

Document corresponds with footnote number 66 of draft amended complaint of March 12, 1997

CONFIDENTIAL

GERMAN GOLD MOVEMENTS (ESTIMATE)

From April, 1938 to May, 1945 (In Millions of U. S. Dollars)

INCOME

OUTGO

Germany started the war with estimated gold reserves of about 120 (Published gold reserves were only 29.)

Sold to Swiss National Bank 276

Possibly sold to Swiss Commercial banks before 1942 20

Taken over from Austria (71) 46

Washed through Swiss National Bank depot account and eventually re-exported to Portugal and Spain (larger part by far to Portugal) 138

" " " Czechoslovakia 33

" " " Danzig 4

" " " Poland 12

Rumania 32.5

" " " Holland 164

Sweden 18.5

" " " Belgium 223

Found in Germany (including 64 earmarked for Italy and 32 earmarked for Hungary) 293

" " " Yugoslavia 25

" " " Luxembourg 5

Sold to or used in Balkan countries and Middle East-- mainly Turkey 10
788

" " " France* 53

" " " Italy (earm.) 64

" " " Hungary (earm.) 32

781

SWISS GOLD MOVEMENTS (SWISS OFFICIAL STATEMENT)

From January 1, 1939 to June 30, 1945 (In Millions of U. S. Dollars)

Purchased from Germany 282.9

Sold to Germany 4.9

" " Portugal 12.7

" " Portugal 116.6

" " Sweden 17.0

" " Spain 42.6

" " Turkey 3.5

Conclusions: (1) All gold that Germany sold after a certain date, probably from early 1943 on, was looted gold, since her own reserves, including hidden reserves with which she started the war, were exhausted by that time; (2) out of \$276,000,000-worth of gold that Switzerland purchased from Germany, the larger part was looted gold; in addition, Switzerland has taken \$138,000,000 looted gold in deposit, which later on was reexported to Spain and Portugal for German account; (3) part of the gold that the Swiss sold during the war to France, Spain, and Turkey, could have been looted German gold; (4) the gold that Switzerland bought from Sweden during the war could theoretically be German looted gold; (5) monetary experts all over the world (Switzerland has monetary experts at her disposal) knew, or ought to have known, roughly the figures and movements as contained in the above estimate--certainly they knew the gold holdings and gold reserves of the German Reichsbank. Switzerland therefore was lacking good faith. In addition, she was warned that all Germany's own pre-war gold stocks had been used up by mid-1943 at the latest and therefore all the gold then used up by mid-1943 at the latest and therefore all the gold then in the possession of Germany must be presumed to be looted gold.

ES:OFFletcher:jd 2/5/46

*Taken from private holdings--no Central Bank gold was taken.

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Document corresponds with footnote number 62
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OSS
Form 69 (Revised)

TOP SECRET

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE 12 JAN 46		<input checked="" type="checkbox"/> PRIORITY	
FROM BERN		ROUTINE	
TO OFFICE OF STRATEGIC SERVICES		DEFERRED	
DISTRIBUTION		IN 31124	
FOR ACTION		FOR INFORMATION	
2-2 (1-2)		DIRECTOR (3), OPERATIONS (4)	

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TOP SECRET

PARAPHRASE NOT REQUIRED. HANDLE AS TOP SECRET
CORRESPONDENCE PER PARAS 44G AND 53A, AR 380-5.

#BERN 0339. SAINT. FROM DB/1.

1. HAVE CONTACTED HIGH LEVEL SWISS WHO UNCOVERED TRAIL 280 TRUCK LOADS GERMAN GOLD BARS SENT FROM SUISSSE TO SPAIN AND PORTUGAL BETWEEN MAY '43 AND FEBRUARY '44. TOTAL VALUE ESTIMATED BETWEEN 1,000,000,000 and 2,000,000,000 SWISS FRANCS.

2. SOURCE WILLING GIVE FULL DETAILS: NAMES TRANSPORT COMPA... STOMS OFFICIALS, GERMAN OFFICIALS AND OFFICERS OCCUPIED FRANCE, FRONTIER OFFICIALS SPAIN PORTUGAL, SWISS NATIONALS WHO HANDLED SHIPMENTS IN SPAIN, CONSIGNEE BANKS IN MADRID AND LISBON.

3. GOLD WAS SHIPPED FOR ACCOUNT OF REICHSBANK. WAS TAKEN FROM VAULTS OF SWISS NATIONAL BANK BERN AND CHECKED BY BANK OFFICIALS. DRIVERS STATE ANOTHER LIKE AMOUNT GOLD BEARING GERMAN MARKS STILL REMAINS VAULTS. SWISS NATIONAL EMBLEM APPEARED ON EVERY TRUCK.

4. DRIVERS WILLING MAKE STATEMENTS, EVEN TESTIFY. HOWEVER EXPECT LOSE JOB OR WORSE, ARE ASKING 10,000 SWISS FRANCS EACH AND PROMISE NEW JOB. SWISS AT FRONTIER AND IN SPAIN MUST ALSO BE PAID GENEROUSLY. SOURCE AND ORIGINAL CUT-OUT INTIMATED THEY TOO WANTED REWARD. VIEW THESE LARGE OBLIGATIONS I WILL NOT ACCEPT COMPLETE STORY UNTIL YOU AUTHORIZE ME BEGIN NEGOTIATIONS. IF INTERESTED SUGGEST YOU ALLOT OVER-ALL AMOUNT FOR THIS OPERATION TO BE CALLED HEREAFTER OPERATION LAURA.

5. WORKING CLOSELY WITH US TREASURY REPRESENTATIVE HERE. HE DEEPLY INTERESTED DUE GREAT PRESSURE NOW BEING PUT ON SWISS RE GERMAN ASSETS. OPERATION THEREFORE VERY IMPORTANT AND TIMELY. HE SUGGESTS YOU CONTACT ORVIS SCHMIDT AND JOE FRIEDMAN OF TREASURY DEPARTMENT, WASHINGTON. BOTH DISCREET AND KNOW BACKGROUND STORY.

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WAR DEPARTMENT OFFICIAL DISPATCH STRATEGIC SERVICES UNIT
WAR DEPARTMENT - STRATEGIC SERVICES UNIT

PAGE 2

FROM BERN

BERN 0319

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6. IF GIVEN GREEN LIGHT WILL ASK AMZON ARREST AND INTERRO-
GATE GERMANS INVOLVED THEN ACTION AT IBERIAN END. TO GERMANS COULD
BE ATTRIBUTED REQELATIONS(SIC) CONCERNING SWISS THUS PROTECTING OUR
LOCAL FRIENDS.

*PORTION MISSING: V&R REQUESTED

TOH: 1715 12 JAN 46

COPY

ACTION COPY

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WAR DEPARTMENT OFFICIAL DISPATCH STRATEGIC SERVICES UNIT

DATE 12 JAN 46

FROM

BERN

PRIORITY

ROUTINE

TO

WAR DEPARTMENT - STRATEGIC SERVICES UNIT

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CORRESPONDENCE PER PARAS 44G AND 53A, AR 380-5.

#BERN 0339. SAINT. FROM DB/1.

1. HAVE CONTACTED HIGH LEVEL SWISS WHO UNCOVERED TRAIL 280 TRUCK LOADS GERMAN GOLD BARS SENT FROM SUISSSE TO SPAIN AND PORTUGAL BETWEEN MAY '43 AND FEBRUARY '44. TOTAL VALUE ESTIMATED BETWEEN 1,000,000,000 and 2,000,000,000 SWISS FRANCS.

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OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE <u>26 January 1946</u>		PRIORITY	
FROM <u>Bern</u>		ROUTINE	
TO <u>OFFICE OF STRATEGIC SERVICES</u>		DEFERRED	
DISTRIBUTION		<u>IN 31867</u>	
(FOR ACTION)		(FOR INFORMATION)	
<u>1-2 (1-2)</u>		<u>MEMOR (3), OPERATIONS (4)</u>	

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Paraphrase not required. Handle as TOP SECRET
correspondence per paras 448 and 534, AR 150-5.

SECRET 0909. SAHM. From BIL.

Re memo:

(1) Intermediary submitted complete story; 4 truck drivers are source his information. BIL will interrogate this week and write full details. Will prepare affidavits and forward.

(2) Only Swiss bank official implicated so far is Elmer, head cashier Swiss National Bank, whose signature appears on all recent bank notes.

WGR: 2033 26 January 1946

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SB 20995

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 By AT NARA Date 10-30-98

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OSS Form 2202

FROM: Bum
 2-11

SECRET # 1717

ROUTING AND RECORD SHEET

Accession No. IN 32643
 Date Rec'd SA FEB 12 1946

To	Room No.	Date		Officer's Initials	Comments
		Rec'd	Fwd'd.		
1. R		FEB 12 1946		freid	
2. G W-3				S#H S.T.	
3. G-1 W-1		2-13-46 3/15	3/14	W CT/HMD	
4. W			2/13	CT.	
5. I-1		MAR 14 1946		[Signature]	
6. C-1		MAR 15 1946		[Signature]	
7. C-2			3-19	Rom	
8. G		MAR 18 1946 APR 10 1947		[Signature]	
9.					
10. R					

Each comment should be numbered to correspond with number in To column.
 A line should be drawn across sheet under each comment.
 Officer Designations should be used in To column.
 Each Officer should initial (check mark insufficient) before further routing.
 Action desired or action taken should be indicated in Comments column.
 Routing sheet should always be returned to Registry.
 For Officer Designations see separate sheet.

(20640)

SECRET

SB 20996

223888

RG 226
 OSS Washington
 Box 94 WASH-X-2-RBC-2

8-43 © 22998

WAR DEPARTMENT OFFICIAL DISPATCH STRATEGIC SERVICES UNIT

DATE <u>11 FEBRUARY 1946</u>			
FROM	BERN	946 FEB 12 12 36	PRIORITY
TO	WAR DEPARTMENT - STRATEGIC SERVICES UNIT		ROUTINE
			DEFERRED
		DISTRIBUTION	IN 32643
(FOR ACTION)	(X-2)	(FOR INFORMATION)	DIRECTOR, OPERATIONS

RECEIVED IN CODE OR CIPHER SECRET

PARAPHRASE NOT REQUIRED. HANDLE AS SECRET COR-RESPONDENCE PER PARAS 448 53A AR-380-5.

#BERN 1717. SAINT. ACTION: WASHINGTON FOR JJ-1.
 FROM DB-1.
 REFERENCE: LAURA.

1. COLLECTOR FRENCH CUSTOMS AT BELLEGARDE HAS SUPPLIED FROM OFFICIAL RECORDS LIST OF GOLD SHIPMENTS FROM DB LAND TO BC LAND AND BD LAND BETWEEN JANUARY 1942 AND FEBRUARY 1944. IN THIS PERIOD 139 SHIPMENTS RECORDED AT BELLEGARDE. TOTAL WEIGHT 170 TONS. APPROXIMATE VALUE 6 3/4 BILLION FRENCH FRANCS.
2. FROM JULY 1942 TO JULY 1943 SHIPPER GIVEN AS SOCIETE DES BANQUES SUISSES BERN. AT OTHER TIMES SHIPPER ALWAYS BANQUE NATIONALE SUISSE BERN.
3. ABOUT ONE THIRD WENT MADRID, TWO THIRDS TO LISBON. CONSIGNEE IN MADRID GIVEN AS BANQUE NATIONALE D ESPAGNE OR ESPAGNOLE AND INSTITUTO ESPAGNOL DE MONEDA EXTRANJERA. CONSIGNEES IN LISBON GIVEN AS BANQUE PORTUGAISE OR DU PORTUGAL AND BANQUE NATIONALE PORTUGAISE OR DU PORTUGAL.
4. SAVE POUCHED LIST.

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TOR: 1915 11 FEB 46

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 Authority DDI 3766
 By AT NARA Date 11-3-86

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OS5 Form 2202

SECRET 2217

FROM: Bene
J.22

ROUTING AND RECORD SHEET

Accession No. In. 337.73
25 1946
 Date Rec'd SA

To	Room No.	Date		Officer's Initials	Comments
		Rec'd	Fwd'd.		
<u>R</u>		<u>FEB 25 1946</u>		<u>MR</u>	<u>Action: Madrid - Kellom</u>
<u>G-1</u>		<u>FEB 25 1946</u> <u>2/25</u>		<u>her</u>	<u>Ref 636-TS 2152 - G-1</u> <u>654-TS 2094 - G</u>
<u>G</u>				<u>SHH</u>	<u>MEXICO - State - Tises. - SHH</u>
<u>To - 3</u>				<u>S.T.</u>	<u>Cabled BD/1 - explanatory pouch en route from Wash. 26 Feb. 46</u>
<u>W</u>		<u>MAR 13 1946</u>		<u>CO</u>	
<u>I-1</u>		<u>MAR 14 1946</u>		<u>[Signature]</u>	
<u>C-1</u>		<u>MAR 15 1946</u>		<u>[Signature]</u>	
<u>C-2</u>			<u>3-19</u>	<u>Ram</u>	<u>carded. Lft 3-21-46</u>
<u>W-3</u>		<u>3/22</u>		<u>S.T.</u>	<u>Carding - SP.</u>
<u>[Signature]</u>		<u>MAR 26 1946</u> <u>APR 10 1947</u>		<u>[Signature]</u>	

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 Officer Designations should be used in To column.
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 By AT NARA Date 10-30-96

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DATE 22 FEB 46		23 13 30	
FROM	BERNE	PRIORITY	
TO	WAR DEPARTMENT - STRATEGIC SERVICES UNIT	ROUTINE	
		DEFERRED	
		IN 33223	
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PARAPHRASE NOT REQUIRED. HANDLE AS SECRET CORRESPONDENCE PER PA RAS 44G 53A AR-380-5.

#BERN 2217. SAINT. ACTION MADRID, LISBON, INFO WASHINGTON. FROM DB 1. REFERENCE LAURA.

1. SEE OUR BX-638 AND 654.
2. INTERROGATION HANS EUGSTER, FORMER TRUCKDRIVER FOR AUTO TRANSIT AG, CALLE BUENO SAIRES 9, BILBAO, CONFIRMS MUEHLEMANN STORY. PERSONALLY HANDLED ABOUT 20 SHIPMENTS GOLD FROM FRENCH FRONTIER TO MADRID AND PORTUGUESE FRONTIER. GIVES FOLLOWING CONTACTS:
3. AT CANFRANC, REINHARDT, NOT GEBHARDT, AUTOTRANSIT REPRESENTATIVE, MARIANO PROPRIETOR HOTEL MARCO, FELIX AZO, SPANISH CUSTOMS AGENT, LAGASTA, RIVAL CUSTOMS AGENT. MANY IN VILLAGE ALSO SAW GOLD.
4. FRITZ KUENZI, SWISS, PRESENT ADDRESS AVENIDA DEL CAUDILLO 140, PALLEJA, 20 KMS FROM BARCELONA ON MADRID ROAD, HANDLED SWISS TRANS-PORTS AT PORTUGUESE FRONTIER. KUENZI IS INTELLIGENT AND UNSCRUPULOUS. HAS SMUGGLED ARMS MONEY. CAN BE BOUGHT IF CAREFULLY APPROACHED.
5. AT PORTUGUESE FRONTIER PUEBLER, SPANISH CUSTOMS AGENT FROM BADAJOS AND CONSTANTINO, PORTUGUESE AGENT AT ELVAS KNOW ABOUT GOLD SHIPMENTS.
6. EUGSTER SAYS GOLD WAS DELIVERED TO BANCO DE ESPANA MADRID, OR SHIPPED TO BANCO DE LISBOA, LISBON. LISBON ADDRESS CONTRADICTS TRUSTWORTHY INFORMATION FROM FRENCH CUSTOMS AT BELLEGARDE.
7. PLEASE INVESTIGATE. WHEN INTERROGATING ATTRIBUTE YOUR INFORMATION IF POSSIBLE, TO GERMAN SOURCES. WE MUST PROTECT OUR SWISS FRIENDS.

IT IS FORBIDDEN TO COPY OR REPRODUCE THIS MESSAGE WITHOUT AUTHORIZATION FROM THE SECRETARY OF DEFENSE
 TOR: 1716 22 FEB 46

SB 20999

223891

**Jewish Gold and other Precious Metals, Precious Stones, and Objects made of such
Materials - Situation in the Czech Lands in the Years 1939 to 1945**

**Unlawful Infringement of Property Rights and its Scope; Subsequent Fate of the Jewish
Assets affected by this Infringement**

**Report by a Team of Experts Created by the Joint Task Force based on Decision No. 773
of the Czech Government of November 25, 1998.**

Prague, September 1999

223892

I. Introduction

Gold, silver, platinum, precious stones, pearls, and other valuables enumerated in the *Order of the Reich Protector regarding Jewish Property of June 21, 1939* represented assets liable to unrestricted expropriation from Jewish individuals and legal entities. Such expropriation based on racial criteria was carried out on the territory of the Protectorate of Bohemia and Moravia in the years 1939-1945. The persecution process of restricting ownership rights of Jewish individuals and entities, as well as the subsequent expropriation of valuables owned by Jews was executed on the basis of complex and often overlapping laws and regulations which, in addition, allowed ambiguous interpretation. The various institutions involved in the expropriation process - its administration, supervision, and practical execution - often employed the same individuals. These institutions were complex and subject to constant change (both on the level of the German Reich and the Protectorate). Each of them was equipped with special powers. However, the extent and content of such powers varied in individual time periods of the existence of the Protectorate Bohemia and Moravia, and the respective institutions sometimes engaged in competence disputes.

It is important to state that confiscations, forced sales and subsequent transfers of gold, silver, platinum, and other valuables were carried out separately from the confiscations of the gold belonging to the pre-war Czechoslovak state and/or to the Czechoslovak National Bank (i.e. the central bank of issue of the Czechoslovak Republic).

Given the total volume of the so called Aryanized property, the value of precious metals, precious stones, and valuables made of such materials certainly represented only a small fraction. Nevertheless, they were important for the German war economy: they served as an irreplaceable means of payment in foreign trade with the neutral states and permitted Germany to purchase various strategically important raw materials. The above named materials were also used in industry, medical applications, etc., and served as bank reserves.

The process of curtailing Jewish property rights and other proprietary rights and the subsequent illegal confiscations of the aforementioned assets occurred in several stages. These stages can be delimited as follows:

Stage 1: March 15, 1939 - January 29, 1940. Verification of the extent of Jewish property; restrictions of disposal rights; first confiscations carried out by the Gestapo.

Stage 2: January 29, 1940 - October 12, 1941. Forced deposits in exchange banks of the above mentioned assets; subsequent forced sales of the deposits under conspicuously disadvantageous conditions. Concurrently, further confiscations were carried out by the Gestapo.

Stage 3: October 12, 1941 - war's end. Forfeiture of Jewish property in favor of the German Reich (carried out in connection with the mass deportations of the Jewish population to concentration camps). During the initial period of this stage culminated the process of expropriation of the above mentioned category of Jewish assets.

The distinctive features of the individual stages and the state of the surviving and/or accessible sources available to the team of experts have conditioned the following structure of the present report:

- I. Introduction
- II. Legal and Institutional Framework
- III. The Role of the Protectorate Bank of Issue in the Process of Dispositions of Jewish Gold, Platinum, and Silver
- IV. Sales of Illegally Seized Gold, Platinum, Silver, and Precious Stones on the Internal Markets (Protectorate, German Reich) and Abroad
 - 1) Internal Markets (Protectorate German Reich)
 - 2) Foreign Markets
- V. Scope of the Illegally Seized Assets Consisting of Gold, Platinum, and Precious Stones (Reconstruction)
- VI. Fate of the Jewish-owned Gold Purchased by the Protectorate Bank of Issue; Post-War Fate of Jewish Movables unsold by the Germans until the End of World War II
- VII. Summary

A thorough reconstruction of the legal and institutional framework was a necessary prerequisite for the actual analysis of the process which lead to restrictions of Jewish ownership rights and expropriations of the above mentioned category of Jewish assets. Subsequently, the authors of the present study evaluated the role played by various specialized branches of the Protectorate administration in handling the assets seized from Jews (i.e. sales of the assets to prospective buyers and appropriation of the proceeds by the German Reich). The lowest link in the sales procedure were several privileged private entrepreneurs.

Another objective of the present study was to establish the total volume of the seized Jewish assets consisting of gold, silver, platinum, precious stones, pearls and objects made of such materials. Intentionally, we refer only to quantities expressed, whenever possible, by weight rather than by their money value which varied due to many factors.

Finally, we provide an insight into the previously unexplored subject of assets consisting of gold, silver, platinum, and precious stones unsold by the German institutions until the end of the

war; we also provide new information regarding the fate of the monetary gold reserves held by the National Bank for Bohemia and Moravia where a certain portion of the impounded Jewish gold was deposited.

223895

II. Legal and Institutional Framework

II.1. General principals implemented in our evaluation of the illegal interventions in Jewish property rights undertaken in the years 1939-1945 with respect to gold and other precious metals, precious stones and valuables made of such materials.

The evaluation of any legal issues involving the problem area of World War II necessarily reflect the following basic legal facts:

1. After the proclamation of the formally independent Slovak state and the simultaneous military occupation of the truncated Czech Lands which resulted in the creation of the Protectorate Bohemia and Moravia (March 14 - 16, 1939), the entire territory of the pre-Munich Czechoslovak Republic came, in one way or another, under the direct or indirect administration of the neighboring countries: Germany (areas separated after Munich), Poland (the region of Těšín/Cieszyn and certain areas in Northern Slovakia), and Hungary (territory ceded after the so called Viennese Arbitration). Each of these parts of Czechoslovakia experienced a different legal development during World War II.
2. According to the Czechoslovak judicial opinion, the Czechoslovak state did not cease to exist after the conclusion of the Munich Agreement or the developments of March 14-16, 1939. A factual expression of the uninterrupted legal existence of the Czechoslovak Republic became the so called Provisional Government System established in London. The Provisional Government System was represented by the Czechoslovak President Dr. Edvard Beneš, and further by the Czechoslovak exile government, and the government's advisory body, the State Council. In the years 1940-1943, this fact was gradually accepted by all important allied states who de jure recognized the exile government of Czechoslovakia and Mr. Edvard Beneš as the Czechoslovak president.
3. Through its exile organs (and, after World War II, also through its government and its provisional National Assembly), the Czechoslovak state declared the period between September 30, 1938 and May 4, 1945 to be a time of dependance. Any laws enacted during this time (with certain precisely specified exceptions which did not effect confiscations and other ways of illegal expropriation) were not included in the Czechoslovak legal system. For this reason, any laws and regulations enacted by the government of the Second Republic (1938-1939) headed by its Prime Minister Rudolf Beran or by the successive governments of the Protectorate or the Slovak Republic (1939-1945), as well as any laws and regulations enacted by the German Reich or the German administration in the Protectorate of Bohemia and Moravia are, in view of the Czechoslovak law, invalid. We refer to such laws and regulations only as to certain realities which, under the specific historical situation existing during World War II, authorized the persecution of the Jewish population on the territory of Pre-Munich Czechoslovakia and provided a normative basis for the violation of property rights perpetrated for the benefit of the German Reich. The persecution of the Jewish population in the Protectorate of Bohemia and Moravia (the situation existing in the regions separated from Czechoslovakia after the conclusion of the Munich agreement is described below; the Slovak State is mentioned only with respect to trade relations between the war-time Slovak State and the Protectorate of Bohemia and Moravia) was based upon certain Czechoslovak laws and regulations issued during the time of the so called Second Republic, i.e. before March 15, 1939, regulations issued by the Protectorate government after March 15, 1939 as well as the laws and regulations of the German Reich. However, the validity of the individual laws and regulations was derived from the *Decree of the Führer and Reich Chancellor creating the Protectorate Bohemia and Moravia* of

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March 16, 1939 and from Hitler's *Order of the Statute Law in the Protectorate* of June 7, 1939.¹ Therefore, there is no doubt that the laws of the German Reich had precedence over laws of the Protectorate: the Reich Protector was authorized to issue orders and could affect the validity of Protectorate laws, alter them or rescind them. In many cases, the laws and regulations of the German Reich were applied directly on the territory of the Protectorate of Bohemia and Moravia. In the same light appears the position of the "autonomous" Protectorate organs vis-a-vis the Reich authorities since the entire administration of the formally autonomous Protectorate Bohemia and Moravia was perforce derived from the needs of Nazi Germany in the sense of "assuming the protective role by the German Reich". While accomplishing their administrative tasks, all Protectorate authorities had to obey the instructions of the German occupation administration which had a binding character.

4. The key significance in view of the purpose of the present report has the legal categorization and the status of the population of the Protectorate of Bohemia and Moravia. In fact, the following categories of citizens existed in the Protectorate: Reich citizens; Protectorate citizens; Protectorate citizens subject to special racial regulations. The racial regulations resulting in restrictions of property rights and illegal expropriations applied to individuals as well as legal entities. Speaking of individuals, it becomes necessary to explain who was affected by the racial legislation introduced in the protectorate of Bohemia and Moravia. The first Protectorate regulation specifying who was to be considered Jewish was the *Order of the Reich Protector regarding Jewish Property of June 21, 1939*. This Order was based on the concept introduced by the Nuremberg Laws (i.e. *Law of the Reich Flag, Law of the Reich Citizenship, and the Law of the Protection of German Blood and German Honor*, Reichsgesetzblatt ["Imperial Gazette" - "RGBl", I. 1935]). According to Section 6 of the aforementioned Order, every descendent of at least three fully Jewish grandparents was deemed to be a Jew. Fully Jewish was considered, without any other presumption, every grandparent who had belonged or still belonged to the Jewish religious community. Under the aforesaid Order, the so called Jewish half-breeds - descendants of two fully Jewish grandparents - were considered Jewish if they had been members of the Jewish religious community as of September 15, 1935 or became members of such a community after the above specified date; those who were married to a Jew as of September 15, 1935 or entered into matrimony with a Jew after the above specified date; further those who were born in Jewish wedlock entered after September 15, 1935; and finally those who were born out of wedlock after July 31, 1936 and "came from an extramarital connection with a Jew".

With respect to legal entities, Section 7 of the *Order regarding Jewish property* defined the notion of a Jewish firm as follows: a firm was considered Jewish if its owner was a Jew in the sense of the aforementioned Section 6. Public trading partnerships or limited partnership companies were considered Jewish if one or several personally liable partners were Jewish. Other legal entities were considered Jewish

a) if one or several individuals authorized by law to represent a firm or one or several members of its board of directors or board of trustees were Jewish;

b) if any Jewish individuals had the controlling interest in the given firm due to their capital share or voting right. The presumption of the controlling interest based on capital share was confirmed if more than one quarter of the capital belonged to Jewish subjects; the presumption of the controlling interest according to the voting right was confirmed whenever the Jewish votes reached at least one half of the total number of votes.

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However, the Order provided the possibility to declare Jewish any legal entity which was "effectively under the decisive influence of Jews". The same rules applied to Jewish associations of individuals or legal entities.

Similar definitions contained the *Order of the Protectorate Government No. 136/1940 Sb. z. a n. [Collection of Laws and Regulations]* of June 4, 1940 regarding the *Legal Status of Jews in the Public Life* and other regulations issued by the Protectorate government. Instrumental for the implementation of illegal interventions in property rights (examined by the present report) was the definition given by the Reich Protector.

5. From the very beginning, the Czechoslovak exile government in London took an active part in the preparation of a joint declaration adopted by the Allies on January 5, 1943 regarding expropriations on the territory occupied or controlled by the enemy.² Its signatories including Czechoslovakia reserved the right to pass a decision regarding the validity of any transactions affecting property rights and property transfers on the occupied territories or territories controlled by the enemy inclusive of "seemingly" legal transactions. In addition, the Czechoslovak exile government had already decided on October 17, 1941 to issue its *Government Declaration on Property Transfers effected under the Constraints of Enemy Occupation*.³ In it, the government declared that it "has never acknowledged and will never acknowledge any transfers or disposal of funds and properties concluded after September 27, 1938 under the constraints of enemy occupation or under exceptional political circumstances. It was insignificant whether the respective property was transferred to citizens of Czechoslovakia or citizens of foreign states or whether it had belonged to the central or local governments or private subjects. Such disposals of property, including "seemingly voluntary" transfers, were declared null and void; the government reserved the right to stipulate "more specific conditions governing redress and/or modification of legal claims". This principle also applied, beyond any doubt, to all forms of illegal expropriations and disposals of Jewish property on the territory of Pre-Munich Czechoslovakia. Article 6 of the *Constitutional Decree of the President of the Republic No. 11/1994 (Official Czechoslovak Gazette) regarding the Renewal of Legal Order* of August 3, 1944 stipulated the principle that any court decision and/or decision passed by any organs of public administration during the time of dependence could be abrogated or altered upon the parties' motion whenever the laws and regulations on which such decisions were based were in breach of the democratic principles of the Czechoslovak Constitution or had a purpose prohibited by the Czechoslovak law. Article 12 of the said Constitutional Decree enacted the so called 'exception of special regulations' to ensure "reparation of damages ensued due to exceptional conditions"; the 'exception of special regulations' also applied to cases precluding reversion. This concept was based on the *Decree of the President of the Republic regarding the Nullity of certain Transactions affecting Property Rights concluded at the Time of Dependence enacting National Administration of Property belonging to Germans, Hungarians, Traitors, Collaborators and certain Organizations and Institutions No. 5/1965 Sb. of May 19, 1945* and the *Decree of the President of the Republic regarding Confiscations of Enemy Property and Funds of National Renewal No. 108/1965 Sb. of October 25, 1945*, according to which the funds and properties of the German Reich; of the Hungarian Kingdom; of public corporations; of the German National Socialist Workers' Party (NSDAP); of "other formations, organizations, enterprises, institutions, interest groups, funds, and endowments owned by the aforesaid regimes or connected with them; and of other German or Hungarian legal entities"; as well as individuals of German and Hungarian nationality, with the exceptions defined in Article 1 of the latter Decree, became the property of the Czechoslovak state. To resolve the above mentioned issue of illegal property transfers during the time of dependence, the method of assertion of individual restitution claims was adopted. Its principle was applied in the aforementioned presidential *Decree regarding the Nullity of certain Transactions affecting Property Rights concluded in the Time of Dependence introducing National Administration of Property*

belonging to Germans, Hungarians, Traitors, Collaborators and certain Organizations and Institutions which, in the year 1946, was replaced by the Act of Parliament ("National Assembly") No. 128/1946 Sb, of May 16, 1946 regarding the nullity of certain property transfers effected during the time of dependence and other interferences effecting property rights. The process itself, its actual extent and, in particular, the actual settlement of individual restitution claims is not described in the present report.

II.2 Legal regulations and institutions of the German and Protectorate administrations connected with the illegal encroachment upon property rights of Jewish subjects with respect to gold, other precious metals, precious stones, and objects made thereof

Soon after March 16, 1939, the German occupation authorities introduced certain regulations to sequester Jewish property and funds. Besides orders issued by the civil administration heads and commanders of German military groups stationed in Bohemia (March 29, 1939) and Moravia (March 20, 1939), these regulations included a circular issued on March 25, 1939 by the **Audit Department of the Protectorate Ministry of Finance**. The circular introduced several measures designed to protect the Protectorate currency; on its basis, the right of access to safety-deposit boxes and depositories maintained by financial institutions was restricted.

The key regulation governing the disposal of Jewish property in the Protectorate was the *Order of the Reich Protector of June 21, 1939 regarding Jewish Property* (Verordnungsblatt des Reichsprotectors in Böhmen und Mähren - "VOBl" - RP, 1939, p. 45); this Order was used to enforce wide-scale confiscations, restrictions of property rights, and unlawful transfers of property. The Order was officially published in the daily newspaper *Der Neue Tag* on June 22, 1939 and superseded the above mentioned measures previously enacted by the civil administration heads in Bohemia and Moravia. Pursuant to Section 5 of the aforesaid Order, Jews, Jewish enterprises and Jewish associations were required to register, by July 31, 1939, with the **National Bank for Bohemia and Moravia**, or with other organizations indicated by the occupation administration, any individually or jointly owned objects made of gold, platinum, silver, precious stones or pearls. Jewish individuals, Jewish enterprises, and Jewish associations were forbidden, as of the effective day of the Order, to acquire, to sell or to pledge such objects without a special permit issued by the **Exchange Department of the Protectorate Ministry of Finance**; this stipulation applied equally to all other jewels or works of art whose value exceeded 10,000.00 Czechoslovak crowns.

In addition, the Reich Protector appointed 'treuhänders' (trustees) to all individual Jewish enterprises; the treuhänders acted upon the Protector's orders and under his supervision. Instrumental for the ensuing confiscations of Jewish property including precious metals and valuables were the provisions contained in Section 10 of the aforementioned Order authorizing "confiscations of property" in cases of acts contrary to the said Order or its implementing provisions (see below). Punishable by law was also any attempted contravention of the Act or its implementing provisions and the property involved could be confiscated even if such acts did not warrant criminal prosecution against the respective person. All the above named provisions came into effect on June 22, 1939. In addition, these provisions applied retroactively, as of March 15, 1939, to immovable property and securities.

The implementation of the *Order of the Reich Protector of June 21, 1939 regarding Jewish Property* was governed by the so called implementing ordinances. Dispositions of precious metals

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were regulated by several implementing ordinances: the *Second Implementing Ordinance of the Reich Protector of December 8, 1939 to the Order regarding Jewish Property* (VOBl. RP, 1939, p. 318) stated in Section 5 that as of the effective date of the said implementing ordinance, no objects made of gold, platinum, silver, precious stones or pearls could be sold in auctions. On the contrary, Section 6 gave the specified Protectorate authorities the right to impound such objects, specifically in accordance with the applicable tax regulations and fee schedules, and to dispose of them.

On January 26, 1940, the Reich Protector issued the *Third Implementing Ordinance of the Reich Protector to the Order regarding Jewish Property* (VOBl. RP, 1940, p. 44), regulating the prohibition of sales involving objects made of gold, platinum and silver, and the prohibition to alienate precious stones and pearls. From the date of issue of the above named Ordinance, such effects could only be sold to a specific legal entity entrusted with their liquidation. This legal entity (collection point) became the limited-liability company called **Hadega - (Handelsgesellschaft, Gesellschaft mit beschränkter Haftung Prag)**.

The *Fourth Implementing Ordinance of the Reich Protector of February 7, 1940 to the Order regarding Jewish Property* (VOBl. RP, 1940, p. 45) required all Jewish enterprises to register with the appropriate authorities their entire domestic and foreign operation assets, real estate, stocks and bonds and/or shares in proportionate ownership.

Specific economic persecution was made possible primarily by the *Fifth Implementing Ordinance of the Reich Protector to the Order regarding Jewish Property* (VOBl. RP, 1940, p. 81), of March 2, 1940. According to this Ordinance, Jewish individuals, Jewish enterprises, and Jewish associations (with the exception of foreign nationals) were obliged to deposit gold, platinum, silver, precious stones, and pearls (together with stocks, mine shares, fixed-interest assets, and securities) as a forced deposit in an exchange bank (as specified by the Notice of the Ministry of the Finance No. 160/1939 Sb. of July 8, 1939). The same obligation also applied to "non-Jewish holders" holding the values specified in the *Fifth Implementing Ordinance* (providing that such values were owned or co-owned by Jewish individuals, Jewish enterprises or Jewish associations) as estate administrators, pawnees, custodians or plenipotentiaries.⁴ The deadline set to deposit such values was fourteen days from the effective date of the Implementing Ordinance; this deadline was subsequently extended and expired on April 30, 1940. Within the same deadline, authorized persons had the obligation to designate as Jewish any current deposits covered by the provisions of the *Fifth Implementing Ordinance*. The deposits had to be expressly designated as Jewish (consequently, no anonymous deposits were allowed); any release of such deposits had to be authorized by the **Office of the Reich Protector**. The same duty applied to any future acquisitions of the above named items, particularly by inheritance; generally, Jews were excluded from acquiring such items. The deposit of such assets was to be established in form of an open or closed safety-deposit box visibly marked by the letter "N". The creation and maintenance of the deposit was covered by a deposit fee; in case of default payments, the exchange bank could recover the loss incurred by a partial sale of the valuables deposited. Any sale of the above mentioned items was subject to approval by the Reich Protector. According to an interpretation of the *Fifth Implementing Ordinance* prepared by W. Utermöhle and Schmerling "the intended withdrawals will be approved if the owner of the deposit intends to sell the assets deposited".⁵ Exceptions from the provisions of the Ordinance could be granted by the Reich Protector, in particular to treuhänders of Jewish firms. **The Office of the Reich Protector** could also grant exceptions from the rule of forced deposit if the assets involved were of "negligible value" and their legal regime was equal to that of items excepted from obligatory forced deposits in accordance with the *Notice of the Reich Protector of March 2, 1940* (see below).⁶

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The buy-out of precious metals, jewels, and other valuables representing Jewish property was conducted in the following manner: the owner(s) offered such items, "voluntarily" or under pressure, to the **Hadega** Company. Through **Hadega**, the owner(s) simultaneously applied to the **Office of the Reich Protector** for the above mentioned authorization of the sale. When the sales permit was granted, the **Foreign-Exchange Division of the Office of the Reich Protector** notified the owner(s) of the respective items and the banks where the respective items were deposited for mandatory safekeeping. The hand-over of the valuables from the banks to the **Hadega** Company was, in most cases, duly recorded, and the banks conveyed their hand-over reports to the **Office of the Reich Protector**. After the concluded sale of precious metals or jewels to **Hadega**, the original owners received the sales proceeds less cost incurred by all the institutions involved in the process providing that the amount payable did not exceed 500.00 Protectorate crowns. Amounts exceeding such limit had to be remitted to the sellers' accounts which were maintained as blocked accounts in accordance with the notice of the **Audit Department of the Protectorate Ministry of Finance** of January 23, 1940 as published in the Gazette of the Protectorate Bohemia and Moravia No. 22 of January 27, 1940,

The Notice of the Reich Protector of March 2, 1940 (VOBl. RP; 1940, p. 82) governing the implementation of the above mentioned Fifth Implementing Ordinance of the Reich Protector to the Order regarding Jewish Property enumerated the following objects exempted from the rule of compulsory deposit: wedding rings belonging to the respective individuals and/or their deceased spouses; silver wrist/pocket watches; used silver cutlery (two four-piece sets consisting of one fork, one knife, one tablespoon and one teaspoon per person); other silver objects not exceeding the weight of 40 grams per object up to a total weight of 200 grams per person; personally used dental replacements made from precious metals.

On September 13, 1940, another *Notice of the Protectorate Ministry of Finance* was issued regulating further implementation details of the provisions of the *Fifth Implementing Ordinance of the Reich Protector regarding Jewish Property*. No later than on October 15, 1940, Jewish individuals, Jewish enterprises, and Jewish associations had to register with the **Audit Department of the Ministry of Finance** any objects made of gold, silver, platinum, precious stones and pearls valued at more 10,000.00 Czechoslovak crowns. Exceptions from this compulsory registration were analogous to those specified in the Notice of the Reich Protector of March 2, 1940. To implement this Notice, special forms were issued; the valuation of the items involved could be performed only by appraisers officially approved by the Ministry.

To a certain category of Jewish individuals - former Czechoslovak nationals who were residents of a community located within the borders of the "former Lands Bohemia and Moravia" and currently lived on the territory of the German Reich outside the Protectorate - applied the provisions of the *Order implementing the third Order on the basis of the Order on Registration of Jewish Property of December 23, 1940 (RGI., 1941, p. 2)* according to which such individuals were required to offer any objects made of gold, platinum, and silver as well as precious stones and pearls in their possession to a public trading organization.

The Seventh Implementing Ordinance to the Order of the Reich Protector regarding Jewish Property (VOBl. RP, 1940, p. 299) issued on July 10, 1940 made the trust administration of any Jewish property of the total value exceeding 100,000.00 Protectorate crowns subject to a special permit (license); this permit was entered in a public list maintained by the Office of the Reich Protector.

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On January 26, 1940 the *Order of the Reich Protector regarding the Removal of Jews from the Protectorate Economy* (VOBl. RP, 1940, p. 41) was adopted. The Order was directed chiefly against "Jewish enterprises" in the sense of the Order of the Reich Protector regarding Jewish Property of June 21, 1939. Such enterprises were to be prevented from conducting business in the field of manufacture or any other area of the national economy; they had to be dissolved and liquidated. According to Section 6 of the said Order, "any stock existing on the effective date of this prohibition, ... [was to be] offered to an agency to be specified later, according to whose dispositions it will be proceeded."

In early 1941, three implementing ordinances were issued to complement this Order; these ordinances specified the types of business activities forbidden to Jewish enterprises.

In view of the aforesaid *Order of the Reich Protector of June 21, 1939 regarding Jewish Property* as elaborated by the respective implementing ordinances, the most important competencies in the process of expropriation of precious metals and other valuables were entrusted specifically to the **Office of the Reich Protector (Amt des Reichsprotectors)** as the highest authority of the German occupation administration in the Protectorate. Regardless of whether the individual acts of expropriation were carried out directly by the **Office of the Reich Protector** or by other authorities of the occupation administration, the precious metals and other valuables confiscated in the process were considered Reich property. Consequently, all other segments of the political occupation administration were obliged, pursuant to the *Decree of the Führer and Reich Chancellor regarding the Creation of the Protectorate Bohemia and Moravia* of March 16, 1939, to comply with the instructions issued by the **Office of the Reich Protector**. Individual departments of the repressive police force answered to the appropriate central security agencies of the Reich.

For the expropriation and subsequent disposition of this property answered the **2nd Department of the Office of the Reich Protector**, specifically its **Group One** (Economic Affairs) and, within its structure, the **II/1-3F Division** (Foreign-Exchange Affairs). During the entire occupation period, this branch was headed by the imperial bank-councillor Walther Utermöhle, b. July 1, 1895.

From August 1939, the **Foreign-Exchange Division** operated directly at the Protectorate **Ministry of Finance** where it administered and supervised the activities of the **Audit Department** of the Ministry authorized to commission transfers of precious metals and valuables. Through the Ministry, the **Foreign-Exchange Division of the Office of the Reich Protector** issued instructions to Protectorate authorities and bank institutions concerning the execution of the above mentioned implementing provisions to the *Order of the Reich Protector of June 21, 1939 regarding Jewish Property* or any additional implementing directives issued in form of Notices by the **Protectorate Ministry of Finance**.

The Foreign-Exchange Division filed reports on objects made of gold, precious metals, precious stones etc. which were subject to compulsory registration with the **National Bank for Bohemia and Moravia** by the respective individuals and organizations in accordance with Section 5 of the aforesaid Order regarding Jewish Property. In addition, the Foreign-Exchange Division regulated the mandatory buy-outs of precious metals and other valuables in accordance with the

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economic needs of the Reich; its mandate included the power to use coercive measures. The Branch regularly consulted and coordinated its operations with **Group 6 (Banking)** of the Economic Department of the **Office of the Reich Protector** headed by Friedrich Müller who simultaneously acted as special emissary of the **Reich Bank (Sonderbeauftragter der Deutschen Reichsbank für Böhmen und Mähren ['Special Emissary of the German Imperial Bank for Bohemia and Moravia'])** to the **National Bank for Bohemia and Moravia**. The special emissary conveyed to the **National Bank** instructions of the **Reich Bank** and the **Office of the Reich Protector** (from 1943 **German State Ministry for Bohemia and Moravia**). The Branch's lower units represented the decisive element in the process of Aryanization of Jewish property; in this context, they were charged with supervising other government agencies in the Protectorate of Bohemia and Moravia. Relevant information and registration tasks (e.g. filing official reports and collecting information on Jewish property) were performed by the clerical staff of the **National Bank for Bohemia and Moravia** and other banking institutions.

Another string of interventions in Jewish property rights represented summary confiscations of Jewish property handled directly by the **Gestapo**.⁷ Among all Nazi organs, the Gestapo offices were the first to enter the process of confiscating precious metals and valuables. From March 29, 1939 until the creation of the **Zentralstelle für jüdische Auswanderung ['Central Office for Jewish Emigration']** (see below), the Gestapo offices ensured that all emigrants delivered their property in trust of a bank. The Gestapo issued exit visa only to those prospective emigrants who had complied with this requirement. At the same time, Gestapo offices began confiscating the entire property of all "illegal emigrants" including Jews. Finally, the third group of provisions authorizing garnishments and subsequent confiscations of property was based upon the above mentioned Section 10 of the *Order of the Reich Protector regarding Jewish Property* and included confiscations of property belonging to individuals who had committed crimes against the German Reich in the sense of the its criminal law. Nationals of the Protectorate of Bohemia and Moravia accused of committing serious criminal offenses were equal in law to Reich citizens; in addition, their criminal liability was determined in accordance with the *Law for the Protection of the Republic No. 131/1936 Sb. z.a.n.* in the wording of the Order of the Reich Protector No. 39 (Gazette of the Reich Protector, 1939).

On May 24, 1939, all banks in the Protectorate of Bohemia and Moravia were ordered to report any assets of Jewish emigrants exceeding the value of 100,000.00 Protectorate crowns and to enter a confiscation notice in favor of the Gestapo in the respective bank records. Starting in December 1939, the police began confiscating (retroactively, as of March 16, 1939) the property of all other Jews who had emigrated between January 1, 1939 and July 10, 1939 including their bank accounts and contents of their of safety-deposit boxes.⁸ The confiscated assets were administered by the **economic departments of the executive offices of the Gestapo**. Any relevant information regarding the individuals whose assets had been confiscated was sent by these departments to the Protectorate Ministry of Finance, attention of W. Utermöhle whose agency kept central records. The organizational pattern of the information flow corresponded with the corporative mode of operation of the Nazi administration. Information about Jewish valuables was obtained through the banking system existing in the Protectorate of Bohemia and Moravia. Technically, the Gestapo sent names and dates of birth of the respective Jewish individuals to the Association of Czech Banks which conveyed these personal data by circulars to the headquarters of the individual banking institutions; they in turn passed them on to their branches. The individual banks had the obligation to report to the Gestapo any accounts or storages of valuables belonging to Jewish individuals and legal entities.

Besides, the Gestapo confiscated the entire property of individuals and legal entities whose activities were, for political, ideological or economic reasons, considered hostile towards the Reich.

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Precious metals and valuables confiscated in the course of arrestations and house searches were deposited in Gestapo safes. On May 13, 1941, in concert with the Reich Ministry of Finance, the Acting Reich Protector in Bohemia and Moravia Reinhard Heydrich issued an order to the executive offices of the Gestapo to transfer such assets and valuables to the **Reichshauptkasse - Beutestelle** ('**Central Reich Treasury - Booty Administration**') in Berlin.

From the fall 1941, confiscated jewels and other valuables were handed over to the **Vermögensamt beim Reichsprotector in Böhmen und Mähren** ('**Property Office of the Reich Protector of Bohemia and Moravia**' - ("**Vermögensamt**") created by the *Ordinance of the Reich Protector* of September 2, 1941 and charged with the administration of enemy property. The **Vermögensamt** continuously collected such property at the **Böhmische Escompte-Bank** ['**Discount Bank for Bohemia**'].

Precious metals and valuables represented only a small fraction of the property confiscated by the Gestapo and subsequently delivered in trust of the **Vermögensamt**; therefore, its extent and value was not even included in the balance statement of December 1942 prepared by the executive office of the Gestapo in Prague. Furthermore, it must be stressed that the Gestapo did not confiscate only Jewish property but also that of other protectorate nationals; for this very reason, it would be very difficult to quantify the individual fractions of the seized assets since a certain part thereof consisted of valuables belonging to the persecuted non-Jewish Czech citizens.

The third level of the oppressive legislation represented the statutes regulating Jewish emigration and subsequently also deportations of Jewish citizens to concentration camps. These statutes were connected with further infringements of property rights of the Jewish population.

By the Ordinance of the Reich Protector of July 15, 1939, the **Central Office for Jewish Emigration** (**Zentralstelle für jüdische Auswanderung** - "**Zentralstelle**") was established⁹, initially only for the capital Prague; in February 1940, its competence was extended to the entire territory of the Protectorate of Bohemia and Moravia. In August 1941, the **Zentralstelle** was renamed **Central Office for the Solution of the Jewish Question - Zentralamt für die Regelung der Judenfrage**.

The role of the **Zentralstelle** in the illegal infringement of property rights of Jewish individuals and legal entities falls into two stages. From its inception until October 1, 1941, the **Zentralstelle** administered the assets of illegal emigrants from the Protectorate of Bohemia and Moravia. By the *Order of the Reich Protector regarding the Care of Jews and Jewish Organizations of March 5, 1940* (VOBl. RP, 1940, p. 77) the **Zentralstelle** was also charged with the administration of assets of dissolved Jewish legal entities - fraternities, endowments, communities, etc. By Section 5 of the above named Order, the Reich Protector created the **Auswanderungsfonds für Böhmen und Mähren** ('**Emigration Fund for Bohemia and Moravia**' - "**Auswanderungsfonds**"), a special legal entity (public fund) based in Prague to accumulate the assets of the **Zentralstelle**. The **Auswanderungsfonds** was subordinated to the commander of the security police of the Reich Protector; it was exempted from capital levies, and as a party to civil actions, it was subject to the exclusive jurisdiction of the German courts. In addition, this Order required the Jewish Religious Communities to assist all Jews in emigration matters. The Jewish Religious Community in Prague was directing all other Jewish communities in the Protectorate; they

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had to follow its instructions. However, by further instructions issued by the Reich Protector, all Jewish Religious Communities were supervised by the **Zentralstelle**.

From July 28, 1939, the Protectorate Jews were allowed to emigrate only through the **Zentralstelle**. To exports of precious metals and valuables applied the following regulations which represented a considerable restriction of the property rights with respect to this category of Protectorate nationals:

Already the *Regulation No. 36/1939 Sb. of February 16, 1939 regarding the exports of valuables* issued by the government of the so called Second Republic had banned exports of valuables, i. e. objects made of gold, silver, and platinum, precious stones, pearls, jewels, collections or individual objects of collector value, paintings, antiques, furs, fur coats, as well as other objects of substantial value. An exception could be granted by the Audit Department of the Ministry of Finance for a fee up to 20,000.00 Protectorate crowns. The *Notice of the Minister of Finance No. 37/1939 Sb. z. a n. of February 17, 1939* partially relieved the export restrictions regarding certain gold, silver or platinum objects of personal character (for example three gold or platinum rings per person, one gold chain, one pair of earrings or one kilogram of silver per person). The *Government Order No. 155/1939 Sb. of June 23, 1939* introduced an exchange control system. Pursuant the said order, exports of precious metals (i.e. gold, platinum, and silver, processed or unprocessed - Section 6) were subject to a special permit by the National Bank. The regulations governing legal dispositions of the aforementioned precious metals in the Protectorate of Bohemia and Moravia were tightened and the rule of compulsory sales offer was introduced with respect to such objects. According to Section 20 of the respective government order, the above mentioned restrictions applied fully to the so called emigrants. The *Government Order No. 156/1939 Sb. of July 4, 1939* enacted the obligation of inventory and compulsory sales offers regarding foreign currencies and precious metals, as well as securities and receivables/claims abroad. Each individual emigrant was allowed to take out of the country only his/her wedding ring and the wedding ring of his/her deceased spouse, one silver watch, two sets of silver cutlery, other silver objects of a total weight not exceeding 200 grams, and personally used dental replacements from precious metals. Official export permits regarding the above named objects were issued by the **Audit Department of the Protectorate Ministry of Finance** supervised by the **Exchange Division of the Economic Department of the Office of the Reich Protector**. Other valuables had to be deposited in exchange banks; the proof of deposit had to be submitted to the **Zentralstelle**.

A part of the valuables belonging to Jewish emigrants to which the **Zentralstelle** had the right of disposal was transferred, according the previous agreement with the **Exchange Division of the Economic Department of the Office of the Reich Protector**, to the **Hadega** Company for evaluation and sale. **Hadega's** profit share from the sale of such objects was transferred to the account of the **Auswanderungsfonds, Sonderkonto** [special account] **H 1116** at the **Böhmische Union-Bank**, a subsidiary of the **Deutsche Bank** from 1939.

Charged with the supervision of the foreign-exchange and customs regulations described below and with the tracing of the so called concealed property were the so called **Devisenschutzkommandos** and the **Zollfahndungsstelle** acting in concert with the **Gestapo offices**. The above mentioned agencies were authorized to perform seizures of concealed property and its subsequent confiscations. Persons who committed offenses against customs and exchange regulations had to surrender their valuables, depending on the total volume of the garnished assets, either in proceedings at law before the competent courts of justice or directly to the Gestapo. Jewish-

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owned valuables and precious metals confiscated by the above mentioned agencies of the occupation administration were handed over to the **Hadega** Company which in turn transferred their profit share to their accounts.

The second stage of **Zentralstelle's** activities lasted from October 1, 1941 until the end of the war in Europe. In October 1941 began the mass deportations of Jewish citizens to concentration camps. In connection with the deportations, the **Zentralstelle** was authorized to liquidate the property belonging to the deportees. At the assembly camp, every adult assigned to a transport was required to surrender to the **Zentralstelle** employees those objects of precious metals which the Jews were still entitled to hold in accordance the *Fifth Implementing Ordinance of the Reich Protector regarding Jewish Property* (see above). Once at the assembly camp, persons assigned to a deportation transport were forced to issue a general power of attorney to the **Zentralstelle** authorizing it to take over any other assets including the above named deposits in blocked accounts and/or any other assets/property unknown or concealed at the time of the transport. This issue was regulated by the *Second Order of the Reich Protector regarding the Care of Jews and Jewish Organizations of October 12, 1941* (VOBl. RP, 1941, p. 555). The Order was issued on October 14, 1941, and it came into force on the promulgation date. The Reich Protector reserved the right to introduce further measures necessary to execute this Order. On November 27, 1941, the Gazette of the Reich Protector published the *Third Order of the Reich Protector regarding the Care of Jews and Jewish Organizations of November 12, 1941* (VOBl. RP, 1941, p. 642). The Order applied to claims of creditors and other entitled persons against the assets of the dissolved Jewish entities and Jewish emigrants taken over by the **Zentralstelle** for liquidation in accordance with the above mentioned *Second Order of the Imperial Protector regarding the Care of Jews and Jewish Organizations of October 12, 1941*. The claims of such third parties were forfeited ex lege; instead, it was possible to apply for compensation from the funds of the **Auswanderungsfonds**.

After the modified *Eleventh Order to the Law of Reich Citizenship of November 25, 1941* came into effect, the special *Order regulating the Loss of Protectorate Citizenship* of November 2, 1942 (VOBl. RP, 1942, p. 301) applied to the Protectorate of Bohemia and Moravia, and stripped the deportees of the Protectorate citizenship; consequently, it became superfluous to issue any powers of attorney. The entire property of the deportees was forfeited ex lege in favor of the Reich and its liquidation remained within the scope of responsibilities of the **Zentralstelle** since the respective assets were to "support all objectives linked with the solution of the Jewish question".

After the dispatch of each individual Jewish transport, the **Zentralstelle**, in cooperation with the **Office of the Reich Protector**, issued an instruction to withdraw the valuables kept in banks and to transfer them either to the **Böhmische Escompte-Bank** or directly to the **Hadega** Company for immediate appraisal and sale. The remaining unsold valuables administered by the **Zentralstelle** were later found at the **Böhmische Escompte-Bank** in suitcases confiscated by the Soviet organs in 1945 (see Chapter VI). The share in the profit from the sales of valuables belonging to the deportees was transferred to the so called **Resettlement Account No. 1003 of the Auswanderungsfonds (Umsiedlungskonto 1003)**, maintained at the **Böhmische Escompte - Bank** at the time a division of the **Dresdner Bank**. Funds from this account and other accounts of the **Auswanderungsfonds** were, among others, used to cover the cost of the "final solution" of the Jewish question in Bohemia and Moravia including the operation of the Theresienstadt ghetto.

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Its part in confiscations of Jewish property after the start of the deportations took also the Gestapo on the basis of an agreement with the **Zentralstelle**. Through its anti-Jewish departments,

the Gestapo conducted investigations of individual cases of the so called illegally transferred or concealed Jewish property. Any property impounded due to such investigations was entrusted to the **Zentralstelle**, more precisely to its **Auswanderungsfonds**. The Gestapo could also transfer to the **Zentralstelle** assets named in a power of attorney that had been given by the deportees to the **Zentralstelle**. The **Vermögensamt** was empowered to proceed in the same manner.

On the Czechoslovak territory directly annexed by Germany in 1938, confiscations of gold, silver, platinum, diamonds and objects made thereof were executed on the basis of the laws and regulations of the German Reich. The assets were confiscated on the basis of the following Reich laws and regulations: *Law regarding the Confiscation of the Property of an Enemy State on the Territory incorporated in the Bavarian Ostmark*, *Order regarding the Confiscation of Property of an Enemy State in Austria of November 18, 1938* (Czechoslovak territories incorporated in the administrative districts of Upper and Lower Danube [designation of Upper and Lower Austria under the Nazi regime]), and the *Order regarding Property Confiscations of an Enemy State in the Sudeten German Regions of May 12, 1939*.

After the start of the mass deportations in the fall of the year 1941, the *Eleventh Implementing Ordinance to the Citizenship Law of the German Reich* according to which individuals of Jewish extraction were deprived of their citizenship if their usual residence was abroad, i.e. stayed abroad under circumstances indicating that their stay abroad was not temporary. The loss of citizenship entailed the forfeiture of property in favor of the German Reich.

The trusteeship and appraisal of the confiscated Jewish property was entrusted to the Ministry of Finance which in turn delegated this task to the Offices of Senior Finance Presidents. The property confiscated by the local offices of the Gestapo was taken over by **Offices of Senior Finance Presidents**.

With the appraisals and sales of the confiscated objects made of precious metals was charged, in accordance with the respective instructions of the Reich Ministry of Finance, the **Zentralstelle bei der Städtischen Pfandleihanstalt** [**Central Agency at the Municipal Pawnbroker's Institution**] in Berlin which transferred the sales proceeds to the accounts of the Senior Finance Presidents.

It may be inferred from the contemporary sources that the objects of precious metals confiscated from Jews living on the territory annexed by Germany before 1938 represented an insignificant fraction of the total volume of assets confiscated from Czechoslovak citizens of Jewish extraction: according to the official statistics, only 612 persons were deported from the Czechoslovak territories annexed by Germany before March 15, 1939.

The reason was that the vast majority of Jewish citizens left the German-occupied areas immediately after September 30, 1938 and took their assets inland. If they had not transferred these assets abroad before March 15, 1939, it was later gradually expropriated on the territory of the Protectorate of Bohemia and Moravia.

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Already at the end of the year 1938, police divisions and organs of state administration in the Sudeten area incorporated in the German Reich received the order to report any confiscated Jewish jewels in their custody. However, according to their reports of January 1939, no such assets existed. The Jewish cultic objects were destroyed or stolen during the so called Crystal Night on November 9-10, 1938 (an organized pogrom during which most synagogues on the territory ceded to Germany were burned or torn down).

Chapter II - Footnotes

¹ Appendix 1 - The Decree of the Führer and Reich Chancellor regarding the Creation of the Protectorate of Bohemia and Moravia was published in the Reich Law Gazette, Year 1939, Part I ("RGLB" 1939, I). It was also published in the Collection of Laws and Regulations of the Czechoslovak Republic ("Sb.z.n.") under No. 75. The Order of the Führer and Reich Chancellor of June 7, 1939 regarding the Legislative Law in the Protectorate of Bohemia and Moravia see RGLB., Year 1939, Part I, p. 1039.

² The Czechoslovak exile government approved this declaration issued by the Allies by an act adopted at its session which took place on October 9, 1942. See the "Results of the 69th Session of the Ministerial Council" sent to Jan Masaryk by the Presidium of the Council of Ministers on October 10, 1942; Archives of the Ministry of Foreign Affairs of the Czech Republic, collection 'London Archives' marked confidential, Box No. 208. The text of the declaration was published in the Official Czechoslovak Gazette, year IV, No. 1, London 1943.

³ Government declaration of October 17, 1941 regarding property transfers effected under the constraints of enemy occupation. Official Czechoslovak Gazette, year III, No. 2, London 1942.

⁴ Appendix 5. Sequestration of Jewish Property. Interpretation and instructions concerning the Fifth Implementing Ordinance of the Reich Protector to the Order regarding Jewish Property of June 21, 1939, Prague 1940, SÚA [Central State Archives], Prague, Archive Collection 'Ministry of Finance', Box No. 310.

⁵ Ibid.

⁶ Ibid.

⁷ To the participation of the Gestapo in confiscations of Jewish Property see Bericht über die Tätigkeit der Staatspolizeileitstelle Prag bezüglich der Beschagnahme und Einziehung reichsfeindlichen Vermögens und Zusammenstellung der bis zum 1. Juli 1942 beschlagnahmten und eingezogenen Vermögenswerte. Prag, am 1. Dezember 1942 [Report on the Activities of the State Police Headquarters in Prague with respect to the Seizure and Confiscation of Property belonging to the Enemies of the Reich and Survey of the Property Values seized and confiscated before July 1, 1942. Prague, December 1, 1942] SÚA, Archive Collection 'State Secretary of the Protectorate K. H. Frank', 109-4-1346.

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⁸ Ibid.

⁹ Copy of the Ordinance of the Reich Protector by which the Central Office for Jewish Emigration in Prague (Zentralstelle für jüdische Auswanderung Prag) was established, see SUA, Archive Collection 'Prague Gestapo' 101-662-4.

223909

III. The Role of the Protectorate Bank of Issue in the Process of Dispositions of Jewish Gold, Platinum, and Silver.

In the overall process of confiscation, processing, and distribution of valuables made of precious metals belonging to individuals of Jewish origin, Jewish enterprises and Jewish associations residing on the territory of the Protectorate was, by the decision of the Nazi authorities, involved the **National Bank for Bohemia and Moravia** acting as the Protectorate's central bank of issue. Though the German Reich and the occupation authorities formally respected its independence, in reality, the National Bank became a division of the German **Reich Bank (Deutsche Reichsbank) in Berlin**. From the onset of the German occupation, the National Bank was placed under the supervision of the **Reich Bank** carried out by its special emissary Dr. Friedrich Müller. In addition, any independent decision-making of the **National Bank** was paralyzed by co-opting the emissary of the **Office of the Reich Protector** Dr. Herbert Winkler to one of the key positions in the bank (he headed its foreign-exchange branch). This created a double-track management of the bank of issue: the agenda of the German emissaries was the decisive (and limiting) factor in the operational activities of the **National Bank**. Its statutory organs and business management were forced to execute instructions of the German authorities. Personal decisions regarding managerial positions in the bank were influenced by the **emissary of the Reich Bank** and the emissary of the **Office of the Reich Protector**. The main motive of their activities represented "the interests of the German Reich", including the total submission of the Protectorate to the economic needs of the German Reich.

At the same time, further steps were taken by the German occupation authorities which, in the final effect, weakened the role of the **National Bank** in the economic system of the Protectorate of Bohemia and Moravia. Immediately after the creation of the Protectorate, the German authorities took stock of the gold and foreign exchange reserves belonging to the financial institutions of the Protectorate, above all to the **National Bank**. Already on March 18, 1939, the National Bank was forced to transfer its gold deposited in London, England to the **Reich Bank** by transferring it to the **Bank for International Settlements** in Basel, Switzerland. Other transfers followed; consequently, the Germans obtained, during the period of occupation, the trusteeship of 42,899.00 kilograms of pure monetary gold.¹

After the introduction of a customs union between the Protectorate of Bohemia and Moravia and the German Reich in October 1940, the status of the **National Bank** changed, as the until then independent external payment contacts of the truncated Czech Lands had been abolished. This measure affected above all the external economic autonomy of the Protectorate: this German creation ceased to be an independent subject of international relations. Beginning in the fall 1940, the Protectorate was no longer allowed to negotiate any international clearing/payment agreements or other international trade agreements. Any export claims held by the Protectorate in third countries were assumed by the German Reich and the Czech side was credited with their countervalue in reichsmarks deposited at the **Deutsche Verrechnungskasse** in Berlin. The customs union undercut the economic autonomy of the **National Bank** which had lost the opportunity to obtain foreign exchange and use it in the Protectorate economy. The Protectorate crown was not accepted abroad. Consequently, the Czech Lands mutilated by the loss of their border areas suffered an immense economic loss.²

The German administration used the subordinate status of the **National Bank for Bohemia and Moravia** in the process of confiscating property belonging to Jewish individuals, enterprises

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and associations, particularly while confiscating objects made from precious metals, gold, silver, platinum, precious stones, and pearls. Under the supervision of the German managerial staff co-opted to the **National Bank** and to other financial institutions of the Protectorate, the German occupation administration was able to gather exact information regarding the valuables still in possession of Jewish individuals living on the territory of the Protectorate.

Based on the *Order of the Reich Protector for Bohemia and Moravia of June 21, 1939 regarding Jewish Property*, the banks were obliged to submit to the above mentioned German managers name lists containing a complete catalogue of all objects made of precious metals and precious stones; they had to indicate the gross weight, purity and approximate value of such objects in Protectorate crowns.³ In case of concealing such valuables, their Jewish owners ran the risk of severe sanctions imposed by the Gestapo; equal sanctions applied to individuals of the so called Aryan descent who had accepted such Jewish-owned objects for safekeeping.

The **National Bank for Bohemia and Moravia** was hand-picked by the German occupation authorities and the **Reich Bank** as a suitable location to handle precious metals obtained from Jews because of its well-qualified staff and safe storage facilities (vaults). The precious metals obtained from Jews were handled by the **National Bank** in accordance with the orders and directives issued by the respective organs of the German political and economic administration both in the German Reich and the Protectorate of Bohemia and Moravia. In Berlin, it was particularly the **Reich Bank** and the **Reichsstelle für Edelmetalle** ['Reich Office for Precious Metals'], in Prague the **Economic Group at the Office of the Reich Protector** and the **Devisenschutz-Sonderkommando** ('Special Unit for the Protection of Foreign Exchange').

Under the pressure applied by the occupation authorities, the **National Bank** was forced to assume the role of a clearing office used for purchases of gold from the **Hadega** Company in Prague and, from 1942, also from the Central Office for the Solution of the Jewish Question - **Zentralamt für die Regelung der Judenfrage, Auswanderungsfonds für Böhmen und Mähren**. The activities of the **Hadega** Company centered upon purchases and resales of precious metals, precious stones and pearls from Jews, Jewish enterprises and Jewish associations. At the time of the mass deportations of Jews to concentration camps, gold ingots from recast Jewish jewels confiscated by the **Hadega** Company and/or by the **Auswanderungsfonds** were deposited at the **National Bank**. The right of disposal of this gold had the **Überwachungsstelle beim Ministerium für Wirtschaft und Arbeit in Prague** ('Inspection Department at the Ministry of Economy and Labor' - "Überwachungsstelle") created in 1942. In name, the **Überwachungsstelle** was a German inspection unit, in reality, it was the governing body of the Protectorate Ministry of Economy and Labor (the Ministry was administered exclusively by Germans). The **National Bank** was further obliged to accept for safekeeping (from **Hadega** and the **Auswanderungsfonds**) any confiscated and recast Jewish silver; the disposal rights of this silver had the **Reichsstelle für Edelmetalle in Berlin**.⁴ Any gold purchased by the **National Bank** from the **Auswanderungsfonds** became part of the funds item called 'monetary gold acquired by purchase'.⁵

Chapter III - Footnotes

¹ Main Accounting Department (Presidium), Archiv České národní banky Praha ('Archives of the Czech National Bank in Prague' - "AČNB"), Czechoslovak National Bank ("NB"), P XVII-103/18,23, Box No. 337; Central Accounting Department of the National Bank, AČNB, NB-P XVII-

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334, Box No. 425. Compare: Jiří Novotný, Národní banka Československá ['Czechoslovak National Bank'] (1919-1950), in: Československé bankovky, státopvky a mince ['Czechoslovak Bank Notes, Government Notes, and Coins'] 1919-1992, Prague 1993, p. 24-25.

² Jiří Novotný, Národní banka Československá ['Czechoslovak National Bank'] (1919-1950), p. 25.

³ Application No. 79 387 of July 29, 1939 submitted by Dr. V. Spiegler to the National Bank for Bohemia and Moravia and registered with its foreign-exchange branch on July 31, 1939.

⁴ Memo from the special emissary of the Reich Bank F. Müller to the National Bank management (June 18, 1942), AČNB Praha, NB-P XXV-257 (123-II), Box No. 787.

⁵ Memo from the National Bank to F. Müller (Reich Banks' special emissary to the National Bank) (April 15, 1943), AČNB Praha, NB-P XXV-258 (123a), Box No. 787. For details see Chapter V.

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IV. Sales of Illegally Seized Gold, Platinum, Silver, and Precious Stones on the Internal Markets (Protectorate, German Reich) and Abroad

1) Internal Markets (Protectorate and German Reich)

2) Foreign Markets

IV/1. Internal Markets (Protectorate and German Reich)

Acquisitions and sales of objects made from gold, platinum, silver, and precious stones were restricted to a small number of privileged business establishments and specialized agencies of the Reich and Protectorate administration. Central banks, i.e. both the **Reich Bank in Berlin** and the **National Bank for Bohemia and Moravia in Prague** could not be directly involved in the procuring or resales of Jewish jewels and other objects made of precious metals and precious stones. Naturally, the Reich-German occupation authorities were anxious to prevent any information leaks to the "Czech circles"; all transactions involving Jewish-owned jewels and similar valuables had to be kept secret. Therefore, the German authorities had searched for a dependable German-owned firm operating in the Protectorate that would purchase and resell such objects (analogically to the Central Pawnshop for the City of Berlin - **Zentralpfandleihanstalt der Stadt Berlin**). Their choice fell on **Hadega** which was transformed into the **Hakoma** Company in the course of the year 1943. While it was true that **Hadega** became engaged in exporting Jewish-owned valuables to foreign markets (both directly and through intermediaries), it conducted most of its business inside the Protectorate and the German Reich. In the Protectorate, precious metals offered sale by the **Hadega** Company were purchased mostly by the **National Bank**; the principal buyer based in the German Reich was the **Degussa** Company.

In 1938, the Prague-based **Hadega** Company became part of the syndicate **Kreditanstalt der Deutschen in Prague**¹ in the course of **Kreditanstalt's** fusion with a minor German-owned financial institution. At that time, **Hadega's** principal business activity was supposedly trading in precious metals and objects made of precious metals. However, the firm failed to fully develop its intended business activities and began experiencing financial difficulties; at this point, the **Kreditanstalt** decided to liquidate it. In the late months of the year 1939 and in early 1940, the German occupation authorities began looking for a wholesaler to deal with jewels and other valuables to be obtained by forced purchases from the Jewish population, and decided to use the **Hadega** Company. Acting on a recommendation by the **Devisenschutz-Sonderkommando**, the special emissary of the **Reich Bank** to the **National Bank for Bohemia and Moravia** Friedrich Müller approached the management of the **Kreditanstalt der Deutschen** with the request to select **Hadega** to manage the acquisitions and resales of objects still held by Jewish individuals, companies, and associations. Between the **Hadega Co.** and the **Kreditanstalt der Deutschen** existed close personal relations since many chief executives of this nationalist-German bank were also members of **Hadega's** supervisory board and board of directors. With the technical management of the **Hadega** Company and with appraisals and/or processing of Jewish valuables was charged Friedrich Grünfeld, the co-owner of the goldsmith firm Heinrich Grünfeld of Karlova Street in Prague. Based on an agreement with the **Special Emissary of the Reich Bank to the National Bank for Bohemia and Moravia**, **Hadega** obtained the right to keep 5% of the sales price; the initial estimate of the turnover amounted to twenty million crowns.²

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Based on *Section 1 of the Third Implementing Ordinance of the Reich Protector of Bohemia and Moravia regarding Jewish Property* of June 1939 issued on January 26, 1940, **Hadega** was granted license to purchase valuables from Jewish individuals, firms, and associations who had been granted a written sales permit from the **Office of the Reich Protector**. During the first month,

Hadega's activities did not bring the expected results - to the dismay of the **Economic Group at the Office of the Reich Protector**; only about thirty Jewish individuals approached **Hadega** and sold it petty jewels valued at 320 to 850 Protectorate crowns each.³ The situation began changing after the occupation administration increased its repressive approach, especially after the issue of the *Fifth Implementing Ordinance of the Reich Protector of Bohemia and Moravia regarding Jewish Property of June 21, 1939 issued on March 2, 1940* ordering individuals of Jewish descent to deposit their jewels and other objects made of precious metals in one of several specifically authorized banks; the objects deposited could then be sold only with the express permission of the **Office of the Reich Protector**. The opinion began spreading among the Jews that they would lose their assets at any rate; therefore, they were trying to salvage at least some of the value by selling off their valuables to **Hadega**. For jewels made from gold, silver, platinum, diamonds, and pearls, **Hadega** paid according to the price level of the year 1938 which was much lower than in the war years. By mid-October 1940, five thousand Jews applied for the permission to hand over their jewels to the **Hadega** Company for resale. **Hadega** paid out a total amount of 1.7 million Protectorate crowns but the real value of the purchased jewels was much higher.

In the period between February 15 and October 15, 1940 **Hadega** purchased a total of 47.112 kilograms of gold objects (gross weight after recasting); another 10 kilograms of gold objects were prepared for processing. **Hadega** further purchased 1724.145 kilograms of silver objects (total gross weight). This gold and silver was submitted to the **National Bank** which, in its capacity as a bank of issue, was the only institution in the Protectorate authorized to handle gold reserves and other valuables significant for the monetary system.⁴

In its report of December 12, 1940 released two months after the inception of the mass deportations of Jewish citizens to concentration camps, **Hadega** specified the amount of precious metals conveyed to the **National Bank** as follows: 56.815 kilograms of gold; 0.16 kilograms of gold coins; 1720,243 kilograms of silver rods; 5.296 kilograms of silver coins. Another 50 kilograms of silver objects were still to be recast. "On the open market", **Hadega** sold only a small amount of precious metals previously obtained from Jewish owners: 0.3826 kilograms of gold and 6.870 kilograms of silver.⁵

Until October 1941, when the **Auswanderungsfonds** obtained the authorization to liquidate the property of the deported Jews, **Hadega** was also approached by offices of the **Gestapo** with the requests to sell valuables made of precious metals and precious stones belonging to those Jewish residents of the Protectorate who had fled the country or emigrated. In mid-December, **Hadega** sold a large collection of objects from precious metals studded with precious stones for the total price of 2,019,304.00 crowns. The net proceeds of the sale less 5 per cent overhead expenses (1,918,339.00 crowns) were remitted (based on a directive of the **Zentralstelle für jüdische Auswanderung**) to the account of the Jewish Religious Community in Prague reserved for the emigration fund.⁶

Hadega sent the purchased diamonds (brilliant cut) to the Reich-German company **Diamant-Kontor** in Berlin. **Diamant-Kontor** sold them abroad for foreign currencies and remitted the proceeds to **Hadega** in reichsmarks. **Diamant-Kontor** was not interested in stones of lesser value like diamond bits, precious stones other than diamonds or semi-precious stones. Such stones could be sold only on the domestic market (i.e. inside the Protectorate and in the German Reich) but there was little demand for these items.⁷ The approval by the **Office of the Reich Protector** regarding sales of Jewish jewels in the domestic market was obtained by **Hadega** in March 1941 on the condition that no potential buyer for such jewels could be found abroad.⁸

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The jewels procured from Jewish residents of the Protectorate often found new owners in quite unconventional ways. For example W. Utermöhle purchased scores of such objects from **Hadega** for a strangely low price of 11,437.00 reichsmarks. After an audit, he maintained that he had not purchased the objects for himself but for two acquaintances from abroad who had visited Prague at the end of the year 1940: Marschhausen, a US citizen, and Hans Zieger, an "exchange foreigner" who acted as a intermediaries for exports of Jewish jewels to Portugal. Since the merchandise selected by Marschhausen and Zieger was not ready for sale during their stay in Prague, and since the measures taken by the United States after it had entered the war made foreign-exchange transfers impossible, the payments supposedly had to be made in reichsmarks covering 1/10 of the real price. Both Marschhausen and Zieger indeed deposited the amount of 13,000.00 marks in Utermöhle's private account at the **Böhmische Escompte-Bank** and instructed Utermöhle to settle with **Hadega**.⁹

Hadega's status was enhanced by the *Fifth Implementing Ordinance of the Reich Protector of Bohemia and Moravia of March June 21, 1939 to the Order regarding Jewish Property of February 1941* ordering the respective banks to "surrender Jewish-owned objects from gold, platinum, and silver, as well as precious stones and pearls deposited with them or kept in the safes of the **Hadega** Company on behalf of the Jewish owners."¹⁰ Since the transfer of such objects from the bank depots or safety-deposit boxes was not legally impeccable, the banks feared possible future disputes with the Jewish principals. Therefore, the **Bankers' Union** approached the **Office of the Reich Protector** with the request to ensure the presence of the Jewish owner(s) and a **Hadega** representative at each individual hand-over of such objects. In its effort to obtain the largest possible volume of the most valuable objects made from precious metals and precious stones within a short time period, the **Economic Group at the Office of the Reich Protector** drafted a list of Jews who held the most valuable bank deposits and requested "certain Jewish individuals to sell their jewels to the trading company **Hadega**".¹¹ In other cases, the banks themselves were to request the Jewish principals to hand over to **Hadega** their jewels committed to the respective banks for safekeeping.¹²

The logical consequence of the *Fifth Implementing Ordinance* was the order of the **Reich Protector** of September 30, 1942 introducing the "general" transfer of all Jewish valuables made of gold, silver, platinum, and precious stones kept in safety-deposit boxes of various banks and/or deposited with such banks in sealed packages to a newly opened depository account of **Hadega** ("Sammeldepot jüdischer Schmuckgegenstände" [Collecting Depository of Jewish-owned Jewelry]).¹³ The **Office of the Reich Protector** ordered that in cases of personal attendance of the Jewish owners at the opening of the safety-deposit boxes (or if these owners surrendered the keys to their safety-deposit boxes to the bank before their placement in the Jewish transport) their jewels had to be handed over to **Hadega**. If the Jews did not comply with this regulation prior to their transfer to a concentration camp, their valuables were assumed by the **Zentralamt für die Regelung der Judenfrage in Böhmen und Mähren**.¹⁴ There was no change in handling gold coins - **Hadega** was not authorized to sell them; as before, gold coins had to be transferred to the **National Bank**.¹⁵

The order of "general" transfer of Jewish-owned jewels and similar valuables to **Hadega** apparently lead to frictions with the competing **Auswanderungsfonds**. Due to an intervention of the **Sicherheitsdienst**, the **Office of the Reich Protector** repealed its decision (by a memo of December 1, 1942) and halted the whole operation. It even revoked all accomplished transfers. The deposits belonging to Jewish owners had to remain at the respective banks; as before, such deposits could only be surrendered to **Hadega** on the basis of individual orders issued by the **Office of the Reich Protector** concerning specific individuals.¹⁶

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The volume of Jewish-owned objects made of gold, silver and precious stones is indicated by the following numbers based on the balance of **Hadega's** business activities:

Proceeds from sales of valuables:

in the year 1940..... 15,000,000.00 crowns¹⁷

in the year 1941.....12,449,569.05 crowns¹⁸

in the year 1942.....44,823,385.05 crowns¹⁹

No balance of the **Hadega** Company (later renamed **Hakoma**) is available for the remaining war years. In 1942 changed the rules applying to jewels and similar valuables. From June 1942, diamonds were handled separately from precious metals. Objects made from precious metals (with the exception of gold coins) were recast.²⁰ Nevertheless, a considerable number of Jewish-owned jewels valued at 3,575,478.45 protectorate crowns remained in **Hadega's** possession (as of December 31, 1942).²¹

The proceeds from sales of precious metals and precious stones obtained in the years 1941 and 1942 (in terms of Protectorate crowns) can be derived from the following figures:

	1941	1942
Gold	267,531.20	3,012,421.10
Gold Coins	20,217.50	46,906.20
Silver	312,073.85	3,782,817.85
Precious Stones	6,281,652.55	37,969,266.80

Hadega transferred a considerable portion of the sales proceeds to the Sonderkonto ['special account'] H 1116 of the **Auswanderungsfonds** maintained at the **Böhmische Escompte-Bank**.

A large amount of silver originating from silver objects confiscated from Jews or sold by Jews to **Hadega** (mostly under pressure), was purchased from **Hadega** by the **National Bank for Bohemia and Moravia** which stored it in its vaults. The bank did not have any power of disposal to this Jewish silver; it could only be disposed of by the **Reichsstelle für Edelmetalle in Berlin**. This Reich-German institution issued orders to the **National Bank** to consign this silver to well-established firms, e.g. chemical plants to be processed for industrial purposes, above all to cover the needs of the arms industry. A prominent status among those firms had the Reich-German company **Deutsche Gold- und Silber-Scheidenanstalt vormals Rössler at Frankfurt on the Main** known under its acronym **Degussa**. The **Degussa** Company was not the only buyer of Jewish silver. In December 1941, the **National Bank** received a very unprofitable price for 942.038 kilograms of silver rods. Therefore, it approached (acting upon a recommendation of the **Reichsstelle für Edelmetalle in Berlin**) another Reich-based German company: **Staatliche Sächsische Hütten- und Blaufarbenwerke in Freiburg**. Subsequently, the **National Bank** obtained a better price for a consignment of 8579.598 kilograms of pure silver sold to this company.²²

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The surviving records documenting the business contacts between the **National Bank** and the **Degussa** Company are incomplete; however, it may be assumed that **Degussa** remained the major trade partner of the **National Bank** (though it later came to frequent frictions between the two and the bank conducted business also with other Reich-based German firms). For example in January 1943, the **National Bank** offered 6098.5 grams of platinum from its reserves (obtained mostly from Jewish individuals and institutions) to one of **Degussa's** subsidiaries, the **Deutsche Gold-und Silber-Scheidenanstalt in Hanau, Platinschmelze G. Siebert**. However, this subsidiary of **Degussa** requested platinum deliveries in rods and refused to accept the metal in granulated form. For this reason, the deal fell through and the **National Bank** approached (upon the recommendation of the **Überwachungsstelle beim Wirtschaftsministerium in Prague** responsible for transactions involving platinum) the **Staatliche Gold- und Silberscheidenanstalt in Halsbrücke** willing to purchase platinum in granulated form.

With the onset of the deportations of Jewish citizens to concentration camps in 1941, **Hadega** was faced with the competition from the **Auswanderungsfonds** whose competencies included the liquidation of assets belonging to the Jewish deportees including valuables made from precious metals and precious stones left in the vacated apartments and/or deposited in sealed packages or safety-deposit boxes of financial institutions; the **Auswanderungsfonds** was also authorized to conduct searches for third parties who had secretly accepted Jewish valuables for safekeeping. Through such activities, the **Auswanderungsfonds** amassed a considerable amount of gold, platinum, silver and precious stones for subsequent resale.

At the end of the year 1942, the **Auswanderungsfonds** sold to the **National Bank** 467 rods of pure silver in total weight of 6911 kilograms.²³ Since the **National Bank** asked the **Special Emissary of the Reich Bank to the National Bank for Bohemia and Moravia** whether to treat this silver in the same manner as that purchased from **Hadega**, it may be inferred that it was the first delivery made by the **Auswanderungsfonds**. Another delivery followed in April 1943 when the **National Bank** purchased 575 rods of silver (total weight of 1040.132 kilograms). The **Auswanderungsfonds** obtained the same status as **Hadega** vis-a-vis the **National Bank**. The silver confiscated from the Jews deported to Theresienstadt was recast and sold to the **National Bank**; as before, it was handled by the **Reichsstelle für Edelmetalle in Berlin**. To the **National Bank** was to be sold also the platinum handled by the **Überwachungsstelle beim Ministerium für Wirtschaft und Arbeit in Prague**. Through substantial changes went the operations involving gold purchased from the **Auswanderungsfonds**; this gold could now be incorporated in the gold reserves of the **National Bank**. Its gold could be disposed of only by a special permission obtained from the board of directors of the **Reich Bank** or by the permission of **Hermann Göring in his capacity as commissioner for the four-year plan**.²⁴

In his effort to widen the potential market for jewels obtained from Jews, the **State Secretary at the Office of the Reich Protector Karl Hermann Frank** asked (at the end of the year 1942) the managing director of the **Dorotheum Company in Vienna** Dr. Jennewein to submit his recommendations for the reorganization of the trade with Jewish valuables. Dr. Jennewein immediately offered **Dorotheum's** services arguing that its auctions were well-known all over Europe. He was eager to establish subsidiaries of the **Dorotheum** in Prague and Brno (Brünn) and suggested to concentrate there all the jewels stored in different places (from the Gestapo to **Hadega**).²⁵ The **Dorotheum** was recommended to Frank by the Austrian Nazi bosses. They argued that this institution possessed many foreign contacts and "already had many of offers from various interested parties abroad to purchase the jewels"; quite naturally, the foreigners preferred dealing

with a private company rather than the official Reich authorities.²⁶ The reason for this intervention of the Austrian Nazi bosses was the desire to participate in the sales of the contents of thousands of sealed Jewish apartments and ten warehouses containing the assets of the deported Jews, particularly in the sales of Jewish jewels administered by the **Auswanderungsfonds** which were valued at approximately two million reichsmarks.²⁷ Various sections of the German occupation administration debated what to do with the jewels but until the end of the year 1943 (the records are available only until then), their fate remained undecided.

The surviving documents from the archives of K. H. Frank only attest to the interest of the **Dorotheum in Vienna** (which had already gathered experience - and profits - from the sales of valuables belonging to the Austrian Jews) to act as an intermediary for sales of jewelry confiscated from Jews, Jewish businesses and Jewish associations in the Protectorate of Bohemia and Moravia. It seems that the different opinions and interests of the Reich Protector who was convinced that assets gained in the Protectorate (including Jewish assets) should be used for the purpose of "furthering the German element" on the Protectorate territory, and the SS-Wirtschafts- und Verwaltungshauptamt which pushed for sales of the property through the Viennese **Dorotheum** lead to the result that the Jewish jewels in possession of the **Auswanderungsamt** remained in the vaults of the **Böhmische Escompte-Bank** or the **Böhmische Union-Bank** which managed the accounts of the Auswanderungsamt. It is certain that these Jewish jewels, their parts, and other jewels of the same origin remained at the **Böhmische Escompte-Bank** until the liberation of Czechoslovakia. An open issue remains their quantification and further fate in the context of the Soviet war-trophy campaign.²⁸

Whereas the jewels as such or the gold originating from purchases or confiscations of jewelry belonging to Jewish citizens was handled by **Hadega**, a different procedure applied to gold coins. Based on a decision of the **Reich Bank**, all gold coins obtained from Jewish individuals, Jewish enterprises, and Jewish associations had to be submitted to the **National Bank for Bohemia and Moravia**. This decision was not always respected. In January 1942, at the time of a rapid increase of the number of Jewish transports to concentration camps, the Protector had to remind all individuals and institutions involved of the necessity to comply with the above mentioned decision of the **Reich Bank**.²⁹

Gold coins were obtained by the **National Bank** - not only from Jewish citizens but also in the course of official openings of bank safety-deposit boxes of non-Jews in accordance with the *Government Order No. 156/39 Sb. pertaining to the inventory, compulsory offer and surrender of foreign currency, precious metals, securities and receivables/claims abroad* or according to *Section 11 of the current exchange-control system*. The coins (and other explicitly named assets) confiscated in accordance with the above named regulation were sold. The sales proceeds were deposited in the owners' accounts at the respective bank.³⁰ The confiscated coins could also be included in the numismatic collection of the **National Bank**.

Gold (silver and other) coins of collector value had to be offered to the **Reich Bank** (or they were selected by the Reich Bank) for its **Geldmuseum in Berlin**. The first consignment of gold coins was received in Berlin in July 1940; unfortunately, it is now impossible to establish the kind and quantity of these coins.³¹ Nevertheless, it seems that the **Geldmuseum der Deutschen Reichsbank** was not interested in the gold coins offered. For example: when the coin collection belonging to the Petschek Co. was confiscated, the museum showed no interest in any of the coins. The collection was later sold for 64,327.60 Protectorate crowns and the proceeds were deposited in

the budget account of J.Petschek (Treuhandler ['trustee administering a non-Aryan firm']) in Brno kept at the Prague Loan Bank.³²

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IV/2. Foreign Markets

Diamonds represented a special item within the group of assets obtained by confiscations. At the beginning of the year 1941, the value of all confiscated stones was estimated at about one million reichsmarks.³³ Diamonds and other precious stones and jewels were used to purchase scarce foreign currencies needed by the German war economy. Foreign exchange for Jewish valuables from the Protectorate was obtained in several ways. A certain part of the valuables was sold directly in Germany, in the domestic jewelry market (see chapter V/1); more often, the valuables were exported, above all to the so called neutral countries. The exports were effected through certain institutions or individuals holding permits issued by the competent institutions of the German Reich. Diamonds and other precious stones and jewels were sold to prospective buyers abroad either directly, for foreign currencies, or through clearing payments. The quantity of the precious stones and jewels used in the clearing trade was regulated in accordance with the development of the balance of payments between Germany and the respective state. Whenever an active credit balance was reached, the payments for the "merchandise" were deferred, and further sales of the valuables were restricted or halted. The foreign currencies obtained through the clearing trade were conveyed to the **Reich Bank** which in turn transferred some of them to the **National Bank for Bohemia and Moravia**.³⁴

When the valuables obtained were sold directly for free foreign currencies, the process depended on the given circumstances. The decisive factor was whether the sale was effected through a person or a firm authorized by the Reich-German government or immediately by the **Office of the Reich Protector** in cooperation with the **Hadega Company**. If the sale was effected through a person or firm, the foreign currencies were conveyed to the **Reich Bank**; the Protectorate sellers then obtained reichsmarks; such payments were remitted to the account No. 3140 maintained by the **Hadega Company** at the **Kreditanstalt der Deutschen**. **Hadega** then transferred the funds (less cost) to accounts of the occupation authorities from which it had obtained the valuables; in cases of forced sales, the proceeds were also transferred to the blocked accounts of the Jewish owners.

From the spring of the year 1940, sales of diamonds and other precious stones and jewels obtained in the Protectorate effected in the domestic German market and abroad were managed by a company called **Diamant-Kontor**. This company was based in Berlin and later in Frankfurt on the Main. It maintained a subsidiary in Idar-Oberstein which received the valuables directly from the **Hadega Company**. **Diamant-Kontor** was established by the **Reichswirtschaftsministerium** ('Reich Ministry of the Economy') which was responsible for the trade in diamonds and precious stones. The **Diamant-Kontor's** role was to sell diamonds and other precious stones abroad for foreign currencies and remit all the proceeds to the aforesaid ministry; in return, it received funds from the ministry to cover its cost.³⁵

The cooperation with the **Diamant-Kontor Co.** exporting valuables to Switzerland was considered inadequate by the **Office of the Reich Protector** and the **Hadega Company** - for two reasons. The first reason was the low foreign-exchange yield from the sales of jewels and precious stones, the second reason was the obligation to remit the proceeds in foreign currencies to the **Reich Bank**. Economically, direct trade contacts with foreign partners were considered more attractive.

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Already at the end of the year 1940, the **Office of the Reich Protector** explored the possibility of direct sales of the requisitioned diamonds and jewels to customers in Switzerland, more precisely to

the **Meersmann** Company contacted through Dr. Knitter from Berlin. The reasons were obvious. For 207.95 carats of diamonds, the **Diamant-Kontor** obtained foreign currency equivalent to 12,450.00 reichsmarks (1940).³⁶ **Meersmann** offered to pay twice as much in foreign currency for the same amount of valuables.³⁷

The occupation authorities in the Protectorate could only perform direct sales of the requisitioned jewels, diamonds, and precious stones to foreign customers with the consent of the competent Reich authorities. The **Office of the Reich Protector** applied for the respective permission on December 30, 1940 when it filed its application with the **Reichswirtschaftsministerium** and the management of the **Reich Bank**.³⁸ On January 11, 1941, the **Reichswirtschaftsministerium** informed the **Office of the Reich Protector** that if the direct sales brought a higher foreign-exchange yield (as compared with the sales presently effected through the **Diamant-Kontor** Company), the Ministry would raise no objection to them.³⁹ Only on the basis of this permit, the **Office of the Reich Protector** could, in cooperation with the **Hadega** Company, commence direct sales of the requisitioned valuables to foreign customers.

Apart from higher foreign-exchange proceeds, the **Office of the Reich Protector** considered direct contacts with foreign buyers of Jewish valuables an opportunity to transfer the foreign currencies directly to the **National Bank for Bohemia and Moravia** (as opposed to sales through middlemen when the foreign exchange obtained had to be remitted to the **Reich Bank**). Naturally, this change of procedure had to be approved by Berlin, more exactly by the management of the **Reich Bank**. The **Office of the Reich Protector** applied for this approval through the **Special Emissary of the Reich Bank to the National Bank for Bohemia and Moravia Dr. Friedrich Müller** on May 26, 1941. On June 3, Dr. Müller received a communication from the Board of Directors of the **Reich Bank** stating that the bank was ready to leave to the **National Bank** the free foreign currency obtained by sales of diamonds and other precious stones.⁴⁰ This decision also applied to foreign exchange acquired through the **Diamant-Kontor** Company which had been commissioned to sell a certain volume of valuables also in the year 1942.

The reason why the **Office of the Reich Protector** tried so hard to have the foreign exchange obtained by sales of valuables remitted to the **National Bank for Bohemia and Moravia**, was primarily fiscal. The **National Bank for Bohemia and Moravia** could not handle foreign exchange ever since the customs union between the Protectorate and the Reich had been introduced. At the same time, it was necessary to retain some foreign exchange in the Protectorate (with the approval of the Reich authorities) to keep the local economy running.

During the occupation period, diamonds, precious stones, and jewels requisitioned from Jews living in the Protectorate were sold (or intended for sale) in the following states (in alphabetical order):

Portugal

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It has been firmly established, that some Jewish valuables were brought into Portugal in the year 1941 through Germany where the sales had been arranged. The German occupation authorities in the Protectorate - the **Exchange Division of the Office of the Reich Protector** and the customs administration - granted their permission to transfer the valuables from **Hadega** to Berlin where they were received by a middleman (**Hans Zieger**). With the approval of the Reich authorities, Zieger

exported them to Portugal where they were sold for foreign currencies.⁴¹ Since the profit share from the sales of jewels was remitted to the Protectorate in reichsmarks, the foreign currencies obtained from the buyers were apparently surrendered to the **Reich Bank**.

The volume of the valuables exported to Portugal and sold there was indicated only summarily in a letter of June 6, 1941 sent by the head of the foreign-exchange branch W. Utermöhle to Kurt Ziemke, representative of the **Auswärtiges Amt** ('Foreign Office' - German Ministry of Foreign Affairs) at the Office of the Reich Protector. By that time, according to Utermöhle, a larger part of the jewels originating from Jewish sources had already been sold, among others in Portugal.⁴²

Slovakia

in the year 1941, a smaller quantity of the requisitioned diamonds (38.29 carats) was sold in Slovakia, namely to the firm **Eugen Reisinger** in Bratislava.⁴³ In the summer of 1942, a suggestion was made to sell an unspecified quantity of jewels to the Bratislava firm **Otto Keberle** which showed interest in them. The management of the **Reich Bank** approved of the transaction in view of the debit balance in the German-Slovak trade.⁴⁴

Sweden

A proposal to sell one consignment of valuables to Sweden was submitted by W. Utermöhle on November 26, 1942. However, the **special emissary of the Reich Bank** Dr. Friedrich Müller made his recommendation conditional; the valuables could only be sold directly, in exchange for free foreign currencies.⁴⁵

In the context of the post-war search for the displaced property, the **National Administration of Properties** informed the Ministry of Labor Protection and Welfare (February 8, 1946) that in one case, jewels were presumably exported Sweden.⁴⁶ Nevertheless, it cannot be excluded that the information was based on the above mentioned minutes. A direct proof that some of the valuables were in fact exported to Sweden has not been discovered.

Switzerland

Diamonds and other precious stones as well as jewels obtained from Jewish individuals and legal entities were sold in Switzerland in the years 1940-1942 either through clearing or directly for foreign currencies (Swiss francs or US dollars).

For the clearing sales of precious stones and jewels in Switzerland, the overall development of the mutual balance of payments had to be taken into account. Clearing sales were used in combination with sales for foreign currencies until the second half of the year 1941. According to the information provided by the **Banking Group** to the **Office of the Reich Protector** (October 14, 1941), two Protectorate accounts maintained within the framework of German trade contacts with Switzerland were active - a commodity account (balance of 104 million crown) and a Swiss-frank account (balance equivalent to 24,1 million crowns). Therefore, the Foreign-Exchange Branch of the Office of the Reich Protector did not recommend any further clearing transactions involving the requisitioned Jewish jewels.⁴⁷ In 1942, clearing sales of jewels in Switzerland were recommended only if the foreign-exchange yield reached 11%. This approach of the **Office of the Reich**

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Protector was based upon the fact that whenever an active balance in favor of the Protectorate was shown, the bills were long-dated. Besides, the occupation authorities in the Protectorate as well as the Reich authorities preferred, in view of the needs of the German war economy, to conduct any sales of jewels in Switzerland directly for free foreign currencies.

Such sales were mediated already from the year 1940 by the **Diamant-Kontor** Co. which continued acting as an intermediary through 1942; they were conducted mainly through direct contacts between the representatives of the occupation administration, the **Hadega** Company, and the Swiss dealers.

The interest shown by both sides in such deals evidently led to an increased pressure of the occupation authorities exerted upon the original owners who were forced to quickly sell their jewels to the **Hadega** Company. This pressure was supposed to increase the needed quantities and quality of diamonds and jewels offered for sale.⁴⁸ Also involved in the dealings was the **Zentralstelle für jüdische Auswanderung**, which released, upon the request of the **Office of the Reich Protector**, some of the diamonds in its custody that had belonged to those Jewish citizens who officially emigrated from the Protectorate.⁴⁹ The first positively identifiable Swiss firm known to have bought jewels and precious stones obtained from the Protectorate residents of Jewish origin belonged to the Swiss citizen **Bernhard Meersmann**, born on January 1, 1883 in Vevey where he established himself as a jeweller.⁵⁰ On January 16, 1941, **Meersmann** visited Prague where he conducted negotiations with representatives of the occupation administration and the **Hadega** Company regarding various modalities of diamond sales to his Swiss firm. Due to the Swiss exchange regulations, the **Swiss National Bank** did not to allow purchases of diamonds in exchange for foreign currencies and mandated clearing sales. **Meersmann** thus recommended to transfer the diamonds to the German embassy in Zurich; there, he intended to accept them in exchange for Swiss francs.⁵¹ **The Foreign-Exchange Branch of the Office of the Reich Protector** did not even exclude the possibility of an agreement between **Hadega** and **Meersmann**; for this purpose, it intended to put pressure upon the original owners and obtain, within approximately six weeks, at least one thousand carats' worth of diamonds. According to the information from the Foreign-Exchange Branch of the **Office of the Reich Protector** of June 6, 1941, **Meersmann** indeed purchased a larger amount of valuables from the **Hadega** Company.⁵²

Business contacts with the **Meersmann** Company were maintained only in the first half of the year 1941. Then they were interrupted following a denouncement by the firm **Diamant-Kontor**; this firm had, undoubtedly for competitive reasons, informed the Foreign-Exchange Branch of the **Office of the Reich Protector** about **Meersmann's** activities in Germany and accused him of "unfair" business practices. At the same time, it informed the authorities that **Bernhard Meersmann's** real name was in fact **Bernhard Leusing**, born on January 8, 1883 at Lær (Westphalia), of Jewish parentage.⁵³ Since the whole matter had to be officially investigated, any further deals with the **Meersmann** Company were suspended.⁵⁴ As an important middleman in sales of jewels and precious stones in Switzerland acted the Swiss citizen **Alexander Brero**, born on January 22, 1886 at Winterthur, resident of Zurich and Ipsach near Biel.⁵⁵ **Brero** who maintained personal contacts with German officials often travelled to the Protectorate to negotiate purchases of valuables whose origin was known to him or to take such valuables with him. He mediated contacts between the occupation administration and a diamond-cutting firm based in Biel.⁵⁶ Its representative **Hans Vögeli**, b. 1893 at Grafewird, resident of Berne, visited the Protectorate in August 1941 together with **A. Brero**.⁵⁷ During his stay, he negotiated the purchase of a larger amount of jewels from the **Hadega** Company and agreed to pay for them in Swiss francs. On September 11, 1941 **W. Utermöhle** gave **A. Brero** a receipt for **117 625 Swiss francs remitted by the firm Vögeli & Wirz** for four packages of precious stones and jewels purchased from the **Hadega** Company.⁵⁸ Dealing

with Vögeli & Wirz was considered most advantageous; therefore, this firm was recommended directly to the **Reichswirtschaftsministerium**.

Direct sales of Jewish jewels, diamonds and other precious stones to Swiss firms can be documented on the basis of archive materials only for the year 1941. In view of a memo from the Foreign Exchange Branch of the **Office of the Reich Protector** of September 20, 1941, it cannot be excluded that diamonds continued to be sold to Switzerland through the **Reichswirtschaftsministerium**. **A. Brero** presumably travelled to the Protectorate at the beginning of the year 1942 to collect Jewish jewelry. It is established beyond any doubt that in March 1942, Brero bought 4.97 kilograms of silver from the **Hadega** company.⁵⁹

Since the valuables procured in the Protectorate were sold to Switzerland both directly and through intermediaries, it is impossible to verify the exact overall amount and value of such objects, also in view of the fact that only few of the original documents have survived. However, the available information allows us to state that, within the framework of all international transactions, the largest amount of jewels, diamonds, and other precious stones procured from Jews was sold in Switzerland between 1940 and 1942.

Chapter IV - Footnotes

¹ The Kreditanstalt der Deutschen was founded already in 1911; it became the largest financial institutions serving ethnic Germans in the Czech Lands. It was closely linked with the development and fate of the local German minority.

² Draft letter from the Kreditanstalt der Deutschen to the Reich Protector, undated, AČNB Prague, NB-P XXV-295 (163), Box No. 797.

³ Memo from the Economic Group at the Office of the Reich Protector of March 1, 1940 to the Devizenschutzkommando in Prague, AČNB Prague, NB-P XXV-295 (163), Box No. 797.

⁴ Report by W. Utermöhle and A. Schmerling regarding the audit of Hadega's activities in Prague conducted on October 16, 1940, AČNB Praha, NB-P XXV-295 (163), Box No. 797.

⁵ Hadega's memo of December 12, 1940 to the Economic Group at the Office of the Reich Protector, AČNB Prague, NB-P XXV-295 (163), Box No. 797.

⁶ Ibid.

⁷ Hadega's memo of March 12, 1941 to the Economic Group at the Office of the Reich Protector, SÚA Prague, NSMP, Box No. 777.

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⁸ Memo of March 20, 1941 from the Economic Group at the Office of the Reich Protector to Hadega, SÚA Prague, NSMP, Box No. 777.

⁹ Position paper by W. Utermöhle of January 14, 1942 with regard to the report on findings made at Hadega, AČNB, NB-P XXV-295 (163), Box No. 797.

¹⁰ Circular of the Bankers' Union No. 131 of March 3, 1941, AČNB Prague, ŽB-S VII/g-1, Box No. 1149.

¹¹ Circular of the Živnostenská banka [Živnobanka - 'Small Businessmen's Bank'] from the spring 1941 (unnumbered, undated), AČNB Prague, ŽB-S VII/g-1, Box No. 1150.

¹² Circular of the Živnostenská Banka (administration of the 'N' assets) No. 528 of December 20, 1941, AČNB Prague, ŽB-S VII/g-1, Box No. 1150.

¹³ Circular of the Živnostenská Banka (administration of the 'N' assets) No. 420 of November 20, 1942, AČNB Prague, ŽB-S VII/g-1, Box No. 1153.

¹⁴ Circular of the Živnostenská Banka (administration of the 'N' assets) No. 365/1942 of October 9, 1942, AČNB Prague, ŽB-S VII/g-1, Box No. 1153.

¹⁵ Circular of the Živnostenská banka No. 13 of January 8, 1942, AČNB Prague, ŽB-S VII/g-1, Box No. 1152.

¹⁶ Circular of the Živnostenská banka No. 441 of December 4, 1942, AČNB Prague, ŽB-S VII/g-1, Box No. 1153.

¹⁷ Based on the information that Hadega was allotted 5 per cent of the sale price. In 1940, Hadega's share of the proceeds from sales of jewelry amounted to 750,000.00 Protectorate crowns. Report of December 1942 on Hadega's business activities, AČNB Prague, NB-P XXV-295 (163), Box No. 797.

¹⁸ Balance of the trade activities of the Hadega Company as of December 31, 1941, AČNB Prague, NB-P XXV-295 (163), Box No. 797.

¹⁹ Balance of the trade activities of the Hadega Company in the year 1942, AČNB Prague, NB-P XXV-295 (163), Box No. 797.

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²⁰ Guidelines governing the purchases of diamonds, gold, silver, and platinum of June 12, 1942, AČNB Prague, NB-P XXV-295 (163), Box No. 797.

²¹ List of valuables kept in Hadega's safes as of December 31, 1942, AČNB Prague, NB-P XXV-295 (163), Box No. 797.

²² Letters from the National Bank to Degussa of December 13, 1941 and December 13, 1944. AČNB, NB-P XXV-257 (123-II), Box No. 787; cf. Letter from F. Müller to W. Utermöhle (July 10, 1942), AČNB, NB-P XXV-295 (163), Box No. 797.

²³ Memo from the Main Branch of the National Bank to the special emissary of the Reich Bank to the National Bank of December 28, 1942, AČNB Prague, NB-P XXV-268 (123a), Box No. 787.

²⁴ Memo from the Special Emissary of the Reich Bank at the National Bank Müller to the Zentralamt für die Regelung der Judenfrage of December 29, 1942, AČNB Prague, NB-P XXV-258 (123a), Box No. 787.

²⁵ Letter from the managing director of the Dorotheum Dr. Jennewein to K. H. Frank (December 11, 1942), SÚA Prague, State Secretary K. H. Frank, 109-4-1116.

²⁶ Letter from the Gauleiter (head of a Nazi administrative district) Dr. H. Jura of Vienna to K. H. Frank (March 18, 1943), SÚA Prague, State Secretary K. H. Frank, 109-4-1116.

²⁷ Der Befehlshaber der Sicherheitspolizei und des SD ['Commander of the Security Police and the Security Service'], Minutes taken by E. Weimann on April 2, 1943, cf. Letter by the Reich Protector K. Daluge of April 13, 1943 to W. Pohl (head of the SS-Wirtschafts- und Verwaltungshauptamt), SÚA Prague, State Secretary K. H. Frank, 109-4-116.

²⁸ For more detail see Chapter VI.

²⁹ Circular No. 13/42 of January 8, 1942, AČNB Prague, ŽB, s VII/g-1, Box No. 1152.

³⁰ Internal instruction sent by the National Bank to other financial institutions (September 5, 1941). AČNB Prague, NB-P XXV-257 (123-II), Box No. 787.

³¹ Memo from the Main Branch of the National Bank to F. Müller (March 18, 1942), AČNB Prague, NB-P XXV-257 (123-II), Box No. 787.

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³² Memo from the National Bank, Ref.No. 431/42-hl.ú. of March 18, 1942 to Müller, AČNB Prague, NB-P XXV-257 (123-II), Box No. 787.

³³ Minutes of January 17, 1941 regarding the preparation of diamond sales in Switzerland, AČNB Prague, NB-P XXV-256 (123 - I), Box No. 787.

³⁴ Letter from F. Müller to W. Utermöhle of July 7, 1941, SÚA Prague, National Administration of Properties (Národní správa majetkových podstat - "NSMP"), Box No. 777.

³⁵ Letter from the Chief of the Devisenschutzkommando ('Foreign-Exchange Protection Unit') to the Public Prosecutor at the German Land Court of Justice in Prague of April 19, 1940, AČNB Prague, NB-P XXV-295 (163), Box No. 797.

³⁶ Report of the Hadega Company to the Office of the Reich Protector (December 12, 1940), AČNB Prague, NBČ, P XXV-295(163), Box No. 797. Cf. Letter from W. Utermöhle to the representative of the Auswärtiges Amt at the Reich Protector's Office K. Ziemke (January 6, 1941,) SÚA Prague, NSMP, Box No. 777.

³⁷ Minutes of the Foreign-Exchange Branch prepared for the Head of the Economic Department of the Office of the Reich Protector W. Bertsch (January 18, 1941), SÚA Prague, NSMP, Box No. 778.

³⁸ Letter from the Head of the Foreign-Exchange Branch W. Utermöhle to the Special Emissary of the Reich Bank at the National Bank F. Müller (December 30, 1941), AČNB Prague, NB - P XXV-256 (123-I), Box No. 787.

³⁹ Letter from the Reich Ministry of the Economy to W. Utermöhle (January 11, 1941), SÚA Prague, NSMP, Box No. 777.

⁴⁰ Letter from the Board of Directors of the Reich Bank to the Special Emissary Müller, AČNB Prague, NB-PXXV-257 (123-II), Box No. 787.

⁴¹ Memos from the Office of the Reich Protector to the Hadega Company of March 28, 1941 and July 4, 1941 regarding the preparation of jewels for sale in Portugal, SÚA Prague, NSMP, Box No. 777.

⁴² Letter by W. Utermöhle of June 6, 1941 for K. Ziemke, SÚA Prague, NSMP, Box No. 777.

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- ⁴³ Annual balance sheet of the diamond trade (1942), AČNB Prague, NB-P XXV-295 (163), Box No. 797.
- ⁴⁴ Letter from the Board of Directors of the Reich Bank to Dr. F. Müller dated July 17, 1942, AČNB Prague, NBČ, P XXV-258 (123 A), Box No. 787.
- ⁴⁵ Record of a conversation held on December 26, 1942 between Dr. F. Müller and W. Utermöhle, AČNB Prague, NBČ, P XXV-295 (163), Box No. 797.
- ⁴⁶ Letter from the National Administration of Properties of February 8, 1946 to Dr. Gordon from the Ministry of Labor Protection and Welfare, SÚA Prague, Archive Collection of the Ministry of Labor Protection and Welfare - Repatriation, Box No. 428.
- ⁴⁷ Minutes prepared by Dr. F. Müller for the Head of the Foreign-Exchange Branch W. Utermöhle of October 14, 1941, SÚA Prague, NSMP, Box No. 777.
- ⁴⁸ Proposal by W. Utermöhle submitted to the Head of the Economic Department of the Office of the Reich Protector W. Bertsch; proposed procedure for the expropriation of Jewish valuables, January 18, 1941, SÚA Prague, NSMP, Box No. 777.
- ⁴⁹ Letter from the Head of the Zentralstelle für jüdische Auswanderung H. Günther to the Head of the Foreign-Exchange Branch W. Utermöhle, February 8, 1941, SÚA Prague, NSMP, Box No. 778.
- ⁵⁰ Report about B. Meersmann's stay in Prague from January 16 to January 19, 1941, SÚA Prague, Police Headquarters in Prague ("PP"), 42/M-81/1.
- ⁵¹ Record of talks lead by B. Meersmann with W. Utermöhle and F. Müller on January 16, 1941, AČNB Prague, NB-P XXV -256 (123-I), Box No. 787.
- ⁵² Letter from W. Utermöhle to the representative of the Auswärtiges Amt Kurt Ziemke, SÚA Prague, NSMP, Box No. 777.
- ⁵³ Letter from the Diamant-Kontor Company to the Hadege Company dated October 22, 1941, SÚA Prague, NSMP, Box No. 777.
- ⁵⁴ Letter from the Head of the Foreign-Exchange Branch W. Utermöhle to the Hadege Company dated October 31, 1941, SÚA Prague, NSMP, Box No. 777.

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⁵⁵ Reports about A. Brero's visits to Prague in the year 1941, SÚA Prague, PP, 42/B-76/2.

⁵⁶ Letters by A. Brero of March 20 and May 10, 1941 containing his offers to arrange sales of confiscated jewels in Switzerland, SÚA Prague, NSMP, Box No. 777.

⁵⁷ Report about H. Vögeli's stay in Prague from August 5 to August 7, 1941, SÚA Prague, PP, 42/V-122/12.

⁵⁸ Sales receipt re sale of confiscated jewels to the Vögeli & Wirz Company, September 11, 1941, SÚA Prague, NSMP, Box No. 777.

⁵⁹ Silver balance for the year 1942, AČNB Prague, NBC, P-XXV 295 (161), Box No. 797.

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V. **Scope of the Illegally Seized Assets Consisting of Gold, Platinum, and Precious Stones (Reconstruction)**

The final quantification of the **gold** obtained by confiscations from Jewish individuals, enterprises, and associations is based on several material sources compiled by various authors, both Germans and Czechs. One of the most important sources is the cash journal of a special account at the **Main Branch of the National Bank for Bohemia and Moravia** containing records of purchases and sales of gold obtained by **Hadega (Hakoma)** from Jewish individuals and legal entities. The oldest surviving records go back to January 29, 1941; starting from the aforementioned date, the said cash journal contains complete data covering the entire time period until the post-war era. According to this cash journal, the gold deposits at the **National Bank** amounted, as of April 30, 1945, to 255.85365 kilograms of gold. According to our computation based on an extract from the cash journal re special account of the **National Bank**, we have determined that during the period from January 29, 1941 to April 30, 1945 the **Národní banka** purchased a total of 482.35365 kilograms of gold from the **Hadega (Hakoma)** Company. During the same period, the **Národní banka** sold 226.5 kilograms of this gold to various domestic metal refineries.¹

We have attempted to reconstruct the amount of gold originating from Jewish property on the basis of the documentation surveyed. Shortly after the liberation of Czechoslovakia in the year 1945, the **Central Accounting Department of the National Bank** prepared a survey of the gold reserves as of January 1, 1938, March 15, 1939 and April 30 (or May 7), 1945. Both the balance of October 1, 1938 and of March 15, 1939 contained only three account statements: "Balance of Monetary Gold in Prague", "Balance of Monetary Gold Abroad" a "Gold Balance Abroad in other Accounts" while the balance of April 30 (or May 7), 1945 documents another - fourth - account - "Balance in Prague in other Accounts", containing 281.5 kilograms of pure gold.² This entry shows the current accounting balance of gold originating from Jewish property sold by the **Hadega (Hakoma)** Company to the **National Bank**. This is proven by a document drafted on May 9, 1945 entitled "Detailed Survey of the Development of Gold Reserves of the Czechoslovak National Bank in Prague during the German Occupation, i.e from March 15, 1939 to May 9, 1945" equally indicating the amount of the "receivable gold" to be 281.45474 kilograms.³ The figures contained in the document conform - until April 30, 1945 - with the figures entered in the cash journal re special account of the **National Bank**; therefore, we consider this "receivable gold" to be Jewish gold procured by **Hadega (Hakoma)**.

As the government of the Czechoslovak Republic prepared its memorandum regarding the Czechoslovak reparation claims against Germany, it established on the basis of the then available (today most probably lost) book of accounts of **Hadega**,⁴ that 416,847 kilograms of gold belonging to Jewish owners was purchased through this company.⁵ While comparing this indication with the aforementioned extract from the cash journal of the special account at the **National Bank** kept on behalf of **Hadega**, we discovered a discrepancy of more than 65 kilograms of gold. Due to the fact that **Hadega's** books are no longer available, it is unclear which date was chosen in the government memorandum as the final date for the purpose of determining the amount of gold procured from Jewish owners. We consider the figures contained in the cash journal of the special account of the **National Bank** to be more conclusive.

From April 1943, sales of Jewish gold to the **National Bank** were also conducted by the **Auswanderungsfonds**. The gold purchased by the **National Bank** was incorporated in the

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monetary gold reserves. These purchases are confirmed by receipts issued to the **Auswanderungsfonds** by the **Main Branch of the National Bank** with respect to the quantities of the gold purchased by it; by September 1, 1944 the amount of this gold reached 134.84 kilograms.⁶ The reconstruction of the amount of gold purchased by the **National Bank** from the **Auswanderungsfonds** as of May 9, 1945 is based on the above mentioned document "Detailed Survey of the Development of Gold Reserves" found in the Archives of the Czech National Bank, namely from the indication of the total reserve of monetary gold of 775.64587 kilograms remaining in the vaults of the **National Bank** as of the above named date. After subtracting the item "remaining gold" of the **Czechoslovak National Bank** amounting to 643.47944 kilograms, a total of 132.172 kilograms is obtained; we consider this total to be the actual amount of gold acquired by the **National Bank** from the **Auswanderungsfonds** as of the given date.

Another figure important for the establishment of the total amount of the confiscated Jewish gold appears in connection with the request of the Czechoslovak government to return the gold garnished by the Red Army in 1945 and later transported to the former Soviet Union. In the reference records office of the currency circulation department of the **Czech National Bank** was discovered a document entitled "Detailed Survey of the Development of the Gold Reserves during the Period of the German Occupation, i.e. from March 15, 1939 to May 9, 1945" which was obviously prepared in cooperation with the Soviet authorities to meet their needs.⁷ In this document, 281.45474 kilograms of pure gold was referred to as "receivable gold"; this quantity corresponded roughly to the amount of gold administered by the **National Bank** as that obtained through **Hadega's (Hakoma's)** confiscations of Jewish valuables.⁸

The sum of the "receivable gold" (i.e. gold purchased from the **Hadega** Company), and the monetary gold purchased by the **National Bank** from the **Auswanderungsfonds** produced the closing balance of 413.63017 kilograms of gold - approximately the quantity of gold garnished by the Soviet Union as booty after World War II.⁹

For handling **platinum** obtained from Jewish individuals and legal entities, the German occupation administration introduced rules similar to those applicable to handling silver; the only difference was, that for platinum coming from Jewish valuables deposited at the **National Bank**, the rights of disposal were given the **Überwachungsstelle beim Wirtschaftsministerium in Prague**. The primary collection and distribution point of platinum was **Hadega (Hakoma)**. The sources documenting the movement and distribution of this precious metal are also incomplete. Nonetheless, they corroborate the figures contained in the government memorandum prepared (probably during the first few months after Liberation) for the anticipated reparation negotiations. In Annex I-9-a+b, this memorandum indicates that the amount of platinum originating from Jewish jewelry procured until the end of the war reached 5.251 kilograms.¹⁰

The data regarding the garnished amount of platinum quoted from the memorandum correspond with the surviving inventory records of the platinum account kept by the **Hadega** Company for the years 1941-42. As of December 31, 1941, this account contained 1.3528 kilograms of platinum. In the year 1942, another 3.0688 kilograms of platinum were collected. These figures refer only to the so called "account-processed" platinum; in fact, all platinum was stored in scrap form. By the end of the year 1942, the total quantity of such platinum amounted to 5.4939 kilograms. In 1942, the **Chemical Metal Refineries** in Prague purchased 0.0458 kilograms from the stock of "account-processed" platinum; the **National Bank** itself purchased 0.7741 kilograms.¹¹ The **National Bank** also obtained platinum from **Hadega** during later periods: this is confirmed by the only surviving invoice of August 1944 regarding the purchase of 0.397 kilograms of platinum for

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12,704.00 Protectorate crowns; this sum was deposited in Hadega's current account No. 5000/61 at the **Kreditanstalt der Deutschen**.¹²

In view of the comparison of the data from the government memorandum on restitutions with the balance of **Hadega's** platinum reserves existing at the end of the year 1942 (after the conclusion of main wave of deportations of Jews to concentration camps when most of the platinum objects were collected), the post-war estimate of 5.251 kilograms appears to be conservative and plausible.

The overall development of the **silver** stock procured from Jewish individuals, enterprises, and associations through **Hadega (Hakoma)** and purchased by the **National Bank for Bohemia and Moravia** is documented by several summarizing statements kept at the archives of the said bank. Though the **National Bank** was charged with collecting silver, the exclusive right of its disposal (as it was the case re gold and platinum) had the **Reichsstelle für Edelmetalle in Berlin**.

The first statement prepared by the **Central Accounting Department of the National Bank** indicates the quantity of silver purchased from the **Hadega** Company during the period from April 13, 1940 (when the first consignment of 190.131 kilograms of uncoined pure silver was received by the bank) until November 11, 1941. This first consignment was closely connected with the *Fifth Implementing Ordinance of the Reich Protector of Bohemia and Moravia regarding Jewish Property of June 21, 1939 issued on March 2, 1940* regarding compulsory deposits of Jewish valuables in depots of exchange banks. Jewish citizens were trying to recover at least some of the value by quick sales of their valuables including silver objects. This silver was collected by **Hadega**; the **National Bank** purchased it on as-needed basis in weekly or bi-weekly intervals. As of December 28, 1940, the bank had purchased 1452.70 kilograms of pure silver and 7.367 kilograms of coined silver.¹³ As for the year 1941, data regarding silver are available only for the period from January 10 to October 10. In the vaults of the **National Bank** were deposited another 596.679 kilograms of uncoined pure silver (i.e. recast silver) and 4.453 kilograms of coined silver. Between April 13, 1940 (when the *Fifth Implementing Ordinance* came into force) and October 10, 1941 (shortly before the first transports of Jews were dispatched), **Hadega** sold 2049.387 kilograms of uncoined silver and 11.82 kilograms of coined silver to the **National Bank**.¹⁴

Another usable summarizing statement was prepared directly by the **Hadega** Company. It corroborates that as of December 31, 1941 the Company's had stockpile of 1877.374 kilograms (gross weight) of coined and uncoined silver (this means that its net weight amounted to 1486.80 kilograms). In the course of the year 1942, **Hadega** acquired another 12,794.2668 kilograms (gross weight) of coined and uncoined silver from Jewish sources. This amount corresponded to a net weight 8646.179 kilograms. Consequently, the aggregate quantity of Jewish silver which had passed through **Hadega** from 1941 to 1942 amounted to 13,562.00 kilograms of coined and uncoined metal. **Hadega** sold nearly the entire amount of silver it obtained to the **National Bank for Bohemia and Moravia**. Only 24.456 kilograms (gross weight) of silver coins were submitted to the **Reich Bank in Berlin**. In the year 1942, negligible quantities of silver were sold to two companies: **Alexander Brero Co. in Biel** (4.96 kilograms) and the **Otto Sauter Co. in Berlin** (0.12 kilograms).¹⁵

No further summarizing accounts documenting the movement of the Jewish silver are available for the remaining years of the German occupation. There is no doubt that the confiscations

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and purchases of Jewish silver continued also in this period but its yield declined in direct proportion to the decrease of the Jewish population disappearing in the concentration camps. This is confirmed by one of the rare surviving documents of September 1944 in which the **Reich Bank in Berlin** confirmed receipt of a consignment 3.4 kilograms (gross weight) of silver coins from the **Hakoma Company**.¹⁶

Until the end of the year 1942, **Hadega** had obtained 13.5 metric tons of silver (gross weight) from Jewish individuals, enterprises, and associations. The post-war restitution memorandum of the Czechoslovak government indicates that **Hadega** obtained a total of 16.7 tons of silver. The difference between these two figures (3.2 metric tons) was probably caused by including an additional amount of silver accumulated by **Hadega** in the remaining years of World War II. This means that the data contained in the memorandum can be accepted as adequate also with respect to Jewish silver.¹⁷

Unlike gold, silver or platinum, the **diamonds** confiscated from Jewish subjects were not passed on to the **National Bank** for further handling; the entire process of collection and sales of diamonds was conducted directly by **Hadega**. In this area, **Hadega** maintained business relations with the Reich-German institution **Diamant-Kontor in Berlin**.

The surviving sources regarding the fate of Jewish diamonds are also quite incomplete. It is therefore impracticable to elaborate a more exact summarization indicating the total amount of diamonds procured from Jewish individuals, enterprises, and associations in the Protectorate of Bohemia and Moravia. Nevertheless, it is possible to reach certain conclusions on the basis of the surviving documents of the **Hadega Company**.

While drawing an analogy with silver, it may be inferred that the vast majority of Jewish-owned diamonds was obtained in the years 1941 and 1942. As of December 31, 1941 **Hadega's** inventory contained 416.11 carats of diamonds (including brilliant cuts) and 23.21 carats of rosette cuts. A document of June 12, 1942 prepared by the **Economic Group at the Office of the Reich Protector** confirms that as of April 1, 1941, 6393 diamonds (total weight of 533.63 carats) and, as of August 12, 1941 another 3610 diamonds (total weight of 339.60 carats) from the Protectorate had been sold abroad; no target country is specified.¹⁸

During the year 1942, **Hadega** took possession of 3839.464 carats of diamonds (brilliant cut) and 239.745 carats of diamond rosettes. A small portion thereof, only 38.29 carats of diamonds, was sold in Slovakia. The vast majority of diamonds (brilliant cut) totalling to 2872.30 carats was sold in the domestic market; the same applies to diamond rosettes (381.846 carats sold to domestic customers). The sales of diamond rosettes exceeded their book value; therefore, in the volume designated for sale had to be included a portion of the yet unregistered stock of diamonds. By the end of the year 1942, the sales volumes had reached 2348.66 carats of diamonds (brilliant cut) and 513.15 carats of diamond rosettes. According to the surviving stock record, 5128,80 carats of diamonds (brilliant cut) and 582,041 carats of diamond rosettes passed through **Hadega's** books in the years 1941 - 1942; a part of this volume had been stored as **Hadega's** company deposit at the **Böhmische Escompte-Bank in Prague**.²⁰

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¹ Cash journals of the National Bank containing records of gold purchases from the Hadega Company (later renamed Hakoma) and sales of its gold to individual metal refineries in the years 1941-1945, AČNB Prague, NB-P XVII-332/8, Box No. 430a.

² Gold inventory at the National Bank as of October 1, 1938, March 15, 1939, and April 30, 1945, AČNB Prague, NB-P XVII-103/23. Central Accounting Department. Box No. 337.

³ Annex 10 to the Report by Š. Račák, LLD, prepared for the Chairman of the Czechoslovak State Bank J. Tošovský, Prof.Eng. (September 15, 1990), Reference No. i 19/10-90, AČNB Prague, Czechoslovak State Bank (Státní banka československá - "SBČS"), Currency Circulation Management - Reference Records Office.

⁴ The archives contain no record of any authorized destruction or relocation of Hadega's books.

⁵ Undated memorandum regarding restitutions, AČNB Prague, NB-P XVII-330, Box No. 424.

⁶ Bookkeeping certificate of September 1, 1944 documenting the sale of 55.53 kilograms of gold for the total amount 1,545,941.30 Protectorate crowns, whereby the volume of such sales reached 134.84 kilograms of gold and yielded a total of 3,281,989.60 Protectorate crowns; the National Bank paid out this amount to the Auswanderungsfonds in Prague. AČNB Prague, NB-P XVII-332/8, Box No. 430a.

⁷ For more detail see Chapter VI.

⁸ Report by Š. Račák, LLD, prepared for the Chairman of the Czechoslovak State Bank J. Tošovský, Prof.Eng. (September 15, 1990), Ref.No. i 19/10-90, AČNB Prague, SBČS.

⁹ For more detail see Chapter VI.

¹⁰ Memorandum on restitutions (undated), AČNB Prague, NB-P XVII-330, Box No. 424. This memorandum refers to Annex I-5 dealing exclusively with Jewish-owned jewelry is still unaccounted for in spite of a considerable effort to locate it.

¹¹ Annual balance sheet of the platinum trade (1942), AČNB Prague, NB-P XXV-295 (163), Box No. 797.

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¹² Letter from the National Bank for Bohemia and Moravia to Hakoma (August 14, 1944), Archives of the Capital Prague (Archiv hlavního města Prahy - "AMP"), FNO, Box No. 14.

¹³ Statement of the Central Accounting Department of the National Bank re silver purchased from the Hadege Company (November 11, 1941), AČNB Prague, NB-P XXV-295 (163), Box No. 797.

¹⁴ Ibid.

¹⁵ Hadege's silver statement for the year 1942, AČNB Prague, NB-P XXV-295 (163), Box No. 797.

¹⁶ Communication from the Reich Bank to Hakoma (September 8, 1944), SÚA Prague, National Administration of Properties (Národní správa majetkových podstat - "NSMP"), Box No. 777.

¹⁷ Undated memorandum issued by the Government of the Czechoslovak Republic, AČNB Prague, NB-P XVII-330, Box No. 424.

¹⁸ Letter by the Economic Group at the Office of the Reich Protector Ref.No. 2/29-42 II/1-3 F of June 12, 1942, Vorprüfungsstelle Edelstein- und Diamant-Industrie, Idar-Oberstein 2, AČNB Prague, NB-P XXV-295 (163), Box No. 797.

¹⁹ Annual balance sheet of the diamond trade (1942), AČNB Prague, NB-P XXV-295 (163), Box No. 797.

²⁰ Account 'Diamonds (brilliant cut) and diamond rosettes' for the years 1941-42, extract from Hadege documentation kept at the National Bank, AČNB Prague, NB-P XXV-295 (163), Box No. 797.

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VI. Fate of the Jewish-Owned Gold Purchased by the Protectorate Bank of Issue; Post-War Fate of Jewish Movable Goods until the End of World War II

It is extremely difficult to track the movable goods belonging to the persecuted Jewish population from the Czech Lands after the end of World War II; tracking gold, precious metals, precious stones and jewels made of such materials is virtually impossible. To make matters worse, only few sources have survived, and the existing documents are kept in many different places. In addition (as shown below), the information content of the existing documents is very limited. The Czech Protectorate administration, and, after the war, the Czechoslovak state administration was never provided with access to more accurate comprehensive data. During the war, the information blackout was consistently maintained by the German occupation administration. Paradoxically, the liberating power - the Soviet Union - introduced a very similar restrictive policy after the war.

The preceding chapter (V.) shows that a portion of the Jewish gold stolen by the Nazis (413.6 kilograms) was incorporated in the gold reserves of the central bank of issue of the Protectorate as a result of the activities of the Foreign-Exchange Department of the **National Bank for Bohemia and Moravia** (Main Branch) which was directly administered by German executives appointed by the Reich. The total increase of the gold reserves which was also coming from many other sources can be specified very exactly. Between March 15, 1939 and May 9, 1945 the gold reserves grew by a total of 417 kilograms.¹ The main objective of Chapter VI is to trace the fate of this increment after the war.

When the war was over, some of the stolen Jewish gold and other precious metals, precious stones and other movable goods remained unsold (though the bulk of such assets was sold, in one way or another, for the benefit of the Third Reich). By the end of the war, certain assets (now unfortunately untraceable) were still in trust of the **Vermögensamt** and the **Auswanderungsfonds**; both institutions had deposited these assets in the vaults of the **Böhmische Escompte-Bank** and **Böhmische Union-Bank**. The largest financial institutions in the Protectorate, exclusively (ethnic) German - **Böhmische Escompte-Bank**, **Böhmische Union-Bank**, and above all **Kreditanstalt der Deutschen** - still held financial means seized from the persecuted Jewish population.² An investigation of the post-war fate of these Jewish assets represents the second objective of the present chapter.

* * *

Like in March 1939 when the occupying German force was accompanied by a host of banking specialists lead by the General Manager of the **Reich Bank Müller**, eager to fulfil their task at the Czechoslovak National Bank, the liberating Red Army was also accompanied by a specialized group - employees of the **Soviet State Bank (Gosbank)** taking care (in the course of the liberating military operations) to secure certain bank assets as a booty in favour of the victorious power. Their activities were very extensive but they lacked central coordination and were not regulated by any legal provisions; they used hit-or-miss approaches, lacked administrative skills, were inconsistent, and quite often simply incompetent. The soviet booty "specialists" worked in German financial institutions but also in purely Czech or Slovak banks. At times, they were only interested in cash, in other instances, they even destroyed strongboxes containing deposits; some of these specialists were after securities, typewriters etc. If the bank officers sometimes managed to prepare documentation about hand-over of assets and register the assets garnished by the Soviet authorities, in other cases, summary requisitions were conducted and no exact information about the confiscated property could be obtained in the post-war period.³

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Crucial for the further fate of the Jewish property were the Soviet booty actions in Prague, namely at the headquarters of the above named German financial institutions (**Böhmische Escompte-Bank, Böhmische Union-Bank, Kreditanstalt der Deutschen**), as well as at the **National Bank for Bohemia and Moravia**. The Soviet procedure was supposed to conform with the general rules of the international law and the specific *Treaty about the Mode of Utilization of Booty on the Czechoslovak Territory* concluded between the Czechoslovak and Soviet governments.⁴

The treaty defined the property to be considered German as that created on the territory of Czechoslovakia during the war or brought to this territory during the war period. The provisions of the treaty specifically stated that any pre-war property belonging to Czechoslovak citizens of German ethnic origin was not to be considered German property. The Soviet partner was to limit its booty claims to enterprises and property "which had a substantial military significance" and could be used in any future military operations. The Soviet embassy had the obligation to provide the Czechoslovak government with the names of businesses and specify any equipment, raw materials, semi-products or finished products taken out of the country. By adopting this treaty, the Soviet partner gave up most of the booty claims it might have had on the Czechoslovak territory. In practice, the Soviet authorities acted contrary to the generally applicable international laws and the above named bilateral treaty which both exclude the property of private citizens from any booty claims. The agents of **Gosbank** immediately confiscated the property belonging to the Czechoslovak state, its citizens and legal entities. Among others, they assumed exclusive control of the vaults of the above named four financial institutions in Prague.

The Soviet seizure of the bank of issue (**National Bank**) and four other important banks owned by the local ethnic Germans (all of those financial institutions had already existed before World War I) became one of the main contentious issues between Czechoslovakia and the Soviet Union. The Czechoslovak diplomacy was striving to solve this problem from early May of the year 1945 and tried to obtain the return or release of the property involved. Already a document prepared on May 15, 1945 for the State Secretary V. Clementis before his planned talks with the Soviet Ambassador to Prague V. Zorin defined as one of the priorities to "negotiate the issue of how to interpret of the booty agreement: even in the Czech Lands, the Red Army confiscates vehicles, factories, and farm properties previously administered by Germans and mistakenly considers it German property even though it is Czech property previously expropriated by the Germans in course of their persecution of the Czechs".⁵ The following day, Clementis indeed asked the Soviets to release the "garnished safes and deposits".⁶ The Soviet reply of May 22 seemed promising. In it, the Soviets informed the Czechoslovak side that the impounded strongboxes would be released providing that they belonged to Czech banks; it was true that the German safes had been sealed but if they contained Czechoslovak property, the Czech side should make the respective claims.⁷

In practice, it became clear that the Soviet side did not intend to redress the situation. While it is true that the negotiations conducted between the Czechoslovak Prime Minister Z. Fierlinger and the Red Army Marshal Konev on June 7 lead to the release of some industrial enterprises, it is also true that the provisions of the Czechoslovak-Soviet intergovernmental treaty of March 31 were not applied. The "R" department of the Ministry of Foreign Affairs specializing in this problem area stated that the treaty of March 31 regulating booty claims was never followed by the Soviet booty

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troops; on the contrary, these troops "were always lead by completely opposing principles and applied their booty claims to any movable or demountable property considered 'German' in the widest sense of the term". Following an intervention, the Soviet authorities sometimes granted exceptions in favour of the Czechoslovak side. In other instances, they did not hesitate to commandeer Jewish property that had been "Aryanized" by the Germans or seize the assets of Czechoslovak firms forcefully subjected to German administration etc. The military importance of the objects confiscated by the Soviets was not even considered. In June 1945, during the visit of a Czechoslovak government delegation to Moscow, Fierlinger managed to obtain an unspecified informal promise from Stalin to send a special commission to Prague to settle the problem of banks. However, this promise was never fulfilled.⁸

The gravest problem was caused by the obstruction of the vaults of the **National Bank**. On May 17, the vaults were placed under the direct control of the Red Army, and the bank had no access to its money supplies. Therefore, on July 17, 1945, eight memoranda regarding the retained or garnished property (including Jewish property) were prepared for V. Zorin.⁹ An abstract of these memoranda was prepared for Clementis. The abstract inferred that significant problems lied ahead since the Soviet military authorities impounded assets of some financial institutions without preparing any inventory. The government convened on August 21, 1945 and asked the Defence Minister L. Svoboda to get in touch with the Soviets. Besides military issues, Svoboda was supposed to negotiate "all unresolved legal problems and issues concerning booty".¹⁰ The minutes of the negotiations conducted with marshal Konev in Baden near Vienna on September 10 by the Minister of Defence Svoboda, the Chief of Staff General Boëek, and the State Secretary Clementis indicate that Konev "could do nothing but request a decision from Moscow".¹¹ Unsuccessful was also Clementis' new request to solve the situation of bank vaults presented in negotiations with Zorin on October 8 or the written memorandum submitted two weeks later in connection with an incident at the **Böhmische Escompte-Bank**. The executives of the **Prague Credit Bank (Pražská úvěrní banka)** charged with the dissolution of the **Böhmische Escompte-Bank** broke the seals placed on the safe by an officer of the booty department of the CGV (Tzentralnaya Gruppa Voysk - 'Central Army Group') and opened the safe. After the Ministry of Finance had learned about the incident, it resealed the safe and dispatched an apology to Moscow.¹² Prague did not wish to resolve the dispute by creating a *fait accompli*; instead it was striving to reach a satisfactory arrangement to prevent repercussions in mutual political relations between Czechoslovakia and the Soviet Union.

The above mentioned incident brought a positive result: Moscow finally decided to act. Prague was informed that the Soviet military authorities had been instructed (after more than six months) to reopen the vaults of the Prague banks. The representatives of the War Department of the **State Bank of the USSR** and the representatives of the Czechoslovak Ministry of Finance began a joint inspection of the vaults' contents. On November 2, the vaults of the **Czechoslovak National Bank** were opened, and on the following day those of the **Böhmische Union-Bank**. Precisely at that moment, a new problem emerged. From the main vault, the Soviet officers released only the safes clearly belonging to Czech principals. They sealed all controversial safes and began preparing their transfer to the USSR.¹³ They were not willing to discuss the bilateral treaty or points international law. This development resulted in a Czechoslovak protest memorandum submitted to the Soviets on November 8, 1945. In it, the Czechoslovak government explained its legal opinion, namely that the bank assets and deposits could not be subject to booty claims; on the contrary: the Czechoslovak government claimed all bank assets and deposits placed under the Czechoslovak national

administration by the decree of the Czechoslovak President of May 19, 1945 and subsequently confiscated by the presidential decree of October 25, 1945 for the benefit of the Czechoslovak state. This memorandum once again referred to the wording of the intergovernmental treaty of March 31 and argued that any funds, valuables or accounts belonging to individuals or legal entities were absolutely excluded from the booty claims (in accordance with the *Laws and Customs of the Ground War, Annex to the Final Act of the Second Peace Conference of 1907*). Finally, it insisted that the Czechoslovak state needed these assets to heal - at least partially - the heavy wounds inflicted to it by the German occupation; moreover, the Germans had obtained most of these assets by theft, use of force, and fictitious legal acts.¹⁴

This protest memorandum did not bring any results; the opening of the vault of the **Böhmische Escompte-Bank** on November 12 followed the same old Soviet scenario, and a new controversy regarding the securities deposited in the bank flared up (the value of these securities exceeded seven million Czechoslovak crowns). Dr. Rejholec wrote in his account for the Czechoslovak embassy in Moscow: "The Soviet representatives, probably directed by Zorin himself, have applied strong pressure and indicated that in case of any disagreement, they could remove everything from the Union Bank and the Bohemian Discount Bank [**Böhmische Escompte-Bank**] ... They drew our attention to the fact that there were more German deposits in other banks, and that the Soviets could claim such deposits retroactively."¹⁵ At the same time, a new problem surfaced at the National Bank as "the Russian delegates were trying to find in the vaults anything to justify their guarding the vault for half a year to prevent us from entering it". "Anything" referred to two gold bars bearing the Soviet hallmark. The Soviets considered them stolen property. Prague argued that the bars were acquired by the Skoda Company in Switzerland before World War II for foreign currency earned by its exports.¹⁶ Next came the Czechoslovak request to release 417 kilograms of gold considered to be an accretion of the gold reserves accumulated by the **National Bank for Bohemia and Moravia** from March 1939 to May 1945.

During the dispute over the vault of the **Kreditanstalt der Deutschen** on November 15, the Czech side argued that it contained no German property and that its substantial part consisted of "stolen Czech and Jewish property".¹⁷ The procedure of opening bank vaults always followed the same scenario. Each time, the Soviets released only the safes and property belonging to individuals bearing distinctly Czech names and refused to talk even to principals of Czech parentage who had German names; those principals received nothing. The Soviets declared that those principals could assert their claims at a later point, in writing, through the Czechoslovak diplomatic channels, if they produced an official proof of their Czech ethnicity. By a note of January 23, 1946 Czechoslovakia asked the Soviets to unfreeze the accounts and safes at the **Böhmische Escompte-Bank** and the **Böhmische Union-Bank** registered in the name of the **Vermögensamt** or the **Auswanderungsfonds**.¹⁸ After the first inventory in November 1945, the vault of the **Czechoslovak National Bank** was resealed and continued to be guarded by a Soviet military guard. The representative of the **State Bank of the USSR** had even left Prague.¹⁹

On January 30, 1946, the Soviet government presented the Czechoslovak embassy in Moscow with a "compromise" proposal. Prague considered this proposal virtually unacceptable. The Soviets held that the Czechoslovak claim to 417 kilograms of gold was unsubstantiated; since the Czechoslovak gold reserves were running low, the refusal to release this gold would have hit the National Bank rather badly. Unacceptable was also the refusal to release all cash holdings in

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German marks: there would be no means to pay for the transfer of the German population; in addition, according to the Soviet proposal, the USSR was to receive all Jewish bank deposits. The National Bank stressed that the gold accretion was completely legitimate since the bank acted as a bank of issue, purchased gold and allocated it for dental applications, industrial purposes etc.²⁰

On February 15, even before the official text of the Soviet memorandum arrived in Prague, and before the Czechoslovak authorities could react to it, the representatives of the War Department of the **State Bank of the USSR** at the CGV (Central Army Group) visited the Czechoslovak Ministry of Finance. They acted upon an order to hand over to the Czechoslovak government all assets unclaimed by the Soviet government and, on the other hand, definitely appropriate all remaining assets as booty. A Czechoslovak note of the same day asked the Soviets to halt the order issued to the War Department of the **State Bank** on the grounds that the document of January 30 contained certain unclear points. At the same time, Czechoslovakia intimated its intention to dispatch to the USSR a special delegation of experts to discuss the issue.²¹ However, the Soviet side tried to prevent the visit of a Czechoslovak delegation to Moscow since the Soviets basically viewed the whole issue as settled - this assumption is confirmed by the comportment of the Soviets and their attempts to take over the disputed assets. No sooner than in ten days, on February 26, the Czechoslovak ambassador to the USSR Horák was informed, that it was unnecessary to dispatch any Czechoslovak bank specialists to Moscow - nobody there had sufficient knowledge about the dispute or any authorization to decide it; by that time, the Soviet ambassador to Prague Zorin and the representative of the **State Bank** in Prague had already received instructions to solve the issue there.²²

In the meantime, Prague had lost patience. In the opinion of the Czechoslovak authorities, the procrastination surrounding the issue of the Prague banks involving "resources in the order of billions" had to be concluded speedily. Apart from the difficulties experienced by the **National Bank**²³, there were serious legal implications: holders of securities which were held in the sealed safes could not meet the legal registration deadlines set by presidential decrees and other restitution regulations.²⁴ At its meeting held on February 26, the government directed the Czechoslovak Foreign Minister J. Masaryk to solve the vault issue with Zorin within twenty-four hours. Masaryk subsequently asked Prime Minister Fierlinger to extend the deadline by another twenty-four hours. The following day, an inter-ministerial meeting chaired by Masaryk was held.²⁵ According to the information presented at this meeting, the list of the contested assets included eighty-nine boxes kept at the **Böhmische Union-Bank** and four hundred and sixty boxes kept at the **Böhmische Escompte-Bank** (of this number, 259 boxes contained deposits of the **Vermögensamt** and/or the **Auswanderungsfonds**). In view of the political character of the issue, J. Masaryk requested explicit government instructions how to proceed.

Meanwhile in Moscow, the Ambassador Jiří Horák negotiated about the **Böhmische Escompte-Bank** and the **Böhmische Union-Bank** during an audience with the Deputy Minister of Foreign Affairs Vyshinski. However, Vyshinski declared that a Soviet delegation consisting of major I.E. Gimmelfarb and captain Malich was already in Prague; the truth was that Gimmelfarb and Malich stayed in Prague as representatives of the Soviet **State Bank**.²⁶ The attempt to reach an acceptable solution was made already the following day - on February 28. On the Czechoslovak side, the negotiations were conducted by the Minister of Foreign Affairs Jan Masaryk, the Minister of Finance Šrobár, another representative of the Ministry of Finance Dr. Prokop a the representative

of the **National Bank** Dr. Miloš Horna, the Soviet side was represented by Ambassador Zorin and the above named representatives of the **Soviet State Bank**.²⁷

The Czechoslovak side explained its position regarding the issue of gold, cash, and Jewish property and again argued that these assets were not subject to any booty claims since they belonged to victims of political and racial persecution. It proposed forming a joint commission to inspect the contents of the suitcases. In his concluding statement, Masaryk assured the Soviet representatives that "the Czechoslovak government, though it was lead by its desire that the Soviet government respected the explanations and wishes presented in this meeting and contained in the government minutes, it was always ready to accept new decisions made by the Soviet government; should the Soviets still insist, notwithstanding the explanations presented in the present meeting, that all the instances involved constituted booty; the Czechoslovak government would accept this decision..."²⁸ These formulations reflected the complicated international status of Czechoslovakia and contained a political calculation. It did not result from any personal initiative on the part of the Foreign Minister Masaryk - it was based on a previous government decision. The Soviet partner subsequently used the offer without any scruples (see below). In its substantial passages, the memorandum submitted to the Soviets on this occasion quoted the government decision including the promise to comply with the Soviet decision and stated the express wish of the government "to form a commission to determine the content of all suitcases and packages since it was not impossible that they contained valuable objects of historical value; the whole situation would clarify if both sides knew the content of these suitcases."²⁹

During these negotiations, Zorin behaved very arrogantly^{30a}, and the Czechoslovak side came to the conclusion that Zorin was intentionally misinforming Moscow. It was therefore decided to relay a very detailed account of the negotiations to the Ambassador Horák in Moscow to provide parallel information to the Soviet authorities. At the same time, the government decided (again for obvious political reasons) to inform the Soviet embassy (this was done on March 4) that the government had instructed all its agencies, in order to facilitate the implementation of the order received by the representatives of the **State Bank of the USSR** in the sense of the Soviet memorandum of January 30, 1946, to take over the assets which the Soviet government decided to release without preventing the execution of the remaining part of the Soviet order. It was stressed that this decision applied merely and exclusively to the four banking institutions based in Prague. Dr. Rejholec expressed his disappointment in the entry following in the department log: "If, by today's decision, we are giving up the gold reserves of the National Bank or the property belonging to the victims of German persecution, we are surrendering the most easily defendable positions. By doing so, we shall worsen our position in all remaining, less convincing cases, in spite of voicing our present reservations."³¹

The difficult negotiations were concluded by handing over Zorin's note of March 20 addressed to J. Masaryk. The note confirmed the readiness of the Soviet booty organs to release the assets demonstrably belonging to Czechoslovak citizens but the assets of the **Vermögensamt** and the **Auswanderungsfonds** were subject to confiscation except for any parts proven to belong to concrete persecuted individuals. From the total claim of 417 kilograms of gold, the Soviet authorities released 20 kilograms to the Czechoslovak side. At the same time, they released a collection of historic gold coins. The consent to this final decision contained in Jan Masaryk's note

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of March 28, 1946 to V. Zorin meant that the substantial, qualitatively and quantitatively unidentifiable part of the Jewish assets was in fact surrendered to the Soviet Union.³²

It is quite clear that Masaryk considered this solution unsatisfactory. This confirms his encoded message addressed to the Czechoslovak Ambassador to Moscow Dr. Jiří Horák which was dispatched the following day; the message ended with the following words: "Though we have accepted the decision of the Soviet government, try to ask the NKID [Narodny Komissariat Inostrannykh Del - 'People's Commissariat of Foreign Affairs'] to re-examine the issue of gold legally obtained by the National Bank since this gold was owned by Czechoslovakia already before the German occupation".³³ Another form of protest expressed the Czechoslovak approach to the handover of the gold in question and of other objects. In its memo to the Ministry of Finance, the Ministry of Foreign Affairs reminded that "it would not be appropriate to state in the record of the handover that it constituted an act of implementation of an agreement between both governments or that the scope of the Soviet booty had been determined by mutual agreement; essentially, the handover is based on an independent decision made by the Soviet government and we merely chose not to raise any further objections to it."³⁴

The possibly best description of the background and consequences of the negotiations contains the comprehensive account dispatched by messenger to the Moscow embassy. It includes the following statement: "Most perplexing in the whole matter is the fact that the Soviet government did not in the least react to our legal arguments and did not even attempt to refute any of them". The account adds that the **National Bank** protested against the results of the negotiations, reserved the right to claim damages and directly refused to cooperate while its property was taken to the Soviet Union. The Ministry of Finance feared further difficulties in implementing the decision of the Soviet government. It referred to its previous experience with the representatives of the **State Bank of the USSR**. In particular, it anticipated difficulties in providing proof of citizenship and documenting ownership of cases and valuables. The author of the account added that the Ministry of Foreign Affairs was well aware of such difficulties but tried to avoid that its reply to Zorin's note of March 20 was "burdened by reservations". It passed on the whole responsibility to the Ministry of Finance which was to defend the principle that the cases were to be released to Czechoslovak citizens regardless of their ethnicity; the proof of ownership was supposed to be based on the respective bank records.³⁵

The malevolence, inflexibility and arrogance of Moscow confirming the worst fears of the Czechoslovak government was once again demonstrated by Vyshinski during his meeting with the Czechoslovak Ambassador Horák on April 4. Vyshinski declared that the decision taken by the Soviet government was based on the reports of its experts working in Prague. He declared that Czechoslovakia could not prove that the disputed gold was of Czechoslovak provenance and that the reichsmarks were obtained for Czechoslovak crowns. Horák's objection that the respective proof had been submitted was ignored. Vyshinski repeated that the Soviet government would not claim a single kilogram of gold of Czechoslovak origin. The Soviets would not refuse to reopen the negotiations providing that "exact documents" regarding the case were submitted.³⁶ The direct opposite was true. The Soviet "experts" in Prague increased their activity to take away the booty. Major Gimmelfarb lodged complaint after complaint and the highest government offices were trying to solve the problem of empowering an official to attend the booty's handover from the bank vaults.³⁷

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The choice fell on Dr. Prokop from the Ministry of Finance but the minister Šrobár refused to sign the proposed full powers though the document intentionally contained very narrow formulations to enable Prokop to refuse to sign the handover report. Šrobár requested a government discussion. At 11:00 AM, Gimmelfarb complained by telephone to Zorin. Finally, at 4:00 PM, the problem was solved by the Prime Minister Fierlinger immediately after he received Zorin's protest letter. Fierlinger personally signed the respective full powers and verbally explained his point to Prokop: "... we have no choice but to do what we have promised; we can justify it quite easily since the Soviet Union has made valuable concessions in the matter of border adjustment between Slovakia and the Ukraine (the village of Lekard and several acres of woods)." Therefore, the handover procedure could begin already on the following day, April 4 (incidentally, it was the date of Horák's audience with Vyshinski).³⁸

The handover of the vaults belonging to the three above mentioned ethnic German financial institutions took place between April 4 - 15. It was quite remarkable.³⁹ At first, nothing went smoothly. Gimmelfarb refused to open the cases before they were carried away and mistook Czechoslovak Germans for citizens of the German Reich. According to the first report, only eight from a total of eighty-nine suitcases and packages kept at the **Böhmische Union-Bank** could be "salvaged". In the next few days, upon Prokop's wish, Gimmelfarb finally agreed to open some suitcases, above all the heavy ones. It was supposedly discovered that their content "was indeed of little value: clothing, linen, worthless paintings, etc.". Allegedly, a more substantial value had only the suitcases belonging to Count Nostitz. The number of the suitcases released to the Czechoslovaks rose from eight to thirty-seven. Most of the lighter suitcases referred to as "airplane suitcases" remained unopened.

In the following days, the whole process was accelerated. The handover procedure at the **Böhmische Escompte-Bank** was accomplished in two days (April 10 and 11). Prokop called the result "fair", since all Jewish suitcases, packages and boxes had been released providing they had a name tag. Among the objects requisitioned by the Soviets were forty-four boxes containing e.g. assorted silver spoons, forks, old banknotes, and diverse "objects of lesser value" with no name tags attached. "Salvaged" by the Czechoslovaks were various things, among others five suitcases belonging to the Micke company containing "expensive silverware". From a total number of 460 items, 290 was released from the Soviet custody. On Saturday April 13 the handover at the **Kreditanstalt der Deutschen** was completed. In the end, the Soviet representatives showed no interest in securities. Dr. Prokop's final report on the handover of vaults of German banks expressed satisfaction. It spoke of a great success then from 549 items 329 were released and "only" 220 were forfeited. Nonetheless, not all suitcases taken away by the Soviets had been opened for inspection. Colonel Stepanov who supervised the takeover together with Major Gimmelfarb promised that "if any subject associated with the Czechoslovak Republic was discovered in the suitcases taken away by the Soviets, it would be returned". At the same time, the gold from the National Bank was made ready for transportation to the Soviet Union. Stepanov promised to leave the gold on the side to be released if the objections raised by the National Bank were sustained.

A detailed gold flow statement for the period between March 15, 1939 and May 9, 1945 prepared by the **Czechoslovak National Bank** was handed over to Zorin on April 29, 1946.⁴⁰ The Czechoslovak side still considered the issue of the monetary gold open. In June 1946, it was finally

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settled on the highest level during a visit to Moscow of the Czechoslovak government delegation lead by the Prime Minister K. Gottwald. To solve the existing problem of liquidating the economic consequences of the war, a special expert commission was created on July 22; Czechoslovakia was represented by the chief executive of the National Bank L. Chmela, the former Minister of Finance Outrata, and the Ambassador Z. Augenthaler. The commission was given the task to prepare until the next day its proposal for a definite solution.⁴¹

The commission had indeed prepared and submitted its proposal; it was then discussed and a solution was reached. The whole matter was settled in a very unconventional manner. Though the dispute involved assets of considerable value, no detailed official record was taken and the negotiations were not concluded by a written agreement. The official communiqué merely mentioned that the USSR gave up its booty claims to the Chemical Plants in Most (then named after Joseph Stalin) and that the Soviet government considered the property of individuals and legal entities, irrespective of their ethnic origin, to be Czechoslovak property; in other words, the assets of the German transferees were also considered Czechoslovak property. From the preceding text follows that the Soviet booty officials did not adhere to the principles of the communiqué: otherwise, they would not have claimed three Prague-based German banks and impound their assets whose value had remained, for the largest part, unknown to the Czechoslovak authorities.

Since the agreement was concluded only in verbal form, the respective ministry had difficulties to establish its content after the return of the negotiators from Moscow. All of them prepared their own personal records but these records are not mutually compatible in all points. The most extensive record was prepared by Augenthaler. The results of the negotiations can be summarized as follows:

1. The Soviet representatives refused to accept any Czechoslovak claims
2. The Soviets declared that it would be difficult to return the securities taken out of the country and suggested the Czechoslovak side to cancel them and replace them by new securities; the USSR would then present none the old securities for collection.
3. The Soviets declared that the suitcases taken from the Prague-based banks did not contain the lost university insignia or other objects of historic value.
4. The Soviets declared that they considered the gold issue closed and asked the Czechoslovak government not to return to it since it had accepted the Soviet decision. It turned out that none of the statements regarding the gold movements prepared by the **Czechoslovak National Bank** and handed to the Soviet embassy in Prague was sent to Moscow. In view of the respective government decision, the delegation abandoned the issue of return of gold.⁴² (The remaining economic agreements under discussion did not involve the issue scrutinized by the present report).

According to Augenthaler, the negotiations were prolonged and complicated; the problem itself was dealt with on the highest level. Even Stalin took part in the discussions. He allegedly joked that the extensive Czechoslovak claims must have been fabricated ad hoc given that just the value of the commodities taken out of the country amounted to five billion crowns. Subsequently, the origin of the claims was discussed. Stalin reportedly did not deny that "behind the military units of the Red

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Army stalked the 'trofeichiks' [booty officers] who seized anything they could put their hands on". Thanks to this insight, the Czechoslovak claims tilted the scales, and the final result of the talks was considered fair.

A paper summarizing the entire problem area of the booty agreement submitted by the Ministry of Foreign Affairs to the Ministry of Finance provided an interpretation of the agreement reached by the government delegation on July 26, 1946. The paper stated that whereas it became possible to acknowledge the claims of the wronged parties with respect to the securities seized by the Soviets, "any other property must be considered lost due to the war actions" (underlined by the authors of the paper).⁴³

The seemingly quite illogical compliance of the Czechoslovak side vis-a-vis the authoritative comportment of the Soviet partner in a situation where the legal evaluation of the economic issues spoke clearly and unmistakably in Czechoslovakia's favour had a distinctly political background concerning the solution of several issues which had crucial importance for Czechoslovakia: the USSR promised its support in these issues and, for the most part, indeed provided it in the international arena. Let us name at least the transfer of Germans which was already under way at that point, the issue of the Slovak Hungarians then debated at the Peace Conference in Paris, the dispute with Poland regarding the Těšín Region and the Czechoslovak claims to the Kladsko Region or the Czechoslovak territorial claims against Germany. The Soviet diplomacy was well aware that this context would prompt Prague's compliance. The gold belonging to the Czechoslovak National Bank and assets of individuals and legal entities did not represent the primary concern of the Czechoslovak diplomacy. The fight for their exemption from the Soviet booty, though legally substantiated, was not brought to a successful conclusion. Less advantageous "compromises" in this field were considered a tribute to much more important issues.

Chapter VI - Footnotes

¹ According to the bank balance of March 15, 1939, the vaults of the National Bank contained 7011 kilograms of gold ingots. According to a fiscal statement of October 12, 1940, 6371 kilograms of gold were taken to Berlin by the Germans; therefore, in the opinion of the Soviet authorities, the Czechoslovak holdings amounted only to 640 kilograms. In October 1945, the vault of the National Bank contained a stockpile of 1057 kilograms of gold; the Soviet representatives stated a surplus of 417 kilograms of gold. Cf. Record of several still unresolved issues of economic nature between the USSR and Czechoslovakia concerning the Czechoslovak National Bank of February 9, 1946, Archives of the Czech National Bank (Archiv České Národní Banky - "AĚNB"), Call Number - IV/A. Annex to the minutes of a meeting of the interim administration of the National Bank (February 9, 1946), Box 73, sine.

² For example the Kreditanstalt der Deutschen (KdD) maintained a "Sonderkonto" ['special account'] of the Gestapo where confiscated financial means were deposited from the very beginning of the German occupation; In the account R 780 maintained on behalf of the Office of the Reich Protector, administrative fees levied on forced sales of Jewish property were deposited; these fees amounted to 20 per cent of the sales price. The KdD Group of Companies included the Hadega Company (from

1943 called Hakoma) which possessed the sole right to sell Jewish property, precious metals, precious stones etc. Hadega (which was located on the premises of the KdD) naturally used the safes of the Kreditanstalt to store the assets consigned to it for resale.

³ An incomplete list compiled by the Ministry of Finance (which was based on the data available to it as of May 2, 1946) showed 113 items (referring to 113 financial institutions and/or their subsidiaries). According to these lists referring only to the above mentioned institutions, the following assets had been confiscated: a total of 221,117,032,00 Protectorate crowns, 2,511,506.00 reichsmarks, 8,723.00 Hungarian pengös, securities representing a value of 7,499,414.00 crowns; deposits in suitcases, packages etc. were taken away; also removed were more than 1,500 unopened safes. Archives of the Ministry of Foreign Affairs (Archiv ministerstva zahranièních vècí - "AMZV"), Legal Department 1945-1954, Box 12, o. Booty Agreement - Banks and Valuables, Ref.No. 76993/46.

⁴ Agreement between the governments of the Czechoslovak Republic and the Union of Soviet Socialist Republic regulating the modalities of booty applications on the Czechoslovak territory, Moscow, March 31, 1945. The document was marked "confidential" and has still remained confidential. AMZV, Archive Collection of International Treaties, Call Number L 1517.

⁵ Points prepared for talks between the State Secretary Clementis and the Ambassador Zorin (May 15, 1945, AMZV, A-GS 1945-1954, Box 38, o. Talks - USSR - Zorin, Ref.No. 11980/A/45.

⁶ Record of talks between the State Secretary Dr. Clementis and the Ambassador Zorin (May 16, 1945, *ibid*, Ref.No. 11978/A/45.

⁷ Record of talks between the State Secretary Dr. Clementis and the Ambassador Zorin (May 22, 1945, *ibid*, Ref.No. 11981/A/45.

⁸ Record of the "R" Department of the Ministry of Foreign Affairs of the Czechoslovak Republic entitled Booty Agreement - Implementation Record (August 2, 1945, *ibid*, Reg. No. 15902/R/45. A verbatim record of Stalin's promise is non-existent; it was merely repeatedly rephrased in condensed form. It was most closely recounted in the report of the Ministry of Foreign Affairs to the Embassy in Moscow of March 5, 1946: "The question to what degree the booty claims of the USSR should apply to Czechoslovak banks and assets deposited in those banks is complicated and will be negotiated in Prague with a team of Soviet experts dispatched to Prague for this purpose". - AMZV, A-GS 1945-1954, Box 90, o. Property - Booty Claims.

⁹ Memorandum 1 (re access to the Czechoslovak National Bank); Memorandum 2 (re requisition of property of four Bratislava-based banks); Memorandum 3 (re release of pension funds of the Kujížkk Company); Memorandum 4 (re release of buildings belonging to the Catholic congregation in Brno); Memoranda 5-6 re Czechoslovak Jewish property wrongly considered German by the Red Army);

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Memorandum 7 (re Telephone and Electricity Company); Memorandum 8 (re Norma Company). AMZV, Legal Department 1945-1954, Box 12, o. Booty Agreement - Banks and Valuables, sine.

¹⁰ Record of talks between the State Secretary Dr. Clementis and the Ambassador Zorin (August 22, 1945), *ibid*, Ref.No. 24123/A/45.

¹¹ Record of talks between the Minister L. Svoboda and Marshal Konev (October 9, 1945, AMZV, A-GS 1945-1954, Box 38, o. Talks - USSR - Zorin, Ref.No. 44372/A/45.

¹² Record of talks between the State Secretary Dr. Clementis and the Ambassador Zorin (October 8 - 23, 1945), *ibid*, Ref.No. 44378/A/45 a 51567/A/45, Attached is a memorandum of October 23, 1945.

¹³ Minutes prepared by the Head of the "R" Department of the Ministry of Foreign Affairs Dr. Václav Rejholec (November 3, 1945), AMZV, Legal Department 1945-1954, Box 12, o. Booty Agreement - Banks and Valuables, Ref.No. 57891/45.

¹⁴ Minutes prepared by the Head of the "R" Department of the Ministry of Foreign Affairs Dr. Václav Rejholec (November 5, 1945), Memorandum of November 8, 1945, *ibid*, Reg.No. 57892/R/45.

¹⁵ Minutes prepared by the Head of the "R" Department of the Ministry of Foreign Affairs Dr. Václav Rejholec (November 13, 1945), *ibid*, Reg.No. 60874/R/45.

¹⁶ Dispatch to the Embassy in Moscow of November 13, 1945, *ibid*, Ref.No. 60876/R/45.

For several months, a special Soviet commission worked in the vault of the National Bank. The commission checked, item by item, every asset deposited there. To fulfil this task, it was provided access to all bank documents including the books of accounts. Cf. Report on several most urgent problems that are still open in communication with the Soviet Army. Annex to minutes of a meeting of the interim administration of the National Bank of April 11, 1946, AENB, Call No. NBÈS - IV/A, Box No. 73.

¹⁷ Dispatch to the Embassy in Moscow of November 15, 1945, *ibid*, Reg.No. 62374/R/45

¹⁸ Czechoslovak note of January 23, 1946, *ibid*, Reg.No. 11681/R/46.

¹⁹ Report for the Embassy in Moscow of January 30, 1946, AMZV, A-GS 1945-1954, Box 90, o. Property - Booty Claims, Reg.No. 17382/R/46.

²⁰ Minutes prepared by the Head of the "R" Department of the Ministry of Foreign Affairs Dr. Václav Rejholec (February 3, 1946, AMZV, Legal Department 1945-1954, Box 12, o. Booty Agreement - Banks and Valuables, Reg. No. 22611/45, Soviet memorandum of January 30, 1946, ibid, Reg.No. 27269/R/46.

²¹ Note of February 15, 1946 handed over to the Soviet Embassy in Prague, AMZV, A-GS 1945-1954, Box 90, o. Property - Booty Claims, Reg.No. 27266/R/46.

²² Telegram from J. Horák to the Ministry of Foreign Affairs in Prague of March 26, 1946, AMZV, Telegrams received, Moscow 1946, No. 668/46.

²³ National Bank's request to expedite the solution of the problem regarding its vault and an urgent protest against the handover of its gold was sent by messenger to the Office of the Prime Minister, Office of the State President, as well as to the Ministry of Finance, Ministry of Foreign Affairs, and Ministry of Defence (March 25, 1946, AĚNB, NB - P XVIII - 243/2, USSR - Diverse Matters 1928-1950, Box No. 590, Reg.No. 18080/Dr. H./P.

²⁴ For more information cf. K. Kaplan - K. Jech, Dekrety prezidenta republiky ['Presidential Decrees'], I and II, Brno 1995.

²⁵ Minutes of a meeting (February 27, 1946, AMZV; SM-T 1945-63, Masaryk, Box 1, sine.

²⁶ Telegram from J. Horák to the Ministry of Foreign Affairs in Prague of March 2u, 1946, AMZV, Telegrams received, Moscow 1946, No. 942/46.

²⁷ The unreliability of the Soviet approach was stressed by the fact that the negotiations were conducted by the Ambassador Zorin who repeatedly declared to have no understanding of the subject matter, and by two

would-be specialists acting without any full powers. A confidential report on the issue prepared by the "R" department reads as follows: "Noteworthy is among others the circumstance how the commission of specialists mentioned by Vyshinski was formed. Malich is a political commissar and his obvious intention was not to miss anything that could be confiscated as booty. Gimmelfarb is just a bookkeeper obviously anxious to achieve the highest possible economic effect. Neither of them knows anything about law in general, let alone international law." Report by Dr. Rejholec on

the preparation of the negotiations, AMZV, Legal Department 1945-54, Box 12, o. Booty Agreement - Banks and Valuables, Reg.No. 53932/R/46.

²⁸ Minutes of negotiations between the representatives of the Czech and Soviet governments of February 28, 1946, *ibid*, Reg.No. 37474/R/46. Russian version of the minutes, *ibid*, Reg.No. 37476/R/46.

²⁹ Government decision of February 28, 1946 and Czechoslovak memorandum, memorandum, *ibid*, Reg.No. 35374/R/46.

³⁰ Zorin wrapped up the negotiation as follows: "that means that the Czechoslovak government disputes all points"; he remarked to the Soviet officers who were present at the talks that they could have carried away everything without much ado and the matter would have been solved. Account by Dr. Rejholec of March 4, 1946 summarizing the reports prepared by Dr. Horna from the National Bank and by Dr. Prokop from the Ministry of Finance; both aforesaid officials took direct part in the negotiations. *Ibid*, Reg.No. 37471/R/46.

³¹ The text of a memorandum of March 4 and a report by Dr. Rejholec, *ibid*.

³² The text of a Soviet note of March 20 and a Czechoslovak note of March 28, *ibid*, Reg.No. 50481/R/46.

³³ Telegram from J. Masaryk to the Embassy in Moscow (March 29, 1946, AMZV, Telegrams Dispatched, Moscow 1946, No. 987/46. As we explained in the preceding text, the quoted subordinate clause did not completely match reality. It concerned the increase of the gold reserves in the vaults of the National Bank which accumulated due to the Bank's business activities conducted during the war.

³⁴ Memo from the Ministry of Foreign Affairs to the Ministry of Finance of March 29, 1946, AMZV, Legal Department 1945-54, Box 12, o. Booty Agreement - Banks and Valuables, Reg.No. 53931/46.

³⁵ Report prepared by the Ministry of Foreign Affairs for the Embassy in Moscow, March 29, 1946, *ibid*, Reg.No. 53933/46; re protest of the National Bank addressed to the Office of the Prime Minister and the Ministry of Finance cf. Minutes of a meeting of the interim administration of the National Bank (April 11, 1946), AENB, Call No. NBES-IV/A, Box 73.

³⁶ Telegram from the Ambassador Horák to the Ministry of Foreign Affairs (April 4, 1946) AMZV, telegrams received, Moscow 1946, No. 1039/46.

³⁷ Internal communication from Dr. Rojíček ("R" Department) to the Legal Department of the Ministry of Foreign Affairs (April 4, 1946), Legal Department 1945-1954, Box 12, o. Booty Agreement - Banks and Valuables, Reg.No. 59032/46.

³⁸ Ibid, Rojíček's addenda of April 5, 1946.

³⁹ Internal communication prepared by Dr. Rojíček (April 10, 1946) and continuously updated on the basis of the current information provided by Dr. Prokop, ibid, Reg.No. 63215/46.

⁴⁰ Detailed gold flow statement for the period between March 15, 1939 and May 9, 1945, AENB, Call No. NB-P XVIII-45/4, Box 457.

⁴¹ Record of a conversation lead by the Prime Minister Klement Gottwald, the ministers J. Masaryk and Dr. Clementis, and the Ambassador Dr. Horák with Molotov, Vyshinski, Mikoyan, Pavlov, Zorin, and Lavrivchev on July 22, 1946, AMZV, Dep't a - GS 1945-54, Box 38, o. Talks - USSR - Zorin, sine.

⁴² Record of the Moscow negotiations, cf. AMZV, Dep't a - GS 1945-1954, Box 188, o. Soviet Union, Ref.No. 163181/46; ibid, Legal Department 1945-1954, Box 12, o. Booty Agreement - Banks and Valuables, Reg.No. 140001/46.

⁴³ Memo from the Ministry of Foreign Affairs to the Ministry of Finance of December 2, 1946, AMZV, Dep't a - GS 1945-54, Box 188, o. Soviet Union, Ref.No. 230 346/46.

VII. Summary

The present report is the first comprehensive study to document the legal and institutional implications of the process of Aryanization of gold, silver, platinum, precious stones, and pearls in the Czech Lands in the years 1939-1945, and of its implementation. The report is based on primary (i.e. archival) sources, for the most part previously unexplored. Each chapter represents a self-contained analysis of the issues defined in the introduction.

The persecutory process of restricting ownership rights of Jewish individuals and legal entities and the subsequent expropriation of Jewish-owned gold, silver, platinum, precious stones, pearls and objects made of such materials was accomplished through several procedures. These procedures included: restrictions of the right of disposal effected through forced deposits; export bans; forced sales under clearly disadvantageous conditions; above all, direct confiscations governed by an array of criminal and other laws and regulations. This infringement of property rights culminated in the period when the mass deportations of the Jewish population to concentration camps were initiated. The objective of all the above mentioned methods of economic persecution was to reach the final objective of the German occupation administration in this field, i.e. the total expropriation of gold and other precious metals, precious stones, and other valuables owned by Jewish individuals, enterprises, and associations.

The economic persecution was regulated, conducted, and enforced by various political and security branches of the German administration which in turn purposefully involved in this process the so called autonomous Protectorate authorities. The process of Aryanization of Jewish property was fully controlled by the German authorities, the role of the Protectorate institutions was restricted to secondary, mostly clerical tasks (registration, record-keeping etc.)

The role of the National Bank for Bohemia and Moravia was delimited by its subordinate position vis-a-vis the Reich Bank which regarded the National Bank as its subsidiary. The National Bank was also subordinate to the Office of the Reich Protector; between the Office and the National Bank existed a direct personal link since the Office co-opted German executives into the Bank's Management.

Illegally procured Jewish valuables were collected by Hadega, a German company specifically commissioned by the Reich Protector to perform this task. An important part in the Aryanization of the given category of Jewish property took the following two specialized institutions of the occupation administration created by the Reich Protector: Zentralstelle für jüdische Auswanderung (1942 renamed Zentralamt für die Regelung der Judenfrage) and the Auswanderungsfonds für Böhmen und Mähren.

After a thorough evaluation of the surviving archive materials, the team of experts came to the conclusion that the total amount of gold provably confiscated from Jewish individuals, firms,

and associations amounted to 614.62 kilograms. This amount represents the most conservative estimate of this category of Aryanized property (lower limit), given that the records of direct sales to the Hadege Company are no longer available; in addition, it is now impossible to document the quantity of gold objects confiscated by the German customs authorities from Jewish emigrants crossing the Reich borders. As of May 9, 1945, the amount of gold procured from Jews and deposited in the vaults of the National Bank by the Hadege Company and the Auswanderungsfonds totalled 413.6 kilograms. A certain portion of this gold remained in form of jewels and was stored as a bank deposit of the Auswanderungsfonds, above all at the Böhmsche Escompte-Bank. The following numbers were established by the Commission with respect to silver, platinum, and diamonds (brilliant cut): 5.49 kilograms of platinum and 16,744.594 kilograms of silver (these precious metals were illegally confiscated from Jewish individuals and legal entities and were subsequently used for the needs of the German war industry); 5,128.8 carats of diamonds (brilliant cut) and 582.1 carats of diamond rosettes. (Hadege's registered intake, 1941 - 1944).

The concluding chapter of the present report describes the fate of the Jewish property unsold by the Germans kept in the vaults of several Prague-based banks until the end of World War II. Until then, the Jewish assets forming the deposit (today, these assets are virtually untraceable) were administered by two institutions: the so called Vermögensamt and the Auswanderungsfonds. In addition, the concluding chapter explains the fate of the Jewish gold which had become, by the decision of the German-administered Foreign-Exchange Branch of the National Bank for Bohemia and Moravia, an integral part of the gold reserves registered with this banking institution during the war. As late as 1995, the renowned researcher Karel Sommer had to admit that the final fate of National Bank's gold was unknown. The conclusion of the Expert Commission is unambiguous: the entire amount of the Jewish gold committed to the National Bank and some of the above mentioned anonymous Jewish assets unsold by the end of the war were taken to the Soviet Union as Soviet booty. Some of the assets found in the vaults (i.e. nominal assets of the Jewish victims of German persecution) were exempted from booty and set aside for future restitution to the original owners. The scope of this restitution could be possibly verified by the Czech National Bank.² In spite of its legally impeccable, straightforward basis for negotiations, the Czechoslovak diplomacy was forced to give up its effort to have the above mentioned assets exempted from the Soviet booty claimed; the Czechoslovak side yielded to Soviet pressure after relatively long and complicated negotiations; it must be added that the Soviet side did not conduct these negotiations completely fairly. The Czechoslovak decision to surrender the claims was influenced by purely political reasons: it gave up the assets in question in return for the Soviet support on the international scene to obtain certain results important for the Czechoslovak state.

Chapter VII - Footnotes

¹ Karel Sommer, *Sovitská válečná kořist a Československo* [The Soviet Booty and Czechoslovakia], in: *O sovičské imperiální politice* [Soviet Imperial Policies], Acta Universitatis Palackianae Olomucensis, Facultas paedagogica, Civilia i 1995, p. 19.

² The issue of restitutions exceeds the confines of this report, cf. letter from the Czech Vice-Premier Egon T. Lánský to the President of the Czech National Bank J. Tošovský, Prof.Eng. of March 17, 1999, Ref.No. 3766/99KMZ and Tošovský's reply of April 1, 1999, Ref.No. 2/4-99-V.

The present report was concluded and signed at Prague, this 29th day of September, 1999

doc. PhDr. Drahomír Jančík, CSc.

doc. PhDr. Eduard Kubù, CSc.

doc. JUDr. Jan Kuklík, Dr.

PhDr. Jaroslava Milotová, CSc.

Jiří Novotný, CSc., Dr.

doc. PhDr. Jiří Šouša, CSc.

223953

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

November 3, 1997

Dr. William Slany
The Historian
United States Department of State
Columbia Plaza Office Building
2401 E Street
Room L-409
Washington, DC 20522-0104

Dear Bill,

In response to an inquiry from the World Jewish Congress, we have recently reviewed all of our records concerning the gold custody account of the Bank of Portugal ("Portugal") at the New York Fed during the Second World War. I thought I would share with you what we have found from this review.

The inquiry was based on an American Embassy Dispatch dated February 13, 1946 ("Dispatch") which suggested that Portugal's gold holdings at the New York Fed had substantially increased from 1939-44, and that this increase was the result of foreign shipments of gold to New York. A copy of the Dispatch is enclosed.

While we do not have complete records for Portugal for the period, our records do generally confirm the data contained in the Dispatch; that is, like the Dispatch, our records show a substantial increase in Portugal's holdings from 1939-46, and indicate that some of this increase came from shipments of gold to New York from abroad.

Our records also provide some additional information about this increase, such as when it occurred and from whom the gold was received. From our available records, it appears that the bulk of the increase occurred in 1939 and 1940; that most of the gold received into Portugal's account during those years was shipped to New York from Portugal and the Bank of England; that from 1941-46 there were no foreign shipments of gold received into Portugal's account; and that during this latter period most of the increase came from purchases of gold from the United States Treasury.

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Dr. William Slany
November 3, 1997

Sources

Our findings are based on two primary sources from our archives. The first is a detailed gold ledger, recording all transactions for the years 1940 and 1941 ("Ledger"). Regrettably, this is the only ledger we have from the War era. Moreover, while the Ledger contains summary information on transactions, it does not include details concerning the types of bars, fineness, assay (refinery source), etc., of the gold received into Portugal's account. The second source consists of personal files and notes of Allan Sproul, the First Vice President of the New York Fed at the time ("Notes"). Both of these sources are publicly available to scholars and others at our archives.

From the Ledger and the Notes we have attempted, to the best of our ability, to develop an account history for Portugal for 1939-46, which I discuss below. I must emphasize that, because our records are incomplete, the development of this account history has necessarily involved certain assumptions and deductions. I enclose a copy of the account history, a transcription of the Ledger, the information contained in the Notes, and a comparison between the New York Fed's records and the Dispatch, for your further review and study.

Account History

The Dispatch shows a beginning balance in Portugal's account at the New York Fed of zero on 1/1/39. The Ledger shows a closing balance in the account as of 12/31/39 of approximately 7,333 kgs. The Notes do not record actual balances, but reflect "average daily gold balances," which for Portugal in 1939 was 440 kgs. The Notes also show Portugal's average daily gold balances were zero in 1934-35 and 13 kgs during 1936-38, all relatively small amounts. Therefore, it is not unreasonable for the Dispatch to show a zero balance in 1939.

The account became very active in 1940, after the outbreak of the War. The Ledger shows that during that year Portugal shipped 11,427 kgs of gold to New York from London (with the Bank of England acting as shipping agent) and 57,518 kgs of gold from Lisbon (with Portugal as the shipping agent). In addition, the Ledger shows gold purchases from, and one sale to, the United States Treasury.

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Dr. William Slany
November 3, 1997

After 1940, there were no further foreign imports of gold into or exports of gold from Portugal's account. The Ledger for 1941 records additional purchases and sales involving the United States Treasury, and a transfer of 4,554 kgs of gold from the Bank for International Settlements ("BIS"). The BIS transfer would have involved an internal transfer of gold already stored in the vaults at the New York Fed.

From 1941 through 1945, the Notes show that Portugal purchased 108,080 kgs of gold from the United States Treasury. The Notes for this period also show transfers of 8,603 kgs of gold into Portugal's account from other accounts at the New York Fed. While the Notes do not indicate who the counterparties were in these transactions, the Dispatch suggests that they may have included the central banks of Argentina and Sweden. As above, these transactions would have involved the transfer of ownership of gold already physically present in the vaults of the New York Fed. The closing balance for 1945 recorded in the Notes is approximately equal to that shown in the Dispatch, 262,429 kgs and 257,693 kgs, respectively.

Overall, the account history we have been able to construct indicates that the increase in Portugal's gold holdings came from the following sources and at the following times: 23.4% from Lisbon from 1939-40; 5% from London in 1940; 63.3% from the United States Treasury from 1940-46; 5% from the BIS and other accounts at the New York Fed from 1940-46; and 3.2% from unaccounted for sources.

1944 Transaction

Finally, I would like to again discuss the alleged transaction involving Portugal and the New York Fed described on page 27 of the draft Supplement to the Eizenstat report. In my letter to you of October 9, 1997, I stated that we had no record of such a transaction and doubted that it occurred. Our comprehensive review of all of Portugal's records has borne out this conclusion. Nothing in the Dispatch, Ledger, or Notes provides any support for the suggestion that the Government of Portugal transferred 16 tons of gold to the account of the Bank of Portugal at the New York Fed in 1944. This kind of transaction seems all the more unlikely if one considers the United States Treasury licensing requirements governing all gold transactions

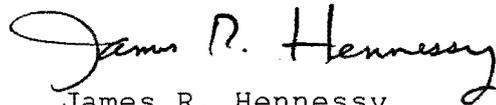
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Dr. William Slany
November 3, 1997

in the United States at the time. For these reasons, I again recommend that any reference to the alleged transaction be deleted from the Supplement.

I appreciate your consideration in this matter and hope that the information we have provided will be helpful to you.

Very truly yours,



James R. Hennessy
Counsel

Enclosures

cc: Peter Bakstansky
Terry Checki
Timothy Fogarty
Michael Silva

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ACCOUNT: BANCO DE PORTUGAL

					(in kilograms of fine gold)				
Type of Transaction	Date of Transaction	No. of Gold Bars	Fine Troy Ounces	Kilograms of Fine Gold	Shipped by Portugal	Shipped by Bk England	Purchased from US	Transfer from BIS	Description
Deposit	12/28/39	149	59,519	1,851		1,851			Deposit SS Lancastria
Closing balance	12/31/39	586	235,767	7,333					
Deposit	02/07/40	148	59,384	1,847		1,847			Deposit SS Lancastria
Deposit	03/05/40	148	59,499	1,851		1,851			Deposit SS Scythia
Purchase	03/18/40	350	142,497	4,432			4,432		Purchase from US Treasury
Deposit	03/27/40	147	58,999	1,835		1,835			Deposit SS Georgia
Purchase	04/17/40	23	9,551	297			297		Purchase from US Treasury
Purchase	04/18/40	121	47,441	1,476			1,476		Purchase from US Treasury
Deposit	04/18/40	148	59,671	1,856		1,856			Deposit SS Scythia
Sale	05/07/40	(110)	(44,335)	(1,379)			(1,379)		Sold to US Treasury
Deposit	05/13/40	76	29,274	911		911			Deposit SS Britannica
Deposit	06/03/40	73	29,455	916		916			Deposit SS Samaria
Purchase	06/17/40	126	50,892	1,583			1,583		Purchase from US Treasury
Purchase	06/18/40	52	20,353	633			633		Purchase from US Treasury
Deposit	06/20/40	183	58,525	1,820	1,820				Deposit SS Thane
Deposit	06/26/40	75	29,430	915		915			Deposit SS Cameronia
Purchase	06/28/40	37	14,242	443			443		Purchase from US Treasury
Deposit	07/08/40	119	36,031	1,121	1,121				Deposit SS Examiner
Deposit	07/10/40	120	37,984	1,181	1,181				Deposit SS Wacostia
Deposit	07/12/40	19	6,012	187		187			Deposit SS Excaliber
Deposit	07/15/40	129	40,670	1,265	1,265				Deposit SS Excambion
Deposit	07/18/40	28	11,210	349		349			Deposit SS Eastern Prince
Deposit	07/24/40	104	40,813	1,269	1,269				Deposit SS Exeter
Deposit	07/31/40	76	30,455	947		947			Deposit SS Britannic
Deposit	08/05/40	164	56,515	1,758	1,758				Deposit SS Exochorda
Deposit	08/08/40	165	66,525	2,069	2,069				Deposit SS Exilona
Deposit	08/12/40	36	14,494	451		451			Deposit SS Nea Hellas
Deposit	08/12/40	164	66,145	2,057	2,057				Deposit SS Excalibur
Deposit	08/16/40	40	16,092	501		501			Deposit SS Pero de Alenquer
Deposit	08/17/40	180	72,455	2,254	2,254				Deposit SS Excambion
Deposit	08/20/40	44	17,725	551		551			Deposit SS Quanza
Deposit	08/26/40	205	82,577	2,568	2,568				Deposit SS Exeter
Deposit	09/03/40	210	84,695	2,634	2,634				Deposit SS Exochorda
Deposit	09/05/40	200	80,616	2,507	2,507				Deposit SS Examelia
Deposit	09/07/40	203	81,734	2,542	2,542				Deposit SS Excalibur
Deposit	09/12/40	38	15,324	477		477			Deposit SS Nea Hellas
Deposit	09/13/40	228	84,321	2,623	2,623				Deposit SS Extavia
Deposit	09/14/40	239	86,284	2,684	2,684				Deposit SS Excambion
Deposit	09/23/40	216	85,284	2,653	2,653				Deposit SS Exeter
Deposit	10/07/40	64	25,687	799	799				Deposit SS Excalibur
Deposit	10/11/40	225	88,884	2,765	2,765				Deposit SS Excambion
Deposit	10/11/40	236	88,227	2,744	2,744				Deposit SS Hakosaki Maru
Deposit	10/14/40	40	15,979	497		497			Deposit SS Nea Hellas
Deposit	10/21/40	180	72,872	2,267	2,267				Deposit SS Magalares
Deposit	10/21/40	259	93,151	2,897	2,897				Deposit SS Exeter
Deposit	10/21/40	93	35,963	1,119	1,119				Deposit SS Thane (Thome?)
Deposit	10/22/40	43	17,303	538		538			Deposit SS Lovcen
Purchase	10/25/40	283	113,999	3,546			3,546		Purchase from US Treasury
Deposit	10/28/40	76	30,693	955	955				Deposit SS Exochorda
Deposit	10/30/40	55	22,713	706		706			Deposit SS Excalibur
Purchase	10/31/40	141	57,000	1,773			1,773		Purchase from US Treasury
Deposit	11/01/40	37	14,783	460		460			Deposit SS Pero de Alenquer
Deposit	11/12/40	263	90,569	2,817	2,817				Deposit SS Excambion
Deposit	11/22/40	548	92,245	2,869	2,869				Deposit SS Exeter
Deposit	12/02/40	89	35,822	1,114	1,114				Deposit SS Extavia
Purchase	12/27/40	71	28,500	886			886		Purchase from US Treasury
Transaction totals for 1940			2,663,229	82,834	57,718	11,427	13,690	0	
Closing balance	12/31/40	8,115	3,171,488	98,643					
Purchase	01/04/41	74	28,498	886			886		Purchase from US Treasury
Purchase	01/14/41	42	17,097	532			532		Purchase from US Treasury
Purchase	01/15/41	30	11,399	355			355		Purchase from US Treasury
Purchase	01/22/41	144	57,000	1,773			1,773		Purchase from US Treasury
Deposit	02/10/41	40	16,073	500				500	Transfer from BIS Account
Deposit	02/10/41	24	9,624	299				299	Transfer from BIS Account
Deposit	02/26/41	32	12,868	400				400	Transfer from BIS Account
Deposit	02/26/41	63	25,619	797				797	Transfer from BIS Account
Purchase	03/17/41	244	99,748	3,102			3,102		Purchase from US Treasury
Purchase	03/20/41	36	14,249	443			443		Purchase from US Treasury
Deposit	04/25/41	50	18,173	565				565	Transfer from BIS Account
Deposit	05/16/41	82	32,131	999				999	Transfer from BIS Account
Deposit	07/09/41	79	31,941	993				993	Transfer from BIS Account
Purchase	10/28/41	691	285,001	8,864			8,864		Purchase from US Treasury
Transaction totals for 1941			659,421	20,510	0	0	15,956	4,554	
Closing balance	12/31/41	9,746	3,830,918	119,153					

INFORMATION FROM NOTES OF ALLAN SPROUL

Federal Reserve Bank of New York
October 27, 1997

ACCOUNT: BANCO DE PORTUGAL

Average daily gold balances

Year	Approximate		Kilograms of Fine Gold
	U.S. \$ Value	Fine Troy Ounces	
1931	\$593,000	16,943	527
1932	\$183,000	5,229	163
1933	\$100,000	2,857	89
1934	\$0	0	0
1935	\$0	0	0
1936	\$15,000	429	13
1937	\$15,000	429	13
1938	\$15,000	429	13
1939	\$495,000	14,143	440
1940	\$44,635,000	1,275,286	39,665
1941	\$123,363,000	3,524,657	109,627
1942	\$150,587,000	4,302,486	133,820
1943	\$173,636,000	4,961,029	154,303
1944	\$221,735,000	6,335,286	197,046
1945	\$274,935,000	7,855,286	244,323
Gold imports (remittances from abroad)			
1939	\$6,242,000	178,343	5,547
1940	\$91,344,000	2,609,829	81,173
Gold exports (shipped outside country)			
1931	\$2,087,000	59,629	1,855
1932	\$2,366,000	67,600	2,103
1933	\$602,000	17,200	535
Purchases (from the U.S. Treasury)			
1939	\$1,995,000	57,000	1,773
1940	\$16,957,000	484,486	15,069
1941	\$17,955,000	513,000	15,956
1942	\$29,925,000	855,000	26,593
1943	\$10,898,000	311,371	9,685
1944	\$62,843,000	1,795,514	55,846
1945	\$47,880,000	1,368,000	42,549
Earmarked (deposited to account) by transfer from another account at FRBNY			
1943	\$3,426,000	97,886	3,045
1944	\$1,004,000	28,686	892
1945	\$5,251,000	150,029	4,666
Foreign exchange sold			
	U.S. \$ Equivalent	Foreign Currency/Amount	
1942	\$350,000	Swiss francs	1,502,146
1942	\$400,000	Portugese Escudos	9,820,000

223959

**ACCOUNT HISTORY FOR
BANCO DE PORTUGAL GOLD ACCOUNT
1939-1940**

Federal Reserve Bank of New York
October 27, 1997

Closing balance 1938 (from Dispatch)

0 kgs

1939 transactions

Shipped to Portugal's account at FRBNY from BoE
Shipped to Portugal's account at FRBNY (from ?)
Net Purchases by Portugal from the U.S. Treasury
Unaccounted for

1,851 kgs + (from Ledger)
3,696 kgs + (from Notes: 5,547-1,851)
1,773 kgs + (from Notes)
13 kgs +

Closing balance 1939 (from Ledger)

7,333 kgs

1940 transactions (from Ledger)

Shipped to Portugal's account at FRBNY from BoE
Shipped to Portugal's account at FRBNY from Portugal
Net Purchases by Portugal from the U.S. Treasury
Unaccounted for

11,427 kgs + (from Ledger)
57,718 kgs + (from Ledger)
13,690 kgs + (from Ledger)
8,475 kgs +

Closing balance 1940 (from Ledger)

98,643 kgs

1941 transactions (from Ledger)

Shipped to Portugal's account at FRBNY from BoE
Shipped to Portugal's account at FRBNY from Portugal
Net Purchases by Portugal from the U.S. Treasury
Transfers from the BIS Account at FRBNY

0 kgs (from Ledger)
0 kgs (from Ledger)
15,956 kgs + (from Ledger)
4,554 kgs + (from Ledger)

Closing balance 1941 (from Ledger)

119,153 kgs

1942 transactions (from the Notes)

Imports
Exports
Purchases from the U.S. Treasury

0 kgs (from Notes)
0 kgs (from Notes)
26,593 kgs + (from Notes)

Closing balance 1942 (inferred)

145,746 kgs

1943 transactions (from the Notes)

Imports
Exports
Purchases from the U.S. Treasury
Transfers from another account at FRBNY

0 kgs (from Notes)
0 kgs (from Notes)
9,685 kgs + (from Notes)
3,045 kgs + (from Notes)

Closing balance 1943 (inferred)

158,476 kgs

1944 transactions (from the Notes)

Imports
Exports
Purchases from the U.S. Treasury
Transfers from another account at FRBNY

0 kgs (from Notes)
0 kgs (from Notes)
55,846 kgs + (from Notes)
892 kgs + (from Notes)

Closing balance 1944 (inferred)

215,214 kgs

1945 transactions (from the Notes)

Imports
Exports
Purchases from the U.S. Treasury
Transfers from another account at FRBNY

0 kgs (from Notes)
0 kgs (from Notes)
42,549 kgs + (from Notes)
4,666 kgs + (from Notes)

Closing balance 1945 (inferred)

262,429 kgs

223960

COMPARISON OF DISPATCH AND FRBNY RECORDS

Federal Reserve Bank of New York
October 27, 1997

	<u>Dispatch</u>	<u>FRBNY Ledger/Notes</u>
I. PURCHASES AND SALES FROM/TO U.S. TREASURY		
Purchases	69,076	167,471
	93,964	
Sales	<u>(1,379)</u>	<u>(1,379)</u>
<u>Net Purchases</u>	<u>163,040</u>	<u>166,092</u>
II. REMITTANCES		
Remitted by BoE	16,973	13,278
Remitted by Portugal	66,194	61,414
Unaccounted for (assumed to be remittances)	_____	<u>8,488</u>
<u>Total Remittances</u>	<u>83,167</u>	<u>83,180</u>
III. TRANSFERS AT FRBNY		
Transferred by BIS	4,555	4,554
Transferred by Argentina	3,045	
	<u>3,064</u>	
	6,109	
Transferred by Sweden	2,201	
Transfers, ordering party unknown	_____	892
		3,045
		<u>4,666</u>
<u>Total Transfers</u>	<u>12,865</u>	<u>13,157</u>
<u>TOTAL INCREASE DURING PERIOD</u>	<u>259,072</u>	<u>262,429</u>

223961

Exhibit B to Despatch No. 729, dated February 13, 1946,
from American Embassy, Lisbon

AIRGRAM

From

LISBON

Date: October 31, 1945

Rec'd:

SECRET

Receives,

Washington.

A-821, October 31.

With reference to Department's A-836, September 19, concerning Portuguese gold holdings, efforts have been made to obtain the material requested in the Department's telegram 1293, August 4, 1945, through informal approach to the Portuguese authorities by Financial Attache in the hope and belief that this method might be more immediately productive than a formal approach to the Foreign Office. These attempts have been continued because at one time they appeared to give promise of success. They have now, however, failed and we have accordingly made formal application through the Foreign Office for the information sought. The matter will, of course, be followed up promptly.

Sent Department. Copy to London by pouch.

BARJON

CHARLES EDICKER ONJR:map;ma

"MAILED BY POUCH"

cc - London

Nov. 1, 1945

223962

Exhibit C to Despatch No. 729, dated February 13, 1946
from American Embassy, Lisbon.

Copy of Embassy's Note Verbale No. 562 to Ministry of
Foreign Affairs, dated January 18, 1946.

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs, and has the honor to refer to its Note No. 377 dated October 30, 1945, in which certain information pertaining to Portuguese gold holdings is requested.

The Embassy appreciates the cooperation it is receiving and fully realizes that information of the nature requested may take some time to assemble. In the light, however, of the instructions it has received from Washington, and which were set forth in its Note No. 377 referred to, the Embassy ventures to hope that the Ministry can at this time give it an indication of the approximate date when a reply to that Note may be expected.

The Embassy desires likewise to express to the Ministry its thanks in anticipation of this courtesy.

Lisbon, January 18, 1946.

CFD/JDH/jek

223963

Exhibit D to Despatch No. 729, dated February 13, 1946,
from American Embassy, Lisbon

Translation of reply from Ministry of Foreign Affairs,
dated January 28, 1946.

Proc. 48 (1)

No. 2

The Ministry of Foreign Affairs presents its most courteous compliments to the Embassy of the United States of America and, in reply to the latter's Note No. 562, of January 18, has the honor to state that, after consulting on the subject with the competent Portuguese authorities, it expects to be able to reply within a few days to Note No. 377, of October 30, 1945, since the investigation necessary for this reply is being made promptly and with all possible speed.

Lisbon, January 28, 1946.

223964

Exhibit E to Despatch No. 729, dated February 13, 1946
from American Embassy, Lisbon.

Translation Note from Ministry of Foreign Affairs, dated
February 8, 1946

MINISTRY OF FOREIGN AFFAIRS
General Bureau of Economic
and Consular Affairs.

File No. 48 (1)
No. 4

The Ministry of Foreign Affairs presents its most courteous compliments to the Embassy of the United States of America and, with reference to the latter's Note Verbale No. 562, of January 18, last, has the honor to transmit herewith the information in respect of the gold operations of the Bank of Portugal subsequent to the declarations of the United Nations of February 22, 1944. The data will be transmitted in due course which refer to the characteristics of the gold now in the possession of the Bank of Issue and which, in view of the minuteness of the requirements, it will take much time to furnish.

Lisbon, February 8, 1946.

JL

Enclosures as follows:

1. Banco de Portugal - Lisbon
2. Federal Reserve Bank - New York
3. Bank of England - London
4. Bank of Canada - Ottawa
5. Banco Central de la Republica Argentina - Buenos Ayres
6. Banque Nationale Suisse - Berne "A" - Account
7. " " " " " "B" - "
8. " " " " " "C" - "
9. " " " " " "D" - "
10. Bank for International Settlements - Basle
11. Banco de Portugal - Lisbon - Gold in Bars
12. " " " " " Gold in Coins

223965

Enclosure No. 1 to Despatch No. 729, dated February 13, 1946,
from American Embassy, Lisbon.

BANCO DE PORTUGAL - LISBON

GOLD HOLDINGS, IN KILOGRAMS FINE, AT THE DATES AS SPECIFIED:

	1-1-1939	22-2-1944	31-10-1945
I - GOLD BARS:			
at the Federal Reserve Bank, New York	-	158.464	257.695
at the Bank of England, London	13.752	-	-
at the Bank of Canada, Ottawa	-	4.020	3.519
at the Banco Central de la Republica Argentina, Buenos Ayres		5	-
at Banque Nationale Suisse, Bern:			
"A" Account	-	7.026	3.814
"B" Account	-	2.106	-
"C" Account	-	-	-
"D" Account	-	-	-
at the Bank for International Settlements, Basle (Gold Deposit Account)	-	2	5
at Banco de Portugal, Lisbon	<u>61.144</u>	<u>120.269</u>	<u>108.923</u>
	74.898	291.892	371.954
Gold Account of the Portuguese Government	<u>11.495</u>	<u>15.477</u>	<u>15.477</u>
	<u>63.401</u>	<u>276.415</u>	<u>386.477</u>
 II - GOLD IN COINS:			
at Banco de Portugal, Lisbon	<u>1.254</u>	<u>2.763</u>	<u>2.763</u>

223966

Enclosure No. 2 to despatch No. 729, February 13, 1948,
from American Embassy, Lisbon.

FEDERAL RESERVE BANK - NEW YORK

SUMMARY, IN KILOGRAMMES FINE, OF THE RELATIVE GOLD DEALINGS:

	<u>Balance at 1-1-1939</u>	Kgs. NIL
Gold earmarked by the Federal Reserve Bank for account of Banco de Portugal as a result of purchase effected in New York	69.076	
Gold remitted to the Federal Reserve Bank for account of Banco de Portugal by the Bank of England, London .	16.973	
Gold earmarked by the Federal Reserve Bank for account of Banco de Portugal at the request of the Bank for International Settlements, Basle ...	4.555	
Gold earmarked by the Federal Reserve Bank for account of Banco de Portugal at the request of Banco Central de la Republica Argentina, Buenos Ayres ..	3.045	
Gold earmarked by the Federal Reserve Bank for account of Banco de Portugal as a result of remittances made by this letter	<u>66.194</u>	159.843
Gold sold to the Federal Reserve Bank, New York		<u>1.379</u> Kgs. <u>158.464</u>
	<u>Balance at 22-2-1944</u>	Kgs. 158.464
Gold earmarked by the Federal Reserve Bank for account of Banco de Portugal as a result of purchases effected at New York	93.964	
Gold earmarked by the Federal Reserve Bank for account of Banco de Portugal at the request of Banco Central de la Republica Argentina, Buenos Ayres	3.064	
Gold earmarked by the Federal Reserve Bank for account of Banco de Portugal at the request of Sveriges Riksbank, Stockholm	<u>2.201</u>	Kgs. <u>99.229</u>
	<u>Balance at 31-10-1945</u>	Kgs. 257.693

Enclosure No. 3 to despatch No. 729, February 13, 1946,
from American Embassy, Lisbon.

BANK OF ENGLAND - LONDON

SUMMARY, IN KILOGRAMMES FINE, OF THE RELATIVE GOLD DEALINGS:

	<u>Balance at 1-1-1939</u>	Kgs.	13.752
Gold earmarked by the Bank of England for account of Banco de Portugal as a result of purchases effected in London	<u>3.227</u>	Kgs.	<u>3.227</u>
		Kgs.	16.979
Gold remitted by the Bank of England to the Federal Reserve Bank, New York, for account of Banco de Portugal	16.973		
Gold sold to the Bank of England.	<u>6</u>	Kgs.	<u>16.979</u>
	<u>Balance at 22-2-1944</u>	Kgs.	NIL

No further gold transactions effected up to 31-10-1945.

No. 4
 Enclosure to despatch No. 729, February 13, 1946,
 from American Embassy, Lisbon.

BANK OF CANADA - OTTAWA

SUMMARY, IN KILOGRAMMAS FINE, OF THE RELATIVE GOLD DEALINGS:

	<u>Balance at 1-1-1939</u>	Kgs. NIL
Gold earmarked by the Bank of Canada for account of Banco de Portugal at the request of Banque Nationale Suisse:		
	Transfer from "A" Account 2.018	
	Transfer from "B" Account 2.000	
	Sold against Swiss Francs <u>2 4.020</u>	Kgs. <u>4.020</u>
	<u>Balance at 22-2-1944</u>	Kgs. 4.020
Gold earmarked by the Bank of Canada for account of Banco de Portugal at the request of Banque Nationale Suisse:		
	Transfer from "A" Account 2.001	
	Sold against Swiss Francs <u>2 2.003</u>	Kgs. <u>2.003</u>
		Kgs. 6.023
	Gold sold to Sveriges Riksbank, Stockholm	<u>2.504</u> Kgs. <u>2.504</u>
	<u>Balance at 31-10-1945</u>	Kgs. 3.519

Enclosure No. 6 to Despatch No. 729, dated February 13, 1946,
from American Embassy, Lisbon.

BANQUE NATIONALE SUISSE - BERNE

"A" - Account

concerning gold earmarked for account of Banco de Portugal by
Banque Nationale Suisse and on their initiative, against Escudos
placed at their disposal in Lisbon by Banco de Portugal,
the transport of the gold to Lisbon being
at the expense and risk of Banque Nationale
Suisse.

SUMMARY, IN KILOGRAMS FINE, OF THE RELATIVE GOLD DEALINGS:

	Balance at 1-1-1939		Kgs.	NIL
Gold earmarked by Banque Nationale Suisse against Escudos.....		26.152		
Gold transferred to the Bank of Cana- da, Ottawa.....	2.018			
Gold remitted to Lisbon.....	<u>17.108</u>	<u>19.126</u>	Kgs.	<u>7.026</u>
	Balance at 22-2-1944		Kgs.	7.026
Gold transferred to the Bank of Cana- da, Ottawa.....	2.001			
Gold sold to Banque Nationale Suisse	<u>1.211</u>		Kgs.	<u>3.212</u>
	Balance at 31-10-1945		Kgs.	3.814

Enclosure No. 8 to Despatch No. 729, dated February 13, 1946,
from American Embassy, Lisbon.

BANQUE NATIONALE SUISSE - BERNE

"G" - Account

concerning gold earmarked, for account of Banco de Portugal,
by Banque Nationale Suisse at the request of Reichsbank, Berlin,
the transport of the gold to Lisbon
being at the expense and risk of
this latter.

SUMMARY, IN KILOGRAMMES FINE, OF THE RELATIVE GOLD DEALINGS:

	Balance at 1-1-1939		Kgs.	NIL
Gold earmarked by Banque Nationale Suisse at the request of Reichsbank, Berlin.....		43.861		
Gold remitted to Lisbon.....	42.809			
Gold sold to Reichsbank, Berlin.....	<u>1.652</u>	<u>43.861</u>	Kgs.	-
	Balance at 22-2-1944		Kgs.	NIL
Gold earmarked by Banque Nationale Suisse at the request of Reichsbank, Berlin.....		5.017		
Gold sold to Reichsbank, Berlin.....	2.362			
Gold sold to Banque Nationale Suisse.....	<u>2.655</u>	<u>5.017</u>	Kgs.	-
	Balance at 31-10-1945		Kgs.	NIL

Enclosure No. 9 to Despatch No. 729, dated February 13, 1946,
from American Embassy, Lisbon.

BANQUE NATIONALE SUISSE - BERNE

"D" - Account

concerning gold earmarked for account of Banco de Portugal
by Banque Nationale Suisse at the request of the Bank for
International Settlements against Escudos placed in Lisbon
at their disposal by Banco de Portugal,

the transport of the gold to Lisbon being
at the expense and risk of the Bank for
International Settlements.

SUMMARY, IN KILOGRAMMES FINE, OF THE RELATIVE GOLD DEALINGS:

Balance at 1-1-1939	Kgs.	NIL
Gold earmarked by Banque Nationale Suisse at the request of the Bank for International Settlements, Basle..... 1.633		
Gold remitted to Lisbon..... <u>1.633</u>	Kgs.	<u>-</u>
Balance at 22-2-1944	Kgs.	NIL

No further gold transactions effected up to 31-10-1945.

1	2
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1946, from American Embassy, Lisbon.

BANCO DE PORTUGAL - LISBON

GOLD IN COINS

STATEMENT, IN KILOGRAMMES FINE, OF THE RELATIVE DEALINGS

Balance at 1-1-1939 Kgs. 1.254

Purchases effected over the counter ... 467

Purchased in Lisbon from Instituto
Espanol de Moneda Extranjera,
Madrid 1.505 1.972

Exchanged for gold bars on our market,
in Lisbon 463 Kgs. 1.509

Balance at 22-2-1944 Kgs. 2.763

No further transactions effected up to 31-10-1945.

BANCO DE PORTUGAL - LISBON

GOLD IN BARS

SUMMARY, IN KILOGRAMMES FINE, OF THE RELATIVE DEALINGS:

	<u>Balance at 1-1-1939</u>	Kgs. 61.144
Increases effected over the counter	12.093	
Purchased in Lisbon from Banque de France	380	
Purchased in Lisbon from the Bank for International Settlements	313	
Received in exchange for gold coins on our market, in Lisbon	463	
Received in Lisbon from Banque Nationale Suisse, "A" Account	17.108	
Received in Lisbon from Banque Nationale Suisse, "B" Account	66.468	
Received in Lisbon from Banque Nationale Suisse, "C" Account	42.209	
Received in Lisbon from Banque Nationale Suisse, "D" Account	1.633	
Delivered by the Portuguese Government for credit of their Gold Account	<u>7</u>	Kgs. <u>140.674</u>
		Kgs. 201.818
Delivered to the Federal Reserve Bank, New York	66.230	
Sold in Lisbon to local Banks	6.615	
Sold in Lisbon for industrial purposes ...	4.025	
Sold in Lisbon to Instituto Espanol de Moneda Extranjera, Madrid	4.273	
Withdrawn by the Portuguese Government from their Gold Account	<u>406</u>	Kgs. <u>81.549</u>
		Kgs. 120.269
	<u>Balance at 22-2-1944</u>	
Sold in Lisbon to local Banks	4.655	
Sold in Lisbon for industrial purposes	5.693	
Sold in Lisbon to Instituto Espanol de Moneda Extranjera, Madrid	<u>2.998</u>	Kgs. <u>13.346</u>
		Kgs. 106.925
	<u>Balance at 31-10-1945</u>	

N.B. - From the gold specified in the above Summary, and prior to 22-2-1944, kgs. 4.381 were credited by Banco de Portugal to the Portuguese Government, on their gold Account.

1	2
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1946, from American Embassy, Lisbon.

BANCO DE PORTUGAL - LISBON

GOLD IN COINS

STATEMENT, IN KILOGRAMS FINE, OF THE RELATIVE DEALINGS

<u>Balance at 1-1-1939</u>		Kgs. 1.254
Increases effected over the counter ...	467	
Purchased in Lisbon from Instituto Espanol de Moneda Extranjera, Madrid	<u>1.505</u>	1.972
Exchanged for gold bars on our market, in Lisbon		<u>463</u> Kgs. <u>1.509</u>
 <u>Balance at 22-2-1944</u>		 Kgs. 2.763

No further transactions effected up to 31-10-1945.

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

Legal Group
Banking Services Division

Date:

10-7-97

To:

Bill Slany

202-663-1289

From:

James R. Hennessy

Tel: 212-720-8195 Fax: 212-720-1530

E-mail: James.Hennessy@ny.frb.org

Message:

The WJC report.

This transmission has 24 pages (including this cover sheet).

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223976

MOVEMENTS OF NAZI GOLD

By Sidney Zabludoff

KEY HIGHLIGHTS

—The Nazis looted at least \$850 million in gold from 1933 to 1945. In today's prices (shown in parentheses below) that amounts to \$8.5 billion.

—Of that sum:

—\$590 million (\$5.9 billion) was monetary gold held in the vaults of the central banks of occupied countries on the day the Nazis invaded.

—\$260 million (\$2.6 billion) was non monetary gold taken from individuals and private businesses. This includes:

—\$100 million (\$1 billion) seized from German citizens from 1933-1939 under regulations in which the maximum penalty for noncompliance was death.

--\$80 million (\$800 million) coerced from individuals by the Nazi controlled central banks in occupied countries. The same stiff penalties were imposed as in Germany.

—\$80 million (\$800 million) taken from individuals by the Wehrmacht, SS, etc. in occupied territories.

—Switzerland was the first stop for 85 percent of the \$520 million (\$5.2 billion) in gold which the Nazis expended mainly on buying strategic goods and services from foreign countries during the war years.

—Switzerland still owes at least \$200 million (\$2 billion) and more likely \$300 million (\$3 billion) if it is to conform with the ^{January 8} ~~February~~ 1943 Allied declaration that all looted gold handled by neutrals must be returned after the war.

—At war's end, the Allies found more than \$300 million (\$3 billion) in gold in Germany and Austria or more than a third of the looted gold.

223977

DISCUSSION

A wealth of reliable and detailed information has been collected on the gold the Nazis looted during the World War II. It started with the British early in the war. Once the United States entered the picture, several military units and civilian agencies began churning out estimates. In both cases the objective was to prevent the Nazis from using their ill-gotten gold to buy strategic materials. In ~~February~~ ^{January} 1943, the Allies warned the neutral countries that they would be taken to task for acceptance of the looted gold once the war ended.

In 1945, Allied occupation forces set upon the task of finding the gold remaining in Germany, determining its source and returning it to its proper owners. The bulk of the unspent gold was found along with the records of the Reichsbank, the central bank charged with handling gold. Three key Reichsbank officials helped interpret these records and provided the insider information needed to track the bank's gold flows. They were the very knowledgeable Albert Thoms who for many years headed up the bank's gold department; Emil Puhl, vice president and member of the bank's directorate; and Karl Graupner, head of the Gold-Affairs Branch of the Foreign Exchange Department.

Starting soon thereafter, the issue was intensively examined for more than a decade by the Tripartite Gold Commission (TGC), an organization formed to determine the validity of the claims of the European governments from which the gold was stolen. The accumulated material was so minute that, for example, an individual stolen gold bar could be traced by its bar number as it moved from country to country. Finally, a number of books have been published since 1980 describing the Nazi plundering of gold.

Based on this rich data base, this study provides a full accounting of Nazi gold movements. Although a number of preliminary estimates of the flow were prepared during the war and partial ones thereafter, there has never been a full accounting. Moreover, no attempt has been made to estimate the vast amount of gold the Nazi regime stole from individuals throughout Europe.

THE FRAMEWORK

A simple accounting flow model is used to ensure that all elements of the gold movements are considered and to provide a framework for judging the reliability of the weakest components. It shows where the gold came from and where it went. More precisely, the model has two segments that must equal each other. The amount of gold held by the Nazis on March 12, 1938 (Austrian "Anschluss"), plus the gold looted or purchased from outside of Germany must equal the gold

shipped from Germany to other countries, plus net domestic usage and the stock of gold remaining in Germany on June 30, 1945.

The study distinguishes between two sources of the looted gold. The vast majority came from central banks (so called monetary gold) throughout Europe. Most of this gold was sitting in their vaults when the Nazis invaded. An exception was gold from Belgium and Luxembourg which had been entrusted to the pre-war French monetary authorities and moved to Dakar in French West Africa. Under pressure from the Nazis, the Vichy Government allowed the gold to be shipped to Berlin.

In addition, the allies considered as monetary gold those bars and coins forcibly purchased from individuals by central banks in occupied countries. Immediately after the Nazis occupied a nation, they instituted regulations requiring all citizens to turn their gold into the central bank in exchange for currency that only could be spent domestically. A separate estimate is made for such gold obtained from individuals even though it was classified as "monetary" gold by the TGC.

The remainder of the looted gold (called non monetary) resulted from seizures instituted by the Army, SS and other police units in Germany and the nations captured by the Nazis. It includes bars and coins as well as gold contained in jewelry, art objects and dental work that was taken as war booty and from concentration camp victims. Although this non monetary category lacks sufficient information to make a reasoned estimate, its size can be gauged by allowing it to be the residual or balancing amount after considering all other elements. The estimated numbers in all other categories are considered highly reliable, reasonably accurate or too small to have a significant impact on this study's conclusions.

Unofficial looting of gold and gold laden articles unquestionable took place by individual soldiers and policeman as well as high government officials. Both Germans and their collaborators throughout the occupied territories were involved. The collaborators likely accounted for the largest share of this pilfering, as they possessed the best knowledge of where individuals in their locality stored gold and often lacked supervision. Gold looted by German soldiers seemed to have been minimized by the strict discipline imposed on them and the considerable emphasis placed by the regime on ensuring the central collection of all gold.

Most of the gold was kept by the looters and rarely entered government coffers. Since the total of these many small scale thefts are extremely difficult to gauge no estimate is made of gold seized from individuals and kept by private looters. As the war was ending, however, Nazi leaders escaping from Germany did take some gold with them and this amount is estimated.

A separate estimate is made for non monetary gold the Nazis took for German citizens between 1933 and 1939. Under Nazi regulations, gold as well as other liquid assets that could be sold abroad—such as foreign currencies, stocks and bonds—had to be turned into the Reichsbank for reichsmark, a currency that could not be spent or invested abroad. The maximum penalty for noncompliance was death. Although these regulations originally were introduced to help overcome Germany's foreign financial crisis, they soon became a means of confiscating assets. This was especially true for Jews and others who wanted to leave Germany or protect their liquid assets by depositing them abroad.

Gold is valued at \$35 an ounce (fine) throughout this study. It was the official price used through much of the 1930s and all of the 1940s. Gold is now set at a daily market value. A rough approximation of today's value can be derived by multiplying the study's numbers by 10. For example, \$100 million at the historic value amounts to about one billion dollars in today's prices.

The dollar amounts in this discussion are rounded to the nearest ten million dollars for major categories and million dollars for sub categories even though the table rounds to the nearest hundred thousand dollars. Although most of the gold estimates shown here are considered highly reliable, as with similar estimates there are a number of minor problems: for example, using various exchange rates (Swiss franc or reichsmark) to obtain a dollar value. Rounding the estimates in such a manner has no impact on the relative magnitude of the numbers and or on the conclusions.

GOLD AND THE NAZIS

During the intrawar years, gold traditionally was used by governments to back their domestic currencies and as a means for buying and selling goods, services and financial assets in international markets. Most often, this precious metal was the major component of a country's foreign exchange holdings which also included currencies—such as the US dollar and the Swiss franc—that were considered sound and were freely convertible into gold or other currencies. Gold enjoyed a reverent aura and the stock held by a nation was a key measure of its economic prowess.

In 1930, Germany held a respectable \$1 billion in gold reserves. But by mid-1934 they plummeted to \$55 million as result of a financial and economic crises. To rectify the situation, the Nazi government required all Germans to turn in their gold and foreign liquid assets to the Reichsbank in exchange for reichsmark. As a result of the gold collected and the liquid assets exchanged for gold in foreign markets, the Reichsbank's gold holdings began to rise slowly during the 1930s. The rise reflected newly confiscated gold increasing somewhat faster than the amounts spent on imports to support economic recovery and an arms buildup.

Immediately before the Nazi took over Austria on March 12, 1938, gold reserves amounted to only about \$150 million. By any measure these holdings were paltry. For example, France held \$2,564 million in gold, the UK \$2,689 million and the much smaller countries of Holland and Switzerland had \$1,089 million and \$648 million respectively. The inadequacy of the German gold holdings can best be gauged by how many months of imports they can buy. French gold was equivalent to 18 months imports, the UK 7 months, the Dutch 13 months and the Swiss 19 months. The comparable German figure was less than one month.

Partly as a result of its foreign exchange constraints, the Nazi government in the 1930s denounced the existing gold standard. Gold no longer was used to back the reichsmark. In the international sphere, trade was conducted mainly through bilateral trade clearing arrangements. Payments via gold or convertible foreign exchange were made only as a last resort. Indeed, in the late 1930s Germany asked Switzerland and other countries to pay off any trade imbalances in commodities rather than financial assets.

Before the outbreak of World War II, major gold markets were operating in New York, London, Amsterdam and Zurich. The Germans used Zurich mainly to buy and London to sell the relatively small amounts of gold they transacted in international markets. In 1937, for example, about half its gold imports were from Switzerland and less than five percent of its foreign sales were to that country. From the Swiss perspective, less than ten percent of the gold that moved in and out of the country was from Germany.

German foreign gold movements were small and reflected special transactions during these pre-war years. Facing foreign exchange constraints in late 1936, the Nazi government declared an amnesty allowing German citizens who failed to turn in all their gold and foreign exchange under previous regulations an opportunity to do so without penalty. About one-third of the considerable foreign exchange collected was sold in Switzerland for gold in the first half of 1937 which in turn was shipped to Germany. In the last half of the year, most of the acquired gold was sold in the London market to pay for emergency imports of grain needed to overcome a drought. For the year as a whole, foreign gold sales just about equaled purchases.

Germany continued to acquire gold mainly via Switzerland. Major boosts came in 1938 and 1939 from gold held by the Austrian and Czechoslovakian central banks in Switzerland which was turned over to Germany and shipped to the Reichsbank in Berlin. Czechoslovakian gold also reached Germany via Bank of International Settlements (BIS) accounts in London and Amsterdam as described later in the looted gold section. Other German gold inflows during these two years about matched outflows.

Starting in 1940, Germany used Switzerland almost exclusively for handling its gold and other foreign financial transactions with neutral countries. The Nazis of course would not use London or New York and occupied Amsterdam fell into the reichsmark area. About \$10 million in gold received from the Soviet Union in the first quarter, for example, was deposited by the Reichsbank in its account at the Swiss National Bank (SNB), the country's central bank.

ESTIMATING THE COMPONENTS

Initial holdings

The monetary gold held by the Nazis prior to the Austrian "Anschluss" amounted to nearly \$150 million. See Table 1 which provides a summary of all components of the gold movements. The number comes from a study prepared by the Office of Military Government for Germany (OMGUS) dated November 14, 1945. It is based upon the records of the Precious Metals Department of Reichsbank and interviews of Thoms, Graupner and Puhl.

The actual monetary gold reserve number is from January 1, 1938, since available data are semi-annual. Changes in these stocks during the next two and half months likely did not amount to more than \$5 million, according to German and Swiss trade data. Thus, the possible error rate for the \$150 million figure is not more than three percent.

A further breakdown of the \$150 million reveals that it consists of \$29 million in published reserves and \$121 million in hidden reserves. These hidden reserves were further subdivided into three accounts.

--Treland (\$75 million) According to Albert Thoms, this hidden account was known to officials of the bank as the "new Juliussturm", a phrase which, they explained, refers to the gold reserve built up by the Reichsbank for World War I and stored in the Julius tower in Spandau. From its inception in November 1935 until war's end, the amount in this account changed little.

--Asservat "Der" (\$19 million) This account was established on March 25, 1937 and was the most active. Much of the looted gold and foreign shipments were handled via this account. Although it was never entirely clear, the movements in and out of this account seemed to have been directed by Herman Goering for use in the country's Four Year Plan.

--Gold Ankauf (\$27 million) This was a suspense account which took in gold from the German citizens under the exchange control laws adopted in 1933 and later from gold looted from captured countries. Although much of gold remained in this suspense account for longer than usual, it eventually was credited to other gold accounts.

Table 1
MOVEMENTS OF NAZI GOLD
 March 12, 1938-June 30, 1945
 (millions of dollars)*

Initial holdings	149.1	End of period balance	307.8
Looted	753.5	Reichsbank monetary	256.0
Monetary	670.8	<i>of which</i>	
<i>of which</i>		In Merkers mine	238.5
Belgium	222.9 (a)	Found elsewhere	14.0
Netherlands	163.8 (a)	Missing	3.5
Austria	102.6 (a)	Other monetary	32.2
Italy	78.0 (b)	Hungary	32.2
Czechoslovakia	42.6 (a)	Non-monetary	19.6
Hungary	32.2	<i>of which</i>	
Greece	8.4 (a)	SS "Melmer"	2.0
Poland	7.3 (a)	Other looted	7.0
Luxembourg	4.8 (a)	Foreign Office	10.6
Danzig	4.3		
Yugoslavia	3.8 (a)	Foreign shipments	517.6
Albania	0.1	Switzerland	438.0
Non monetary	82.7	<i>of which</i>	
<i>of which</i>		SNB 4/40-6/44	378.0
SS "Melmer"	4.0	SNB1/40-3/40	10.0
Other looted	78.7	Banks 4/40-12/41	20.0
		From Italy 1944	30.0
		Other <i>of which</i>	79.6
Foreign purchases	27.2	Rumania	53.8
USSR (prior to 6/41)	23.0	Greece	8.0
Japan	4.2	Turkey	5.5
		Japan	3.6
		Slovakia	2.0
		Sweden	1.7
		Other countries	5.0
		Other uses	104.4
		Organizations	34.4
		Industrial/ artistic	60.0
		Individual	10.0
Total	929.8		929.8

* calculated at \$1,125.275 per kilo of fine gold.

(a) Includes monetary and forced purchases of private holdings in exchange for reichsmark: Greece, Poland and Yugoslavia mainly private holdings.

(b) Includes \$9.4 from Yugoslavia and \$7.4 from France which Italy looted.

Only a small share of the Reichsbank's \$150 million in gold reserves was held outside of Germany. During 1938 and prior to the outbreak of war in September 1939, nearly all these limited amounts were withdrawn from New York and London. As of September 1, 1939, a small (but unknown) quantity was deposited with Swiss banks including \$2.1 in the Reichsbank's account at the BIS at the SNB. Because these external holdings are already included under reserves and are relatively insignificant, they have no impact on the findings of this study.

Gold experts, including those in Switzerland, in the late 1930s clearly knew about the small size of the German reserves. Knowledgeable estimates at the time of gold held by the Germans in early March 1938 tended to be less than the \$150 million actual amount. For example, the Federal Reserve Board figure was \$113 million while Paul Einzig indicated in his book *Economic Warfare* that the reserve number for 1939 is 50 million pound sterling or \$250 million. This, however, includes \$145 million in gold taken from Austria and Czechoslovakia. The comparable number for March 1938 is \$105 million.

Looted

Monetary

At a minimum, the Nazis looted \$750 million in gold from the territories they occupied in Europe. Of that amount, the bulk—\$670 million—came via the monetary authorities of these countries. The situation could have been much worse. Before the war most European states moved nearly all their monetary gold to safehavens, mainly the United States.

The looting started with Austria in March 1938, and by 1943 the Nazis had snatched nearly ninety percent of the total monetary gold taken during the war. Three countries—Belgium, Netherlands and Austria—accounted for three-quarters of the looted monetary gold. The only large seizure in the latter years of the war was \$78 million in Italian gold which the Nazis moved to northern Italy after the Mussolini government collapsed. In 1944, it was shipped to Germany. The Italian gold included nearly \$17 million of the metal that the Mussolini regime had previously looted from Yugoslavia and France.

The stolen gold provided a more than adequate supply to meet war time needs. Indeed, Germany's gold reserve at war's end was double that of early 1938. The ability to utilize the gold to buy imports from countries outside of Europe was severely limited during the war as a result of the Allied naval blockade. Nearly all the captured gold was spent in neutral European countries for goods they produced themselves or obtained by clandestine means from other countries. Within the Nazi domain gold was rarely used to pay for imports. The major exception was Rumania which received \$54 million in gold, mainly for oil.

The monetary gold numbers are highly accurate reflecting detailed records of the Reichsbank and of the European central banks that were looted. The TGC spent years combing through these figures and validating their reliability. Those controversies that did arise were not about the numbers, but mainly from determining whether gold taken from citizens via central banks after the Nazi invasion was monetary gold under the charter given the Commission. For most countries the answer was yes, but for relatively small quantities of gold seized from Greece, Poland and Yugoslavia the claims were turned down. For estimating the overall flow of Nazi gold, the distinction makes no difference. All of the loot was shipped back to the Reichsbank in Germany. In total, the amount of gold seized from citizens via central banks exceeded \$80 million (see table 2).

Special note needs to be made about the \$12 million in Czechoslovakian gold originally held by the Bank of England in 1939. Under an order from officials of the new Nazi-dominated National Bank for Bohemia-Moravia, the Bank of England was asked to move the gold from the account of the old National Bank of Czechoslovakia at the Bank of England to that of the BIS. The BIS then on its own books debited the amount it held in the Bank of England and credited its account at the National Bank of Amsterdam and then had gold shipped from Amsterdam to Berlin. Thus without physically moving gold out of England, the Nazis were able to acquire the gold owned by Czechoslovakia.

In March 1939, an additional \$15 million in gold was physically moved from the BIS account at the SNB to the Reichsbank in Germany. These funds had been held by the BIS for the National Bank of Czechoslovakia. After occupying the Sudetenland, the Nazis insisted that Prague transfer the gold to them. The BIS accepted the view of its German representative who indicated the BIS should not take political considerations into account in deciding how to deal with its interests in areas absorbed by Germany.

*Czechoslovakia
reparation*

Non monetary

The amount of looted non monetary gold can not be estimated directly because only fragmentary information exists. A reasonable approximation of its size, however, can be derived by allowing this category to be a residual. All other categories are either well documented or can be estimated with a high degree of reliability. Thus, if the accounting process is to be balanced, the non monetary looted account would have to be at least \$80 million. The number probably is higher because the estimate of industrial gold usage (which is the least reliable category) is very conservative (see pages 15-16). A larger industrial use number would raise the non monetary gold number (the residual) by a similar amount. It is surely within the realm of possibility that both industrial use and thus the non monetary gold figure are some \$50 million higher.

Table 2
**NAZI CONFISCATION OF GOLD FROM INDIVIDUALS
 VIA CENTRAL BANKS
 IN OCCUPIED COUNTRIES***
 March 12, 1938-June 30, 1945
 (millions of dollars)**

Netherlands	39.9***
Austria	14.6***
Greece	8.4
Poland	7.3
Belgium	7.2***
Yugoslavia	3.8
Czechoslovakia	1.1***
Luxembourg	0.1
Total	84.2

* Based on documented claims submitted by governments to the Tripartite Gold Commission; excludes seizures of gold by the Nazi military, SS and other police units.

**calculated at \$1,125.275 per kilo of fine gold.

***These amounts included as monetary gold as defined by the Commission.

Gold
Tripartite

What is known:

—Wehrmacht booty was turned into the Reich Treasury which sorted and disposed of it and received all receipts from its sale. Most goods with an artistic value, such as diamonds and jewelry, were sent by the Treasury to Municipal Pawn Shops, mainly for sale abroad. Smaller items with a high precious metal content, such as rings, were shipped to the Prussian State Mint and larger articles to Degussa, the major German precious metal smelting firm. Gold was extracted and the resulting bars sent to the Reichsbank. Seized gold bars and coins, other precious metals, currencies and stock certificates were delivered directly from the Treasury to the Reichsbank.

—SS booty from concentration camps and elsewhere was delivered to the Reichsbank for inventorying and was dispersed in the same way as the Wehrmacht booty. Gold teeth and bridges were melted down by the Prussian State Mint, refined into gold bars and returned to the Reichsbank. Some 76 shipments from the SS were received by the Reichsbank from 1942 to 1944 with an estimated value of \$20 million. Its gold content was valued at some \$4-5 million. All receipts were deposited to a secret SS account at the Treasury, under the name Max Heiliger, and referred to as the "Melmer" account after the SS officer who delivered the stolen items to the Reichsbank.

—Non-monetary gold obtained by the Reichsbank, in most instances became a part of its monetary holdings. For example, the value of the gold looted by the SS and brought to the Reichsbank would be credited to the "Melmer" account ^{at the Treasury} in a reichsmark equivalent. If the SS wanted gold for an overseas operation, its account would be reduced by an equivalent amount of reichsmark. The gold it received would not necessarily be the same bars or coins it originally deposited.

—SS and other loot also was found scattered throughout the former Nazi occupied areas of Europe by the Allies after the war. This was spoils that had not reached the Treasury or Reichsbank for sorting and valuing. Many bags, for example, were found at or near concentration camps.

—Safety deposit boxes in France These boxes were sealed and checked for gold, currency and other foreign assets soon after the Nazis occupied non Vichy France. The assets in the boxes were exchanged for local currency and the gold removed to Germany. The Nazi Custom Service was in charge of this operation and was backed by the SS and other police units.

Foreign purchases

Germany received \$23 million in gold from the USSR. These shipments to the Reichsbank took place between the September 1939 implementation of the

Heiliger

other boxes

Hitler-Stalin pact which divided Poland and the Baltic states between their two countries and the June 1941 Nazi invasion of the USSR. The gold received by Germany was for payment of military equipment the Nazis delivered to the Russians.

In 1941, Japan delivered \$4 million in gold to Germany to repay foreign exchange advances by Germany. This transaction is confirmed in reports indicating the Reichsbank had to smelt Japanese gold bars because they did not meet international standards set by the Bank of England.

End of war balance

When the Allies took over Germany, they found more than \$300 million in gold, an amount equivalent to 40 percent of the gold looted by the Nazis from occupied countries. Some 95 percent of the gold remaining was held by the Reichsbank. The non monetary portion consisted of SS gold possessed by the Reichsbank but not yet sorted or valued, looted gold found by allies throughout Europe and that held by the German Foreign Office.

Monetary

The records of the monetary inventory are well documented. Captured Reichsbank records show that it held nearly \$260 million in monetary gold. Under the direction of Colonel Bernard Bernstein, Director of the Finance Division of the OMGUS Control Council, bars and coins were checked against the Reichsbank inventory. This process indicated that 98 percent of the monetary gold had been recovered. Most was found in the Kaiserode Salt Mine, near the town of Merkers by US troops on April 7, 1945. This large cache had been evacuated from Berlin in February. In addition, Reichsbank records showed some gold remained at its branches throughout Germany. As a result US teams were sent out to the branches and most was recovered by June 1945. Most of the nearly \$4 million never found likely was stolen from the branches. A third of that missing was in Berlin and probably taken by Soviet troops.

In addition, \$32 million in monetary gold from the National Bank of Hungary was discovered by US forces in Spital am Pyhm, Austria. It had been removed from Budapest by the Nazis in mid-November 1944 and was on its way back to Germany.

There was also about \$5 million remaining in Reichsbank accounts in Switzerland. This amount is not shown in the gold movements table because it already is accounted for in foreign shipments.

Non-monetary

Some \$9 million in looted gold, that was not part of the Reichsbank's official monetary holdings, was found throughout Germany and Austria at war's end. In this amount was \$2 million in SS "Meimer" gold or gold-laden articles that had been discovered among the Reichsbank's holdings that were stashed in the Merkers mine. This gold was being stored on behalf of the SS until it could be melted down into bars. Much of the remaining \$7 million was gold found near concentration camps or in route to the Reichsbank and other gold processors.

The Nazi Foreign Office under Ribbentrop had an account at the Reichsbank (stipulated in reichsmark) from which it withdraw an equivalent amount of foreign currency or gold to meet the outlays of its embassies and consulates abroad. It also kept gold in its own vaults in Germany for similar uses. Some came from the bags of coins looted from Italy in 1944. Reports indicate that Foreign Minister Ribbentrop had a special fund but this reserve likely was equivalent to the Ministry's holdings in its own vaults. Some \$11 million originating from the Foreign office was found after the war. Of that amount, about \$7 million was discovered by US and UK forces in Germany and Austria and \$4 million at foreign locations. This included \$1.8 million in Switzerland, \$1 million in Sweden, \$0.5 million in Portugal, and \$0.4 million in Turkey.

Another \$0.8 million in gold was brought over to Bern Switzerland from the Lake Constance area in Germany during the closing days of the war. This shipment was undertaken in the presence of the son of the former German Minister for Foreign Affairs, Von Neurath, who, according to newspaper accounts, arrived soon thereafter in Argentina. This amount is not counted in the gold flow table because it is not known whether it is part of the gold found at the German Consulate in Bern or a separate batch that might have been moved to Argentina. It is likely that another one or two million dollars of Foreign Office funds ended up in the hands of Nazi officials fleeing Germany. No figure is included for any of this leaked gold because estimating the exact amount is difficult and the amounts are too small (although large for an individual) to have a significant impact on the conclusions of this study.

Foreign shipments

Switzerland

Swiss banking institutions played the pivotal role in handling the looted gold sold by the Nazis. They were the initial recipient of \$438 million or 85 percent of all gold Germany shipped to foreign locations from March 1938 to June 1945. In most cases, this precious metal first was shipped from the Reichsbank to its depot account at Swiss National Bank (SNB), with the heaviest flow occurring from the fourth quarter 1941 to the first quarter of 1944.

Data on these movements are highly reliable. Reichsbank records captured by the Allies in 1945 indicate a flow of \$378 million between April 1940 and the end of the war. Although the Swiss Government never opened up its books, it did confirm that the overall Reichsbank figure was correct. In addition, the Reichsbank records show that \$20 million in gold was shipped to Swiss commercial banks between April 1940 and December 1941. This included Swiss Banking Corporation, Leu Bank and the Basler Handelsbank. Beginning in 1942, Bern said all gold entering and leaving Switzerland must go through the SNB.

There are no Reichsbank records on gold movements to Switzerland before April 1940. Other reporting, however, does indicate a first quarter of 1940 shipment amounting to \$10 million. As discussed earlier for the 1938 and 1939 period (see page 5), there was a net flow of gold from Switzerland to Germany as the Nazis bought gold in the Zurich market in exchange for foreign assets they forcibly acquired from their citizens. This gold was then moved to Germany to build the reserves of the Reichsbank. Most of the gold sold abroad by the Reichsbank was through non Swiss markets. Since the net German foreign gold movements for 1938 and 1939 were minor, no number is included in Table 1 for that period.

In addition, the Swiss received \$30 million in looted gold indirectly via the Nazi controlled regime in northern Italy. When the German troops retreated from Rome in December 1943, they took with them all the Italian monetary gold. It was held in Milan until 1944 when the decision was made to move the gold to Berlin to keep it out the hands of the advancing Allied forces. The Swiss knowledgeable about the situation asked the Nazi regime to send \$30 million in this looted gold to them. Twelve million dollars worth of gold was used to repay Swiss banks for loans made to Italy and \$18 million went to meet German obligations to the BIS in Basle.

A more complex issue is the gold supposedly shipped to Switzerland in April 1945. Immediately after the Allied-sponsored Currie Mission left Switzerland in early March 1945 with an agreement that restricted gold purchases from Germany to the amount needed to pay for diplomatic services and to meet its obligations to the BIS, Emil Puhl came to Bern to secure Swiss agreement for shipment of \$6.8 million in gold to from the Reichsbank to the SNB. On April 6, he succeeded in an arrangement allowing gold valued at \$3.5 million be moved to the SNB and exchanged for Swiss francs which were deposited in a special giro account for the Reichsbank.

Puhl bragged about his achievements in an infamous letter to Walther Funk, President of the Reichsbank, that was latter found in captured Reichsbank files. He said, "The practical result (of the negotiations) was to free the Reichsbank accounts for payments desired by us." The Swiss, however, did not allow the

gold to be shipped from Germany but insisted it be taken out of the remaining metal in the Reichsbank's depot account. This transfer means is substantiated by a April 13, 1945 message between the SNB in Bern and the Reichsbank in Berlin that was intercepted by the British Ministry of Economic Warfare. In the case of German payments to the BIS, they were met by a transfer of gold from Berlin to the BIS account at a Reichsbank branch in Constance (a German town near the Swiss border). Neither the Swiss nor the BIS transaction added to the gold flow from Germany to Switzerland.

The Reichsbank used its depot account at SNB as the central distribution point in moving gold outside of Germany. About 60 percent of this gold was sold to the SNB in exchange for Swiss franc deposits and the remainder was transferred to the BIS and central banks of neutral countries, mainly Portugal, Spain and Sweden.

Depot accounts are common in international financial centers, such as Switzerland, and play a useful role in expediting gold movements among countries. Because gold is expensive to ship, transfers between countries are made by simply moving the gold from the depot account of one country to another at the same central bank. Physically, this normally means moving the gold (referred to as "earmarked") a few yards from the locker of the country that originally owned the gold to that of the recipient country. Thus, for example, when Germany bought goods from Portugal, the Reichsbank often paid for them by instructing the SNB to transfer gold from its depot account to that of the National Bank of Portugal.

In those instances when a neutral country wanted actual possession, the Reichsbank asked the SNB to transport gold from its depot account to the recipient country. Spain and Portugal were the main destination of these shipments. According to a State Department report, from January 1942 to February 1944, 282 truckloads of German gold bars were sent from Switzerland to the two Iberian countries. For the war as a whole, the two received some \$80 million in direct shipments from the Reichsbank depot at the SNB.

The Reichsbank also sold gold in its depot account to the SNB for an equivalent amount of Swiss francs deposited into a "giro" account. From this account, the Reichsbank was able to pay for goods and services bought in Switzerland as well as other countries. With the Swiss franc being freely convertible into any currency, the money could easily be transferred elsewhere. When, for example, Germany wanted to transfer funds to Spain, the Reichsbank instructed the SNB by telegram to reduce its giro account by so many Swiss francs and add the same amount to the giro account of the Banco de Espana at the SNB. The Spanish bank could then spend these Swiss francs anywhere or it could ask the SNB to convert the Swiss francs into pesos and deposit them in the Banco de Espana in Madrid. Spain and Portugal acquired nearly \$100 million from the

Reichsbank via giro accounts at the SNB. Whatever its final destination, the Swiss were the first recipient of the gold looted by the Nazis.

Of the total Swiss intake of gold, at least \$260 million must be considered looted. This assumes the Swiss received all the so called "legitimate" gold held by the Reichsbank before March 1938. A more reasonable assumption is that other recipient countries received a proportional share (15 percent) of the "legitimate" gold. This would increase the amount of looted gold handled by the Swiss to \$275 million. If gold forcibly purchased from German citizens during the 1930s is classified as looted, then the Swiss would have taken in some \$375 million in looted gold. All these figures are much greater than the \$58 million in gold the Swiss turned over to the Allies after the war. To understand these numbers in today's prices, they must be multiplied by about 10. Thus, after subtracting out its modest post war payment, Switzerland would now have to pay some \$2 to \$3 billion to compensate for taking in looted gold.

Other countries

Besides the large gold shipments to Rumania mainly to pay for oil (already discussed), there were small movements by the Reichsbank to other countries as follows:

—Greece: In attempt to stem inflation, the Nazi rulers in Greece sold some \$8 million in gold coin to the public between 1942 and 1944. The amount approximates the value of the gold already looted from this country.

—Turkey: The Germans sold more than \$5 million in gold for foreign currencies on the Turkish free gold market. As this market paid a higher price in foreign currencies, the Reichsbank occasional sold gold there. Much greater use of the Turkish market was inhibited by its smallness and its long distance from Germany.

—Japan One sale in 1941 amounting to \$3.6 million.

—Slovakia: The Reichsbank turned over \$2 million worth of gold in November 1943 to reduce the German trade clearing deficit it had with Slovakia.

—Sweden Direct shipments of gold to that country amounted to less than \$2 million. The other category includes the relatively small amounts of gold shipped directly from Germany to Spain, Portugal, the Middle East and North Africa.

All gold transactions between the BIS and Reichsbank from September 1939 to May 1945 were handled via earmarked (or depot) accounts held by both organizations at the SNB. Since these flows are already counted in the

Reichsbank shipments to its earmarked account at SNB, they can not and are not included in Table 1. During the above war period \$13.5 million in gold was moved from the Reichsbank to the BIS account at the SNB. This money was used to pay interest payments on BIS loans secured in the early 1930s and for international postal payments. The nearly \$2 million in gold deposited in the BIS account at the Constance branch (in Germany) of the Reichsbank is not included in the accounting of Nazi gold flows to Switzerland.

Other distribution and usage

Deliveries to government agencies and select private banks and firms under special licenses issued by the Reich's Ministry of Economics

Special licenses amounted to some \$45 million during the war were granted to the Supreme Commands of military units, the Foreign Office, the Gestapo, private banks such as Deutsche Bank and Dresdner Bank, and a few private foreign exchange dealers working for government agencies. These organizations in turn used the gold to pay for their operations, mainly in neutral countries. For example, the Foreign Office maintained a \$8 million revolving gold fund and the Deutsche Bank received \$1.8 million in gold from the Reichsbank. About \$5 million was given to foreign exchange dealers Helmuth Maurer and Otto Wolff. The biggest such transactions—\$2.4 million—was with Wolff in mid-1944. The gold was sold in Spain and the proceeds were delivered to the Reichsbank in the form of Swiss francs and Spanish pesetas. For this arrangement, Wolff was paid a three percent commission.

To avoid double counting, this category has to be reduced by the \$10.6 million in Foreign Office gold found in and outside of Germany at war's end. Thus, the estimate is that \$34.4 million in gold remained with the various official and private organizations and was not found by the Allies, or more likely was sold by these organizations to others in Germany and elsewhere. Although a large share probably transited or was deposited in Switzerland, the only known information relates to the \$2.3 million Wolff shipment to Spain.

Domestic industrial and artistic applications

The most difficult category to estimate is the net amount of gold Germany used in industry and artistic endeavors. This includes gold needed in manufacturing precision devices, photography, chemical processing, in dentistry and in making jewelry. According to Albert Thoms, until August 1944, the Reichsbank provided 200 kilograms of gold per month to Degussa, which was the nation's largest precious metal smelter and supplier to industrial users. For the period March 1938 to August 1944, such an allocation would be worth \$17 million. For the rest of the war Degussa probably drew down the large gold stocks it was allowed to maintain—2,000 kilos—according to Thoms.

This industrial usage amount seems low according to experts in the field. For example, US net gold consumption was more than 15 times that of Germany during the same period, while its economy was only three times larger. Switzerland used some \$19 million even though its economy is only a tenth of Germany. Moreover, German usage included an unknown amount of gold used for industrial purposes in the occupied countries.

A number of explanations are possible. There were other precious metal smelters like Degussa, although it was the biggest. Whether they received allocations from the Reichsbank or had to depend on smelting scrap gold is unknown. Degussa also could have been highly dependent on scrap. Scrap gold is derived from the many discarded products that contain gold and on the bits and pieces left over in manufacturing new items. Since gold is valuable and can not be destroyed, scrap always plays an important role in the industrial market.

Given the Nazi penchant to build their stock of gold, there likely was considerable emphasis on utilizing scrap. Public calls by the Nazis to donate gold laden jewelry to the war effort were constantly being made and large amounts of similar items were confiscated from concentration camp and other victims. Degussa is known to have paid higher prices for gold laden items than the Prussian Mint in order to attract sufficient metal to meet market demands. Some of these items could have been smelted and sold for industrial use.

If the gold used for industrial purposes came from normal domestic scrap, there would be no change in net domestic use since the inputs and usage would offset each other. But net use would rise, if smelters were obtaining scrap from items looted outside of Germany and/or the Reichsbank was allocating gold for industrial use to more than Degussa. A very conservative estimate for net gold use is \$60 million or less than \$10 million a year during the war. This would be less than a fifth of the comparable US figure.

Shipments by individuals

At a bare minimum, individual Germans on their own account likely sold \$10 million in gold in foreign markets. This would involve gold they seized from others, received from other looters or removed from government holdings. Much was probably sold through Switzerland or deposited there. Considerable reporting indicates a large number of high ranking Nazi officials and industrialists took gold with them as they tried to flee to South America and other locations in the last year of the war or during the turmoil of the immediate post-war period.

THE NON MONETARY GOLD ISSUE

Determining the total amount of non monetary gold looted by the Nazis has remained a difficult and illusive issue and more recently an important and controversial one. There has never been any estimate of the amount. The definition of non monetary gold has varied with the needs of the entity dealing with the problem. In general, the TGC and other post-war organizations defined monetary gold as all gold in the possession of a central bank and non monetary as all other. This was done to make the task of the organization easier. For example, gold obtained by the Nazis from concentration camp victims was classified as monetary if it was melted down into bars and held in the inventory of the Reichsbank. If a sack of gold teeth had been found near a concentration camp—before it was smelted into bars and sent to the Reichsbank—it would be considered non monetary.

A more appropriate non monetary definition would be all gold taken from individuals in Germany and the captured territories from 1933 to war's end. Such a category amounts to more than \$260 million and includes gold:

--Taken from German citizens from 1933-1939 (\$100 million).

This estimate is based on the buildup of German gold reserves (including hidden) from mid-1934 to the end of 1937 of some \$95 million. Nearly all these increased gold holdings came from domestic confiscations since the net gold inflow into Germany was small. Moreover, as discussed earlier the inflow largely resulted from liquid foreign assets being seized at home and sold in foreign markets for gold that was shipped to the Reichsbank. In addition, most certainly an additional \$5 million was taken from Jews and others during 1938 and 1939. This is a period when nearly all assets remaining in Jewish hands were seized.

--Coerced from individuals by central banks in occupied territories (\$80 million). See page 8.

--Seized by the Wehrmacht, SS, etc. (\$80 million). See page 8

Looted monetary gold is better defined as the amount in the coffers of the central banks the day the Nazis took over a country. This involves excluding from the study's monetary gold category of \$670 million (see table 1) the \$80 million the Nazis forced the central banks to collect once they occupied a country. The remainder is \$590 million which can be considered the amount of gold earned by central banks through their normal balance of payments operations.

The total of all looted gold is \$850 million.

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30. Extract from "Decision in Germany" by General Lucius D. Clay, p308, Department of State, Embassy London, message 2496, November 20, 1950; NA RG 59, Department of State, 1950-1954 Decimal system, Box 867, File: 200.6241, gold/11-2450 (location 631/14/23/01)
31. Office of Chief Counsel for War Crimes, December 28, 1948; NA RG 260, Records of Foreign Exchange Depository Group, Central Files 1945-1950, Box 440, File 940.65 (location 390/46/8-10/5-1)
32. From: US High Commissioner for Germany to Department of State (A-1082), July 13, 1950; NA RG 59, Department of State, 1950-1954 Decimal System, Box 867, File: 200.6241, gold/11-2450 (location 631/14/23/01)

Foreign shipments

Switzerland

33. Swiss Gold Traffic with Germany 1939-1945, no date; NA RG 43, Records of the US Delegation to the Conference on German External Assets and Looted Gold, Washington, January 6-21, 1953, Box 201, File: Swedish negotiations (location 250/10/19/04)
34. Quarterly Value of Gold Shipments from German Reichsbank to Swiss National Bank 1940-1945, no date; NA RG 43, Records of the US Delegation to the Conference on German External Assets and Looted Gold, Washington, January 6-21, 1953, Box 201, File: Swedish negotiations (location 250/10/19/04)
35. First Quarter 1940 Gold Shipments from Germany to Switzerland, Department of the US Treasury; NA RG 56, Records of the Office of the Technical Assistant to the Secretary of the Treasury, Stabilization Records, Subject Files, Box 74, File: Gold Jan-June 1940 (location 450/80/22/02)
36. Summary of Shipments of Gold: Berlin to Bern, no date; NA RG 59 Department of State, Office of Financial Operations, Records relating to the Tripartite Commission for the Restitution of Monetary Gold, 1942-1962, Box 25, File: German gold holdings (location 631/A/04/06)
37. Meeting with Treasury Re Looted Gold—New Documentary Evidence, February 14, 1946; NA RG 43; Records of the US Delegation to the Conference on German External Assets and Looted Gold, Washington, January 6-21, 1953, Box 201, File: Swiss negotiations-volume I (location 250/10/19/04)

38. Statement by Emil Puhl, November 17, 1945; NA RG 153, Records of the Office of the Judge Advocate General, Safehaven Reports 1944-1945, Box 13 (location 270/1/5/04)

39. Ministry of Economic Warfare, Telegram Unit, April 13, 1945; NA RG 43, Records of the US Delegation to the Conference on German External Assets and Looted Gold, Washington, January 6-21, 1953, Box 203, File: Switzerland-safehaven gold transactions (location 250/10/19/04)

40. Enclosure 1, Explanation of the Statement "Total Gold Stocks of the Reichsbank", Investigation concerning case: Reichsbankrat Karl Graupner, August 15/16/1946; NA RG 260, Records of Foreign Exchange Depository Group, Central Files 1945-1950, Box 439, File 940.5602 (location 390/46/8-10/5-1)

41. Comments on cable re: Swiss gold movements, Staff Memo, Federal Reserve Bank of New York, June 3, 1940.

42. For Italian gold: NA RG 43, Records related to the Paris Conference on Reparations, Files of Jacques J. Reinstein, 1945-1951, Box 257 (location 250/10/20/05)

43. Shipments to Spain: State Department message from American Legation, Bern to Washington, August 12, 1946; NA RG 56, Treasury Department, Country and Area Records 1934-1952, Box 27, File: Switzerland gold-silver (location 450/80/35/04)

44. Shipments to Portugal: Report Relating to Negotiations for the Restitution of Looted Gold, Lisbon, September 1946; NA RG 56, Miscellaneous Committee Records, Box 62, File: IARA-Looted Gold-Restitution and Claims Volume 1 (location 450/80/30/02)

Other countries

45. Gold Held in Germany by Hans J. Dornburg, Division of Research and Statistics, Board of Governors of the Federal Reserve System, April 1945; NA RG 43, Records of the US Delegation to the Conference on German External Assets and Looted Gold, Washington, January 6-21, 1953, Box 198, File: external assets (location 250/10/19/04)

46. Rumania: Gold Received by the National Bank of Rumania, Bucharest, From the Reichsbank, Berlin During the War, From William G. Brey, Chief Foreign Exchange Depository to Director Finance Division, OMGUS, July 23, 1946; NA RG 43, Records of the US Delegation to the Conference on German External Assets and Looted Gold, January 6-21 1953, Box 199, File: Rumania

negotiations. (Note: The Reichsbank is supposed to have deposited \$11.7 million in the National Bank of Rumania's account at the Swiss bank, Union des Banques Suisses. There is no confirmation.)

47. BIS: Minute, June 14, 1946; NA RG 43, Records of the US Delegation to the Conference on German External Assets and Looted Gold, January 6-21 1953, Box 199, File: French report-BIS material.

48. Exhibit 1, Note on gold operations involving the Bank of International Settlements and the German Reichsbank, 1939-1945, October 10, 1996.

49. Sweden: Memorandum on Swedish-German Gold Transactions from January 1939 to December 1945, May 27, 1946; RG NA 59, Department of State, Division of Economic Security Controls, 1945-1947, Safehaven subject file, Box 3 (location 250/45/35/07)

50. Turkey: V. An External Security Program, German Dealings in Looted Gold, no date, page V. 23,

51. Japan: Annex 2, Remarks Concerning Gold Deliveries of the Reichsbank, Investigation concerning case: Reichsbankrat Karl Graupner, August 15/16/1946, p 2; NA RG, Records of Foreign Exchange Depository Group, Central Files 1945-1950, Box 439, File 940.5602 (location 390/46/8-10/5-1)

52. Slovakia: NA RG 59, Department of State, 1950-1954 Decimal system, Box 870, File: 200.6241 (location 631/14/23/01)

Other distribution and usage

53. SS Loot and the Reichsbank; Supreme Headquarters, Allied Expeditionary Force, G-5 Division, 8 May 1945; NA RG 260, Records of Foreign Exchange Depository Group, Central Files 1945-1950, Box 422, File 940.1551 (location 390/46/8-10/5-1)

54. Annex 2, Remarks Concerning Gold Deliveries of the Reichsbank, Investigation concerning case: Reichsbankrat Karl Graupner, August 15/16/1946, p 2; NA RG, Records of Foreign Exchange Depository Group, Central Files 1945-1950, Box 439, File 940.5602 (location 390/46/8-10/5-1)

55. Durrer, Marco, *Die Schweizeisch-Amerikan is Chen Finarzbeziehugen im Zweiten Weltkreig*, no date.

224001

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

Legal Group Banking Services Division
--

Date: June 10, 1997Deliver to: Judy Liberson 202-482-4821
Bill Slaney 202-663-1289From: James R. Hennessy
Tel: 212-720-8195 Fax: 212-720-1530

Dear Judy and Bill:

I received a call from Cindy Sprunger of the House Banking Committee today about the June 25 hearing. She asked me about a 1940 New York Times article (attached) which stated that much of Switzerland's reserves were stored at the Bank during the War and, more generally, what we knew about Swiss gold transactions. Because I thought this might come up on June 25, I thought you should know that I made the following points to her:

(1) The Bank did not systematically retain ledgers for the BNS (Swiss National Bank) account. As our submission to the National Archives indicated (attached), we only have ledgers for 1932-34, 1936, and 1940-41. Consequently, the BNS account history could not be fully reconstructed from our records. (2) Some transfers listed in the existing BNS ledgers do give some indications as to where some of the gold deposited into the BNS account may have come from, e.g., what steamship such gold arrived on. (3) The BNS ledgers are large, fragile, hand-written books. They would not survive photocopying. (4) We understand that there is an effort already underway by the BNS to reconstruct their account histories based on their own records and the records of others; I assume that they will be cooperating with the State Department Historian in this endeavor. (5) Representatives from the Federal Reserve Board have recently discussed the question of records with the BNS and will shortly be offering to the BNS the use of our ledgers for their review.

Please feel free to call me if you have any questions.

This transmission has 3 pages (including this cover sheet).

224002

THE NEW YORK TIMES, SUNDAY, MAY 5, 1940

CURB C

U. S. NOW HAVEN FOR SWISS WEALTH

Most of Capital Already in Wall St. for Investment or Safekeeping

SECURITIES BUYING HEAVY

Figures Published by Treasury Reveal Small Nation Leads in Deals Here

By EDWARD J. CONDLON

Whatever the probabilities that the war may engulf the neutral nations of Europe, Wall Street has good reason to believe that Switzerland is taking the strongest possible financial precautionary measures. Any invader of the Swiss cantons, it is confidently predicted, would find that most of the movable wealth had left the country. Much of it has already come to Wall Street for safekeeping or investment.

To facilitate these precautionary measures, two of the largest banks in Switzerland recently established agencies in New York. The Societe de Banque Suisse de Basle has the Swiss Bank Corporation Agency in operation in the old Federal Reserve Bank quarters in the Equitable Building at the corner of Nassau and Pine Streets. The recently formed Swiss American Corporation, which occupies the picturesque banking quarters in the venerable Speyer Building at 24 Pine Street, has just obtained a State charter to act as the New York agency of the Credit Suisse of Zurich. The agencies have not been established primarily to further Swiss trade. Obviously they are intended to play important roles in the movement of Swiss capital to the United States.

Swiss Heavy Buyers Here

It is only necessary to scan the monthly figures of the United States Treasury on international capital movements to discover that since the war started in September Switzerland has been the heaviest buyer of United States corporate securities of any European nation, with the Netherlands the runner-up. In the figures for January, the

amount provided by the Treasury Switzerland is revealed as having purchased nearly \$4,000,000 of United States securities, on balance. Not only are large Swiss corporations and wealthy individuals sending money to Wall Street, but many Swiss nationals of comparatively modest means are sending all they can spare. Most of the transfers carry specific instructions that in the event of invasion, the money and securities are not to be sent back, even on written instructions by the owners.

Switzerland has many large corporations in the electrical and heavy machinery field and in insurance, as well as in the popularly known industries of cheese, milk, chocolate and watch making. It is to be noted that not all of the funds coming to New York from Switzerland are actually of Swiss origin. The Wall Street banking fraternity has good reasons to believe that many financial interests in the Balkans, Italy, France, and even Germany, are working covertly through Switzerland to protect their wealth despite the restrictions and heavy penalties imposed by their respective governments.

Gold Reserve Sent Here

The Swiss Government itself passed recently a law stipulating that in the event of war the govern-

mental center could legally be outside of the boundaries of Switzerland. Much of the gold reserve of the Swiss central bank is believed to have been shipped to the Federal Reserve Bank of New York for safekeeping. For more than three years the discount rate of the Swiss central bank has been 1½ per cent, the lowest central rate in Europe. Whether or not the Bank for International Settlements, which has moved out all or part of its relatively small gold reserve, has not been indicated, but undoubtedly its metallic reserves, which are in gold bars, could be shipped quickly in occasion warranted.

Though small in comparison with the volume of British liquidation of United States securities, the Swiss demand, together with that of other neutrals, does provide some offset to foreign sales here. The prospect is that a large part of the Swiss funds may remain here for a long time after the end of hostilities in Europe, or until the owners thereof are convinced of a lasting peace. In the meantime, the term "Swiss buying" may become as familiar in security trading circles here as the time-honored "London" or "Amsterdam buying." Actually, however, only a small part of the Swiss capital sent to the United States has been invested thus far.

REPLY TO SEC FILED BY BOND AND SHARE

Continued From Page One.

In the statement of the commission in its memorandum opinion accompanying the order of April 27, 1940, stating that respondents will have ample opportunity to present their own voluntary programs at any subsequent stage of the proceedings, and will be afforded adequate time to procure supporting data for purposes of the hearing. With this assurance, this answer is submitted with a view to a statement for the record of respondents' legal position and the formulation of legal issues. If such issues may eventually be required to be determined, but without prejudice to the submission, from time to time, of complete or partial programs. Such voluntary actions may render the determination of many legal issues unnecessary.

Prohibition in Act

The brief went on to declare, however, that the continued existence of the Electric Bond and Share system in its present form was not prohibited by the provisions of Section II of the act. The operations of the related component operating utility companies in the system, it

was asserted, "have in the main been coordinated and interconnected to form one or more interconnected public utility systems, the unified operation of each of which is efficient, practical, economically sound and to the advantage of consumers, investors and the public."

Any breaking apart of the Bond and Share system into independent systems by forced alienation of property, impairment of voting rights or otherwise, the brief sets forth, "would prevent or retard further integration and interconnection with resultant loss of economies and would destroy the advantages of the support and stability which the operating companies are afforded as part of the Bond and Share system."

Since inception of the company in 1906, it is declared, the Bond and Share system has been developed with the aim of furnishing efficient, dependable electric and gas services at the lowest cost commensurate with sound operation. The public utility properties embraced in the system, with few exceptions, it is held, were acquired in the formative period of their development or have been constructed within the system.

"Any change in the composition of the system through divorcement of individual properties," the brief concluded, "should likewise be evolutionary and based upon sound economy consistent with further development, rather than revolutionary and destructive."

producers. In this war the funds of Germany, and since have been declining to the point where the Cope's on record is but this could tons annually. was below 400,000,000. The funds largely are dependent on the increase in exports.

50,000 U.S. SEC

Statistics Gives

Year 1939. The Iowa company of Delaware the Securities Commission a report covering the first month of May 1, 1940, and the total general fund bonds due

the sale of the corporate funds. The redemption of cash first and bonds, series of 5% per cent mortgage bonds, issues due on

TRADE GAINS

Exports Top Imports

NEW YORK, May 4.—Foreign trade reported by the Trade Department shows a favorable trade balance for January. Exports exceeded imports by \$142,000,000. Exports to Canada and imports \$142,000,000.

Canada's goods bought compared with the corresponding period of the year. The great bulk of the goods came from the amounting to 197,000,000 and exports of \$42,000,000 of Canadian were agricultural, the correspond-

THE NEW YORK CURB EXCHANGE

SATURDAY, MAY 4, 1940

Range 1940 High Low. Stock and Bonds Divided by Dollars. First High Low Last. Not Closed. Canceled. 94% P.02

FRBNY LEDGERS RELATED TO NAZI ASSETS

The table below lists gold transaction summary ledgers for the periods 1932-36 and 1940-41 for the central banks of Argentina, Germany, Portugal, Sweden, Switzerland and the Bank for International Settlements. These ledgers reflect gold custody transactions (deposits and withdrawals in aggregate), but do not necessarily reflect the purpose of the transaction, the counterparties, nor details of the gold itself (e.g., refiner, etc.). These ledgers cannot be photocopied. They are available for review upon request at the Federal Reserve Bank of New York.

✓ = account activity

□ = no activity

Blank = no ledger entries

	1932	1933	1934	1935	1936	1940	1941
Argentina			✓			✓	✓
Germany		✓	✓	✓	□		
Portugal	✓	✓		✓	□	✓	✓
Sweden	✓					✓	✓
Switzerland	✓	✓	✓		✓	✓	✓
Bank for International Settlements	✓	✓	✓	✓	✓	✓	✓

224004

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

Legal Group Banking Services Division
--

Date:

5-9-97

Deliver to:

Bill Slaney202-663-1289

From:

James R. Hennessy

Tel: 212-720-8195

Fax: 212-720-1530

E-mail: james.hennessy@frbny.sprint.com

Message:

Bill - We are looking into your question and will have an answer for you this afternoon.

For your information, I am also attaching the list of materials we have transferred to the National Archives, which may be of some use to you. (I understand these are not yet reflected in the Finding Index.)

Jim

This transmission has 6 pages (including this cover sheet).

The information contained in this facsimile transmission is confidential and may be legally privileged. It is intended only for the use of the individual or entity to whom it is addressed and others authorized to receive it. If you are not the intended recipient, disclosure, copying, or taking action on the basis of this information is prohibited. If you received this in error, please immediately notify us by telephone and return the original message to us at the above address.

224005

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045-0001

AREA CODE 212-720-5000

April 30, 1997

Mr. Greg Bradsher
Supervisory Archivist
Room 2400
Archives II, Textual
Reference Branch, NWDT2
National Archives and
Records Administration
8601 Adelphi Road
College Park, MD 20740-6001

Dear Mr. Bradsher:

With this letter, the Federal Reserve Bank of New York ("FRBNY") is transferring to the National Archives and Records Administration ("National Archives") copies of approximately 2400 pages of documents from FRBNY files from the early 1930's through the late 1950's that may relate to the handling and disposition of Nazi assets. As we have discussed, these documents will be publicly available without restriction at the National Archives as non-record reference materials.

I have enclosed an "Index of FRBNY Documents Related to Nazi Assets" which identifies the documents according to their FRBNY department and file name. Each page of the document collection is also assigned a number. I have also enclosed a list of "FRBNY Ledgers Related to Nazi Assets". This lists available account ledger books from the World War Two period that may relate to Nazi gold. Because of their age, fragility and awkward size, we were unable to include copies of these ledgers in our submission to the National Archives. However, they are available for review upon request at the FRBNY. The collection also does not include any documents related to the Tripartite Commission for the Restitution of Monetary Gold, at the request of that organization.

224006

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Y

FEDERAL RESERVE BANK OF NEW YORK 2

Mr. Bradsher
April 30, 1997

If you have any questions, please call me at 212-720-8195.

Very truly yours,

James R. Hennessy
Attorney

JRH

JRH:MFS/mkk:vs

Enclosures

cc: Messrs. Adams -- Board
Siciliano -- Board

**C
O
P
Y**

INDEX OF FRBNY DOCUMENTS RELATED TO NAZI ASSETS

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224009

FRBNY LEDGERS RELATED TO NAZI ASSETS

The table below lists gold transaction summary ledgers for the periods 1932-36 and 1940-41 for the central banks of Argentina, Germany, Portugal, Sweden, Switzerland and the Bank for International Settlements. These ledgers reflect gold custody transactions (deposits and withdrawals in aggregate), but do not necessarily reflect the purpose of the transaction, the counterparties, nor details of the gold itself (e.g., refiner, etc.). These ledgers cannot be photocopied. They are available for review upon request at the Federal Reserve Bank of New York.

✓ = account activity

□ = no activity

Blank = no ledger entries

	1932	1933	1934	1935	1936	1940	1941
Argentina			✓			✓	✓
Germany		✓	✓	✓	□		
Portugal	✓	✓		✓	□	✓	✓
Sweden	✓					✓	✓
Switzerland	✓	✓	✓		✓	✓	✓
Bank for International Settlements	✓	✓	✓	✓	✓	✓	✓

224010

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

Legal Group
Banking Services Division

Date: 7-16-97

To: Dr. Slamy
202-663-1277

From: James R. Hennessy

Tel: 212-720-8195 Fax: 212-720-1530

E-mail: James.Hennessy@ny.frb.org

Message:

This transmission has 5 pages (including this cover sheet).

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224011



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Thursday July 10 9:36 PM EDT

Portugal received U.S. gold for Nazi loot-document

By Arthur Spiegelman

NEW YORK, July 10 (Reuter) - At the height of the Second World War, Portugal used the Swiss National Bank to swap 20 tons of looted Nazi gold for gold held in the U.S. Federal Reserve Bank and the Bank of Canada, according to a U.S. intelligence document released on Thursday.

The swap was made to eliminate evidence that Portugal was receiving gold stolen by the Nazis, the document said. The Allies had warned Portugal and other neutral nations they would face reprisals if they bought looted German gold.

The Sept. 10, 1944, document details "a classic money-laundering operation," said World Jewish Congress Vice President Kalman Sultanik, whose organization released the previously classified report.

The document, described as coming from "a very confidential source," said that in 1942 the Bank of Portugal deposited about four tons of gold it had bought from Nazi Germany in its account with the Swiss National Bank.

The Swiss transferred the same amount of gold it had in a Bank of Canada account to the Portuguese, who, in turn, transferred title to the gold in its Swiss account.

In 1944, the Swiss and Portuguese swapped another 15 tons of looted Nazi for gold held in the U.S. Federal Reserve Bank in New York.

The document said the Bank of Portugal's objective "is to get rid of gold purchased from the Reichsbank through the Banque Nationale Suisse".

"The bad guys win all around. The Nazis have sold their gold. The Portuguese have swapped their looted gold for clean gold and the Swiss National Bank earns commissions on each transaction," Sultanik said. "All it took was a few strokes of the pen."

The 20 tons of gold was worth \$24 million in the 1940s and would be valued at about \$220 million today.

Sultanik said the transactions might have been legal because the Swiss had the right to transfer gold to other accounts and there was no evidence that the U.S. and Canadian banks were aware of what was happening.

"Wittingly or not, the U.S. and Canadian banks were disguising the movement of looted Nazi gold and this helps explain one of the mysteries of World War II -- why the war started with Portugal having no gold reserves in New York and ends with it having 258 tons of gold in the Federal Reserve," Sultanik said.

He said it was now apparent that a significant percentage, if not most, of the 258 tons came from Portugal's purchase of looted Nazi gold.

224012

The WJC said present-day Portugal had cooperated with its efforts to trace Nazi gold movements and an investigating commission headed by former prime minister Mario Soares was making rapid progress.

After the war, the Allies demanded that Portugal return an estimated 139 tons of looted Nazi gold that it bought but the country only gave back four tons of Dutch gold that it had in its banks, in its original wrappers.

A 1949 letter of protest delivered to Portugal by the British Embassy in Lisbon on behalf of the Allies said: "Gold once looted remains loot and the Allies maintain that the thief has no title (and) cannot transmit a title."

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224013

The New York Times

**In a game where
love means nothing,**

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July 16, 1997

U.S., Canadian Banks Linked to Swapping of Nazi Gold

Related Articles

- [Nazi Gold and Portugal's Murky Role \(Jan. 10\)](#)
- [Swiss Say They Profited From Nazi Gold Deals \(Dec. 14, 1996\)](#)
- [Furor Rising Over Swiss Banks' Dealings With Nazis \(Sept. 21, 1996\)](#)

By ANTHONY DePALMA

TORONTO -- Newly declassified American documents for the first time implicate the Federal Reserve Bank of New York and the Bank of Canada in Ottawa in attempts to launder tons of gold that the Nazis looted during World War II.

While the Federal Reserve Bank would not comment on the disclosures made on Monday by the World Jewish Congress, the Bank of Canada, Canada's central bank, has already begun an investigation.

Bank officials are searching for evidence that the Nazis used the bank to disguise the origin of gold confiscated from the countries they occupied during the war. The bullion may also have contained gold taken from individual victims of the Holocaust.

Documents from the National Archives in Washington examined by the World Jewish Congress had exposed Swiss collaboration with the Nazis. But this is the first time the trail has been followed to North America, raising both legal and moral questions about the involvement of Canada and the United States in the Nazi plundering of Europe.

"It is inconceivable to me that their gold experts weren't aware of what was behind these transactions," Elan Steinberg, executive director of the World Jewish Congress, said in reference to American and Canadian bank officials. "We have moved beyond legalisms and whether by the strict sense of the law it was appropriate, to a moral and human dimension of whether it was proper."

The World Jewish Congress in New York has examined more than 14 million documents and has worked with Stuart Eizenstat, the undersecretary of commerce who directed a recent study of the Swiss handling of Nazi assets.

Dr. William Slany, chief historian working with Eizenstat on the study, said he was not aware of the newly declassified documents concerning North American banks. But he said that after the Allies warned neutral countries like Portugal not to deal with the Nazis, there were attempts to disguise such transactions.

According to a Sept. 10, 1944, document from the American Overseas Special

224014

07/16/97 08:19:27

EUR PRESS GUIDANCE

JUNE 16, 1997

*Harry Conin
EUR/PPA*

MEILI ASYLUM REQUEST

Q: What is the U.S. Government's position regarding declassified government documents released by the World Jewish Congress that implicate the Federal Reserve Bank of New York and the Bank of Canada in laundering gold looted by the Nazis during World War II?

A: -- WE UNDERSTAND FROM PRESS REPORTS THAT THE WORLD JEWISH CONGRESS FOUND DOCUMENTS IN THE NATIONAL ARCHIVES IMPLICATING THE FEDERAL RESERVE BANK OF NEW YORK AND THE BANK OF CANADA IN LAUNDERING GOLD LOOTED BY THE NAZIS DURING WORLD WAR II.

-- WE HAVE NOT SEEN THE DOCUMENTS IN QUESTION AND CAN NOT COMMENT ON THEM.

-- WE UNDERSTAND THE FEDERAL RESERVE BANK IS AGGRESSIVELY LOOKING INTO THIS. THE BANK HAS ADVOCATED COMPLETE OPENESS ON THIS ISSUE.

-- THE ADMINSTRATION HOPES THAT ALL COUNTRIES WILL ACCELERATE THEIR OWN INVESTIGATIONS INTO THIS PAINFUL PERIOD SO THAT THE TRUTH CAN FINALLY BE UNDERSTOOD AND JUSTICE AND RECONCILIATION BE ACHIEVED.

OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

of pages *1*

To <i>Rita</i>	From <i>Mark</i>
Dept. Agency	Phone
Fax #	Fax #

NSN 7540-01-317-7368

5099-101

GENERAL SERVICES ADMINISTRATION

224015

Drafted: EUR/AGS:MFry
SECEGOLD 319, 7-2622, 7/16/97

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224016

FEDERAL RESERVE BANK OF NEW YORK

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WILLIAM J. McDONOUGH
PRESIDENT

October 11, 1996

SENT VIA FACSIMILE

The Honorable Alfonso M. D'Amato
Chairman, Committee on Banking, Housing and
Urban Affairs
United States Senate
Washington, D.C. 20510-6075

Dear Mr. Chairman:

I am writing in response to your letter of October 2, 1996, requesting information on the disposition of gold seized by Germany during the Second World War and the role of the Federal Reserve Bank of New York ("New York Fed") in any disposition of such gold by the Tripartite Commission for the Restitution of Monetary Gold ("Tripartite Commission") following the War.

As you know, the New York Fed maintains accounts for many foreign central banks, foreign governments and international organizations. As a general matter, we are not in a position to respond to inquiries concerning the identity of our account holders or the nature of their holdings. We follow this confidentiality policy in order to promote confidence in the United States as a depository for monetary reserves. However, in this instance, the Tripartite Commission has authorized us to confirm to you that it maintains a gold custody account at the New York Fed and to respond to several of your inquiries about its gold holdings. In addition, we have provided answers below to your questions which we believe are responsive with regard to our general gold account practices.

1. Is it possible to determine the origin of the gold obtained from the Tripartite Commission, through scientific processes?

We do not know the answer to this question. We operate a gold custody service only, which is essentially limited to receiving, safekeeping and delivering gold. We do not conduct scientific tests on the gold received and held in gold custody accounts and we have no expertise concerning the possibility of such testing.

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2. How much gold remains at the New York Fed from the Tripartite Commission?

The Tripartite Commission has authorized us to inform you that its current gold holdings at the New York Fed consist of 162 bars said to contain 65,283.098 fine troy ounces of gold (approximately two metric tons). At current market price the value is approximately \$24.9 million.

- 3 and 4. Can we obtain a comprehensive listing of the shipments to New York from the Tripartite Commission since its inception? Can we obtain a comprehensive listing of the shipments of gold out of New York from the Commission since its inception, specifically, to what countries, how much was sent, and when it was sent?

The Tripartite Commission has not authorized us to release detailed information on its gold account activity. We understand that you have requested such information from the Tripartite Commission and that it will be responding to you directly.

5. Are there any markings such as stamps made into the gold (perhaps showing previous ownership by another nation) present in this gold? Were records kept as to the existence of markings on gold that had been sent back out of the New York Fed?

In general, gold bars have markings indicating the original refiner, a bar number assigned by that refiner, and the degree of purity. The New York Fed has generally maintained a record of all of these markings. However, such markings do not reveal ownership.

We hope the above information will be helpful to the Committee. If we can be of further assistance in this matter, please feel free to contact Peter Bakstansky, Senior Vice President, at 212-720-6136.

bc: Chairman Greenspan
Mr. Coyne
Mr. Truman
Mr. Winn

Mr. Patrikis
Mr. Baxter
Ms. Cutler
Ms. O'Neil
Mr. Tozer
Mr. Silva
Mr. Hennessy

Sincerely,



William J. McDonough
President

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American international trade and finance policy in a European war will presumably be governed by the Neutrality Act of 1937. If the Neutrality Act is proclaimed operative, as it was in the Ethiopian-Italian War of 1935-36 and in the Spanish civil war, American exports of arms, ammunition, and implements of war to belligerents, as defined by proclamation, will be prohibited, and credits to belligerents will be restricted to ordinary short term commercial operations of a peace-time character. Nevertheless, a European war would raise several questions of monetary policy for the United States which are not covered by the Neutrality Acts. Important among them are: Will the United States buy gold freely directly or indirectly from belligerents? Should foreign belligerents be allowed to sell American securities freely in New York?

In a localized conflict such as that in the Far East it would have been futile, of course, even if the Neutrality Act had been enforced, to have embargoed belligerent bullion shipments and sales to the United States Treasury, since the London gold and silver markets are nearly as accessible as San Francisco, and since the United States might well have found itself, after having imposed such an embargo, called upon to buy Japanese gold and Chinese silver in London to the same extent that it is now buying them directly. In a generalized European war, however, the American Treasury would probably provide the only bid for unlimited quantities of gold; and, unless steps were taken to limit its import, the United States would probably find itself called upon to buy \$1,250,000,000 annually of world new gold production as well as large amounts from European "war chests." Such purchases, which might well in all run over \$2,500,000,000 a year, would present important monetary problems.

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One problem would be the temporary stimulus given to the national income by greatly increased exports from this country. Because this stimulus by its nature could only be temporary, monetary policy might dictate that it not be allowed to make itself felt if the United States was enjoying any considerable prosperity, since its subsequent withdrawal would be likely to lead to a deflation which might well exceed the previous rise in money income. (The weight of this factor would depend importantly upon how the neutrality proclamation defined "implements of war." If cotton, copper, machine tools, steel and oil were contraband, the export boom generated by a European war would be greatly reduced, even if gold were freely bought by the United States and foreigners bought dollars with which to buy foreign currencies for the purchase of these goods elsewhere. Direct purchases of goods by belligerents in the United States would increase the national income far faster than if these purchases were made abroad and only affected United States exports to neutrals after national incomes in neutral countries had been significantly increased.)

Secondly, the effect of large gold imports on the excess-reserve positions of domestic banks would have to be considered. Given a period of increasing prosperity in this country, imports of say \$2,000,000,000 in gold annually would probably call for a resumption of gold sterilization to limit the rise in national income generated by increased exports. If this transpired, the United States would in effect be borrowing to enable belligerents to pay for war materials (in violation of the Neutrality Act) and the addition to the national debt would be in the nature of a permanent one. This would be the

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case because its counterpart would be exports for consumption; the countries buying the goods would never deflate to the point necessary to repurchase the gold; and if no restrictions were imposed upon capital imports to the United States, it is doubtful that this country could lose gold simply by increasing the national income to the point where the merchandise trade balance was strongly adverse. If the United States were in a period of depression at the time of the outbreak of war in Europe, it would not be necessary to sterilize the gold immediately upon its importation, but in any subsequent period of recovery, the cyclical excess reserve problem which will in any event face us in 1939 or 1940 would be increased.

If the United States, as seems probable, does not really desire neutrality in the next European war but would prefer say England, France, and Czechoslovakia to win over say Germany and Italy, then it is idle to discuss the monetary problems which a European war would raise for the United States. In fact, any steps which the United States might take to limit sales of gold or domestic securities in this country by belligerents might, on pragmatic grounds, be considered unfriendly to nations possessing such assets and friendly to the "have-nots." Despite this, the monetary effects of such restrictions are discussed below.

In discussing the effects of possible gold sales to the United States in time of war in Europe, it is necessary to take domestic securities owned by foreigners into account too, since both types of foreign assets are quickly exchangeable for dollars, and hence can quickly affect the volume of American exports in time of war. While heavy sales of domestic securities by foreigners

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in time of war would not create an excess reserve problem for our monetary authorities, the political implications of such sales would be similar to those of gold as would be their direct effects on the national income, if the proceeds were used to buy American goods.

The alternatives open to the United States should she desire to avoid so far as possible the monetary repercussions of a European war are:

- (1) to embargo all imports of gold;
- (2) to embargo imports of gold from belligerents;
- (3) to buy a proportion of new world gold production (say 50 per cent);
- (4) to restrict sales of domestic securities in this market by belligerent foreigners and possibly by neutrals;
- (5) to maintain open markets for gold and securities.

It is assumed in the following discussion (1) that the political consequences of all these policies are realized and do not conflict with American foreign policy; (2) that the Neutrality Act of 1937 has been proclaimed in effect; and (3) that raw materials are not included among contrabanded articles, so that there is a demand for cotton, steel, copper, etc., by belligerents, who pay "cash and carry."

1. A complete embargo against the import of gold into the United States in time of war would result in a serious blow to gold as a monetary standard, an appreciation of the dollar in the foreign exchange market and a decline in American exports perhaps only to neutral countries. American exports to belligerents would be paid for, for a time, with foreign dollar balances in this country and thereafter by bidding the dollar up to the point where

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exports to the United States increased and made more dollars available for imports from this country. Since the demand for American raw materials and food-stuffs on the part of belligerents would have increased markedly by reason of the war, it is doubtful whether the dollar volume of exports to these countries would decrease despite the dollar appreciation.

How far the dollar appreciation would go and what effects it would have upon the course of business in the United States would depend on the duration and scale of hostilities, upon the volume of foreign funds in the United States at the outset of the war, upon the degree of access to American ports enjoyed by belligerents, and upon the exchange controls set up abroad. It may be postulated, first, that belligerent countries now free of exchange control would quickly institute it and requisition their nationals' holdings of dollars. This might tend to slow down the rate of dollar appreciation, although nationals of neutral countries, such as Netherlands, Sweden, and Switzerland would probably bid heavily for dollars for hoarding purposes, and exchange controls in belligerent countries might endeavor to bid dollars away from neutrals.

Gold earmarked in the United States would present something of a problem. It is likely, however, that the Treasury's refusal to buy imported gold would have to be followed by a similar refusal to buy gold now located in the United States and belonging to foreign central banks in order to avoid charges of discrimination. The possibility of buying earmarked gold in this country from neutrals is discussed under number 2 below.

2. An embargo of imports of gold only from belligerent countries in time of war would be subject to evasion if the belligerents were to sell gold

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to neutral countries and the neutrals in turn were to sell that gold to the United States and make dollars available to the warring countries. While it would seem unfair to neutral countries to extend the gold embargo to them, yet if it were possible to use such countries for purposes of transshipment of gold to the United States by belligerents, it would be impossible to make a limited embargo effective and the United States would be called upon to buy belligerent gold in large quantities. Since, moreover, it would be difficult to draft legislation which would prevent foreign countries from selling belligerent gold to this country as well as their own, or from making dollars available to belligerents against their own gold in exchange for gold sent to them by belligerents, it might be wise not to buy neutral gold imported from abroad but to make loans on it. The proceeds of such loans could be surrounded with restrictions against their finding their way into belligerent hands: some could be earmarked for hoarding purposes; some could be permitted to be drawn upon only for the import of goods for consumption in the neutral country. In addition, the earmarked gold of neutral countries could be put up as collateral for loans circumscribed with similar restrictions. While the question is a legal one and hence really lies outside the present memorandum, it would seem offhand that more effective control over amounts of dollars available to belligerents could be established with an embargo on imports of gold from belligerents and limitation of purchase by the Treasury of gold from neutrals, with facilities extended to these neutrals for borrowing in this market (direct from the Treasury?) on gold collateral under such restrictions as seem advisable at the time. A system of lending against gold without being required to purchase unlimited supplies would enable the United States effectively to restrict

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quantities of dollars made available to foreigners and at the same time to limit the appreciation of the dollar.

It should be mentioned, of course, that if other neutral countries desired to join the United States in an embargo on belligerent gold and restrictions on the purchase of gold from other neutral countries which in turn bought gold from belligerents, it would be perfectly in order to buy gold from them (and to allow them to trade freely in American security markets). Sweden, which embargoed gold imports in 1916, for example, might well desire to peg the krone to the dollar during a war on the continent, and, provided her market was restricted so that belligerents could not obtain kroner in unlimited quantities either in Stockholm or elsewhere, it would be desirable to allow Sweden to obtain dollars freely against both gold and securities. In fact, it might be possible for the U. S. Treasury to reorganize the Tripartite Agreement to include the neutral countries of northern Europe (Belgium, Holland, Luxemburg, Denmark, Norway, Finland, and Sweden) and Switzerland, whose currencies would all remain stable in terms of one another, but would rise against those of the belligerent countries. The same arrangements could also be made with Latin American countries.

3. A guaranty by the United States to buy a proportion, say one-half, of the world's new gold production in case of a European war would involve this country in a delicate problem. Quotas would have to be established for various producing areas and presumably these areas would have to arrange for quotas for individual producing companies. In addition, some difficulty might arise because of the fact that comparatively large supplies of dollars would become available to foreigners at the beginning of the quota period, a year or a month, and be

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exhausted toward the end of the period. Assuming that the United States contracted to buy \$50,000,000 of gold a month, which is approximately one-half of world production, it is likely that this amount of dollars would be made available in the early part of the month with no more coming into foreign hands until the subsequent month. In this way, disconcerting fluctuations would be introduced in the exchange market. Numerous other technical problems of more or less seriousness would be encountered in putting any such scheme into operation, but an important political one would revolve about the question of whether new gold production should be bought from belligerents or only neutrals. In the event that England is involved in a European war, it is likely that her dominions and crown colonies would be subsequently embroiled and, since they produce more than 50 per cent. world gold production, the question is a serious one.

4. Much the same problems exist in restricting sales of domestic securities by foreigners in wartime concerning whether these restrictions should be applied to belligerents and neutrals alike and whether they should be subject to some quantitative limitation. Should the Dutch, for example, be allowed to sell American securities here freely and the English not be so allowed, English sales could take place in Amsterdam against dollars which the Dutch could obtain in reselling the securities here. In similar fashion, the English might purchase American securities in Amsterdam with gold if securities could be sold against dollars by belligerent countries while gold could not. In my view, it would be desirable to refuse to allow foreigners to sell domestic securities in this market in time of war, and to allow foreign-owned securities to fall in price in comparison with American-owned securities, at the same time permitting neutral

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countries to borrow dollars against their securities under the same restrictions regarding the disposal of these dollars as applied in the case of loans of gold. This restriction would be comparatively easy to enforce since it would only require that the broker for the seller of the securities in New York should certify that the beneficial owner is an American citizen. Exceptions should have to be made in the case of maturing bond issues or bonds called for redemption under Sinking Fund arrangements.

5. The maintenance of open markets for gold and securities in this country has been discussed by indirection in the four sections above. In my view, it would create a maximum of disturbance to the American economy in the event of a European war.

No account has been taken in the foregoing discussion of the eventual results of the suggested wartime financial policy for the United States since the wartime problem itself would be so serious and since the United States would hardly find it possible to remain neutral in its sympathies in the next European war even though it should manage to keep its armed forces at home. Nevertheless, a word on the subject would not be inappropriate here. Should the United States embargo imports of gold from belligerent countries and refuse to buy gold earmarked for the account of their central banks; lend dollars under rigid exchange restrictions to neutral countries, and buy gold freely only from neutral countries which in turn refuse to buy gold directly or indirectly from belligerent countries; and similarly isolate security markets in New York from the effect of sales of domestic securities by foreign belligerent powers; - should the United States follow such a policy, large problems would loom for our monetary authorities upon the close of an extensive

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European war. Quotations for domestic securities owned by foreign belligerents would have to be brought in line with the quotations for the same securities in this market, with the result of seriously depressing markets here. Dollars would have to be made available to previously belligerent countries to enable them to buy American goods for the reconstruction of their cities and industry. If the United States bought gold freely at such a time, the results which its wartime policy was intended to avoid would be quickly realized and this country would be flooded with gold, the proceeds of which would be used to increase American exports and the American national income enormously in a short period of time. If the United States concluded that the reconstruction following the next world war might include the reconstruction of the world monetary standard on a different basis than gold, it would probably find itself forced for humanitarian reasons to repeal the Johnson Act, make huge advances of dollars to Europe, place the world on a dollar standard, and acquire a new indebtedness as uncollectable as the war debts. The results of these loans on American exports and the national income would be similar to unlimited purchases of gold: they would involve the United States in a period of high prosperity which would result in little improvement in the standard of living of the United States or its capital equipment and leave this country with inutile assets of gold or claims on foreign treasuries.

Despite the pessimistic results foreseeable in the event of a European war for a neutral United States, it might be hoped that strict neutrality on the part of the United States and some such monetary program as that outlined above would aid in shortening the duration of the war by limiting the raw materials available to belligerent countries.

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To Mr. Sproul

SUBJECT The Gold Problem

FROM E. Despres

I. Immediate Remedies

The program outlined in this memorandum is based upon the postulate that the time is not yet ripe to seek a comprehensive and permanent solution of the gold problem, and that our present efforts should therefore be directed towards the application of immediate remedies to provide a background from which the problem may be more clearly perceived and action taken with less risk of serious business unsettlement. There is as yet no general agreement concerning the best methods for meeting the gold problem, or even that it is sufficiently deepseated to require special measures. According to one view the situation appears much blacker than it really is: through a cessation of private dis- hoarding, a repatriation of French capital, an eventual increase in the gold reserves of Germany, Italy, and the outlying, raw material producing countries, and a gradual but steady rise in the price level, the problem, it is argued, will eventually take care of itself, and we should therefore sit tight and hope for the best. A growing number, however, believe that the facts of the present situation cannot be so easily dismissed, and have suggested a variety of possible remedies, including forced restriction of gold production, an upward revaluation of currencies in terms of gold, and establishment of a new gold standard under which central banks would cease to purchase bullion in the open market but would continue to use gold among themselves as a means for settling international pay- ments, or a complete demonetization of gold and the substitution of an international managed standard. The attitude of the financial authorities in the various coun- tries is, unavoidably at the present stage, one of perplexity, and it would be most unfortunate if hasty decisions were forced upon them by the pressure of

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events at a time when the confusion of tendencies in exchange and bullion markets makes a clear appraisal of the problem exceptionally difficult.

Moreover, even if the scope of the problem and methods for meeting it were clearly formulated, the present would be an unfavorable time to take definitive action. In the first place, commodity and security markets have been declining in recent months, and although industrial output and retail trade have been well sustained, the mood of business has become temporarily less buoyant. Since the public has been taught to believe that gold and the price level are irrevocably tied together, it would be unwise to take action with respect to gold at a time when we are experiencing a pause in the recovery movement and when speculative markets are in the doldrums. Second, the feeling of uncertainty about gold, combined with recurrent financial difficulties in France, is causing a heavy movement of funds into dollars and pounds, and the United States and England are finding it increasingly difficult to absorb and sterilize the gold which this flow of funds is forcing upon them. It is this fact which makes the gold problem acute, and which, unless corrected, may compel premature and ineffective action. ^{Moreover} Such measures as ^(A) forced curtailment of gold output or a lowering of the price of gold, if attempted at this time, would probably cause a further weakening of confidence in gold as a store of value, thus enlarging instead of diminishing the scope of the problem. The following program, designed to slacken the flow of capital and gold to the United States and England, should effectively remove this danger.

Step 1. Reduce the attractiveness of American securities to foreign investors.

The Treasury has now proposed to increase by a fairly substantial amount the withholding tax on interest, dividends and other income received by non-resident aliens. This should be done, not because foreign buying of American securities is a serious problem currently, but in order to diminish the likelihood of a possible resumption of the buying movement.

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Step 2. Stop the shifting of foreign central bank reserves from gold into foreign exchange.

The action of certain central banks in selling gold to the United States and holding the exchange proceeds has recently been an important factor in the movement of gold to this country. The danger inherent in these long positions in dollars being taken by the central banks and stabilization funds is quite evident. Direct conversations between the United States financial authorities and the financial authorities of countries now engaged in shifting their reserves from gold into dollars would probably be the most effective method of halting these operations with a minimum of publicity. Our object^{ion} to such operations should be based upon the ground that they are contrary to the spirit of the Tripartite Agreement, that they help to intensify the general feeling of uneasiness about gold, and that if the practice became widespread, our gold policy would have to be reconsidered. It should be made clear that we have no desire to interfere with the maintenance of reasonable working balances in this market by foreign central banks. Moreover, in order to make it less costly for foreign central banks to use gold for current settlements with us and consequently to diminish the need for holding large working balances in dollars, it would be desirable for the Treasury to remove the 1/2 per cent spread between its buying and selling prices for gold, at least in transactions with the central banks and monetary authorities of the Tripartite countries.

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Regarding the London market, we have little information concerning the extent to which the central banks of non-sterling countries have shifted their reserves from gold into sterling exchange. It has been reported that, among the

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sterling countries, the Dominion central banks have been asked to convert into gold a portion of their London balances, while Argentina has recently entered the market as a purchaser of gold. If the step recommended above, that of discouraging the accumulation of large dollar balances by foreign central banks, is put into effect, we should so inform the Bank of England or the British Treasury in order that they may take such similar measures as they think desirable.

Step 3. Remove the forces currently responsible for the movement of private funds into dollars and sterling.

The recent movement of private funds to New York and London has been due to a widespread feeling of uncertainty about gold and to persistent uneasiness among the investing and business classes in France concerning domestic political and financial conditions. The former factor - uncertainty about gold - has caused, first, a marked acceleration of private dishoarding and, secondly, a heavy speculative demand for dollars, and perhaps some speculative demand for sterling, against foreign currencies. Since the dishoarding movement is now largely behind us, it is primarily the second effect, namely, the flow of private funds out of foreign currencies and into dollars, to which attention should be directed. These transfers are taking place not merely because holders of foreign currencies are uneasy about gold, but, more particularly, because they anticipate unilateral action by the United States, resulting in an appreciation of the dollar against other currencies. In other words, the feeling of uncertainty about gold has impaired confidence in the stability of the general structure of exchange relationships. This weakening of confidence in exchange relationships could be repaired through

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a joint statement by the six governments participating in the Tripartite arrangements, containing the following points:

1. In the opinion of these governments, no action with respect to gold is necessary at this time.
2. These governments will confer with each other from time to time with a view to determining whether such action may be necessary in the future.
3. If action with respect to gold is later deemed desirable, a joint program will be developed in order that such action may involve no disturbance of international currency relationships and to avoid serious interference with the progress of world recovery.

A joint declaration along these lines would involve no commitment either to maintain fixed exchange parities or to maintain indefinitely the present status of gold. Its purpose would be merely to provide assurance that if action with respect to gold becomes necessary in the future, such action will be taken multilaterally rather than unilaterally, thus preventing any abrupt change in currency relationships. The proposal, however, may be objected to on two grounds: first, that other countries might be reluctant to join in a declaration of this sort; and, second, that such a declaration would constitute an official admission that a gold problem exists. Regarding the first point, it is unlikely that the British would refuse to participate. They are doubtless eager to relieve the nervousness in British speculative markets which the gold rumors have aroused, and a joint statement excluding the possibility of early action with respect to gold would surely be considered helpful. Moreover, in view of the Empire's position as the principal gold producer, the British are naturally eager to have any readjustment which may in the future be deemed necessary carried out in as orderly a fashion as possible.

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If they rejected our suggestion that they join in a statement of the sort here proposed, our obligation to consult with them before taking measures affecting gold would be greatly weakened, and the chances of orderly readjustment correspondingly reduced. It is hard to believe that they would be willing to run this risk. With the United States and Great Britain in accord regarding this proposed step, it is strongly improbable that the remaining Tripartite countries would withhold their consent.

Regarding the second objection, that a joint declaration along the lines here suggested would constitute an official admission of the existence of a gold problem, it is difficult to see what disadvantages such an admission would involve. Three months ago it would have been possible to argue that private dishoarding of gold would be greatly hastened in consequence, but with the bulk of the dishoarding now behind us, we no longer have much to fear on this score. Similarly, it might until recently have been contended that gold production would be accelerated through a concerted effort on the part of mining enterprises to turn their ore reserves into cash in the shortest possible time. This argument no longer has much force, since the declarations of South African officials and the recent speeches by chairmen of goldmining companies at annual stockholders' meetings have left little room to doubt that those responsible for conducting mining enterprises are fully aware of the dangers inherent in present conditions. The rumors about gold have already taken hold to such an extent that an official declaration by the principal governments acknowledging the existence of a gold problem would no longer have adverse effects, and the accompanying statement that early action is not contemplated would be definitely reassuring.

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The second major cause of the movement of private funds to New York and London is the persistence of uneasiness among the investing and business classes in France regarding domestic political and financial conditions. During the period since the downward revaluation of the franc last September the flight of French capital has continued in large volume, although at a somewhat slower rate than in the previous eighteen months. From the end of March 1935 to the end of September 1936 the gold reserves of the Bank of France declined \$2,157,000,000; since last September French official gold holdings have shown a further decline of approximately \$500,000,000, but a portion of this loss has been attributable to the recent heavy deficit in France's balance of current payments and receipts, and only the remainder has been due to continued flight of capital.

An examination of the figures for note circulation and savings deposits in France indicates that the export of capital has been largely confined to the relatively well-to-do classes, and that the small savers, by and large, have been content to keep their funds at home either in the form of banknotes or of savings deposits. Since commercial deposits have been drawn down virtually to a working minimum, and since the market for rentes is very narrow even at the low quotations now prevailing, the existing amount of cash reserves and of resources convertible into cash which are available for capital export is extremely limited, unless small savers either join more extensively in the export movement or show greater readiness to relieve the well-to-do classes of their holdings of rentes than they have so far displayed. If this were the whole story the prospects of an early cessation of capital export would be quite good. Account must be taken, however, of the steady stream of new money being poured into the French economy through

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public expenditures. A portion of these funds is finally utilized to pay for additional raw material imports required by the armament program, but of the remainder a considerable part finds its way into the hands of the capital exporting groups, thus providing the basis for a further outflow of funds.

The basic obstacle to an improvement in the French position is that the present Left government, while retaining its strong popular support, is frightening to the well-to-do classes. These groups, fearing either a further depreciation of the franc or the imposition of exchange restrictions, are continuing to transfer their resources abroad as rapidly as they are able to turn them into cash, while public expenditures are making a steady stream of new cash available for this purpose. By keeping interest rates high and by minimizing the effectiveness of public spending in generating increased business activity, this export of capital seriously obstructs economic recovery and the restoration of budgetary equilibrium. Moreover, it results in a further depletion of French gold reserves and increases the amount of gold which the countries already surfeited are called upon to absorb.

It is possible, of course, to overestimate the permanency of these difficulties, since in the long run they may well be surmounted without outside aid. The underlying forces of recovery may eventually be sufficiently strong to overcome present psychological obstacles and to generate a return flow of capital for investment within France; or, alternatively, if recovery does not make substantial progress, the Left government may finally lose popular support and give way to a government more acceptable to the business and investing classes. Since quick improvement appears strongly improbable, however, unless outside

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assistance is forthcoming, it is suggested, as the final step in a program to divert the movement of gold away from those countries which are already surfeited, that the United States and British Treasuries should jointly announce their intention to use the resources of their stabilization funds to the fullest extent necessary for preventing a further depreciation of franc exchange. This step might perhaps be preceded by a further devaluation of the franc, ^{by} say, 10 per cent, although such devaluation probably would not be essential to the effectiveness of the proposed action.

An announcement of this sort by the United States and British Treasuries would almost unquestionably begin the repatriation of the \$2,500,000,000 of French capital which has been transferred abroad during recent years. The tide of capital movements would doubtless be so promptly reversed that the American and British Funds, in the beginning at least, would find it unnecessary to undertake actual supporting operations. A large open short position in French francs is now being maintained at considerable cost to speculators, and the covering of these positions would provide all the support which the franc would initially require. Looking farther ahead, this movement of funds would probably be reinforced by a more sustained return flow of French capital. Most of this capital is earning little or no return in the markets in which it has sought refuge, and if stability of the franc became definitely assured, these resources should be quickly brought home to take advantage of the abnormally high returns prevailing in French investment markets. Since the amount of French capital abroad is roughly equivalent to two years' production of gold, it is clear that once a vigorous repatriation movement got under way the countries surfeited with gold would be largely relieved of the burden of absorbing new supplies.

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Besides its effect in diverting the currents of gold movements, the announcement of American and British support for the franc would have other favorable consequences. In its economic aspect, it would remove the principal obstacle to a vigorous recovery movement in France, and, in its political aspect, it would probably strengthen the position of the moderate Left parties at the expense of the Communists, partly through the influence of business revival in moderating extremist political attitudes and partly by providing a striking vindication of the Popular Front foreign policy. The restoration of prosperity and the subsidence of internal political turbulence in France, particularly at a time when the deterioration of the European political fabric seems to many to be approaching the danger point, would surely be welcomed by the British and United States governments, and British and American action designed to assist this result would demonstrate impressively the ultimate solidarity of the democratic countries.

The adoption of the step here proposed would be criticized by some on the ground that the assurance of exchange rate stability will not be sufficient to bring about a rapid and substantial repatriation of French capital so long as a Left government remains in power, and that a commitment to support the franc at any level would therefore be both dangerous and futile under present conditions. Although these risks cannot be entirely dismissed, this view is, in my judgment, much too pessimistic. The dangers involved in permitting the present currents of gold movements to persist are much more serious than the risks which we and the British would assume in making a commitment to support the franc.

Both here and in Great Britain the proposal to form a rescue party for

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the French franc would doubtless be subject to a considerable measure of political opposition. In the United States, this type of action would run counter to the isolationist sentiment in Congress. In meeting criticism from this quarter, it could be truthfully argued that a commitment by the Stabilization Fund to purchase francs fulfilled the Fund's stated purpose of defending the dollar, if it defended the dollar only from gold. In conservative British circles this proposal would perhaps produce a rather sharp cleavage of opinion. One group would doubtless hold that it would be both futile and dangerous to try to save the franc while a Left government remains in power. Moreover, the general question of foreign policy would be involved, since an important section of conservative British opinion, viewing England's role in European affairs as that of mediator between France and Germany, is reluctant to take any step which smacks even slightly of an alignment among the principal democracies. Although the division of opinion within official circles on these questions may be too marked to permit a definite decision by the British government to take the initiative in providing financial aid to France, there is a fair chance that an affirmative response would be given by the British if we assumed the initiative in proposing such action.

The Longer Term Problem

The program proposed in this memorandum is not designed to meet the longer term gold problem. Its aim is the much simpler one of providing a breathing spell during which a clearer perspective on the long range problem may be obtained and a joint policy formulated. This aim, it has been suggested, may be achieved by means of the following measures:

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1. Reduce the attractiveness of American securities to foreign investors, by increasing the withholding tax on interest, dividends, and other income received by non-resident aliens.
2. Stop the shifting of foreign central bank reserves from gold into foreign exchange, through direct conversations with the foreign financial authorities concerned.
3. Remove the forces responsible for the movement of private funds into dollars and sterling, through
 - (a) a statement by the six governments participating in the Tripartite arrangements to the effect that, if action with respect to gold is deemed necessary in the future, a joint program will be developed in order that such action may involve no disturbance of international currency relationships, and
 - (b) a pledge by the United States and British Treasuries to use the resources of their stabilization funds to maintain the stability of the French franc.

The effect of these measures, it is believed, would be to alter the currents of gold movements. It would relieve the United States and England of the burden of absorbing and sterilizing the large quantities of gold which the international flow of funds is now forcing upon them, and it would enable France to enter the bullion market as the principal taker of the new supplies coming from the mines. This process, however, could not continue indefinitely, since the repatriation of French capital must come to an end sooner or later. Moreover, in the event of a heavy return of funds, which would doubtless be accompanied by an increased inclination to invest on the part of the small savers who are now holding their resources idle in the form of banknotes, France, after recovery was well under way, would soon be faced with the same difficult problem of a redundancy of gold as that which the United States and Great Britain are now experiencing. 224042

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It is at this stage that the longer term gold problem will reassert itself. Will the unprecedented and rapidly increasing mine output find a ready market in those countries whose present metallic reserves are small, or will it continue to be pressed upon the countries burdened by a redundancy of reserves? A good deal depends upon whether we are experiencing merely a wave of uneasiness about gold which will subside sooner or later, or, rather, a definite change in the attitude of financial authorities generally regarding the desirability of holding gold as an international reserve. It is significant in this connection that, historically, the major countries and the important financial centers have invariably held the bulk of the world's metallic reserves, while the smaller and financially less important countries have preferred to hold a major portion of their reserves in the form of foreign exchange.

This question, and the methods of dealing in a fundamental fashion with the problem created by the redundancy of gold cannot conveniently be considered within the scope of this memorandum. They will be dealt with in a subsequent study.

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