

KILGORE: Well, second, I think we must prevent the Germans from using their plants in foreign countries for purposes related in any way to armament. Take for example the Bofors plant in Sweden, owned by Germans. When they couldn't make guns in Germany, they transferred production to the Swedish plant, and got what they needed.

FERGUSON: We must prevent the Germans from using these foreign plants, or they will take advantage of us all over again.

KILGORE: Third, I think we've got to stop the German war machine from being built up under the guise of research, both in Germany and outside. The Germans have taken advantage of their reputation in technical fields to organize a sort of industrial fifth column in all parts of the world.

FERGUSON: I'm with you as far as stopping research for war purposes is concerned. But I think we should encourage research, by Germans or anyone else, along non-military lines.

KILGORE: I'm for research too, for peaceful purposes. We should use government resources and funds to attain our proper position in the research field, here in the United States. But I question whether there are any of Germany's research resources which cannot be used for war purposes. We must be very careful.

FISHER: What do you say on this question of research, Senator Mitchell?

MITCHELL: As you probably know, Mr. Fisher, a lot of the research done by Germans, both at home and abroad, is on such things as chemicals, lenses, and other products that they were able to use for war purposes. I don't know how you would draw the line. I think these activities should be closely controlled, along with other sections of the German economy, and the cartel aspects broken up. And one thing more -- their patents should remain confiscated.

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Authority 1410978723  
By NARA Date 9-6-197

REPRODUCED AT THE NATIONAL ARCHIVES

American Embassy  
Madrid, Spain

May 9, 1946

X  
Spain: Gold

SECRET

The Secretary of State,  
Washington, D. C.

A-242

Reference is made to the Embassy's secret telegram 859 of May 9, 1946 in which Trusteeship estimates total shipments of gold to Spain on German order from February 1942 through VE-Day as approximately 85 tons, divided 74 tons from Switzerland and 11 tons from Germany or occupied territory.

There is set out hereinafter the Trusteeship's summary of all evidence available here to date concerning shipments on German order. Confirming the telegram the Embassy will appreciate any evidence Berlin can furnish for local checkup, adding to or attending the below summary.

Gold

1. In May 1942 an unspecified amount reported to have been brought by train from Hendaye. Unconfirmed statement by lorry driver involved in following shipment.
2. In June 1942 some 10 steel cases by truck from Hendaye to Bank of Spain estimated at some 500 kilos. Statement by driver Ignacio Garcia who should be asked to estimate total weight and further explain Item 1.
3. June/July 1942. Fellguth in Germany states that Johannes Bernhardt received in gold coin Swiss Franks 1,500,000, which he brought in his car to Spain. This is confirmed by Johannes Bernhardt. Further delivery of gold in ingots was made to Banco American Transatlantico and Banco Germanico in Hendaye in presence of Zahle and Zschiesche (confirmed by Bernhardt). Weight unspecified but Bernhardt commented that it exceeded 13 cases. These remittances were to pay for the shipping investments, and may be related to the Nowak records, which give a total of bar gold 2,506 kilos and in various coins weighing apparently in all 840 kilos.
4. From December 1942 to February 1943 Johannes Bernhardt confirmed transaction already known to American Embassy and British Embassy whereby her gold, weighing some 10,000 kilos, was shipped from Switzerland to Spain to reduce adverse clearing balance. (Bremen agreement).

cc 5/23/46 Glasser, Miss Masterson (3), Schmidt (2), Wood, Razmark, Willis, E. Hebbard.

RG 56

Acc. 67-A-1804

Box 24 - Spain

File - Spain: Gold and Foreign Exchange Position

218146

A-242, 5/9/46, Madrid

- 2-
5. Winter 1943/44 Johannes Bernhardt says he received in bars some 3,000 kilos and "other amounts" for the purchase of wolfram.
  6. Top Secret Transaction ordered by Funk whereby German gold in Switzerland was cashed against Spanish-held Swiss Francs made over to unknown third parties for their use in purchase of other foreign currencies than the peseta. Johannes Bernhardt acted here only as intermediary with Instituto Espanol de Moneda Extranjera. Amount in gold, 3/4000 kilos.
  7. Secret notes obtained by Leonard Norwin indicate shipments from Switzerland to Spain from February 1942 to May 1944 totalling 60,000 kilos.
  8. According to Linser in April or May 1943 several suitcases containing sacks of gold weighing 10 kilograms each delivered to Abwehr office, Maria de Molina 3, Madrid. Estimated at 130 kilograms.  
According to Johannes Bernhardt this gold was under control of von Hinzenstern assisted by Paulsen under direction of Major Kaiser in Berlin apparently related to the Toepfer organization.
  9. Report from Echo of Sofindus that in May 1944 Sofindus received a shipment of gold in coin of unknown weight. Bernhardt admits various receipts but does not specify.
  10. Report by Castella of Transportes Maritimo of delivery to Bank of Spain in July 1944 of several cases containing gold marks. Weight unknown, but stated to originate from Schaffhausen (?), Germany.
  11. Embassy gold. According to Filz and Heyden synach two remittances were received totalling some 100 cases weighing 3/4000 kilos.
  12. Box of Abwehr coin recovered by American Embassy on May 7, 5 kilos.
  13. Four boxes Abwehr gold plus Becker's delivery May 8, 50 kilos.
  14. (There are 20 kilos gold received through Carbones Tenerife.)

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By 17 NARA Date 9-6-97

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-3-

1-242, 5/9 46, Madrid

Summary Total:

	<u>Swiss Francs</u>
Gold from Germany and Occupied Territory (about 11 tons)	53,570,000
Swiss remittances (74 tons)	<u>360,330,000</u>
Grand Total (35 tons)	413,900,000

NOTE: 1 kilo gold equals 4,370 Swiss Francs.

NOTE: Items 12 and 13 plus approximately 1 ton of item 11 were recovered by Trusteeship from Spanish Government and forwarded to German Gold pot on December 26.

BENGAL

CC: Berlin  
London  
Lisbon  
Bern

Original (hactograph) to Department

218148

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Authority NND978020  
By AT NARA Date 9-6-97

REPRODUCED AT THE NATIONAL ARCHIVES

STANDARD FORM NO. 64

Spanish

(D)

Office Memorandum • UNITED STATES GOVERNMENT

DATE: 9-6-46

TO : Mr. Rubin  
Mr. Schmidt

FROM : O. F. Fletcher

SUBJECT:

Please use this copy instead of that originally given you. Some of the figures have been revised. I am also contemplating preparation of a complementary report which will be sent to you as soon as it is ready and which will try to reconcile conflicting information contained in recent reports emanating mainly from Madrid and from Bern. However, the main source of the original information we had counted on, namely, from the Swiss National Bank in accordance with their promise, is evidently not forthcoming.

RG 56  
Acc. 66-A-816 - QASIA  
Special Subject Files  
Box 2 - Looted Gold  
File - Looted Gold:- Spain - Vol. I

218149

Authority NND978020  
By AT NARA Date 9-6-97

September 6, 1946 Revision

STRICTLY CONFIDENTIAL - NOT TO BE DUPLICATED

MEMORANDUM ON GOLD ACQUISITIONS BY SPAIN DURING THE WAR

SUMMARY:

From February 1942 to VE Day, May 8, 1945, Spain acquired a total of at least \$138,214,000-worth of German gold out of which only \$1,125,000 was recovered leaving an unrecovered balance of \$137,084,000-worth of German gold acquired by Spain. This figure was arrived at as follows:

(All sums in thousands of U. S. dollars)

Acquired directly from Germany and German-occupied territories at least (11,000 kgs.) . . . . 12,375

out of which the Trusteeship recovered (1,000 kgs.) . . . . . 1,125

leaving unrecovered (10,000 kgs.) . . . . . 11,250

Acquired from the German deposit with the Swiss National Bank at least (74,000 kgs.) . . . . . 83,250

Acquired directly from the Swiss National Bank (37,852 kgs., which probably included German looted gold) . . . . . 42,584

Unrecovered Total (121,852 kgs., at least) 137,084

It is possible that in addition an unknown quantity of gold was brought into Spain, probably directly from Germany by diplomatic pouch and secret air flights and stored there or sold privately, but we lack evidence.

RECOMMENDATION:

Authority NND978020  
By ATT NARA Date 9-6-97

-2-

RECOMMENDATION:

It is suggested to request the Spanish Government to return 75% of the above total of \$137,084,000 (121,852 kgs.) which amounts to \$101,813,000 (91,389 kgs.).

BACKGROUND AND DOCUMENTATION:

The average percentage of 75% is used for the portion of acquisitions to be returned because it can be assumed (as in the case of Portugal) that out of the \$298,200,000-worth (265,067 kgs.) gold which the Swiss acquired from Germany during the war, they were certainly trying to sell first that portion of it which was looted.

It is reasoned that an absolute minimum of 75% of all gold sold abroad by Germany during the war was looted, a deduction which is arrived at as follows:

The total gold looted by Germany during the war is calculated at 433 million-dollars-worth, to which are to be added 90 million taken from Austria and 33 million from Czechoslovakia--altogether 556. It is also calculated that Germany sold abroad during the war about 485 million-dollars-worth of gold. At the beginning of the war Germany's own legitimate gold stock (including 23 million purchased from Russia before she went to war with Germany) amounted to about 123 million-dollars-worth of gold. Subtracting 123 from 485, under the assumption most favorable to the neutrals that Germany sold all her legitimate gold abroad and only part of her looted gold, the minimum of looted gold Germany sold abroad during the war is 362 million-dollars-worth. 362 is 75% of 485 and thus we arrive at the estimate most favorable to the neutrals, that 75% of all gold sold by Germany was looted gold.

Under the above assumption, namely, that Germany spent about 485 million dollars worth of gold during the war, Germany sold during the 5½ years of the war 87 million dollars worth of gold on the average per year. At that rate, since it can be assumed that Germany first sold all her legitimate gold, she must have exhausted her legitimate stocks by the Spring of 1941. Therefore, if we assume that Germany began spending looted gold by the Spring of 1942 we have made ample allowance for the consideration

that

Authority NND978020  
By AT NARA Date 9-6-97

-3-

that at the beginning of the war the annual rate of spending was lower and probably increased only after the first year of war when Germany began to secure material abroad and otherwise increased her foreign activities. If we follow the latter argumentation, we arrive at the conclusion that all gold that the neutrals acquired after the Spring of 1942 was looted gold. The amount of gold acquired by the Spanish after that date undoubtedly would exceed the 75% figure arrived at above, since the bulk of transfers took place after February 1942.

Another calculation leads us to the following consideration: The total sum of gold looted by Germany was 556 million dollars. Under the assumption (the one most favorable to the neutrals) that Germany spent all her legitimate gold holdings, the whole amount of gold found in Germany--namely 199 million dollars (excluding the Italian and Hungarian earmarked gold) is to be deducted from the above 556, leaving 357. To be deducted from this 357 is 58 recovered from Switzerland and 8 we are going to recover from the Swedes. Since we know that 65.5 million dollars looted gold went to Rumania and some 15 million dollars looted gold were privately sold in Turkey, we are missing about 210.5 million dollars worth. 75%--the percentage looted--applied to the 276.4 million dollars worth of gold acquired by Spain and Portugal, is 207.3 million dollars, a figure very close to the amount missing (210.5 million dollars).

As to figures of Spanish gold acquisitions, the following sources were used:

The first two items of the Summary on page one (\$11,250,000 unrecovered which Spain acquired directly from Germany and German-occupied territories, and \$83,250,000 which Spain acquired from the German deposit with the Swiss National Bank) were taken from the Trusteeship estimate (given in Telegram 859, May 9, 1946, and Airgram 242, May 9, 1946). A subsequent estimate and data given by our Embassy (in Telegram 1032, June 8, 1946, Airgram 338, June 11, 1946, Airgram 340, June 11, 1946, and Airgram 343, June 11, 1946) indicate a higher total.

Telegram 859 reports total shipment of gold to Spain on German order from February 1942, through VE Day, to be (as established by Trusteeship) 85,000 kgs. This sum is composed

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By AT NARA Date 9-6-97

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is composed of 74,000 kgs. shipped from Switzerland and 11,000 kgs. shipped from Germany and occupied territory. Evidence for these estimates was gathered from a variety of sources including truck drivers' statements, statements of German officials in Spain and Germany, and records of Rowak, Sofindus, and Transportes Marion. According to Airmgram 242, the gold went to the German Embassy, the Abwehr office, the Bank of Spain, Sofindus, Banco Aleman Transatlantico and Banco Germanico in Hendaye, and Carbones Tenerife. With the exception of the Bank of Spain, these are all quasi-official German or German-controlled organizations. Some of the gold was reported to have come through Hendaye; some was brought by Sofindus official Bernhardt in his car. Method of transportation of some is unknown. Part of this gold was later converted to Swiss francs which were transferred to German accounts maintained in Swiss banks.

Telegram 1032 states that a Sofindus report in the former German Embassy files gives the information that gold imported from Switzerland in 1943 through Canfranc amounted to 83,320 kgs., or \$93,735,000-worth of gold. This amount, covering only one year, almost equals the amount given previously for total wartime shipments to Spain. Also, it is the report for one year of the war only. It would seem, therefore, that the Trusteeship's estimate of gold shipped into Spain during the war is too low and should be revised upward, since the Sofindus report shows movements through Canfranc only, and does not show those through Hendaye and Irun, nor shipments by sea or air which may have been made.

The third item of the Summary on page one (\$42,584,000-worth of gold which Spain acquired directly from the Swiss National Bank) was taken from tables of figures on Swiss Confederation and Swiss National Bank holdings and acquisitions of gold which were transmitted to our Legation in Bern confidentially and privately by an official of the Swiss Government on the authorization of the Swiss Federal Council. This figure comes from Table II (Enclosure No. 3 to Foreign Service Despatch No. 12547, September 14, 1945, from American Legation, Bern). The source for this figure, therefore, cannot be quoted to any foreign government.

A preliminary

218153

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A preliminary over-all report dated February 26, 1946 of the Strategic Services Unit, War Department, states that between January 1942 and February 1944 a total of about 610,000 kgs. gold was shipped by truck from Switzerland to Spain and Portugal and that two-thirds (2/3) of this amount (about 406,000 kgs.) went to the Bank of Portugal and one-third (1/3) (about 203,000 kgs.) went to the Instituto Espanola de Monedas Extranjera in Madrid. So far as Portugal is concerned this would be in excess of the figures arrived at above on the basis of the Swiss official documents, and as far as Spain is concerned, would be in excess of the Trusteeship's estimate of total shipments of gold to Spain on German order from February 1942 through VE Day, of not less than 85,000 kgs. (An analysis of an O.S.S. report on shipments of gold through Bellegarde, which clearly is included in the over-all summary of SSU of February 26, 1946, bears out that about 57,000 kgs. went to Spain and about 109,000 kgs. went to Portugal. No destination was given or can be established for an additional approximately 5,000 kgs.)

Any just solution of the problem of recovering looted gold from Spain will also have to consider Spain's over-all gold situation.

Although the Spanish have no gold holdings in the United States at the present time and had none in 1942 and 1943, the increase in Spanish domestic gold holdings in 1941 to 1945 is quite spectacular:

Increase in Gold Holdings of Spain, 1941 - 1945  
Official Published Figures

(In millions of dollars)

<u>1941</u>	<u>1945</u>	<u>Increase</u>
42	110	68 (or 264%)

However, before the end of the Civil War, Spain possessed a gold reserve of 525 million dollars worth of gold, topped by only a few European countries.

ES:OFFletcher  
8-6-46  
September 6, 1946 revision

218154

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Authority NND978D20  
By AT NARA Date 9-6-97

C  
O  
P  
Y

UNITED STATES OF AMERICA  
Treasury Department

AIR MAIL  
EMBASSY OF THE  
UNITED STATES

*Schwartz - Bergman*  
Paris, 14 January 1947

Dear Orvis:

A Mr. A. Errera came in yesterday to see Colonel Hammond in the Military Attaché's office and said that he had some information on the Spanish-Argentine-British financial arrangement which had recently been reported in the newspapers. Charlie Little told me about Errera's visit and I called Hammond, who introduced Errera to me. Errera is of Turkish nationality, but has spent the last six years in Spain. He apparently worked during the war and after for Col. Clyde Clarke in the American Embassy in Madrid. Colonel Hammond, in this Embassy, told me that Errera had been thoroughly checked and found to be entirely reliable.

Errera stated that in 1943 Germany had sent into Spain several cases of gold which were to serve as a guarantee for a credit that Spain had extended to Germany for the purchase of commodities in Spain. Information on the amount and location of this gold was in the hands of a man formerly highly placed in the Spanish government but who had fallen in disfavor with Franco and escaped into Portugal. Later on, Peron had offered the former Spanish official a high position in Argentina, which was accepted, so that the information that he possessed on the German gold became available to Peron.

Recently Spain asked Argentina for credits for the purchase of commodities but Argentina demanded payment in gold. When the Franco government replied that it had no gold, Peron told Spain that unless she paid in gold Argentina would reveal to the United Nations the facts in her possession concerning the German gold located in Spain. Because of this pressure, an arrangement was then worked out whereby Argentina would turn over to Spain Argentina's blocked Sterling balances in return for part of the Spanish-held gold. At the same time, secret negotiations were undertaken with the U. K. and an agreement reached under which the U. K. would allow Spain the free use of the Sterling transferred to Spain from Argentina so that Spain could thus purchase from the U. K. the pharmaceuticals and other commodities required. England, however, was to receive from Spain part payment in gold, the Spaniards using the remainder of the German gold for this purpose. My informant stated that Spain was anxious to get the full support of the U. K. in the gold deal so that if at some later time the fact that Spain had the German gold became known to the Allies, the U. K. would back up Spain.

Errera did not know the amount of gold involved, but said that he had been told it consists of several cases. According to information furnished him by a Spanish informer, the gold is hidden in underground passages in Madrid.

RG56  
Acc. 66-A-816-OASTA  
Special Subject Files  
Box 2 - Looted Gold  
File - Looted Gold; Spain - Vol. I

copy also in Acc. 67-A-1804  
Box 24 - Spain  
File - Gold and Foreign Exchange Position

218155

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Authority NND978020  
By AT NARA Date 9-6-97

UNITED STATES OF AMERICA

While I cannot, of course, vouch for the accuracy of Errera's story, he appeared to be very certain of his information and had a wealth of details to relate on events and personalities which were not directly related to the main part of the history just summarized.

In the event that you are interested in having more details on specific aspects of Errera's story, I think that I will be able to get them from Errera while he is still in Paris.

I have made the above information available to Charlie Little, in this Embassy.

Very truly yours,

s/ Del

Delbert A. Smidt  
U. S. Treasury Representative

Mr. Orvis Schmidt, Acting Director  
Division of Monetary Research  
Treasury Department  
Washington, D. C.

218156

CR

EMERSON BIGELOW  
MAIN POST OFFICE, BOX 1929      SECRET  
WASHINGTON 13, D.C.

26 March 1947

*Schlesinger*  
*Bogart*  
*Pendleton*

Mr. Harold Glasser,  
Director of Monetary Research,  
Room 5000 U.S. Treasury Building,  
Washington, D. C.

Attention: Mr. Orvis Schmidt  
Dear Harold:

The following report has recently been received from a reliable source in Portugal. It is sent to you in the belief that it may be of interest.

From a source considered inaccurate and imaginative the following information was received:

Gold to the value of 50 million pesetas had been withdrawn from the Reichsbank shortly before the collapse of Germany; the withdrawal was not in the name of the Reich but in the name of one of the high-up Nazis (name unknown). The gold was then shipped to Madrid, where it was deposited in the vaults of the Banco Hispano-American in the name of a Spanish confidant of the German (name of the Spaniard also unknown). At the end of the war the German failed to appear to claim the gold, and so the Spaniard, assuming him to be dead, saw no reason why he should not dispose of the gold as his own. Accordingly, he transferred it to the cellar of a private house in Seville, where it remained for some time. Later, the Spaniard found a Jew (name unknown)

cc: 3/28/47 Messrs. Glasser, Miss Masterson (3),  
Richards (2), Wood-Meter, Willis,  
Eddy, Bittermann, Dickens

RG56  
Acc. 66-A-816-OASIA  
Special Subject Files  
Box 2 - Looted Gold  
File - Looted Gold, Spain-Vol. I  
German Gold smuggled into Spain does not appear to be Croatian Gold sent to Vatican for safekeeping  
Another example of a letter from Bigelow on Nazi gold (there were very few of them)  
(all those found in research are copied and included in package)

218157

CR

- 2 -

who offered to buy it at a discount of 30% providing that delivery could be made to him in Portugal. Now the gold is in the Quinta do Ferro at Arcia (a village twenty miles north of Lisbon) on the property of one Jacinto GATO.

Although the above was at first considered too wild for credence, it was later decided to make a cursory check at Arcia but no evidence was found justifying a further investigation. However, pursuing a rumor that a large quantity of gold had recently been smuggled into Portugal from Spain, the investigator was informed that around the first of December a quantity of gold, believed to be just over a ton, was hidden in the Quinta do Ferro at Santa Apolonia, one of the dock sections of Lisbon. This gold is presumed to have been bought by Albert Grebler, an extremely wealthy Jew of German origin who today, being stateless, travels on Portuguese or Swiss papers. He came to Portugal during the early part of the war.

From an independent source, active in black market operations, it was learned that Grebler recently received a large quantity of gold secretly from Spain and that the gold was in bars bearing the imprint of the Reichsbank. The gold was melted and recast into plain bars bearing no imprint and then distributed among jewelers and money dealers. The sale of gold was arranged through the firm of Silva Carvalho by Fernanda Mousinho d'Albuquerque, Grebler's secretary, who looks after Grebler's interest when the latter is not in Lisbon."

Investigation of this case is being continued and we shall inform you of any new developments.

Sincerely yours,

/s/ Emerson

Emerson Bigelow SECRET

218158

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Authority 4410978023  
By MI NARA Date 9-6-17

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COPY

Enclosure No. 1 to Confidential dispatch No. 4061 dated June 30, 1947 from American Embassy, Madrid, Spain

MEMORANDUM

Spain - Gold

To: Messrs. Randall  
Milton  
Ramsey  
Viel Castel

From: Albert Post

Subject: German Gold Shipments to Spain

I have examined the files relating to gold shipments from Germany to Spain during the war, and find that we have nothing which can specifically identify any group of bars as having arrived in Spain, that is, except for knowledge that large quantities of German gold were sent to Spain between 1942 and 1945. We have no absolute information, however, that this gold was looted, but in view of the large quantity of looted gold which we now know is in the possession of the Portuguese and which came from the very same shipments, there can be little doubt that a considerable amount of looted gold is now in the possession of the Bank of Spain.

The testimony of truck-driver who brought gold from Switzerland to Spain is very definite, even accurate descriptions of the receiving department of the Bank of Spain. We also have now a number of telegrams and letters taken from the records in Germany which are further proof of the shipment of gold by Otto WOLFF to the Instituto Espanol de Moneda Extranjera to the value of RM 10 million, for which the Germans received a counter-value in Swiss francs.

In view of our lack of identifying data, I have sent a telegram to Bern requesting our Legation to approach the Swiss National Bank for identification of those bars of German gold which were sent from the SNB to Spain. In addition, I am asking whether the looted Dutch gold sent by the Reichsbank to the SNB was actually sold to the SNB or merely put on depot there. If the gold was sold to the SNB and the SNB then transferred it to Spain, under our present procedure for recovery of looted gold, our recourse would be against the Swiss instead of the Spanish Government.

The total shipments of gold from the Reichsbank from 1940 to 1945 to the SNB were \$378,124,838. This figure is taken from the records of the Reichsbank itself. Of this gold, \$85,497,983 was immediately placed in depot with the SNB for the accounts of the Rumanian National Bank,

RG 56  
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Box 24 - Spain  
File - Spain: Gold and Foreign Exchange Position

218159

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By A.T. NARA Date 9-6-17

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- 2 -

the Swedish Riksbank, the Bank of Portugal, the Bank of International Settlements, the Slovakian National Bank, and various other banks. I am not aware that any of this gold was placed immediately on arrival in depot for the Bank of Spain. The \$378,124,838 of gold transmitted by the Reichsbank included two large lots of looted gold, some \$65,000,000 of looted Belgian gold and some \$126,000,000 of looted Dutch gold. None of the Belgian gold went to Spain, as we have now accounted for all of it. There is, however, a strong possibility that some of the looted Dutch gold is now in Spanish hands through direct purchase from the Reichsbank depot with the SNB. One of the reasons which leads me to suspect this is that we have the identification marks for looted Dutch gold purchased by the Portuguese, which came in shipments similar to those received by the Spaniards, and the Portuguese lots contain only part of the smelts of various lots of Dutch gold. The Spaniards, therefore, may be possessors of the remaining portions of these smelts since it was the general practice of the Reichsbank to sell gold in consecutive lots according to smelts. Since we have all the necessary identifying data for the looted Dutch gold, once we get details on Spanish purchases, we can readily identify the sources of their present holdings.

If, however, the Swiss refuse to give us the information requested in the telegram referred to above, I suggest that we ask Washington for instructions to attempt to set up a subcommittee on gold for the purpose of identifying the gold purchases made by Spain during the war.

Such committees were established during the negotiations with Switzerland, Sweden and Portugal. There is, I realize, a strong possibility that the Spaniards will refuse to form such a committee in view of their demand for reciprocity with regard to gold taken from Spain during the Civil War. However, our request would at least have resulted in making more clear to the Spanish our position on this matter.

A.P.

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218160

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Authority NND978020  
By AT NARA Date 9-6-97

# INCOMING TELEGRAM

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS

*Spanish gold file*  
TELEGRAPH BRANCH

CONFIDENTIAL

15

Control 7947

Rec'd July 25, 1947  
2:14 a.m.

Action: ESP  
Info :  
U-S  
A-H  
EUR  
LE  
OCD  
CIG  
DO/L  
GPO  
PC  
DC/R

FROM: Madrid  
TO: Secretary of State  
NO: 678, July 24, 1 p.m.

Re gold calculations of Dept, Embassy's comments  
are (London's 3497, June 26 and Dept's 2915 to  
London, repeated Madrid 580 and Brussels 950):

One. Evidence shipment 12 million dollars based  
on interrogations, reports not fully authenticated,  
and similar material. Embassy has adequate  
documentation only for shipment ~~rm~~ 10 million gold  
in July 1944 on Otto Wolf account, but unable  
identify bars. 12 million dollars also includes  
coin, which naturally impossible identify.

Two. Madrid's A-242, of May 9, 1946 listing Swiss  
remittances 74 tons and URREFTEL giving 83 million  
dollars, which probably based on A 242 like para-  
graph one, not substantiated by adequate documentary  
materials. Present belief is that such figure  
probably exaggeration. Statements under Bern's  
despatch 14169 August 13, 1946, that only 40,000  
kilos gold was sold from reichsbank depot Switzerland  
and by SBB directly probably much closer to truth.  
Should also point out that URREFTEL mentions 40  
million dollars gold acquired by Spain from  
Switzerland as not being included in total 83 million.  
Embassy's belief is that forty million would be  
included in total figure.

Three. Official figures Bank of Spain show increase  
Spanish gold reserve from end 1941 to end 1945 of  
approximately 70 million dollars.

Four. Conclusion

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INFORMATION COPY

RG 56

Acc.66-A-816-QASIA  
Box 2 - Looted Gold

File - Looted Gold; Spain - Vol. I

218161

CONFIDENTIAL

-2- 678, July 24, 1 p.m. from Madrid.

Four. Conclusion Embassy is that Spain probably received about 52 million dollars gold from Germany, occupied countries, and Switzerland, of which undetermined but probably small amount in form of coin. Embassy has recovered one million and several millions were sold in black market, and further undetermined amount is gold purchased directly from SNB in which case we have no recourse against Spain, so total identifiable gold would be greatly reduced. Embassy guess is that identifiable gold may total approximately 20 millions at most.

Repeated London 66, Brussels 24.

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218162

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Authority NWD978070  
By AT NARA Date 9-6-97

REPRODUCED AT THE NATIONAL ARCHIVES

INCOMING TELEGRAM  
DEPARTMENT OF STATE

CONFIDENTIAL

FROM: Madrid  
TO: Secretary of State  
NO: 806, September 9, 5 p.m.

"Guess" Embassy re gold based on (URTEL 722 of August 29):

One. Examination A-242, May 9, 1947, shows only about 10 tons bar gold shipped from Germany or occupied territory to Spain which can be regarded as reasonably certain. Only Otto Wolff gold, rm 10 million, proved documentarily, others accepted basis testimony persons involved.

Two. Shipments from Swiss National Bank directly and Reichsbank depot not believed to exceed 40 tons stated by Zehnder. Figures A-242, especially item 7, based largely on unsupportable evidence.

Three. Total bar bold shipped Spain, therefore, would be about 50 tons.

Four. Of 40 tons from Switzerland unknown proportions sold directly by SNB for which no recourse against Spain. Of remainder perhaps 60 per cent may be loot basis proportion total gold shipped from Germany to Switzerland known as loot.

Five. Basis above 20 millions seems fair "guess" but only "guess" as long as we lack definite information.

Six. Your paragraph 2, telegram never sent.

CULBERTSON

SW:PAL

CONFIDENTIAL

cc: 9/11/47 Messrs. Glasser, Masterson (3), Richards (2),  
Wood-Neter, Willis, P. Gewirtz, Eddy, Dickens,  
McNeill, Bittermann

RG 56

Acc.66-A-816 - OASIA  
Special Subject Files  
Box 2 - Looted Gold  
File - Looted Gold, Spain - Vol. I

218163

DECLASSIFIED

Authority: WIA TIA DR 3  
By HT NARA Date 9-6-97

REPRODUCED AT THE NATIONAL ARCHIVES

*Shaw, Gold*

CONFIDENTIAL

INCOMING TELEGRAM

CR

FROM: Madrid

TO: Secretary of State

NO: 260 April 17, 1948 5 pm.

Spanish Government has now supplied full information gold purchases during war period, and gold stocks on hand. See DEPTEL 181, March 26 and EMBTEL 230, April 6. Kasper has completed full report which will be forwarded next accompanied pouch. As matters now stand only identifiable looted gold for which Spanish can be held responsible totals 101.6 kilos fine as outlined Kasper's report forwarded Department FMBDESP 58, January 28.

It now develops from information received from Germany plus data obtained from Spain that approximately 3 1/2 tons Otto Wolff gold was not in bars but coin. While information available clearly suggests this gold actually received, it is nevertheless impossible identify it as loot as would be the case were it in bars. Spain does not admit or deny the transaction, but as looted coin has not been considered as identifiable, Embassy convinced no issue should be made thereon especially in view of fact that any such action would fail in absence of complete proof, moreover lend support to Spanish in their claim for gold under litigation in Paris and allegedly looted by Russians or Germans or both following German occupation.

Navasques advised us this morning that Spanish agreeable full restitution of the 101.6 kilos fine provided thereby we are agreeable announce Spain has restituted all identifiable gold and has hence fulfilled requirements Bretton Woods. Spain much concerned on manner in which announcement is to be made. Insists that statement contain no implication that Spain was aware of looted origin of gold at time of purchase or subsequently. Embassy has given assurance that no such charge or implication will be included. In view of facts developed, and cooperation of Spanish officials who have made available data on gold holdings, Embassy urges that Spanish gold be unfrozen in same manner as that of other countries who have complied with gold declaration. For your information British and French here agree with Embassy. Urgent reply requested.

CULBERTSON

NOTE: Underlined portion verified on request.

4-22-48 cc to: Gunter, Masterson 3, Schwartz 2, Wood-Meter, Willis, Eddy, Schwartz, F. Smith, Bittermann, Gewirtz and Mint.

pcl

RG 56  
Acc.67-A-1804  
Box 24 - Spain  
File - Spain: Gold and Foreign Exchange Position

218164

DECLASSIFIED

Authority NN 963016  
By DD NARA Date 2/1/98

DECLASSIFIED FILED: NNO 963016  
REF ID: A64444  
PG 457 RECORDS OF THE NATIONAL SECURITY  
AGENCY/CENTRAL REPRODUCED AT THE NATIONAL ARCHIVES  
HISTORIC CRYPTOGRAPHIC COLLECTION: 1940-1945  
COLLECTION: 1940-1945 WORLD WAR II  
THROUGH WORLD WAR II  
CBGB 3491 DIPLOMATIC MESSAGE TRANSLATIONS: SIS 27000  
427

TOP SECRET

329

From: Ankara  
To : Istanbul  
31 July 1944  
GEC

No #

Please see to it that the transport of all  
German goods to Turkey is stopped at once.

VON PAPEN

Inter	31	Jul	44	(92)	German	#133897
Rec'd	4	Aug	44			
Years	6	Aug		(645-P)		

TOP SECRET

WAR DEPARTMENT

This sheet of paper and all of its contents must be safeguarded with the greatest care.  
Utmost secrecy is necessary to prevent drying up this sort of vital intelligence at its source.

218165



# TREASURY DEPARTMENT

WASHINGTON

Attention: Mr. Norman T. Ness  
Director, Office of Financial and Development Policy

My dear Mr. Secretary:

For some time the matter of the status of Argentina under the United States Gold Declaration of February 22, 1944 has been the subject of discussion between the two Departments. The latest communication on the subject is a secret memorandum of the State Department dated June 20, 1947 addressed to the Associate Director of the Division of Monetary Research. In the light of the information set forth below, the problem of the relation of Argentina to the Gold Declaration has become an urgent one, and it appears to be highly desirable that the two Departments should come to an early decision.

The following information concerning the present status of gold purchases from Argentina has just been obtained from the Federal Reserve Bank of New York: In recent months Argentina has shipped to the United States for earmarking \$320 million in gold. Of this amount the United States has already purchased all but \$88 million. The remaining \$88 million may be divided into three categories:

- (1) Gold which cannot be identified as having been held under earmark in the United States--\$39 million.
- (2) Gold which was held under earmark in the United States but was exported to Argentina prior to February 22, 1944 (the date of the Gold Declaration)--\$20 million.
- (3) Gold held under earmark in the United States and exported to Argentina subsequent to February 22, 1944--\$29 million.

It has been the policy of this Government not to purchase gold situated outside of the United States on the date of the Gold Declaration, until the United States is fully satisfied that the government offering the gold did not acquire any looted gold, or has made settlement for any looted gold which it may have acquired. Accordingly, it can be seen that only the gold in category (3) above, i.e., \$29 million is eligible for purchase by the United States. The rapid rate at which the Argentine is selling gold clearly indicates that probably within a period of a week or 10 days, the United States will be requested to purchase gold from Argentina which is not eligible for purchase under the Gold Declaration.

RG56  
Acc.66-A-155  
Box 33  
File-ARG/3/37 Gold

218166

In view of the foregoing, the Treasury Department again strongly recommends that our Embassy in Argentina be instructed to request from the Argentine Government the submission of information as to its gold acquisitions since January 1939 from the Axis or Axis-occupied countries, and from Spain and Portugal. The United States has followed a consistent policy of requesting such information from countries who have not made a satisfactory settlement under the Gold Declaration. Such information is not only requested in connection with the implementation of the policy expressed in the Gold Declaration, but also in the execution of the consistent policy of the United States not to recognize enforced transfers of any type of property regardless of the period during the war when they took place. The policy was first expressed in the Joint United Nations Declaration of January 5, 1943, regarding forced transfers of property, and was reiterated in Resolution VI of the Bretton Woods Conference.

While it is true that technically the Argentine Government has indirectly adhered to the principles of the Gold Declaration through its adherence to the Final Act of the International Conference on Problems of Peace and War, March 1945, it should be pointed out that this action by the Argentine Government came more than a year after the issuance of the Gold Declaration at a time when it was apparent that the war in Europe would soon be over. The United States has no information concerning Argentina's transactions with the Axis or Axis-occupied countries during the intervening period.

While the United States at the present time does not have any direct evidence that Argentina obtained looted gold, information presently available concerning Argentina's transactions with the Axis is entirely inadequate and, it should be noted, the ultimate destination of substantial amounts of looted gold is still not known. In this connection, the Department has noted the statement in cable #7378 of September 8, 1944, from the American Embassy in London that the "British feel that Buenos Aires is a key point for flight capital, loot and all other assets held by the Germans". If, as is entirely possible, Argentina did not acquire any looted gold, it should be easy for it to establish that fact by supplying the information requested. For the United States not to request such information, would, it would seem, weaken its position with respect to other countries from whom such information has been requested, but has not yet been received.

In the event that the Department of State is in agreement with the above recommendation of the Treasury Department that gold

-3-

purchases from Argentina be treated in accordance with the policy heretofore agreed to by the State Department for the execution of the Gold Declaration, the Treasury Department will, pending receipt of the information to be requested from Argentina, refuse to purchase any gold offered by Argentina which was not within the United States on February 22, 1944. If, however, before satisfactory information is received from Argentina, the Department of State determines that for political reasons Argentina should not be considered subject to the Gold Declaration, the Treasury Department requests early written advice to this effect.

There is attached for your consideration a draft of a proposed cable to our Embassy in Argentina which the Treasury Department now feels should be despatched.

Very truly yours,

Secretary of the Treasury

The Honorable  
The Secretary of State

218168

purchases from Argentina be treated in accordance with the policy heretofore agreed to by the State Department for the execution of the Gold Declaration, the Treasury Department will, pending receipt of the information to be requested from Argentina, refuse to purchase any gold offered by Argentina which was not within the United States on February 22, 1944. If, however, before satisfactory information is received from Argentina, the Department of State determines that for political reasons Argentina should not be considered subject to the Gold Declaration, the Treasury Department requests early written advice to this effect.

There is attached for your consideration a draft of a proposed cable to our Embassy in Argentina which the Treasury Department now feels should be despatched.

Very truly yours,

Secretary of the Treasury

The Honorable

The Secretary of State

FBSmith:RJSchwartz: rs 9/30/47

218169

Treasury Department  
Division of Monetary Research

Date 10/1/47 194....

To: Mr. Schmidt

From: Mr. Schwartz *RJ*

Attached is the Argentina  
letter. Turkey, as agreed, is  
not included.

RG56  
Acc.66-A-155  
Box 33  
File-ARG/3/37 Gold

218170

# Office Memorandum • UNITED STATES GOVERNMENT

TO : MR. SOUTHDARD  
 FROM : MR. SCHMIDT  
 SUBJECT: Status of Argentina under the Gold Declaration.

DATE:  
 1 October 1947

For some time we have been confronted with the question of the status of Argentina under the Gold Declaration. Treasury has continued to suggest at a technical level that we cannot purchase from Argentina gold which was not earmarked in the United States on the date the Gold Declaration was issued until we are satisfied that such gold did not consist of looted gold and has recommended that Argentina be requested to submit information concerning any gold acquired by it from the Axis, the Occupied Countries, or Spain and Portugal.

While some sections of the State Department agree with us, others have contended that Argentina gold is not subject to the Gold Declaration since Argentina by its statement of adherence to the Chapultepec Agreement implicitly accepted the obligations of the Gold Declaration. However, the latter position has the weakness that:

a) In adhering to the Gold Declaration Argentina merely agreed thereafter not to purchase gold from the Axis or from countries which had purchased gold from the Axis, and

b) Argentina did not take such action until March 1945 and accordingly may have been purchasing looted gold during an entire year after the official pronouncement of the Gold Declaration.

Inasmuch as we may soon be asked by Argentina to purchase gold which we would be prevented from buying by virtue of the Gold Declaration, it is desirable to resolve the basic question. The attached letter is designed to force the State Department to resolve its position. This tactic has been discussed with persons in the State Department who believe that such a letter will contribute to a prompt resolution of the problem. Accordingly, it is recommended that the attached letter be transmitted to the State Department as soon as possible.

*Since this was drafted, NYF has learned that Argentina is planning to ship another \$100, 000, 000 in gold to the U.S.*

218171

# Office Memorandum • UNITED STATES GOVERNMENT

~~SECRET~~

TO : Mr. Schwartz  
FROM : G. A. Eddy *gae*  
SUBJECT: Argentine gold shipments and sales.

DATE: 25 June 1947

✓ FM 8/5/47  
in 15 min of \$300,600,000

1. Argentina has issued instructions for shipping \$270,000,000 of gold to the United States, ending within the next month or two.
2. Gold withdrawn from the United States by Argentina in 1946-47 totalled \$254,000,000, but an additional \$61,000,000 was withdrawn in 1943-44.
3. Thus the total prospective import is \$45 million less than the export over the years 1943-47.
4. \$24 million of sovereigns were included in the export and some foreign mint bars. The latter can probably be identified exactly, as to whether they are the same or different bars as were here before. For the sovereigns, identification can be made presumptively if the bags and tags were not changed, but of course switching of individual sovereigns could not be detected.
5. Argentina has been said to have a further considerable gold stock kept in Argentina. Until the gold arrives here, it is generally not known here just what bars or coins are to be shipped.

RG 56  
Acc.66-A-155  
Box 33  
File - ARG/3/37 Gold

DECLASSIFIED  
Authority NND978631  
By MCH NARA Date 7/26/17

218172

~~STRICTLY CONFIDENTIAL--  
NOT TO BE DUPLICATED~~

PRELIMINARY DRAFT

MEMORANDUM ON GOLD ACQUISITIONS BY SPAIN DURING THE WAR

SUMMARY:

From February 1942 to VE Day, May 8, 1945, Spain acquired a total of at least \$138,214,000-worth of German gold out of which only \$1,125,000 was recovered leaving an unrecovered balance of \$137,084,000-worth of German gold acquired by Spain. This figure was arrived at as follows:

(All Sums in Thousands of U.S. Dollars)

Acquired directly from Germany and German-occupied territories at least (11,000 kg.) . . . 12,375

out of which the Trusteeship recovered (1,000 kg.) . . . . . 1,125

leaving unrecovered (10,000 kg.) . . . . . 11,250

Acquired from the German deposit with the Swiss National Bank at least (74,000 kg.) . . . . . 83,250

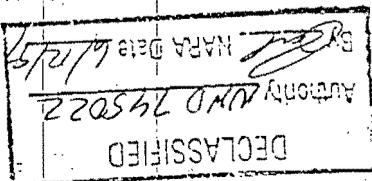
Acquired directly from the Swiss National Bank (37,852 kg., which probably included German looted gold) . . . . . 42,584

Unrecovered Total (121,852 kg., at least) 137,084

It is possible that in addition an unknown quantity of gold was brought into Spain, probably directly from Germany by diplomatic pouch and secret air flights and stored there or sold privately, but we lack evidence.

RECOMMENDATION:

218173  
RG 59, Legal Attns  
Office (Set from  
f.o.) Board Rr. to  
German Assets, 1942-  
1955, Box 18



RECOMMENDATION:

It is suggested to request the Spanish Government to return 72% of the above total of \$157,084,000 (121,852 kg.) which amounts to \$98,700,000 (37,733 kg.).

BACKGROUND AND DOCUMENTATION:

The average percentage of 72% is used for the portion of acquisitions to be returned because it can be assumed (as in the case of Portugal) that out of the \$298,200,000-worth (265,067 kg.) gold which the Swiss acquired from Germany during the war, they were certainly trying to sell first that portion of it which was looted.

It is reasoned that an absolute minimum of 72% of all gold sold abroad by Germany during the war was looted, a deduction which is arrived at as follows:

The total gold looted by Germany during the war is calculated at 433 million-dollars-worth, to which are to be added 53 million taken from Austria and 33 million from Czechoslovakia--altogether 519. It is also calculated that Germany sold abroad during the war about 445 million-dollars-worth of gold. At the beginning of the war Germany's own legitimate gold stock (including 23 million purchased from Russia before she went to war with Germany) amounted to about 126 million-dollars-worth of gold. Subtracting 126 from 445, under the assumption most favorable to the neutrals that Germany sold all her legitimate gold abroad and only part of her looted gold, the minimum of looted gold Germany sold abroad during the war is 319 million-dollars-worth. 319 is 72% of 445 and thus we arrive at the estimate most favorable to the neutrals, that 72% of all gold sold by Germany was looted gold.

Under the above assumption, namely, that Germany spent about 445 million dollars during the war, Germany sold during the 5½ years of the war 85 million-dollars-worth of gold on the average per year. At that rate, since it can be assumed that Germany first sold all her legitimate gold, she must have exhausted her legitimate stocks by the Spring of 1941. Therefore, if we assume that Germany began spending looted gold by the Spring of 1942 we have made ample allowance for the consideration that at the beginning of the war the annual rate of spending was lower and probably increased only after the first

year

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DECLASSIFIED

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100-4400  
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218174

year of war when Germany began to secure material abroad and otherwise increased her foreign activities. If we follow the latter argumentation we arrive at the conclusion that all gold that the neutrals acquired after the Spring of 1942 was looted gold. The amount of gold acquired by the Spanish after that date undoubtedly will exceed the 72% figure arrived at above, since the bulk of transfers took place after February 1942.

Another calculation leads us to the following consideration. The total sum of gold looted by Germany was 590 million dollars. Under the assumption (the one most favorable to the neutrals) that Germany spent all her legitimate gold holdings, dollars (excluding the Italian and Hungarian earmarked gold) is to be deducted from the above 590, leaving 391. To be deducted from this is \$3 recovered from Switzerland and recover from the Swiss. Since we know that 22½ million dollars German gold went to Romania and some 15 million dollars were privately sold in Turkey, we are missing about 250 million dollars elsewhere which is roughly the amount of gold reportedly obtained by Portugal and Spain, as the acquisition of German gold by Spain and Portugal combined.

As to figures of Spanish gold acquisitions, the following sources were used:

The first two items of the Summary on page one (\$11,250,000 unrecovred while occupied territories) acquired directly from Germany and Germany (\$2,270,000 which Spain acquired from the Banco National Bank) were taken from the Transoceanic cablegram 659, May 9, 1946, and AIRGRAM 242, May 11, 1946, given by our Bureau AIRGRAM 100, June 8, 1946, AIRGRAM 340, June 11, 1946, and AIRGRAM 343, June 11, 1946) indicating a total of

AIRGRAM 639 report total shipment of gold to Spain on German order from December 1942 through VE Day, to be (as established by Transoceanic cablegram 100, 1946) 16,000 kg. This sum is composed of 74,000 kg. shipped to Switzerland and 10,000 kg. shipped from Germany and occupied territory. Evidence for these estimates was gathered from a variety of sources including truck drivers' statements, statements of German officials in Spain and Germany, and records of Banco de Santander, and Transoceanic. According to AIRGRAM 100, the gold went to the German

218175

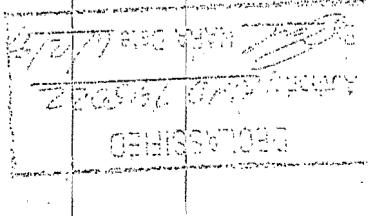
the German Embassy, the American office, the Bank of Spain, Sefinidas, Banco Alfonso XIII, Santander and Banco Comercio in Barcelona, and Deutsche Bank in Madrid. With the exception of the Bank of Spain, these are all owned or controlled by German-controlled organizations. Some of the gold was reported to have come through Sefinidas; some was bought direct from Bernhardi in his capacity as head of the Sefinidas office. Bernhardi in his capacity as head of the Sefinidas office, Bernhardi in his capacity as head of the Sefinidas office. Part of this gold was later converted to Swiss francs which were transferred to German accounts maintained in Geneva, while

Telegram 1032 specifies that a Sofindus report in the former German Embassy filed with the information that gold imported from Switzerland in Dec 1943 through January amounted to \$9,320 kgs or \$93,750,000 worth of gold. This amount, covering only one year, almost equals the amount given previously for total Nazi-time shipments to Syria. Also, it is the figure for one year of the war only. It would seem, therefore, that the British Embassy's estimate of gold imported into Syria during the war is too low and should be revised upward, since the Sofindus report shows approximately thirty-four tons gold, and does not show those through Hamburg and Zurich, which may have been redeposited.

The third item which Guin acquired taken from tables of National Bank holdings at the Bremgny on page one (\$42,584,000 worth of gold) directly from the Swiss National Bank) was drawn on Swiss Confederation and Swiss National Bank holding, the acquisition of which were transmitted to our Agent in Bern confidentially and privately by an official of the Swiss Government on the authorization of the Swiss Federal Council. This figure comes from Table IX (Enclosure No. 3 to War-time Service Report No. 12347, September 14, 1945, from American Legation, Bern). The source for this figure, therefore, cannot be given in our formal statement.

A preliminary report dated January 26, 1946 of the Strategic Services Bureau, San Francisco, stated that between January 1942 and February 1944 a total of about \$10,000,000 worth of gold from Switzerland to Spain and Portugal went to the Bank of Spain and one-half (1/2) (about \$5,000,000) went to the Instituto Espanol de America Extrabajos in Madrid. No sum of money of the figures arrived in official documents, as an excess of the figure held to Sustituir Companias

2200



218176

of not less than 200 kg. (An analysis of an O.S.S. report on shipments of gold through Belgrade, which clearly is included in the overall summary of SDU on February 26, 1946, bears out that about 200 kg. went to Spain and about 109,000 kg. went to Portugal. No destination was given or can be established for an additional approximately 5,000 kg.)

The only just solution of the problem of recovering looted gold from Spain will also have to consider Spain's over-all gold situation.

Although the Spanish have bolstered holdings in the United States at the present time but had none in 1942 and 1943, the increase in Spain's domestic gold holdings in 1941 to 1945 is quite spectacular.

Year	Holdings of Spain Gold - 1945		TAX BASE (in \$100,000)
	Estimated	Published Figures	
1945	225	225	\$2 (or \$240)

However, because of the cost of the Civil War, Spain possessed a gold reserve of \$2 million dollars worth of gold, imposed by controls.

RECORDED:

8-6-68

218177

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Authority NWD76050

By SC NARA Date 2/14/97

REPRODUCED AT THE NATIONAL ARCHIVES

RG 59

Box 4209



The Honorable Despatch  
from the American

EMBASSY OF THE  
UNITED STATES OF AMERICA

S E C R E T

No. 2306

Madrid, June 11, 1946.

FBI  
H

Subject: Transmitting Copy of SOFINDUS Report  
of Spanish Imports and Exports for Year  
1943 through Canfranc (Reference Em-  
bassy's A-338 of June 11, 1946)

3  
RECEIVED  
DEPARTMENT OF STATE

The Honorable  
The Secretary of State,  
Washington, D. C. 20580

Sir:

I have the honor to refer to the Embassy's telegram no. 1032 of June 8, 1946 and its A-338 of June 11, 1946, both of which reported that a report prepared by SOFIN-DUS and recently found in the files of the former German Embassy in Madrid disclosed that Spain had imported some 83.3 metric tons in gold bars from Switzerland during 1943, and to transmit such report as a single enclosure to this despatch. As explained in the communications under reference, the report purports to list all importations and exportations through the Spanish rail terminal of Canfranc, one of the two rail terminals between Barcelona and the French border on the Mediterranean side of Spain, but does not, of course, relate to the equally important traffic point of Irún on the Bay of Biscay side of Spain. In addition to the importation of gold, two other transactions noted in the report are of considerable interest: (a) only two (2) tons of wolfram ore are reported to have been exported through Canfranc in 1943 and this to Switzerland (demonstrating that the bulk of wolfram shipments moved along the Irún-Hendaye route), and (b) Spain apparently exported to Switzerland some 28 tons of Swiss banknotes, stated to have been printed for Switzerland in England.

800.515/6-1146

CS/V

Respectfully yours,  
For the Chargé d'Affaires,

*Harold M. Randall*  
Harold M. Randall,  
Commercial Attaché.

Enclosure:

Report for 1943 of goods  
transported through Canfranc

Copy to American Embassy, London  
American Embassy, Paris  
American Legation, Berne  
U. S. Political Mission, Berlin

HCRamsey/et

JUL 25 1946  
FILED

218178

CONFIDENTIAL FILE

800.515/6-1146



DECLASSIFIED

Authority NND760050  
By SC NARA Date 2/4/47

REPRODUCED AT THE NATIONAL ARCHIVES

Enclosure to Despatch no. 2306, dated June 11, 1946,  
from the American Embassy, Madrid, Spain, "Transmitting  
Copy of SOFINDUS report of Spanish Imports and Exports  
for Year 1943 through Canfranc."

Title page:

R E P O R T F O R 1 9 4 3  
o f  
Goods Transported through Canfranc

S O F I N D U S

Madrid

February 15, 1944

First page--  
summary:

R E P O R T

The following quantities were transported through  
Canfranc during the year 1943 (see details set forth  
in the following pages):

North-south traffic (imports into Spain):

Germany . . . . .	850	metric tons
Switzerland . . . . .	2,439.110	
France . . . . .	4,163.900	
Other countries (Italy, Sweden, Hungary) . . .	82.80	
Total . . . . .	7,535.810	metric tons

South-north traffic (exports from Spain):

Germany . . . . .	1,305	metric tons
Switzerland . . . . .	40,264.250	
France . . . . .	5,399.50	
Other countries (Italy, Sweden, Hungary) . . .	36,804.50	
Total . . . . .	83,773.250	metric tons

February 15, 1944

218179

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Authority NND760050  
By SC NARA Date 2/4/97

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-2-

North-south traffic in goodsthrough Canfrancfrom January 1, 1943 through December 31, 1943

Country of origin	Class of goods	Quantity in metric tons
Switzerland	Aluminum . . . . .	28
	Aluminum in blocks or sheets . . . . .	30.7
	Aluminum in bars . . . . .	10
	Criolite . . . . .	50
	Gold bars . . . . .	83.320
	Iron goods . . . . .	6.6
	Medicaments . . . . .	47.8
	Chemical and pharmaceutical products . . . . .	282.4
	Automobiles and accessories . . . . .	2.3
	Books . . . . .	1.5
	Electrical engines and lamps, counters, motors . . . . .	151.29
	Dyestuffs . . . . .	152.3
	Accessories for bicycles . . . . .	1.4
	Wine in bottles . . . . .	1.5
	Graphite-electrodes . . . . .	12
	Rubber . . . . .	3
	Artificial silk . . . . .	43.3
	Artificial yarns and textures . . . . .	118.3
	Hardware . . . . .	4.1
	Auto trucks, transit trucks and access. . . . .	27.6
	Empty boxes (barrels and bottles) . . . . .	211.2
	Machines and accessories . . . . .	651.7
	Medical instruments . . . . .	0.5
	Cheese . . . . .	1.2
	Malt flour . . . . .	6
	Eatables . . . . .	14.7
	Paper and paste . . . . .	23.6
	Perfumes and smelling material . . . . .	1
	Porcelain . . . . .	12
	Raw silk . . . . .	46
	Sandpaper . . . . .	45.3
	Phonographs and accessories . . . . .	20.3
	Steel wire . . . . .	32
	Textile machines . . . . .	27.5
	Watches and machines . . . . .	4.7
	Furniture . . . . .	15.3
	Wool yarns . . . . .	2.7
	Raw wool . . . . .	12
	Miscellaneous (watches, tools, iron merchandise, etc.) . . .	254
		2,439.110 tons

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Authority NWD 76050  
By SC NARA Date 2/14/97

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-3-

Country of origin	Class of goods	Quantity in metric tons
France	Aluminium antratite . . . . .	50
	Aluminium oxide . . . . .	1,525
	Silver in bars . . . . .	3.5
	Cast iron . . . . .	1.3
	Criolite . . . . .	86.2
	Potash-chlorate . . . . .	45
	Nitrogen . . . . .	130
	Iron and aluminum combinations. . . . .	10.5
	Kaolin . . . . .	136
	Rubber . . . . .	80
	Automobiles . . . . .	7
	Fuel oil . . . . .	62
	Bricks . . . . .	13.7
	Millstones . . . . .	112.9
	Artificial polishing material . . . . .	12
	Machines and motors . . . . .	214.1
	DYNAMOS . . . . .	23
	Isolators . . . . .	273
	Electric motors and accessories . . . . .	123.6
	Glass . . . . .	29.6
	Chemical products . . . . .	14
	Filigree paper . . . . .	64
	Iron wire . . . . .	23.2
	Sheet iron . . . . .	63
	Tinned drums . . . . .	13
	Fire-clay and bricks . . . . .	537.3
	Coal tubes . . . . .	31.3
	Fuses for pits . . . . .	1.8
	Petroleum coke . . . . .	225
	Steel . . . . .	2
	Shoe machines . . . . .	10
	Accessories for bicycles . . . . .	0.7
	Horses . . . . .	25
	Talc . . . . .	50
	Furniture . . . . .	26
	Books . . . . .	9.8
	Cement . . . . .	10
	Paper for cigarettes . . . . .	119.5
		4,163.9 tons
Other countries	Instruments and machines . . . . .	56.4
	Electric lamps . . . . .	2.4
	Artificial polishing products . . . . .	1
	Instruments for moving picture. . . . .	2
	Automobiles . . . . .	6.3
	Sheet iron . . . . .	10.8
	Phonographs and accessories . . . . .	0.7
	Radios . . . . .	1.7
	Saw blades . . . . .	0.2
	Watches . . . . .	1.3
		82.8 tons
Germany	War materiel . . . . .	850 tons

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Total movement in the year 1943:

North-south traffic (imports into Spain) 7,535.81 metric tons

These goods were transported from

Germany . . . . .	850	tons
Switzerland . . . . .	2,439.11	
France . . . . .	4,163.9	
Other countries (Italy, Sweden, Hungary) . . . . .	82.8	
	7,535.81	tons
	=====	

South-north traffic in goods  
through Canfranc

From January 1, 1943 through December 31, 1943

Destination	Class of goods	Quantity in metric tons
Switzerland	Chrome ore . . . . .	240
	Iron . . . . .	5,922
	Sheet iron . . . . .	1,071
	Manganese dioxide . . . . .	11
	Manganese ore . . . . .	50
	Black iron . . . . .	30
	Silver in bars . . . . .	20.15
	Tungsten ore . . . . .	2
	Tin . . . . .	40
	Coal . . . . .	300
	Resin . . . . .	517.6
	Cork . . . . .	815
	Bamboo . . . . .	5
	Rubber . . . . .	21
	Chestnuts . . . . .	30
	Lupines . . . . .	92.5
	Felt . . . . .	0.5
	Seeds . . . . .	30
	Liquorice . . . . .	52.4
	Liquorice extract . . . . .	7
	Vegetable oils . . . . .	2,215
	Turpentine oil . . . . .	1,039
	Chicory . . . . .	42
	Chicory root . . . . .	590
	Yellow egg powder . . . . .	2
	Apricots . . . . .	12
	Figs . . . . .	1,188.5
	Fish conserves . . . . .	76
	Fruits . . . . .	26
	Honey . . . . .	10
Coffee . . . . .	1,402	
Cacao . . . . .	230	
Potato meal . . . . .	30	

Legumes

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By SC NARA Date 2/1/97

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Destination	Class of goods	Quantity in metric tons
Switzer- land, cont.	Legumes . . . . . Almonds . . . . . Malt . . . . . Maize meal . . . . . Mayonnaise . . . . . Nutmegs . . . . . Olives . . . . . Rice . . . . . Talc . . . . . Tobacco . . . . . Wine . . . . . Grapes . . . . . Sugar . . . . . Wool . . . . . Glass merchandise (demijohns) . . . . . Automobile trucks for repairs . . . . . Used furniture . . . . . Books . . . . . Pharmaceutical products . . . . . Wagon covers (returned) . . . . . New Swiss banknotes (printed in England) . . . . .	240 64.5 614 2 9 10 9 2,377 288 41 13,697 9.6 6,601 3 3 33 3 2 14 1 28
France	Resin . . . . . Coal . . . . . Rubber products and tires(waste) . . . . . Resin oil . . . . . Legumes . . . . . Dry and salted fish . . . . . Fish conserves . . . . . Fish flour . . . . . Chestnuts . . . . . Fish oil . . . . . Empty boxes . . . . . Envelopes and used sacks . . . . . Wire . . . . .	2,314 345 255 11 930 210 580 300 30 360 4 35.5 25
Other coun- tries	Chrome ore . . . . . Iron . . . . . Copper scrap . . . . . Resin . . . . . Cork . . . . . Carob beans . . . . . Chestnuts . . . . . Potato flour . . . . . Pine kernels . . . . . Tobacco (natural) . . . . . Seeds . . . . . Liquorice . . . . . Vegetable oils . . . . . Turpentine oil . . . . . Chicory root . . . . . Egg powder . . . . . Figs . . . . . Fish conserves . . . . .	190 1,420 21 875 1,201.5 30 420 96 6 580 91 23 1,285 602 60 13 976 614
		Fish oil

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Destination	Class of goods	Quantity in metric tons
Other countries, Cont.	Fish oil . . . . .	326
	Meat conserves . . . . .	61
	Honey . . . . .	15
	Legumes . . . . .	495
	Coffee . . . . .	501
	Almonds . . . . .	281
	Nuts . . . . .	171
	Olives . . . . .	10
	Rice . . . . .	3,400
	Cognac . . . . .	424
	Wine . . . . .	22,590
	Automobile trucks . . . . .	3
	Paper products . . . . .	24
		36,804.5 tons
Germany	Chrome ore . . . . .	4
	Turpentine oil . . . . .	782
	Wine . . . . .	519
		1,305 tons

Total movement in the year 1943:

South-north movement (exports from Spain) 83,773.25 metric tons

## Transported to:

Germany . . . . .	1,305
Switzerland . . . . .	40,264.25
France . . . . .	5,399.50
Other countries (Italy, Sweden, Hungary) . . . . .	36,804.50
	83,773.25 metric tons

Translated from the German text,  
June 10, 1946, by Henry A. Gans.

/et

218184

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Authority NND897794  
By SC NARA Date 2/4/97

RG165 MID.  
File 1922-44  
Spain Box 2925  
4940-S925

FOREIGN ECONOMIC ADMINISTRATION  
BOARD OF ECONOMIC WARFARE

WASHINGTON, D. C.

SECRET

FEB 26 1944

Sgt.

MEMORANDUM:

In reply refer to:  
BA-813-WF

TO: Col. Donald McDonald, Army Liaison Office  
FROM: George L. Powell, Chief, Blockade Division *G.L.P.*  
SUBJECT: SPANISH GOLD HOLDINGS  
AND GOLD PURCHASES.

CONCLUSION.

At the end of 1943 Spain's officially recorded gold holdings amounted to approximately 1,203 million pesetas, equivalent to 109.5 million dollars. During 1943, the officially recorded gold holdings increased by approximately 33.5 million dollars. Of this amount it is known from secret sources that at least 11.3 million dollars were acquired from the U.K. and Switzerland for purchases by these countries. The remaining increase of 22.2 million dollars is due largely to gold purchases in Switzerland with Swiss francs which were, for the most part, received from Germany. It seems reasonable to assume that about 15 million dollars' worth of gold may have come from Germany through the intermediary of Switzerland.

BACKGROUND INFORMATION.

The latest available figures for Spanish gold holdings are for Dec. 31, 1943. They have not yet been published but have been received through confidential channels from Madrid and are as follows:

	In Millions of Paper Pesetas	In Millions of Dollars
Gold Holdings of Bank of Spain . . .	490.	44.6
Gold Holdings of Foreign Exchange Inst. . .	713.	64.9
Total Gold Holdings . . . . .	<u>1,203.</u>	<u>109.5</u>
Gold Holdings of Bank of Spain . . .	462.	42.1
Gold Holdings of Foreign Exchange Inst. . .	429.	39.0
Total . . . . .	<u>891.</u>	<u>31.1</u>
Other Gold Holdings* . . . . .	<u>34.</u>	<u>3.1</u>
	<u>925.</u>	<u>84.2</u>

The latest published figures of Spanish gold holdings cover September 30, 1943, and are as follows:

Gold Holdings of Bank of Spain . . .	462.
Gold Holdings of Foreign Exchange Inst. . .	429.
Total . . . . .	<u>891.</u>
Other Gold Holdings* . . . . .	<u>34.</u>
	<u>925.</u>

\*Other Gold Holdings include gold belonging to the Public Treasury, gold due on current accounts, and gold as a special guarantee for Bank notes in circulation.

REF ID: A651036 FEB 28 1944

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Authority AND897794  
By SL NARA Date 2/4/91RG165 M.I.D.  
Regional File 1922-44  
Spain Box 2925  
4440-5935  
2/26/44

Col. Donald McDonald

- 2 -

2/26/44

It is believed that all of the gold belonging to the Bank of Spain is physically located in Spain. The gold belonging to the Institute is still partly abroad. It is known from secret sources that two million dollars' worth of gold is still in London and that some of the gold acquired from Switzerland is still earmarked at the Swiss National Bank in Berne.

During 1943 Spain's gold holdings developed as follows:

	Dec. 31 1942	June 30 1943	Sept. 30 1943	Dec. 31 1943
(In millions of Paper Pesetas)				
Bank of Spain . . . . .	493.	490.	462.	490.
Foreign Exchange Institute . . .	<u>232.</u>	<u>252.</u>	<u>429.</u>	<u>713.</u>
Total . . . . .	725.	742.	891.	1,203.
Others . . . . .	Not avail.	6.	<u>34.</u>	Not avail.
		748.	925.	

In order to compare accurately the increase during 1943, only the gold belonging to the Bank of Spain and Foreign Exchange Institute are taken into consideration in the subsequent discussion. The following increases took place during 1943.

In Millions of Dollars.  
(Paper Pesetas converted into Dollars  
at 9.1¢ per Peseta.)

January to June, 1943 . . . . .	+ 1.5
July to September, 1943 . . . . .	+ 13.6
October to December, 1943 . . . . .	+ <u>18.4</u>
Total . . . . .	+ \$33.5

It is known from secret sources that Spain received approximately 10 million dollars' worth of gold from the U.K. Furthermore, Switzerland sold Spain approximately 1.3 million dollars' worth of gold against delivery of a similar amount of silver for coinage purposes in Switzerland. Aside from these transactions, it appears that Spain converted Swiss francs into gold on several occasions. Some of these Swiss francs may have been received by Spain from purely Swiss-Spanish commercial transactions. On the other hand, it is also known that Germany paid Spain with Swiss francs whenever the clearing was in an unsatisfactory position. Germany probably created the Swiss francs by gold sales and it may be said, therefore, that the subsequent Spanish conversion of Swiss francs into gold may constitute Spanish receipts of gold from Germany. Naturally, it cannot be determined whether it is the identical gold or whether other gold stocks of the Swiss National Bank were involved. It seems safe to assume that a considerable portion of the gold receipts of Spain not accounted for by purely U. K. or Swiss transactions are of German origin; they may amount to approximately 15 million dollars during 1943.

Aside from these official gold operations, Germany probably sold considerable amounts of gold coins, but no estimate of these transactions is possible.

\* In Spain

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By SC NARA Date 214/97

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RG 165 (MID)

1942-47  
Spain 2627  
44-4525

Col. Donald McDonald

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2/26/44

It is estimated that during 1942 Spain accepted from Germany directly or through Switzerland, 15 to 20 million dollars' worth of gold.

In 1944 only one Spanish gold transaction has come to our attention. Spain acquired 15 million escudos' worth of gold from Portugal; the escudos were originally received by Spain from the German Reichsbank through the Banco Espirito Santo.

(In some statements the gold peseta is the monetary unit rather than the paper peseta. Since the former is used mostly for customs valuation purposes and since the general bank statements are expressed in paper pesetas, all gold peseta figures have been converted into paper pesetas at the rate of 6.577 paper peseta per one gold peseta.)

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HOOVER INSTITUTION

Germany US Zone  
CMG (c) Bavaria  
Kreis Traunstein  
Box 3

May 1945

HEADQUARTERS  
U.S. FORCES, EUROPEAN THEATER

AG 014.1-1 (Germany) GE

APO 757 (Main)  
7 July 1945

SUBJECT: Administration of Military Government in the U.S. Zone in Germany

TO : Commanding General, Eastern Military District  
Commanding General, Western Military District

1. OBJECT: This directive constitutes your directions for the administration of Military Government in your Military District.

2. CONTENTS: This directive is divided into the following Sections, attached hereto:

Section I	General
Section II	Removal of Nazis and Militarists (Section II has already been published as a letter, HQ, EFCUSA, AG 014.1-1 (Germany) GE, dated 29 June 1945).
Section III	Political Activities
Section IV	Civil Service and Administration
Section V	Administration of Justice
Section VI	Public Health and Welfare
Section VII	Education and Religious Affairs
Section VIII	Police and Fire Services
Section IX	Communications
Section X	Industry
Section XI	Food and Agriculture
Section XII	Internal Trade, Transportation, and Price Control
Section XIII	Inter-Zonal and Foreign Trade
Section XIV	Transportation
Section XV	Power
Section XVI	Finance
Section XVII	Property Control
Section XVIII	Monuments, Fine Arts and Archives
Section XIX	Reparations, Deliveries and Restitution
Section XX	Displaced Persons and Prisoners of War
Section XXI	Information Control
Section XXII	Demobilization and Disarmament
Section XXIII	Ocean Shipping
Section XXIV	Military Government Legislation
Section XXV	Reports and Information

3. MISSION: You are charged with primary responsibility for the administration of Military Government in your Military District, in accordance with the terms of this directive.

4. APPLICATION: a. This directive applies to the administration of Military Government in the Military Districts of the U.S. Zone after the termination of Combined Command. It is intended to cover the initial period of Military Government in the U.S. Zone. It represents U.S. policy and will be modified as required to conform to agreements reached in the Allied Control Council for Germany.

b. The functions covered by the following Sections of this directive remain the responsibility of 12th Army Group until you are otherwise notified:

- (1) Section X Industry
- (2) Section XIV Transportation
- (3) Section XI, Part I Prisoners of War
- (4) Section XXI Information Control
- (5) Section XXII Demobilization and Disarmament
- (6) Section XXIII Ocean Shipping

This directive has also been issued to the Commanding General, 12th Army Group, and you will carry out these Sections in accordance with his directions.

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## SECTION XVII

## BLOCKING AND CONTROL OF PROPERTY

## 1. Classes of Property to be Restricted.

You will continue to enforce measures previously taken to prevent, except as permitted under licenses or other instructions previously issued or hereafter issued, any transaction or other dealing in any:

a. Property owned or controlled directly or indirectly in whole or in part by any of the following:

- (1) The German Reich, or any of the Landes, Gaue, or Provinces, or other similar political subdivisions or any agency or instrumentality thereof, including all utilities, undertakings, public corporations or monopolies under control of any of the above;
- (2) Governments, nationals or residents of nations, other than Germany, which have been at war with any of the United Nations at any time since September 1, 1939, and governments, nationals or residents of territories which have been occupied since that date by such nations or by Germany;
- (3) The NSDAP, all offices, departments, agencies and organizations forming part of it, attached to, or controlled by it; their officials, and such of their leading members and supporters as may be known to you or be specified by this Headquarters;
- (4) All persons while held under detention or any other type of custody by you;
- (5) All organizations, clubs or other associations prohibited or dissolved by Military Government;
- (6) Absentee owners of non-German nationality, including United Nations, and neutral governments or their nationals, and Germans outside of Germany;
- (7) Any Kreis, municipality or other similar local subdivision;
- (8) Any institution dedicated to public worship, charity, education or the arts and sciences, which has been used by the Nazi Party to further its interests or to cloak its activities; and

b. Property which has been the subject of transfer under duress, wrongful act of confiscation, dispossession or spoliation, whether pursuant to legislation or by procedures purporting to follow forms of law or otherwise;

c. Works of art or cultural material of value or importance, regardless of the ownership thereof.

## 2. Classes of Property to be Taken Under Control.

You will also take into your control, custody or possession and hold and administer until you are otherwise directed, the following categories of property;

a. Properties indicated in Part a. (1), when the governmental agency using them has been abolished by Military Government.

b. Such properties indicated in Par 1 a. (2), as are owned by the Japanese Nation or nationals, and by the former Austrian state and nationals.

c. All properties indicated in Par 1 a. (3).

d. All properties indicated in Par 1 a. (4), except furniture, clothing and other personal effects. Personal effects if known to be looted will also be taken under control.

e. All properties indicated in Pars. 1 a. (6) and 1 b.

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ON WAR, REVOLUTION AND PEACE



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## SECTION XIX

REPARATIONS, DELIVERIES AND RESTITUTIONPart 1: Reparations1. Restriction on Exports for Reparation.

Pending the formation of a reparation plan by the Allied Reparation Commission, you will not authorize any exports for reparation account. Such exports as may be authorized by this Headquarters for other accounts will be handled in accordance with the instructions for general exports, even though such exports may later become a charge against reparation. (See Section XIII).

2. Protection of Property for Reparations.

You will take appropriate measures prescribed in this directive to protect from damage any property, which may be subject to transfer for reparation account, pending formulation of an Allied reparation plan.

Part 2: Restitution1. Policy.

It will be the policy in the U. S. Zone to carry out promptly such programs of restitution as may be embodied in Allied agreements. You will be notified of those agreements when they have been accomplished.

2. Report of Property Wrongfully Transferred.

You will forward a report to this Headquarters on any and all claims involving property which has been the subject of transfer under duress or wrongful acts of confiscation, disposition or spoliation, whether pursuant to legislation or by procedure purporting to follow forms of law or otherwise, and which has been or may be impounded or blocked under existing or previous instructions.

3. Handling of Claims for Restitution.

a. You will be advised at a later date of the procedure for settling, adjusting and disposing of claims for restitution.

b. Claims for restitution submitted by German nationals will be disposed of through appropriate German courts when they have been established under the supervision of Allied Military Government.

c. Claimants for restitution, other than Germans, will be advised that claims can be submitted only through the existing government of the territory wherein the property in question had its situs. In general, all transactions relating to restitution will be through the existing governments and not directly by any national thereof.

4. Restrictions on Restitution.

Restitution shall be restricted, initially, to identifiable property wrongfully obtained. Restitution will not be made without the approval of this Headquarters.

5. Protection of Property Subject to Restitution.

You will take appropriate measures to safeguard property identified as subject to restitution, pending its return.

SECTION XX

PRISONERS OF WAR AND DISPLACED PERSONS

Part 1: United Nations Prisoners of War

1. Policy.

As a matter of national importance, the United States Government is committed to effecting the prompt recovery and repatriation of United Nations prisoners of war in Germany.

2. Responsibilities for Care and Handling.

a. The Theater Commander has assigned responsibility for implementing the above policy to Military District Commanders.

b. German authorities will be required to contribute to the maximum extent, food, shelter, clothing, medical care and supplies for all United Nations prisoners of war until such prisoners have been evacuated. Any deficiencies arising from the inability of German authorities to meet such requirements will be provided from United States sources.

c. Documents from all sources pertaining to United Nations prisoners of war will be preserved and reported to this Headquarters.

3. Operating Procedures.

Operating procedures for the recovery and repatriation of United Nations prisoners of war will be as contained in the following documents:

a. ETO Standing Operating Procedure No. 58, RAMP, 3 April 1945.

b. Letter, Hq ETOUSA, AG 383.6 MPAGA, 27 April 1945, subject: Repatriation of Soviet Nationals.

c. The Halle Plan ("Plan for the Delivery through the Army Lines of former Prisoners of War and Civilians liberated by the Red Army and the Allied Forces" signed at Halle on 22 May 1945).

Part 2: United Nations Nationals, Stateless Persons and Refugees

1. Policy.

It is the policy of the United States to locate, control, care for and repatriate or resettle United Nations nationals and Italians displaced by reason of the war, stateless persons and persons (of whatever national origin) persecuted because of race, religion or activity in favor of the United Nations who desire to be repatriated or resettled.

2. Responsibility for Feeding and Care.

a. You will establish and maintain facilities for the assembly and care of such United Nations displaced persons and assimiles and protect them against interference or ill-treatment.

b. You will insure that the German authorities make provision as necessary to avoid disease and unrest, for the maintenance, care and disposition of ex-enemy displaced persons, other than Italians and persons persecuted because of race, religion or activities in favor of the United Nations, and of refugees.

c. Such United Nations displaced persons and assimiles will be fed, sheltered, clothed and medically treated from German sources to the maximum extent. Any deficiency arising from inability of German sources adequately to supply the needs of such United Nations displaced persons and assimiles will be provided by United States authorities or by the United Nations Relief and Rehabilitation Administration.

d. You will make maximum use of United Nations Relief and Rehabilitation Administration, under your supervision, with a view toward its eventual assumption of complete responsibility for all such United Nations displaced persons and assimiles.

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3. Control over Movement and Disease.

a. You will take measures to prevent any hindrance to Military Government arising out of lawlessness, uncontrolled movement or massing of displaced persons or refugees.

b. You will take special measures to prevent or control spread of disease among or by displaced persons or refugees.

4. Treatment of U.S., British and Soviet Nationals.

a. United States and British civilian internees will be treated as Allied prisoners of war and their presence communicated to Headquarters, United States Forces, European Theater.

b. Liberated Soviet citizens, including those who were former members of German armed forces, uncovered or captured after 11 February 1945, will be afforded the same treatment accorded Recovered Allied Military Personnel, and will be returned expeditiously to the control of the USSR without regard to their individual wishes.

5. Preferences for Political Prisoners.

a. You will insure that United Nations displaced persons and assimilates are given preference over German nationals in all voluntary employment.

b. You will insure that refugees, who were formerly political prisoners, receive preference over other refugees in matters of care and resettlement.

6. Provisions for Return to Former Residence.

a. United Nations nationals and nationals of neutral states will be registered and their presence communicated to their governments.

b. No United Nations national, stateless person, national of a neutral state or person persecuted because of race, religion or activity in favor of the United Nations will be compelled to return to his former domicile except to stand trial for a criminal offence. Liberated Soviet citizens uncovered after 11 February 1945 are excluded from this policy in accordance with para. 4 above.

c. All German displaced persons in Allied countries or in Allied-occupied countries and all German refugees whose permanent domicile is in the U.S. Zone of Occupation will be accepted by military commanders having jurisdiction over the area of their domicile under arrangements coordinated by the Combined Displaced Persons Executive or by HQ USFET with the Allied Government or Occupying Authority concerned. All non-repatriable displaced persons evacuated from Germany by U.S. Forces will be accepted and cared for according to their nationality in the U.S. Zone.

d. You will initiate action to determine the origin of each stateless person so that his nationality may ultimately be established.

7. Operating Procedures.

a. A Combined Displaced Persons Executive (CDPX) formed from the existing staff of the Displaced Persons Branch, G-5, Supreme Headquarters, AEF, and from other branches and organizations will continue to implement existing Supreme Headquarters, AEF directives concerning displaced persons and existing Working Arrangements between Supreme Headquarters, AEF and Allied Governments and the United Nations Relief and Rehabilitation Administration. The CDPX will not be responsible for developing new policy.

b. The CDPX will act with the authority of the British C-in-C and the U.S.C.G.

c. The CDPX will continue its present operations for a period of approximately three (3) months at its present location.

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This arrangement was made through Mr. Erne, and this office will be represented in the investigation by Mr. Froehlicher and Sgt. Wertheimer.

9. On December 30, Mr. Erne left for Annemasse to arrange for the smuggling of the SOLO Mission across the Swiss frontier. The SOLO Mission is designed to penetrate the German Finance Ministry and report military and economic intelligence, and if approval is received by them, can be dispatched about 15 January 1945.

10. The one man comprising the GOLD Mission has been provided cover as Remisier for a well known Agent de Change firm, in order to prosecute an inquiry into the methods used for the transfer of assets from Germany to France, and through France to neutral countries.

11. The attempt to secure American passports for the members of the BREKERS Mission was unsuccessful, and the mission is in abeyance pending the outcome of an attempt to secure British passports. The plan for that Mission as drawn up by Colonel Mosarakai envisaged their posing as double agents in Switzerland to secure military and economic intelligence.

12. The usual run of troubles of agents and their families have been signalized during the period covered by this report by the birth, in prison, of a baby by the French mistress of one of our German recruits. Both mother and child are doing well.

D. K. ADAMS  
German Section  
Operations Section

SECRET

218194

BLOCKADE DIVISION  
FINANCE REPORT  
SAFEHARVE MATTERS

MATERIAL TAKEN FROM PROGRESS REPORTS, PREPARED FOR CHIEF OF  
BLOCKADE DIVISION BY CHIEF OF FINANCE UNIT

Early in January 1944 Blockade division under David Gordon, acting assistant chief, was to some extent doing SH work, but only indirectly. Chief concern was with problem of Swiss Franc. In report of Jan. 3, 1944, report reveals agreement exists between Swiss Bank and Bank of England, a deal in which treasury as well as FEA is interested. Finance also reported on status of American pre-civil war debt in Spain, and reported it was investigating controls over Argentine transactions with neutral governments such as U.S. Government could exert. Reported we actually could exert little pressure on Argentine re any of her financial transactions

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Jan, 12 ~~week~~ Willy Feuerison, chif finance unit, reporting to Gordon:

Reported on Swiss franc situation, and discussion with Mr. Coe's office on problem of gold sales in India and in number of other near east countries.

To Mr. Brodnitz of enemy division ~~XXXXXXXXXX~~ explained withdrawal of Reichskreditkassebills from France.

Discussed whole problem of tri-angular currency and foreign exchange manipulations between Germany, Switzerland and France. Germany presumably did not want French franc currency in Switzerland to fall, since it would frustrate German's chance of selling French franc notes obtained through occupation costs.

Treasury at this time concerned with movement of Hungarian gold to Switzerland.

Jan. 19--Reported Spanish Government trying to obtain control of I.T. properties in Spain. Already European Enemy Division, Mr. Brodnitz, wanting information on German gold and foreign exchange holdups and her operations with neutrals.

Feb. 3--Finance unit of Blockade prepared memo summarizing data available on Spanish settlement with Germany regarding civil war debts and on Spanish clearing and other credits extended to Germany.

Feb 9---Reports memo nearing completion on Turkey's international financial position--her relations with U.S. and U.S.A. and with European Axis, and effects of internal finances in Turkey and the probable consequences resulting from Turkey's entrance into the war.

Memo has been prepared, repot says, on Spain's debtor-creditor relationship with Germany at the end of 1943.

Reports that Pagus (Office of Economic Programs) asks for data concerning financial transactions of Brown Boveri Company in Switzerland in connection with certain studies on cartels in OEP.

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Feb-21, 44--Reports study of Turkey's international financial position completed and sent to Turkish Section of Mission in Ankara. Memorandum reported prepared, analyzing Swiss position in German-Swiss clearing and memo sent to Mr. Lovett, SD.

Reports study made surveying and analyzing activities of Banco Espírito Santo in Lisbon. Sent copy to SD which "is going to take action."

Gave information to European Enemy Division re Swiss-German and German-Swiss clearing balances and credits.

Feb. 28, 44--Prepared memo to Colonel Donald McDonald, Army Liaison, regarding Swiss gold holdings with particular respect to gold acquired from Germany.

Held conversations with Iberian Section and World Trade Division, SD, on eventual action to be taken against Banco Espírito Santo and Empresa Geral Transportes, a forwarding company in Lisbon which had special ~~arrangements~~ arrangements with BES. Report on BEA completed and sent to SD.

2/28/44--Memo prepared covering German-Turkish situation sent to Mr. Kaiser at request of Division. Iberian Peninsula Section working on report of German-Spanish and German-Portuguese credits.

3/6/44 Reports that in Mr. Coe's office (Office of Economic Programs) informal Finance Committee was constituted under chairmanship of James W. Angell "who is responsible for the coordination of all international finance work of FEA". Committee to bring together once a week all finance people from various divisions and branches of FEA. Angell appointed a sub-committee, Miss Borthrup, Mr. Brodnitz and Mr. Feuerlein to coordinate activities in regard to obtaining material from Treasury, especially TFR-500 census, a census of American property abroad.

Much of this report like preceding and following ones, of course cover story of U.S. attempt to secure Swiss watches--on which deal hangs whole problem of stabilizing Swiss franc.

Under Miscellaneous heading it is remarked: "The question of looted gold and enemy gold holdings were discussed with officials of the Federal Reserve Board who maintain secret figures on unrecorded gold holdings." (First positive mention of looted gold)

54

PROGRESS REPORT -- FINANCE UNIT, TO DAVID L. GORDON,  
ACTING ASSISTANT CHIEF, BLOCKADE DIVISION, FROM WILLY FEYERLEIN, CHIEF  
FINANCE UNIT

#?LF?\$\$\*\*

3/13/44----" At the informal request of the Foreign Funds Control and the FEA Bureau of Supplies, a meeting was called in Mr. Angell's office to discuss the stock-pile activities of neutral countries in Latin America. It was attended by the chiefs of the Pan-American Branch, the Bureau of Supplies, and the Resources Division and a representative of the Finance Unit. It was discovered that most of the FEA officials were not familiar with the present general license procedure of the Treasury Department. Without a change of that system it will be difficult to accomplish anything by the Treasury and therefore the Treasury requests informally the strengthening of possible FEA controls."

Mr. Mitchell (formerly with FEA) of the State Department's Division of Commercial Policies, orally requested information on the present status of the Spanish-Italian clearing, figures of trade between the two countries and similar information, which was given over the telephone."

Discussed with Trade Intelligence Division possible confidential listing or black listing of the Empresa Geral Transportes in Portugal. Iberian Section wants Finance Unit to prepare a memorandum for possible further action by Trade Intelligence Division.

Reviewed

Received document on Spanish Banks for Intelligence Clearance Section and got requests for information on Portuguese-German and Spanish-German and some Turkish-German financial transactions. (My note--no evidence that European Enemy Division which asked for the information got it)

3/20/44 Informal opinion #241 of Finance Committee that the silver supply of the Western Hemisphere should not be used to replenish the monetary reserve of the European neutrals.

Also--"The second meeting of FEA people interested in the question of neutral stockpiles in Latin America was attended by both members of the Finance Unit." Meeting also attended by 3 reps. from Treas., and a number from Bureau of Supplies--

"If it can be shown that neutral countries stockpile important or strategic materials in Latin America in sizeable quantities, the problem should be taken up through the State Department with the neutral and Latin American government concerned."

Still chiefly concerned with Swiss Franc problem and in solving the difficult relations with the Treasury in solving such problems.

3/27/44 --I. "Work has been started on the assignment to prepare a study on capital movements from the European Axis towards countries outside of continental Europe as a part of the project "Leaks In The Blockade of Germany."

Discussed with Turkish Section "concerning the weight and suitability of 'freezing' Turkish funds in the U.S. as a means of economic warfare."

REPORT March 27 to April 3-

II. Swiss-U.S.-U.K. Conversations aiming inter-alia at an undertaking with the Swiss Banks to limit their activities for Axis interests:

"Upon receipt of Cable #2024, March 13 from London, it was confirmed with the State Department that preliminary action would be taken by them. In addition discussions were held with Messrs. Gordon and Homer regarding the scope of the activity of Swiss Banks in serving as financial instruments

3/37--4/1) continued

for Germany. Work will be started soon on preparing a list of such activities for comparison upon receipt of the expected British list, to assist the Sweden-Switzerland Section.

4/37--4/10—Chiefly deals with matters on Swiss franc problem and lists what Treasury has succeeded in doing:

1. Providing the necessary export quota to be watched against blocked dollars.
2. Curbing speculative operations in Swiss francs in the open market/
3. stabilizing the exchange rate of the free Swiss francs at the rate of \$0 .27 ✓
4. Forestalling abuses of Swiss franc transfers.

#### V. INTELLIGENCE

"A memo was sent to Mr. Chaput of the Intelligence Procurement Section requesting the investigation results of a list of certain firms and individuals of interest to the Enforcement Section, and the Finance Unit in particular, selected from the "lists of investigations" arranged by the Treasury Foreign Funds Control.

#### VI. Miscellaneous

"An inquiry of the European Enemy Division, Mr. Post, about the Spanish-German Clearing, was orally answered, as were various requests for exchange rates."

4/17--4/24

Chief connection with SH would be under III. "A meeting was attended in Mr. Brexler's office regarding undertaking with the Pirelli subsidiaries aiming at the control of the holding company representing the Pirelli subsidiaries in the neutral countries, and the acquisition of 40 million pesetas owned by this company. A cable was drafted at this meeting containing suggestions to the aforementioned purpose."

4/24 to 5/1

Re Swiss franc problem—I. FEA received a cable from Ankara transmitting the demand of the Turks to be paid in Swiss Francs this year this year for 3000 tons of copper, (an allotment similar to that of last year) in which case they would try to deliver an extra one or two thousand tons. The matter was discussed with Messrs. Fine and Harria(FEA) Turea(USCC) and Bernstein(Treasury). It was recommended to refuse the Turkish demand for payment in Swiss francs for the following reasons:

(1) The magnitude of the amount of Swiss Francs involved (13 to 16 million Swiss francs), and the tightness of the Swiss franc situation here, would make a purchase of such an amount of Swiss francs in the open market impossible without causing another excessive rise in the price of Swiss francs. Therefore the only way to acquire such an amount of Swiss francs would be to approach the Swiss National Bank officially."

(2) The probability that the Swiss francs, or the major part of them, would ultimately fall into the hands of the Germans who are buying all Swiss francs (transfer bills and bills alike) in the black market in Istanbul, paying for it with looted gold. Swiss franc transfers are traded at a heavy premium against dollar and sterling transfers. That may be the real reason why the Turks are asking payment in Swiss francs.

"It would be unreasonable on the one hand to keep copper from the Germans by preemption, and on the other hand to indirectly make available to them Swiss franc transfers, which ostensibly are desired by them more urgently than copper at the present time."

5/2--5/8—Division meeting did not approve of the reestablishment of the former Inter-office financial committee 'for reasons of expediency' it was agreed that 'a memo be sent to Mr. Fureu of the USCC, and [unclear] confirmed with Mr. Brexler of the Special Projects Division, suggesting more concerted action in cases where the financial aspects of objectives in various neutral countries are concerned, by clearance with the Enforcement Section (Finance Unit) where all financial information regarding the neutrals is coordinated from the Blockade viewpoint.'

III. "The Blockade Division is in receipt of a written request from Dr. James W. Angell, Advisor, Foreign Finance and Lend-Lease in the Office of Economic Programs, for a study on Tangier's functioning as a Foreign Exchange Center. Preparatory work on this report has been started."/

V. An inquiry was received from OSS over the telephone regarding activities of foreign firms in Argentina and their relation to political trends there.

#### Santiago

5/8/ to 5/16 Report is addressed to George P. Butler, Assistant Chief, Blockade Division from Otto F. Fleischer, Acting Chief, Finance Unit, Enforcement Section.

a. "Work on Project #BL-180, entitled 'Tangier as a Foreign Exchange Market and Center of Undesirable Transactions' has been started. The purpose of this assignment is:

(1) To trace some of Tangier's financial activities to determine how far Tangier is functioning as a terminal for blockade evasions in reverse.

(2) To contribute experimental material for controlling potential black markets in liberated areas. (This part of the study is to fill a request made by the Office of Economic Programs.)

"Possible conclusions will be that Tangier is functioning not only as a free market of foreign exchange, but also as a center for foreign exchange speculations, and other undesirable transactions. Possible recommendation will be to suggest to the State Department that they request the Spanish Government to provide certain protections."

5/15 to 5/22 to Baker from Fleischer

Under b. (5) An oral request was received from an analyst of the Office of Economic Programs about our peseta position and its future valuation with respect to the most recent agreements with the Spaniards.

(6) An oral request was received from an analyst of the European Enemy Division regarding present situation of the German Portuguese clearing and other German credits in Portugal.

5/29 to 6/3-44 To Gordon from Fleischer

Item c of report—"Met with six field representatives of the Office of Censorship, giving them a short resume of the scope and aims of the activities of the Finance Unit, making clear to them the type of intercept material this office is interested in obtaining. The Office of Censorship contemplates establishing Blockade Units in their various field offices-

for the purpose of furnishing the Blockade Division with special material.

6/12x  
6.5 to 6/16

Butler from Fleischer

Under b BANCO ESPIRITO SANTO, LISBON:

(1) A cable draft to London, proposed by Mr. Peterson of State, with reference to Cable #4417 from London regarding a statement of banking activities considered as objectionable to be handed to this bank was commented upon. The contemplated statement would contain a list of all activities in favor of the enemy which would have to be discontinued, except those ~~which~~ necessary to carry on essential permitted trade between the Portuguese mainland and enemy territory."

(2) BANCO ESPIRITO SANTO-INCREASE OF CAPITAL

A memorandum was written to Mr. Homer, Chief, Enforcement Section, containing information that the Bank Espirito Santo of Lisbon proposes to increase its capital four times.

A letter to Mr. Avery Peterson of State was prepared for Mr. Homer's signature, containing analysis of this suggested increase, and the conclusion that this knowledge should strengthen our hand in the present conversations.

(3) FRENCH BANKS IN TANGIER:

Upon receipt of Airgram 636 from London regarding discussions on a code of conduct to be recommended to the French to apply to French Banks in Tangier, the matter was discussed with Mr. Peterson of State to ascertain whether the FEA Blockade Division can be of any assistance in this matter.

(4) EUROPEAN AXIS ASSETS ABROAD AND IN FLIGHT:

A letter to Treasury from Mr. Homer regarding the setting up of a catalog of such assets and suggestions for preparatory steps to be taken was commented upon.

6/12--to 6/17 Fleischer to ~~General~~ Butler

Under (2) ~~b~~ . (2) in report

ENEMY ASSETS OUTSIDE OF ENEMY TERRITORY

"Arrangements have been initiated for an extensive study of European enemy assets abroad, particularly in neutral countries, and financial penetration into the neutral and United Nations area via neutrals (blockade breaking capital flight).

and also under c--CONCEALED ENEMY ASSETS OUTSIDE OF ENEMY TERRITORY

"The cooperation of the newly established Projects Unit of the Procurement Section, Intelligence Division, was enlisted, to aid in the ~~in~~ establishment of a catalog of European-Axis assets abroad."

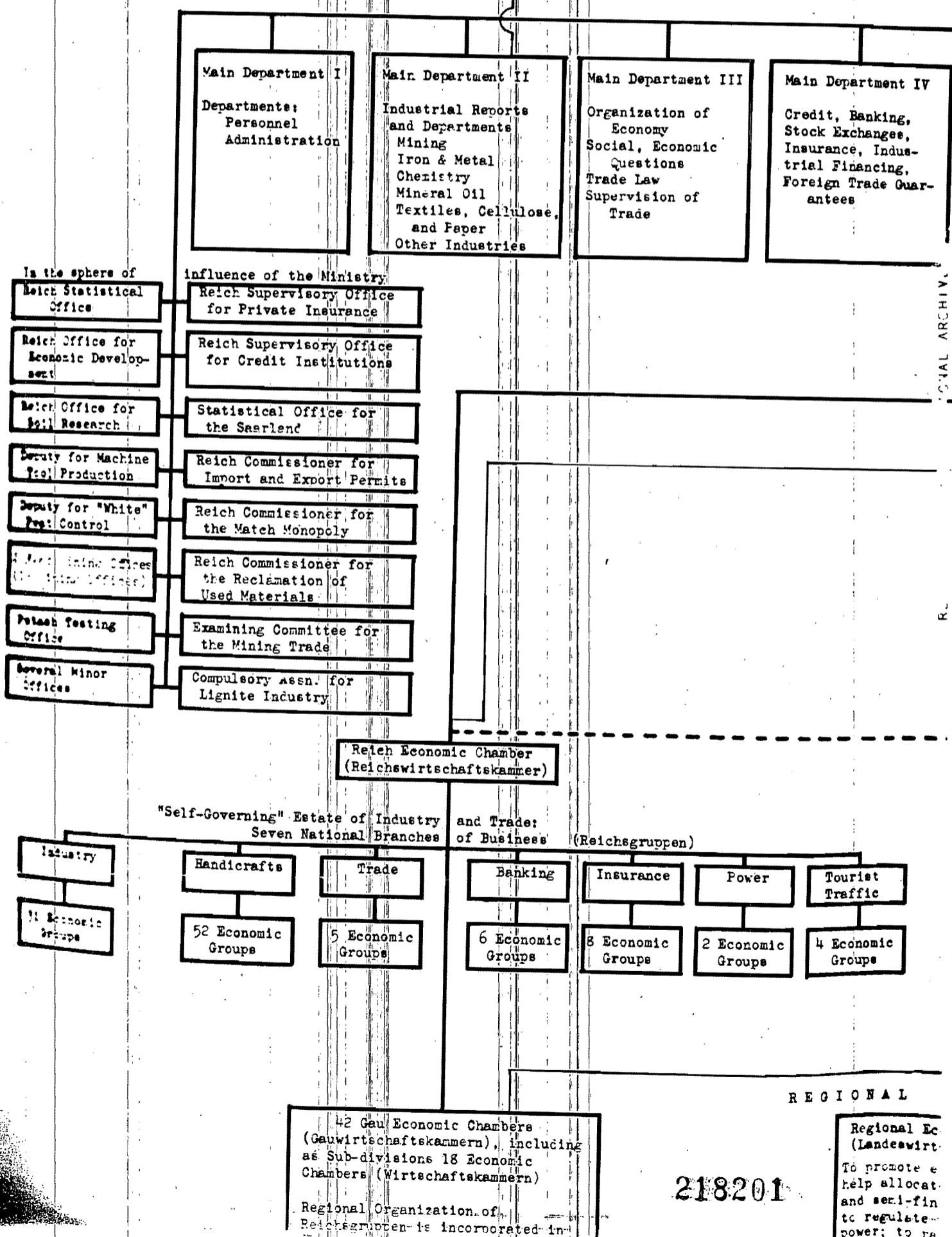
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## REICH MINISTRY

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# ECONOMICS

OMICS

Foreign Office

Plenipotentiary for the Four Year Plan

Ministry of Armaments and War Production

Main Department V  
Foreign Trade and Exchange

Main Department VI  
Economic Questions of the Occupied Eastern Territories

Special Department  
Market and Price Policy  
Economic Questions  
Economic Questions of Tourist Trade  
Retail Trade

Price Control functions formerly under the Ministry of Economics, but now preempted by the Reich Price Commissioner under the Four Year Plan

Reich Office of Foreign Trade

GOVERNMENT SPHERE

20 Steering Organizations (Lenkungsbereiche)

Each coordinates all activities centering around the production of a particular group of finished products.

GOVERNMENT SPHERE

21 Reich Offices (Reichsstellen)

Each controls production, imports, exports, and distribution of raw materials, semi-finished and finished products within its sphere.

"SEMI-PUBLIC" SPHERE

5 Reich Associations (Reichsvereinigungen)  
In fields covered membership is compulsory for every individual, firm, cartel, etc. Where Reich Associations exist they assume many of the functions of the Reichsstellen.

Cartels  
(all those that have not been integrated with the Reichsgruppen or the Reichsvereinigungen)

ORGANIZATION

Offices (Unter)  
cy, to  
aterials  
rticles;  
coal and  
nsumer  
of waste

Foreign Exchange Offices (Devisenstellen), attached to the Oberfinanzpräsidenten

Regional Price Fixing Offices (Preisbildungstellen)

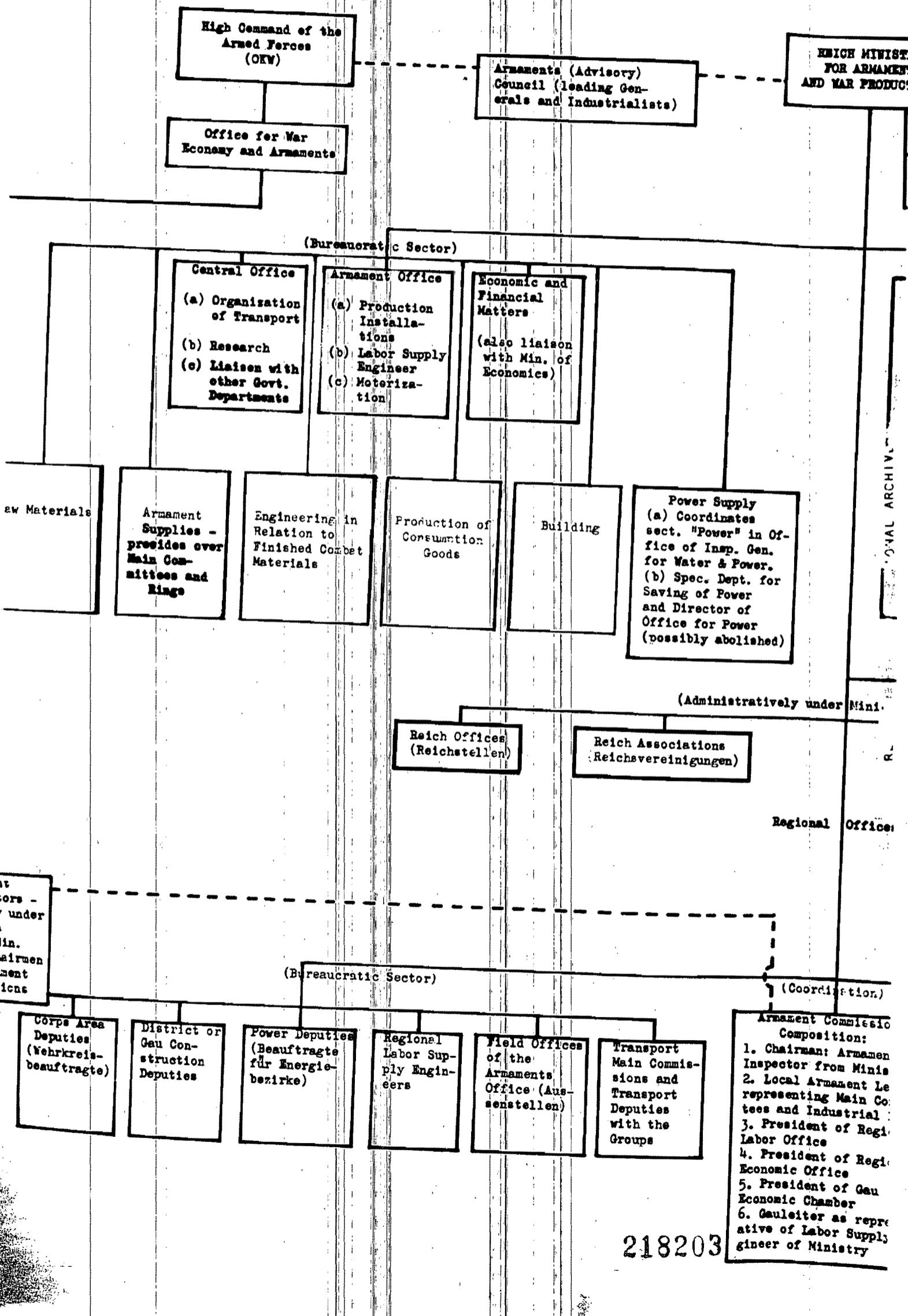
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By LOS NARS, Date 7/9/91

# REICH MINISTRY FOR ARMAMENTS A



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NND877190

By: US NARS, Date: 7/9/51

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# ND WAR PRODUCTION

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S  
ION

Ministerial Council for the Defense of the Reich

Deputy for Inland Navig.(occ. terr.)

Spec. Dep. for Metal Substitutes

(Self-governing Sector)

Main Committees (Hauptausschüsse) - at least 16 - to achieve technical rationalization of flow of orders and armament production

Industrial Rings to coordinate the action of various Main Committees

Special Committees (Subdivisions of Main Committees)

Special Rings

Working Committees (Subdivisions of Special Committees)

Working Rings

Production Committees - to ensure uniformity of production-control by Steering Organizations

(Corporations)

1. Rüstungskontor - central clearing office for allocation of steel to armament producers.

2. Generatorkraft, A.G. - to finance transformation of liquid-driven vehicles into producer-gas vehicles.

3. Heeres-Rüstungskredit A.G. - administers long-term credit to manufacturers of army equipment.

4. Arbeitsgemeinschaft Rüstungshandel - increase performance of armament trade firms.  
(Possibly others)

Other Offices Held by Speer

Inspector General for Water and Power

Inspector General for Roads

Commissioner General for Armament Tasks and War Production in the Four Year Plan

Member of Central Planning Board

Chief of the Organisation Todt

Ministry of Economics)\*

Steering Organizations (Lenkungsbereiche)

Economic Groups (Wirtschaftsgruppen)

National Defense Commissars (Gauleiter)

War Economy Staffs (Kriegswirtschaftsstäbe)

"Bahrstab Speer" -  
 1. To increase capacity of armament production.  
 2. To allocate labor.  
 3. To repair industrial air-raid damage.  
 4. To adapt use of Todt laborers in Ruhr and Rhineland to temporary requirements.  
 5. To reestablish public utilities in bombed towns.

(Self-governing Sector)

(3 Offices under Econ. Min. and 1 under Agric.)

Local Armament Leader (Rüstungsbmann) representing Main Committees and Industrial Rings

Field Offices of Reichsvereinigung Iron (possibly others)

Regional Economic Offices

Gau Economic Chambers

Regional Organization of Economic Groups

Regional Farmers' Associations (Landesbauernschaften)

\* Exceptions: Several Reich Offices under Min. of Agric. and 2 under Forestry Office.

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NATIONAL ARCHIVES

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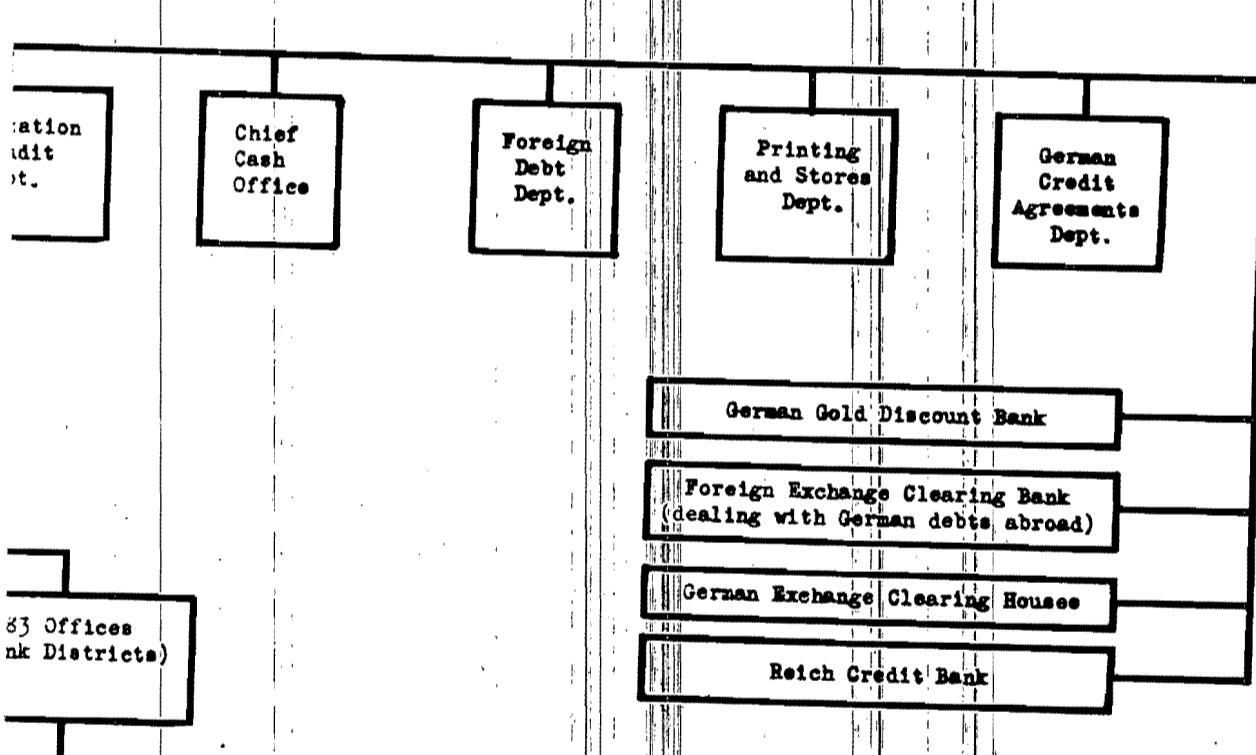
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NARS, Date

7/19/51

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NATIONAL ARCHIVES

R.L.

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\* Reichsbankpräsident is personally identical  
with Reichswirtschaftsminister (Funk)

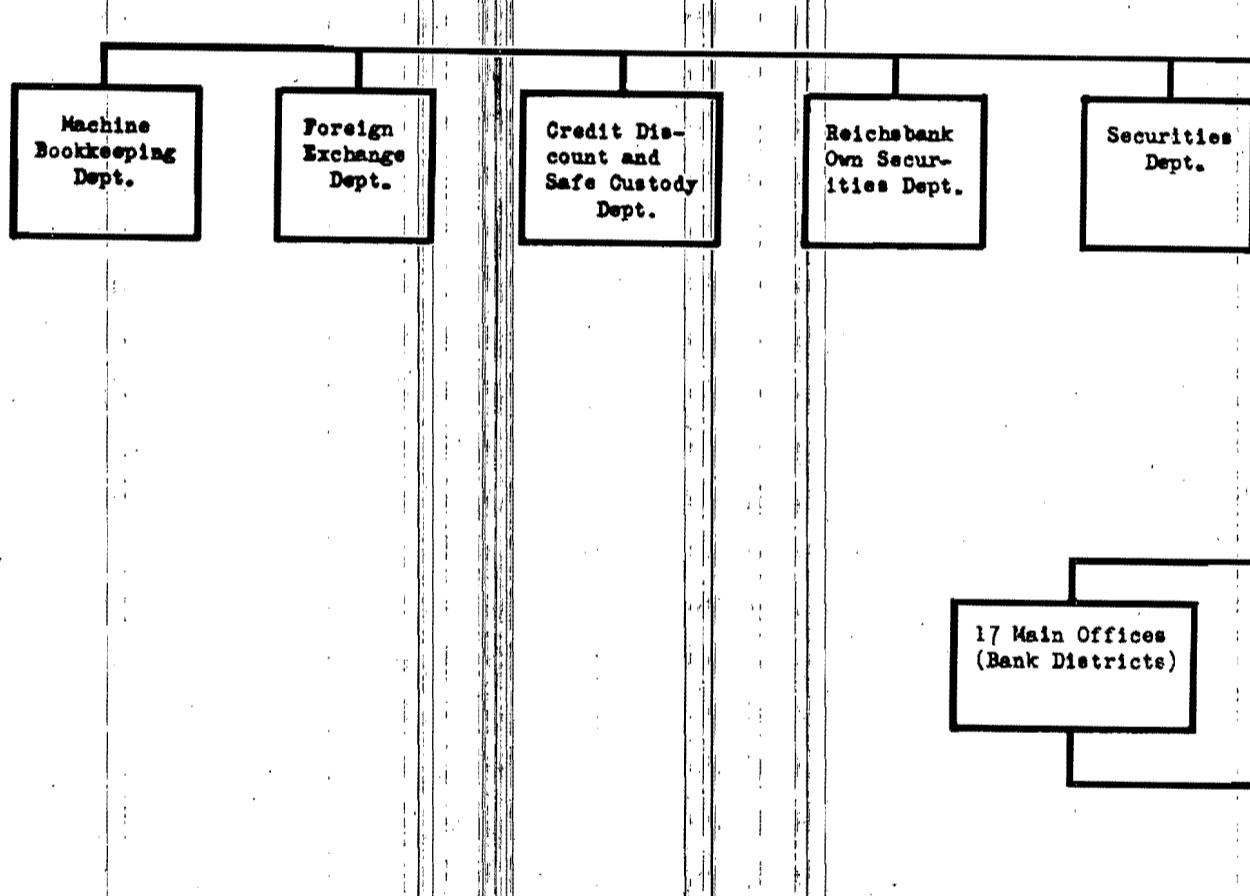
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## REICHSBANK

REICHSBANK DIL  
(REICHSBANKDIL)

GSA ARCHIVE



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By Smith NARS, Date 4/25/92

## Key German Businessmen Linked with Espionage.

Memorandum for C-2 SHAEF

FILED WITH "GEORGE" FILES.

Replete file "Central file 30024"  
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and in some cases in morning. The results will be  
used for guidance and direction of French and other  
intelligence agencies.

However,

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6-21-91

*File have  
Salter Rigt*

Telegram No: 187

Washington

Dated: 12 January 1945, 22:55

Rec'd: 13 January 1945, 13:34

D'ETAT

SECRET

AMLEGATION

BERN

WATCH

LIO from Magruder and Jackpot.

Your number 43189. See our 1927.

Use your discretion as to extent you can follow up fiscal intelligence matters without imperiling your sources furnishing intelligence primarily concerned with winning war. Fully appreciate here however that fiscal intelligence is of increasing importance as time goes on and can be used to considerable advantage.

226(7)/12 - W

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BY NARS, DIA 6 78/91

COPY FOR SA + A.W.D.

~~SECRET~~*Secret*

## MEMORANDUM

AMERICAN LEGATION  
Bern, February 7, 1945

Secret information received on January 26th was to the effect that "the last German courier brought twenty-four large packages for Dr. Fritz Berber who is believed to be a confidential agent of Ribbentrop and is suspected of occupying himself, among other things, with the placing of Nazi investments in Switzerland".

Information dated February 6th is to the effect that Berber is said to be "preparing his defection from the Nazi Government".

*1/6*  
J. Klahr Huddle,  
Charge d'Affaires a.i.

United States Statutes At Large

61 STAT.] MULTILATERAL REPARATION—JUNE 14, 1946

80<sup>th</sup> Congress 1<sup>st</sup> Session 1947

VOL. 61 Part 3  
"International Agreements Other Than Treaties"

Agreement between the United States of America and other governments respecting reparation to non-repatriable victims of German action. June 14, 1946  
Signed at Paris June 14, 1946; effective June 14, 1946.  
[T. I. A. S. 1594]

June 14, 1946

2649

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AGREEMENT  
ON A PLAN FOR ALLOCATION OF A REPARA-  
TION SHARE TO NON-REPATRIABLE VICTIMS  
OF GERMAN ACTION

218210

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## INTERNATIONAL AGREEMENTS OTHER THAN TREATIES [61 STAT.]

## AGREEMENT ON A PLAN FOR ALLOCATION OF A REPARATION SHARE TO NON-REPATRIABLE VICTIMS OF GERMAN ACTION.

Post, p. 3171.

Distribution of funds.

Use of assets for rehabilitation, etc.

Post, p. 3173.

In accordance with the provisions of Article 8 of the Final Act of the Paris Conference on Reparation, the Governments of the United States of America, France, the United Kingdom, Czechoslovakia and Yugoslavia, in consultation with the Inter-Governmental Committee on Refugees, have worked out, in common agreement, the following plan to aid in the rehabilitation and resettlement of nonrepatriable victims of German action. In working out this plan the signatory Powers have been guided by the intent of Article 8, and the procedures outlined below are based on its terms:

In recognition of special and urgent circumstances, the sum of \$25,000,000, having been made available by Allied governments as a priority on the proceeds of the liquidation of German assets in neutral countries, is hereby placed at the disposal of the Inter-Governmental Committee on Refugees or its successor organization for distribution to appropriate public and private field organizations as soon as they have submitted practicable programs in accordance with this Agreement.

A. It is the unanimous and considered opinion of the Five Powers that in light of Paragraph H of Article 8 of the Paris Agreement on Reparation, the assets becoming available should be used not for the compensation of individual victims but for the rehabilitation and resettlement of persons in eligible classes, and that expenditures on rehabilitation shall be considered as essential preparatory outlays to resettlement. Since all available statistics indicate beyond any reasonable doubt that the overwhelming majority of eligible persons under the provisions of Article 8 are Jewish, all assets except as specified in Paragraph B below are allocated for the rehabilitation and resettlement of eligible Jewish victims of Nazi action, among whom children should receive preferential assistance. Eligible Jewish victims of Nazi action are either refugees from Germany or Austria who do not desire to return to these countries, or German and Austrian Jews now resident in Germany or Austria who desire to emigrate, or Jews who were nationals or former nationals of previously occupied countries and who were victims of Nazi concentration camps or concentration camps established by regimes under Nazi influence.

B. The sum of \$2,500,000, amounting to ten percent, arising out of the \$25,000,000 priority on the proceeds of German assets in neutral countries, ten percent of the proceeds of the "non-monetary gold", and five percent of the "heirless funds" shall be administered by the Inter-Governmental Committee on Refugees or its successor organization through appropriate public and private organizations for the

218211

61 STAT.] MULTILATERAL REPARATION JUNE 14, 1946

2651

rehabilitation and resettlement of the relatively small numbers of non-Jewish victims of Nazi action who are in need of resettlement. Eligible non-Jewish victims of Nazi action are refugees from Germany and Austria who can demonstrate that they were persecuted by the Nazis for religious, political, or racial reasons and who do not desire to return, or German and Austrian nationals, similarly persecuted, who desire to emigrate.

C. The Director of the Inter-Governmental Committee on Refugees or the Director General of the successor organization shall under the mandate of this Agreement make funds available for programs submitted by the appropriate field organizations referred to in Paragraphs A and B above as soon as he has satisfied himself that the programs are consistent with the foregoing. Only in exceptional circumstances may the cost of resettlement programs exceed a maximum of \$1,000 per adult and \$2,500 per child under twelve years of age. The action of the Inter-Governmental Committee on Refugees or its successor organization shall be guided by the intent of Article 8 and by this Agreement which is to place into operation as quickly as possible practicable programs of rehabilitation and resettlement submitted by the appropriate field organizations.

Availability of funds for programs.

*Post*, p. 3171.

D. In addition to the \$25,000,000 sum the Inter-Governmental Committee on Refugees or its successor organization is hereby authorized to take title from the appropriate authorities to all "non-monetary gold" found by the Allies in Germany and to take such steps as may be needed to liquidate these assets as promptly as possible, due consideration being given to secure the highest possible realizable value. As these assets are liquidated, the funds shall be distributed in accordance with Paragraphs A and B above.

Liquidation of designated assets.

Availability of "heirless funds."  
*Post*, pp. 3172, 3173.

E. Furthermore, pursuant to Paragraphs C and E of Article 8, in the interest of justice, the French Government on behalf of the Five Governments concluding this Agreement, are making representations to the neutral Powers to make available all assets of victims of Nazi action who died without heirs. The Governments of the United States of America, the United Kingdom, Czechoslovakia, and Yugoslavia are associating themselves with the French Government in making such representations to the neutral Powers. The conclusion that ninety-five percent of the "heirless funds" thus made available should be allocated for the rehabilitation and resettlement of Jewish victims takes cognizance of the fact that these funds are overwhelmingly Jewish in origin, and the five percent made available for non-Jewish victims is based upon a liberal presumption of "heirless" funds" non Jewish in origin. The "heirless funds" to be used for the rehabilitation and resettlement of Jewish victims of Nazi action should be made available to appropriate field organizations. The "heirless funds" to be used for the rehabilitation and resettlement of non-Jewish victims of Nazi action should be made available to the Inter-Governmental Committee on Refugees or its successor organization for distribution to appropriate public and private field organizations. In making these joint representations, the signatories are

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INTERNATIONAL AGREEMENTS OTHER THAN TREATIES [61 STAT.

Retention and  
transfer of currency.

Letter of Instruction  
to Director.

Authentic texts.

requesting the neutral countries to take all necessary action to facilitate the identification, collection, and distribution of these assets which have arisen out of a unique condition in international law and morality. If further representations are indicated the governments of the United States of America, France, and the United Kingdom will pursue the matter on behalf of the Signatory Powers.

F. To insure that all funds made available shall inure to the greatest possible benefit of the victims whom it is desired to assist, all funds shall be retained in the currency from which they arise and shall be transferred therefrom only upon the instructions of the organization to which the Inter-Governmental Committee on Refugees or its successor organization has allocated the funds for expenditure.

G. The Director of the Inter-Governmental Committee on Refugees shall carry out his responsibilities to the Five Governments in respect of this Agreement in accordance with the terms of the Letter of Instruction which is being transmitted to him by the French Government on behalf of the Governments concluding this Agreement.

IN WITNESS WHEREOF the undersigned have signed the present Agreement.

Done in Paris on the 14th of June, 1946, in the English and French Languages, the two texts being equally authentic, in a single original, which shall be deposited in the Archives of the Government of the French Republic, certified copies thereof being furnished by that Government to the signatories of this present Agreement.

Delegate of the United States  
of America,  
ELI GINZBERG.

Delegate of France,  
PHILIPPE PERIER

Delegate of the United Kingdom of  
Great Britain & Northern Ireland,  
DOUGLAS MACKILLOP.

Delegate of Czechoslovakia,

J. V. KLVANA.

Delegate of Yugoslavia,  
M. D. JAKSIC.

FOUR COPIE CERTIFIÉE CONFORME:  
Le Ministre Plénipotentiaire  
Chef du Service du Protocole.  
JACQUES DUMAINE.

1 STAT.

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61 STAT.] MULTILATERAL REPARATION JUNE 14, 1946

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ANNEX TO THE AGREEMENT ON A PLAN FOR ALLOCATION OF A  
REPARATION SHARE TO NON-REPATRIABLE VICTIMS OF GERMAN  
ACTION

DECLARATION BY THE CZECHOSLOVAK AND YUGOSLAV DELEGATES

In accepting the phrasing of Paragraph E of the Agreement, the Czechoslovak and Yugoslav Delegates have declared that the Republic of Czechoslovakia and the Republic of Yugoslavia have not by so accepting, given up their claim to the forthcoming inheritances mentioned therein which, according to the provisions of international law, belong to their respective States.

The Czechoslovak Delegate:

J. V. KLVANA

PARIS, 14th June, 1946.

The Yugoslav Delegate:

M. D. JAKSIC

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Authority 418023  
By TV NARA Date 11/6/98

R656

ACC. 56-67A1804

OASIA

Country and Area Dept.  
BOS:JFFC  
JL

Paris, February 7, 1947.

Dear Mr. Gandy,

We have been informed by the Treasury Department in Washington of the illegal importation of American securities from France which were on the list of looted securities. The Treasury Department believes that the persons involved may be part of a group intending to import large quantities of American securities for people in the United States and Argentina and requests your assistance in providing information on them.

The person arrested is Mr. Edward E. J. Arnaud, a French citizen, arrested on December 23, 1946. Mr. Arnaud told investigators that he bought the bonds from a broker named Mike Soulier, Avenue Beck, Venezuela, between November 25 and December 15, 1946. The following bonds are involved:

Cities Service Co. five's of 1958 bearing the numbers  
 41287  
 421349  
 431395  
 436612  
 43645  
 422899

Cities Service Co. five's of 1969 bearing the numbers  
 41667  
 19975  
 26678  
 32880  
 26677  
 34682

The bonds which mature in 1969 and the bond 41287 are on the Treasury list of looted securities. Coupons from the bond 41287 had been previously presented for payment in September 1946 by a Mr. Alexandre Solomnik, a New York fur broker, now temporarily in Shanghai, who stated that the coupons had been sent to him from Switzerland. Mr. Arnaud denies any knowledge of Mr. Solomnik.

On an earlier trip in August 1946, Mr. Arnaud brought to the United States from France, via Argentina, Brazil and Venezuela, the following

Mr. G. Gandy,  
Ministry of Finance,  
Paris.

A BESEACH  
2 CM OB  
12/14/1947

Encl. # 13...to Mr. G. Gandy from... Saidei

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Authority 176023

By TV NARA Date 11/6/98

RG 56

AC. 56-67A 1804

OASIA

Box 74

Box 74

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bonds which he also claimed were purchased from Mr. Bowdier, but which are not on the Treasury list of listed securities:

Cities Service Co. five of 1969, No. 44796  
Cities Service Co. five of 1958 No. D-1196  
Union Pacific RR of 1947 Nos. 1092 may be 1 and MR3795  
Southern Pacific RR Central Pacific COLL 4 of 1 91G No. 7696  
A.T. and T. Co. 4 of 1960 No. 1599  
Canadian Pacific RR. Four one half COLL TRUST, No. 499 and 500  
Canadian Pacific RR. Four one half of 1960, No. 22900  
2 Province of Buenos Aires four one halves of 1976  
1 NY Central RR three one half of 1997  
3 Southern RR four 2 of 1996

The Treasury Department would like to have specifically the following:

- (1) Information about Mr. Arnaud and about his associates;
  - (2) Information concerning Mr. Nomier whom the Treasury believes should be subjected to a complete investigation, particularly concerning the possibilities of his membership in a ring of operators;
  - (3) Mr. Solomonik's relationship to any such ring of operators, particularly as a result of his dealings in bond No. 42307;
  - (4) Proof that Mr. Arnaud knew that he was dealing in looted securities.

This information is urgently required by the Treasury Department and would be of considerable assistance to the United States attorney prosecuting the case against Mr. Arnaud. I hope it will be possible to receive an early report on the results of your investigation.

Sincerely yours,

La Larry Leonard  
U.S. Treasury Representative

214 BIRDS NATION SECTION  
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By TV NARA Date 11/28

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France - 44C

April 16th, 1941.

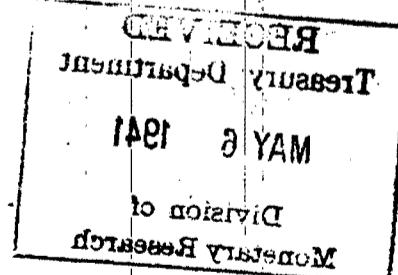
ENR. 15116

It is understood from a reliable source that Swiss Re-insurance Company, Zurich, Switzerland, wrote on 31st January, 1941 to Paul Althar Esq., Swiss Reinsurance Company, 250 Park Avenue, New York City, enclosing a Bulletin of Insurance news items of which the following are of interest:

**GERMANY.** The Gladbach Reinsurance Co., whose Head Office is in Monchen-Gladbach has just been approved for reinsurance business in France and Algeria. Its representative will be M. Roland Borda of the firm G.J. Walbaum, 17 Rue de la Paix, Paris. (27th December, 1940).

**GERMANY/FRANCE.** The Company Deutsche Sachversicherung of Hamburg has been approved by the Finance Minister under date of December 13, 1940 for the writing of direct fire insurance in France. The underwriting and representation of the Company in the territory of Continental France have been entrusted to M. L. Louesse, 21 rue de la Chaussee d'Antin, Paris. M. Louesse is the sole exclusive underwriter for the Fire Branch of the Hanseatic Insurance Co. which was approved on November 2, 1940. (Argus 22nd December, 1940).

**U.S.A./FRANCE.** The Saint Paul Fire & Marine Insurance Company Ltd. whose Head Office is in Saint Paul (U.S.A.) has established an agency in Paris, at No. 2 Rue du 4 Septembre, for the writing of Marine and Transportation Insurance in France and Algeria. (Argus 22nd December 1940).



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Box #7

## WELLS FARGO TRUST COMPANY OF NEW YORK

140 Broadway

New York

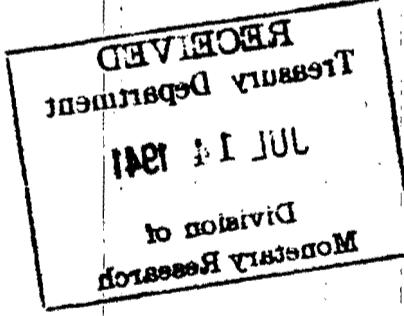
July 7, 1942

Mr. L. H. Kuhn, Vice President,  
 Federal Reserve Bank of New York  
 33 Liberty Street,  
 New York, N. Y.

Dear Sir:

To confirm our telephone conversation advising you of the receipt  
 of the following cable from our Paris Office:

"PARIS (OUR PARIS OFFICE RABASIER) INFORMS AMERICAN  
 ACCOUNTS WITH BRITISH BANKS IN CONTROL ZONE ARE NOW  
 BLOCKED STOP VITERNAL TURNS THREE THOUSAND FRANCE MONTHLY  
 POSSIBLE FOR LIVING EXPENSES ALLOWED STOP FRENCH AND  
 AMERICAN BANKS ARE NOT ROTATING BUT TO ACT AS ABOVE  
 STOP SAME IN PARIS EIGHTH MONTEZELI AMERICAN BANK  
 PERSONAL AND COMMERCIAL TOTALING ONE MILLION SIXTY ONE  
 THOUSAND FRANCE STOP PARIS OFFICE EXPERIENCED SEVERAL  
 THIS SUMMER AUTHORIZES DELIVERY PACKAGES IN COUNTRY  
 CONTENTS UNKNOWN IN BANK AMERICAN DEPOSITORS STOP NO  
 FURTHER INFORMATION PUBLISHED"



Very truly yours,

/s/ S. D. Post

Second Vice President

Copy date 7-14-42

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Authority 118023  
By TV NARA Date 11/98

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OASIA

Country and Area Dept  
Box 7

1 source - F.F.C.

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: Consulate General, Beirut, Lebanon

DATE: April 8, 1941, 8 a.m.

NO: 100

The following is strictly confidential.

It has come to my attention that the French High Commission Exchange Office at Beirut has, in several instances, recently granted dollars from its free accounts in the United States for the purchase from Central Europe of certain goods.

Conversion of dollars into miles francs, to be negotiated in the country of purchase, has been made. This was done on instructions from the Banque de Syrie at Beirut through the Chase National Bank at New York.

It was stated by the French Director of the Exchange Office that the Treasury Department of the United States had, presumably, been informed fully by the Chase Bank of the details of the transactions. It is my understanding that they include \$15,000 for electrical supplies and traps from Hungary and Yugoslavia respectively and \$10,000 for paper from Romania.

SECRET

MA:PAK

CHIEF INVESTIGATOR
RAF C I RRA.
to whom communicated

Official

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Authority 118023  
By TV NARA Date 11/6/88RG36  
Acc. 56-67A 1804OASIA  
Grosvenor and Anspach  
Box 7:6

France - F.F.C.

K  
Springer  
France S.F.C.

April 7th, 1941.

TIN. 5550

It is understood from a delicate source that Credit Lyonnais, Lyon wrote on 17th February, 1941 to Banco Francés del Rio de la Plata, Reconquista 199, Buenos Aires, Argentina, sending French Ambassador's account with addressee showing debit balance at Franco 30,539,431.

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REFUGEE	REHEIVED
Treasury Department	
APR 8 1941	
Delivery of	
A. M. A. R. T. B. M. E. C. P.	

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Authority 118023  
By TV NARA Date 11/28R656  
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Box 7

March 25th, 1941.

W.T. 1121/122/41

On March 10th, 1941 Mr. Maurice Boyer, New York, Representative of Banque de Paris and Pays Bas, informed his Geneva office that he and Lawyers White and Case had thoroughly prepared ground in Washington for an official application for unfreezing large balances and that during his coming absence in France, he is leaving March 22nd, affair would be handled by lawyers.

RECEIVED

Treasury Department

APR 9 1941

Monetary Research Division of  
Monetary Research

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By JV NARA Date 11/6/88

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( COPY )

THE ADVISORY COMMISSION TO THE COUNCIL OF NATIONAL DEFENSE  
2000 Massachusetts Avenue  
Washington, D.C.

March 13, 1941.

Treasury Department  
Washington, D. C.Attention: Bernard Bernstein, Esq.  
Gentlemen:

This is with further reference to your letter of December 26, 1940, regarding an application filed by E. I. du Pont de Nemours & Company with the Treasury Department for a ruling as to whether Executive Order No. 8389 of April 10, 1940, as amended, prohibits the du Pont Company from sending, pursuant to contract, certain kinds of technical industrial information to various French concerns. On January 3, 1940, the Advisory Commission authorized Commissioner Leon Henderson to respond that the Commission did not approve the continued dispatch of such information to France, and this decision was shortly thereafter communicated by telephone to Bernard Bernstein, Esq. The purpose of this letter is merely to provide a written confirmation for your files.

Our opinion is based upon the following facts: That the du Pont Company has certain cross licensing arrangements with several French companies for the manufacture of such products as —

- Rayon
- Cellophane
- Cellulose Acetate
- Cellulose Acetate Yarns
- Nylon
- Nitro Cellulose - Duro and Dulux
- Sodium
- Methyl and Methylene Chloride

and other chemical products; that these agreements provide for the exchange of information on patent applications filed in this country on new inventions, information on secret processes developed by the du

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 By TV NARA Date 11/68

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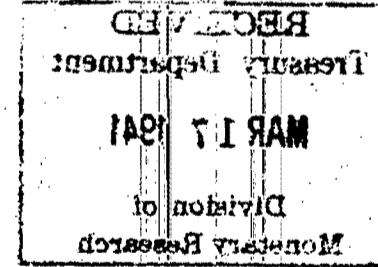
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Pont Company in its various plants, as well as data regarding current operating problems encountered in the du Pont plants; that until the German occupation of France, the du Pont Company was receiving information from the French licensees under the reciprocal agreements and was, of course, giving similar information in return; and that since the German occupation of France, no information has been forthcoming from the French licensees.

Whether the proposed transmission of information is subject to the provisions of Executive Order No. 8389 is a question upon which the Advisory Commission is not in a position to express an opinion. However, if the Order is applicable the Commission feels strongly that the du Pont Company should be directed to suspend its agreement for exchange of information during the period of German occupation, and, as a matter of policy, that similar agreements with persons in areas covered by Executive Order No. 8389 should likewise be suspended during the period of emergency.

Yours sincerely,

(Sgd.) David Ginsburg  
 General Counsel  
 Price Stabilization Division



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By TV NARA Date 11/28

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August 19, 1948

Professor Chambellan

U. S. Cons

**Subject: Payments to American Banking Affiliates in France and Belgium****Summary****This memorandum solves the following suggestions:**

1. Permission to buy foreign currency now in the hands of American and to transfer it to their affiliates abroad should be granted. For the same month or as these transactions would be permitted on little information.
2. On presentation of adequate information and after failure to get American held foreign currency the American banks would be permitted to credit French or Belgian institutions with (blocked) dollars in exchange for local currency. The limit of the amount would be the balances now by the New York bank to foreign affiliate at the present time. The transactions would not be recurrent.
3. In special cases purchases of foreign local currency from foreign French and Belgian banks in exchange for blocked dollars would be permitted in order to enable the American affiliates to meet current obligations. Full information about the assets and liabilities of the foreign affiliates and about the local registration of banking would be required. In general these transfers should not be permitted until the situation clarifies. The New York banks should be told that such applications will not be acted on hasty and without detailed information.
4. The branch license applied for by Chase should be denied.
5. The remittance application of the National City should be refused and all remittance applications handled on similar terms.
6. Foreign affiliates should be encouraged to meet their obligations to Americans and possibly to foreigners by the payment of blocked dollars.
7. Available facts justify closing all interbank transactions on the assumption that French and Belgian banks are not being used as instruments for German exploitation of these countries.

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8/19/48

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Authority **110023**R 56  
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By **TV** NARA Date **1/26/2023**  
Comments and Area **115**  
Box **7**

## Foreign Activities of American Banks

**Debt Obligations.** The Committee has before it three applications involving sale of dollars by American banks in order that their arm-lieses in Paris may get francs. The Committee also has before it an informal (rush) request transmitted through Mr. Cashman involving the purchase of belges by the parent bank in order that the branch may get belges in Belgium.

1. **Fluxos.** On June 2, the Chase asked for a Market License for the free operation of the account of the Chase Bank in Paris to permit all payments, transfers and withdrawals.
2. **Fizzex.** On July 26 the National City Bank asked for a license to purchase \$100,000 of francs from the National City in Paris in order to make remittances to anyone in France for travel and living expenses up to the amount of \$2,500 per transfer.
3. **Sifast.** On July 21 the National City through Mr. Cashman asked for permission to buy several hundred thousand dollars worth of belges to send to its Belgian branch - which is to be permitted by the German to open on Monday, August 19.

**Information Submitted.** The banking banks have submitted almost no information. On August 6 the Committee asked the Federal Reserve Bank of New York to find out from the New York banks with Paris branches what amounts were involved in the proposed licenses. The four banks concerned asserted they could supply little information. J. P. Morgan gave a total sum which was due to non-French clients (\$350,000). Chase stated that they needed 120 million francs to meet their obligations. The character of the obligations was not stated beyond the fact that 55 million francs were in acceptances. The Chase submitted a rough figure needed for remittances (\$1 billion per month) and said that \$2 billion was also needed to pay to American concern. The generators give only the total liabilities of its Paris office, a guess at the remittances they might have to undertake and their total dollar liability. The National City stated that it needed 100 million francs to meet current liabilities, \$100,000 (monthly) for remittances and about \$5 million which was due to Americans. All the banks stressed their lack of information and none was able to give definite figures of the proposed payment to French nationals or to nationals of other countries.

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Authority 118023  
By TV NARA Date 11/6/88

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Acc 56-67A1804  
OASIA

Country and Area Rept.  
Box 7

Received by phone - 8/23/40  
Dictated by Miss Farrell - Mr.  
Kinball's Secretary to B.T.S.

THE NATIONAL CITY BANK OF NEW YORK

New York - August 23, 1940.

Mr. H. E. Kinball,  
Assistant Vice President,  
Federal Reserve Bank of New York,  
33 Liberty Street,  
New York, N. Y.

Dear Mr. Kinball:

We are pleased to give you below the figures requested in your memorandum to Mr. Shepard of yesterday:

1. Total deposit liability (other than dollar deposits)  
Brussels Branch  
August 10, 1940  
Fcs. 43,000,000

The N.C.B. of New York  
(France) S. A.

August 16, 1940  
Fcs. 234,000,000

2. Total dollar deposit  
Brussels Branch  
August 10, 1940  
\$935,000

The N.C.B. of New York  
(France) S.A.  
August 16, 1940  
\$4,300,000

The total deposit on dates indicated amounted to Fcs. 70,475,000 and the split-up in (1) and (2) is estimated.

The total deposit on dates indicated amounted to Fcs. 422,690,000 and the split-up in (1) and (2) is estimated.

3. Total acceptance liability  
Brussels Branch  
August 10, 1940  
Fcs. 36,946,000

The N.C.B. of New York (France)  
S.A.  
August 16, 1940  
Fcs. 36,953,000

4. Dollar balances with Head Office  
Brussels Branch  
August 21, 1940  
\$1,354,000

The N.C.B. of New York (France)  
S.A.  
August 21, 1940  
\$5,117,000

5. Amount of overdraft which Head Office owns Branch  
Brussels Branch  
August 21, 1940  
Fcs. 12,500,000

The N.C.B. of New York  
Branch S.A.  
August 21, 1940  
Fcs. 24,416,000

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Authority 118023  
By TV NARA Date 11-68

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Country and Area Dept.  
Box 7

- 3 -

Information desired. To recapitulate what has been said above on the information which we want from the banks when they apply to transfer sums to their French affiliates:

1. The state of the balance between the American banks and their French affiliates (on June 17, as well as at the present time, if this is possible.)
2. The local currency liabilities and commitments of the foreign banks and the local currency assets of the foreign banks.
3. The dollar liabilities and assets of the foreign banks.
4. The current liabilities and assets of the foreign bank broken down in terms of dollars and local currency. In this category we should like to know how much cash they have and what other redistributable assets they have.
5. The conditions under which the foreign banks will have to operate and in particular what the bank of France will do about rediscounting for these banks.

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Authority 110023  
By TJ WARA Date 1/16

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Acc. 56-67A1804  
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Box 7  
Country and Area Report

leads have better and information than others and should be reported to furnish as full information to the Treasury as they would do in ordinary banking procedure. In view of the conditions which have prevailed and still prevail in France and Belgium, it is believed that a case can be made out for allowing monetary and its wholly reasonable of the American banks to have their own liaison upon the Treasury in the places in which their foreign affiliates can themselves. Any other procedure requires so much or greater speed as them. The Treasury will do all that is demanded for that is done. It is to be expected that the bank will not permit. It should have time to go on. Even though they do not have time the facts are supporting their accusations' contention. But there is no special reason why they should be denied.

Point of concentration. The point has been made by Mr. Cushing that valuable real estate owned by the banks in Paris may be confiscated. This raises the general issue of how the conditions will affect other assets of this nature. It is to be reported that the conditions will not significantly affect us as far as to leave the circumstances in which the American abroad find themselves. On the other hand, if such changes are known to vary widely and to obviate ordinary supervision, there will be a desire of them and the French that will be high-pressureed to disperse foreign concentration in Paris at the expense of the French plan to do this. Let it well be known that the law, protection which the countries can offer to insurance under property in France and other countries is the central idea. It is of the nature of these countries, the law property abroad. To what possible extent counter measures. If these powers are not sufficient to prevent concentration, it is advised that planning to protect and retaining jurisdiction over foreign insurance will accomplish this end.

It must be noted that if the Treasury does not allow immediate and unimpeded transfer that our banks in Paris and elsewhere will not be able to regain or recover assets in foreign. It has already been suggested that we can stand against this charge by allowing the banks funds to originate money sent to the Americans and that probability of transmission is more of risk and cannot reasonably be held to shift the responsibility for the losses of bank in France upon our shoulder.

If the Germans make the American authorities to operate in France very day to expect to do what our own government would do in similar case. That is to stand aside in increasing the costs of the banks.

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By TV NARA Date 11/19/88

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Banking and Area Rept.  
Box 7

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If they do not want the banks to operate they will narrow and reduce credit facilities and refuse to lend. If in the special case of the American banks, the Germans know that they can get dollars by refusing ordinary emergency facilities to these banks, they will undoubtedly refuse.

Until more is known of the condition under which banking is carried out in France and Belgium, applications which ask that the Germans or French be given dollars in order that American banks abroad can unfreeze their assets, should be handled very cautiously. Steps already taken by the Germans indicate that the French banking system will be completely controlled by the Germans and used as an instrument for exploiting the country. These steps raise grave doubts as to whether this country should extend any special facilities in order to allow American banks to operate in France. A few relevant facts are listed below and more are available:

1. Under the decree of July 26 the Bank of France is completely under German control and because of the anxiety of the French banks to do business and return to Paris, this control will enable the Germans to dominate banking in unoccupied as well as in occupied areas.
2. Under a decree of July 26 all banks in occupied France are under complete German control.
3. The Germans have power to take all gold, foreign securities and foreign exchange and are exercising these powers. Safety deposits can now be opened only with a German official present and valuable assets are placed in "custody".
4. There are signs that the anti-Jewish policy of the Germans is being forced on the French banks. Jewish personnel is not being permitted back into the occupied zones.
5. French banks are being forced to take German marks at a higher rate of exchange.
6. Responsible French bankers state that they expect the Germans to force an inflation and depreciation of the franc through their controls. Experience in other dominated countries indicates that the French banks will be forced to give up their best assets and take whatever the Germans choose to give them. The banks will be made a vehicle for looting the country.

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Authority **11002**  
By **TV** NARA Date **1968**

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California

- 7 -

7. The Germans are trying at all of the French and  
discrediting in favor of their friends. In this way  
they are dividing the French and breaking the back of  
resistance. For instance, negotiations are going on  
between French and German industrialists and their  
respective governments in attempting to transfer the  
control of the French heavy industries to Germans. In  
fact, it would be said to have received 20 million  
dollars. It would be said to have received 20 million  
dollars for a block of shares in one of the im-  
portant companies.

The Germans are particularly alert to taking advantages which  
control of the banks may give them. There are bank we acquired by  
Germans interest primarily, its would seem, in order to gain control of  
French shares in Standard Oil Company, secondarily, to get  
an important interest in Standard Oil.

In view of these circumstances, it seems expedient to follow a  
contious policy respecting American holding dollars in France. In  
fact, it is not clear that American banks will be interested in  
disapprove of the policy suggested above or that they are anxious to  
carry on unopposed foreign exchange business with the French.

BY THE WAY, what about the Bank of France? At one  
date, June 22, the Bank of France, from its headquarters in Paris,  
was willing to sell francs and take blashed dollars. It may  
still be willing to do this. Question has been raised  
as to whether additions to the total of blashed dollars  
can come from pending sales.

If the Bank of France is still willing to sell francs for blashed  
dollars, it is presumably because the Germans believe that blashed dollars  
are better than no dollars. They may be able to unload these dollars  
next year to next month. Because of their shortness of foreign exchange,  
even the acquisition of hypothetical foreign exchange is advantageous.  
In the second place, it must be remembered that all blashed dollars are  
not blashed. The Germans may be expected to circulate every method  
of utilizing blashed dollars which is allowed by the German authorities  
to use. The most vigilant control will not prevent the Germans from  
using some of these channels to pay money to individuals and firms in  
various countries — perhaps particularly in Latin America  
and other countries.

Detailed summary. The suggestion has been made that perhaps the  
requested transfers to the account of French officials might be allowed  
in part. This is a feasible procedure. If and when the information  
desired above is presented in connection with a specific application,

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Authority 118023

By TV NARA Date 11/6/83

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Box 7

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If they do not want the banks to operate they will narrow and reduce their facilities and refuse to lend. If in the special case of the American banks, the Germans know that they can get dollars by refusing ordinary emergency facilities to these banks, they will undoubtedly refuse.

Until more is known of the conditions under which banking is carried out in France and Belgium, applications which ask that the Germans or French be given dollars in order that American banks abroad can unfreeze their assets, should be handled very cautiously. Steps already taken by the Germans indicate that the French banking system will be completely controlled by the Germans and used as an instrument for exploiting the country. These steps raise grave doubts as to whether this country should extend any special facilities in order to allow American banks to operate in France. A few relevant facts are listed below and more are available:

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4. There are signs that the anti-Jewish policy of the Germans is being forced on the French banks. Jewish personnel is not being permitted back into the occupied zones.
5. French banks are being forced to take German marks at a higher rate of exchange.
6. Responsible French bankers state that they expect the Germans to force an inflation and depreciation of the Franc through their controls. Experience in other dominated countries indicates that the French banks will be forced to give up their best assets and take whatever the Germans choose to give them. The banks will be made a vehicle for looting the country.

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Authority 118023  
By TV NARA Date 11/23

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Acc 56-67A1804

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Counting and Area Dept.

Box 76

- 7 -

7. The Germans are buying off some of the French and discriminating in favor of their friends. In this way they are dividing the French and breaking the back of resistance. For instance, negotiations are going on between French and German industrialists with their respective governments in attendance to transfer the control of the French heavy industries to German industry. De Gaulle is said to have received 30 million Reichsmarks for a block of shares in one of his companies.

The Germans are particularly alert to foreign advantages which control of the banks may give them; those one bank was acquired by German interest primarily. It would seem, in order to gain control of French shares in Standard oil fields and perhaps, secondarily, to get an important interest in Standard Oil.

In view of these circumstances, it seems expedient to follow a cautious policy respecting American banking business in France. Indeed, it is not clear that American banks with branches in France would disapprove of the policy suggested above or that they are anxious to carry on unsupervised foreign exchange business with the French.

Why not permit unlimited additions to blocked dollars? At one date, June 22, the Bank of France, from its headquarters in unoccupied France, was willing to sell francs and take blocked dollars. It may still be willing to do this. Question has been raised whether any harm can come from permitting additions to the total of blocked dollars.

If the Bank of France is still willing to sell francs for blocked dollars, it is presumably because the Germans believe that blocked dollars are better than no dollars. They may be able to unlock these dollars next year to next month. Because of their shortage of foreign exchange, even the acquisition of hypothetical foreign exchange is advantageous. In the second place, it must be remembered that all blocked dollars are not unusable. The Germans may be expected to scrutinize every method of utilizing blocked dollars which is allowed by the American authorities. The most vigilant control will not prevent the Germans from using some of these channels to pay money to individuals and firms in this and other countries — perhaps particularly in Latin American countries.

Partial permits. The suggestion has been made that perhaps the requested transfers to the account of French affiliates might be allowed in part. This is a feasible procedure, if and when the information granted above is presented in connection with a specific application.

218232

DECLASSIFIED

Authority 118023  
By TV NARA Date 11/19/83

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Acc 56 - 67A1804

OASIA

Country and Area Dept.

Box 7

Received by phone - 8/23/40  
Dictated by Miss Farrell - Mr.  
Kinball's Secretary to R.T.S.

THE NATIONAL CITY BANK OF NEW YORK

New York - August 23, 1940.

Mr. H. H. Kinball,  
Assistant Vice President,  
Federal Reserve Bank of New York,  
33 Liberty Street,  
New York, N. Y.

Dear Mr. Kinball:

We are pleased to give you below the figures requested in your memorandum to Mr. Shepard of yesterday:

1. Total deposit liability (other than dollar deposits)  
Brussels Branch  
August 10, 1940  
Frs. 43,000,000  
  
The N.C.B. of New York  
(France) S. A.  
August 16, 1940  
Frs. 234,000,000
2. Total dollar deposit  
Brussels Branch  
August 10, 1940  
\$935,000  
  
The total deposit on dates indicated amounted to Frs. 70,475,000 and the split-up in (1) and (2) is estimated.  
  
The N.C.B. of New York  
(France) S. A.  
August 16, 1940  
\$4,300,000  
  
The total deposit on dates indicated amounted to Frs. 422,690,000 and the split-up in (1) and (2) is estimated.
3. Total acceptance liability  
Brussels Branch  
August 10, 1940  
Frs. 36,946,000  
  
The N.C.B. of New York (France)  
S.A.  
August 16, 1940  
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Brussels Branch  
August 21, 1940  
\$1,354,000  
  
The N.C.B. of New York (France)  
S.A.  
August 21, 1940  
\$5,117,000
5. Amount of overdraft which Head Office uses Branch  
Brussels Branch  
August 21, 1940  
Frs. 12,500,000  
  
The N.C.B. of New York  
Branch S.A.  
August 21, 1940  
Frs. 24,416,000

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Authority 118023  
By TV NARA Date 11/19/88

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Box 7 C

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and Ara Rept.

- 2 -

6. Amount of acceptances held by the Branch and guaranteed by the Head Office in this country of American concerns (including acceptances, loans and advances by the Branch to American companies or their local subsidiaries under personal company guarantee):

Brussels Branch  
August 21, 1948  
Pes. 44,000,000

7. Amount of securities which Head Office is holding for the Branch (our account):

Brussels Branch  
None

The E.C.B. of New York  
(France) S.A.  
June 25, 1948  
Pes. 62,000,000

The E.C.B. of New York  
(France) S.A.

None

Very truly yours,

(Signed) G. V. Shashan  
Assistant Vice President

218234

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Authority	<u>118023</u>
By	<u>TV</u>
NARA Date <u>11/68</u>	

RG 26  
Acc. 50-67A1807  
GASPA  
6-14-40  
R.S. 7

Received by phone - 8/23/40  
Dictated by Miss Farrell -  
Mr. Kimball's Secretary - M.B.S.

23 Wall Street, New York

August 22, 1940

Mr. H. H. Kimball  
33 Liberty Street  
New York, New York

Dear Mr. Kimball:

Your questionnaire of August 22, 1940 addressed to Mr. H. C. Alexander, Vice President of J. P. Morgan & Co. Incorporated, has in the latter's absence been referred to me since I am a partner of the Messrs. Morgan & Cie., Paris, France. Before giving you the figures called for in this questionnaire, I would like to point out that Messrs. Morgan & Cie. is not a branch of J. P. Morgan & Co. Incorporated, but is a separate French partnership. I furthermore wish to explain that Messrs. Morgan & Cie.'s situation as regards liquidity is such that there is no immediate likelihood of our being required to ask for authorization to remit francs to France to permit us to meet our liabilities.

As I told Mr. Knobke this afternoon, I am unable to give you any recent figures owing to the fact that our Main bookkeeping records are at present located at Chatelguyon, which is in the unoccupied region of France and that communications between Chatelguyon and Paris have been interrupted by the German authorities for over 3 weeks. The figures I give you below are therefore as of July 20, 1940 and must in addition be considered as quite approximate:

- |   |                  |
|---|------------------|
| 1. Total deposit liability other than dollar deposit . . . . .                              | Frs. 426,000,000 |
|   | L 381,000        |
| Other foreign currencies equivalent of  | Fcs. 4,500,000   |
| 2. Total dollar deposits . . . . .  | \$ 13,500,000    |
| 3. Total acceptance liability . . . . .   | Fcs. 38,150,000  |
| 4. Dollar balances with J. P. Morgan & Co. Incorporated . . . . .                           | \$ 13,700,000    |
| 5. Amount of overdraft which J. P. Morgan & Co. Incorporated owes Morgan & Cie.             | NIL              |
| 6. (Figures not available)  |                  |
| 7. Amount of securities which J. P. Morgan & Co. Incorporated was holding for Morgan & Cie. | \$ 400,000       |

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Authority 118023  
By JV NARA Date 11/19/88

RG 56

AC 56-67A1804

OASIA

GPO: 1940  
Box 7Received by phone - 8/23/40  
Dictated by Miss Farrell - Mr.  
Kimball's Secretary to M.B.S.MEMORANDUM

August 22, 1940

To: Mr. H. H. Kimball  
Federal Reserve Bank of New York

From: Mr. W. A. Barth Assistant Cashier,  
Chase National Bank

Reference is made to your memorandum of this morning and our telephone conversation of this afternoon.

The Chase National Bank does not have a branch or office in either France or Belgium. However, the Chase Bank of New York, a wholly owned subsidiary of the Chase National Bank of New York has a branch in Paris, France.

The figures submitted are those of the Paris Branch of the Chase Bank of New York as of May 31, 1940 which is the most recent date available here in New York, and where Head Office is mentioned we consider Head Office to be the Chase Bank of New York.

1. Total deposit liability (other than dollar deposits) . . . . . F Frs. 213,124,401.46
2. Total dollar deposit . . . . . U.S. \$ 1,902,426.54
3. Total acceptance liability . French Frs. 78,957,911.40
4. Dollar balances with Head Office . . . . . 0 - see below
5. Amount of overdraft which Head Office owes the Branch . . . . . 0 - see below
6. Amount of acceptances made by the Branch and guaranteed by the Head Office in this country of American concerns . . . . . 78,828,292.60  
(of the above French Frs. 19,187,887.10 are acceptances made for the Chase National Bank of New York)
7. Amount of securities which Head Office is holding for the Branch (own account) . . . . . 0 - see below

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Country and Area  
Box 7

AUGUST 22, 1940

-2-

The Paris Branch of the Chase Bank of New York has a Dollar Account with the Chase National Bank of New York. The books of the Paris Branch on May 31, 1940 showed an overdraft of French francs 45,350,145.77 which is equivalent to U. S. \$1,043,572.69. The Chase National Bank of New York has a French Franc Account with the Paris Branch of the Chase Bank which is overdrawn on the books of the Paris Branch, French Fcs. 47,658,372.77. The Chase National Bank, New York, is holding for account of Chase Bank, Paris, French Fcs. 131,400,000.00 in securities belonging to the Chase Bank, Paris, and carried by them at French Fcs. 131,400,000.

We trust the foregoing information will enable the Treasury Department to issue a license in favor of the Chase Bank at an early opportunity.

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Authority 178023  
By TV NARA Date 11/19/08

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Acc. 56-67A1804

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Country and Tree Report  
Box 76

March 25, 1943

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It is understood from a reliable source that Mr. A. Lantoski, Kodak Paths, Occupied France, through Manager Kodak Ltd., Dan Garrett St., Mich., wrote on January 21, 1941 to H. A. Ritter, Eng., Eastman Kodak Co., Rochester, N.Y. regarding the difficulties in obtaining supplies.

"It is difficult for us to obtain supplies, especially photographic and duplex papers. Our usual manufacturers, who cannot import from Sweden have completely run out of stock; Switzerland has closed her frontiers on the French side and our Government does not wish many to leave the country. To get Swiss goods we must have French finished goods to exchange.

The real solution would be to send dollars to a Swiss bank through Rochester. We have in the bank at Lyons 14 million and the radio sales will yield more.

We order paper from Germany, from Schaeffer, but we do not wish to increase the amount because we want to help French factories.

At a rough estimate we would need from 75,000 - 100,000 Swiss Francs a month."

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#### Донецкий университет

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Authority NND 978023

By AT NARA Date 11/03/48

Acc. 56-67A1804  
OAS/4Country and Area Reps.  
Box 50

Madrid  
 Dated December 15, 1944  
 Rec'd 1:13 p.m.  
 Secretary of State  
 Washington

~~France - Section One~~  
 France; Banks & Banking

969, December 17, 1 p.m. (SECTION ONE)

FOR TREASURY FROM HOFFMAN

This afternoon Plevan called me to his office and handed me photostat copies of documents relating to the formation in Monaco of a corporation "Banque J. E. Charles and Cie". Plevan advised that the French have good reason to believe that this company was organized for the purpose of removing German and collaborationist capital from the jurisdiction of the French authorities. The persons involved in the formation of the company are as follows:

One, Johannes Eugen Charles, banker, German resident in Monte Carlo; Two, August T. Gausebeck, banker, German living in Monte Carlo, 6 Rue des Girofless, domiciled 50 Broadway, New York (this may be the Gausebeck formerly connected with Mayer and Company); three, Guillaume Charles Le Ceans, French banker, resident and domiciled at 37 Rue d'Annier, Marseilles; four, Florence Gould, nee La Gaze, American citizen, domiciled at Ardsley on Hudson, New York, formerly living at 129 Avenue Abakoff, Paris, wife of Frank Jay Gould, American.

The corporation was formed July 21, 1944 with a capital of 50 million francs. On August 23, 1944 the capital was increased to 150 million francs. According to Charles, he and "the group which I represent with M. Gausebeck" (German) would retain interest of 50 million the "French interest represented by Male Ceans" and Jean Wagner have an interest of 50 million and "the American

cc: 12/20/44 Messrs. Glasser-Gold, Schmidt (3), DeBois, Bronx, Brooks, Gunter, Delaney, Miss Mikulich

Action: Mrs. Schwartz

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Authority WDP 97023  
By AT NARA Date 10/23/01

KC 656  
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Box 5  
Country and Area Rep.

- 2 -

group which has a participation of only 5 million will have the right to a total participation of 50 million. Jean Wagner appears to be the resident manager of the corporation and by an agreement of August 23, 1944 was admitted to the company. Plevan stated that he is very anxious to get any information Treasury may have concerning this company and the American participation therein. It is evident from the documents that additional American investment is anticipated. In view of the dates above mentioned, the French belief that the purpose of the company is to offer a refuge to collaborationist and German capital would appear to be prima facie well founded. Plevan also inquired whether an American citizen in a neutral area (Monaco) is considered to have violated any American law by forming the corporation with enemy subjects. Plevan was advised that this matter would be pursued vigorously and that he would be kept fully informed of any information developed by us with respect thereto. I strongly recommend that immediate investigation be made by Treasury into the activities of the persons referred to and that appropriate precautionary measures be taken against any assets of such persons which may be discovered in the United States pending the development of further information. Please advise immediately of any action taken. Photostat copies of relevant documents are being forwarded by air pouch.

#### SECTION TWO

In this connection Plevan advised that French have reached an agreement with Monaco whereby responsibility for sequestering enemy property in Monaco will be given to French provisional government. Plevan believes that in connection with the campaign to recapture collaborationists profits this arrangement with Monaco will prove important. Further details on this matter will be reported in the near future.

VWD

CANTREY

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Authority NND 978023

By AT NARA Date 11/03/98

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Country and Area Rept.

Box 5

- 2 -

Almaise and on China, through the Banque Franco-Chinoise. It has close relationships with bankers in Belgium, Holland and Switzerland, where it has branches. It exercises a wide influence in the colonies through the Compagnie Générale du Maroc, the Chemins de Fer du Maroc, Energie Electrique du Maroc, the Epinat transportation group and the Compagnie Générale des Colonies. Paribas also has a participation in the Banque d'Indochine, which is extremely influential in that colony and in the French posts in India and the Pacific.

In France itself, Paribas had or still has close relations with the Crédit Lyonnais, the Société Générale and the Crédit Commercial de France, all of which are well known for "collaborating" activities similar to that of Paribas itself. Together with the first two and Union Parisienne, Paribas created in 1942 the famous A.S.F.I.D.I. whose principal task was the financing of Francecler.

Paribas' participations in French industries were most important in railroads (P.L.M. and P.O.), in electricity and petroleum (Standard Oil - It is to be noted that Mr. Mercier, the most important figure in these two industries, was for a time on the Board of Paribas), in Messageries Hachette (its chairman, Fouret, is on the Board), in Agence Havas and the T.S.P. trust.

Thus, Paribas, whose influence with the Quai d'Orsay is considerable, also possessed the organisations able to put pressure on public opinion. Moreover, it was represented on the Board of Le Temps and the Bulletin Quotidien, together with representatives of the Wendel and Rothschild groups. It was thus a State within the State, a "too powerful bank in a too weak State". Paribas used that power in the following instances, among others:

The Russian loans, in which its chairman, Noetzelin, was instrumental. The crushing of the Cartel of the Left in 1925 when Mr. Moreau, then Governor of the Bank of France, was able, with the complicity of Minister Clementel, to compel Herricot to resign. Mr. Moreau, agent of Rothschild, was later promoted to the Chairmanship of Paribas. In 1938, Paribas became more closely associated with Morgan and Lazard, through the creation of the Caisse de Réserves. During the war it has, in addition to the formation of Afidi, entertained the closest relations with Nazi finance, which permitted it to recover with profit its participations in occupied countries.

Furthermore, the Bank enjoyed an enormous prosperity during occupation. Its capital rose from 300 million in 1939 to 1,500 in 1941 and 675 in 1943.

Its profits, which amounted to 1 million in 1935 and 3.5 million in 1936, increased as follows:

1939	.....	21.5 million
1940	.....	15.3 "
1941	.....	32.3 "
1942	.....	37.6 "
1943	.....	47.4 "

They fell back to 0.789 million in 1944. In 1939 the Board of Directors comprised:

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- 3 -

Chairman: E. Moreau, former Governor of the Bank of France  
 Vice-Chairman: J. Kulp de Pontalba, capitalist, allied to the "200 families".  
 Directors: Laurent-Atthalin, notorious collaborationist  
 R. Delaunay-Belleville, of the automobile concern of the same name,  
     son of a former Regent of the Bank of France  
 E. Fouret, Chairman of Messageries Hachette  
 R. Lehideux, manager of the Bank of the same name, President of  
     the Union Syndicale des Banquiers and Director in the  
     Crédit Lyonnais  
 F. Pillet-Will, of a famous banking family which gave three Regents  
     to the Bank of France  
 M. Tinardon, Director in Raffineries Say and former Regent of the  
     Bank of France  
 Ch. Rist  
 E. Oudot

Among the most prominent former directors and officers were:

Ernest Mercier, of the electric and petroleum trusts.  
 André Bénae, former official of the Ministry of Finance and Chef  
     de Cabinet to Minister Raynal  
 E. Stern, head of the international private bank A. J. Stern and Co.,  
     one of the creators of Paribas. His family is associated with  
     Peuld, Rothschild and Halphen of the Jewish "Haute Banque".  
 Stéphane Derville, former Regent of the Bank of France.  
 Horace Finaly, famous President of Paribas, squeezed out in 1937 by  
     the clericalist clan.

This list demonstrates the financial and political importance of the Directors  
 of Paribas, their influence with the Bank of France and the Government, as well  
 as in the key industries. As to the latter, there must be added influence in  
 the international field through participations in Norvegienne de l'Asote,  
 I. G. Farben, Suez, etc.

The present board comprises:

Oudot, Fouret, Piaget-Will and Rist, already named.  
 Chairman Louis Vibratte, former officer  
 Jacques Aiguillon (Union des Mines and Chatillon-Commentry)  
 Jules Aubrun (Lazard and Schneider)  
 Maurice Bérard (Representative of the protestant "Haute Banque")  
 Emile Girardeau (of the I.S.P. trust and a notorious collaborator)  
 Raoul de Vitry d'Avancourt (President of the Pechiney trust).

The new board is a confirmation of the power of the bank, of its connections with  
 the large trusts and the "Haute Banque".

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Box 50

### Ban de l'Union Parisienne

This bank was created in 1904 by six of the oldest and most important organisations in the "Haute Banque".

Haine & Co.  
Bottlinger & Co.  
Ballot & Co.  
Mrabaud & Co.  
de Neuville & Co.  
Vernes & Co.

and by the Societe Generale de Belgique. In 1914, Demey & Co. (private bank for de Wendel) joined the group as did Schneider later. It is therefore one of the characteristic hallmarks of high finance and the 200 families, and in illustration of the alliance between financial capitalism and industrial capitalism.

Today Schneider no longer appears on the Board except indirectly through de Neuville, with whom he is closely allied. Haine & Co. no longer appears on the scene.

It is interesting to note that, despite the participation in the bank of the three financial groups, Jewish, Catholic and Protestant, the bank had difficulties from 1929 to 1937, following the crisis of 1929. This new group interwined, Labeyrie & Co., connected with English finance, and the Dier-Bungener Bank, allied with Swiss finance. The Argentine Banco Group also took part in the reorganisations. All this gives the bank a mixture of French and foreign influences which are obviously not concerned with the national interests. More recently, the Heubigant group (perfume) and Radiateurs Chauvin (heating apparatus) joined the Board.

The most important participations of Union Parisienne are found in the petroleum field, particularly in connection with the Belgian Petreclins group and the Generale des Huiles de Petrole, both tied to Royal Dutch, and in Argentina through the Banque Hypothecaire Franco-Argentine.

Moreover, it participates, directly or indirectly, in the following banks: Ottomane, Syria and Lebanon, Franco-Palestine, Franco-Suisse, Banque d'Athènes and Banque Hypothecaire Franco-Hellenique. Together with the Schneider group it is affiliated with the Union Europeenne Industrielle et Financiere which managed the Schneider Investments in Central Europe, particularly Stock. Lastly, together with Societe Generale de Belgique, Wendel and Schneider it was interested in the Banque Internationale de Luxembourg on the board of which were several representatives of German finance and heavy industry. Union Parisienne was greatly involved in erosion of capital through holding companies in Luxembourg.

Statistics show that members of Union Parisienne's board occupied 121 seats in 90 companies, mostly in the metal and petroleum fields. Its orientation is distinctly toward Central and Eastern Europe and South America, which explains the present propaganda against the Balkan republics, the pro-fascist attitude of Argentina, and demonstrates that like Paribas, Union Parisienne was in a position to put pressure on the external policy of the Government.

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Box 50

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Three of the Chairman of the bank occupied very important posts:  
 François Marsal, former Prime Minister under Millerand, sentenced for larceny.  
 Charles Sargent, former sub-Governor of the Bank of France, former Under-Secretary  
 of State for Finance, director in 17 companies among which are: Midi, Suez,  
 Le Phoenix, Crédit National, Union Européenne, etc.  
 Jean Tannery, former Governor of the Bank of France. At the time of the reform  
 of 1936, he was ousted but the Regents got him the post of Chairman of  
 Union Parisienne. Previously he had been Chairman of the Caisse des Dépôts  
 et Consignations.

The capital rose from 200 to 300 million in 1942. The annual profits for the  
 war period were as follows:

1939	...	14 million
1940	...	14 "
1941	...	32.8 "
1942	...	50. "
1943	...	54.6 "
1944	...	28.5 "

the shares which sold at a high of 540 in 1939 became worth 2,380 in 1943. Asfidi's  
 office was located in the Union Parisienne Building.

#### Inclusions

The proponents of the measure conclude their exposé by stating that these  
 banks, being feudal powers without country, have been and will continue to be,  
 so long as they exist, in a permanent conspiracy against France and the Republic.

George Wolfenson  
 U. S. Treasury Representative

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By EE NARA Date UNK

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OAS/A

Country and Area Repts.

Box 6

## Reduction in French Gold Holdings

Aug. 1, 1939-Mar. 1, 1945

1. Gold held Aug. 1, 1939 ..... 2,817,022.....\$3,169 millions  
 Mar. 1, 1945 ..... 1,771,505..... 1,993 "

Total Reduction....1,045,517.....\$1,176 "

## 2. Itemized tabulation of reduction:

a. Sold to the US  
 Sept. '39-June '40..... 770,006.....\$866,482 thousands

b. Restitution to  
 Belgium of gold  
 stolen by Germans..... 198,433..... 223,296 "

c. Sold to Switzerland.... 57,732..... 64,965 "

d. Stolen by Italy ..... 14,224..... 16,006 "

1,040,396 \$1,170,749 "

d. Unexplained and  
 unaccounted for  
 difference from  
 total in 1. 5,121..... 5,763

1,045,517 \$1,176, millions.

*meets*

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Authority NND978023  
By EE NARA Date 11/15/55

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OAS/A

Country and Area Regt.  
Box 6To: Mr. Saxon  
From: Mr. Rains

15 November 1944

Certain problems have arisen in connection with our investigation of the branches of the American banks in Paris which I feel can be dealt with better in Washington than here.

It would be particularly useful to have as soon as possible a legal memorandum exploring in detail the responsibility of both the American parent organizations and of their branches in France under the Trading with the Enemy Act, with particular reference to General Ruling No. II. I feel that this matter is not particularly clear and that it presents some borderline decisions on which we would be well advised to have the considered view of Washington.

There are several aspects of this problem in connection with which question arises. They are primarily:

1. The responsibility of both parent and branch for transactions with German nationals, including the German Government, where the transactions took place within occupied France while it was under the de facto control of the German Government. The responsibility involved should be considered both with respect to transactions entered into by reason of official or quasi-official demands of the German Government and with respect to others entered into voluntarily by the branch bank.

2. The responsibility of both parent and branch for transactions entered into between a branch of the bank within the unoccupied portion of France, and a German national (including the German Government) outside of the unoccupied zones. I have particular reference to transactions whereby branches of American banks made available both information and funds to Germans in the occupied zone either:

a) Because of direct pressure on the branches of the same bank within the occupied zone, or because of the likelihood that such pressure would be exerted, or

b) Voluntarily.

It would also be extremely valuable to have memoranda showing the corporate structure of the Chase Bank and of Morgan & Company with special reference to their setups with respect to their Paris branches, always with an eye to the question of the responsibility of the former for the latter.

I feel, however, that the memorandum with respect to the Trading with the Enemy Act, etc., is of greater urgency.

Edwin T. Rains.

cc: Messrs: Glasser(2), DuBois, Brown-Brooks, Mrs. Gold-Cassaday, Tomlinson,  
Delaney, Miss Mikulich, Mr. Schmidt(3)

218246

DECLASSIFIED

Authority NND978023

By AT NARA Date 11/03/98

-6711209

Paris, May 12, 1945.

MAY 29 1945

No. 1936

SECRET

**SUBJECT:** Safchavon Report No. 6: Further Information on the Banque Charles Case.

The Honorable  
The Secretary of State,  
Washington.

Sir:

With reference to the Embassy's previous communications on the Banque Charles case, (Secret despatch No. 1430, March 26, 1945, and Airgrams A-295, March 8, and A-300, March 9), I have the honor to transmit as an enclosure to this despatch:

- 1 - a translation of a memorandum dictated by Baron Johannes Charles on April 24, 1945;
- 2 - a statement of additional information on the case obtained from French sources;
- 3 - notes on a conversation with Charles; and
- 4 - translation of a letter from the Reichsbank to the German Consulate in Monaco, dated October 17, 1943.

This information was obtained through the OSS, Paris.

On the basis of this information the following significant facts in the case appear to be confirmed:

- 1 - The Banque Charles was a secret affiliate of the German Reichsbank.
- 2 - It is Mr. Frank J. Gould and not Mrs. Gould who appears to have been the principal American collaborator in the Bank. This would seem to indicate that Mrs. Gould's statements represent an effort on her part to shield her husband.
- 3 - Some of the funds placed at the disposal of the Bank appear to belong to Herr Berghaus, a German industrialist.
- 4 - Charles appears to be hopeful that the Bank can be saved and expanded with the approval of the French authorities and, the financial help of the Worms Bank or the Neuflize Bank, and the Princess Sixte de Bourbon.

cc: 5/June/45 For Information: Messrs. Delaney (4), Zimmerman, DeZevallos (2), Mrs. Henderson, Miss Scullen, Locker, NY Federal, General Records "Safehaven"

EOB:dg

... your poor man up place you serve to others and the  
Europe the Borrower.

Since, when the war is ended, all, or almost all, of Europe will have to be reconstructed and the United States alone will have the means of doing so, I interested Mr. Frank J. Gould in the matter by pointing out to him that as an American knowing the European mentality very well, he should put his authority and his fortune at the disposition of a Bank uniting international forces towards the realization of an economic end: the reconstruction of the devastated countries.

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Authority NND 978023	ACC. 56-67A1804
By AT NARA Date 1103-78	OAS/A Country and Area Repts. Box 50

Enclosure No. 1 to Despatch No. 1936.

Statement Dictated By Baron Johanns Charles on April 24, 1945  
(Translation)

I was born in Switzerland. As result of economic studies which I made I was led to the conclusion that the capitalist system, as we knew it before the war, could actually no longer exist.

Through fear of the victory of the communist idea and the communist system, I was led to interest myself in national socialism.

Wishing to harmonize my action with my thought, I left Switzerland and volunteered in the German Army at the time of the German-Russian war.

I performed some months of military service, but through my relations I was able to avoid going to the front and was transferred to the Reichsbank.

During the time I was in Germany where I had many contacts, I had the opportunity to speak with friends and to come to the conclusion that behind the facade of the regime (Translator's note: presumably the German) such as it had been presented in Switzerland, things were so abominable that I could not associate myself with it.

I therefore looked for a plausible pretext for separation while maintaining my position if possible.

In agreement with Dr. Karl Schaeffer, I prepared a plan for an international enterprise in Monaco, and with his support I was able to make some progress on it.

In the meantime, I sent my wife and my children to Switzerland pretending they were ill and told them to remain there.

Thus, free in my movements without fear of eventual reprisals, I remained in Monaco, awaiting either the creation of a democratic German Committee or German Government or, at least, of an American movement uniting all Germans who wished to liberate their country. In order to understand my position which is truly like that of numerous young Europeans, one must recall the inextricable economic situation in which we existed before the war, and remember that we were not sufficiently well informed of the real policy of the United States which appeared to us to be a defender of an outmoded and egotistical capitalist system which brought about the 1939 catastrophe.

The United States appeared to want to maintain its isolationist policy, and we had no sufficient indication that the problem of technological over-production and unemployment was receiving the attention of the American leaders.

Since the United States intervened only very late in the conflict, we had no reason to be certain that the problem was understood in America.

That is why there was a lack of confidence shown to the Americans.

At the moment when, on the contrary, it appeared that the United States intended to resolve the problem as a whole, I tried to support their policy by establishing this bank in Monaco in which my associates and myself had no other purpose than to place ourselves between America the Lender and Europe the Borrower.

Since, when the war is ended, all, or almost all, of Europe will have to be reconstructed and the United States alone will have the means of doing so, I interested Mr. Frank J. Gould in the matter by pointing out to him that as an American knowing the European mentality very well, he should put his authority and his fortune at the disposition of a Bank uniting international forces towards the realization of an economic and the reconstruction of the devastated countries.

218248

DECLASSIFIED	
Authority	NND 97 P023
By	AT NARA Date 11-03-78

RG56

Acc. S6-67A1804

OASIA

Country and Area Repts.  
Box 5

As for the future I hope to follow exactly the same line of conduct and wish, through my relations in France, Germany and Austria, to devote myself to the establishment of an economic system which will permit the establishment of an era of prolonged prosperity.

As a father, I want to avoid having my children live through the wars that I have known.

I am actually in a position to obtain the collaboration of Herr Borghaus, German light industry magnate, Baron von Maltitz, of the Wood industry, Herr Otto Roehm, of the Darmstadt Plexiglass interests, besides Dr. Karl Schaeffer, financier with an international reputation. (Translator's note: Baron von Maltitz during the occupation of France achieved some prominence as a "purchaser" of "non-aryan" business enterprises).

I maintain excellent relations with Madame Krupp von Bohlenbach, wife of the famous Essen industrialist, with the two vice-presidents of the Reichsbank, Drs. Puhle and Lange, and with other important officials of this institution.

Insofar as France is concerned, as soon as I am free from the cloud that hangs over me in this country because of my nationality, I shall be able easily to find among French bankers intelligent men who look at the future in the same way as I do and who are ready to put their resources at the service of economic reorganization. In this connection, I have made concrete propositions to the French Government and through the intermediary of certain lawyers, I have suggested to the Government that it increase the size of my Bank. Until now I have met with the opposition of M. Ploven, Minister of Finance, who appears to be antagonistic to the Bank of France.

However I have been assured that a change in the Government is imminent and that my plan will be adopted.

With regard to my contacts, I think I can obtain the financial collaboration in this project of either the Worms Bank or the Neuflize Bank.

I also have good relations with the Princess Sixte de Bourbon, the aunt of Archduke Otto of Hapsbourg, pretender to the Austrian throne. It is not necessary to make more precise the advantage that the Bank could have from an active participation by the Princess.

I also succeeded in interesting the Prince of Monaco in my plan and he has assured me that he would officially participate in the Bank when circumstances permitted.

Finally, I should like to add that I have joined a Committee for a Democratic Germany with offices in New York, and whose leaders are Dr. Tillich and the writer, Thomas Mann.

I asked my associate, Herr Gausebeck to offer his services and mine to this Committee if he had not already done so.

The Bank advanced a sum of 1 million francs to Prince Leon Radziwill with the thought that the Radziwill family would remain clients of the Bank in the future and also to obtain, if necessary, the intervention of the Prince on my behalf through one of his sons who is in the British Army.

I know Mr. Katchourine in Monaco where he was presented to me by Dr. Schaeffer. He put me in touch with the Director of the Comptoir National d'Escompte in Monaco and was to have introduced me to Mr. Raffahac, charged with an official mission for the French Government in Monaco.

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Concerning the question of the use of Monaco as a means for the exportation of funds, I have not set up my Bank for this purpose and never was asked to do so.

If one examines the chronological record, it appears that I obtained permission for the Bank in my own name in October 1943, but that I carefully avoided creating the Bank immediately in order not to be obliged to conduct operations for Germany or for the Vichy Government which would have injured me (Translator's Note: which would have burnt my fingers). I waited in Paris using different pretexts, preferring to do nothing until the moment was judged favorable by Dr. Schaeffer and me.

It was on July 21, 1944, that Mr. Gould, Dr. Schaeffer, Mr. Lesesne, Herr Gausbeck and I officially created the Bank which began its activity only on August 1, 1944, that is, at a time when it was impossible to require me to perform operations which would not have been agreeable to me.

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Enclosure No. 2 to Despatch No. 1936.  
Notes on a Conversation with Baron Johannes Charles. April 24, 1945

Throughout the conversation the Baron's attitude was characterized by a complete confidence that "no one had anything on him" and that the Americans were about to "be reasonable and make a deal". The following are notes on the Baron's ideas.

The Baron and Schaeffer developed the idea to provide an escape for funds. They were aware of the approaching outcome of the war and wished to collaborate with the Americans. The Baron said that he formed the bank as late as possible and had held the license for some time.

Schaeffer is an anti-Nazi suspected by many Nazis, not even a party member, and was accepted for the job only because he was a great financier.

The original idea was to form a branch of a German bank, either in Tangiers or Andorra. Later the idea developed into an international bank with American participation. Now the game seems to be to get the French to back it and to recognize its international, or, at least, European value. The Baron seemed surprised that Gould did not grab the chance to get in on the bank. He says that he also tried the British in a small way, that Worms is an anglophile, and is working on the British now. But the French ministerial shake-up is slowing down negotiations and will probably continue to slow them down. The Baron says he is "just waiting".

Roblot never had much to do with the Bank Charles, although he tried to cut himself in. The Baron said he might help Roblot later to get the job of local minister of finance. The Baron says, however, that to date Roblot has dealt directly with the Prince. The Baron expects that his Barcelona bank is still working. Whole system is a series of points d'appui for whoever will back him. He is obviously a first class opportunist. The Baron talks of strong anti-communist line, appears not to trust the French, claims to have no contacts whatever with Americans.

Gausebeck was brought into the bank for practical reasons; Losesne also, of whom the Baron saw little. The American (Gould) angle was a temporary one, used as a "stepping-stone", which the Baron hoped might lead into a wide field of American backing. When it was suggested that the Germans might be using him for the same purpose, he claimed that the Germans neither could nor would.

The Baron claims that there is as much French money invested in Monaco as there is German.

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Enclosure No. 3 to Despatch No. 1936.

Information from French Secret Sources on Hank Charles Case

Eugene Johannos Charles was born on November 7, 1913, in Geneva, son of Alfred Charles and Alice Golay. He is of German nationality through naturalization; his religion is Protestant. He is married to Zoe Zollikofer, born on March 31, 1909, in St. Petersburg, Russia. They have two children, seven years and one year of age. Madame Charles and the children are of Swiss nationality.

Charles studied in Switzerland and in Heidelberg, Germany. As a result of disagreement with his father who disliked Germany, Charles went to Stuttgart where he was drawn by what he believed to be "noble and beautiful" in the National Socialist regime. Upon the advice of Mr. Puhle, vice-president of the Reichsbank, he volunteered in the Germany Army to serve for the duration of the war. In September 1942, he was given a special mission in the Economics Ministry, Reichsbank Section. Shortly afterwards he was sent to Spain and Portugal where he conducted financial operations for German account.

At the beginning of 1943, he was asked by the Reichsbank to investigate the possibility of creating in Western Europe a Bank which could serve the commercial "expansion" of Germany, and which in reality would be a "secret affiliate" of the Reichsbank.

After several investigations in Spain and in Monaco, he chose the latter place because he had obtained the consent of the Prince through the intermediary of Minister of State Roblot.

Charles was in close touch with Karl Schaeffer, German Commissar of the Bank of France, who held full powers from the Reichsbank.

When the Prince of Monaco went back on his decision and did not wish the creation of an official Bank, it was agreed between Schaeffer and Charles that the Bank to be created in Monaco would take the form of a private subscription bank under the name of J.M. Charles & Co. An "associato" named August Gausebeck, German, formerly banker in New York, was imposed on Charles.

Gausebeck in turn brought the French banker Guillaume Lescene to the Bank. Charles himself brought Mr. Gould into the Bank.

The Bank was "financed" by the Reichsbank which through the intermediary of Schaeffer paid in 50 million francs. Apparently Charles denies that Mrs. Gould paid her 5 million francs subscription. (Mrs. Gould, on the other hand, claims that she paid a subscription and also an additional 2 million francs deposit in the Bank).

Questioned as to the use of the 50 millions which he claims was the bank's only resource, Charles stated that 22,850,000 francs were spent in making different purchases, 3,147,000 francs were paid to different persons for special purposes and the remainder of 24,150,000 francs were placed by Charles in different Monte Carlo Banks as follows: 5 million in the Banque Nationale pour le Commerce et l'Industrie, 5 million in the Comptoir National d'Escompte de Paris, 9,150,000 francs in the Credit Lyonnais.

Charles also stated that the Bank expected the sum of 18,000,000 francs to be paid by Schaeffer into the Credit Marsillais, at Marseille. This money came from capital belonging to a certain Bernhard Borghaus, Berlin industrialist for whom Schaeffer was keeping certain funds.

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Charles is said to possess a personal fortune of about 10,000,000 francs deposited in the Societe de Banque Suisse at Zurich and in the Banque de Saragosse in Madrid. When Charles was arrested he was hiding with one Roger Olivie, a harbor pilot in Monaco. He gave to Olivie 500,000 francs which were to be deposited for the account of Charles and Co., in some bank in Monaco, the sum of 1,000,000 francs to be used for the creation of a Monegasque Corporation, "Credit Commercial Moderno", a sum of 600,000 francs for the creation of a partnership in Monaco for the exploitation of the "Bar Restaurant do la Marine", and a sum of 120,000 francs for the purchase of an automobile.

According to Charles, Jean Wagner was presented to him by Lescene and brought with him a proposal to double the French and American shares in the Bank, bringing the total capital up to 150,000,000 francs.

Jean Wagner is alleged to be a French Jew, 39 years old, who pretended to be an industrialist of Aix-en-Provence, representing a group of Jews who are allegedly anxious to participate in the renovation of the Bank.

Wagner also pretends to be very close to Mendes-France, Minister of National Economy and is reported to have made efforts through the latter to obtain the approval of the French Government to the transformation of the Bank. Charles gave Wagner a letter authorizing him to operate the Bank in the absence of the official director and another letter authorizing Wagner to take from the Bank Charles account at the Credit Commercial of Marseille, the sum of 12 million francs out of the 18 million coming from the Berghaus capital which was to be paid in by Schaeffer.

According to Charles, Wagner profited by the absence of all the directors of the Bank to open the safe and remove its contents, i.e. the sum of 236,334 francs. Finally he is reported to have disappeared together with Madame Luraschi, Charles' secretary and mistress. Charles was acquainted with Herr Kagenoc, former chief of the Gestapo at Monte Carlo, but claims he never had any relations with him or with other members of the Gestapo.

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Enclosure No. 4 to Despatch No. 1936.

Translation from German of a letter from the Reichsbank addressed to the German Consulate, Monaco

Berlin, October 17, 1943.

H.A. POL II A 3978/43

Reference: Report of June 30, 1943

No. W2

Subject: Establishment of the Bank in Monaco.

The Direction of the Reichsbank transmits the following concerning the above subject:

According to our investigations, the Minister of State of Monaco, Mr. Roblot, advised the German Commissar of the Bank of France in the Spring of 1942, that his Government would welcome the creation of a German Bank in Monaco.

Minister of State Roblot would be disposed to grant all facilities to this banking institution. His thought was not to have established an affiliate of the German Bank but of a Bank organized under Monegasque law which would have its seat in Monaco. This Bank would be unique in that other banks in Monaco are only affiliates.

French banking control does not extend over the territory of the Principality of Monaco. Mr. Roblot envisaged a capital of 20 to 50 million francs which would be subscribed in all or in majority by a German banking house which would have control of the administration and direction.

With regard to the German point of view as expressed by the Direction of the Reichsbank, there is no opposition to the foundation of such a banking organism.

A German citizen, banker Johannes Charles will soon be in touch with the Government of the Principality of Monaco. In Monaco the establishment of a banking enterprise by German bankers is welcomed.

You are therefore requested to support banker Charles insofar as possible.

(signed) LURTZ

Addressed to the German Consulate, Monaco.

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Currency and Trade Rights.  
Box 5

French Banking

25

Letter # 38

May 9, 1945

Dear Ted:

As you know, we have taken steps to exclude the six French banks presently considered as unsatisfactory from participating in certain current transactions. We have, for example, informed United States banks holding accounts for these banks that they should not engage in any transactions based upon identifications or certifications received from them for the purposes of General Ruling No. 17. Likewise, United States banks granted foreign exchange licenses authorizing dealings in French francs have been informed that such licenses do not authorize them to maintain franc accounts with the six unsatisfactory banks. With respect to the French trade license (General License No. 90) we are, of course, relying upon the French assurances that these six banks will not be permitted to engage in the transactions licensed thereunder.

Please keep us informed of any reaction in France to these steps, both from the standpoint of the Government and the individual banks concerned. We would also appreciate information concerning the practical results of our action as evidenced by measures taken in France toward clearing the six unsatisfactory banks of all possible suspicion as a basis for requesting the removal of the restrictions presently imposed upon their operations.

Sincerely,

(Signed) Harold Glasser

Harold Glasser,  
Assistant Director, Monetary Research.

Mr. Theodore H. Ball,  
Treasury Representative,  
c/o American Embassy,  
Paris, France.

HRobinson:ebb 5/2/45

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C O P Y

PRICES FOR 27 ORDINARY SHARES QUOTED ON THE FRENCH MARKET1. French Companies

<u>Name of Company</u>	<u>Business</u>	<u>Highest quotation 1937</u>	<u>Quotation on 8.7.43.</u>
Bank of France	Bank	9,050	27,200
Credit Lyonnais	Bank	3,200	6,680
Cie.-de-Distribution Generale d'Electricite	Electricity	1,245	2,980
Bethune	"	1,700	5,645
Lens	Coal	678	3,780
Pout a Mousson	"	395	1,530
Schneider	Metallurgical	4,500	8,350
Citroen	Engineering & Armament	1,565	4,680
Peugeot	Automobile	805	2,580
Air Liquide	"	732	1,620
Kuhlman	Chemical	1,640	2,985
Pechiney	"	888	2,250
Bon Marche	Stores	2,344	4,850
Galleries Lafayette	"	225	1,350
Printemps	"	65	188
Caoutchoucs de l'Indochine	"	248	450
Algerienne d'Eclairage	Rubber	790	2,000
Banque de Madagascar	Electricity	277	955
Mines de Ouenza	"	500	2,200
Mokta el Hadid	Iron in N.Africa	1,740	6,850
	" " "	5,745	16,000

2. Foreign Companies

Royal Dutch	Oil	28,300	41,400
Shell	"	611	1,525
De Beers	Diamonds	2,220	6,900
Central Mining	Gold & Oil	3,720	5,300
Rand Mines	Gold	1,250	3,475

The difference in prices of the French Securities between 1937 and now does not reflect the real rise as most of the Companies noted have increased their capital, e.g. the Credit Lyonnais has raised its capital from 400 million in 1937 to 1,000 million.

13th August 1943.

To official supervision measures have been taken against speculative borrowing. On the rates of interest charged respectively to big and small borrowers we have no information.

Questi

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France, FM: from Lala

U. S. CONFIDENTIAL  
EMBASSY SECRET

Noted

F. Dietrich

## COMBINED COMMITTEE FOR FRENCH NORTH AND WEST AFRICAN CIVIL AFFAIRS

X

The following communication was received 2 September 1945.

BOC Airgram 111, 29 August 1945

From: WAES, Finance and Control Division  
 To: CCNA and Secretary of Treasury  
 Subject: Information on Occupied Territory

The following articles of interest are hereby submitted:

1. Translation of an article on French Capital Markets in 1942 from the 14 July issue of the NEUE ZÜRCHER ZEITUNG.
2. Abstract from an article on the price structure in Hungary from the 13 July issue of the NEUE ZÜRCHER ZEITUNG.
3. Translation of an article on the activities of "SIEAJA ROMANA S.A. BUDAPEST" from the 13 July issue of the NEUE ZÜRCHER ZEITUNG.
4. Translation of an article on the German National Debt at the end of April from the 15 July issue of the NEUE ZÜRCHER ZEITUNG.

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Currency Rec.

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## THE FRENCH CAPITAL MARKET IN 1942

(Translation from an article in the 14 July  
issue of the Neue Zurich Zeitung)

VICHY, 3 July, M.K. — In 1942, just as in the previous years, the French capital markets were called upon by the National economy to a substantial degree. The total of private issues in the last four years (excluding CREDIT NATIONAL and institutions of public character) is shown by the following table:

	1939	1940	1941	1942
	(in millions of francs)			
Stocks	937	578	4,701	804
Bonds	3,622	1,298	1,723	3,852
Total	4,559	1,876	6,624	13,656

The reason for the sharp increase in new capital issues above the level of 1939 and 1940 is to be found in the gradual decline in interest rates and the increased availability of money. Many companies took advantage of the favorable situation of the capital markets to convert high-interest loans of previous years over to increase their capitalization.

In addition to private enterprises, semi-public institutions such as Credit National, Credit Foncier, National Railways, and Municipalities and Colonies took advantage of this favorable situation to undertake conversion operations or to secure new cheaper funds. The Treasury put comparatively little strain on the capital markets, and satisfied its own very extensive financial needs through the money markets.

In view of the economic situation the number of stock companies organized in 1942 remained comparatively small. There were 39 new companies against 28 in 1941 and 42 in 1939. But the initial capitalization of the companies organized in 1942 (951 million francs) exceeded both those of the companies organized in 1941 (454 millions) and in 1939 (358 millions) combined. Most of the new enterprises in 1942 were in the field of mining (8), the food industry (4), metal (4), metallurgy (5), and public utilities (3). In 1942, 543 companies raised their capitalization against respectively 316, 129, and 283 in the previous three years. Prior to the readjustment of their capital structure, the capital funds of the 543 companies amounted to 24,027 millions per stocks and 22,673 millions bonds. The new issue amounted to 9,049 millions in stocks and 27,085 millions in bonds. The most important beneficiaries of the movement divided into the following groups:

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	No. of companies	Stocks (in millions of francs)	Bonds (in millions of francs)
Banks	59	1269.9	11,517.4
Public Utilities	61	1233.2	6,338.8
Chemicals	58	1285.1	1,727.2
Insurance	40	776.6	
Metallurgy	78	696.7	1,367.4
Transportation (land & air)	7	20	1,049.7
Retail	56	615.2	707.0

413 companies undertook their raise of capital by distribution to their old shareholders. These 413 companies with an old capital of 1.469.6 million received new funds of 1.574.6 cash and other stocks of 22.8 millions in exchange for their new shares. 207 companies issued 36.332 millions francs of bonds inclusive of the new issues by Credit National, Credit Foncier, and National Railways. Of the latter amount industry took 12.451.6 million. During the year the interest rate on prime industrial obligations decreased from 4% to 3% and later to 3½%. Thus many of these issues were used to refinance the 5 and 5½% bonds issued in 1939 and 1940. The National Railways issued altogether 11.150 million francs bonds at 3½% consisting of an issue of 5.250 millions in February and 5.900 millions in December. In 1941 that organization issued 24.600 million francs. The municipalities issued 209.4 million bonds in 1942 (against only 34 million in the previous year). Colonies and protectorates issued 3.239.4 million bonds in 1942 (only 89 in 1941), divided as follows: Algeria 1.800 millions, Madagascar 500 millions, Morocco 540 millions, and the Trans-Saharan railway 359 million francs.

Thus public security issues exclusive of Treasuries in 1942 compare as follows with the previous years:

	1940	1941	1942	Diff.	1942	41
Private Enterprises	(Stocks 408	4,438	4,804		366	
Credit National	(Bonds 1,598	3,172	13,852		10,680	
National Railways	-	12,300	11,500		1,000	
Municipalities	-	24,600	11,150		13,450	
Colonies	12	34	209		175	
Total	156	89	3,239		3,150	
				79		

At the same time, however, obligations of 331 millions were repaid leaving the net amount of new capital issued in 1942 at 41.323 million francs. The Treasury and the Bureau of Amortisation issued obligations amounting to 117.191 millions. However less than 17 billions of this amount was taken in the form of long-term loans from the capital market. Thus the total of publicly floated issues amounted to 58.006 millions (41.323 millions private and 16.683 millions Treasury issues).

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Country and Area Repts.  
Box 6U.S. CENSORIAL  
BRITISH SECRETCOLLECTED COMMUNICATIONS OF THE FEDERAL INFORMATION SERVICE

The following communication was received 11 August 1943.

DOC Airmail 109, 26 August 1943

From: MAEB, Finance and Control Division

To: CCMA and Secretary of Treasury

Subject: Information on Occupied Territory

The following articles of interest are hereby submitted:

1. Translation of an article on troops on the French border from the 13 July issue of the NEUE ZUERCHER ZEITUNG.
2. Translation of an article on changes in French-Swiss border installations from the 10 July issue of the NEUE ZUERCHER ZEITUNG.
3. Translation of an article on German cartels from the 4 July issue of the NEUE ZUERCHER ZEITUNG.

Page One

Military Rec

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Consequently, the stock market in June showed increasing interest.

Contrary to the stock market, the market in fixed obligations had improved very well and for the same reason (improvement in the French exchange), there was a considerable advance in the second half of June. The decline in interest rates gave new impetus to fixed obligations. Liquid capital which kept away from the stock exchange, returned into circulation. This explains the good reception of the Treasury bills in the last few months. There was even a decline in the price of merchandise on the black market and this is made many free to enter the money market. Whether or not this decline has come from the fact that the authorities wished it to go is another question. Anyways right now the Government seems to be inclined to protect the stock market. The postponement of the date to deposit bearer's shares has been extended from June 30 to December 31, and the Government decree which makes this deposit obligatory is still not being published.

#### Paris Stock Exchange

##### Rents

	31.12	31.3	30.6	
1942	1942	1943	1943	Decline or Increase in the First Half of the Year 1943
3% 1918	97.30	96.70	97.40	+0.10
5% 1920	104.70	104.75	103.40	-1.30
3% 1942	142.15	140.95	143.90	+1.75
3½% 1942	98.10	97.30	96	-2.10
4½% 1932 A	99.35	98.50	98.75	-0.60
B	104.70	102.75	104.35	-0.25
	103.50	103.70	103.40	-0.10

##### Shares

	31.12	31.3	30.6	
	1942	1943	1943	

Banque de France

Banque de Paris

Union Parisenne

Credit Commercial

Credit Foncier

Credit Lyonnais

Societe Generale

Distribution

Generale Electric

Forges Nord/Est

Schneider Creusot

Trefil du Havre

Courrieres

Lens

Kuhlmann

Citroen

Peugeot

1) without subscription rights

	31.12	31.3	30.6	
	29,200	28,300	27,300	-1900
	2,920	2,250	2,030	-890
	1,950	1,668	1,525	-123
	2,950	2,775	2,285	-665
	8,100	7,340	6,570	-1530
	8,650	3,475	3,100	-18.3
	3,080	3,060	2,922	-158
	3,320	3,175	2,815	-212
	6,400	5,975	5,350	-1050
	1,940	1,740	1,875	55
	6,350	5,800	4,900	-1450
	2,500	2,200	1,900	-600
	1,300	1,195	1,268	32
	1,725	1,700	1,561	-16
	2,750	2,550	2,271	-513
	2,120	2,075	1,690	-420
				-19.8

Page Three

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Box 6

## MEMORANDUM &amp; CO.

Incorporated

May 18, 1943.

DUPLICATE

Mr. Henry C. Alexander, Vice President of J. P. Morgan & Company called on me today and left with me the attached documents which relate to the French Government 7% dollar bonds due 1949.

May 17, 1943.

J. P. Morgan & Company recently requested permission to forward to the Vichy government through the Swiss the numbers of the bonds of this issue called in September, 1942, with a view of obtaining from the Vichy government through the Swiss the numbers of the called bonds which had been redeemed in France. This would have the effect of freeing over \$3,000,000 of French Government funds which will otherwise be held by J. P. Morgan & Company for payment of any of the called bonds which remain outstanding. Alexander indicated that State had advised Morgan's that permission would not be granted for such an exchange of information with Vichy.

Interest on this loan is due in June and December of each year and J. P. Morgan & Company has sufficient funds to meet the June installment. An application is pending to make the June payment and to New York State asking for their views on the matter. Washington, D. C., May 1, 1943.

With regard to the overall position of the Secretary of State and the interest thereon, Alexander explained that the interest required per year is approximately \$2,000,000 of which all but \$250,000 is normally paid in France in French francs and the sinking fund required is \$4,000,000 a year of which all but \$950,000 is redeemed in France in French francs. In September when another sinking fund call is made France will not have sufficient funds to meet it and will be forced to pay the \$4,000,000 which was available to Morgan's in September. The \$4,000,000 still entirely obligates the French Government, however, not having any information as to the numbers of bonds due in September, 1942. Accordingly, in September the following alternatives could appear to be available:

1. Take no action and allow the issue to go into default as far as sinking fund obligation is concerned. Alexander did not think this would accelerate the maturity of the entire issue.
2. Obtain the assistance of an additional \$4,000,000 from South Africa. This would involve obvious political consequences.
3. Direct the payment to Morgan's of \$4,000,000 of French Government funds now in the French American Banking Corporation or the Federal Reserve Bank of New York.
4. Issue a directive license telling Morgan's to issue the call and pay the bonds presented out of the \$4,000,000 put up for sinking fund requirements for 1942. Vice-President

It will not be necessary to make any determination with respect to sinking fund requirements at this time, Laxford, Taylor, Schmidt, Pehle.

(Signed) J.W.Pehle

cc: Fox, Laxford, Taylor, Schmidt,  
JWPehle:owh 5-18-43

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Acc. num 67A-1804  
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Covered and signed  
Bob T

Paris, 29 August 1945

Memorandum to E. Gantzer

You will recall that in your letter of May 7, \$12,106, you raised with me the question of an application by the French-American Banking Corporation to transfer sum 526,663 from the account of Rudolphe d'Adler at the J. Harry Schroeder Banking Corporation to an account in the name of the Banque de l'Algérie "Office des Changes" at the French American Banking Corporation. At that time, I informed you that I thought that the reason the Department had denied this application was due to the fact that they had adverse information on d'Adler.

I have now received some information from the Department regarding the alleged activities of this individual during the years 1940 - 1942. If it is possible for you to assure me that action has been taken against d'Adler, or that the Ministry of Finance is now in a position to control his financial activities, I am informed that the Department is prepared to reconsider its action in this case.

You will find enclosed a copy of the information which the Department has sent me.

Theodore E. Hall  
U. S. Treasury Department

(Enclosure)

- 1. # 110 to Mr. P. J. T. from *Bull*

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RODOLPHE D'ADLER

Rodolphe d'Adler, who is believed to be connected at present with the Banque Nationale pour le Commerce et l'Industrie (BNCI), is under considerable suspicion of holding totalitarian sentiments and of having collaborated with the enemy in the years 1940 - 1942. Prior to his association with the BNCI, d'Adler was a partner in A. Spitzer et Cie. and was connected with the industrial interests of that private financial institution.

Representative of Phosphates Tunisiens During Period of Enemy Control

Through his association with Banque Spitzer, d'Adler became actively connected with the Phosphates Tunisiens, a Spitzer company, of which he served as Vice Chairman from 1935 until early 1941. Following the aryannization of Banque Spitzer in 1941, Phosphates Tunisiens was put under the control of the Istituto di Ricostruzione Italiana and the German Economic Commission. At this juncture d'Adler was compelled to resign from his post as its Vice Chairman. In spite of this development and in spite of the undisguised Axis control established over Phosphates Tunisiens, d'Adler continued as "Consultant advisor" and expert on cartel matters for the company until September 1942. In this capacity he represented the enterprise in its dealings with the German Economic Commission. It is reported that during this period d'Adler made frequent trips through occupied France and Germany and that he conferred at Wiesbaden and Paris with Captain Heinrich Flehr, the member of the German Armistice Commission in charge of phosphate matters.

Connection with E.N.C.I.

Although d'Adler, by his own admission, was aware that German influence had precipitated the sale of the aryannized Banque Spitzer to M. Bertrand de Charnacé with funds supplied by the BNCI, he did not regard this as a deterrent from associating himself with the latter bank sometime towards the end of 1942. Information concerning his position at BNCI is somewhat confused, although on occasion he himself has claimed to be the head of its Foreign Department. Apparently d'Adler was brought into the bank by Alfred Pess, its collaborationist General Manager, whom he is said to have known for many years. Like Pess, d'Adler was in North Africa at the time of the Allied landings there in November 1942. Shortly after this event he was given full and complete power of attorney by Pess to represent BNCI (France), and a similar power of attorney by the officials of BNCI (Afrique) to represent that bank.

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Membership in the Grand Military Mission

In December 1942 d'Adler was appointed a member of the Military Mission sent to the United States by the French authorities in North Africa under the leadership of General Charles de Gaulle. d'Adler served on the mission as an assistant to Jacques Lameigre Dubreuil, the reactionary Vichy official now under arrest in Paris on charges of having endangered the security of the French state. It was Alfred Poer who secured this appointment for d'Adler. During his stay in the United States on official business for the Mission, d'Adler continued to act as representative of the NCFL and did not hesitate to further the interests of that institution wherever possible. d'Adler is said to have returned to North Africa, upon completion of his assignment here, in response to a written request from Lameigre Dubreuil.

Totalitarian Views

d'Adler's pro-Nazi leanings are best exemplified by the views which he expressed at an interview with a representative of the United States Department of Justice in February 1943:

"Our interview with d'Adler afforded him an opportunity to express his political sentiments. He made it clear that he regarded the French Republic as decadent and intended of a military dictator. He justified his collaboration with the Germans and Italians by saying it was necessary for the stability and prosperity of the companies in France to work together with the Axis. d'Adler said he did not care whether this expression of opinion would classify him in the listener's mind as a Nazi or a Fascist."

Background

d'Adler was born in Austria in 1898 of Jewish parents and attended school in Switzerland. He joined the Austrian Army in 1915, fought throughout the war, and at its conclusion was made a prisoner in Italy. After his release, he joined the Risner Bankverein of which his father had formerly been an official. As secretary of the bank he traveled throughout Europe on business for it. He also worked in various banking houses in London and New York (including the J. Henry Schroder Banking Corporation).

In 1927 he became associated with the Jewish private bank of A. Spitzer et Cie, in Paris. In 1927 he was naturalized as a French citizen. The following year he became a partner in Banque Spitzer by purchasing 700,000 francs of its capital stock (a 22-1/2 interest). His business interests continued to be with that bank and its industrial affiliations until after the Franco-German alliance. In August 1940 he sold his interest in Banque Spitzer to the Spitzers.

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**UNITED STATES OF AMERICA**  
**AMBASSY PARIS**

FFC

AIR MAIL  
 OFFICE of the Treasury  
 Representative

Embassy of the United States  
 Paris, June 6, 1973

No. 222

Dear Mr. White:

Enclosed is information which Walter Cutrer dictated.  
 We did not have an opportunity to read before going forward.  
 We are therefore forwarding it unsigned.

Sincerely,

/s/ Theodore L. Ball

Theodore L. Ball,  
 U. S. Embassy Representative.

Mr. Harry R. White,  
 Assistant Secretary of the Treasury,  
 Washington, D. C.

Enclosure.

Mr. Director, Office of the Secretary, Annex (3), Enclosure (2).

Mr. Director, Office of the Secretary, Annex (3), Enclosure (2).

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DEPARTMENT OF COMMERCE  
GENERAL INSPECTORATE

Ministry of the Federal Republic of Germany

Paris, France  
June 2, 1949

Information for the Files:

Subject: The blocking of Fascist assets in Switzerland.

Count Gatti's letter to me (see my memorandum concerning a plan for the reconstruction of Italy, dated Paris, June 1, 1949) has prepared for me the attached memorandum to German on the blocking of Fascist funds in Italy which may be of interest to the Treasury.

The memorandum points out various flaws in the Swiss law of October 1, 1948, which permits blocked Fascist funds to escape the blocking provisions. Assets of Italians regularly domiciled in Switzerland which do not come under the law, numbered bank accounts, and accounts of Fascists in the name of Swiss citizens, constitute a difficult problem.

The leading Swiss banks operate their own fiduciary companies which serve as docks for Fascist assets. For instance, the "Tides" belongs to the Schweiz. Kreditanstalt, the Schweiz. Treuhandgesellschaft is owned by the Schweiz. Universitaet, the Allgemeine Treuhandgesellschaft by the Schweiz. Handelsbank, the Schweizerische Revalutionsgesellschaft by the Schweizerische Bankgesellschaft. The memorandum states that assets maintained by such fiduciary companies are difficult to apprehend because (1) the Swiss fiduciaries welcome such business, and (2) seek to conceal the character of such operations. In certain cases, such companies have declared these assets for taxation purposes as their own. The memorandum therefore suggests that in addition to a tax return, the owner of such assets should be required to file an affidavit covering the preceding five-year period.

A four-point program for a more effective blocking of Fascist funds in Switzerland is given on page 3 of the memorandum.

Attached to the German memorandum are some examples of blocking operations in Switzerland on behalf of prominent Fascists. This information was supplied by Count Gatti.

Walter V. Ostrow,  
U. S. Treasury Representative.

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I. Economic overview  
(Continued)

(4)

1. Pirelli. This estate is valued at least to \$200.  
\$300 million. It comprises shares, bonds, gold, jewels,  
investments in all kinds of companies, etc.  
It has been transferred into different countries such as  
Switzerland, England, Spain and USA. The name of Pirelli  
of course never appears on any document. There are always  
businesses, private or corporations, Swiss and others, acting  
for him. The whole estate is administered by a secret  
committee of the Swiss Bank Corporation (Bank für  
Internationale und Commerzielle Beziehungen), of this committee Horace,  
general manager, and Carlo Pirovani, the head with full authority and power

of decision.

2. Count Velpi

at present in Switzerland. His fortune is very big.  
No definite figure is available, as he has always been able to  
disguise his true holdings since many years. It is roughly  
estimated at 150 million in Switzerland. But it may very  
well be double or treble the amount. His trustee is  
his nephew, Velpi, of the Italian Chamber of Commerce in  
Zurich. The operations of this nephew must be considered as  
of Count Velpi. He acts chiefly through any of the big banks  
in Switzerland. Of these transactions the following may be  
considered as indicative: Velpi nephew offered in the course of  
the last years the following shares on the market in Switzerland:  
300,000 (three hundred thousand) Dollar of  
American Power Co. and 300,000 Dollars (three hundred  
thousand) of City of Milan. Velpi is closely allied with Swiss  
banking interests and holds controlling interests in Italian  
electrical industry. (Officines etc.). He practically always acts  
through trustees. Rarely in his own name directly.

3. Pirella

In Switzerland, all hidden by and through Swiss banks,  
different kind of values such as shares, gold, jewels, etc.  
Estimated at over 20 million. Does tremendous business still  
like Velpi through trustees (banks, fiduciary companies, lawyers,  
manufacturers).

4.

Standard Oil Inc. Industrialist, has accumulated a vast  
fortune, shares, gold, cash (bank notes of different  
countries, particularly allied countries).  
Bishop of Inguru acts as his trustee and various Catholic  
Institutions. Estimated here in Switzerland at 10 million  
DM.

5. Gori, also in Switzerland. 30 million DM.  
mostly in USA through extra and trustee accounts via Swiss  
banks and Swiss individuals and corporations.

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and Anna  
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**6. Borsig, Hotel Bellevue Zurich. 50 Million Mr.  
mostly hidden in Argentine. Recent diplomats have helped  
him. Such as Argentines Klinger, etc.**

**7. Martinetti Finance**

In Switzerland, since September 1944. Has visited Russellian twice since  
his flight to Switzerland. Late president of the Axis. Warrant of arrest  
has been issued against him (also against some of the gentlemen named  
already). By the Liberation Committee of Northern Italy. Estimated at  
5 Million Mr. here. Has on his steamer and trustees; Mr. Grotter,  
noted lawyer, and particularly Abetz of the noted silk firm.

**8. Alfieri, Matadori. Continued.**

All in Switzerland. Bruno Gheri must be considered one group.  
Matadori, the famous publisher of fascist literature, has received  
even a limited permission for working in Switzerland with the lawyer  
and trustee of Alfieri, the noted fascist leader, to wit, with  
Giovanni Antonia. These three or four (as Matadori Jan.) must  
also be counted, are preparing actively a new scheme of fascism.  
They control together vast fortunes hidden in Switzerland, England  
and USA. Hidden via Swiss banks and planetary companies and publishing  
companies and also industrial companies. Banks: Swiss Banking Corporation,  
Swiss Credit Corps, and Swiss Union Bank (Bank Gesellschaft).  
Total of fortunes of this group estimated at 15 Millions Mr.

**9. Me Glau. Viale M.L. Kirche.**

**b. additional suggestions**

Since fascist laws had abolished bearer shares for Italian  
Companies, all share holders have been registered in the  
Company books in Italy (order papers). Hence the true owners  
of shares and bondholders as far as Italy is concerned may be  
easily ascertained. It has occurred if that he will give him all  
facilities and material of all Italian (principally corporations)  
to assist the whole material in Italy. Being an Italian himself,  
it must do it indirectly through f.

I still think that the visa questions must be given a very serious  
consideration in connection with the problem of  
final disbursement of Nazis and fascists.  
Unquestionably a lot of money has been transferred to  
Argentina, Spain, Sweden, Portugal, England and to the  
USA in particular. Also in these countries there exist  
trustees of these people. In order to solve their  
property problems in these countries they will apply  
for visas either for themselves or their legal trustees.

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I think to the usual questionnaire and immigration affidavit  
still a few other questions could be added such as questions  
of property ("do you have any kind of property in the  
USA? Under your name? Are you trustee of property for a  
third person? etc.)

A list of names must be prepared of possible "axis trustees".  
Suggestions will follow.

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TRANSLATION of a memorandum enclosed with Ostrow's memorandum of June 2, 1945. The author is Count Comito.

#### SWISS BLOCKING OF FASCIST ASSETS IN SWITZERLAND.

##### General

All assets in Switzerland of Italians domiciled in Italy were blocked in accordance with a law of October 1, 1943. Therefore, assets in existence since this date are known to Swiss banks. Italians or Fascists, who were domiciled in Switzerland before this date, and especially those who were, or still are, resident there, are not included in this freezing order. An exception, however, is constituted by refugees who have come into Switzerland from Italy. For such persons the same regulations apply as are applicable to other emigres, namely, that money, securities and deposits must be delivered to the Swiss People's Bank in Bern. The special section for the administration of money belonging to refugees, including Italians, was established by the Swiss People's Bank at its head office in Bern.

It must also be observed that the Swiss People's Bank, since the time of its financial difficulties, has been under the direction of the Swiss National Bank. It should also be noted that there was lax administration of the regulations requiring the reporting and blocking of assets in the case of well-known refugees, including Fascists. Moreover, it should be noted that the blocking was effective only when the value of assets was known.

The following are not included in the freezing:

- (a) Assets of Italians who are regularly domiciled in Switzerland;
- (b) Assets and holdings which were concealed under rubric accounts (number accounts). These cannot be discovered since they are known only to banks, trust companies, and certain lawyers, all private persons;
- (c) Another part of the Fascist assets have been transferred to Switzerland, or to foreign countries via Switzerland, i.e., the Argentine, the U.S.A., or other neutral countries. These are held in the name of Swiss citizens or Swiss commercial or industrial companies.

These assets were not caught by the freezing order since they are held in the name of well-known persons or corporations. As trustees for these assets, there are banks, persons well known in industry, commerce and politics, trust companies, lawyers, manufacturers, church institutions and officials, specifically of the Catholic denomination.

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Certain examples are given here of the inter-relationship of these institutions to show the community of interest of banks and trust companies. Thus the Fides Company belongs to the Swiss Credit Institute and carries out all trustee and auditing functions for it. The Swiss Trust Company belongs to the Swiss Banking Company. The Swiss Auditing Company belongs to the Union Bank of Switzerland. These are only a few examples of the close relationship between the banks and trust companies in Switzerland.

Most of the Fascists and Italians who have established foreign exchange reserves in Switzerland have arranged them through Swiss friends who publicly appear as the owners of these assets. Discovery of moneys thus held in trust is very difficult for two reasons: (1) the Swiss trustee is very glad to administer these funds; and (2) they do not wish to disclose themselves to the public as straw men. In many instances the trustees officially declare these assets as their own property for tax purposes. Consequently, these operations are facilitated by the last tax forgiveness.

From a formal point of view an individual may only claim validly as his own property the amount on which he officially pays taxes. A tax declaration, however, does not ordinarily correspond to the true situation either because the property is not declared by the Fascists themselves, or property is declared which really does not belong to the declarer. It is therefore necessary to supplement the official tax declarations with an inquiry into the earnings of this property—at least for the last five years. Only in this way can the actual owners be discovered.

It may also be noted that Fascists did not deposit their assets with the banks in accordance with the order of 1 October, 1943, relating to the blocking of assets of Italian citizens since they were automatically included in this blocking. The blocking order had an unforeseen effect since it was made either too early or too late to be effective.

From this brief sketch of the general situation the following results of the blocking of Italian assets appear: The order of October 1, 1943, has remained inoperative. The movement of Italian funds can be determined from the following sources:

- (1) Disclosure of the entire movements in the Italian clearing. In this way all transfers in favor of Swiss residents can be determined as well as the names of Italians who had assets flowing directly or indirectly from Italy;
- (2) September 1, 1939, should be taken as the date for the investigation of this movement;
- (3) All bank accounts must be investigated as of date of September 1, 1939, and also rubric accounts, accounts in the name of bank employees, etc. In other words these moneys can only be discovered if bank secrecy can be lifted.

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- (4) In declaring assets there must also be given the income from these assets as of September 1, 1939.

Who should make declaration of these assets:

The Swiss Clearing Office was empowered to administer the declarations. It should be noted that this institution was too closely addicted to clearing operations and policies to have been the office designated for this control. There are also personal considerations which give no basis for confidence in this office.

Affidavits should be required in the sense of Anglo-Saxon law. These affidavits must be sworn to at the public office by the affiant himself, who will thus give precise data. The affidavits should then be further examined along with other necessary documents by a control office, which could be a mixed Commission, i.e., composed of Swiss and allied agents. Since, however, this would not be regarded as acceptable from the Swiss point of view, a Control Office should be established in an allied country. This office could independently examine these sworn declarations and documents. Whoever wishes to have his money would undoubtedly apply to this organization. An owner in good faith will so declare himself without further ado.

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## FOREIGN FUNDS CONTROL

To:

- (1) Mr. Hoffman ..... (Room)  
(2) ..... (Room)  
(3) ..... (Room)

Attached are the originals and translations of the material on the seizure of American property in France which you brought back from France. The translation of the memorandum was made by an official translator but the letter is a product of the ingenuity of my secretary and myself. Hence, it is not vouched for as completely accurate.

*E.A.*

From: E. Arnold

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Authority WFO 978023By me NARA Date 10/10/01

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~~For Your Information~~  
 Treasury Department  
 Division of Monetary Research

*France - Personelites*

Date December 16, 1943 19

To: Mr. White  
 From: Mr. Taylor  
 Subject: Jean Bozel, Director of Blocus, nee Jean Richemond.

1. Jean Richemond's pre-1940 corporate affiliations:  
 Societe de Credit Foncier (administrator)  
 Bozel-Maletra (President)  
 Societe des Plantations de Kratie (Director)  
 Sucreries Coloniales (Director)  
 Caisse Foncier de Credit (Director)
2. Pre-1940 200-family associates in above companies:  
 Charles Schneider (Schneider-Creusot)  
 Pierre Richemond (brother?)  
 T. Baudoin (Director of Banque de l'Indochine  
 and Minister to Petain, June 1940)  
 Lambert-Ribot (Comite des Forges)  
 T. Laurent (Marine Homecourt)
3. It is reported that Bozel has cooperated with the Treasury representatives in a satisfactory manner.

Comment: The Richemond and Schneider families have family members in France who continue to act as financiers and promoters; both also have family members in French North Africa either in the Government or the Armed Forces. One member of the Schneider family currently in North Africa is attempting to get a rating of Captain in the French Air Force. In conversations with American officers, he has spoken at length about his plans to re-institute Air France as a monopoly for air travel between France and the Western Hemisphere.

MR. WHITE  
 Branch 2058 - Room 214+

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The following information has been obtained from a confidential source in Paris 10, France:

Hedda Haller!

In addition to what is already known about Haller from other sources, the informant told us that Haller, Mrs. and the Anglo-Burgundian representative to the Italian Government in 1933, and that he was first married to the daughter of the famous Austrian financier, Bloch. His second wife was the daughter of a French doctor, named Jolivet. The three older children, of whom Hedda is one, came from the first marriage. They all fought in the Austrian Army in the First World War. For this reason, Haller, Dr., had great affection when Austria went to war against France, and was consequently annoyed with the Austrian Nazis in Paris. The older brother of Haller died under tragic circumstances in the last war.

Arthur Rambaud!

Arthur Rambaud is living unselected in France, because his freedom from the Germans was purchased for him by payment of 20 to 30 million francs on his behalf by Jacques de Rohan-Chabot, vice chairman of SNC.

Paul Le Pichon!

Paul Le Pichon is a man's name of Mr. Fabre, and feels that criticism leveled against her was greatly exaggerated, since all she wants to bring about is a unity of all Frenchmen. He knows that she aligned herself with General De Gaulle, but believes that she was prompted by political considerations rather than financial circumstances, although he cannot speak with authority on her financial affairs. Mrs. Fabre is a widow of Salesman, who was general manager, and later President of Purkin, manufacturer to the United States, and later on, President of the Council of Administrators in Paris. Mrs. Fabre's chief collaborators in the United States are de Kerillis and Maltype Larrue, one of a number of the leaders.

General Lamartine!

He is a French right-wing deputy, who left Vichy recently, and came to the United States, after a stay in India. He saw President Roosevelt and General Tolson. He states that the people of France are more repulsive than ever before, and that they fear that France will not choose to return towards a Republic form of government, which seem to be untenable. If the French people will have anything to say about the form of government, it will be Republicans and monarchists.

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**Mr Paul French, Agent:**

Our informants believe that no Allies and the revolutionaries should be similarly grateful to them. For they were entitled their auxiliaries, and they can do no greater service to France, or to the cause which they represent, than by meeting with the other forces, measure the results, and by bringing their moral support to the war France, about to be made. Then asked whether he knew who the Dreyfusards should attend. He said no. In case they should join in a body with the Girondists. He believes that the influence of no cause under such circumstances would remain at least as great as it is now.

**Mr Paul French:**

In 1904, the great French Foreign Minister Delcassé arranged a loan of ten million francs to the Sultan of Morocco, in return for concessions on a tract of land in Morocco. The shares of this loan were to be distributed to the various financially powerful nations, but the largest sum to remain in France. The loan was to be granted by the five largest French banks in equal portions. However, credit agreements of others from other arrangements had further undertaken to extend four million francs instead of the two million francs originally allotted to it. In return, it was given a leading role at the conference in Algiers where the charter of the bank was arranged with the sufficient powers. Subsequently, French interests in the bank was extended through the purchases of the interests of the other countries, including the German, which (under the London Bank) was taken over by the Treaty of Versailles. The British, Russians, and Spanish interests were still retained by those countries at the outbreak of the present war.

He confirmed the fact that the most important strategic institution in Morocco is the Legion d'Honor. By the rule of all forms of credit, this bank is in a position to rule anyone in Morocco if it does not like. He stated further that it is of the utmost importance that this bank should be placed in the hands of people sympathetic to the Allied cause.

With reference to the two officers of Foreign the are at present with the Legion d'Honor, Japan is a particularly malicious type of idiot. There may be nothing better from our point of view, is that he is so stupid that he is sure to bring whatever task is entrusted to him by the Allies. Undoubtedly, on the other hand, is intelligent and

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was until recently a personal confidential secretary of Laurent-Athalin, who is Paribas' arch-collaborationist chairman. It is absolutely necessary to deprive these two men of any power.

He called our attention to the fact that a former general manager of Banque d'Etat, a man by the name of Deschery, was dismissed by Athalin because he refused to go along with the collaborationists. Deschery might be a good man to consider for office in the Banque d'Etat until final disposition can be taken.

He is of the opinion that Banque d'Etat should not be separated from Banque de Paris, because it would give the Germans a good point for propaganda. However, any contact between Paribas and Banque d'Etat should be kept at a minimum, and the people employed by Banque d'Etat should be made to understand that they will never be responsible again to the same people or to the kind of people who now run Paribas.

Our informant stated that Paribas has two officers who can be trusted, namely, Vibratte and Lequin.

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Box 5France - Chase  
Bank

## CHASE NATIONAL BANK OF THE CITY OF NEW YORK

Interim Report on  
the Paris Branch

The Paris Branch of the Chase Bank of the City of New York was operated throughout the German occupation of Paris. The New York office continued its contacts with the Paris Branch until November, 1942, when all of France was occupied, through the Chase office which was established in Chateauneuf, located in unoccupied France.

Some of the significant facts developed in our investigation of the activities of the Paris Branch and its relation to the home office during the period of German occupation are as follows:

A. Chase Elects to Operate Paris Branch During German Occupation.

1. When Paris was occupied, the Paris office

commenced to liquidate. However, this did not last long, and the decision was soon made to [redacted] continue to operate the Bank.

2. Niedermann, a Swiss citizen, who was not subject to the same restrictions of conscience and patriotic obligations as the French or American employees of Chase, assumed control of the Paris office. In June, 1941, the home office confirmed Niedermann's authority.

3. Prior to Niedermann's taking over, [redacted] vice-president of Chase, was made fully aware of Niedermann's readiness to adjust himself to the situation brought about by the German victory in France and his willingness to collaborate with the Germans in their plans for a "New Europe".

B. Chase, Paris, Over Zealous in Enforcing German Decrees Against Jews.

1. In June, 1941, Niedermann and his legal adviser showed undue zealousness in enforcing German restrictions against Jewish property, even going so far as to refuse to release funds belonging to Jews in anticipation of the fact that

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the Germans might in the near future issue a decree with retroactive provisions prohibiting such release.

2. In December, 1941, [redacted] informed from Chateauneuf that Niedermann was very anti-English-Saxon and anti-Jewish. It was suggested to [redacted] that some restrictions be imposed upon the powers of Niedermann. [redacted] not only placed no restrictions on Niedermann which were "supportive" of the Allied cause but as late as February, 1942, [redacted] advised Chateauneuf that any steps taken at this time to curb Niedermann, while possibly amply justified by the facts, might nevertheless, react against Chase's best interests as Chase is dealing, "not with a theory, but with a situation."

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3. The manager in charge of the Chateauneuf office repeatedly warned the home office that Niedermann was increasing his collaboration with the German Administrator. No steps were taken by the New York office with respect to Niedermann.

#### C. Chase, New York, Was Reassured of its Prestige with Germans.

Shortly after the appointment of a German Administrator in May, 1942, Niedermann reported to [redacted] in Chateauneuf that the German Administrator regarded the Bank in "very great esteem" and that the Chase Bank enjoys "special prestige" owing to the international activities of the Head office and the pleasant relations which the Paris Branch has been maintaining with many of their (German) local organizations and high officers. The German Administrator, Niedermann reported, reinstated the powers of the Chase officials which had been suspended as a result of the Administrator's appointment.

#### D. Chase, Paris, Business Prospers Under German Occupation.

The Paris Branch remained open; it enjoyed the "good-will" of the Germans and vice versa. During the occupation that office increased its deposits to a considerable extent. In the summer of 1942, the German Administrator urged Chase to accept large German deposits in order that the Paris Branch might be self-sufficient and pay its expenses of operation. Old customers of Chase of Paris were solicited to increase their deposits. Some

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15,500,000 French francs were deposited before the end of 1942 by a German official organization which, among other things, administered confiscated assets. The progressive increase in deposits may be seen from the following table:

<u>Date</u>	<u>Deposits (in French francs)</u>	
	<u>Total in France</u>	<u>Paris Office</u>
April 30, 1942	27,500,000	14,000,000
Dec. 31, 1942	30,000,000	26,000,000
Dec. 31, 1943	62,500,000	49,500,000
August, 1944	68,500,000	56,500,000

E. United States Entry into the War did not Diminish Chase, Paris, Cooperation with the Germans.

1. About a month after Pearl Harbor the Chase attorney in Paris advised that it was a matter of "the most elementary prudence" to block American accounts, even though no such instructions had been issued by the occupying authorities.

2. In May, 1942, the Paris Branch advised the Deutsch-Suedamerikanische Bank, Berlin, that certain instructions of the latter had been carried out and that the Paris Branch "are at your disposal to continue to undertake the execution of banking affairs in France for your friends as well as for yourselves...."

F. Chase, Paris, Acts as "Drop" for German Bank.

In 1942, while part of France was still "unoccupied", Chase in Paris via Chateauneuf was acting as an intermediary between the German Overseas Bank in Berlin and its branches in Brazil and Chile in transmitting to Berlin instructions, transfers, orders, statements, and the like. This was done at a time when Brazil was at war with Germany and their censorship as well as ours prohibited such communications, not only because they were destined for Berlin, but the branches themselves were on the "black lists".

G. Chase, Chateauneuf, Facilitates Transfers of German Owned Property to Germany.

In numerous instances, securities and funds were transferred from the Chateauneuf office to Germany and to German-

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occupied territory outside of France. These transfers, which are known to have occurred at least during the spring and summer of 1942, required the approval of the Vichy authorities. Chase, Chateauneuf, took active steps to obtain the necessary authorizations.

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Country and Area Refs.  
Box 50Recd  
X  
France - Banker,  
Morgan et Cie

Paris, May 1, 1945

No. 199

Dear Mr. White:

You will find enclosed a report written by Matthew Marks as the result of his study of the material which was pulled from the files of Morgan et Cie.

There are some points that could be clarified further by discussions with the partners. However, it did not appear to us that it was essential to the report to raise these issues at the present time, particularly as it would have indicated our feeling that Person-Didion went further than was necessary in his dealings with the Germans.

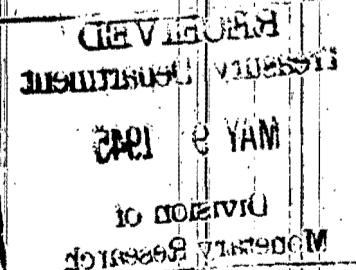
No further action will be taken by us until we receive instructions from the Department.

Sincerely,

Theodore H. Ball,  
U.S. Treasury Representative.

Mr. Harry D. White,  
Assistant Secretary of the Treasury,  
Washington, D. C.

Enclosure.



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Country and Area Dept.  
Box 50

Ball, J.W.

28 April 1945

not seen

Memorandum for Mr. Ball:

Subject: Investigation of Morgan et Cie

Summary of Findings.

On 17 June 1940 the French capitulated unconditionally. When faced with the choice of closing its doors or operating subject to German control, Morgan et Cie voluntarily elected the latter alternative. Thus Morgan et Cie remained in business during the entire occupation both in the occupied and unoccupied zones. 1/ From this original decision to remain in business in a German controlled economy stems the principal source of whatever undesirable activities Morgan et Cie may have engaged in during the occupation. 2/

Even after the United States entered the war, the partners appeared never to have considered the possibility of closing down. Their principal preoccupation immediately after the occupation was whether the head office of Morgan et Cie should be in Paris in occupied territory, or in Chatel-Guyon in unoccupied territory. Typical of the mentality of the partners at this time is a letter dated 22 July 1940 from Harry Watkins in Paris to Alan Arragon in Chatel-Guyon, where Watkins writes:

"There is great criticism of the National City Bank and an article has even appeared in the papers in connection with it. I cannot imagine why they will not face realities. You already know the situation as regards Lloyds, which is, as far as the banking community is concerned, the same as that of the National City Bank, but for different reasons." 3/

1/ See Exhibit M360

2/ Morgan et Cie's French counsel, L. Dernis, advised the firm on 19 June 1941 that banks in France had a "duty" of conforming absolutely both with the French laws and the German ordinances. (See Exhibit M307)

3/ See Exhibit M-320.

Enc to 199. from Ball

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When queried by James Saxon, US Treasury Representative, as to why Morgan et Cie had no agents or branches open during the occupation, one of the Morgan officials answered that since they desired to continue to maintain close contact with their clients and preserve the company's scope of influence, it was necessary to assume personal responsibility for action on behalf of the firm.

In most cases the firm's cooperation with the German authorities was neither more nor less than was required under the circumstances.<sup>4/</sup> The partners desisted from "dragging their feet" until the end of the war when business contacts with the US could again be resumed. The active staff of personnel was reduced from 350 in July 1939 to 120 in July 1944.<sup>5/</sup> As a general policy small unprofitable accounts were discouraged and whenever possible outstanding obligations were called in.

The balance in the current account of Hans Joachim Caesar,<sup>6/</sup> the German official in charge of the Bank of France, was \$104 in December, 1939, to 2,295 in December, 1942.<sup>7/</sup> By December, 1944,<sup>8/</sup> interest was being paid on only four accounts other than the personal accounts of Morgan employees. Notwithstanding this, the amount of French deposits increased very substantially during the war years.<sup>9/</sup> This increase, however, was entirely to French Treasury deposits for the servicing of Morgan et Cie or the French Government 7% and 7-1/2% bonds.<sup>10/</sup> During the same period, outstanding loans and advances were reduced from more than 58 million francs to a mere 200 thousand francs.<sup>11/</sup>

The primary loyalty of the Morgan Partnership was not to the US or France, but to the firm. Regardless of national considerations, they invariably acted in what they deemed to be the best interests of Morgan et Cie. In 1940, when the Germans were approaching Paris, the Morgan officials failed to destroy their stocks of banknotes on hand despite the requests of the Governor of the Bank of France that they do so.<sup>12/</sup> This failure to obey instructions placed Morgan et Cie in the enviable position of being able to supply its French clients with large amounts of cash immediately after the occupation at a time when the majority of other Paris banks which had complied with the Bank of France's orders, including Chase, were apparently unable to do so.<sup>13/</sup> A paper which charged Morgan with being a Jewish bank.<sup>14/</sup>

4/ See Exhibit M

5/ See Exhibit K

6/ See Exhibit K

7/ 5 percent interest was paid on the following commercial accounts:<sup>15/</sup> of interrogation of Hans Joachim Caesar.

1. Cims Maflit, Machines agricoles. McCormick & Deering.

2. Frigidaire, Ltd.

3. Mercury Insurance Company.

4. Rodier, S. A. (See Exhibit M-462)

During this period French Treasury deposits increased from approximately 148,000,000 francs to more than 468,000,000 francs. See Exhibit L which gives a condensed balance statement for the years 1939 through 1943.

8/

9/

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On the other hand the Morgan officials did not hesitate also to resist German demands if this seemed to serve their best interests. Thus when certain German demands were phrased in such fashion that Morgan et Cie would have had to assume personal responsibility for action endangering the solvency of their customers' accounts which was being taken only upon the direct demand of the occupation authorities, the Morgan officials objected so violently that the German officials were compelled to revise their demands.

However, Pesson-Didion, the one French partner of Morgan et Cie, clearly crossed the line in his efforts to ingratiate himself with the German authorities. In a conference held on or about 21 April 1941 with Berenberg-Gosler, the German Kommissar assigned to the Bank of France, Pesson-Didion is reported to have assured this German official that "Morgan & Co., is a Bank which never had a Jewish employee and the partners are bitterly opposed to the Jewish clique surrounding Roosevelt." <sup>10/</sup> This statement was found in a conference memorandum discovered in files which were abandoned by the German financial authorities at the time they fled Paris.

A similar statement was again made on 1 January 1943, this time in the form of a memorandum from Morgan et Cie to Hans Joachim Caesar, the German official charged with the supervision of enemy banks in Paris. The following is a quotation from this memorandum:

"Following in that the tradition of his father, Mr. Morgan has never accepted Jews as partners or associates.

"In its business dealings the House of Morgan has often found itself in opposition to the large Jewish banking firms in the United States such as Kuhn Loeb & Co." <sup>11/</sup>

This memorandum was apparently Morgan et Cie's answer to an attack against the firm appearing in a German propaganda newspaper which charged Morgan with being a Jewish bank. <sup>12/</sup>

<sup>10/</sup> See Exhibit C

<sup>11/</sup> See Exhibit A

<sup>12/</sup> See page 14 of interrogation of Hans Joachim Caesar, dated 5 January 1945.

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The anti-Jewish "tradition" of the Morgans was apparently well-known to the Germans, for it was adverted to in a memorandum dated 23 October 1942 from a German named Otto Julius Merkel to Caesar. Merkel's letter to which the aforementioned memorandum was attached closes with the salutation:

"With friendly greetings and Heil Hitler!" 13/

On or about 8 May 1941 Pesson-Didion invited the above-mentioned Berenberg-Gosler to dinner. At this time Pesson-Didion "again spoke indignantly about the clique in America which continually attempts to draw the United States into an unjustifiable as well as ridiculous war." Pesson-Didion is reported by Berenberg-Gosler to have said further that the development in the United States "over the past 30 years represents a policy of racial favoritism in so far as the established Anglo-Saxon, Swedish and German element had to relinquish its power to the Polish, Czech and Jewish elements which immigrated since 1900. For the New York and Boston circles this development is terrible." According to Berenberg-Gosler's memorandum, Pesson-Didion "hopes that one of these days the increased immigration of Jews will unleash such anti-Semitism that a sudden turn about will follow." The memorandum states further that "Pesson-Didion compared Roosevelt with Leon Blum, and his actions with the blessing of the Front Populaire for which France paid dearly." Berenberg-Gosler continues:

"With respect to England, Pesson-Didion hopes that the conservative party under Sir Samuel Hoare and Lord Londonderry will get the upper hand over the Churchill clique one of these days, and that thus the worst may still be avoided for England. The main culprit in this war is Roosevelt who by vague promises instigated by the criminal clique surrounding him had driven England, as well as France, into the war against their will." 14/

13/ See Exhibit B

14/ See Exhibit D

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In December, 1942, Pesson-Didion sent French picture books to Caesar's children along with Christmas greetings to Caesar. A letter acknowledging both the greetings and the gifts was found in Caesar's files. 15/

Pesson-Didion apparently succeeded in convincing the Germans that he was with them, for he was permitted by the occupying authorities to make two trips to Spain. It is obvious that the occupying authorities granted such permits to Frenchmen only under exceptional circumstances where they felt that German interests would be advanced by the trip. Caesar himself readily admitted this in the course of his interrogation after he had been made a prisoner of war by the Allied Armies. 16/

In the remainder of this memorandum I shall attempt to give a coherent story of what took place at Morgan et Cie during the occupation.

xxxxxx

Morgan et Cie is a French partnership founded in 1868. It is capitalized at 10,000,000 francs distributed as of April 1941 among the following partners in the approximate percentages indicated below. 17/

J. P. Morgan & Co.	• • • • •	36%
J. R. Carter	• • • • •	15%
N. D. Jay	• • • • •	17.15%
B. S. Carter	• • • • •	16%
M. Besson-Didion	• • • • •	3%
A. V. Arragon	• • • • •	12%
H. A. Watkins <u>18/</u>	• • • • •	0.85%
		100.00%

15/ See Exhibit E

16/ See pages 1-2 of interrogation of Hans Joachim Caesar, dated 4 January 1945.

17/ See Exhibits M32 and M308. The capitalization was increased from 1,000,000 to 10,000,000 francs some time about June 1941. See Exhibits M30, M33 and M209.

18/ Watkins resigned his partnership interest in July 1941. See Exhibits M209, M379 and K.

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6.

Except for M. Pesson-Didion who is a French citizen, all of the individual partners are American. John Ridgley Carter, a former American diplomat who had the personal rank of Minister, has been associated with Morgan et Cie since 21 September 1914 and has resided in France from that date until the occupation. 19/ His son, Bernard Shirley Carter, has been with the firm since 1922 and became a partner in 1924. 20/ Nelson Dean Jay became a partner on 1 January 1920 and has resided continually in France from that date up until the time of the occupation. 21/ Alan V. Arragon has been associated with Morgan et Cie since 1920 and became a partner on 1 January 1933. He is married to a French citizen and has resided in France from the last war until 7 November 1942. 22/

Werner Herold, a Swiss citizen and son of a former partner, has been associated with Morgan et Cie since 1 July 1908 and as Director since 1 January 1908. 23/ Herold was Director of the Paris office of Morgan et Cie during the occupation, acting in that capacity under the general supervision of Pesson-Didion. Other directors of the firm are Horton P. Kennedy, an American married to a French woman and resident of France since 1917, 24/ and Julian Allen, an American citizen brought up in France who has resided there most of his life. 25/ Kennedy has been a Morgan et Cie Director since 1933, and Allen since 1934.

As manager of the Paris office of Morgan et Cie, Herold apparently gained the complete confidence of Caesar, the German supervisor of enemy banks. Thus when Herold desired to return to Switzerland for a short time in 1943 in order to visit his ailing Mother and to report to the Swiss home office of the French branch of Sulzer Brothers, Winterthur, of which Herold was a Director, Caesar wrote a letter to the German Army Command recommending that Herold be granted an exit permit. 26/

19/ See Exhibits M211 and K.

20/ See Exhibit M213

21/ See Exhibit M212

22/ See Exhibit M214

23/ See Exhibit M215

24/ See Exhibit M216

25/ See Exhibit M217

26/ See Exhibit F. In his letter of recommendation Caesar mentions that Sulzer Brothers is a machine plant "almost entirely occupied with production for Germany." The firm is not mentioned in Revision VIII of the Proclaimed List and the supplements thereto. The earlier revisions of the Proclaimed List have not been checked, as there is no copy in the office of the Treasury Representative in France.

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7.

In his letter of recommendation to the German Army Command, Caesar makes the following statement:

"During my one year's work with Morgan et Cie I have become very closely acquainted with Mr. Herold. Mr. Herold is a very reliable person and has cooperated with the German agencies in exemplary fashion."

In the course of his interrogation on 4 January 1945 by Ensign Edwin F. Rains, USNR, and Mr. Jerome Sachs, US Treasury Representative, Caesar stated that from his standpoint a recommendation such as he gave Herold was a voucher of the person's personal "loyalty". 27/ That Caesar was not referring to loyalty to the United Nations cause goes without saying. Herold expressed his thanks and appreciation to Caesar in a letter written just prior to his departure for Switzerland. 28/

Horton Kennedy remained in occupied territory through 1940 and the first few months of 1941, 29/ returning to the United States in May or June of 1941. 30/ He received his full franc salary as director of Morgan et Cie for the year 1941 and in addition received a "living salary" from J. P. Morgan and Co. for the last six months of 1941, the latter arrangement being on a trial basis. 31/ Kennedy was apparently still with J. P. Morgan & Co. as of May 1942. 32/

In addition to his association with Morgan et Cie, Kennedy was a director of Fadil, a French subsidiary of American Brake Shoe and Foundry Co. which specialized in the manufacture of brake linings. The President of the latter concern, W. B. Given, was also President and General Manager of Fadil, 33/ Fadil itself apparently being considered American. 34/ After the Armistice Kennedy gathered together a number of the former Fadil employees and had them put the factory back "in first class condition." By August 1940, due apparently in large part to Kennedy's initiative, the Fadil plant was ready once again to carry out orders for brake linings.

27/ See Page 2 of the interrogation referred to.

28/ See Exhibit 0

29/ See Exhibit M271

30/ See Exhibit M309

31/ See Exhibits M305 and M309. Kennedy also seems to have had other business interests in France. See Exhibit M270.

32/ See Exhibit 297

33/ See Exhibit 269

34/ See Exhibit 271

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8.

The following is a quotation from a letter dated 28 February 1941 from Kennedy to W. B. Given:

"Our instructions were that we could only manufacture 20% of the volume we had in 1938, and our large stock of asbestos was the envy of all manufacturers using this material. M. Poulain /Acting General Manager of Fadil/ had been active in trying to get our quota increased and has succeeded in having it raised to 30% which of course is not very large. Fortunately, we had a stock of about 35 tons of finished brake linings on hand. We are continually under the suspense of receiving the order to give up a part of our precious asbestos, and it is for this reason we are trying to find a means of turning our stocks into finished products as rapidly as possible, thus at least gaining the manufacturing profit. What we sell for export is over the allotted quota. That is why we cabled to have your authority to sell the Germans. As yet we have made no contract, but we hope soon to get orders from Robert Bosch. We have also been approached by Mr. Endover, who was Blood's agent in Belgium and Holland. We told him we would supply him as long as he could not import from the United States. We thought we were justified in doing this in order that you should not lose your present market in those countries. No actual orders have yet been received, but now the ground is prepared, I am sure it will not be long before we can ship." <sup>35/</sup>

That Mr. Given did authorize Fadil to sell to the Germans seems clear. <sup>36/</sup>

In order to conclude the Fadil picture as it appears from the Morgan et Cie records, it may be mentioned that as of September 1941 American Brakehoe and Foundry Co. was negotiating for the sale of its stock interest in Fadil to Ducellier, a concern which apparently was Fadil's most important customer. <sup>37/</sup>

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35/ See Exhibit M269

36/ See Exhibit M269

37/ See Exhibit M354

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9.

About this same time Kennedy sent a similar type of letter to Charles Marcus, Vice President of the Bendix Aviation Corporation. Referring to Amblard, who presumably is a Director of Ducellier, Kennedy writes:

"In addition a new contract with Robert Bosch, about which he has written you, will be a big advantage to him." <sup>38/</sup>

Referring to Air Equipment, which is presumably a subsidiary of Bendix, Kennedy states:

"As for Air Equipment, their business was completely stopped and there was no hope of new orders. Thanks to Ned O'Hannorant's relations with your licensees in Germany, he has been able to get orders for Waseige. So he is in production again and I think will be able to make both ends meet until such time as the horizon clears and one can better judge what the future has in store for the company."

In one of his concluding paragraphs Kennedy writes: Department of the Treasury

"Most of the Americans who are still in France, and there are very few, are staying because we feel of Foreign that there is still lots to be done and that France control will come back again and come back strong. We "G" street N.W. naturally watch the trend of events and we are unanimous in hoping that the United States will not be drawn into the conflict. I see nothing for them to gain. That they help England is only natural, but I believe they can help much more by staying out. What worries me is what the world is going to be after this thing is all over." <sup>39/</sup>

As early as January of 1940 it had been definitely decided that J. P. Morgan & Co., the holder of the largest interest in Morgan et Cie, would incorporate. <sup>39/</sup> The impelling reason for this decision was the ever present danger that the firm's capital as a partnership might be impaired by the death of one or more partners. <sup>40/</sup>

38/ See Exhibit R  
39/ See Exhibit M65  
40/ Ibid.

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ext. 184-5044

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10.

In March 1940 J. P. Morgan & Co. Incorporated, was created and the assets of J. P. Morgan & Co. were transferred to the new corporation. 41/ Originally it had been planned for J. P. Morgan & Co. Incorporated, to open a branch office in Paris and in effect on 30 March 1940 the Superintendent of Banks of the State of New York authorized J. P. Morgan & Co. Incorporated to do so.

A few of the individual partners of Morgan et Cie felt this decision regrettable; they would have much preferred either a continuation of the old French partnership, or if this were impossible, a separately incorporated French bank. The first alternative was ruled out when Morgan counsel advised that under American law a corporation may not purchase an interest in a partnership. The second was likewise eliminated by the reluctance of the American partners, in view of world conditions, to purchase thirty million or more francs to invest in a French corporation, particularly so in view of the probable return on such an investment after taking into account the "cataract" of French and American taxes.

It proved impossible to complete the arrangements for the creation of a Paris branch of J. P. Morgan & Co. Incorporated, prior to the German occupation. After June 1940 the Board of Directors of J. P. Morgan & Co. Incorporated, were unwilling to place the bank's capital funds at risk in connection with the opening and operation of a branch in France. This placed the Morgan partners in a difficult position. It was feared that the failure to acquire promptly the business of Morgan et Cie, which had in effect been thrown into liquidation by the liquidation of J. P. Morgan & Co., might well mean the permanent loss of the Morgan French business. The problem then was for J. P. Morgan & Co. Incorporated, to take over the business of Morgan et Cie without, however, risking the corporation's capital funds. The Morgan solution to this problem was the organization in September 1941 of an investment company with a three year charter life and a capital of \$150,000. 42/ Morgan et Cie Incorporated, the name of the new corporation, promptly took steps to establish branches in France and take over the business of Morgan et Cie, all of which required the consent of the German authorities, directly or indirectly. 43/

41/ See Exhibits M13 and M20

42/ See Exhibit M20

43/ See Exhibits M2, M1, M10, M27, M42 and M27.

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11.

The Board of Directors of Morgan et Cie, Incorporated, is composed of the Directors of J. P. Morgan & Co. Incorporated, and the individual partners of Morgan et Cie. The capital stock of the new concern was apparently subscribed by the partners of J. P. Morgan & Co. in liquidation, who thereupon apparently donated such stock to the surplus of J. P. Morgan & Co. Incorporated.

*Arragon*

The two partners of Morgan et Cie who were in France at this time, mainly [REDACTED] and Pesson-Didion, were hardly enthusiastic about this new arrangement. The most serious drawback in their opinion was the difficulty of obtaining the consent of the clients of Morgan et Cie to the transfer of their accounts to Morgan et Cie, Incorporated. On 14 October 1941 [REDACTED] wrote to [REDACTED] in New York about what was particularly troubling him:

*Dear Jay*

*Arragon*  
"I cannot help but wonder whether we can really be successful in obtaining the transfer of accounts to an incorporated company having a capital of only \$150,000, a charter life of only three years, the renewal of which depends upon the approval of the far distant New York Banking Authorities, and with financial responsibility entirely foreshown by the parent organization." 44/

Despite objections such as these, the Morgan partners in the United States insisted that the plan be carried out. In a cable dated 18 October 1941 Messrs. [REDACTED]

"In reading over the exchange of cables with reference to Morgan et Cie. Incorporated, we wonder whether you appreciate the urgency of expediting this matter (Stop) ..."

"We cannot impress upon you too strongly the untenable position in which we the partners of J. P. Morgan & Co. in liquidation find ourselves. (Stop) We are reluctant to face the clear possibility that the firm of J. P. Morgan & Co. might be forced because of events over which we have no control (comma) to withdraw completely from the affairs of Morgan et Cie (Stop) The necessity is not here yet, but it may well arrive if there be undue delay in carrying through the plans for Morgan et Cie, Incorporated." 45/

44/ See Exhibits M20 and M323. See also M52 for similar opinion of M. Dernis, French legal advisor to Morgan et Cie.  
45/ See Exhibit M12. For the reply, see Exhibit M11. For other relevant documents, see Exhibits M10 and M7.

Lamont, Leffingwell and  
Whitney three of the principal Morgan  
partners stated:

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12.

As of May 1942 Morgan et Cie, Incorporated, had not yet taken over the business of Morgan et Cie, 46/ and as of September 1942, the proposed transfer appeared to have progressed little further. 47/ Meanwhile, under French law, J. P. Morgan & Co., despite its liquidation, still remains responsible for the debts of Morgan et Cie. 48/

xxxxxxxxxx

Shortly before the Germans occupied Paris, the principal Morgan officials abandoned the doomed city. Early in July 1940 Arragon was in Chatel-Guyon, which subsequently was to become the firm's principal office. 49/ Dean Jay was in Paris by this time, as were Watkins, Herold and Kennedy. Bernard Carter and Julian Allen were still in Niort, where they had apparently proceeded at the time of the exodus from Paris. 50/ Pesson-Didion was still in the Army. 51/

The Morgan et Cie general accounts had been transferred to Chatel-Guyon. The securities and the security accounts had been moved to Niort on September 1, 1939, even before the outbreak of war.

*Arragon wrote Jay*  
On 5 July 1940 [REDACTED] in Niort as follows:

"The day before yesterday, Wednesday, I spent at the American Embassy ... I lunched with the [REDACTED]. The opinion of all was that the move back to Paris should be made as soon as possible, at least the first echelon, to enable the Paris offices of the banks to work actively.

"I am glad to say that this opinion seemed to make great headway here in Chatel-Guyon yesterday. I lunched at the Société Générale where there were present Baron Brincard, Celler, Mr. Siegfried, Chairman of the Credit Commercial, as well as Ardant, Chadenet and Laurent. All expressed the desire to reestablish their services in Paris at the earliest possible date on a broad scale and to collaborate with the German Authorities in getting things going again ..." 52/

46/ See Exhibit M297

47/ See Exhibit M323

48/ See Exhibit M58

49/ See Exhibit M318

50/ See Exhibit M329

51/ See Exhibit M314. For an interesting account of what took place immediately before and after the Armistice, see Exhibit K.

52/ See Exhibit P.

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By AT NARA Date 1103-98

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Acc. 56-67A1804

OAS A

Country and Area Rept.

Box 5

13.

Aragon

On 12 July 1940 Jay wrote [redacted] from Paris advising him that the plan seemed to be for the banks to open up in Paris without restriction in a week. [redacted] then continues:

"...Any bank that is not then in a position to operate along with the Credit Etablissements will be embarrassed if the plan goes through. Our minds are running strongly along the lines of reestablishing our pre-June 10th status, picking up the loose ends which have been forcibly scattered during the last weeks and balancing our books in order to know exactly how we stand, at the earliest possible moment. ...  
Jay

"... I am impressed by the importance of making no hasty moves or decisions at this moment, and the urgent necessity of opening in Paris for regular business when the Credit Etablissements do so. I therefore believe there should be found some means of transporting our essential material and personnel to Paris immediately, particularly as we understand the Moratorium is to be lifted Monday for bank deposits..."<sup>53</sup>

The next [redacted]

"As I wrote you yesterday, the Bank Moratorium is to be lifted on Monday. I am sorry we have not our banking services here, for I feel certain this must be our principal place of business."<sup>54</sup>

On 17 July [redacted]  
Mort as follows:

"In the light of the position as it appears here, we feel that your statement of the policy to be pursued at the present time is wise, namely to restrict Mort [occupied zone] to security safe-keeping and accounting, to leave Chatel-Guyon as our Head Office for the time being, and to make it possible for Paris to operate as a big branch, with the intention that it shall take over the accounts now kept at Chatel-Guyon as circumstances dictate.

53/ See Exhibit M316. The bank moratorium was lifted on July 15 and the Bourse reopened on July 30. Already on July 10 Morgan's account at the Bank of France had been placed at the disposal of Morgan et Cie without restriction. See Exhibit K.

54/ See Exhibit M315.

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14.

"In the meantime, I am very glad that you have explained as clearly to Paris the necessity of their not considering that they are operating accounts which are not specifically transferred to them. It seems to all of us here that inasmuch as we now have the accounts in non-occupied territory, we cannot assume the responsibility of shipping them back to the occupied territory, except upon specific instructions from or with the approval of our clients taken individually..." 55/

*Anagard note*

On the same day [redacted] wrote a letter expressing a similar opinion to [redacted] PARIS. 56/

On 18 Jul [redacted]  
as follows:

"I hope you are giving thought to our view here that we revert to the pre-June 10th status in Paris. We have not been able to see it any other way, and I cannot see why the French banks and industrialists are so obstinate as to insist or believe that the business of this country can go on any place but here. If you could transport Paris physically to Vichy or some place else, I should agree." 57/

On 19 Jul [redacted]

"We are advised that the Government is preparing to come back to Paris within a short time. We also hear that most of the important business concerns are coming back to Paris. This seems logical for the life of the country cannot be resumed until people go back to their normal places of business. Paris, therefore, must again become the business and financial centre. I cannot take at all seriously the idea of our Paris Office becoming a Branch and Chatel-Guyon our Head Office. The whole of France is under the control of the Germans and I do not believe there is going to be any great difference in regime between the occupied and unoccupied territories." 58/

- 55/ See Exhibit M328  
56/ See Exhibit M314  
57/ See Exhibit M321  
58/ See Exhibit M313

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Box S

15.

Watkins in Paris

On 22 July [redacted] took up the same theme in  
another letter to [redacted] Arnaud.

"We do not dispute the wisdom of moving the Dollar accounts to Chatel-Guyon; certainly they can be no worse off there than they could be here, except that we in Paris have a complete record of them as of June 12. In the end, I think it will make no difference whatsoever. Incidentally, we hear that the Germans are getting impatient at the attitude of the banks.

"... However, our deposits /private and commercial accounts/ are repayable in Paris alone. We published no advice of the removal of the accounts, we made no commitment to repay deposits in any other place, and unless there is some grave objection we cannot see why our business, with certain exceptions should not be conducted from Place Vendome. ....

"We realize we have a responsibility to our clients, but we also have a great responsibility to ourselves to put our house in order, to prevent duplicate withdrawals from the same account in two places and so on. We are, for instance paying cheques here drawn by American banks, while you have the advices at Chatel-Guyon. We do not know what cheques are stopped, as we previously informed you. In fact, we are operating in a manner which cannot continue, and an immediate decision must be made to straighten things out. We all feel here that Paris is essentially where our business should be, and will be conducted, in a branch if you wish to call it so, and we are faced by a position in which we must operate the accounts here unless otherwise requested, while you have chosen to operate the same accounts at Chatel-Guyon. We are not prepared to say which of us is correct, but in our situation, we are faced by a must; otherwise we would close our doors here until such time as you can open these so-called new accounts in occupied territory. We feel our views are strengthened by the fact that it is impractical to carry on the banking for three-quarters of the business and commerce of France from unoccupied territory and we cannot see any other solution. Certainly the evolution is continuing in that direction..." 59/

59/ See Exhibit M320

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Acc. S6-67A1804

OASIA

Country and Area Reps.

B&X S

16.

*Anragon*

*Julian Allen*

*Circular Letter*  
[REDACTED] replied on 24 July. After mentioning that he, Pesson-Didion [REDACTED], had carefully considered the questions raised by Watkins, he emphasized the overwhelming importance which they in Chatel-Guyon attached to the following points:

- 1) All the foreign currency accounts were in Chatel-Guyon and did not exist in Paris;
- 2) All the foreign security accounts were in Chatel-Guyon, and did not exist either in Paris or in Niort; and
- 3) All the foreign franc accounts were in Chatel-Guyon and did not exist in Paris.

*Anragon*  
This left remaining the franc accounts for French customers amounting to approximately three hundred million francs. Even these, wrote [REDACTED] should be available to the customers in Paris only if they wanted them there, and should be returned to Paris only on express instructions of the customers. [REDACTED] reminded [REDACTED] that the transfer of the accounts from Paris was not a matter of "choice", but rather the result of instructions received from the Bank of France. In conclusion [REDACTED] wrote:

"We all of us, naturally, would be too glad if, in fairness to our clients we could revert to what you term the pre-June 10th status, and we are only too aware of the dreadful inconvenience of trying to operate two offices with the lack of liaison that has developed. We very genuinely, however, cannot agree with you that we should simply rush all our accounts back to Paris, irrespective of the nature of the accounts and the wishes of the clients. 60/

*Anragon*  
[REDACTED] arrived in Paris on 26 July presumably from Chatel-Guyon. The next day he wrote [REDACTED] as follows:

"We have had almost constant discussions since I arrived at noon yesterday, about our bookkeeping and account set-up. It's certainly a very puzzling question. I haven't "gone Parisian" -- please believe it -- but in view of the very strong views of [REDACTED] that business is sure to come back here and that very shortly, [REDACTED] and I haven't been able to tell [sic] them the idea of two

*Anragon*  
anywhere to [REDACTED]  
----- Julian -----  
60/ See Exhibit M302

218300

KG56

Acc. 56-67A1804

OASIA

Country and Area Rept.

Box 5

17.

*Dear*

separate categories of accounts -- Paris and Chatel-Guyon. [redacted] thinks it's too soon to make such a distinction officially when everything may be changed in two or three weeks. What it has boiled down to is that we should try to 'kiss along' the present indeterminate situation until we see things clearer, with an attempt to keep our books mutually in closer contact by interchange of entries daily by mail."...61/

On 21 August [redacted] arrived in the United States and reported to the partners there that the domestic franc accounts were still in Chatel-Guyon. A cable to [redacted] from New York dated 22 August 1940 referred to this and then continued:

"We feel sure you appreciate how essential it is if Paris is to continue to function that you should find some means to send at least list of balances until complete accounts can be dispatched do you not agree?" *Anragon*

*Carter*62/ *Anragon*

The following day [redacted] replied that he was proceeding to Paris in twenty-four hours with the franc accounts for the occupied zone.  
63/ Thus, as of August 22, the accounts were segregated between Chatel-Guyon and Paris. 64/ Henceforth, Paris and Chatel-Guyon became separated offices, each having its own clients, banking correspondents, loan accounts with the Bank of France and each having part of the French Republic Loans, which it serviced in its zone.

*Anragon* On 9 October 1940, Pesson-Didion sent a memorandum to [redacted] in Chatel-Guyon advising him that Pesson-Didion, Werner Herold, [redacted] and Pierre Meyrial (one of the Morgan et Cie directors in Paris) all felt that all domestic checking accounts in French francs should be brought back to Paris as soon as possible, irrespective of whether the client was in the free or occupied zone. 65/

61/ See Exhibit M327

62/ See Exhibit M360

63/ See Exhibit M357

64/ Until then Paris and Chatel-Guyon were operating separately  
the same accounts. See Exhibit K.

65/ See Exhibit M162

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Country and Area Repts.

Box 5

18

Wetfrans

Anragon

On 26 November 1940 [REDACTED] who by this time was back in Paris again, wrote a memorandum to [REDACTED] Chatel-Guyon recommending that private clients living in France and abroad who held balances of under 50,000 francs be advised that a commission would be charged for keeping their account in Chatel-Guyon, but that there would be no charge for keeping the account in Paris. [REDACTED] felt that this would be a first step in bringing such accounts back to Paris. 66/

On 11 December 1940 [REDACTED] stating that while he agreed that it might be advisable to place a service commission on smaller accounts, it would not be wise in so far as commissions were concerned to discriminate between Paris and Chatel-Guyon accounts.

"As regards the return of accounts from Chatel-Guyon to Paris, we feel that it would produce a better effect on our clients to inform them that we would prefer to keep their accounts in Paris, unless they have some major reason for having them kept in Chatel-Guyon. We do not feel that we should attempt to drive accounts back to Paris under penalty." 67/ *Bernard Carter*

A discussion concerning the future policy to be followed by Morgan et Cie was held in New York City between [REDACTED] 8/ [REDACTED] others late in September or early October. A memorandum dated 3 October 1940 initiated by [REDACTED] sets forth the conclusions which were arrived at. The principal one was:

"We should 'drag our feet' and keep our heads down as far as possible." 68/

66/ See Exhibit M161

67/ See Exhibits M167 and M134

68/ [REDACTED]

69/ See Exhibit M60

218302

Aragon replied to Matthews' memorandum

Julian Allen, George Whitney and others

68] Bernard Carter subsequently attempted to return to Paris as "Delegate of the American Red Cross." It is obvious however, from a cable dated 16 November 1940 from Carter to Aragon (see Exhibit M 344) that one of the important reasons why Carter desired to return to Paris was to relieve "of this many responsibilities and enable him to come home for well deserved rest and change. The German authorities advised the Red Cross that they were unwilling to permit Carter to return to occupied France as a Delegate.

218303

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OASIA  
Country and Area Repts.  
Box 5

19.

Amagan was

[redacted] as advised that as for new accounts, especially those resulting from the partial liquidation of American branches in Paris, "we should examine each on its merits, and not necessarily turn them down." Small private accounts were not to be accepted, as they are unprofitable. "Really good" commercial accounts could be accepted, but care was to be taken that such an acceptance should not be considered an engagement to grant credit facilities. The memorandum concluded:

"In general, we should continue to 'pull in our horns' as far as loans, guarantees, etc., are concerned. We must realize that our large credits to French subsidiaries of American companies, guaranteed by the latter, are not as liquid as we had supposed, in view of US Treasury's announced policy not to assure permission for guarantors to remit. Treasury has also stated that it would almost surely forbid any remittances if Bank of France should demand free dollars."

With regard to the Treasury Department's refusal to permit remittances to France in free dollars, an interesting item was found in the Morgan et Cie records. On 18 October 1940

*Henry Alexander*  
Yesterday I made my third trip to Washington with [redacted] principally to call on the 'Foreign Funds Control' people at the Treasury. We made some progress but they are an awfully hard-boiled and pretty unreasonable bunch and seemed to take pleasure in arbitrarily turning down applications for remittances for no particular reason. 70/

The advice that he drag his feet, which was communicated to [redacted] in a letter dated 4 October 1940, was shortly thereafter made much stronger. On 25 October 1940

70/ See Exhibit H325

Amagan by Bernard Carter in  
Is Bernard Carter called Amagan as follows

218304

Carter in New York wrote a telegram to Chabel-Bryan  
as follows:

Bernard

Chabel-Bryan

218305

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Acc. S6-67A1804

OASIA

*Contin.*

Box 5

20

\*Partners here now take somewhat more drastic view and feel that because of our rather anomalous structure which must stand on its own, any possibility of remittance from here being barred by regulations, we should exercise especial caution in taking on new business (Stop). This should apply not only to new credit facilities but should be extended to new deposit accounts on which they suggest it might be wise not to pay interest (Stop). This would indicate that while we planned to care for our clients as far as present regulations permitted we definitely were not receptive towards new accounts (Stop). We should of course avoid giving impression that we are closing up and must consequently ...continue to do business as normally as possible (Stop). However until question of our internal organization is clarified our general policy should be one of contraction on both sides of the ledger.

This statement of policy was in effect the natural culmination of the desire of the Morgan partners to preserve for after the war the profitable part of Morgan et Cie's business without however putting at risk any Morgan capital in the United States.

That Morgan et Cie did attempt to retrench is clear from a cable dated 5 February 1941 to [REDACTED] New York giving the amounts owed by the bank's three principal debtors and requesting Morgan in New York to obtain satisfaction from the American principals of the debtors, as the French subsidiaries were in no position to make payment. 72/ By this time, the pulling in the horns process of Morgan et Cie had been virtually completed, according to a statement, made by [REDACTED] member of the Chase Bank in Paris in a letter to the Chase National Bank in New York. On 17 February 1941 Reese wrote as follows to [REDACTED] President of Chase in New York:

\*Mr. Herold, General Manager, has indicated that the bank is neither contemplating closing up nor reducing its activities any further. Small deposit accounts and small safekeeping accounts have been cut out but they are carrying on with all the important clients.

71/ See Exhibit M348  
72/ See Exhibit M454. The debtors were General Motors, France,  
Frigidaire and Ingersoll Rand.

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Box 5

21.

"No reduction of staff is being contemplated and all classical banking operations (discounts, day to day loans, collections, securities) are being carried on as in the past." 73/ *Hark Kennedy discuss*

As the Paris office resumed activity, it apparently became more and more important that Paris have a larger capital at its disposal. On 19 February 1941 [redacted] discussed with officials of the Bank of France the transfer to Paris of fifty million francs from Morgan et Cie's account with the Bank of France, and was advised that the transfer could be effected without difficulty. 74/ *Arragon* *Jay by*

On 3 May 1941 [redacted] Chatel-Guyon advised [redacted] cable in New York that he was preparing for New York a duplicate list of all clients' accounts containing foreign assets, whether cash or securities. After stating that he would keep [redacted] advised from time to time of modifications in these accounts, [redacted] concluded:

"We understand no operations will be effected on these accounts unless in accord with regulations governing us here." 75/ *Jay advised*

The list arrived in New York the same month. 76/ *Arragon*

A year after the fall of France, the Morgan partners in New York seemed well satisfied with the way their affairs in France were being run. On 6 June 1941 [redacted] in New York wrote Arragon as follows:

*Dear Jay*

"I think you and the rest of the staff should know that we are constantly receiving compliments on this side over the way Morgan et Cie has looked after the interests of their clients, commercial and private, during the past year. These reports came to us from most unexpected places, and encourage us to wish to carry on the business as long as conditions will permit us to do so. The office at Chatel-Guyon has proven to be of great practical utility; without it we could not have carried on any business with the outside world. I hope the staff there realize how much we appreciate their untiring and devoted efforts." 77/ *Jay*

73/

See Exhibit F-1

74/

See Exhibit M131

75/

See Exhibit M439

76/

See Exhibit M466

77/

See Exhibit M309

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By AT NARA Date 11/03/11

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ACC. 56-67A1804

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Country and Area Repts.

Box 5

22.

*Amazon urging*

On 30 July 1941 New York cabled [REDACTED] urging "in view increasing obscurity of future" that he make still further efforts to shrink the size of Morgan et Cie's business. It was suggested in particular that [REDACTED] substantially reduce franc deposits, without however [REDACTED] such drastic steps "would injure permanently our relations with clients." [REDACTED] was also requested to keep constantly in mind the advisability of reducing personnel whenever possible. 78/

*Amazon*

On 1 August 1941 [REDACTED] cabled New York that although he agreed with the desirability "of dragging our feet" and also with the policy that at the moment earnings as such were a subordinate consideration, the bank nevertheless was under both a moral and a legal obligation to care for its staff. [REDACTED] pointed out that in view of the impossibility of obtaining assistance outside France, the only way Morgan et Cie could meet its obligations to the staff was out of operating revenues. Therefore, [REDACTED] concluded, he was not in favor of inviting further withdrawals of accounts, and particularly so in view of Morgan et Cie's extremely liquid position. 79/

*Amazon*

Apparently [REDACTED] feared in view of the uncertain future that Morgan et Cie might run short of francs, for on 12 December 1941 he cabled [REDACTED] in New York for authorisation to sell the latter's securities as a means of improving the firm's cash position. [REDACTED] cable, which apparently was never received, 80/ reads as follows:

*Carter*

\*9995 [REDACTED] I feel it my duty to bring to your attention that the business here requires more francs than are at present available (Stop). This due to immobilizations comma to necessity providing for isolation of unknown duration and if liquidation in interval becomes unavoidable to large indemnities payable to staff which with taxes constitutes prior lien on assets coming ahead of deposits (Stop). Your securities which are in this zone are so far free but may be blocked shortly (Stop). Therefore with great reluctance but for protection PD /Pesson-Didion/ and firm as whole am constrained request you authorize sale your securities. [REDACTED]

*Amazon*

- 78/ See Exhibit M29  
79/ See Exhibit M28  
80/ See Exhibit M40

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By AT NARA Date 11-03-71

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Acc. 56-67A1804

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Country and Area Repts.

Box 5

23.

The same or the following day Morgan et Cie succeeded in improving its position in franc currency through the sale of its holdings in Credit Mobilier Industriel (SOVAC) to a French group of automobile manufacturers at 575 francs a share. This sale netted Morganet Cie nineteen million four hundred ninety two thousand five hundred francs. 81/

A report dated 18 May 1942, which Morgan et Cie apparently filed with the German authorities, indicates the firm's net annual profit from 1936 through 1941. The figures are as follows: 82/

1936	- - - - -	Fr.	2,278,000
1937	- - - - -	Fr.	10,655,000
1938	- - - - -	Fr.	11,557,000
1939	- - - - -	Fr.	11,155,000
1940	- - - - -	Fr.	9,290,000
1941	- - - - -	Fr.	25,162,000

The profit for 1941 does not appear unduly high, if it is realized that the figure for that year includes a gross profit of more than fourteen million, one hundred seventeen thousand francs on the SOVAC sale, and if one takes into consideration also the inflation in the value of the franc which had set in by this time.

Anragon

Despite the extremely profitable SOVAC deal, [REDACTED] continued to urge upon the partners in New York the necessity that Morgan et Cie Chatel-Guyon have sufficient francs at its disposal. He cabled New York to this effect on 27 July 1942, 83/ and again on 13 August 1942, 84/ The latter cable reads as follows:

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81/ See Exhibits M78, M70 and M71

82/ See Exhibit G

83/ See Exhibit M39

84/ See Exhibit M37

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Box 5

25.

"There is a clear cleavage of judgment here between you and ourselves STOP The question of earnings may well seem important to you but we are convinced that it is essential to shrink the business and reduce the personnel to a small staff of key people who would transact a minimum of strictly routine business STOP If this policy requires the ultimate sending of funds to indemnify (comma) in part (comma) the staff (comma) we prefer to face this eventuality than to have you attempt to build up the earnings by continuing to do business with all the risks which this policy implies.

"The above program may seem to you ruthless and unsympathetic but from this distance it is the only one we can assent to STOP

"It is based on the assumption that:

"One -- It is impossible to effect a transfer of the business either in Paris or in Chatel-Guyon under present circumstances and conditions.

"Two -- It is impossible to envisage the sending of any additional capital from here under present circumstances.

*unanimous view of all*  
"We hope you will realize that our decision represents [redacted] the partners on this side after the most careful and sympathetic consideration of your point of view which we fully understand and appreciate.

86/

On the night of 10/11 November, three days after the Allied Invasion of North Africa, the German troops crossed the line of demarcation into southern France. The German regulations, in Southern France, however, apparently never applied to other than police and military matters. Thus the blocking of foreign securities and of enemy accounts did not take place in the south, and the powers of the German Commissioner for enemy banks apparently did not apply. 87/

-----  
86/ See Exhibit M35 and [redacted] reply dated 12 October 1942 (Exhibit M34). As can be seen, a number of the items dealing with the difference of opinion between Chatel-Guyon and New York with regard to the administration of the Morgan et Cie offices in France, are missing. If the Treasury Department is of the opinion that it is important to fill in the missing items, they can undoubtedly be obtained from the J. P. Morgan & Co. files in New York.

87/ See Exhibit K

218310

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By AI NARA Date 11/23/87

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Country and Area Repts.

Box S

26.

It will be recalled that in the Summary of Findings the statement was made that Morgan et Cie cooperated with the Germans neither more nor less than was required in view of the initial decision to continue in business in a German controlled economy. It is now proposed to examine in more detail the relations of the Morgan officials with the occupying authorities.

On 2 September, 1940, [REDACTED] called a meeting of the American banks in Paris in order to have an exchange of views with regard to the situation.

Paris branch of the National City Bank, described his visit to Dr. Schaefer, German Kommissar at the Bank of France. Dr. Schaefer apparently outlined to [REDACTED] the plans of Dr. Funck for a European bloc sufficient unto itself.

[REDACTED] Chase Bank, who was present at the meeting, remarked that in view of what Dr. Schaefer had said the prospects for American banks in France did not seem very bright. The others, however, were apparently not particularly concerned by Dr. Schaefer's comments and felt that it all depended on how the situation would develop.

Morgan et Cie had apparently by this time already received several visits from the German authorities who had requested a list of outstanding loans exceeding five million francs and also the balance sheets for 1938 and 1939. The Morgan officials apparently advised the other bankers present at the meeting that they were going to give the Germans the above information 88/ [REDACTED] Amagans.

In a memorandum dated 22 November, 1940, [REDACTED] Chatel-Guyon furnished the Paris office of Morgan et Cie with a list of all foreign currencies held for residents of the occupied zone. In addition he furnished a similar list of foreign currencies held by persons "whose residence we consider doubtful." 89/ The same information was furnished with regard to securities held in England and Holland, and probably with regard to securities held in the United States, Canada, Switzerland and other countries. 90/

88/ The above information was taken from a memorandum dated 3 September, 1940, from [REDACTED] the Chase Bank. See Exhibit H.

89/ See Exhibit M168  
90/ See Exhibit M169

from S. P. Bailey to W.H. Reese

Manage of

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Box 5

24.

Jay Carter

"8146.8138. [REDACTED] Upon further reflection I feel obliged express great disappointment STOP In view 40/6257 stating we must rely on ourselves exclusively, and in view our isolation and unlimited personal responsibility feel we are entitled receive at least our legitimate earnings per 8105 and 8108 and that this is a moderate expectation STOP As regards 5620 anything left over after taxes and handling charges will help STOP Under conditions now prevailing maintaining independence here from occupying controls through head office depends entirely on assuring profitable operation this office."

On 25 August, 1942, New York replied with a strongly worded cable commencing as follows:

"Your 8112 and 8146. These subjects have produced discussions which to us seem neither necessary nor wise."

The cable concludes with the following injunction:

"As has been said before (comma) you should seek shrinkage of business and contraction of expenses rather than expansion of capital." 85/

On 12 October, 1942, New York sent an even more strongly worded cable, reading as follows:

"We have read your letter with sympathetic interest and believe we understand the reasons which prompt you to wish to protect the independence of the Chatel-Guyon Office by building up its earnings and capital (comma) thus avoiding its becoming a charge upon the other office.

-----  
85/ See Exhibit M36

218312

27.

Why this information should be sent from Chatel-Guyon in the unoccupied zone to the Paris office under the control of the German authorities need not be left to conjecture. A memorandum dated 6 December, 1940, from Paris to Chatel-Guyon states that the Paris office of Morgan et Cie supplied the German Foreign Exchange Control Authorities with a list of the foreign currencies and foreign securities held on account with Morgan et Cie, as well as with a list of foreign securities and French securities payable in a foreign currency held by Morgan et Cie for its own account. 91/ In this same memorandum Paris advised Chatel-Guyon of other information from records in the unoccupied zone which Paris would have to file with the Germans in three weeks. This information was apparently sent to Paris a week later. 92/

A memorandum dated 31 December, 1940, indicates that the total value of the securities declared by Morgan et Cie to the German Foreign Exchange Control Authorities amounted to 1 billion, 39 million, 120 thousand francs, of which amount 40 percent was represented by American securities, 32 percent by Dutch securities and the remainder by English and Canadian securities. The total value of the foreign exchange declared was 6 million, 150 thousand dollars, of which 87 percent was in dollars. 93/

Early in August, 1941, the branches of the various American banks in Paris were notified by the Bank of France that henceforth their accounts in the Bank of France were absolutely frozen. Apparently this action was taken by the French upon orders of the occupation authorities in retaliation for the measures taken by the Treasury Department against German concerns in the United States.

91/ See Exhibit M292. The memorandum does not state whether the above information was given only with respect to the accounts whose owners resided in occupied France. That the declaration was not so limited seems to be indicated in a memorandum dated 16 January 1941. (See Exhibit M59). See also Exhibit M118.

92/ See Exhibit M166.  
93/ See Exhibit M291.

to add

balance for 1 Aug  
M24, M25, and M26

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Country and Area Repts.  
Box 5

28.

After conferences with Dr. Mangold, an official of the economic section of the German Military Government, in which the latter assured the representatives of the American banks that he was merely interested in preventing a flight of American capital from occupied territory, not in putting the American banks out of business, a compromise was worked out. The American banks were permitted to make free withdrawals from their accounts with the Bank of France and their correspondent banks, provided that the withdrawals did not exceed a certain stipulated amount. 94/ Withdrawals in excess of the stipulated amount were permitted only on special authorization from Dr. Mangold. Payments destined for the unoccupied zone were to be freely permitted only if they were for merchandise which had been shipped to the occupied zone. All other payments destined for the unoccupied zone required in general a special authorization, which, Dr. Mangold warned, would in most cases be refused, except for patent royalty payments. *Annonc* 6

In September, 1941, Pesson-Didion left Paris to spend a short time with                    Chatel-Guyon. From Chatel-Guyon he cabled New York:

"...Things are very quiet and relations with all authorities quite satisfactory." 95/

On 9 December, 1941, Pesson-Didion was advised by a German official that a decree was in preparation pursuant to which all dividends payable to enemies would be paid to the Reichskreditkasse instead of into a blocked account. The purpose of this measure was apparently to provide a fund for the payment of the salaries of German officials assigned to enemy concerns and also to meet the various expenses incident to the administration of the German economic controls. 96/

95/ The American banks contended that the maximum permissible withdrawal in any one month should be the average monthly withdrawal from August, 1940, to August, 1941. As of 22 August, 1941, Dr. Mangold had not yet decided whether to fix the maximum withdrawal figure according to this criterion, or whether to base it simply on maintaining the balance of the accounts of the American banks with the Bank of France and correspondent banks as of 1 August 1941. Dr. Mangold apparently assured the American bankers that if the latter criterion were employed, the figure used would be a global one including all the balances of each American bank in the occupied zone, not a dozen separate balances for each of the correspondents in which the American banks maintained accounts. In other words, the American banks would be freely permitted to transfer sums from one account to another in the occupied zone, so long as the over-all balance for 1 August were not decreased. (See Exhibits M97, M94, M95, and M96)

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29.

On or about 1 May, 1942, Morgan et Cie was officially notified that Hans Joachim Caesar, Assistant to the Director of the Reichsbank, and his assistant E. Oxe, also an official of the Reichsbank, had been appointed respectively Administrator and substitute Administrator of Morgan et Cie. <sup>97/</sup> As has been mentioned earlier in this report, Caesar was also Administrator of all enemy banks in Paris.

On 4 May, 1942, the Morgan officials held one of their first meetings with Caesar and Oxe. Caesar indicated that thereafter he would expect a weekly report on the bank's activities. In addition, all mail destined either for abroad, the unoccupied zone <sup>98/</sup> the French Government or the German Military Command in France was to be submitted for his signature. Caesar also requested that a recent financial statement, together with one for 1939, be submitted to him at the next meeting. The conference memorandum found in the Morgan et Cie files then continues:

"In order to obtain a general picture of Morgan, Dr. Caesar requested that a historical account of the bank be submitted to him which would bring out the role that Morgan plays and the interests which it can have in a French and international economy, for Caesar's very frank desire is to preserve or even expand what could be saved of the former activity and prepare for Morgan a place in the Europe of after the war. In fact, Dr. Caesar had succeeded in developing the activity of certain English banks and he had in mind the possibility of facilitating a similar development for Morgan et Cie. <sup>99/</sup>

- 95/ See Exhibit M3  
96/ See Exhibit M200  
97/ See Exhibits M51 and M256  
98/ On 22 March 1943 Morgan et Cie was advised by Caesar that his signature would no longer be required on letters addressed to the French Government and the unoccupied zone. (See Exhibits M490 and M491).  
99/ See Exhibit M257

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30.

Pesson-Didion outlined to Caesar the present situation of the bank with J. P. Morgan & Co. in liquidation, which was the explanation for Morgan et Cie's liquid condition and the policy of refusing new business. This also was the explanation for the stable condition of Morgan et Cie's deposits which had not increased since the war. Caesar was surprised at this and remarked that the deposits of the English banks had in general doubled during the same period.

A historical account of Morgan et Cie was apparently filed with Caesar within two weeks following the meeting reported above. It is mentioned in this memorandum that when the German armies approached Paris in September, 1914, the Morgan et Cie offices remained open as usual without any interruption. Similarly, according to the memorandum, the Paris office of Morgan et Cie remained open during the events of June, 1940. Among the various international loans in which the House of Morgan participated, the memorandum mentions the floating of German bonds on the New York market in 1924 and 1931 and also the negotiations in 1923 for the floating of an international loan to the Austrian Government. The memorandum concludes with the following statement:

"For more than two years, in view of the liquidation of its principal partner, J. P. Morgan & Co., Morgan et Cie has not accepted new business and has restricted itself to conserving its former clientele." 100/

A memorandum dated 15 May, 1942, states that in the course of opening safe deposit boxes belonging to American citizens, the representatives of the German Foreign Exchange Control requested that an employee of Morgan et Cie assist them. When this was refused, the German representatives threatened to have the bank closed. The Morgan officials advised the German representatives to contact Caesar, which they did immediately by telephone. When Caesar gave his approval to the request of the Foreign Exchange Control representatives, one of the Morgan employees was assigned to typing for the Germans lists of the items removed from the safe deposit box. 101/

100/ See Exhibit M255

101/ See Exhibit M254

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31.

About this time, the Morgan officials feared that their office in Niort in which a large number of securities were stored, would be requisitioned. Apparently at the request of the Morgan officials, Caesar on 18 May, 1942, wrote a memorandum to the German Field Command at Poitiers asking that he see to it that the Morgan office in Niort not be requisitioned either by German or French officials, as the securities could not for the time being be moved to Paris and it was impossible to find another secure place in Niort where they could be held. 102/

On 23 May, 1942, the Paris office advised Chatel-Guyon that Caesar wished to meet with a representative of that office in order to examine with him the part that Chatel-Guyon played in the picture of the general activity of Morgan et Cie. 103/ On 1 June, 1942 Chatel-Guyon replied with a very polite refusal, but nevertheless a refusal. 104/

A memorandum dated 27 May, 1942, found in a file marked "German Administrator - Morgan et Cie" states that the purpose of the Chatel-Guyon office was to continue to serve the bank's clientele in unoccupied territory and abroad, and also to service for the French Government 7% and 7-1/2% French Government bonds payable in dollars. The memorandum, in addition, gives the following global figures representing Chatel-Guyon's deposits as of 31 March, 1942:

In francs . . . . .	Fr. 307,000,000
In foreign currency . . .	Fr. 806,400,000
Total . . . . .	Fr. 913,400,000

The memorandum states that these foreign currency deposits are held with Morgan et Cie's correspondents abroad, particularly J. P. Morgan & Co., Incorporated, and that the majority of these assets are completely blocked. 105/

102/ See Exhibit 1

103/ See Exhibit M114

104/ See Exhibit M113. See also Exhibits M112 and M107.

105/ See Exhibit M251. Morgan et Cie, Chatel-Guyon, apparently continued to service the French Government 7% and 7-1/2% bonds throughout the occupation.