that such countries now own approximately 80 per cent of the total outstanding capital stock. The Treasury's statement on this point is, therefore, substantially correct.

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DATE December 9, 1942

SUBJECT

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2. "The German Government is the largest single creditor of the bank, holding deposit claims against the bank in the neighborhood of 100,000,000 Swiss francs."

The only German deposit which we definitely know to be held by the BIS is the "German Government Deposit" shown in the bank's monthly statement of condition under "Long Term Deposits." In the July 31, 1942 statement (latest available), this deposit is given as 76,333,750 Swiss gold francs (i.e., Swiss francs of the pre-1936 parity). The equivalent in Swiss francs of current value is approximately 108 million Swiss francs. This deposit alone constitutes about 27 per cent of the bank's total deposit liabilities. However, its importance is much less than it would be if the deposit were withdrawable on demand or at short notice. (As a matter of fact, by the terms of the various international agreements governing the BIS' activity, the German Government Deposit may not be withdrawn until the end of the Young Plan of German reparations, and that cannot be until the Lausanne Agreement cancelling German reparations has been ratified by the creditor governments, which the latter have agreed they would not do until their war debts to the United States were cancelled.)

It is unlikely that Germany or the Reichsbank have any other deposits of consequence in the BIS. Aside from the German Government Deposit and the deposits of Germany's reparation creditors, the bank now holds only about 21 million Swiss gold francs (about \$7 million) of deposits altogether. The BIS has never made public any details as to the identity of its central bank depositors, but confidential data in our files show that in the earlier years of the bank, the Reichsbank had practically no balance on deposit. On May 31, 1932, for instance, of the BIS' then deposits totaling 1,977 million Swiss gold francs,

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German deposits (other than the above-described German Government Deposit) amounted to only 259,000 Swiss gold francs.

Whether Germany is today the largest single creditor of the BIS we cannot say definitely on the basis of the data available to us, but it is likely that France is an even larger creditor than Germany. For instance, one of the Hague Agreements of January 1930 specifies the minimum balances which must be maintained with the BIS by Germany's reparation creditors, and in this list, France is shown with a minimum balance of RM 68,037,500 - i.e., approximately \$27.2 million, compared with the present German Government Deposit equivalent to about \$2.9 million. French and German deposits are much larger than those of any other nationality.

In short, the Treasury's statement on point (2) appears to be correct, except that Germany is believed to be, not the first, but the second, of the bank's creditors in order of size.

3. "The German Government deposits and the annuity trust account deposits, in which there is probably a large reversionary interest in favor of Germany as well as a direct Italian interest, constitute 70 percent of the total liabilities (other than capital reserves) of the Bank for International Settlements."

On July 31, 1942, according to the latest available statement of the bank's condition, the Annuity Trust Account Deposits (152,667,500 Swiss gold francs) and the German Government Deposit (76,333,750 Swiss gold francs) together constituted 68.2 per cent of the bank's total liabilities other than capital and reserves. The Treasury's statement that Germany has a reversionary interest in the Annuity Trust Account Deposits probably refers to the terms of

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OFFICE CORRESPONDENCE

DATE December 9, 1942

TO _____ SUBJECT _____
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FROM _____

one of the Hague Agreements of January 1930, under which the creditor Powers agreed that Germany should have the benefit of any relief which any one of them might receive with respect to its war debt payments to the United States, Great Britain, and France. Since the Annuity Trust Account Deposits were constituted out of reparation payments, a complete cancellation of reparation payments would imply the repayment of these deposits, and any partial "relief" might well entail a reduction of the deposits.

The Treasury's statement under point (3) is substantially correct.

4. "Germany has a contingent interest in the bank's profits in excess of normal earnings."

This apparently refers to the arrangement by which the governments which have long-term deposits with the BIS receive, in lieu of interest on such deposits, a share in any profits remaining after allocations to reserve funds and dividends. This is provided for in Article 53(e) of the bank's Statutes. The same article specifies that Germany is to receive an extra participation in such excess profits if she makes a special long-term deposit with the bank (over and above the compulsory German Government Deposit described above), but no such deposit has ever been made.

While the Treasury's statement on this point is accurate, it should be pointed out that the sums which Germany has received from the bank under this heading in the past have been quite negligible.

5. "It is reported that substantial and adequate free assets are available to the bank to enable the dividend obligations of the bank to be effected otherwise than from blocked funds."

We have no decisive information on this score. However, the bank's condition statement of July 31, 1942 shows among the assets 65.2 million gold

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DATE December 9, 1942TO _____ SUBJECT _____
FROM _____ - 5 - _____

Swiss francs (\$21 million) of gold bars. Whether any of this could be considered as "free assets" is perhaps debatable. Normally, much of the bank's gold was kept in London, and some in Continental centers, with a substantial amount in Switzerland. (The \$10.4 million at present held in New York is of course blocked.) Early in 1937 the BIS is known by us to have had on deposit in Switzerland some \$36 million of earmarked gold (i.e., gold earmarked with the BIS by various central banks), and it is logical to assume that it also kept in Switzerland a part of its own gold holdings. There is no apparent reason why gold of the latter category could not be converted into "free" Swiss francs, or into Portuguese escudos. It is true, however, that the BIS has normally never carried any sizable balances in Swiss francs. By far its largest investments have always been in Germany and Eastern Europe, while on the other hand substantial sterling and dollar balances have had to be kept as a reserve against depositors' possible demands. Normally, Swiss francs were kept only for current expenses entailed by the bank's physical location in Switzerland. According to President McKittrick's cable of April 18, 1942 to us,*

"After making allowances for liabilities in Swiss francs payable at sight and in the near future including dividends plus engagements deliver gold in Switzerland, net liquid assets amount to equivalent of less than \$3,500,000. By far the greater part of the bank's free funds over and above liabilities is in dollars and in so far as we are unable to convert dollar assets into Swiss francs to strengthen position here, sum mentioned will constitute entire margin over liabilities available for bank's current business in Europe and only liquid reserve for payment of future expenses."

Whether the BIS now has substantial and adequate free assets available for the payment of dividends in this country is a question of fact which we are not in position to determine; the probability is that it does have the necessary free funds but is prevented from using them by an understandable spirit of caution in these abnormal times.

*In connection with the BIS' request that we transfer \$1,000,000 from its account to the account of the Banque Nationale Suisse.

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Distribution of R.I.S. Share Voting Power

	<u>Number of shares sub- scribed and voted</u>	<u>Percentage of total voting power</u>
<u>Enemy-Dominated Countries</u>		
Albania	500	0.25
Belgium (inc. Luxembourg)	19,772	9.88
Bulgaria	4,000	2.00
Czechoslovakia	4,000	2.00
Danzig	4,000	2.00
Denmark	4,000	2.00
Estonia	100	0.05
Finland	4,000	2.00
France	19,772	9.89
Germany (inc. Austria)	23,772	11.89
Greece	4,000	2.00
Hungary	4,000	2.00
Italy	19,772	9.89
Japan	19,770	9.88
Latvia	500	0.25
Lithuania	500	0.25
Netherlands	4,000	2.00
Norway	4,000	2.00
Poland	4,000	2.00
Rumania	4,000	2.00
Yugoslavia	4,000	2.00
Total	152,458	76.23
<u>Other Countries</u>		
England	19,772	9.89
Sweden	4,000	2.00
Switzerland	4,000	2.00
U. S. A.	19,770	9.88
Total	47,542	23.77
Grand Total	200,000	100.00

December 9, 1942
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7/26/99 - FRB-NY NAZISSETS
NON-RECORD REE MATERIALS
BOX 1 BINDER 1

COPY

June 19, 1942

JUN 23 1942
FBI

**Memorandum on the Transfer of Dollar Funds
from the Bank for International Settlements
to the Banque Nationale Suisse**

The Swiss National Bank carries two dollar accounts, approxi-
mating \$3 million, with the Bank for International Settlements. In
February, 1942, the Swiss National Bank requested repayment of
\$1 million by the transfer of that sum to its dollar account at the
Federal Reserve Bank of New York. The application of the Bank for
International Settlements for a license to make this transfer was
denied by the Treasury. This decision was made in accordance with
the policy of the Treasury not to license payments which facilitate
commercial and financial transactions directly or indirectly bene-
ficial to the Axis countries.

The Bank for International Settlements is owned by the central
banks of Germany, Italy, France, Belgium, and Great Britain, and by
some banking institutions in Japan and the United States. It is
quite obvious that control is vested in the representatives of the
Axis countries and the occupied countries. Furthermore, Germany is
the largest creditor of the Bank for International Settlements.
The German Government deposit and the Amity Trust Account Deposits,
in which there is probably a large reversionary interest in favor of
Germany as well as a direct Italian interest, constitute 70 percent
of the total liabilities (other than capital and reserves) of the
Bank for International Settlements. Apart from this, Germany has a
contingent interest in the profits of the Bank for International
Settlements in excess of normal earnings. While the operating pol-
icies of the Bank may not be determined by Germany, it is sub-
mitted that Germany is now, and expects to be, an important bene-
ficiary directly and indirectly of the Bank's operations.

See also
Switzerland

also
L. August
letter 1

Under any circumstances, the operations in Europe of the Bank for
International Settlements adversely affect this Government in the
prosecution of the war. On March 31, 1942, the Bank for International
Settlements held assets of more than 475 million gold francs (32.7
cents per gold franc)—approximately \$155 million. Included in these
assets are treasury bills amounting to 104 million gold francs, com-
mercial bills and bankers' acceptances amounting to 114 million gold
francs, and other bills, investments, and funds at interest amounting

Germany 2.

from Germany

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to 183 million gold francs. By far the greater part of these 400 million gold francs of income-earning assets contribute to the financing of transactions in Europe directly or indirectly beneficial to the Axis countries.

The decision of the Treasury to deny the application of the Bank for International Settlements for a license to pay \$1 million to the Swiss National Bank does not imply that there are any other immediate interests in this transaction, nor does it imply that there is any other purpose in this transaction than the repayment of a deposit. Nevertheless, the drawing down of the assets of the Bank for International Settlements in this country would of itself facilitate the acquisition of additional assets in Europe by the Bank for International Settlements. The Treasury Department cannot give its approval to a transaction which makes possible the extension of additional credit by the Bank for International Settlements to finance transactions in Europe.

for purpose of assets to be transferred to Germany

There is ample evidence that the Bank for International Settlements has been systematically drawing down its assets in this country for the purpose of removing them from our control. While the Bank for International Settlements held \$29.5 million in gold, deposits, and bills in New York on January 2, 1940, these assets were reduced to \$20.2 million on January 1, 1942, and are currently about \$21 million. We know that the Bank for International Settlements has attempted to initiate transactions involving the export of gold from this country, the switching of gold between this country and Latin America, and the holding of dollar deposits in Latin American banks. Such shifting of assets indicates a definite plan on the part of the Bank for International Settlements to escape and defeat the foreign funds control of this Government. Ordinary business prudence suggests that a sound and unbiased banking policy would require the Bank for International Settlements to shift its assets from Europe to the United States rather than to draw down its safe holdings in this country.

The decision of the Treasury on this application is not directed against the Swiss National Bank. Precisely the same decision would be made on any application to transfer the funds of the Bank for International Settlements to European interests. In the aide-memoire of the Swiss Minister, it is stated that the Treasury decision has deprived the Swiss National Bank of the possibility of collecting its deposit from the Bank for International Settlements. Obviously, payment of this deposit can be made in a manner that will be approved by the Treasury. Nevertheless, it must be emphasized that this Government is not the guarantor of the liquidity and the safety of dollar

*A.S. Love more, Wagon & Family
St. Louis Mo.*



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deposits in banking institutions outside the United States. Depositors who open dollar accounts with non-American banks assume the risk that such dollar deposits may have to be paid in their equivalent in other currencies.

The Treasury Department has no wish to inflict any unnecessary hardship on the Swiss National Bank. The Bank for International Settlements has total assets of more than \$155 million, of which only 10 percent are held in this country. Obviously, the European resources of the Bank for International Settlements are wholly adequate to effect the transfer of \$1 million to the Swiss National Bank. The Treasury Department is prepared to grant a license authorizing the payment of this dollar deposit out of the funds now held in Europe by the Bank for International Settlements.

*2. The
subject
letter*

APPENDIX I

United States Assets of the
Bank for International Settlements
(Millions of Dollars)

January 2, 1940	
Deposits and bills	18.2
Gold	<u>11.2</u>
Total	29.4
January 1, 1941	
Deposits and bills	21.3
Gold	<u>7.2</u>
Total	28.5
January 1, 1942	
Deposits and bills	16.1
Gold	<u>4.0</u>
Total	20.1
April 30, 1942	
Deposits and bills	14.8
Gold	<u>6.5</u>
Total	21.3

70% frozen

*of unfrozen money
less 1/2 in U.S.A.*

EMBarnstein/jp
6/19/42
Copied of 1/21/43

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NON-RECORD REF MATERIALS
BOX 1 BINDER 1

APPENDIX II

BANK FOR INTERNATIONAL SETTLEMENTS
Statement of account as of March 31, 1942

(In Swiss gold francs (units of 0.290 322 58...grammes fine gold)
(Art. 5 of the Statutes)

	ASSETS		Percent
HOLD IN BARS		42,082,396.06	8.9
CASH			
In hand and on current account with Banks		32,962,453.81	6.9
SIGHT FUNDS at interest			
REDISCOUNTABLE BILLS AND ACCEPTANCES			
1. Commercial Bills and Bankers' Acceptances	114,158,585.20		24.0
2. Treasury Bills	29,886,659.98		6.3
		144,045,245.18	
TIME FUNDS at interest			
Not exceeding 3 months		21,068,707.65	4.4
SUNDRY BILLS AND INVESTMENTS			
1. Maturing within 3 months			
Sundry Investments	77,856,216.35		16.3
2. Between 3 and 6 months			
Sundry Investments	35,799,652.38		7.5
3. Over 6 months			
(a) Treasury Bills	74,464,835.62		15.6
(b) Sundry Investments	31,842,102.24		6.7
		219,962,806.59	
		183,979.08	0.0
NET ASSETS		476,646,135.36	100
	LIABILITIES		
- CAPITAL			
Authorized and issued 200,000 shares, each of 2,500 Swiss gold francs of which 25% paid up	500,000,000.—		
		125,000,000.00	26.2
- RESERVES			
1. Legal Reserve Fund	5,780,203.15		
2. Dividend Reserve Fund	4,200,538.73		
3. General Reserve Fund	13,342,650.13		4.9
		23,323,392.01	
I- LONG TERM DEPOSITS			
1. Annuity Trust Account Deposits	152,606,250.—		32.0
2. German Government Deposit	76,303,125.—		16.0
		228,909,375.—	
II- SHORT TERM AND SIGHT DEPOSITS (various currencies)			
1. Central Banks for their own account;			
(a) Not exceeding 3 months	3,968,900.—		0.8
(b) Sight	13,341,565.86		2.8
		17,323,465.86	
Central Banks for the account of others;			
Sight		1,267,341.84	0.3
3. Other depositors;			
(a) Not exceeding 3 months	24,344.68		0.0
(b) Sight	4,541,366.73		
		4,565,711.41	
V- SHORT TERM AND SIGHT DEPOSITS (Gold)			
1. Not exceeding 3 months	1,464,753.74		0.3
2. Sight	27,579,932.38		5.8
		29,044,686.12	
VI- MISCELLANEOUS		47,212,163.12	9.9
		476,646,135.36	100

Note: Earmarked gold held in custody for the account of Central Banks and funds held for the services of International Loans, for which the Bank of International Settlements is trustee or Fiscal Agent, are not included in the above Statement.

7/26/99 - FRB-NY NAZISSETS
 NON-DELETED REF MATERIALS
 BOX 1 BINDER 1

APPENDIX III

EXTRACTS FROM THE
 STATUTES OF THE BANK FOR INTERNATIONAL SETTLEMENTS

Art. 6. The subscription of the total authorized capital having been guaranteed in equal parts by the Banque Nationale de Belgique, the Bank of England, the Banque de France, the Reichsbank, Banca d'Italia, a banking group represented by the Industrial Bank of Japan acting in place of the Bank of Japan, and Messrs. J. P. Morgan & Company of New York, the First National Bank of New York, New York, and the First National Bank of Chicago, Chicago, the Bank may begin business as soon as a minimum of 112,000 shares has been subscribed.

Art. 15. The ownership of shares of the Bank carries no right of voting or representation at the General Meeting. The right of representation and of voting, in proportion to the number of shares subscribed in each country, may be exercised by the central bank of that country or by its nominee. Should the central bank of any country not desire to exercise these rights they may be exercised by a financial institution of widely recognized standing and of the same nationality, appointed by the Board, and not objected to by the central bank of the country in question. In cases where there is no central bank, these rights may be exercised, if the Board thinks fit, by an appropriate financial institution of the country in question appointed by the Board.

Art. 27. The administration of the Bank shall be vested in the Board.

Art. 28. The Board shall be composed as follows:

(1) The Governors for the time being of the central banks of Belgium, France, Germany, Great Britain, Italy, Japan and the United States of America (hereinafter referred to as ex-officio Directors), or if any of the said Governors are unwilling or unable to hold office, their respective nominees (hereinafter referred to as substitute nominees).

The tenure of office of a substitute nominee shall be within the discretion of the Governor by whom he is appointed, but shall terminate in any case when that Governor vacates office.

Any ex-officio Director may appoint one person as his alternate who shall be entitled to attend and exercise the powers of a Director at meetings of the Board if the Governor himself is unable to be present.

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APPENDIX III

(2) Seven persons representative of finance, industry or commerce, appointed one each by the Governors of the central banks mentioned in sub-clause (1) and being of the same nationality as the Governor who appoints him.

During the continuance of the liability of Germany to pay Reparation annuities, two persons of French and German nationality respectively, representative of industry or commerce, appointed by the Governors of the Bank of France and of the Reichsbank respectively, if they so desire.

(The rest of this article on directors is omitted.)

Art. 53. The yearly net profits of the Bank shall be applied as follows:

- (a) Legal Reserve Fund;
- (b) Dividends;
- (c) Further dividends;
- (d) General Reserve Fund;

(e) "as long as the Plan is in force any remainder of the net profits after meeting the foregoing requirements shall be disposed of as follows:

(1) As to seventy-five percent, to such of the Governments or central banks of Germany and the countries entitled to share in the annuities payable under the Plan as have maintained time deposits at the Bank subject to withdrawal in not less than five years from the time of deposit or after four years on not less than one year's notice. This sum shall be distributed annually in proportion to the size of the deposits maintained by the respective Governments of central banks in question. The Board shall have the power to determine the minimum deposit which would justify the distribution provided for:

(1i) as to twenty-five percent, as follows:

If the German Government elects to make a long-term deposit with the Bank withdrawable only on the terms specified under sub-clause (1) above and amounting to the minimum sum of 400,000,000 reichsmarks, the said twenty-five percent, shall go into a Special Fund, to be used to aid Germany in paying the last twenty-two annuities provided for in the Plan.

If the German Government elects to make such long-term deposit amounting to a sum below 400,000,000 reichsmarks, the participation of the German Government shall be reduced in proportion, and

NON-RECORD REE MATERIALS
BOX 1 BINDER 1

APPENDIX III

the balance shall be added to the seventy-five percent. referred to in sub-clause (1) above.

If the German Government elects not to make any such long-term deposit, the said twenty-five percent. shall be distributed as provided in sub-clause (1) above.

The Special Fund referred to above shall carry compound interest, reckoned on an annual basis, at the maximum current rate paid by the Bank on time deposits.

If the Special Fund should exceed the amount required to pay the last twenty-two annuities, the balance shall be distributed among the creditor Governments as provided for in the Plan;

(f) at the expiration of the period referred to in the first paragraph of sub-clause (e) the disposal of the remainder of the net profits referred to in sub-clause (e) shall be determined by the General Meeting on the proposal of the Board.

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NON-RECORD REF MATERIALS
BOX 1 BINDER 1

SM-12-41

CONFIDENTIAL

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 25, 1942.

TO Mr. Knoke

SUBJECT: Application for Transfer of B.I.S.

FROM F. M. Tamagna

Funds to Banque Nationale Suisse.

Prepared at request of Mr. Knoke.

On February 3, 1942, the Bank for International Settlements requested this Federal Reserve Bank to transfer from its account to the account of the Banque Nationale Suisse the sum of \$1,000,000, "representing part of their (Banque Nationale Suisse) sight balances with us (Bank for International Settlements)." As the application for this transfer was denied by the United States Treasury, the B.I.S., on February 21, 1942, cabled to the Federal Reserve Bank of New York to "renew application for license." This second application was also denied by the United States Treasury on April 8, 1942.

On April 18, 1942, the B.I.S. cabled further "facts" as "available information though scanty seems indicate Treasury policy is to require obligations between parties in Europe to be discharged whenever possible by means of assets in Europe." According to this cable,

"After making allowances for liabilities in Swiss francs payable at sight and in the near future including dividends/presumably for year ending March 31, 1942/plus engagements deliver gold in Switzerland, net liquid assets amount to equivalent of less than \$3,500,000. By far the greater part of the bank's free funds over and above liabilities is in dollars and in so far as we are unable to convert dollar assets into Swiss francs to strengthen position here, sum mentioned will constitute entire margin over liabilities available for bank's current business in Europe and only liquid reserve for payment of future expenses. For these purposes amount stated is extremely small and it must not be reduced by transactions which are in effect purchases of dollars. Bank for International Settlements is, therefore, aside from all question of law, able financially to meet its dollar obligations only by means of its dollar balances held for that purpose and not from its assets in Europe. When requested we have hitherto always declined allow blocked dollar assets to be mobilized through us by payment in other currencies as such operations would enable clients to circumvent American regulations now in force. If in your view foregoing information might lead Treasury to reconsider

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NON-RECORD REE MATERIALS
BOX 1 BINDER 1

18M-12-41

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____

TO _____

SUBJECT: _____

FROM _____ -2- _____

refusal license repayment of \$1,000,000 out of its deposit with Bank for International Settlements to Banque Nationale Suisse, please be kind enough to put matter forward to Washington."

The information now submitted by Mr. McKittrick seems to insist particularly on the fact that the \$1,000,000 requested will not be used for payment of the B.I.S.'s current dividends (for the year ending March 31, 1942) to Germany and Italy. As Mr. McKittrick points out, the dividend payments from the B.I.S. to the two Axis countries represent only 27 per cent of the sum received by the B.I.S. from the same countries as interest on loans. However, McKittrick fails to implement this information with the figures of dividends paid to and interest received from other European countries which are occupied or controlled by the Axis powers.

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NON-RECORD REE MATERIALS
BOX 1 BINDER 1

Handwritten initials and a checkmark.

INCOMING CABLEGRAM - SERIAL NO. 1220

RECEIVED ON April 18, 1942

Basle, April 18, 1942

Federal Reserve Bank of New York

New York

No. 28

Your No. 31 Position has been fully considered with Banque Nationale Suisse and available information though scant seems indicate Treasury policy is to require obligations between parties in Europe to be discharged whenever possible by means of assets in Europe. If this is correct would seem best submit facts as to position of bank for international settlements in these respects to treasury before abandoning efforts secure license requested in our cables No. 11 and 7. After making allowances for liabilities in Swiss francs payable at sight and in the near future including dividends plus engagements deliver gold in Switzerland net liquid assets amount to equivalent of less than \$3,500,000. By far the greater part of the banks free funds over and above liabilities is in dollars and in so far as we are unable to convert dollar assets into Swiss francs to strengthen position here sum mentioned will constitute entire margin over liabilities available for banks current business in Europe and only liquid reserve for payment of future expenses. For these purposes amount stated is extremely small and it must not be reduced by transactions which are in

CABLE DIVISION

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NON-RECORD REE MATERIALS
BOX 1 BINDER 1

Mr. Rounds
INFORMATION COPY FOR

INCOMING CABLEGRAM - SERIAL NO. _____ 1220

RECEIVED ON April 14 1942

- 2 -

effect purchases of dollars. Bank for International Settlements is therefore aside from all question of law able financially to meet its dollar obligations only by means of its dollar balances held for that purpose and not from its assets in Europe. When requested we have hitherto always declined allow blocked dollar assets to be mobilized through us by payment in other currencies as such operations would enable clients to circumvent American

regulations now in force, and in your view foregoing information might lead Treasury to reconsider refusal license repayment of

\$1,000,000 out of its deposit with Bank for International Settlements to Banque Nationale Suisse please be kind enough to put matter forward to Washington. Regret having to trouble you again in this connection.

MacKittick
Bank for International Settlements

133-331 258- Peterson Code
test correct

CABLE DIVISION

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NON-RECORD REE MATERIALS
BOX 1 BINDER 1

OUTGOING CABLEGRAM—SERIAL NO. 1688

SENT ON April 8, 1942

2

ATTENDED TO
APR 10 1942
FOREIGN ACCOUNTS DIVISION
BY *AA*

Bank for International Settlements

Basle

No. 81

X 2/21/42

Your No. 11

Application denied

Federal Reserve Bank of New York

EMH
RCA 16 - Sent in English

CABLE DIVISION

245

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OFFICE CORRESPONDENCE

DATE May 29, 1941

Mr. Knoke

SUBJECT Ownership and Control of
B.I.S. Shares

FROM O. E. Moore

Copies to Messrs. Sproul, Rounds, Roalse (Sanford), and McKeon (Cameron)

Re-examination of the available data on B.I.S. share ownership - including the information which we derived from last year's licencing of B.I.S. dividend payments in New York - indicates that the percentage of the total shares outstanding which is held in countries subject to the American licencing system is approximately 40.5 per cent, compared with the 30.5 per cent which we estimated in June, 1940. The percentage of the total shares which appears now to be held in Germany and all German-occupied countries is about 57.8 per cent, compared with 47.8 per cent a year ago. In addition, slightly over 10 per cent of the shares continues to be held by Italy and Albania so far as we know. These figures are only estimates.

With respect to voting control of B.I.S. shares, it appears that Germany could claim to be entitled to vote about 35.8 per cent of the total shares, representing the original subscriptions of Germany and countries now subject to licence. For Germany and all German-occupied areas Germany could claim voting rights for 55.7 per cent of the total outstanding shares. To this must be added the 10.1 per cent of the total shares which can be voted by Italy and Albania.

Owing to Mr. Feuerlein's absence, we have been unable to revise the detailed table of ownership and control of B.I.S. shares. If you wish, I will have Feuerlein do this upon his return.

OEM/elt

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FEDERAL RESERVE BANK
OF NEW YORK

17

OFFICE CORRESPONDENCE

DATE August 2, 1940.

To Mr. Logan ✓

SUBJECT B.I.S. cable No. 328.

FROM L. W. Knoke

Numbered paragraph 1. The Treasury's attitude probably is discriminatory against B.I.S.

Numbered paragraph 2. B.I.S. has reason to be disturbed for the future about these multiples of nationality resulting from the fact that nationals of many countries have an interest in the bank.

Numbered paragraph 3. The parallel drawn between the Inter-American Bank and the B.I.S. and emphasis on the different treatment granted the two, deserves attention.

Numbered paragraph 4. The largest holding of B.I.S. stock in any one country is, according to this cable, 12.6% but nothing is said about the fact that the total of stock owned by countries designated in the Executive Order is now about 31%. Against this one fact all the above arguments of the B.I.S. seem to lose in importance.

As regards the two suggestions submitted by B.I.S. for consideration, I offer these comments:

(1) No questions arise in connection with B.I.S. gold under earmark here.

(2) The thought that we might open a special account for B.I.S. in which a balance would be maintained "equal to total of dollar balances with B.I.S. of all nationals of all countries named in Executive Order" is tempting. Unfortunately, however, under that system the Treasury would not get information on certain transactions handled

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 2, 1940.

To Mr. Logan

SUBJECT B.I.S. cable No. 328.

FROM L. W. Knoke

2

by B.I.S. (for instance those for German account)
in which it is most vitally interested even though
the Executive Order does not supposedly concern
itself with them.

*Substitute
any for
equivalent*
All of which amounts to this: I would like to see some
relief granted to the B.I.S. but cannot urge it with a great deal
of conviction.

If this agrees with your ideas and after you have discussed
it with Dreibelbis I propose to talk to Bernstein along the lines of
my memorandum.

LWK
LWK:KW

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This letter sent to the Presidents of the following

Boston
Philadelphia - Ordinary Mail
Cleveland
Richmond

(Atlanta
(Chicago
(St. Louis
(Minneapolis - Air Mail
(Kansas City
(Dallas
(San Francisco

March 24, 1939.

Dear Mr. Young:

We have received cables from the Bank for International Settlements under dates of March 21 and March 23, 1939, informing us of shipments totaling approximately kilos 3000 of refined gold bars (valued at about \$3,375,000 at \$35 per fine troy ounce) which they are shipping to us, kilos 2000 per steamship NORMANDIE sailing from Le Havre, France on March 25, 1939, and kilos 1000 per steamship AQUITANIA sailing from Southampton, England on March 25, 1939. They have inquired whether we would be prepared to advance to them 98% of the value of the refined gold bars on the terms and conditions stipulated in our cable No. 247 dated November 28, 1934. A copy of cable No. 247 was forwarded to you in our letter of November 30, 1934.

Our Board of Directors and the Board of Governors of the Federal Reserve System have authorized us to make advances of not to exceed \$20,000,000 outstanding at any one time to the Bank for International Settlements secured by gold actually in transit to New York on the terms and conditions contained in our cable No. 247 dated November 28, 1934, any such advances to bear interest at the discount rate in effect at the Federal Reserve Bank of New York. The authority was granted in this form in order that the officers of this bank might be in a position to give prompt answer to any

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2. Hon. Roy A. Young, President

2/24/33

further such requests which they might receive from the Bank for International Settlements. We have advised the Bank for International Settlements that we are prepared to advance up to 98% of the value of refined gold bars shipped to us as above after receipt of tested cable advice from them that the gold consigned to us has actually been placed on board steamers. Insurance has been covered by us at the expense of the Bank for International Settlements covering from door to door against all risks including war risk except war risk while on land or on vessels on inland waters which coverage underwriters discontinued February 1, 1933.

The Board of Governors of the Federal Reserve System have informed us that they are advising the other Federal reserve banks that their participation in such advances is also approved. If you desire your usual participation in any advances which we may make to the Bank for International Settlements, kindly wire us the word "AGREE" from which we will understand that you will take your usual participation in any advance or advances which we may make to the Bank for International Settlements of not to exceed \$20,000,000 outstanding at any one time.

Faithfully yours,



L. W. Knoke,
Vice President.

Honorable Roy A. Young, President,
Federal Reserve Bank of Boston,
Boston, Massachusetts.

LWK:DJL:ED



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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 27, 1938.

To Files

SUBJECT: _____

FROM D. J. Liddy

With reference to the \$875,000.00 gold shipped to us by the Banque de France, as agent for the Bank for International Settlements, Basle, Switzerland, per the S.S. "Ile de France", which we earmarked in our vaults today, we do not intend to request an affidavit from them stating that the gold was never held in non-compliance with any of our executive orders, regulations, etc. It is very unlikely that the Bank for International Settlements would have any such gold.

R. H. Heber

A. Remquist

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE June 7, 1938

To Files

SUBJECT: _____

FROM D. J. Liddy

With reference to the \$3,247,500 gold shipped to us by the Banque Nationale de Belgique as agents for the Bank for International Settlements, Basle, Switzerland, per the S. S. "Ile de France", which we earmarked in our vaults today, we do not intend to request an affidavit from them stating that the gold was never held in non-compliance with any of our executive orders, regulations, etc. It is very unlikely that the Bank for International Settlements would have any such gold.

Ph

[Signature]

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 15, 1938

TO Mr. Knoke

SUBJECT: BIS Note on Credits

FROM L. Galantiere

*revised memo
4/13/38*

Further thought on the BIS Note prompts the following list of things we should be agreeing to do if we were to participate in the scheme (as well as I understand it):

1. Open a dollar credit line in favor of the BIS.
2. Receive a reichsmark credit line from the BIS (using Germany merely as an example).
3. Discount (or lend on the pledge of) reichsmark bills presented by American exporters in New York.
4. Open an account at the Reichsbank.
5. Issue reichsmark drafts against our account at the Reichsbank to American exporters taking such credit here (and presumably selling our drafts in the New York exchange market).
6. Sending German importers' paper to Berlin for collection.

The foregoing ^{only} ~~is~~ relates to the kind of business that would arise out of sales of American exports to Germany on invoices denominated in reichsmarks.

q
WLG:MM

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 13, 1938

TO Mr. Knoke

SUBJECT: BIS Reciprocal Credits in

FROM L. Galantiere

International Trade

Copies to Messrs. Sproul, McKeon (Cameron), and Roelse

*See memo 4/15/38
L. Galantiere*

4/6/38
As requested, the Note on international trade credits

sent to you by the BIS under cover of a letter dated March 28 has been analyzed, and a draft letter of acknowledgment and comment is submitted herewith.

The subject of the Note is the institution at the BIS of a system of reciprocal credits between that bank and the various central banks for the purpose of stimulating additional exchanges of goods and eliminating credit and exchange risks, where demands exist and cannot be satisfied because of the credit risks and exchange risks involved. Concerning the mechanism of the proposal, only the initial operation is clear to me and to the three people in the bank who have read this Note at my request, Messrs. Raymond, Moore, and Collado. That initial step may be described as follows: F.R.B. of N.Y. and Reichsbank each extend a credit to the BIS, say of \$1,000,000 and 2,500,000 reichsmarks, respectively. BIS extends to F.R.B. of N. Y. a credit of 2,500,000 reichsmarks, and to Reichsbank a credit of \$1,000,000. Thereupon, in each of the two countries concerned, exporters sell goods to the importers of the other country, the exports being invoiced in the importer's currency. It is assumed that the amounts involved will always be even, that the transactions will cover "supplementary" and "exceptional" business, in fact goods "not absolutely essential to the importing market"; further, that each central bank will be financing its exporters under the scheme by taking over the exchange

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 13, 1938

To _____ SUBJECT: _____
FROM _____ - 2 -

risk involved in the fact of the goods being invoiced in the importer's currency, while looking to the BIS, and beyond it to the other central bank, to cover whatever risk may be constituted by the situation of the importer's currency. As the Note puts it, "each Central Bank retains its responsibility for its own currency, and it is the financially stronger of the two markets that finances the commercial credit."

Beyond this, I can make nothing out of the description of the mechanism. I assume that certain documents will be involved, but there is no mention of them. On the other hand, there is such a statement as this:

"At the maturity of the credit facilities, the exporter has to procure, for their repayment, the foreign currency advanced to him. . . . He will have to procure 'free' amounts in the currency of the importer's market in order to repay the advance obtained by him."

This seems to mean that an American exporter who sold goods to a German, invoiced in reichsmarks, would use this particular credit scheme to get reichsmarks from us and would owe us reichsmarks at the maturity of the credit period. And it would mean that it was for the purpose of supplying an American exporter with reichsmarks, that we took a reichsmark credit from the BIS.

The first paragraph of the Note informs us that "the Bank for International Settlements has recently made certain experiments to the extent of some £5,000,000, in organizing certain international commercial credits with a view to alleviating the difficulties which

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 13, 1938

TO _____ SUBJECT: _____
FROM _____ - 3 - _____

and certain other documents in our possession, it is clear that the BIS has both taken and granted credits whose purpose was the stimulation of export trade; but it is not clear whether or how much of this experimental business has taken the form of the mechanism described in the Note. As of the end of February 1938 the position was as follows:

BIS International Trade Credits

BIS Credits Granted to

Credits Taken by BIS from

Bank of the Belgian Congo
Bank of Italy
National Bank of Czechoslovakia
Swiss National Bank
Central Bank of the Republic
of Turkey

National Bank of Belgium
National Bank of Czechoslovakia
National Bank of Egypt
Bank of England
Bank of France
Bank of Italy
Netherlands Bank
Bank Polski
Sveriges Riksbank
Swiss National Bank

Total granted 54,424,000 Swiss
gold francs
Utilized 40,865,000 Swiss gold
francs

Total granted 30,240,000 Swiss
gold francs
Utilized 21,200,000 Swiss gold
francs

It will be seen from the above that only three banks figure in both columns, as would necessarily be the case under the proposal in the Note here discussed.

There might be some utility in asking the BIS for further details, but since the whole scheme seems to be one designed to make it possible to increase trade between countries which need to sell more and other countries which, even as it is, cannot easily pay for what they now buy, I believe we might better refrain from showing too great interest in the project and thus not raise BIS hopes unwarrantably

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 13, 1938

TO _____ SUBJECT: _____
FROM _____

- 4 -

high. Besides there may be ways in which this quasi-clearing scheme would come into conflict with State Department commercial policy.

4 JG:MM

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RG 104
ENTRY 328 U
Box 1 (FRC)

DECLASSIFIED
Authority 703 107-9/-
By [Signature] NARA Date 7/10/02

FOLDER
'GOLD/INT'L
REFUGEE ORG
ATOMIC ENERGY
COMMISSION

100-427

January 27, 1950

Salaries & Expenses, Bureau of the Mint -
1950. - 200614.001.

US Atomic Energy Commission
Los Alamos, New Mexico

Attention: Mr. Carver

RETEL JANUARY 26th. WE CANNOT FURNISH GOLD SHEETS YOU REQUESTED AS MINTS ARE NOT
EQUIPPED TO ROLL GOLD TO .0005 INCH THICKNESS. SUGGEST YOU TRY HANLEY & BARNER,
BRIDGEPORT, CONNECTICUT.

Leland Howard *LH*
Acting Director

TJQ:ln

REPRODUCED AT THE NATIONAL ARCHIVES

RG 104
ENTRY - 328 U
Box 1 (FRC)

DECLASSIFIED
Authority 703 107-91-
60/2
NARA Date 7/10

Mint *Check*

WU016 GOVT PD

LOS ALAMOS NMEX JAN 26 1224P

SUPERINTENDENT, US ASSAY OFFICE

REQUEST PRICE INFORMATION 12 EACH PURE GOLD SHEETS 6 INCHES

BY 6 INCHES BY .0005 INCHES THICK PD PLEASE AIR MAIL

CERTIFIED INVOICE FOR ISSUANCE GOVERNMENT CHECK AND GOVERNMENT

BLADING PD DELIVERY REQUESTED PRIOR TO FEBRUARY FIFTEEN PD

REF MP

CURRAN US ATOMIC ENERGY COMMISSION

251P

12 6 6 .0005 PD PD REF MP..

205800

RG 104
ENTRY - 328 U
Box 1 (FRC)

DECLASSIFIED
Authority: 703 107-91-
NARA Date: 7/10/78

Declassified
Authority-General Declassification Schedule
Date

JUL 10 1978

DEPARTMENT OF THE ARMY
STAFF MESSAGE CENTER
OUTGOING CLASSIFIED MESSAGE

John Munt

CONFIDENTIAL

PARAPHRASE NOT RECEIVED

To: COMGENUSFA

Nr: WAR 88958

19 May 49

Fr CSCAD cite EUR. Curr subj to trf to IRO is
subj

State Dept understands fr IRO rep that delay has
been encountered in trf to IRO of final installment currs
subj such disposition. Understood that this is only re-
maining item in connection non-monetary gold trfs for which
IRO rep is being kept in Austria. In view of considerable
cost to IRO on this acct State would appreciate prompt steps
liquidate this matter, earliest notification to IRO re date of
expected trf this prop.

CM OUT 88958 (May 49) DTG 202043Z hb

CONFIDENTIAL

Declassified
Authority-General Declassification Schedule

JUL 10 1978

NY 20110101 DC
NY 20110101 WWL

NY 20110101 SA

DECLASSIFIED

RG 104
ENTRY - 328 U
BOX 1 (FRC)

DECLASSIFIED
Authority: 7023 107-91-
6012
NARA Date 7/10

Declassified
Authority: General Declassification Schedule
Date:

DEPARTMENT OF THE ARMY
STAFF MESSAGE CENTER
OUTGOING CLASSIFIED MESSAGE

Handwritten signatures and initials:
Ment
mlf

JUL 10 1970

SECRET PARAPHRASE NOT REQUIRED

TO: OMGUS, HQ EUCOM

NR: WARX 88520 12 May 49

Fr CSCAD cite EUR. Reurads Nov CC 6849, Nov CC 6862, Jan CC 7527, Apr CC 8222, Apr CC 8253 and ourad Jan WARX 82855. Monetary Gold is subj.

1. As requested ourad you should not dspo at this time of 10 bars gold claimed by Czechs.
2. State requests you submit soonest full info re orig, incg specific sources, and other background circumstances on which you base your recm for disposition to IRO.

CM-OUT 88520 (May 49) DTG 122023Z svr

International Relief Organization

SECRET

Declassified
Authority: General Declassification Schedule
Date

JUL 10 1978

AMEMB WASHINGTON
BUREAU OF THE WMI

NOV 20 1970

RECEIVED

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RG 104
ENTR 4 - 328 U
BOX 1 (FRC)

DECLASSIFIED
Authority 703 107-91
NARA Date 7/10

UNITED STATES
ATOMIC ENERGY COMMISSION
WASHINGTON 25, D. C.

March 29, 1949

April 1, 1949

Dr. Leland Howard
Assistant Director
Bureau of the Mint
U. S. Treasury Department
Acting Superintendent
United States Assay Office
No. 37 Old Slip
New York, New York

Available for
shipment around
2:15. Tobin will
advise ATC directly
as to cost.

Dear Sir:

Enclosed is a copy of a letter from the United States Atomic Energy Commission dated March 29, 1949, together with Purchase Order SF-511-49, Case No. 525, covering 12 - Gold Rods, 1/4 dia. x 12" long, which is to be shipped to the Atomic Energy Commission, Los Alamos Scientific Laboratory, Los Alamos, New Mexico.

14 April 49
Wormaldorf
so advised

It is requested that you approve this order and forward it to the New York Assay Office for shipment. Please handle this transaction in the manner in which you have handled similar transactions in the past. It is requested that the bill covering this material be sent Air Mail to this office for forwarding. It will not be necessary that a gold license be issued to Los Alamos Scientific Laboratory, Los Alamos, New Mexico as this is a Government Agency.

Additional information required can be obtained by contacting the undersigned, Room 144, Extension 576.

Very truly yours,

(Signed) Nellie Tayloe Ross

Director of the Mint
F. M. Wormaldorf
Procurement Engineer
Business Operations

Enclosure

Encl.
P. O. SF-511-49 (quad.)

RRR:atm TBR
eek jr. [initials]

RG 104
ENTRY - 328
BOX 1 (FRC)

DECLASSIFIED
Authority 703 107-91-
NARA Date 7/19/02

UNITED STATES
ATOMIC ENERGY COMMISSION
WASHINGTON 25, D. C.

Mr. Ford

Reply Refer To:

FBOF:FMW 925

March 29, 1949

Dr. Leland Howard
Assistant Director
Bureau of the Mint
U. S. Treasury Department
15th and New York Ave., N. W.
Washington 25, D. C.

Subject: Purchase Order SF-511-49, Case No. 925

Dear Dr. Howard:

Enclosed is Purchase Order SF-511-49, Case No. 925, covering 12 - Gold Rods, 1/4" dia. x 12" long, for use at Atomic Energy Commission, Los Alamos Scientific Laboratory, Los Alamos, New Mexico.

It is requested you approve this order and forward it to the New York Assay Office for filling.

It is further requested that the bill covering this material be sent Air Mail to this office for forwarding to Los Alamos for payment.

Any additional information required can be obtained by contacting the undersigned, Code 144, Extension 576.

Very truly yours,

F M Womeldorff
F. M. Womeldorff
Procurement Engineer
Business Operations

Encl.
P. O. SF-511-49 (quad.)

REPRODUCED FROM ORIGINAL SOURCE

RG 104
ENTRY - 328
Box 1 (FRC)

DECLASSIFIED
Authority 703 104-91
By [Signature] NARA Date 5/12/71

AIR MAIL

MAR 22 1949

Superintendent
United States Mint
San Francisco 2, California

Dear Sir:

Replying to your letter of March 17, 1949, this is your authorization to sell fine gold to the United States Atomic Energy Commission, in connection with the work of that agency.

In view of the fact that this is a Government agency, these transactions may be conducted without a Treasury gold license.

Very truly yours,

(Signed) Nellie Tayloe Ross

Director of the Mint

[Handwritten initials]

JCH:ph 3/23/49

205805

RG 104
ENTR 4-328
BOX 1 (FRC)

DECLASSIFIED
Authority 703 107-91
By [Signature] NARA Date 5/2/71



OFFICE OF SUPERINTENDENT
UNITED STATES MINT

TREASURY DEPARTMENT
UNITED STATES MINT SERVICE
SAN FRANCISCO 2, CALIF.

MAR 21 1949

March 17, 1949.
AIRMAIL

Director of the Mint,
Washington 25, D. C.

Dear Madam:

Kindly find enclosed copy of my letter of this date to Mr. George Udell, Director, Supply Division, U. S. Atomic Energy Commission, which wishes to be authorized to purchase substantial quantities of fine gold in connection with the work of the Commission.

It is assumed that the Commission would desire to expedite the issuance of appropriate permission and license and we submit the matter and our action in the premises for your consideration and possible further attention.

Respectfully,

Geor B. Gillin
Superintendent

Enclosure

RG 104
ENTRY - 328 U
Box 1 (FRC)

DECLASSIFIED
Authority 723 107-91
By [Signature] NARA Date 7/12



TREASURY DEPARTMENT

UNITED STATES MINT SERVICE
SAN FRANCISCO 2, CALIF.

OFFICE OF SUPERINTENDENT
UNITED STATES MINT

C O P Y

March 17, 1949.

AIRMAIL

Mr. George Udell,
Director Supply Division,
U. S. Atomic Energy Commission,
Los Alamos, New Mexico.

Dear Sir:

Kindly be informed that Mr. Paul M. Goodbread, of the U. S. Atomic Energy Commission, Los Angeles, California, advised by phone today that you wished to be authorized to purchase fine gold from time to time in substantial quantities. Mr. Goodbread was uncertain whether it was the intention to purchase such gold from a mint or from a licensed refiner.

I enclose forms of application for a Federal gold license, the TG-12 and TG-12 Supplementary. The forms, upon completion, should be submitted to the U. S. Mint, Denver, Colorado, as the appropriate mint to receive and process the same. Information as to the purpose of such application should be given on the forms and if a query of the forms is inapplicable, that fact should be stated. The forms do not have to be sworn but should be completed, signed and submitted in duplicate. In item 4 of the TG-12 form there should be inserted an estimate, in fine troy ounces, of the amount of gold that you would have on hand at any one time, and this has reference to the ounce limit of any license issued.

I enclose a copy of the Gold Regulations, inviting attention, among others, to sections 54.22 to 54.27.

As provided in section 54.44, gold is sold by the mint to authorized persons or firms at \$35 per fine troy ounce of gold (plus one fourth of 1 percent. No bar charge is imposed on gold bars of a fineness below 999 thousandths when particular sizes or finenesses are not requested. Bar charges will be made for bars of a fineness of 999 thousandths or above, for bars of particular fineness, and for bars of particular sizes, when any of such bars are requested and available. Bar charges vary from 3-3/4¢ to 11¢ per \$100 of gold value.

The application for a Federal gold license would be mailed to the U. S. Mint, Denver, Colorado. We assume that it would be unnecessary to furnish any references as suggested on page 2 of the TG-12 Supplementary form. In the event that, upon authorization being granted therefor, you are interested in purchasing fine gold of the Mint, the U. S. Mint, Denver, Colo., will furnish full particulars as to such transactions.

Very truly yours,
/s/ Geo. B. Gillin
Superintendent

Enclosures

CC Mr. Paul M. Goodbread, U.S.A.E.C.,
P. O. Box 9007, Station F,
Los Angeles 5 California.

205807

RG 104
ENTRY - 328
BOX 1 (FRC)

DECLASSIFIED
Authority 703 107-91
By [Signature] NARA Date 7/10/80

March 1, 1948

Mr. William F. Golden
U. S. Atomic Energy Commission
Washington 25, D. C.

Dear Mr. Golden:

I have your letter of February 26, 1948 regarding certain material in Customs custody at the Port of New York.

An official of our New York Assay Office will promptly communicate with Mr. Kramer and discuss the matter with him. You may be assured that we will lend all assistance possible to the International Refugee Organization in connection with the liquidation of the values.

Very truly yours,

(Signed) Nellie Taylor Ross

NELLIE TAYLOR ROSS
Director of the Mint

KMR:mas - 3/1/48

RG 104
ENTRY - 328 U
BOX 1 (FRC)

DECLASSIFIED
Authority 7023 107-91-
502
NARA Date 7/10

Noted
[Signature]

February 18, 1949

To: Mr. Howard
From: Miss O'Haro

Re: Purchase 4,500 troy ounces gold for
Rock Island Arsenal

At Mr. Howard's suggestion, I phoned Mr. Tobin at the New York Assay Office regarding the status of this case.

Mr. Tobin said, due to the specifications, they had to make special moulds to handle this transaction. He said they had started it immediately upon receipt of the Director's letter and that it should be finished either Thursday or Friday of next week.

Mr. Tobin also said they would have to have payment for the gold before shipment could be made.

I called Mr. Womeldorff (Atomic Energy Commission 114 - Ext. 576) and relayed Mr. Tobin's message. He said he would phone Mr. Tobin regarding payment.

RG 104
ENTRY 328 U
BOX 1 (FRC)

DECLASSIFIED
Authority 7023 107-91-
602
NARA Date 7/12

February 18, 1949

To: Mr. Howard
From: Miss O'Hare

Re: Purchase 4,500 troy ounces gold for
Rock Island Arsenal

At Mr. Howard's suggestion, I phoned Mr. Tobin at the New York Assay Office regarding the status of this case.

Mr. Tobin said, due to the specifications, they had to make special moulds to handle this transaction. He said they had started it immediately upon receipt of the Director's letter and that it should be finished either Thursday or Friday of next week.

Mr. Tobin also said they would have to have payment for the gold before shipment could be made.

I called Mr. Womelderff (Atomic Energy Commission 114 - Ext. 576) and relayed Mr. Tobin's message. He said he would phone Mr. Tobin regarding payment.

JH

JOH:ph 2/18/49

205810

RG 104
ENTRY 328 U
BOX 1 (FRC)

DECLASSIFIED
Authority 703 107-91-
602
NARA Date 7/10

February 2, 1949

Acting Superintendent
United States Assay Office
New York, N. Y.

Dear Sir:

Enclosed is a copy of a letter from the United States Atomic Energy Commission dated January 24, 1949, together with a Purchase Order for 4500 troy ounces of gold, which is to be shipped to the Rock Island Arsenal at Rock Island, Illinois.

Please handle this transaction in the usual manner. It will not be necessary that a license be issued to the Rock Island Arsenal.

Very truly yours,

Signature

Acting Director of the Mint

Code 144

Fr 576

Enclosures

FWT:MA TER
JWS *JWS*

RG 104
ENTRY 328 U
BOX 1 (FRC)

DECLASSIFIED
Authority: 703 107-9/-
By: [Signature] NARA Date: 6/2/02
7/10

TO: Failor

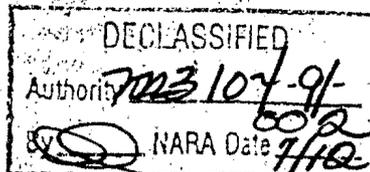
Pls disasm this with
Mr Russell & send
appropriate ltr to my
authorizing the sale &
shipment.

Failor

CK on waiver of "x" of 1%
charge.

MR. FAILOR

RG 104
 ENT 14-328 U
 BOX 1 (FRC)



UNITED STATES
 ATOMIC ENERGY COMMISSION
 WASHINGTON 25, D. C.

In reply refer to:
 FBOF/FMW/761

January 24, 1949

U. S. Treasury Department
 Washington, D. C.

Attention: Mr. F. Leland Howard, Assistant Director
 Bureau of Mint

Subject: Procurement Requisition ORD-11-070-49-4105A

Gentlemen:

Confirming our telephone conversation with you on January 10, forwarded is Requisition ORD-11-070-49-4105A from Rock Island Arsenal for 4500 troy ounces of gold anodes for your approval and transmittal to the New York Assay Office.

Rock Island Arsenal has cited their appropriation, both for the material and transportation. As no mention of escort for this shipment was made, it is suggested that the material be shipped by Express on Money Waybill.

Your assistance in this matter is very greatly appreciated.

Very truly yours,

F M Womeldorf
 F. M. Womeldorf
 Procurement Engineer
 Business Operations

Encl:
 P.O. ORD-11-070-49-4105A (dup.)

205813

RG 104
ENTRY - 328 U
BOX 1 (FRC)

DECLASSIFIED
Authority 7023 107-91-
502
NARA Date 7/10

PY

CASE NO. 761

REQUISITION

Fw

To: U. S. Treasury
Washington, D C.

Page 1 of 2 pages

Ship to: Commanding Officer Rock Island Arsenal
Rock Island, Illinois, Dept. DY, Shop R

Requisition No.
ORD-11-070-49-4105A

Stock No. Nomenclature

IMPORTANT

Material on this order must be

Addressed for shipment as follows:

Commanding Officer
Rock Island Arsenal
Rock Island, Illinois
P.O. 49-4105A
Dept. DY
X.O. 1500-W25 (AP)

(See Continuation Sheet #2)

Signed: Frances R. Vincent, Deputy
L. R. Viers
Fiscal Officer

APPROVED BY:

Signed: Joseph F. Curley
JOSEPH F. CURLEY
CHIEF, PROCUREMENT DIVISION
CONTRACTING OFFICER
FOR: PAUL M. LINTON
1ST LT ORD DEPT
ACCOUNTABLE OFFICER

49-4105A

13 January 1949

205814