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MASTER SET, Folder 52
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GOLD

19
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Authority 978025By TJ NARA Date 9/28/99RG 56Entry 69A707File ERM: GOLD RCVS
FOUND RESEARCHBox 80

S E C R E T

SUPREME HEADQUARTERS
 ALLIED EXPEDITIONARY FORCE
 G-5 Division
 Special Financial Detachment
 Frankfurt a/Main

2 June 1945

SUBJECT: Interview of Reichsbankrat Thoms on the Records of his Department
 Received from Magdeburg, 19 and 20 May 1945.

TO: File

1. Herr Thoms insists that he knows and the books of his department show only the transactions concerning gold stored at the Reichsbankhauptstelle in Berlin, and that the records of all transactions in gold, including that stored in Berlin and that stored elsewhere, were kept in the Devisen Abteilung. Furthermore the broader questions of the background of these transactions, the nature of the institutions and organizations owning Depots and Asservate with the Precious Metals Department of the Reichsbank in Berlin, and the exact and ultimate destination of gold shipments appearing on his books merely as to Bern, were all within the jurisdiction of the Devisen Abteilung rather than the Edelmetall, and should appear in the records and/or be known to the officials of that Department.

2. In this connection Herr Thoms mentioned that in his recent trip to Munich he had met Reichsbankrat Graupner, Leiter von Goldgeschäfte in the Devisen Abteilung, whom he had last heard of before the Occupation as being in Weimar with his records. He gathered from this meeting that Herr Graupner is being held in Munich under some form of detention by the American army, along with some two dozen other officials of the Reichsbank.

3. It is believed that Herr Graupner would be a most valuable man to have at the disposal of this Detachment, both as a first clue to the present location of his records, and for the information he should be able to give on transactions appearing in the books already here.

4. Herr Thoms explained that the Quittungsbuch was the record of gold released and transferred for temporary reasons between the various departments and officials of the Reichsbank; but recalled that the penciled entries in the back of it dated 8 February 1945 recorded the removal and packaging of the gold for shipment to Merkers. This record shows, not only the number, type, and contents of the packages, but also the compartment of the vault and the account, Asservat, or Depot to which these assets belonged. He was not sure, whether all was finally shipped as prepared and recorded here, but insists there is a final record somewhere in the books or possibly in the possession of the Currency Section. It was also observed, in inspection of the Buch über Lagerung der Goldbestände in Tresor A, that at end of each account therein are similar penciled entries showing the packing for shipment to Merkers and checking with the items shown under the corresponding accounts in the back of the Quittungsbuch.

5. Herr Thoms explained the Diverse Kontrolle- und Hauptbücher as the older name for the category of bars later called Verschiedene. He pointed out that as of some date between 8 and 13 April 1942 all entries still open in the Diverse books were crossed out with notation "transferred to new bar-book" and copied into the Verschiedene books, making up the first six pages thereof.

6. He explained the change of terminology and the separate Bestände Kontrollebücher for Haupttresor and Tresor A, as resulting from the Bank's move from old to new quarters, the vault (Haupttresor) of the new quarters having three

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RG 56
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sections, A, B, and C -- all gold being kept in A. He also explained the separate Spitzbeträge book as resulting from the initial practice of keeping only full bags of gold coins of the standard quantities in the main vault, and the partial bags in a separate strong-room for which this separate account was maintained; but pointed out that eventually this practice was changed and the Spitzbeträge book closed out.

7. Herr Thoms explained that the Bankbestand was a wholly artificial account upon which the published reports of the Reichsbank's gold holdings were based, and kept at a constant figure for some years past in order to keep the published reports constant. He did not know of any other accounts besides the Goldankauf, the Bankbestand, and the various Asservate and Depots. He said that Goldankauf was supposed to cover all over-the-counter purchases of gold but that, though some large acquisitions from abroad might and did appear there, all did not -- some going directly, for example, to the Devisen Reserve.

8. During the temporary absence of T/Sgt Curtis and Tec 5 Waybur, Herr Thoms has been requested to report to the Reichsbank every other day in case he is wanted, and to write out a full explanation of the bookkeeping system as well as he can recall it. His address in Frankfurt, if he should be wanted, is Mainzerlandstrasse 16 bei Stöckel.

DONALD. W. CURTIS
T Sgt, Special Finance Detachment
Finance Division
US Group CC

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 SUPPLEMENTARY HEADQUARTERS
 ALLIED EXPEDITIONARY FORCE
 G-5 Division
 Special Finance Department
 Frankfurt a/M

22 May 1945

SUBJECT: Reichsbank Gold Records

TO : ✓/Director, Finance Division, US Group CC, APO 742

1. Attached is a memorandum by D. W. Curtis of this Branch on additional Reichsbank gold records which were received from Hagedorn.
2. It would appear that we now hold the bulk of the important records of the Reichsbank's Precious Metals Department. This includes the account books on the Reichsbank's own holding, Reichsbank (which was a wholly artificial account kept at a constant figure for publication purposes) and the accounts covering the various depots of the official and semi-official agencies at the Reichsbank. The latter includes the depots of foreign central banks, and governments including the Japanese, the counter-espionage office of the SS and various other SS offices, the Foreign Office, and German banks.
3. Also included in the records now possessed by us are what appear to be probably the complete records on the Reichsbank disposition of SS loot received under the cover-name of "Holzer". These are likewise being studied. A preliminary memorandum on this subject has already been prepared for you.
4. It is necessary to be conscious of the limitations of the records on hand:
 - a. These are fundamentally inventory records of gold held in Berlin by the Reichsbank.
 - b. The records of all transactions in gold held by the Reichsbank whether in Berlin or outside were primarily handled by the Devisenabteilung of the Reichsbank and not by the Precious Metals Department.
 - c. The broader questions of the background of these transactions, the nature of the institutions and organizations owning the depots in the Reichsbank, and the exact and ultimate destination of gold shipments appearing in our books as "Baus", were all within the jurisdiction of the Devisenabteilung of the Reichsbank.
5. We are taking steps to locate and bring to Frankfurt a/M the leading officials of the Devisenabteilung and are attempting to locate the records of this office.
6. Steps are likewise being taken to augment the present small staff working on the gold books by putting Thoms, Head of the Precious Metals Dept. and any others of this Reichsbank personnel available on the books.

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7. It is obvious from a rapid survey of the books we now possess that a great deal of valuable information is available. It is equally obvious that considerable work by an augmented staff will be necessary to exploit the information properly. It has taken our present staff, Curtis and Wytun, a number of days simply to become acquainted with the recent acquisitions from Hagelberg.

A. H. KARLICK
A/Chief, Financial Intelligence Branch
Finance Division
IS Group 03

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SUPREME HEADQUARTERS
 ALLIED EXPEDITIONARY FORCE
 G-3 Division
 Special Finance Detachment
 Frankfurt a/Main

16 May 1945

MEMORANDUM: Initial Survey of Reichsbank Edelmetall Records Received from Magdeburg.

TO : The Files

1. The records with which this report is concerned consist of 3 small account books not packaged, and 12 sealed bags of account books, loose-leaf files, and folders of loose papers. Two bags, not sealed, were found to contain bundles of detailed accounting slips and were not unpacked; there are also still in the vault a substantial number of large packages, of apparently similar content, which are believed to be part of the same shipment but which were not considered to merit examination at this time.

2. As the bags were unpacked, each book, file and folder was examined briefly and listed by title (or other available identification) and general topic, type, and extent of contents. In addition, a further but still hasty analysis has been attempted of such records as appeared to relate to the Reichsbank's acquisitions and holdings of gold bars to discover the general pattern of the accounting system used and the portions thereof most important and most convenient for computation of the figures desired on gold acquisitions, dispositions, and balances of the Reichsbank and other official or semi-official agencies of the German government.

3. The first section of this report, on Reichsbank acquisitions and balances of gold-bars, presents the preliminary conclusions from this (still incomplete) analysis. The remainder of the report is based on the initial inventory of the records -- rearranged somewhat roughly by subject-matter.

Records of Gold-bar Acquisitions and Balances of the Reichsbank

4. In addition to the gold-bar inventory books already in possession of the Detachment and upon which reports have already been submitted (i.e. the Control Books for Hochwertige, Standard, 900er, & Verschiedene Bars and that for Sonderlagerung in Reich) one more Control Book with different entries has been found; entitled: "Goldankauf: Diverse Goldbarren Kontrollbuch." The entries involved appear to be similar to but separate from those in the Verschiedene Kontrollbuch. This Diverse Kontrollbuch goes back to 1932 but shows no acquisitions since April, 1942 -- possibly having been combined with the Verschiedene at or about that time. However, the entries between 1 January 1939 and April 1942 comprise something over 60 pages and, by comparison with computations from the Verschiedene, can be guessed to involve something over 10 million fine grams of gold in addition to that shown on the records previously in possession of the Detachment. Though involving small transactions and small bars, this book has the advantage -- like the Verschiedene -- of having escaped the removal of pages as the entries thereon were disposed of.

5. Also relating to the inventory books previously reported and analysed, are the Haftbooks -- one each for the following categories:

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Hochwertige Goldbarren
 Standard Goldbarren
 900er Goldbarren
 Verschiedene Goldbarren
 Diverse Goldbarren
 Sonderlagerung im Reich

These appeared, on first examination, to duplicate the Control Books, and this hypothesis has been confirmed by further comparison of entries and the discovery of a memo on "Precautions of the Precious Metals Dept. Against Air Raids," stating among other things:

Die im Goldankauf und im Bankbestand befindlichen Goldmengen werden durch doppelt geführte Bestandsbücher - Hauptbuch und Kontrollbuch - nachgewiesen. Das gleiche gilt für die gewichtsmässige Erfassung der Goldbarren und Goldmünzen (Barren- und Beutelbücher).

Study of the Hochwertige Hauptbook reveals, first, a few pages still intact which had been removed from the Kontrollbuch and, second, pencilled notations of the numbers of pages which have been removed. The four new pages found involve slightly over 2.5 million fine grams; while the 168 pages noted as definitely removed can be (conservatively) estimated to have involved some 84 million fine grams -- as against a total of 64 million shown in the two volumes of Hochwertige Control Books upon which previous reports have been based.

6. Two volumes of Tagebücher (together covering 1 June 1940 through 26 February 1945) were found. These appear to be both a sort of journal in which precious metal receipts of all sorts were entered and thence posted to the inventory books (continual cross-reference by Tagebuch Nr. has already been noted in study of the Goldbarren Kontrollbücher), and a sort of control book for the RM payment for such receipts -- columns being provided to show date of such payment, amount in RM, form of payment used, and initials of person making such payment or entry, and those entries for which such payment has been shown being conspicuously marked off in red pencil. Many transactions shown do not relate to gold bars, and the information shown in the case of gold-bar transactions varies -- weights being sometimes omitted and only the RM value being consistently available. On the other hand, the information on institution or person from which received is -- understandably -- always present, and should provide the most convenient means of checking or filling in such information where lacking in other accounts, the transaction being located here by Tagebuch Nr. (if given) or by date.

7. It is possible, however, that the Tagebuch may not cover all gold acquired by the Reichsbank, but only that involving the same paying procedure. To investigate this possibility will require further study with particular view to transactions, such as those with Melzer, which are known to have involved special paying procedures. Lesser books, which are generally fragmentary or cluttered with irrelevant transactions but which might be useful in study of this particular point are the Quittanzbuch der Edelmetallhandelskassa (10 October 1933 through 9 February 1945), which shows some Melzer entries (by type and number of packages received), and the Bankkontrolle der Kassa Edelmetall (only since 3 January 1944 however), which shows RM payments for a wide variety of purposes including gold purchase.

8. For understanding and utilization of the next group of books it is necessary to realize that within the property of the Reichsbank itself, and entirely aside from the even more complex problem of special accounts, Depots, and Asservate, gold bars are divided and from time to time transferred between two separate accounts, the Goldankauf and the Bankbestand. This became apparent from the first study of the books and appears to be confirmed by the phraseology of the passage quoted above from the memo on air-raid precautions. It appears from the analysis so far that the

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Geldbank account is a suspense account and that the distinction and the movements between the two accounts are accounting details significant only for the internal organization of the Bank and irrelevant to the purposes of this investigation. Whether or not there is any further compartmentalization of this sort within the property of the Bank, has not yet been determined. It is believed more than likely, however, that all gold acquired was entered first in the Geldbank account and allocated then to various uses and accounts -- including the Bankbestand -- and that the entries (though not the balances) in the Geldbank accounts will check and supplement the figures on gold acquisitions already calculated from the Control Books. Incidentally, it is believed (and partially confirmed by the quoted passage from the memo on air-raid precautions) that the Kontrollbucher and Hauptbucher, discussed above, include and show as still on hand Goldbarren carried in both Geldbank and Bankbestand accounts. Whether all Goldbarren in these accounts are so included, or whether some have been written off to special storage or Depots of the Reichsbank within Germany or abroad, still remains to be determined.

9. Most useful of the books on the Geldbank account would appear to be the Gewichtskontrolle der Goldbarren der Goldbank. This book covers the period September 1939 through 21 February 1945, and is divided into the following separate sections:

- a. Hochwertige Barren
- b. Standard-Goldbarren
- c. 900er Goldbarren
- d. Deutsche Goldbarren (closed out 26 January 1942)
- e. Industrie Goldbarren (closed out 1 February 1940)
- f. Diverse Goldbarren -- appears to be closed out and carried over to the Verschidene as of 28 September 1941
- g. Verschidene Goldbarren
- h. Hochwertige-Sonderlagerung
- i. Standard-Goldbarren Sonderlagerung
- j. Diverse Goldbarren-Sonderlagerung
- k. Zusammen -- which check of figures shows to be summation of all the above
- l. davon in Hauptbucher -- which check of figures shows to be not included in and in fact greater than the Zusammen.

10. Each entry in the book shows: date, plus or minus, source or destination, identification of bars involved by bank numbers, and total gross and fine weights of gold in the transaction. Although not used, space provided for cross-reference to Hauptbucher by Nr. and page is further evidence of the relation between the two sets of books. Because, as explained above, Geldbank is only a suspense account, the balances which this book is designed for and does show are not of primary significance to this investigation; but it is believed that the transaction entries in the book (by which the balances were continually computed) should supply the same figures which will now have been laboriously computed bar by bar from the Kontrollbucher -- not only more conveniently but also without the enormous gaps which have resulted from the page-removal policy in the Kontroll- und Hauptbucher.

11. Also found, but less useful -- at least in the case of gold bars -- are two other books clearly identified with the Geldbank account. Both have the same page-layout designed to show current balances, not only of the gold bars in the account, but also of the gold coins -- separate columns being provided for each of the most important types of such coin. Furthermore, check against balances shown in the Gewichtskontrolle book discussed above shows that neither of these covers all gold bars in the Geldbank account.

12. The first, Ab- und Ansetzungen der Goldbank, shows a gold-bar balance on 21 February 1945 which equals not the Zusammen balance in the Gewichtskontrolle book but only the Verschidene balance of that date. On the other hand, an item entered 21 February 1945 from Asservat "Der" (and then removed again

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226727

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 By TJ NARA Date 9/28/99

RG 56
 Entry 69A707
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27 February 1945 as "bleibt in Berlin"; equals exactly the Nachwertige balance shown in the Gewichtskontrolle book on 21 February 1945; so it can scarcely be said that this book has yet been clearly understood, much less found useful -- particularly as it begins 15 September 1944 and no predecessor has yet been found.

13. The second, Bestandskontrolle des Goldankaufs, is in two volumes, together covering the period 9 February 1940 through 28 February 1945. General set-up and entries and balances are almost identical with the Ein- und Ausgangsbuch, and purpose of this near-duplication is not clear. Differences in case of gold bars are two. The gold-bar entries and balances in this book are clearly identical with those of the Verschiedene section only of the Gewichtskontrolle book. In addition there has been added a column marked Goldbarren-Sonderlagerung the figures in which check with the sum of the Sonderlagerung sections in the Gewichtskontrolle.

14. The exact nature of the Bankbestand, its importance -- if any -- as a holder of gold, and its relation to other accounts still remain to be determined. It seems probable that the main records of this account were not among the documents taken at Magdeburg; the only records found there which obviously relate to this account are the following:

- a. Kontrolle der Spitzenbeträge des Bankbestandes
- b. Bestand des Tresors A, which -- besides special sections devoted to non-Reichsbank accounts and one to Goldankauf -- includes a section on Bankbestand.

These two records cannot be the basic ones, but appear to owe their existence solely to the extraneous fact that the assets of the Bankbestand were divided for storage purposes into two separate portions, the main portion in Tresor A, and the smaller -- probably whatever needed for or acquired in the daily conduct of business -- accounted for as a separate entity, the Spitzenbeträge.

15. There is a third book, very difficult to place but possibly explicable as a remnant of some pre-differentiation era, entitled simply Gold in Barren und ausländischen Münzen. It begins as of 1 January 1931 and shows Eingang, Ausgang, and current balance for gold bars and various main categories of gold coins; but the gold-bar pages are not very active (all transactions since September 1936 covering less than one page), the sums involved are small, and from May 1937 to August 1939 the gold bar section was completely closed out. Even this revival in 1939 (with some 2 million grams from Niederländischer Bank) did not last, the full sum being closed out 28 January 1942 "i.d. Goldankauf", -- and appearing on some date in Goldankauf books as "aus dem Bankbestand". This transaction is taken as evidence that this book is part, though quite possibly only a part, of the records of the Bankbestand account. If it is found to cover the whole -- or even a substantial portion -- of that account, however, it then follows that the amount of gold bars involved is extremely small. On the other hand, this same transaction raises doubts about the hypothesis put forth above that all newly received gold would be entered first in the Goldankauf and thence, if ever, transferred to the Bankbestand.

Gold-coin Acquisitions and Balances of the Reichsbank

16. The general pattern of the accounting for gold coins is very similar to that for gold. Corresponding to the Goldbarren Kontrollbücher, are the three Beutelfächer A, B, and C, which had been already acquired from Markers; and, as in the case of gold bars, the shipment from Magdeburg brought the corresponding Hauptbücher A, B, and C. The remaining over-all accounting for gold-coins is to be bound, together with that for gold bars, in the following books already described in the preceding section:

- a. Bestandskontrolle des Goldankaufs
- b. Ein- und Ausgangsbuch des Goldankaufs
- c. Gold in Barren und ausländischen Münzen
- d. Bestand des Tresors A
- e. Kontrolle der Spitzenbeträge des Bankbestandes

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Silver Acquisitions and Release of the Reichsbank

17. Accounts relating especially to silver are as follows:

- a. Ein- und Auswärtbuch des Silberbankf. Bismarck 1 July 1941
- b. Silber Anbau - Berlin
- e. Bestandsbuch der angeschafften russ. Rube gesetzten Silber-
 Massen, angefangen 30 September 1943

Precious Metals Held for non-Reichsbank Account

18. It appears from the investigation so far that, as the disposition of precious metals acquired by the Reichsbank is traced down more closely, the bulk of such assets still held in Germany will be found, not in any account of the Reichsbank proper, but in various Asservats and Depots maintained by the Reichsbank for the account of other official or semi-official agencies of the German government, and a substantial portion of the shipments of such assets abroad will be shown, not in direct releases from the Goldbarren Kontrollbühler to foreign banks and governments, but in the subsequent movements of such assets after their initial transfer from the Kontrollbühler into some Asservat or Depot in the Reichsbank for the account of such foreign agency.

19. The first point of attack in this connection would appear to be the Gesichtskontrolle der Asservats u. Depots, in which the following accounts appear:

- a. Asservat "Der"
- b. Depot Sveriges Alsbank
- o. Sonderdepot gegen v. Frs. (Depot)
- d. Depot Istituto Nazionale per l' Cambi con l' estero, Rom
- o. Sonderdepot Degg/Debusa
- f. Sonderdepot Degg
- g. Depot Degg
- h. Depot der Nationalbank für Böhmen u. Mähren, Prag
- i. Separat Depot der Nationalbank für Böhmen u. Mähren
- j. Depot Antagruppe Ausland - Abwehr MAA
- k. MA (Amt Abwehr) Goldschaffner SS
- l. Depot Reichsicherheitshauptamt - Willi Erlinghaus Amt
- m. Reichsaffärer SS und Reichsminister des Innern
- n. Asservat Außerflüchtiges Amt
- o. Depot der Freuhandlung, von 1933, n.b.H., Konto "OH"
- p. Depot der Wiener-Bankischen Bank, Amsterdam
- q. Depot Belgische Nationalbank Brüssel
- r. Depot Reichliche Nationalbank Bukarest
- s. Asservat Reichsbankhauptstelle Wien
- t. Depot für Banque Centrale de la République de Turquie, Istanbul
- u. Depot der Finanzkommission des japanischen Finanzministeriums
- v. Kaiserlich Japanische Regierung
- w. Depot "Minerale Verwaltang"
- x. Depot Helmut Meurer
- y. Asservat Antebankg ODU
- z. Depot F.d. Reichskommissar F.d. Seeschiffahrt Herr Kurovaki
- aa. Depot Berliner Handelsgesellschaft
- bb. Depot General Dr. Neubauer, Athen
- cc. Depot Oberkommando der Kriegsmarine
- dd. Depot/Dressdner Bank
- ee. Depot des Generalstaatsanwalts Frankfurt/Main
- ff. Depot Auswärtiges Amt
- gg. Zentraldirektion der Albanischen Nationalbank in Tirana
- hh. Asservat Auswärtiges Amt (Italienisches Gold)
- ii. Asservat St. und Polizeidirektor Warschau, Führungstab

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 Entry 69A707
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- jj. Depot: Reichsminister für Rüstung u. Kriegsproduktion
- kk. Asservat Reichsbankstelle Metz
- ll. Asservat Reichsführer SS
- mm. Asservat des Deutschen Botschafters u. Bevollmächtigten des Grossdeutschen Reiches in Italien, Reichsbankdirektor Dr. Bernhuber Passano
- nn. Asservat: Auswärtiges Amt (Dr. Schairl)
- oo. Depot Sponholz & Co.
- pp. Asservat RKK Borisow
- qq. Asservat OKW

Entries run from 21 July 1942 into February 1945, and show transactions and the resulting current balances in face value of gold coins or fine weight of gold bars for the separate accounts.

20. Of yet undetermined significance, but exclusively concerned with these accounts are two other books:

- a. Depot - Manna -- containing separate sections for a smaller number of the evidently more important Depots.
- b. Asservate und Depots -- with chronological entries beginning 7 April 1931 and going through 12 February 1945, on separate Incoming and Outgoing pages.

Also, because these Depots and Asservate appear to make up the bulk of the assets in Tresor A, all the most important accounts relating to that entity, should be of some use in their investigation. Whether the Depot A books cover all assets in any or all of the Asservate and Depots, or whether a portion of any or all of them must be sought further in books covering special storage, has not yet been determined.

Miscellaneous Accounts and Records of the Precious Metals Dept.

21. S.S. Loot. Two of the twelve bags of records in the shipment were marked "Malmer" and proved to contain most detailed and probably complete records and reports on the Reichsbank disposition of S.S. loot received under that name. At least one other full folder and a few isolated letters and records on the same subject have so far been found in the other bags. All this material has been turned over to T/S Waybur, who is making separate report thereon.

22. Particular Transactions. Records relating to particular transactions, or of particular types or series of transactions are as follows:

- a. Belgische Nationalbank Brüssel -- reports and supporting papers on Belgian gold dated from April 1943 through February 1944.
- b. Hestands-Nachweisung des Goldbestands der Nationalbank für Belgien und Aachen, Prag -- summary reports dated July 1940 and supporting detail.
- c. Banca d'Italia -- final reports, tables, and supporting work-sheets.
- d. Registratur-type book containing two unmarked folders but a loose title-slip marked Beutellisten ital. Münzgold.
- e. Auswärtiges Amt -- correspondence, receipts, etc. on both deliveries from and Depots of the Foreign Office.
- f. Hauptregistratur-type book marked IIa -- containing miscellaneous documents and worksheets on various topics including transactions with the Prussian Mint, Banca d'Italia, and Depots of the Foreign Office.
- g. Unterschriftsblätter -- specimen signatures of SS and OKW officials empowered to sign for dispositions of their respective Depots.
- h. Gold u. Silber Verkauf an Private -- documents and correspondence on releases of these metals for industrial, dental, and similar purposes.
 - i. Blue folder, unmarked -- documents on gold shipments, including some to Istanbul, the Belgian gold from Africa, and the shipments from Italy.
 - j. Blue folder, unmarked -- loose papers mainly on early 1945 delivery by Thoms of RM 16,812,000 gold to Konstanz for Bern.

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RG 56
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2. Registratur-type book marked Edelmetall (lettered) -- loose papers on gold shipment via Foreign Office courier to consul in Madrid for delivery to Lisbon.

1. Registratur-type book marked Edelmetall (in script) -- very miscellaneous loose papers, but includes some on particular gold shipments, and office memo by Thoms saying deliveries of Polish loot are to be accepted.

a. Registratur-type book marked with large black V -- miscellaneous papers, mostly pre-war, but one of 8 June 1940 on gold shipment to Stockholm.

a. Lista der abgehenden Goldtransporte.

23. Special Storage. Records covering special types or conditions of storage include:

a. Bestand des Haupttresors -- apparently the main vaults of the Hauptstelle, covers period 6 January 1932 through 23 September 1942.

b. Bestand des Tresors A -- apparently successor to Haupttresor, period 24 September 1942 through 26 February 1943.

c. Buch über die Lagerung der Goldbestände im Tresor A.

d. Tresorarbeiten buch des Tresors A -- record of movements into and out of and between compartments within that vault.

e. Goldbarren- und Goldmünzenbestände bei den Bankanstalten (Asservate des Reichsbank-Direktoriums) -- Strengvertraulich and Geheim Reichsache Correspondence and tables on Sonderlagerung im Reich up to July 1944.

f. 1944 - Asservatenbuch: Anshändigung v. Zinscheinen (illegible) - Besorgung -- nature of book not yet clear, but correspondence attached on Magdeburg cache including one as late as 11 April 1945, and another on the Hammern-Verzeichnisse of the Wertpapieren Sammeldepot (which last explains the two unsealed bags containing such slips, and possibly the ninety-odd large packages of loose slips also contained in the shipment from Magdeburg).

g. Lagerbuch für verschlossene Depots

h. Verzeichnisse Depots gegen Gültigung -- divided into sections for Magdeburg, Köln-Milheim, Köln, and Stettin, and shows individual depositors by date, name, and number and type of containers.

24. General Regulations and Correspondence. Regulations and correspondence of probable back-ground interest to this investigation include:

a. Goldbewirtschaftung -- Edelmetall ankaufkassa, 2 vols.

b. Juden Gesetze u. (something illegible).

c. Gold-Bewirtschaftung - Osterrich.

d. Gold-Bewirtschaftung in den sudetendeutschen Gebieten, Böhmen, Mähren, Moravien, Slowakei, Polen, Dauric, Ostschizel, Belgien, Holland, Luxemburg.

e. Goldbewirtschaftung Krisenmassnahmen.

f. Allgemeine Verfügungen betr. Ankauf von Goldmünzen, Goldbarren, Silber, Markgold. Ferner: Gebührenberechnung, Verbuchung, Abrechnung.

g. Silberverfügungen.

h. Notverfügungen etc.

i. Erledigte Verfügungen: Edelmetallankaufkassa.

j. Sonderlaage der Überwachungsstelle für Edelmetall.

k. Geschäftsverteilung und Dienstverteilung der Edelmetallankaufkassa -- personnel, departmental organization, allocation of duties, and unsigned copy of very laudatory letter on Thoms' work.

l. Dienstbestimmungen für die Reichsbankanstalten, Band III, Kassenverkehr -- generally prewar.

m. Wagen u. Gesichte.

n. Unmarked blue folder with inside title, Geldhaus Berlin - Erfahrungsberichte bei der periodischer Beurlaubung der Wagen in der Goldkammer etc.

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226731

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RG 56
 Entry 69A707
 File REF: GOLD RECS
FOUND RESEARCH
 Box 80

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25. Statistics, Background, and Reference. Other material, apparently only background and history for the Edelstein Abt. and probably of little or no use to this investigation, is as follows:

- a. Gold und Silber Notierungen, 2 vols. -- price statistics, various world markets, 1925 through 1941.
- b. Statistik für Gold und Silber, 2 vols. -- prices and balances all countries, and purchases, movements, and balances within Germany.
- c. Statistik über den Goldbestand der Reichsbank -- 1906 through 1939.
- d. Bewegungen auf dem Goldkonto -- 1914 through 1931.
- e. Blue folder, unmarked -- some sort of statistics, 1924.
- f. Wirtschafts- und Währungsnotizen -- miscellaneous documents and tables filed alphabetically.
- g. Gold und Silber, Statistische Notizen.
- h. Goldkaufpreise.
- i. The Regulations and Practice of Gold Clearing in Central Banks. 2 vols., Bank for International Settlements, 1931.
- j. Zeitungen (something illegible) über Gold- Silber- und Allgemeinen Wirtschaftsfragen -- newspaper clippings.

26. Completely Miscellaneous. Two Registratur-type books contain loose papers, apparently completely unsorted and unclassifiable but with highlights as follows:

- a. That marked illegibly Goldka (something, includes regulations and figures on industrial gold and some very neat tables of unknown date on Tresor A.
- b. That marked V, includes more on Tresor A and a summary by countries and months of gold acquired during 1941 from France, Belgium, Holland, Norway, and Denmark.

Donald W. Curtis

JD

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Authority 978025By TJ NARA Date 9/28/99RG 56Entry 69A707File ERM; COLD RECSBox 80FOUNDA RESEARCHCURRENCY SECTION FOR GERMANY
U. S. Army BranchFin. Br. G-5
APO 757
19 May 1945

RECEIPT VOUCHER NO. 3

Received from Currency Section for Germany at Frankfurt-am-Main, the following described items:

94 packages records received in shipment No. 17 from Reichsbank, Magdeburg, Germany on 9 May 1945.

The above described items delivered to the undersigned per verbal instructions of Col. Bernstein. (Magdeburg shipment).

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RG 56
Entry 69A707
File LEVIN; GOLD REUS
FOUND RESEARCH
Box 80

Records Found
at Magdeburg
Mobile VET/Non-Inflammable VET

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RG

Entry 56
69A4707File GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and AccountingBox 80Statement of Otto Reimer, Merkers, Germany, 10 April 1945.

I was the chief cashier in Berlin in the Reichsmark department. I came to the bank in 1921. I have been with the bank ever since. I have always been in the Berlin bank, except for a period when I was a bank officer on the island of Rugen. I worked always with Reichsmark notes. I assume that 7,000,000,000 marks was the issue of the bank. I don't know if there is a balance sheet of the Reichsmark notes in Berlin. I was sent from Berlin to Erfurt in early February. I was supposed to open a place for the Reichsbank there. Both Erfurt and Merkers are the two agencies of the Berlin Reichsbank. Two others and myself were to start the circulation of money in Erfurt. The rest of the Reichsbank did not come to Erfurt because of transportation difficulties. The leading staff came here. The remainder of the staff was to remain in Berlin as long as part of the building stood. They didn't want to move the bank out of Berlin. There were still some notes in Berlin. They had 3,000,000,000 marks here and one to one and one-half billion marks in Berlin.

There are no other storage places like this mine. Some of the banks were oversupplied with marks. Erfurt had a large amount. Kassel also had a large amount. All the towns that had big vaults were given large amounts of currency. I do not know if Frankfurt had a large amount of currency. There was one man of the money distribution department in Erfurt. His name is Januszewski.

In February no currency went to Oberhausen. I came to Merkers a week ago today. Weick met me in Erfurt. That was Easter Monday. I asked him to come along with me to get the paper money to be distributed throughout the Reich. We arrived here in the early morning hours and we slept in the mine. We arrived on the night of Monday-Tuesday. During the morning we loaded a railroad car which left here in the afternoon. The shipment contained Reichsmarks and a few bags of foreign currency. There may have been 50 bags of foreign currency on the car. It was destined for Magdeburg and Halle. I assume that the currency was Norwegian or Dutch. I didn't help with this affair because there was someone else in charge.

I was in Erfurt on 23 March. I only heard about the shipment when the car was taken. The Reichsbank had its main store, except incidental gold, in Berlin. I don't know where the gold is that was taken from Belgium. I do not work with gold. All I did was handle money going out and coming in. I never heard what happened to the Belgian gold. I assume the Germans took the gold to Berlin and put it in the vaults. I think that more than a year ago the Reichsbank sold some gold to Switzerland. The records of the sale of the gold are with Thoms. Thoms had the technical handling of the gold. They have a special man to handle the gold. He is Director Janecke.

When I first went into the mine I noticed the trunks but did not dare look at the names. I never heard of the Reichsbank taking private property into safekeeping. The lists of the contents of the trunks are in Berlin. I was sent to get some paper money and that is all.

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By JW NARA Date 9-29

RG 56

Entry 69A4707

File GERMANY: Gold, Currency, and Loot Recoveries - Discovery and Accounting

Box 80

EXAMINER:

Colonel Bernard Bernstein, F D, SMAEP

WITNESS:

Lieutenant Colonel Tupper Barrett, 12th Army Group

INTERPRETER:

Sergeant Theodore W Henning, 32597976, 357th Inf

RECORDER:

Tec 4 Edward M Costello, 31347269, 357th Inf

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RG

56Entry 69A4707

File

GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and Accounting

Box

80Statement of Dr. P. O. Rave, Merkers, Germany, 10 April 1945.

Materials belonging to the Museum of Genealogy in Berlin are in a salt mine at Chonebeck near Bernburg on the Elbe River. The paintings in the mine at Merkers were formerly stored at the Reichsbank Nebau (new building), at the Neue Munze (new mint), at the Preussische Seehandlung bank at Jager Strasse in Berlin, in the flak tower in the vicinity of the zoo and in the flak tower in Friedrichshain in Berlin. Third and fourth rate art treasures are stored in the cellars of the various museums. The Eastern Asiatic library was totally destroyed by bombing.

EXAMINER AND INTERPRETER:

Sergeant Theodore W Henning, 32597978, 357th Inf

RECORDER:

Tec 4 Edward M Costello, 31347269, 357th Inf

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GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and Accounting

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KStatement of Dr. Werner Veick, Merkers, Germany, 10 April 1945

I was born in Hanover on 9 September 1890. I went to school in Hanover until the 12th year. Then I went to Berlin. I finished school one year before the final examination. I started work at a small bank in Berlin in Potsdamer Strasse. I learned everything that pertains to the banking business in 2½ years as an apprentice and 1 year as a clerk. I have a wife and two sons living in the United States. I came to the Reichsbank in November 1912. I worked in the cashier's department. I also worked in the check department. I was a young man and it was necessary to take an examination, which I did and was thereafter an official of the Reichsbank. That was in 1917. The examination was given by the bank. It was called "Bank Examination". It was to determine if I was suited to be a Reichsbank official. After I passed the examination I came to the Giro Department. That was in Berlin. I was in Lubeck from July 1914 to February 1915. Otherwise I was always at the head office in Berlin. I was in the Giro Department for 2 years. I was bookkeeper for the accounts. I was a young man. There was a large staff. I was a beginner.

I did not fight in the 1st world war. I had a bad heart. I was called up but deferred because of work. The bank claimed me to work for them. Then I went to the cashier's department. At first I was again in the check department but later got a better position in the Treasury Bond Department. During the 1st world war the Reichsbank edited bonds which were bought by the public. In the department I had the bookkeeper under me. I was in charge of bookkeeping. It was in 1918. I worked in that department until 1923. During this time I cashiered in the Treasury Bond Department. It was a higher position for me. I was cashier from 1923 till 1925 in this department. After the inflation the Treasury Bond Department was finished and I again came to the Giro Department. That was from 1925 to 1941. I had a higher position but was still cashier in the Giro Department. I paid out large sums to banks and to the Ministry of the Interior. In 1941 I came back to the head cashier department because all the cashiers were called together in the head house. Only in the Treasury Department were there any cashiers. I was the senior cashier. I became Treasury Cashier. I was in charge of large sums. My title was Reichsbank Procurist. I was in the 10th or 12th place. I was in charge of all the new German Reichsmarks.

In 1944 I had a bad accident due to a bombing attack. I was hurt. I broke my collar bone and cut my back. My left foot and leg were left stiff. I was ill from 7 May 1944 till the last days of August. When I returned to the Reichsbank I began work in the Foreign Notes Department where I worked until February 1945. Then we were ordered to see that everything was secure from bombing. We distributed money to all places in Germany. The attack on 3 February on the new Reichsbank building destroyed all but a small portion of the building and it was very difficult to carry on the work. We worked only in the cellars. I was ordered to Erfurt to set up a new place in which to work. It is difficult to say how much money went with us because part of it went back to Berlin. About 6 Reichsbank officials went to

226738

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Authority ANN 978025By JW NARA Date 9-29

RG

Entry 56
69A4707

File

GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and Accounting

Box

80

Erfurt. They erected a place for us to work without interruption. Only a small part of the Reichsbank building stands in Berlin. There are many cellars and many are working in the cellars. The directors of the Reichsbank are in Berlin. The senior officer in Erfurt was a Reichsbank Director and he had an accident in the last attack on Erfurt on 31 March and he is in the hospital. His wife is dead. His name is Reichsbank Director Dr. Worbs. I believe the hospital is called City Hospital in Erfurt. The other officials in Erfurt were Reichsbank Director Pohl. His position is the same as mine. There is a man in the Reichsbank called Puhl. He is the vice president. He is alive. He is not the same man as Pohl. He was in Erfurt till the 2d of April. He was ordered to go to Merkers to get transportation to distribute Reichsbank notes to other places. There were two men who came to Erfurt on 2 April. They were Reichsbank Director Frommknicht and Reichsbank Director Thoms. My superior ordered me to Merkers to get the Reichsbank Notes transported to another place in Germany. With me came another man. We arrived here on the 3d of April at 4 AM with Dr. Reimer. With me came Thoms and another man from Berlin who was to get more transportation. His name is Kaese. He was ordered to get 100 mark notes and something which was important for Berlin. I cannot say exactly what it was he came here for. He left Merkers on the 3d of April at 3 PM. He took away 100 mark notes and I believe some foreign currency. He was underground and I was on the top and had to guard the loading. I could not see what he took out into the truck. I heard the Reichsbank Director and Kaese say Berlin needed them. I was present when the Reichsbank Director said this. The conversation took place underground. I was underground for ten minutes and heard the Reichsbank Director say this. I cannot say how many foreign notes he took. It was a small amount. He didn't have many foreign notes. The truck was a 2 1/2 ton truck. The truck was filled with money. He took only notes up to 100 marks. I would estimate the sum to be about 200,000,000. I had nothing to do with how much was taken off. The sum was fixed underground. I had to guard the money which came from the mine up to Kaese's truck. I cannot say exactly how much went on the truck. Reimer and myself were up stairs. The money came up from the mine on cars. There was list on each car. There were 50 packages on each car. In each package there were 1,000,000 marks. I don't know exactly how many packages I put on the truck but I believe there were nearly 47 or 50 packages. I cannot say exactly how much currency was in each package. It was necessary for me to check the number of packages. I am sure some was foreign currency. There were large and small packages. I may be able to recognize the packages.

My wife and two sons live in the United States. I say all I know. There are other packages in the mine just like the ones loaded on the truck. Kaese took the packages because they were needed in Berlin. It is possible the banks have all of them. The Army may have needed the money. I worked in the foreign notes department and I heard sometimes that the Army bought foreign notes. I cannot say for what use. It was forbidden for individuals to buy notes. I am not familiar with the foreign exchange laws of Germany. I had only to do with currency that came from other places in the Reich. I was in charge of the notes the Reichsbank bought in other places in Germany. I had no foreign transactions. I cannot say if it was

226739

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Authority AND 98025By JW NARA Date 9-29

RG

Entry 56
69A4707

File

GERMANY: Gold, Currency, and Loot Recoveries - Discovery and Accounting

Box

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possible for the Nazi Party leaders to have gotten some of the money. In Germany there is the Army and the SA. They were united and it may be possible they got the money. I have never heard of where any of the Nazi Party leaders got the foreign exchange notes. It may be possible the Army needs foreign notes but for what reason I cannot say. I cannot say whether they were dollars or pounds. We have large amounts of Norwegian currency. We had them in the mine for reasons of security. It was the property of the Reichsbank. I do not know if there were any dollars, pounds or francs. There are some French francs in the mine. I believe there are nearly 100,000,000 francs.

I was in the mine last Sunday and I saw that there were French notes. I do not believe he took any French notes. We have a bank branch that was in charge of the currency and it was very important for them to have lists of the money in the mine. It was necessary to work with them in Erfurt. One man of this bank was also in Merkers. He took with him lists of numbers. There were 94 bags in the cars. There were lists of maturity dates. He did not take any gold with him. He went away on the 3d of April. Then a railroad officer came and said it might be possible to get sufficient railway cars to transport the Reichsmarks. It was necessary to distribute them throughout Germany because the printing factory was destroyed in February. It was impossible to produce sufficient amounts of money. So the bank was forced to draw on the sums in the mine. The railroad officer came to us on the afternoon of 3 April and said we could take a wagon and transport a larger sum of notes to other places.

Kaese took the money through Erfurt, Halle and Magdeburg. I cannot say exactly where he took the money. He distributed the money in all those places. I believe these bags went to Berlin. When the Reichsbank branches needed notes they had to order them through Berlin. Berlin is the only place that handled the notes. All the Reichsbank branches had to send their foreign currency to Berlin. If they needed it in places like Frankfurt they did not have to send to Berlin but could keep it on hand until needed.

I don't know where they took those boxes. On the 3d of April I said to the Reichsbank Director that it might be possible to get 2 or 3 railway cars to transport the Reichsmarks to other places in Germany. The circulation was poor due to the shortage of notes. We have taken out of the mine 1,000 bags of notes up to 100 marks. In each bag there were 1,000,000 marks. We loaded these bags in one car from 3 PM till 7 PM. It was impossible to load more.

I heard then that the American Army was nearer than supposed so we ceased and Frommknicht said to me, "We will see what the next day brings." On the way to the casino where we lived a special messenger arrived and said it was impossible to transport the car further because the bridge was blown over which the train was to pass. So we decided to bring the 1000 bags back into the mine. The next morning we had the intention of bringing the 1000 bags down at 7 AM but several men were not there and we had to wait one hour and then we began to bring the bags down. I was in the shaft and Reimer was in the wagon and we began to take the bags down. After $\frac{1}{2}$ hour Frommknicht came to me and

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Authority NND978025By JW NARA Date 9-29

RG

Entry 56
69A4707File GERMANY: Gold, Currency, and Loot Recoveries - Discovery and AccountingBox 80

said, "The American Army is 3 miles from here." I said, "Fromknight, it is your Reichsbank." Fromknight said he had to leave immediately because he was needed very badly in Berlin. Mr Fromknight has a very important position in Berlin, he is in charge of the money distribution. I talked to Reimer and we decided to stay and talk to the Americans after unloading. Fromknight returned and said it might be possible for Reimer, Thoms and me to come along with him. Then Fromknight went down into the mine because Thoms was there and he said he had to talk to Thoms. He came back alone and Thoms stayed below. In the meantime the car crew up outside. The chauffeur is still here. His name is Kellner, 36 Dorf Strasse. The car was driven by Kellner and Fromknight was still in the mine. Kellner said, "It is high time we left. The Americans are approaching". I told Kellner to go into the mine and tell Fromknight. Kellner went down and returned soon and said Fromknight would arrive soon. They had with them 6 guards from the Reichsbank who helped with the loading of the money. Fromknight came up from the mine and gave the keys to the vault to one of the guards. I did not see this. Fromknight went down again and locked the door to the treasure. One of the guards said the door would not shut and they had to force it shut with a hammer. The two of them came back and gave the keys to one of the guards near the railroad car which had not been quite unloaded. In the meantime the American Army arrived at Merkers. I was staying at the casino and had a small suitcase with clothes for a 3 day stay and Fromknight told me to leave the suitcase in his room. The last thing Fromknight said was, "Here are the keys. Go get your suitcase. I left the factory on the main road, went to the casino, got my suitcase from Fromknight's room, paid for my room and returned to the mine. The moment I arrived on the grounds the Americans arrived. They searched me and looked at my papers. The troops marched straight on the road. It was Wednesday the 4th. Then I went to the same place where we had unloaded and saw the cars standing there and was of the opinion that both of the gentlemen were still there. I asked Reimer, the chauffeur, 2 guards and some Polish workers where the two were. They told me they were with Director Starke. Then I said, "Gentlemen, we are going to unload this car and check on the number of bags. The unloading lasted while the Americans went through. The Americans asked what they were unloading, looked at the money and then passed on. During this time I was getting my suitcase and could not return because of the troops. We started to unload the car about 3 or 3:30 AM and went on till nearly noon. The Americans asked, "What is this?" They were told it was money. When I got back they unloaded the car and I counted it by placing the bags in groups of 50. They could not put the bags into the vault. Some were put near the elevator in the mine. Fromknight had locked the vault. Some remained near the shaft because the truck was out of gasoline. One of the guards called me up and told me about it. I told the men they should leave the bags and come up. It was time for the Polish workers to eat and it would have taken too much time to take the bags down the shaft. It was around noon and I was surprised I hadn't heard from the other two men. I said to Reimer, "I wonder where they are?" The chauffeur said, "I overheard a conversation between Fromknight and Thoms and Fromknight said to Thoms, 'Let us go to the entrance and see if we can slip away'". As I heard this story it was obvious the two

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Authority AND 98025
By JW NARA Date 9-29

RG

Entry 56
69A4707

File

GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and Accounting

Box

80

had left us and "beat it". The next thing Reimer and I did was go to Director Starke. Dr Starke said the two gentlemen had said goodbye to him. They would try to escape or leave. They left on foot. They didn't have enough nerve to take the car. I don't know where they went. I have not heard from them since. Neither has Reimer or the chauffeur. Starke said, "I don't believe they will get far."

I was interrogated by an American Military Police Officer who said another Reichsbank official had been found but he did not know if it was Kaese. It was still possible that he got to the unoccupied part of Germany, perhaps in the direction of Erfurt. The six guards of the bank were left here to guard the mine. Reimer knows their names and addresses and the address of the chauffeur. All the guards had to do was guard the entrance to the mine. When I came back from getting my suitcase one of the guards gave me the keys to the treasure door. The responsibility of the money is on the Board of Directors of the Reichsbank.

Mr Thoms was in charge of the money in the mine. He was a very important man. He knows all. It is too bad Thoms left because I am left in a position I have nothing to do with. They left to go on the 9th of February from Berlin. The branch was to be opened in Weimar. There was an air attack on the 9th of February and they had no facilities to place all of these men. So they decided to stay in Erfurt. The others and I travelled in the same train that brought the largest part of the money. The location of the place was "Top Secret" information. The man in charge of the whole operation was Reichsbank Director Dr Witte. He also came here. I heard later that a high officer, a member of the Board of Directors of the Reichsbank, Dr Kretschmann had stayed in Erfurt. The men who had nothing to do with the transportation itself and everyone else came here. Kretschmann was here and left on 12 February. Witte brought the money down. Thoms was in the same train. We left on the 9th of February. The other one arrived about the 18th of March. Thoms was in charge of that shipment. Witte left after two days. Thoms stayed here for about 14 days. Then he left again for Berlin. He arrived with 3 or 4 railroad cars on 18 March. There were 24 cars on the first train load. The gold was very heavy and they had only one layer on each car. The second shipment was unloaded here. I got orders from Worbes to talk to Thoms. He had to call Thoms to take some of the things out of the mine and take him back to Berlin. The order came from Berlin. Thoms had 4 railroad cars here to take the money back to Berlin. The orders came with the second train. These things were to be taken out of a truck which arrived in Erfurt. This truck never did actually arrive. The garage in Berlin had been bombed and some vehicles were destroyed. They were talking about renting a truck. It took quite a while to get it because trucks were scarce. There were some telephone conversations because Thoms and his men did not have enough food ration stamps to buy foodstuffs. In the meantime Thoms, who was very anxious to leave, arrived with a Mr Gottschalk, who was in charge of the transportation of the paintings and art treasures of Heimer. He was in charge of the truck bringing the art treasures from Berlin. A concern by the same

DECLASSIFIED

Authority AND 978025By JW NARA Date 9-29

RG

Entry 56
69A4707File GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and AccountingBox 80

of Linze brought the art treasures here.

I should correct a previous statement. It was 11 March that the second shipment arrived. Thoms left with the truck load of money on the 23d. There was one truck he took back. He took it to Berlin. I don't know what he had on the truck, and never heard. In a telephone conversation between Erfurt and Merkers Thoms said, "I cannot stay here because I cannot eat". Thoms said, "Because there is no car coming from Berlin I have arranged to get a car from Merkers". He was talking to Worpes on the telephone. Worpes is in the hospital in Erfurt. Worpes did not tell me what was in the trucks. I believe there were bank notes, some foreign. I had heard that some of the foreign currency should go back. Worpes had talked to Thoms over the phone and said the foreign notes were needed. I was in the next room when the conversation took place. The door was open. The truck went via Erfurt. The truck arrived about 9 PM on Friday, possibly the 23d, in Erfurt. Thoms arrived with the truck and was received by Worpes who talked with him. I was only told Worpes had talked to Thoms. On Easter Monday Thoms told me how he obtained the truck in Merkers. Due to the fact that they could not get a car from Berlin and Thoms could not get food he had procure a truck in Merkers. Thoms did not tell me what it was to contain. He only told me how he had gotten the truck. Thoms left Erfurt the same night, probably an hour later. I don't know where he went. I think he went to another Reichsbank, probably in Nordhausen. I believe he went there because he was to deliver part of the money there. I don't know how much. I never saw the money. Maybe the 6 guards will know what was in the trucks. There were no other truck loads of money taken from the mine.

The rest of the money of the Reichsbank is in Berlin. I think there is no more gold in Berlin. There may be unrefined gold and some coins there. When I was in Berlin the last time I heard that all the gold of the Reichsbank was to be brought to Merkers except some incidental gold. Thoms is the man in charge of the gold. Thoms would know where all the gold is. I do not know where the gold is. I had nothing to do with the Reichsbank branch in Erfurt. We had another adjoining place in which to work in Erfurt.

Reiner is junior to me. He is a cashier in the Reichsbank. I was hauptcashier and a little more. There was foreign currency in the Reichsbank in Berlin. The main part concerns notes which came back through the Army. There is a record of all the money brought into the Reichsbank by the Army. I cannot say the sum they brought in in February. Due to the bombings it was very difficult to know just how much foreign currency there was in Berlin. Most of the foreign currency is in Berlin. There are many agencies working on the French money. The man handling the foreign currency is Reichsbank Director Reini. The currency is in the new building of the Reichsbank. I was in charge of the foreign currency that was bought by the Reich. I opened the letters and packages containing the foreign currency. I distributed the money to the agencies. I was merely in charge of the money coming in and the men working in the vaults know the sums. I had nothing to do with the buying of foreign currency in Berlin. It was money mainly brought back by the

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Authority ANN 978025By JW NARA Date 9-29

RG

Entry 56
69A4707File GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and AccountingBox 80

Army. There were many millions in Polish money. There was also Norwegian, Hungarian and Dutch money. There were 3 or 4 million American dollars.

I am 55 years old. I went through life as an honest man. I am not a member of the Nazi Party. I was never a member of the Nazi Party. My first wife had some Jewish blood. She went to the United States in 1938 with my two sons. My family life was destroyed. I could not be promoted any further but was permitted to retain my position. My wife and two sons were so oppressed that they could not live any longer in Germany.

I wish this statement to be held in confidence. I was being interrogated as a criminal. I did nothing bad. No interrogation has gone to this state.

One of my sons is 19 and the other one is 21. The oldest will be 21 on the 21st of September. The youngest was 19 on the 17th of March.

I was interrogated by an officer of the Military Police who believed every word I said. I don't know if my sons are in the Army. I have not heard from them since 1941. I think they would be in the Army in order to obtain citizenship. I am divorced. My former wife was remarried. She married in 1938 before leaving Germany. I took the blame on myself in order to permit her to leave the Reich. I remarried in 1939. My wife lives in Berlin. My sons live in Cambridge, Massachusetts and my wife in Cooperstown, New York.

In places like southern and western Germany they had a certain amount of French or Belgian francs in case the money should be needed. The bank had no more than 100,000 English pounds. I was in the mine only a short time. All I saw was Belgian, French and Norwegian currency. There are a lot of minted coins down there. There was probably 400,000,000 marks in the mine. The rate of exchange is figured at 3790 to 1 kilo of gold. From this they had to pay 6 marks for minting the gold. I believe there is 100,000 tons of gold in the mine. Reimer does not know how much gold there is in the mine. Reimer was the assistant to the chief cashier in charge of the Reichsmarks. The Reichsmarkbank is nearly destroyed. The Finance Ministry is probably also damaged or destroyed. I don't know if the Finance Ministry left Berlin. The managers of the Reichsbank are still in Berlin. There is a branch in Erfurt and small branches in Weimar and Amstede. All the branches have to send their figures to the Reichsbank in Berlin. The currency for the branches is figured out in Berlin. I believe the branch banks have the figures of the Reichsbank in Berlin.

When I first entered the Reichsbank I had to swear never to divulge any of the bank information. Berlin will have a balance sheet of the Reichsbank. Frankfurt am Main might have the balance sheet of the Berlin Reichsbank. I am only a small official of the bank. In Frankfurt directors of the Reichsbank could give the figures. I am an honest man and can only tell you what I know.

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RG

Entry 56
19A4707

File

GERMANY: Gold, Currency, and Loot Recoveries - Discovery and Accounting

Box

80

This whole affair was the work of the Board of Directors and I did not hear of the shift of the currency by accident. Later on, when they needed the currency I heard more about it. At first it was a matter only for the Board of Directors.

I am going to think it over and you should consider that I came here with only enough clothing for 3 days and I am morally depressed. I am not against the Americans, you should consider me a human being, too.

It is very difficult to guess the amount of French currency in the Reichsbank. It is possible that there are 50,000,000,000 francs in the bank. Dr Funk is president and economic minister of Germany. Dr Meisner is the minister president. Dr Funk was here about the middle of March.

Karl Foertke is manager of the mine. He and Thoms worked together. As far as the loading of the trucks is concerned quite a few people left in a hurry and I did not make the usual check on the people who were present. I have tried hard to say everything as it was, but I had nothing to do with it except to check up on the money. I stayed here because I didn't want to leave Weimar. I have no documents of the Reichsbank here. It was planned to take the Reichsbank to Weimar but Hitler and Himmler opposed. There was a small group from the Reichsbank at Weimar. This group includes Director Kreichm and Director Sey. They were still in Weimar. Lange, one of the two vice presidents, was the personnel man in the bank to see that everyone was a good Nazi. Fohl joined the party because that was the only way he could become vice president. I don't know whether Fohl is a loyal Nazi. Anyone who is a director of the Reichsbank or any branch had to be a member of the Nazi Party.

EXAMINER:

Colonel Bernard Bernstein, F D, SHARP

WITNESS:

Lieutenant Colonel Tupper Barrett, 12th Army Group

INTERPRETER:

Sergeant Theodore W Menning, 32597978, 357th Inf

RECORDER:

Tec 4 Edward M Costello, 31347269, 357th Inf

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Entry 56
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File

GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and Accounting

Box

80Statement of Dr. Schawe, Merkers, Germany, 11 April 1945.

I am librarian of the State Library in Berlin. I am not the chief librarian. I am one of the scientific officials of the library. I have been with the library since 1938. Before that I was librarian in Munster. I left Berlin in January 1945. I have received here books from Berlin. From June 1944 I have constantly travelled between here and Berlin. The State Librarian has been in Ramabach since last year. I was an apprentice in Munster. From 1933 to 1934 I was an apprentice in Berlin and then in Rachtswald.

The collection of books in the mine has been arriving here since June 1944. The books are the greater part of the State Library. I would estimate about one and one-half or two millions. The valuable books of the library were placed away for security reasons in 1940. The very valuable books are not here. The great mass of books are here. About a million of the valuable books were put away in other places in Germany. I do not know where all of them are but some are in Beuron in the Benedict Monastery near Sigmaringen. There are also some valuable books in places in Silesia. I know only of Schloss Furestenberg in Silesia. I don't know if there are any valuable books in Heilborn. Some of the books are kept in Schloss Banz in the mine. In Beuron there are manuscripts and the first books printed in the 1500's. They are in the monastery. There are valuable books near a mine in the area of a castle and a small monastery. It is all by itself. It is near a famous Baroque building by the name of Vierzeanheiligen. I have not been there or in Beuron. There are some valuable books in Silesia in the castle of Furestenberg.

There are 23 or 25 depositories, but I don't know where they all are. It was my duty to place the books here. The books occupy a space of about 1,000 to 2,000 square meters and about 2 to 2½ meters high. Most of the books are unpacked. Only a small portion are packed. If the books stay there a long period they will be damaged. No damage will result in one or two years storage. About 180 boxes are in the factory above ground. The rest of the books are underground. I have one lesser official helping me in guarding the books. He is a laborer. Up to a week ago there was a woman working for me also. There was also a woman from Dusseldorf working here. I have here part of the library of the University of Masberg. There are about 200,000 books of the university library. I think they are not valuable. There are books of all kinds and sizes. They are both loose and cased with the greater portion loose. We brought them here in August 1944. We have here 4 railroad cars of books from the Dusseldorf library. They are not valuable. As far as I know there are no valuable books here.

We have some books from private libraries here. There are books belonging to Baron Von Saldern in Pomerania. Some officials of the Berlin library have books here. I don't know if any of these books from private libraries are valuable.

I have no complete inventory of the books in the mine. I rely on my memory to know where the books are. There are no other books there. A week ago the Economic Director in Vacha, Captain Trahn-

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Entry 56
69A4707File GERMANY: Gold, Currency, and Loot Recoveries - Discovery and AccountingBox 80

EXAMINER:

Colonel Bernard Bernstein, F. D. SHAEF

WITNESSES:

Lieutenant Colonel Tupper Barrett, 12th Army Group

Lieutenant George L Stout, USNR

INTERPRETERS:

Sergeant Theodore W Henning, 32597978, 357th Inf

Corporal Werner Steinberg, 18124914, 357th Inf

RECORDER:

Tec 4 Edward M Costello, 31347269, 357th Inf

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RG 56
 Entry 69A707
 File ERM; GOLD RECS
FOUND RESEARCH
 Box 80

INTERROGATION OF ALBERT THOMS *Doled*

by

Lt Col Claiborne and A. M. Kamarck

18 April 1945

General Questions on the Gold Inventory Books.

- Q: Where is the book showing all out going of bars?
- A: It exists but it is controlled by Devisenabteilungen in Berlin. This has the summary of all the gold - and where the gold is abroad.
- Q: Did the Reichsbank hold all the gold in Germany? Who held the Special fund of the SS?
- A: I do not know. The Foreign Office had also gold in its own office. It bought gold from Reichsbank - perhaps 30 - 40 million RM. It retained the gold from Italy. It had also small depot in Reichsbank around 10 million RM

Sonderlagerung Book

- Q: where in Frankfurt/Oder is the gold?
- A: In the Reichsbank branch.
- Q: Has it been moved again?
- A: It is possible, but I do not know.

Page 27

- Q: Why the ~~3/4~~ ? A: From here begins the sending to Berne.

Page 28

- Q: What does the word in front of Berne mean? A: National Bank, Bern.

Page 41

- Q: What does the ~~H~~ mean? A: Resumption of shipment to Branches.
- Q: What is the word in front of Bern? A: National Bank

Hochwertige Goldbarren

Page 1

- Q: Why is 509a inserted? A: This is a newer insertion and of a later date. Up to 1937-1938 we used to keep books by bars by nationality, we then changed to a book system by fineness only

Verschiedene Goldbarren

- Q: Explanation of "Degussa"? A: Deutsche Golde and Silber Schade-Anstalt received gold for industry, jewelry exported abroad, for industrial Military purposes.

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RG 56
 Entry 69A707
 File GERM. GOLD RECS
FOUND RESEARCH
 Box 80

S E C R E T

INTERROGATION OF

ALBERT THOMS

(Head of Precious Metals Dept., Reichsbank Head Office, Berlin)

from 2000 hours, 18 April 1945 to 0130 hours, 19 April 1945

by

It Col Claiborne and Mr Andrew Kamarck

The system of books used in my department covered three kinds of bars depending on the fineness - 900, Standard, 990 and higher.

All bars are listed in two sets of books - Chief book and Control book.

For Standard and 900 - only 2 books

For 990 - fine bars - possibly more than 2 sets of books. The books are the ones which I thought had been sent back to Berlin. All bars in Merkers and Berlin are included in these books.

All bars coming in are entered. Then after the bars go out, a line is drawn across the page. If both sides of the page are crossed out, the page is pulled out after a while and laid aside in a special place, then destroyed. No line was drawn if bars went to Merkers as they are considered a part of the Berlin stock.

I believe the Sonderlag book includes all bars sent out to branches for safety against air raids. The bars were sent out to 18 or 20 branches. I believe the Bank tried to send around 1,000 kilos to each branch, it tried to take the finest gold to send on these shipments.

All bars held by the bank are listed, no matter whether they belonged to the bank or belonged to some depot in the bank.

The abbreviation "Der" is "Devisen Reserve".

All disposition of the gold bars was decided by the Four Year Plan Office.

Some of the depots which I remember are Der, Dego, Foreign Office, Reichsminister Verrustungs - All of German State - Mines de Bor. Depot of the Bank of Bohemia and Moravia. Also perhaps of Belgium. The gold of the Bank of Italy was under the disposition of the German Government's Foreign Office. The value in RM of this latter gold was paid to the Reich. Then the gold became general gold without earmark. But the disposition of gold is always at the disposition of the Four Year Plan.

-1-

S E C R E T

226749

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 By TJ NARA Date 9/28/99

RG 56
 Entry 69A707
 File ERM: GOLD RCVS
FOUND RESEARCH
 Box 80

S E C R E T

To get the total gold held by the Reichsbank:

- Total of the gold bar books
- plus gold at the branches in the Sonderloger book
- plus the Verscheidenes Barren gold book

The Bank of Bohemia-Moravia has 2 depots in Berlin:

- a. one a real depot of gold
- b. other depot of claims against banks for gold

The tag B & M on the gold bags means Bohemia & Moravia depot. I believe it all to have been in Merkers.

The gold was packed in Berlin in haste. Only the number of bags was checked. There was a difference of 1 bag. Merkers was 1 over the amount shipped.

I believe 4099 bags of bars went to Merkers. I believe this to be quite sure.

Among the bags of coin, there were some small bars mixed - totalling 2759 ^{of coin} but I am not sure of this figure.

The bars were in separate compartments in the bank. To control the contents of each compartment, all one compartment was bagged separately. As a result, there were some bags containing only 1 bar instead of the usual two.

The Reichsbank has 50-60 million RM of gold in Switzerland. This is quite accurate.

The Army had a depot for Military at the bank with not much bars but coins. This was small, around 2-3 million RM.

There are other books showing what the ownership of the gold was. These are the inventory books that we have here.

The Army bought gold from the bank. The Army also had a depot in Plauen, Schwerin. These were small depots probably for paying for spying persons. I don't know whether Army had any gold in its own offices in Berlin.

The total of precious metal in Merkers was around 500 million RM, perhaps more, not including the SS holdings there. The deposit of SS was kept only for last year. This is an innovation. The stuff was turned over and the Reichsbank took only the weight of the contents from a scale. The contents were then put in bags and sent to the municipal pawnshop. This institution made an appreciation of the value to the Reichsbank which reported it to the Reich Finance Minister. The pawnshop already had paid through the Reichsbank to Finance Minister about 7-10 million RM. The stuff in Merkers was given to the Reichsbank but not yet pawned. It had not yet been turned over to the pawnshop.

Reichsbank notes and foreign currency notes turned over by SS were bought directly by Reichsbank at full value. The pawnshop sold the gold, gold teeth, etc., from the SS abroad.

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 Authority NND 978025
 By TJ NARA Date 9/28/99

RG 56
 Entry 69A707
 File GERM: GOLD REVS
FOUNDRY RESEARCH
 Box 80

SECRET

At Merkers there were only 6 little bars of platinum. At 5,000 RM per kilo, the total comes to perhaps 150,000 RM.

The gold rings held by the Reichsbank were bought over the counter. The jewelers had to give up part of their gold rings as the rings were not to be sold to the public. No jeweler is allowed to sell a gold ring over 333 fineness and not more than 3½ grams in weight. The rings over these limits were to be turned in and smelted.

Dresdner and Deutsche Bank sold coins and gold abroad because they got agio for coins and bars abroad. Then turned over foreign exchange against the gold.

The meaning of the following terms in the books is:

"Auftrach Wechsel" - "AW" - selling and giving full value
 "Devisen Schutz Kommando" - the Foreign Exchange Control in an occupied country.

The Reichs Kredit Kasse got its gold through the obligation of private individuals in the occupied countries to deliver gold to the R K K.

As regards the record of bars coming into Berlin and then sold, if whole page on both sides was covered, the page was taken out and the record is not in these books.

The Belgian gold was flown from Dakar to Marseilles to Paris in French planes and then shipped to Berlin. This took over 1½ years. Not all of it was bars, there were some coins.

It is unusual for Reichsbank branches to have gold. Usually gold depots were brought to Berlin. Gold was brought to Berlin before gold was sent abroad.

Deutsche Scheide and Silber Anstalt in Frankfurt received gold in Frankfurt for distribution for industrial uses.

The Foreign Office held gold in the Wilhelmstrasse office.

The Reichsbank gold held in Switzerland is at the Swiss National Bank. There were transactions of several hundred million RM with Switzerland. These included transfers to Rumania and Turkey. Each month in the last 5 to 6 years perhaps around 3000 to 4000 kilos of gold were sent to Switzerland. All shipments to Switzerland were sent first to the depot at the Swiss National Bank and later maybe sold.

Ducats are trade coins coined by Belgium, Czechoslovakia, and Albania of 970 fineness. They are almost pure gold. They are always the same weight in all countries with a weight of around 3-3½ grams.

Notations in the Remarks Column in the inventory books apply to everything that follows. In the Sonderlager book, it is gold from Belgium certainly until page 28. Then there is a break in the continuity of pages and there might be other remarks in between before the pages start again.

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 By TJ NARA Date 9/28/99

RG 56
 Entry 69A707
 File ERM; GOLD RCLS
FOUNDED RESEARCH
 Box 80

S E C R E T

If there were several assay OKs, the Reichsbank took the lowest assay. Reichsbank did not re-assay, if the bar could be handled by the London market on acceptable assay certificate. Only Prussian State mint assays for Reichsbank.

Bankhouse Sturker is where the leading officials of the Berlin office are at Erfurt.

Reichsbank instructions to branches are to send valuables, currency, and gold to safe place when threatened by Allied occupation. There are no instructions to destroy these.

Coins

Bestandung - Held by Reichsbank; given on 10 day statement

~~Reinainin - is custody account~~

Golde Ankauf - suspense account of gold bought until turned over to DMR

1 Ducat - 9.60 RM

1 bag - 2000 ducats

Total should be around 2 million RM

1 Maria Theresa Thaler is worth only the silver in it.

The Japanese bars came from the railroad station into which come the trains from Hamburg. I know nothing else about it.

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Entry 56
69A4707File GERMANY: Gold, Currency, and Loot Recoveries - Discovery and AccountingBox 80

Joint Statement of Ernst Funtmann, Walter Ponicke, Dr Woldemar Mayer, Hans Richter, George Peters, Dr Beil, Rathke, Kurzel, Engert, Boerner and Dr Rudolph; Merkers Germany, 12 April 1945.

(The titles and connections of the first 5 men listed above will be found on a statement taken previously on 12 April 1945.)

Dr Beil. I am on the Board of Directors of the Wintershal A G. I am the senior official.

Rathke. I am manager of the mine in Unterbreitsbach. I also have something to do with the main office of the Wintershal A G in Dorndorf.

Kurzel. I am the lawyer in the head office of Wintershal. We have two sections, one is the potassium and salt section and the other is the oil section. I am not familiar with these mines. I am with the oil section. The other lawyer is in Kassel. He knows all about the legal end of these mines. I am staying here in Merkers.

Engert. I am the chief clerk of office of the Kaiseroda mines. I have nothing to do with other mines.

Boerner. I am the man in charge of one of the departments of the mine. I work in the office.

Dr Rudolph. I am director of the main Wintershal office, formerly in Kassel and now in Dorndorf. I am familiar with all of the mines.

(Dr Beil gave the following listing of the mines and their locations:)

Salzingen-Leinbach - in the same mine the B M W started construction of a new part of the mine. The construction materials belong to the B M W.

Kaiseroda - shaft 1 in Hembach, shafts 2 and 3 in Merkers.

Groskerzog von Sachsen - shaft 1 in Dietlas, shafts 2 and 3 in Menzengraben.

Heiligenroda - shafts 1, 2 and 3 in Springen.

Sachsen-Weimar - only shaft at Unterbreitsbach.

Wintershal - 2 shafts in Heiringen.

Herfaneurode - 2 shafts near Herfa

Alexandershal - shaft 1 in Berka, shaft 2 in Abteroda. There are a number of shafts that are shut off. They are called shafts 4

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By JW NARA Date 9-29

RG

Entry

File

56
69A4707
GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and Accounting

Box

80

and 5 of Heilingenroda at Doenges. These two shafts are filled with water.

Buttlar - 1 shaft in Buttlar near Vacha.

Heilingen Muehle and Mariengart - 1 shaft each in Oechesen near Vacha.

Dankmarshausen - 1 shaft in Dankmarshausen.

Dorsnushausen - 1 shaft in Dorsnushausen.

The last mentioned shafts are filled with water. They are all in this area.

Glueckaufsondershausen - 6 shafts, all in Sondershausen in the vicinity of Nordhausen.

Bismarkhal - 2 shafts in the vicinity of Nordhausen.

Bergmanssegen - 4 shafts near Lehrte Hanover.

Bernburg - 2 shafts plus 2 additional shafts filled with water.

Wintershal has many shafts and factories out of order. Some of the factories are partly dismantled. These mines and factories are distributed all over Germany. Some of them were used to manufacture ammunition. There is one at Gebralohra near Nordhausen.

Wolkramshausen - 2 shafts, near Nordhausen.

Deutschehaliwerke - in Bernterode near Nordhausen. Two shafts at Bergmangren are being used for the manufacture of ammunition.

Karls-glueck-Wilhelmine - near Verden

Hanover - Wilhelmshel-Dingelsett near Halberstadt, 3 shafts.

Neuhoff-Ellers - near Fulda, manufacturing ammunition.

Hildesia-Mathildenthal - 2 shafts near Hildesheim, was manufacturing ammunition.

There are a number of shafts, some in this vicinity, full of water and not usable for anything.

* * *

The records of what is in all of these mines is in a cabinet in Dorndorf and was taken off by American troops with the records. They opened the cabinet on Sunday. It was a high cabinet and on the front was written the name of an American Lieutenant. The troops left on Monday and took the cabinet with them. It was in the Jugendheim building in Dorndorf. The Lieutenant's name and

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RG

Entry 56
19A4707File GERMANY: Gold, Currency, and Loot Recoveries - Discovery and Accounting

Box

80

Engineer battalion were written on the door of the cabinet. The troops showed the Lieutenant the contents of the cabinet on Sunday, 8 April. The address of the Jugendheim building is am Sportplatz, Dorndorf. There is a big sign on the outside "Wintershal A G". Dr Bell is the man in charge. Otto Schmidt was in the building on Sunday. He is the file clerk of the whole main office. He had the keys to the office. He lives close to the office.

Kurzel stated: I was in the building on Sunday between 10 and 12 in the morning on two occasions. I was there because Colonel Russell (90th Div) told Dr Bell and me to be there. I came to Dorndorf but Col Russel never appeared. I wanted to get to a phone to contact Col Russell to see if we could leave or should remain in Dorndorf. A medic named Sgt Charleston tried to call Col Russell but he could not be reached. While Charleston was phoning I was standing near an open door and could see the filing cabinet. The records had not been touched. The records are in bound covers and the word "Secret" was written on them. I do not know what was in them. The files contained letters and other correspondence between Wintershal and administrative agencies and firms who wanted space in the mines. We never received any business letters concerning the contents of what was stored here or to be stored here. We took the records and treasure into the mine without knowing exactly what they were. The records of the storage of the treasure was in the file cabinet. There was no one else in the office on Sunday. I just went to the door and asked for a telephone and saw the cabinet on the floor. I saw the records marked "Secret" and thought it was not right they should be so exposed. Schmidt only used the files when he was asked for something. He lived only 50 meters away. Schmidt first reported the documents were missing. Steinberg (American Military Intelligence Interpreter) picked up Schmidt today. He was to come along and pick up the records. Then Schmidt said, "The cabinet and papers are gone. They were taken away by the troops." Then they went to the burgermeister in Dorndorf because they thought he might have the cabinet. The burgermeister didn't know anything about it and Steinberg talked to an American Major. Richter does not know anything of what took place there. Then they left the burgermeisters office and drove to the Military Government Commander in the Hotel Gosler. Steinberg tried to inquire about the cabinet. Richter and I do not know what they talked about. From there they drove to the building of the works Heiligenrode. A phone call was made there by a U.S. official concerning the unit that had been in the town when the cabinet disappeared. Richter does not know the results of the phone call. This all occurred today. Richter says the official who phoned did not achieve any immediate results. Today is the first time I knew the records were missing.

Richter stated: I last saw Schmidt on 3 April. I haven't seen him since Sunday. I last saw Rathke on Saturday at the mine. I have not seen Rudolph, Boerner, Rathke or Bell since then.

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Authority AND 978025By JW NARA Date 9-29

RG

Entry 56
LA 4707

File

GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and Accounting

Box

80

Rudolph stated: I last saw Schmidt this afternoon. I also saw him Sunday, Monday and yesterday. Schmidt told me yesterday that the cabinet was missing. I saw Schmidt on Monday while the unit was packing up. I did not see him on Tuesday. I live about 1 kilometer from the office and due to the fact that we were not permitted outside I did not go the village. Schmidt came to me yesterday afternoon and told me the office was occupied by more troops. He said he had made contact with the first group of troops but not with the second group. Only Schmidt told me the records were missing. None of the others told me. Schmidt told Richter also. Biel heard of the missing records today.

Beil stated: I saw Schmidt last before the occupation. Schmidt is in Dorndorf.

Boerner stated: I did not hear of the missing records until today.

Mayer stated: I do not know Schmidt.

Engert stated: I do not know Schmidt.

Runtmann stated: I do not know Schmidt.

Rathke stated: I saw Schmidt on Monday. I left Unterbreitsbach between 9 and 9:30 and went to Dorndorf. I met Schmidt on the street in front of the office. I asked if he knew where Rudolph was. Schmidt replied, "Perhaps in the office." Schmidt went inside to look for him and I stayed outside. Schmidt went to the guard room which had been the office. Schmidt told me Rudolph was not there and I left. I was told by Richter, as we were being driven here to Merkers, that the cabinet was missing.

Kurzel stated: There is no duplicate set of records. We make copies of outgoing letters but none of incoming letters. There is no other record of what is in the mine. We could only figure it out from the files.

Rathke stated: We could not make the records even if we had the files.

Kurzel stated: The storage space in the mine is requisitioned by the Reichswirtschaftsministerium. Schmidt lives to the left of the Jugendheim building in Dorndorf. The Reichswirtschaftsministerium and the Ministry of Defense and War Depositories appointed firms who could use the space in the mine. The Reichswirtschaftsministerium requisitioned all the tunnels in Germany. Firms found it necessary to store materials under ground because of the bombings. They wrote to the Reichswirtschaftsministerium and were told the amount of cubic meters of space which they would be granted. That is what they did with all the Wintershal mines. The firms were told to put their materials in a particular mine. They got no receipt for what went into the mine. The paper they got from the Reichswirtschaftsministerium was the authority for placing materials

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RG

Entry 56
LA 4707File GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and AccountingBox 80

in the mine. The Reichswirtschaftsministerium appointed the firm and instructed the firm to sign a lease directly with the owners of the mine concerned. The copies of the leases are in Kassel. We signed only a lease for a certain amount of cubic space. The lost evidence had no record of what was in the mine. We are in the position of owner and tenant. We didn't know and didn't care what was put into the mine. We only contracted for the space. I have never seen the papers stating what is in the mine. We had a contract and only the firms occupying the space knew what was placed in the mine. I don't know if Wintershal has keys to the various rooms in the mine.

Beil stated: I am not surprised that keepers had keys to the mine rooms. They only had the keys to the rooms in which the private belongings were kept. For rooms rented by firms or the government we did not have keys. The keys to the rooms containing private belongings are in the mine. They were sent down because the Reichswirtschaftsministerium ordered them sent down. They were sent to the mines because of some action initiated by individuals. The firms which made the contracts had their own people in the mine. Wintershal did not have any. I don't know who put the material in the Henschel space. The men who put the Henschel files in the mine were to be here Saturday and as far as I know there are no keys to the rooms here. I did not have a key to the place where the art treasures were placed. I did not have keys to the space in which the Air Force materials were placed. The manager of each mine should know what was in each mine. The Einsnacht records were taken out about a week before the Americans arrived. They contained the records of the Department of Labor.

Boerner stated: Correspondence of the State Library stated that the materials were to be here only temporarily and would be moved to Haddorf. One list mentions 33 cases. The correspondence shows 33 cases of art treasured brought here by an SS formation. Padlocks lent by Wintershal were put on them. There is only one key to each location. The decision had to be made as to whether the mine or the museums would keep the key. There are some similar records in Heinigenrode.

(At this time the Examiner, Witness, Interpreter and Recorder withdrew to permit the mine officials to determine among themselves if, when and how complete inventories of the contents of the mine could best be obtained)

Kurzel then stated: We can show lists and contracts to show we have no responsibility for what was put in the mines. There are five different deposits. We have the Weimar Collection list and the list for the Koenigsberg Water Commission. We don't have a record of the gold because it belongs to the government.

Beil Stated: I am sure there are no other mines in which gold is stored. As far as we know 13 railroad cars arrived. Minister President Mashler came to the mine for the first time and

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RG

Entry 56
69A4707File GERMANY: Gold, Currency, and Loot Recoveries - Discovery and AccountingBox 80

said gold would be deposited only in this mine. The gold is all in Room #8.

All stated they knew of no gold deposits anywhere else in Germany.

Dr Biel stated: I believe this treasure is the entire stock of the Reichsbank. Kretchman stated, "This about all of the gold of the bank." Kretchman said this on the 8th or 11th of February. He said they were loading a train in Berlin. They had difficulty in getting railroad cars. That is the reason I don't know if the gold left Berlin or not. I talked only to Kretchman about it. I never talked to Frommknicht.

All stated they had never talked to Frommknicht.

Rudolph stated: I have talked to Frommknicht but he did not mention the money. I talked to Bell and he said the gold would have to be put in a safe place. On 11 February I was ordered by Kretchman to come here because the railroad cars were coming up. I stayed until about 8 PM but the cars did not arrive. I saw Kretchman at the office once more and he thanked us for helping him. I don't know if any of the gold was taken away from the mine.

Bell stated: I do not know if any of the gold left the mine.

Funtmann stated: I only know that when the last shipment of paper money was taken out it was again unloaded. They did not take any of the money with them. They had no gasoline and by the time they came back it was too late.

Kurzel stated: We have a letter here from the Reichswirtschaftsministerium which mentions the circular stating that the salt mines are particularly suited to the storing of materials. They must refer to Mr Caubel, who is the highest man in the mining industry to requisition space. It is a letter stating that room in the mine was to be disposed of through the Reichswirtschaftsministerium. The decree by the Reichswirtschaftsministerium salt and potassium mines would be used for the storing of goods underground. The complete list of the contents of the mine will have to be obtained by checking the contents of each shaft. The Weimar collection is in the Merkers mine shaft in Dietlas. The private belongings include things which the employees wanted to put in the mine. With the Weimar collection are a few pieces from a private collection. These are included in the Weimar collection.

Bell stated: The old city archives of Bremen, Lubock and Rustock are in the mine. They are collections of city archives. We didn't see the contents of the boxes. We were approached by their representatives to see if the boxes could not be stored here. The central office of the archives in Berlin notified these cities that they could put the records in these mines. In Lubock there was a bombing and quite a number of the pieces were destroyed.

DECLASSIFIED

Authority ANN 9 8025By JW NARA Date 9-29

RG

Entry 56
LA 4707

File

GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and Accounting

Box

80

Rudolph stated: There are records of the Geological Institute in the mine. Everything about the storing of records was so secret we don't know of other places than Wintershal. We only know of the State Library which was supposed to come here and was transferred to Hatdorf. Some goods are with the the paintings in Hatdorf. The Reichswirtschaftsministerium requisitioned a place for the Bergman Egyptian Museum. We heard the Bergman Museum was in some place in central Germany. I could be Moltke-schacht near Magdeburg. The archives may deteriorate in the mines but there is no danger from water but from salt dust. We checked the air in one of these mines and it was found to be too warm so some paintings were not stored here. I did not hear of any other place where treasures or paintings are stored other than the Wintershal mines.

Dr Beil stated: It would take two or three days to catalog the contents of all the mines. We could have it for you Sunday afternoon, April 15. We can have some of the records ready by tomorrow night. We don't know of any other gold or banknotes stored at any other place.

EXAMINER:

Colonel Bernard Bernstein, G S C, SHAEF

WITNESS:

Commander Joel R Fisher, USCGR

INTERPRETER:

Sergeant Theodore W Henning, 32597978, 357th Inf

RECORDER:

Tec 4 Edward M Costello, 31347269, 357th Inf

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Authority ANN 978025By JW NARA Date 9-29RG 56Entry 69A4707File GERMANY: Gold, Currency, and Loot Recoveries - Discovery and AccountingBox 80Statement of Maximilian Rathke, Workers, Germany, 12 APRIL 1945.

I am manager of the mine at Unterbreizbach. There are two railroad cars loaded with electrical equipment from Krupp in Essen, approximately 40 cases of blankets, shoes etc which belong to the district of Unterbreizbach. There is some miscellaneous equipment belonging to the mine, personal belongings of the local population, and some people in Kassel and Erfurt in the mine. In addition there are some personal belongings of Alfred Krupp von Bohlen-Halbach.

The Air Force had stored a depot of liquor, reputedly 40,000 bottles, belonging to the Ministry of Propaganda in Berlin. This liquor was to be used as a stimulant in event of emergencies. Several cases of drunkenness among the workers forced the managers of the mine to complain to the Air Force. A General appeared and stated that the liquor would be removed. I do not know whether the order was complied with.

EXAMINER AND INTERPRETER:

Sgt Theodore W Manning, 32597978, 357th Inf

RECORDER:

Tec 4 Edward M Costello, 31347269, 357th Inf

RATHKE

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Authority AND 978025By JW NARA Date 9-29

RG

Entry 56
69A4707File GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and AccountingBox 80Statement of Albert Thoms, Merkers Germany, 12 April 1945.

I am chief cashier and Reichsbank-rat of the Berlin bank. I have been with the bank since 1910. I am department manager of the main office in Berlin. I deal with the precious metals. I began in the Reichsbank after 3 years in a small bank. Then I was in the Giro Department for three years. In 1923 I came to the main office. First I was a cashier and then chief cashier. Then I got the title of Reichsbankrat. I became Reichsbankrat in 1923. Since 1922 I have dealt with precious metals. I have been working with them ever since. I have no papers with me. An American officer took some of my papers concerning my deferment. The other paper was my bank pass. I had a paper from the high command that kept me from service with the Army or the Volkstrum. I was not replaceable in the bank. In the last months the bombing attacks came often and therefore it was necessary to move the gold because the bank might be destroyed. Therefore, at the end of February 1945 I took a train and brought notes, precious metals and some deposits here to Merkers. The deposits were from the mint. I had about 190 bags from the mint which probably contained printing plates.

There are approximately 50 cases of gold from the Albanian National Bank. It is gold in bullion and coins. The second time we brought the gold here was about 14 days before Easter. There is perhaps 7 million marks of gold in Berlin. I only knew how much gold was in Berlin. The man who knew where all the gold is is Reichsbank Director Reinel. He has the tabulation of the gold not only in Berlin but in other parts of Germany but possibly other countries. Some branches of the Reichsbank have gold. The branches near Berlin had some of the gold. There may be some in Halle, Leipzig or Murtzburg. There is gold in Schwerein, Plauen and perhaps in Stettin. The first time I came here some of the gold was pulled in from the branches. Some gold was in Schneidemuhl. I believe there is also gold in Frankfurt am Oder and Neustrelitz. I had nothing to do with the splitting up of the gold. There are approximately 10 million marks of gold in each place. That is an estimate. I saw the plan of the distribution. The plan of the distribution is in Berlin. All papers I had here were brought back to Berlin on Easter Tuesday. They were taken away because of the danger from the approaching Americans. We left the gold here because we didn't have time to take it away. We only wanted enough paper money for circulation. I had the order to bring the notes to Berlin. I also brought the valuable foreign notes. On that Tuesday we brought some Swedish, Swiss, Spanish and Portuguese notes back. I cannot say the value of these notes because I had only the number of bags to bring back. I am not lying. I think there were approximately 50 bags of currency. We had 157 bags here and the difference between 157 and the present amount will tell you how much was taken away. It was the same thing in Berlin. We were told to take so many bags of currency and deposit it here. I have no record of the gold and money here. The papers were either taken away or destroyed. Frommknicht destroyed the papers. He destroyed them the day the Americans arrived. I was with him when he burned the papers. We destroyed them in the casino near the gas station. Frommknicht did

DECLASSIFIED

Authority ANN 9 8025By JW NARA Date 9-29

RG

Entry 56
LA 4707

File

GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and Accounting

Box

80

the burning and I watched. The bank papers went along with the truck. The papers we destroyed were personal notes. Frommknicht is a Reichsbank Director. He and I left together and tried to go to Erfurt. While we were walking along the road the American vehicles approached and we ran for the forest. I did not succeed in escaping and was taken by some American soldiers. They brought me to Eidenshausen.

I have no record of the gold in the mine. All I have is my personal notes of how many bags contain currency. I destroyed those notes. I would estimate there are 170 tons of gold bullion and coins in the mine. We have 4099 bags with gold bars in them. There are two bars in each bag. I would say that we have about 8,200 bars of gold there. I believe that is the value of about 270 million marks. That is an estimate. There is nearly the same amount in coins. The rate is 2,784 per kilo. Most of the coins are foreign. There are probably 50 million marks in German coins. Most of the foreign notes are Belgian, French and Norwegian. The contents are written on the bags.

The first trainload took four days to unload. The first time we brought coins and gold. The second shipment was unloaded in about two days. The silver and gold articles in the cases came from the economic department of the SS. We got orders to hold them here because they were in danger of being destroyed by the bombings. All the cases in one corner came from the SS. I think they came from the east. The Reichsbank was approached on the matter of keeping the articles in the mine. We have some things from the German Bank and the Dreden Bank. Some of the ministries tried to get some of the space in the mine for storing records and papers but we didn't have enough room for them.

The gold and silver was not stolen. The Belgian gold is in the mine. All of it is there. We recast some of the Belgian gold into German bullion during the past few years. Roumania bought some of the gold from Germany. They remelted the Belgian gold and sold it as German gold. We sold about 80 million marks worth of gold. The bank got some gold from Italy. I would estimate about 200 million marks worth of Italian gold. We got the gold from Italy in 1944. The foreign office took the gold. It was the property of the foreign office of the German government and later they sold some of the gold to the Reichsbank. Part of the gold is still the property of the foreign office. The foreign office gold should be in the mine too. We also got some gold from Holland. It was about 80 million marks worth. The Dutch pay the German government about 10 million marks per month. The bank took it to Berlin with their own personnel. Sweden and Roumania had depots of gold in Germany and we could do what we wanted with it. We sent some gold to Switzerland.

EXAMINER:

Colonel Bernard Bernstein, SHAEF

DECLASSIFIED

Authority NND 98025

By JW NARA Date 9-29

RG

56

Entry

LA 4707

File

GERMANY: Gold, Currency, and Loot Recoveries - Discovery and Accounting

Box

80

WITNESSES:

Lieutenant Colonel Tupper Barrett, 12th Army Group
Commander Joel H Fisher, USCGR

INTERPRETER:

Sgt Theodore W Henning, 32597978, 357th Inf

RECORDER:

Tec 4 Edward M Costello, 31347269, 357th Inf

DECLASSIFIED

Authority NND 98025By JW NARA Date 9-29

RG

Entry 56
LA 4707

File

GERMANY: Gold, Currency, and Loot Recoveries - Discovery and Accounting

Box

80Statement of Albert Thoms, Merkers, Germany, 13 April 1945.

(See previous statement of 12 April 1945.)

In February 1945 we had between 650 and 700 million marks of gold in the Reichsbank including all of Germany. This gold does not belong in its entirety to the Reichsbank. It includes personal deposits and gold which was deposited under the Four-Year Plan. Goering and his advisors decided how the gold under the Four-Year Plan was disposed of. It was a special board called the Four-Year Plan Board which exists today. From the entire gold reserve certain amounts were transferred to banks and depots. The gold distributed to the branch banks consisted of 50 or 60 million marks. I estimate about 50 million marks of gold was distributed to certain branches of the Reichsbank in amounts of about 40 bags containing two bars each weighing about 25 kilos. The branches of the Reichsbank to which this gold was distributed were located not far from Berlin. They included the following:

Neustrelitz
Schneidemuhl
Pleuen
Halle
Leipzig
Schwerin

From some of these branches some of the gold was brought back while I was first in Merkers. I cannot say if the gold in Frankfurt am Oder was returned to Berlin. I believe the Schneidemuhl gold was brought back.

Neu-Brandenburg
Possibly Saalfeld in Thuringia.

I don't know if there is any gold in Weimar. We were not bringing the gold to cities where large industries were located because of the possibility of bombing attacks. We brought notes to Erfurt and Weimar. I was ordered to bring the notes for circulation in Thuringia. We took the notes from the reserve in the mine. The last auto we had here took notes from the mine for circulation in Weimar and Erfurt. If gold had been in Weimar I believe it would have been taken away. At the moment the gold must be in Berlin. I cannot say whether it is possible to bring the gold to Berlin. It may be possible through Hof, Regensburg, and Munich. I would be taken to Berlin if it was possible at the time. The sum lying in Berlin and divided among the branches is not very much. I would estimate the amount to be 500 million marks and perhaps a little more, of the gold we have in the mine. The value of the gold in Berlin and the branch banks I would estimate to be 60 to 80 millions. 100 million would be the most possible they could have in Berlin and the branch banks. I would estimate there are from 500 to 550 million marks in gold in the Merkers mine. The rate is figured at 2784 marks per kilogram, 1000

DECLASSIFIED

Authority ANN 978025By JW NARA Date 9-29RG 56Entry 69A4707File GERMANY: Gold, Currency, and Loot Recoveries - Discovery and AccountingBox 80

fine. In February there was 650 to 700 million marks in gold. I cannot say the exact amount. There is an error of from 50 to 100 million marks. The last time we also got gold from Austria or Hungary. I never saw the gold. I don't know what was done with it. The foreign affairs of the bank are handled by the Devisen Department in Dr. Peinl's charge. He has the records of all the gold in the interior of the country and also the gold abroad. If there is a shift of the gold abroad the Devisen Department handles the details. The changes in the Reichsbank gold outside the country do not affect the gold in Berlin. I handle the gold only in Berlin. Only the deposits held here are my charge. We have a depot of the Albanian National Bank, now in the merkers mine. It amounts to about 5 or 6 million marks. We have on our books only 55 cases from the National Bank of Albania. It was all handled by the Foreign Office. It is a very small amount. We have some personal deposits from the office of Foreign Affairs. It is headed by Rippentrop. We have certain deposits of 10 million marks but we have already disposed of some of it. They probably contain 7 or 8 million marks now.

The gold of the Italian National Bank was requisitioned by the German government. The Italian government agreed to it. It was about 200 million marks. It was taken in 1944 on several occasions. We got about 500 to 550 million marks of gold.

The Netherlands sent 10 million marks in gold to Berlin each month. They made 6 or 7 payments. We have about 60 to 70 million marks of Netherlands gold.

We took no gold from Poland. The gold was in Dacha.

We took some gold from Yugoslavia through the Italians. I think it was about 25 million marks of gold.

Germany had in 1939 about 1 billion marks in gold. The question is very difficult because I cannot remember exactly. We have spent much gold in the war. There was more gold then than now. Germany sold about 80 to 100 million marks of gold to Roumania. We sold it to them from 1941 to 1943. Roumania has the gold now. It has its gold treasure in Sinaia near Bucharest. It is in a tunnel in the ground. Germany did not take the gold from Roumania when the troops withdrew because we had no time to withdraw the gold. Germany also sold gold to Turkey. I believe about 15 to 20 million marks. We sold it to them in the first years of the war. We also sold gold to Switzerland. We have a depot in Switzerland consisting of gold bullion and coins. From time to time certain amounts were sold. I cannot say exactly how much. Each sale consisted of about 8 or 9 million marks. I cannot say exactly because it was not my department. Before the war we sold gold to Switzerland. The last sale was made about the end of 1944. We sold to Switzerland only the gold from the depot in that country. As amounts were sold we continued to supply the depot. As far as I know the Devisen always maintained a large amount of gold in Switzerland. We did not handle the transactions in my department.

DECLASSIFIED

Authority AND 98025
By JW NARA Date 9-29

RG

Entry 56
69A4707File GERMANY: Gold, Currency, and Loot Recoveries - Discovery and AccountingBox 80

The Devisen Department always handled the Swiss gold. We didn't send any Belgian gold to Switzerland. We sent only German or American bars. I believe the melted Belgian bars were sent to Roumania and Turkey. I believe there was an agreement that no Belgian gold would be sent to Switzerland. The old German bars were sent to Switzerland and the new ones to the other countries. We sold no gold to Sweden. Sweden had a gold depot in Berlin. There was a kind of clearing arrangement. For instance, when Sweden had gold dealings with Italy the transfer of the gold was effected between the depots in the city. Germany may have sold a small amount of gold to Sweden. There may have been two sales to Sweden. Each time 500 kilos of gold was sold. I don't know if we sold gold to Portugal. At least we never sent it directly to Portugal or Spain during the war years. The sale would have been handled in the other department. We never shipped gold to Portugal or Spain. We never sent any gold to Argentina. I cannot say if we sold gold to Argentina in Switzerland. I never heard of any economic relations with Argentina. We never bought any gold or currency from Argentina. I have nothing to do with it. We hardly ever got money in from foreign countries. You can see that by looking at the foreign notes and currency we had here in the mine.

We had all together 157 bags of foreign currency here. Today I would estimate there are approximately 50 bags of foreign currency. We haven't much foreign currency.

Germany at the moment has no deposits of foreign countries with the possible exception of Switzerland. It was not my job to know how much gold the Reichsbank had abroad. The amount was kept secret even to its own personnel. The only thing that was published was the 72 million marks gold reserve and the other depots were kept secret. It is possible that only in Switzerland does Germany have a deposit of gold. I am not quite sure. There is not one in Sweden.

We took no gold from France. We took no other gold from Belgium other than what I have mentioned. We took no gold from the Netherlands except the aforementioned. The Army has a certain amount of dollars and sovereigns etc, but not the SS. The Army had a small deposit only in Germany for the purpose of security against foreign countries such as espionage. I believe we have a small part of it here. It is not a large deposit. There may be 1 million marks. The Army has no foreign currency here. The Sorten Department is the foreign currency department of the Reichsbank. The Army has a small gold depot in Germany and they also have a small foreign currency depot. I am sure I don't know where it is. I believe the Army gold lies here in the mine. I believe they had the intention of getting it back. You could recognize the Army gold by the marking on the bag. The Foreign Office has a gold depot of the Italians of 10 million marks deposited in the Reichsbank. I would like to make an addition to my former remarks about the Italian gold. It is still listed on the books as Italian gold. That has nothing to do with the Foreign Office gold. The

DECLASSIFIED

Authority ANN 98025By JW NARA Date 9-29

RG

Entry 56
69A4707File GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and AccountingBox 80

Italian gold was to be sold by the Reich to the Reichsbank. The Reichsbank had to buy it. This transaction was not completed when I left. The gold was taken from the Italian government by the German government in agreement with the two countries. Now the Reich is selling the gold to the Reichsbank in return for Reichsmarks. I think an advance payment was made on the gold. It may have been 100 million marks. We give them an advance payment of, for instance, 80 million marks. Then the gold is counted and smelted. An accounting is then made and the Reichsbank pays the balance to the government. The dispositions must, in every case, be agreed upon by the Four-Year Plan. Most of the gold in the mine belongs to the Four-Year Plan and includes the Italian gold. All the Belgian gold is the Four-Year Plan gold. It was turned over to the Four-Year Plan department. It is difficult to say how much of the Four-Year Plan gold is here. The reserve marked "D E R" is, in most cases, Belgian gold. The bags are all mixed up and it is very difficult to say the fixed amount. I think it is about 300 million marks. I figure it this way: take away the little deposits, take away the Foreign Office gold, take away the small deposits and about 300 million marks remains which is the Belgian gold. We got gold bars and gold coins from Belgium. We sold the rest of the Belgian gold. I think most of it went to Roumania and Turkey and possibly to Spain and Portugal through Switzerland. The Devisen Department will know where the gold went. Reiml is the one who would know. The others who would know are Kretschman, Wilhelm and Vice President Puhl. Frommknicht is the man who arranged all the affairs of the interior. He is the liaison man between the directors and the cash department. Frommknicht is in charge of all the affairs of the changing agencies. Reiml is the man in charge of all the foreign affairs of the bank. Kretschman and Wilhelm are members of the Board of Directors. Lange handles only personnel.

Veick is only a cashier in the Foreign Notes Department. He was also in charge of changing large and small Reichsbank notes. He has no great information about the gold. Neither has Reimer. I am a little older and my position is a little higher than both of them. I have the Precious Metals Department. It is only a small department. I am the most important of the 3 of us. I had charge of taking the treasure from Berlin to the mine and taking the reserve to the branches.

The Reichsbank has depots of foreign notes only in our branches. They are in Berlin and Halle and possibly in Nordhausen and Leipzig. I brought Halle 43 bags of foreign currency. I also brought 22 bags which were destined for Nordhausen but I don't know if they ever reached there. This was in addition to the 43 bags for Halle. The bags came from Merkers. I took them from Merkers in the middle of March. I went to Berlin 8 days before Easter - about the 22d of March. I delivered them to Halle. I delivered them to the Reichsbank Director in Halle. He was not the real director but the acting director in Halle. He stamped the receipt and wrote his name on it. I don't know his name.

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DECLASSIFIED

Authority AND 978025By JW NARA Date 9-29

RG

Entry 56
69A4707File GERMANY: Gold, Currency, and Loot Recoveries - Discovery and Accounting

Box

80

There were Swiss, Swedish, Portugese, Spanish, Dutch, American and English notes in the shipment. I don't know the total values of the bags. The English notes had about 40 thousand pounds. It is possible that the American money included \$100 and \$20 notes. I don't know the total value. There could be 1 million dollars in notes. The bags were about 78 centimeters square. Usually there were ten packets in each bag. There could be 100, 50 or 5. They usually were packed 10 packets to the bag. I never took any foreign notes from the mine other than that one time.

Berlin said it was necessary to have them near for quick distribution. Merkers is about 430 kilometers from Berlin. From Halle it is possible to go much more quickly to Berlin. I think they needed the money for military purposes. Perhaps for espionage. These affairs concern the Devisen Department. There were foreign currency notes left in Berlin. I have no idea how much foreign currency was left in Berlin. I believe the greatest portion of the foreign notes were brought here. There are foreign notes in Berlin, Halle, and perhaps Wordhausen and Leipzig. It is possible there are small sums in other branches but these are not important amounts.

I don't know if the Reichsbank has currency balances abroad. I think they had credits in the United States and in South America but I believe they were frozen. We can't get to them.

Hitler is probably the only man in the Nazi Party who doesn't have money. Hitler is not married and I believe he has no other thoughts than his party and his fanatical wish to bring Germany to victory. I do not think Germany will win the war. I think Hitler had the fanatical wish to win the war. I think he has no money. It is not possible that he has money. Goering has money but I don't know where. Perhaps in Switzerland, perhaps in Austria, but I cannot say. He has no notes or gold at the Reichsbank. None of the Nazi officials have money in the Reichsbank. Goering must have his money in other places. I cannot say if Goering or the other Nazi Party officials have gold or currency in Germany. Everything about their financial matters is highly secret. Perhaps the directors would know. It is possible Puhl would know. These men must have handled their affairs with the Reichsbank - with the Devisenstelle President. He is the Finance President. The Oberfinance President of the Devisenstelle could have given gold or foreign notes for exchange to the Party leaders. The Reichsbank would have known that. The Devisenstelle must give his permission. Reini, Wilhelm and Puhl will know. The records will not show because the Deutschbank records are the ones that show who was entitled to get the foreign exchange money.

I do not know if we have sold dollars or pounds to the Nazis. The money was brought to this mine because of the Russian threat to the east. We wanted a place that was safe against bombs and the enemy. The American advance was so rapid we were surprised here.

On Easter I was sent here to bring back as much of the treasure as I could. They told me I would have some cars for transport-

DECLASSIFIED

Authority ANN 9 8025By JW NARA Date 9-29

RG

Entry 56
LA 4707File GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and Accounting

Box

80

tion of the articles back to Berlin. The cars were to be in Sal-zungen. The director said they would be here when I arrived. When I got here there were no cars. I didn't think the Americans would come and we could prepare to take the things away. Some wagons came and I began to load the wagons with 100 mark notes. On Tuesday they said the bridge had been blown. The people who were to load the bags were not here. In the morning we tried to bring the bags back to the mine. We did not have time to remove the gold.

The primary need was for notes for circulation. Wilhelm and Frommknicht told me we were to take only notes. We tried taking the notes back and failed. Frommknicht said to me, "We must try to get back to Berlin without the notes." We left Merkers towards Freidrichroda which is a small town about 30 kilometers from here. We thought we could use the railroad there to Erfurt and thence to Berlin. While we were going along the road American vehicles came along. We ran. Frommknicht escaped into the woods but I was taken. He was going in the direction of Marksuhl. When we saw the American vehicles coming along we were near a farm and a group of houses. Frommknicht began to run. I was about 500 meters behind him. Behind the houses were the woods. I believe Frommknicht is still alive. He was trying to get to Marksuhl and Freidrichroda. Frommknicht was born in Erfurt. He knew the country well. I was unfamiliar with the environment. He had a plan of the landscape. He was trying to go to Erfurt. He was going from Freidrichroda to Arnstadt and thence to Erfurt.

In Erfurt and Weimar there was prepared a place where the leaders of the Reichsbank in Berlin would come when Berlin was occupied by the Russian or American Armies. There they could carry on the circulation of the money to the branches. Director Box was in Erfurt. Kretzman's seat was in Weimar but he also came to Erfurt. Director Werner was in Weimar and Dr. Vorbs was in Erfurt. Vorbs was buried under his house on the 30th of March and he had a head injury and was taken to the City Hospital. There were also 3 or 4 minor officials there. One was Stefan. He was an Ungestelten. He was not a bank official but was employed by the bank from time to time. There was also Fohl. He was a Reichsbankrat.

Frommknicht and I left Merkers and headed towards Tiefenort and then towards Weisendiez. At that point Frommknicht and I were separated and I was taken to Edenhausen by the troops. Frommknicht disappeared in the woods at Weisendiez. His plan was to go to Marksuhl, Freidrichroda, Arnstadt (where there is a branch of the Reichsbank) and then to Erfurt.

The situation was as follows: The original records of all the things laid here in the mine are in Berlin. There was a copy made and placed in the mine. Director Wilhelm told me that I should not let the lists get into the hands of the Americans because the information was confidential. These records showed the lists pertaining to the gold bars and coins. There were also

DECLASSIFIED

Authority NND 98025By JW NARA Date 9-29RG 56Entry LA 4707File GERMANY: Gold, Currency, and Loot Recoveries - Discovery and AccountingBox 80

records of when the gold came into the mine and the history of the gold in the bank. These books were also in bags. We put the books in the car and they went to Berlin on Tuesday. In that auto was Bank Inspector Kaese. He took the records with him. He also had Reichsmark notes and foreign notes.

There had been placed in the mine 217 bags of foreign currency notes. Of these, 45 bags were taken to Halle and 22 bags were also taken to Halle destined for Nordhausen and 2 bags destined for Berlin. On 2 April Kaese took with him about 100 bags of foreign notes for Berlin. I don't know if they ever got to Berlin. I heard nothing. I burned only my personal handwritten notes which I was concerned with. I made a check of the various categories of what went into the mine. As the various cars were taken into the mine I noted what came from each. Then I put them together and had the complete sum of what I should have in the mine. I compared the notes with the number of bags in the mine and then with the lists on the records. We had one bag too much. Berlin gave only one sum for bars and coins together. I did not burn any other records. I am sure.

Promknicht burned his personal papers. We had some papers from the Reichswirtschaftsministerium in Weimar. They were of no value. The papers contained authority for Promknicht and me to go to the bank at Weimar and work there. They were signed by Funk. There were also authorities for travel between Erfurt, Weimar and Thuringia. We cannot travel by train or car without a written permit. We burned all of these papers. I have here only my pass, my bank identification card and government papers stating I will not be drafted into the Army or Volkstrum because of my connection with the bank. I burned the other papers on Sunday forenoon after the troops had arrived. They did not molest us.

I do not know if there are deposits of foreign securities in the Reichsbank. That is not my department. It is the department for shares. I think they are in Berlin. They are not cash affairs and are handled in another department. Records of the Reichsbank are not in Frankfurt am Main. They are all in Berlin. I have no records of the Reichsbank with me. My personal wealth is in the Bank of Commerce. My salary comes from the Reichsbank and is deposited there. I have a checking account with the bank. My salary is 720 marks a month after deductions which do not include taxes. The deductions amount to nearly 200 marks. I have to pay 50 marks each month toward building a house later.

I have a wife and daughter living in my week-end house in Potsdam because the house in which I lived in Berlin was bombed. My son, who was with the Air Force, was an officer and was lost in Italy. My son-in-law was in Roumania and has been missing since last August.

I was a member of the Nazi Party. I did not join in 1933. In order to become the chief in one of the departments of the

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RG

Entry 56
19A4707

File

GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and Accounting

Box

80

Reichsbank it was necessary to join the Nazi Party. I became a member in 1937. I have no duties in the party. I was always free from participation in the party activities.

I left Berlin about Easter.

EXAMINER:

Colonel Bernard Bernstein, SHAEF

INTERPRETER:

Sergeant Theodore W. Henning, 32597978, 357th Inf

RECORDER:

Tec 4 Edward M Costello, 31347269, 357th Inf

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Entry 56
69A4707File GERMANY: Gold, Currency, and Loot
Recoveries - Discovery and AccountingBox 80SECRETColonel Bernstein's Interrogation of Albert Thoms

18 April 1945

PRESENT: Colonel Claiborne, Colonel Cragon, Mr. Kamarek

Notes made by Mr. Kamarek

On the shipment of the marks from the mine, Reimer, Veick, Franknicht, Thoms, and the 7 secretaries (formerly with NK) worked.

As the currency was taken out of the mine Veick was on the ground, 2 secretaries in the wagon, 1 on the elevator above, 1 in the mine, 1 on the way above ground. Thoms was working between the room where notes were and the elevator. Franknicht was moving around above and below.

A certain number of bags were always laid on the cask (60 bags), then moved under surveillance of secretaries to the elevator.

The mine gave the use of Polish workers. There were approximately 20 workers at first. The currency was carried by hand from room to elevator. All the work was done in a hurry for there was news of danger of Allied occupation. The work was finished the Tuesday after Easter. The wagon was brought in the direction of Bad-Balzung. Then we received news the RR line was interrupted near Linebach. So wagon could not be taken away that evening.

It was impossible to get new workers from mine to bring currency back into mine the same night. So we needed to wait until morning. Two secretaries were left on guard during the night.

Next morning the mine gave us some new Polish workers - 14 or 15. The bags were brought from the wagon to the elevator in the car, then down the elevator and to the mine room. The bags were carried from the elevator room by hand by the Polish workers. Later another way was used. A car was drawn by hand to room and then backed out. This for about 2 hours. During this work we thought that the Americans in a short time probably would be occupying the mine. The work was continued in hope that all bags would be gotten into the mine. This was not the case. In a short time, American soldiers appeared. They had no great interest in the work. ~~Was~~ believed that they thought this was routine operation. The officials (Veick, and Reimer) stayed and continued the work.

The RR wagon never left the mine. It stayed there from midday to night. Then it was guarded by secretaries during the night.

Q: Did anyone else have anything to do with the money?

A: Franknicht and Thoms left the mine sometime after Americans came. But I can not tell whether anyone touched the money. While I was there I saw no one touch the money. Franknicht and Reimer did not mention anyone touching it.

226772

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Authority AND 978025By JW NARA Date 9-29

RG

Entry 56
69A4707File GERMANY: Gold, Currency, and Loot Recoveries - Discovery and Accounting

Box

80SECRET

Q: Who took the 640,000 marks ^(460,000 marks) in 100 mark notes?

A: That means half a bag. It must have been the Polish workers.

Q: It was taken from 1 or 2 cut bags. Who do you think took it?

A: It is necessary to know whether in bringing the packets from the wagon to the elevator to mine the work was continued without interruption, or whether the Bank people left the spot. So long as these people were there, there should have been no occasion for taking something out of the bags. It is possible it may have happened from the bags which were not brought into the room but laid at the elevator, there were no guards there. Perhaps the secretaries, when they heard of Americans coming, did not pay attention to the money or perhaps the Polish were left unobserved. The secretaries, Veick or Reimer, perhaps would know who were underground and who of the secretaries were above.

Q: Do you think any of the German officials took the money?

A: No.

Q: Why? Fromknight escaped, needed money.

A: Fromknight had not time, showed no intention to escape. If he had slipped back to get the money, others would have seen it. He could have only got it from the room or from near the elevator. At both places there were people. Above ground, near elevator, there also stood the officials. On the wagon, also there were people. I can't believe it.

Also, that is too large a volume of notes. Fromknight had only a little rucksack on his back with personal things. I am sure he took none of it. I am sure I took none. Veick took none. Veick has been 30 years at the Bank. Reimer is an old employee. The secretaries are also old employees. They are old soldiers of 12-15 years, then were at Bank. They handle great values. They handle and count money in the first line. I don't believe they would take it. I did not hear that it was gone until now. Veick and Reimer would know and they never told me.

Q: Where did the Poles come from?

A: The Poles came from a camp near the mine.

Q: Who would know which employees they were?

A: Jawlich would know, he is one of the technical men at the mine, he supervises the workers.

Q: Why do not the serial numbers in the package of new currency follow in order?

A: They do not? They should. I am amazed.

SECRET

RG 407 Recs of the Adj. Gen.
 Records of the Administrative
 Services Division
 Foreign Area Reports 1945-1954
 Box 1031

DECLASSIFIED
 Authority NND 785073
 By MICS NARA Date 8-11-99

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U. S. GROUP CONTROL COUNCIL
 (Germany)
 APO 742

19 August 1945

SUBJECT: Value of Gold and Silver Bullion and Coin Held by Commanding General USFET at the Reichsbank Building in Frankfurt.

TO : Lt.Gen. LUGUES D. CLAY
 Deputy Military Governor

Experts from the U. S. Treasury Department and the Bank of England have just completed the job of weighing and appraising the value of the gold bars, gold coin and silver bars that are being held under the control of the Commanding General, USFET. The more significant facts in which you may be interested can be summarized as follows:

The total value of all gold found in Germany at the rate of \$35 per fine ounce is \$262,213,000. Of this \$131,837,000 was in the form of gold bars, and \$130,455,000 was in the form of gold coin. In addition there were 8 bags of rare gold coins which had been held by the Reichsbank, the numismatic value of which has not been as yet ascertained.

Of the total gold found in Germany \$239,284,000, or 91 per cent of the total, was found in the Merkers mine.

In addition to the gold found in Germany there was found in Austria gold valued at \$32,175,000, which at the time of its discovery was in the possession of officials of the National Bank of Hungary.

The total amount of silver in our possession at the rate of 45 cents per fine ounce is valued at \$270,469; consisting almost entirely of silver bars. All of this silver was found in Germany though much of it has Hungarian markings.

In addition slightly over 35,000 ounces of platinum and small amounts of other metals in the platinum group (iridium, rhodium and palladium) were inventoried but the value of which has not been determined.

In addition to the foregoing there are certain quantities of silver coins, shot silver, silver scrap and miscellaneous items like wire and pipe said to be silver, which were not valued though some of it was weighed.

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226774

RG 407 Recs of the Adj. Gen.
Records of the Administrative
Services Division
Foreign Area Reports 1945-1954
Box 1031

DECLASSIFIED
Authority NND 785073
By MGS NARA Date 8-11-99

The foregoing does not include any gold or silver contained in the quantities of loot held at the Reichsbank Building in Frankfurt. Separate arrangements are being made to value such loot, as well as the considerable quantities of currencies and securities also held in the name of the Commanding General USFET.

Attached for your information is a copy of the technical report submitted by the experts. It contains a detailed statement of the methods employed by them and technical information concerning the gold and silver. You may be interested to know that for all of the gold found in the Merkers mine and several other shipments we have been able to reconstruct the exact position in which each bar was originally stored in the Reichsbank, Berlin, before it was moved away, and now have the gold so arranged that any particular bar can be quickly located as a routine operation.

It is recommended that a copy of this report, together with photostat copies of the work sheets, be transmitted to Washington.

/s/ B. Bernstein
/t/ B. BERNSTEIN
Colonel GSC
Director, Financial Division

2

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226775

RG 407 Recs of the Adj. Gen.
 Records of the Administrative
 Services Division
 Foreign Area Reports 1945-1954
 Box 1031

DECLASSIFIED
 Authority NND 785073
 By MGS NARA Date 8-11-99

226776

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15 August 1945

MEMORANDUM TO: Lt Col H. D. CRAGON.

In our memorandum of 19 June 1945, we outlined the general procedure to be followed in evaluating the gold and silver values stored in the Reichsbank in Frankfurt. The inventory having been made, we submit our findings and comments for your information.

Attached is Schedule XII showing the values found by the committee. Also, attached are Schedules I to XI showing recapitulation of the work sheets and other pertinent data as follows:

- Schedule I - Schedule of Bar Shipments to Merkers Mine
- Schedule II - Gold Bars
- Schedule III - Gold Coin
- Schedule IV - Gold Coin
- Schedule V - Rare Coins
- Schedule VI - Silver in Shipment I
- Schedule VII - Silver Coin in Shipment I
- Schedule VIII - Platinum Metals
- Schedule IX - Melters
- Schedule X - Summary of Silver
- Schedule XI - Value of Gold and Silver
- Schedule XII - Recapitulation of Shipments by Type of Metal

We leave with you 234 work sheets covering gold, platinum metal and odd bars, 108 work sheets on gold, silver and rare coin, and 5 folders of work sheets on silver bars. These work sheets are in poor condition and should be typed before they are examined and handled too much. They are the original records of our work, and if lost before typing, it would be necessary to reweigh the bars and coin. In order to understand the work sheets, we submit the following relative to the procedure followed in accomplishing our task.

Gold Bars

Shipment 1. The attached Schedule I of the bars taken to the Merkers mine by the Germans was obtained from Thoms, formerly head of the bullion department in the Reichsbank in Berlin. This schedule shows the bars as they were stored in the various compartments in Berlin and as they were tagged for shipment to the Merkers Mine. The list shows the compartment number, the bag number and the Reichsbank number, as well as the total number of bars of each type. There were four classes of gold bars, Hochwertige, Verschiedene, Standard and 900 er. In addition there were two other records from which bars in Shipment I came, namely, the Depot Mappe and the Banca d'Italia. On our work sheets we refer to the compartment number appearing on Schedule I because of the convenience of checking the German records. The total for Shipment I is compiled from

RG 407 Recs of the Adj. Gen.
 Records of the Administrative
 Services Division
 Foreign Area Reports 1945-1954
 Box 1031

DECLASSIFIED
 Authority NND 785073
 By MLC NARA Date 8-11-99

the total of the various compartments listed on Schedule I. Compartment A 14d was not complete with bar numbers, etc., because, as explained by Thoms, this was a residue compartment that was prepared for shipment at the last moment. We reconstructed the bars in A 14d from the Verschiedene book and obtained the total number of pieces listed by Thoms, namely, 181. Two large natural nuggets appear in this lot.

The bars and scrap listed on page 211, 12 large Degussa bars, 6 small bars, and 2 bags of scrap, were in shipment I but not listed for shipment to Merkers. In addition, 172 silver bars were found in A 14d that were not listed. Thoms knew of the silver bars but did not know the total number.

Schedule I was used as a starting guide and work sheets were prepared with the following columnar headings inserted:

Column 1 Date received by Reichsbank

Column 2 Melter

Columns 3, 4 & 5 Assayer

Columns 6, 7, 8 & 9 Bar Numbers

Columns 10, 11 & 12 Gross Weight

Column 13 Fineness

Column 14 Fine Ounces

Columns 15 & 16 Reichsbank

The following information was recorded from the Reichsbank books to the work sheets. The information so recorded was not the determining factor in compiling our inventory. It was merely used as a guide and for recording information that may be of help in investigating the origin of the bars. The inventory was compiled from the actual weighing of the bars and coin.

Column 1. Date received by Reichsbank. In this column was recorded the date the gold bars were entered in the Reichsbank's bar books and classified as to fineness.

Column 9. Bar Number. In the last of the four columns under this heading was inserted the Reichsbank number assigned to the bar. The practice was followed of assigning a number to a bar even though such bar had a melt number stamped on it. This practice was followed no matter what kind of bar was involved. The number corresponded to a number labeled on the bar (pasted on with Scotch tape). This number we called the Reichsbank number and in all but a very few cases it was the identifying number. If no Reichsbank number was available we recorded the melt number.

Column 10. Gross Kilos. The gross weight of the bar, in kilos, was recorded in column 10 from the Reichsbank's books.

Column 11. Converted Ounces. The gross kilos recorded in column 10 were converted into ounces using the factor 32.150742 oz. equals one kilo. This conversion was made for the convenience of the weigher as our weights were in ounces.

226777

RG 407 Recs of the Adj. Gen.
 Records of the Administrative
 Services Division
 Foreign Area Reports 1945-1954
 Box 1031

DECLASSIFIED
 Authority NND 785073
 By MICS NARA Date 8-11-99

Columns 15 & 16. Reichsbank. In column 15 was recorded the fineness of the bar as it appeared on the German books. In column 16 was recorded the fine kilos as calculated by the Germans. Fine kilos were obtained by multiplying Column 10 by Column 15.

The columnar work sheets with the above information were prepared from the German records and from converting gross kilos into ounces, and were taken to the vaults where entries were made in the remaining columns, namely, 2, 3, 4, 5, 6, 7, 8, 12 and 13.

Column 2. Melter. The name of the original melter of the bar was inserted in this column, the information being taken from the bar. Only in a few instances were we not able to obtain the name of the melter. Because persons not familiar with the various melters throughout the world may examine this report, we attach Schedule IX showing the names of all the melters found on the bars together with the abbreviations used in recording the melters and the country.

Columns 3, 4 & 5. Assayer. In one or more of these columns was entered the name of the assayer of the bar. For example, if a United States bar was processed, one column would show this bar had a United States assay on it. If the bar had also been in France and had a French assay, it would be listed in another column, etc.

Columns 6, 7 & 8. Bar Number. Under the heading "Bar Number" there appear 4 columns. Entries into Column 9 have been explained above indicating that the Reichsbank number appeared in this column. It was explained that this number was taped on the bar. If the bar came from a refinery or bank and had an identifying number stamped on it, that number was recorded. Columns 6, 7 & 8 are headed "U.S.", "B/E", and "Others". If United States bars were weighed, the melt number was entered under Column 6 headed "U.S.". Bars bearing the Bank of England mark were listed under Column 7, "B/E". Numbers on the other bars, including numbers on the Prussian Mint bars, were recorded under Column 8 marked "Other".

Column 12. Actual Ounces. This is the most important column on the work sheet. In this column was entered the actual weight of the bars as they passed over the scales.

Column 13. Fineness. Entries in this column were made at the time of actual weighing or later from assay certificates or records if no assay appeared on the bar. If the bar was of English or United States origin with the fineness stamped on it, that fineness was accepted and listed at the time of weighing (all United States bars have the fineness stamped on the bar and the majority of the English). This fineness will not necessarily correspond with the fineness recorded on the German book and entered in Column 15 because the Germans followed the practice of taking the lowest assay on the bar. For example, if a United States bar had been assayed by a French assayer and stamped lower than the United States assay, the Germans would accept the French assay.

In cases where no assay was stamped on the bar, a search was made of the assay certificates captured at Merkers and the assay was recorded from the certificate. If there was no fineness stamped on the bar and no assay certificate, the fineness was recorded from the German books. Prussian Mint bars do not have the fineness stamped on them. The majority, however, had assay certificates available.

226778

RG 407 Recs of the Adj. Gen.
 Records of the Administrative
 Services Division
 Foreign Area Reports 1945-1954
 Box 1031

DECLASSIFIED
 Authority NND 785073
 By MLC NARA Date 8-11-99

226779

In a few cases where there were no certificates and the fineness was not recorded on the books, we estimated the fineness. The estimate was always conservative.

After the bars were weighed and the fineness determined, the fine gold content was calculated. All calculations were checked, that is, the original was made by one person and the answer checked by another.

Shipment 20 A. Shipment 20A consisted of Hungarian gold packed in boxes. The same procedure was followed in inventorying these values as in Shipment I except the information was taken from the books of the Hungarian National Bank. There was no Reichsbank number on the bars and the Hungarian number stamped on the bar was used as the identifying number both in the books and on the bars. There were no assay certificates and the fineness was taken from the bars, and in a few instances from the books.

Miscellaneous Shipments. All other shipments of gold bars were apparently not scheduled for shipment by the Germans, and there were no records available to identify them. In such cases the bars were sorted according to melt number and information was taken from the bars and traced back to the books. Shipment 27C, for example, had been buried in the wet ground and all identification marks had been destroyed. This shipment was reconstructed from the melt numbers appearing on the bars. Only in a few shipments were we unable to trace the bars back to the records, namely, 26C, 27B, 27C, and 2C. Also, in shipment 1, the items appearing on page 211. We weighed the bars in these shipments and estimated the fineness.

Procedure. The bar bags were sorted by compartment number and by bag number where a tag was on the bag. In a great many instances the tags had been lost. The bags were opened and the bars sorted by Reichsbank number if one was on the bar, otherwise, by the melt number.

The work sheets were prepared in such a manner that each sheet represents a stack of 30 gold bars or as near to 30 as was possible to obtain. The bars were stored in piles of 30 or the number on the sheet, in the compartments. We attached location charts showing the stacking of the bars. On the location sheet one bar number in the stack will be listed. A bar can be traced from the books to the work sheet to the stack or from the stack to the work sheet and to the books. For example, if one desires to find bar number 24,904 the first step is to look at Schedule I for the lot number, which is Ald. On the work sheets labeled Ald one can find the bar number under the Reichsbank number on page 9. From page 9 one can obtain the pile number and from the location chart the actual stack in which the bar is located.

Gold Coin

Shipment 1. The bulk of the gold coin as shown in Schedule XII was contained in the Merkers shipment. The coins were sorted according to compartment number insofar as practicable. The coins were in small bags inside a large bag. The large bag had a tag identifying the compartment from which it came in Berlin. Somewhere in the movement many tags had been torn off and had been tied on to the wrong bag thereby confusing the sorting. Other tags were missing and it was impossible to identify the coin according to the compartment number as in the case of gold bars where there were other identifying markings. Also, the bags were sorted according to country of origin within the compartment. Because 216 bags of coin were not available for counting until after the others were sorted, the continuity in recording and stacking was lost. However, these 216 bags are sorted in the same manner as the others.

RG 407 Recs of the Adj. Gen.
 Records of the Administrative
 Services Division
 Foreign Area Reports 1945-1954
 Box 1031

DECLASSIFIED
 Authority NND 785073
 By MICS NARA Date 8-11-99

After sorting, the large bag was opened and the number of the tag on the large bag was recorded in Column 3 of the coin work sheet under the heading "German Bag Number". Also, in Column 2 was recorded the denomination or type of coin under the heading "Denomination and Country." In Column 4 was recorded the bag number assigned by us under the heading "Our Bag Number". The small bags inside the large one were then opened and the contents poured into a container and weighed. The gross weight of the coins was recorded in Column 5 headed "Gross Weight." Caution was exercised to assure the correct recording of the weight. The tag that was to be attached to the seal of our bag was filled out by the clerk who recorded the weight and he listed the bag number, denomination and weight on the tag after he had recorded it on the work sheet. The weigher then checked the weight on the tag with the weight on the scale. Also, the tags on the small bags were saved and placed inside our bag with the coin. In addition, the numbers appearing on the small bags were recorded in Columns 7 to 13 of the work sheet. There were usually 5 small bags with tags which were recorded and the tags placed in the large bag. However, in several instances the tags were missing from the small bags or the numbers could not be read as they were often written in with a pencil or "scratched out". The Reichsmarks were packed 10 small bags to a container and were in very bad condition. As a rule, there were many tags missing on the Reichsmark bags. In column 6 was entered the fineness of the coin. The fine weight of coins of the same fineness was obtained in one calculation.

Location charts are attached showing the location of the bags according to our bag number. From this can be obtained other pertinent data from the work sheets.

Miscellaneous Shipments. As stated above and shown on Schedule XII, there were not many coins in the other shipments. These were handled in the same manner as described above in Shipment I except that there were no compartment numbers.

Platinum Metals

Considerable quantities of the platinum group metals were inventoried by the committee. Schedule VIII shows the quantities of each type metal found in each shipment. More detailed information is available from the work sheets. In Shipment 1, six platinum bars were found in a coin bag. These bars were weighed and the stamped fineness on the bars was taken. In Shipment 5 we found 6 boxes of platinum metals as they had come from the refinery. The weights on the wrappers were recorded and check weights were made from time to time. Shipment 22 was platinum scrap all of which was weighed and bagged in lots of approximately 600 ounces. In this shipment there were also 25 bottles containing platinum metals and the weights on the bottles were accepted after check weighing a few.

Silver Bars

The procedure for making the inventory of the silver values differed from that for gold inasmuch as no list giving any particulars of silver was available.

In some instances parts of the same shipment were stored in more than one vault and it was accordingly decided that the best plan was to list the contents of each vault separately and then to show the totals of the silver contained in each shipment on a

226780

RG 407 Recs of the Adj. Gen.
 Records of the Administrative
 Services Division
 Foreign Area Reports 1945-1954
 Box 1031

DECLASSIFIED
 Authority NND 785073
 By MGS NARA Date 8-11-99

recapitulation sheet. The work sheets including a summary of the contents of each vault have been bound into 5 folders. Charts showing the position of each stack and of each shipment have been made. To facilitate easy reference to any particular bar each layer of each stack is represented by one column on the work sheet - the first column for each stack containing the details of the bottom layer, and the last column those of the top layer. Further, the first bar of each layer has been placed in the same relative position in all stacks and has been indicated by a red dot on the charts.

Wherever possible the bars have been grouped according to their fineness and stacked in a manner to facilitate counting and to spread the weight on the floor.

The method adopted for making the inventory of the bars was as follows: Wherever the number, the fineness and the weight were stamped on the bar these were recorded as experience has shown that for practical purposes these are invariably correct. In those cases where no weight was stamped the bars were weighed on an automatic scale especially obtained for the purpose. Although such a scale cannot be considered as accurate as a bullion balance any aggregate error was reduced by weighing, usually, 5 bars at a time. Where the fineness was not stamped on the bar it was estimated. Where neither weight nor fineness were stamped, as in part of Shipment 56, both were estimated on a conservative basis.

In addition to the bars a certain amount of shot silver and silver scrap was weighed. Other items in Shipment 56, said to be silver were inventoried but it was found impracticable to assess their value. There is considerable silver in the items not evaluated and care should be exercised over them in the same manner as the items inventoried.

Summary

We wish to point out that the personnel used on the inventory by the committee was totally inexperienced. Men engaged in handling the metal had no previous experience and most of the clerical work was done by similarly inexperienced enlisted men. The calculations were made by men who had never before used a calculator. Even the equipment used was assembled from bomb-wrecked Frankfurt. The committee feels, however, that the work is substantially accurate.

Working conditions were extremely unsatisfactory. The vaults in which the work was carried out were never built to handle or to store gold in such large quantities and the work was accomplished under cramped conditions. Especially was this true at the start when the sorting of the bags was in progress.

The committee has stored the values in an orderly manner so that the bars and work sheets and books can readily be compared. We recommend that the compartments be left under seal unless it becomes extremely urgent to open them. In that case great care should be taken not to mix the contents.

RG 407 Recs of the Adj. Gen.
Records of the Administrative
Services Division
Foreign Area Reports 1945-1954
Box 1031

DECLASSIFIED
Authority NND 785073
By MLC NARA Date 8-11-99

The committee thanks you and your associates for your cooperation in helping us carry out our assignment.

Bank of England Representatives

U.S. Treasury Representatives

F. E. COULTON

LELAND HOWARD

G. W. CORNWELL

JOHN D. JAMESON

THEODORE H. SCHIERCKE

RG 407 Recs of the Adj. Gen.
 Records of the Administrative
 Services Division
 Foreign Area Reports 1945-1954
 Box 1031

DECLASSIFIED
 Authority NND 785073
 By MIC NARA Date 8-11-99

Special Notes

1. Sheets No. 44-B and 45 - A7B - Box No. 36 to 49 do not have fine kilos or fineness listed in the books.
 Lot ABD - Italian gold does not have fine kilos listed in books.
 Sheets 40 and 41, A7F - No kilos listed in books.
2. Italian bars (1620) running from 41,001 to 42,620 duplicate several bar numbers in other lots.
3. The Assay Certificates on the B.O.B. bars on Sheets 40 and 41 show that there is a duplication of numbers. The assay certificates are for other bars even though the bar numbers are the same. We estimated the fineness on these bars.
4. Sheets C 107 and C 108 - Coins came from 2 steel containers numbered N.B. 23 and N.B. 25 - Shipment No. 15. Coins were weighed in small bags and envelopes with a tare for the container. The coin collection on C 107 is not included in the fine gold total because of the numismatic value of the coins. The fineness of the bars on C 107 was estimated as well as some coin finenesses. The bags of coin in Shipment No. 15 were in the original Netherland bags.
5. Sheets C 80 - Lot A14B - Shipment No. 1 - Our bag No. 3116 to 3150 - Coins were packaged in original de Nederlandsche Bank bags. Tags were also Netherlands.
6. Sheets 69, 70 and 71 had a silver fineness listed. Silver fine ounces were calculated for all bars in a melt.
7. Bars 37,533 to 37,536 in Verschiedene book appear as though they have not been shipped elsewhere and should have been in lot A14B but were not.
8. Shipment 20, Sheet 224 is all Russian bars.
9. On Schedule III coins marked unknown were mostly from Shipment 1. They were recovered from turning bags inside out from all lots.
10. Work sheet 234 covering S.S. loot was not included in totals as the sheet was made for the convenience of those trying to evaluate the loot. The committee did not feel that any fair estimate could be placed on the loot considering its contents.
11. Bags, tags and boxes were saved and stored wherever it was felt that these could be used in investigating the origin of the values.
12. The coins in the Museum Collection, Schedule V, were not included in our totals. The coins were rare and wrapped separately. We left them in their original containers. To estimate the value of these by weight would be questionable.

226783

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226784

<u>SHIPMENT NUMBER</u>	<u>DATE</u>	<u>FROM</u>	<u>CONTENTS</u>
(Cont'd) 18	13 May 45	Reichsbank, Munich	C 104 bags said to contain foreign currency and coins D 5 bags said to contain foreign currency E 4 boxes contents unknown F 3 valises contents unknown 28 bags said to contain foreign currency and coins
19	14 May 45	9th U S Army, Grasleben	4 cases labeled "Posen Donkirche" 1 case labeled "Collect Schrw and Lissa" 2 cases labeled "Silber Kirchengerat" 1 case labeled "Lissa Collections" 4 chests unmarked 1 trunk labeled "Edelmetal 1" 1 box marked #5 1 Processional Cross 87 cases said to contain monstrances and shrines
20	16 May 45	3rd U S Army, Spital	A 635 cases said to contain gold bullion and coin B 2 cases said to contain foreign currency and coin C 19 cases said to contain safe keeping deposits. D 3 containers said to contain platinum and other precious metals E 1 package said to belong to Hungarian Military Police F 28 cases said to be deposits of Trust Company for Orphans of Budapest G 1 sack said to contain: a. One case sealed envelopes re Jewish properties b. One package said to belong to Minister-President Ferenc Szalazi c. One case deposited by Commercial Bank of Budapest H 2 envelopes said to contain securities 1 box said to contain valuables
21	19 May 45	7th U S Army, Augsburg	A 4 boxes said to contain currency, coin, jewelry, etc. B 2 mail bags said to contain coins C 3 boxes said to contain currency D 8 bags said to contain coin E 3 boxes said to contain currency

RG 407 Recs of the Adj Gen
Records of the Administrative
Services Division
Foreign Area Reports 1945-1954
Box 1031

DECLASSIFIED
Authority NND 78073
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226785

<u>SHIPMENT NUMBER</u>	<u>DATE</u>	<u>FROM</u>	<u>CONTENTS</u>
(Cont'd)			
21	19 May 45	7th U S Army, Augsburg	F 1 bag said to contain currency G 3 bags said to contain currency H 1 wooden case said to contain currency I 7 bags said to contain currency J 2 bags said to contain currency K 11 boxes said to contain gold and silver ingots and silver medallions
		Reichmint, Munich	
22	26 May 45	9th U S Army, Strassfurt	58 containers and 14 bags said to contain precious metals
23	30 May 45	Reichsbank, Holzminder	A 1 box and 4 bags said to contain jewels, currency, bonds and gold coins 1 bag said to contain jewelry B 3 bags said to contain gold coins, foreign notes and gold bars and to be property of Schwerin Gestapo
24	1 Jun 45	Finance Officer, 12th Army Group (From Alt Aussie, Austria)	1 bag said to contain gold coins
25	8 Jun 45	Reichsbank, Halle	96 bags said to contain German coins 3 packages said to contain foreign currency and securities
26	9 Jun 45	Reichsbank, Regensburg	A 15 bags said to contain gold bars B 9 suitcases, 4 wooden boxes, and 1 cardboard carton said to contain jewelry and securities 1 sack said to contain tabernacle of Russian Orthodox Church 43 bars said to be silver C 1 bag said to contain Austrian gold coins 1 bag said to contain gold bullion
		Haidhausen, Austria	
27	10 Jun 45	7th U S Army, Innsbruck	A 25 boxes said to contain gold bars 12 bags said to contain coin 10 bags said to contain gold bars 15 bags said to contain currency B 40 bags said to contain gold bars C 16 boxes said to contain gold bars
		Dorenwald Lindau	

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Authority NND 785073

Authority MIC 1922-1-1-99

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<u>SHIPMENT NUMBER</u> (Cont'd)	<u>DATE</u>	<u>FROM</u>	<u>CONTENTS</u>
27	10 Jun 45	7th U S Army, Lindau Ruhpolding and St. Johann Oberbichl Ober Siegsdorf Wallgau	C 5 bags said to contain coin 28 bags said to contain gold bars 4 boxes said to contain gold bullion 2 bags said to contain gold bullion D 1 large green box and 1 white pine box said to contain currency E 1 box said to contain foreign currency and securities F 1 box said to contain Hungarian currency G 364 bags said to contain gold bars
28	11 Jun 45	3rd U S Army, Erlangen	2 bags said to contain currency and securities
29	15 Jun 45	Reichsbank, Zwickau	41 bags said to contain gold bars
30	15 June 45	Deutsche Bank, Meiningen	1 box said to contain foreign currency 1 metal box said to contain radium
31	18 Jun 45	MG Det F1H3, Rauris	19 bags said to contain gold coins and bullion 1 mail sack said to contain currency 3 boxes said to contain currency 3 bags said to contain jewelry and silverware 1 mail sack said to contain wrappings from currency and coin 2 boxes and 10 bags said to contain silver coin and bullion 1 envelope said to contain gold coin, currency and jewelry
32	21 Jun 45	XXI Corps, Mansfield Sondershausen	A 4 bags said to contain silver bullion B 5 albums maps 5 albums said to be on botanical subjects 1 helmet said to be Norman Helmet C 2 sealed envelopes said to contain currency
33	22 Jun 45	Reichsbank, Leipzig	32 boxes, 2 bags and 1 package said to be foreign exchange assets of affiliated banks of Reichsbank, Leipzig

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RG 467 Recs of the Adj. Gen. Records of the Administrative Services Division Foreign Area Reports 1945-1954

DECLASSIFIED
Authority NND 788073
By MGS NARA Date 8-11-99

RG 407 Recs of the Adj. Gen. of
Records of the Administrative
Services Division 1 AUG - 1954

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Authority NND 785073
MIC NARA DATE 8-11-99

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~~CONFIDENTIAL~~

<u>SHIPMENT NUMBER</u>	<u>DATE</u>	<u>FROM</u>	<u>CONTENTS</u>
34	23 Jun 45	Reichsbank, Kothen Reichsbank, Dessau Delitsch Mansfield Copper Mining Co., Eisleben Delitsch and Bitterfeld	A 3 bags said to contain currency 2 bags said to contain gold bullion B 17 bags said to contain currency 4 boxes said to contain currency 9 bags said to contain coins C 2-1/2 truck loads miscellaneous securities D 73 boxes, wooden, said to contain silver bullion 40 chests, wooden, said to contain silver bullion E 1 box contents unknown 1 bag contents unknown
35	23 Jun 45	Reichsbank, Nordhausen	2 bags said to contain currency, gold coins and securities
36	23 Jun 45	Various banks, Eisenach	4 bags said to contain currency 2 packages said to contain currency and securities 1 envelope said to contain securities 1 bag said to contain currency and securities
37	25 Jun 45	Various banks, Schmalkalden Reichsbank, Suhl	A 3 envelopes said to contain currency and securities B 1 bag said to contain currency and securities
38	22 Jun 45	Reichsbank, Nuremberg	4 boxes said to contain currency and securities
39	25 Jun 45	State of Saxony, Bad Elster	2 boxes said to contain securities
40	26 Jun 45	Reichsbank, Jena	40 bags said to contain silver RM coins 1 bag said to contain currency
41	28 Jun 45	Reichsbank, Sonneberg	A 21 bags (large) said to contain 5 RM coins B 111 bags said to contain 2 RM coins C 445 bags (small) said to contain 5 RM coins D 7 bags said to contain silver bullion 1 bag said to contain coins E 1 box said to contain currency and securities

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226787

RG 407 Recs of the Adj. General
Records of the Administrative
Services Division
Foreign Area Reports 1945-1954
Box 1031

DECLASSIFIED
Authority NND 765073
By MGS NARA Date 8-1-99

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~~CONFIDENTIAL~~

<u>SHIPMENT NUMBER</u>	<u>DATE</u>	<u>FROM</u>	<u>CONTENTS</u>
42	29 Jun 45	Reichsbank, Zwickau	A 2 bags said to contain gold and silver coins 4 bags said to contain foreign currency
		Reichsbank, Crimmitschau	B 4 bags said to contain foreign currency and coin 1 package said to contain gold coins
		Reichsbank, Wardau	C 1 bag said to contain currency, securities and coins
		Reichsbank, Gera	D 235 bags said to contain German silver coins 3 bags said to contain various coins 1 bag said to contain foreign currency and coins 1 bag said to contain securities 2 bags said to contain foreign currency
		Reichsbank, Meerane	E 1 bag said to contain foreign currency
43	29 Jun 45	Reichsbank, Weissenfels	A 1 box said to contain foreign currency, coins and securities
		Reichsbank, Zeitz	B 8 bags said to contain German silver coins 1 bag said to contain foreign currency, coins and securities
44	30 Jun 45	Reichsbank, Weimar	8 bags said to contain German silver coins 2 boxes said to contain foreign currency and securities
45	30 Jun 45	Reichsbank, Leipzig	44 boxes said to contain foreign exchange assets 1 bag said to contain silver coins
46	1 Jul 45	Financial Institutions, Landkreis Schleiz	1 Metal Case and 1 sack said to contain foreign currency and coins
47	3 Jul 45	Reichsbank, Gotha	1 small box said to contain diamonds Following said to contain foreign currency, securities and gold bullion: 3 bags 3 carton boxes 1 folder 1 large box 5 small boxes

-7-
~~CONFIDENTIAL~~

226788

~~CONFIDENTIAL~~

<u>SHIPMENT NUMBER</u>	<u>DATE</u>	<u>FROM</u>	<u>CONTENTS</u>
48	3 Jul 45	Reichsbank, Greiz	1 tin box said to contain foreign currency 1 paper box said to contain foreign currency 3 packages said to contain foreign currency 348 bags said to contain German silver coins
49	5 Jul 45	Reichsbank, Saalfeld	1 envelope said to contain foreign currency 6 bags said to contain silver coin
50	6 Jul 45	Finance Officer, 2nd Div 56th Finance Disbursing Section Finance Officer, 30th Div Finance Officer, 2nd Div Finance Officer, 2nd Div MG Det ALAL Finance Officer, 7th Armd Div	A 1 package said to contain foreign currency B 1 package said to contain foreign currency C 1 package said to contain foreign currency D 1 package said to contain foreign currency E 1 package said to contain foreign currency F 1 package said to contain foreign exchange assets G 1 box said to contain foreign currency
51	9 Jul 45	76th Div, Hartmannsdorf	1 box said to contain foreign currency and securities
52	7 Jul 45	Walchansee Walchansee 80th Inf Div MG Det, Munich Dachau	A 72 bags said to contain foreign currency 4 boxes said to contain gold 6 boxes said to contain foreign currency 2 bags said to contain gold coins B 20 boxes said to contain gold C 1 bag said to contain gold, silver, currency, jewelry, etc D 1 tin box said to contain charred currency and coins E 4 boxes and 2 cartons said to contain jewelry and effects of persons from Dachau Concentration Camp.
53	11 Jul 45	Reichsbank, Eschwege	926 bags said to contain currency 11 cardboard cartons contents unknown 1 folder said to contain miscellaneous papers 6 bars said to be silver 1 bag said to contain coins 180 bags said to contain German coins 3 wooden boxes contents unknown

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A-1199

PG 467 Recs of the Adj Comd
Records of the Administrative
Services Division

1915-1954

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RG 407 Recs of the Adj. Gen.
Records of the Administrative
Services Division
Foreign Area Reports 1945-1954

DECLASSIFIED
Authority NND 78073
By: MLC NARA Date 8-1-99

REPRODUCED AT THE NATIONAL ARCHIVES

<u>NUMBER</u>	<u>DATE</u>	<u>FROM</u>	<u>CONTENTS</u>
(Cont'd) 53	11 Jul 45	Reichsbank, Eschwege	1 bag said to contain currency and coin 1 suitcase contents unknown
54	13 Jul 45	12th Army Group	1 envelope said to contain securities

22671

DECLASSIFIED

NND
Authority 978025

By T J NARA DDC 9/31/99

RG 56

Entry 56-69A 4707

File German Gold Looter
Holdings + Transfer

Box 80

COIN

Oct. 27, 1943

Mr. White

Mr. Fisher

Subject: German Gold Imports into Turkey

- (1) The British, in a study covering the period from January 1 to May 15, 1943, report that the margin between the buying rate for gold in Switzerland and Germany and the sale price in Turkey is such that the Istanbul branches of the Dresdner Bank and the Deutsche Bank by importing gold from Switzerland and/or Germany and selling it on the "free market" in Turkey have been able to acquire Turkish pounds for Swiss francs at approximately half the official Turkish Exchange rate.
- (2) It is estimated that such imports amount to a minimum of \$1,500,000 (\$1,162,500) per month. The greater part of the gold is purchased for the account of the German Mission or German organizations in Turkey, but 16 to 20 percent is purchased for the account of friendly missions (Italian, Spanish, Hungarian, Rumanian, etc.).
- (3) Until the latter part of 1942, nearly all the imported gold was acquired in Switzerland. Since the establishment of controls over gold by Switzerland in October and December, 1942, the bulk of the gold (presumably looted) has consisted of Dutch and French gold coins and newly-smelted ingots purchased through the intermediary of Berlin.
- (4) It appears probable that the local currency acquired by the Germans against gold is used for other than commercial expenditures, such as disbursements for propaganda, for agents, and for costs connected with constructional contracts such as the "Danyap" scheme for building motor ships on the Bosphorus.
- (5) Furthermore, "Axis friendly" missions are being financed at a considerable saving as compared with official rates for Turkish pounds. In addition to the control implicit in this relationship, the German banks can offer bribes or bonuses by varying the rates at which Turkish pounds are made available against Swiss francs.
- (6) However, the latest Consular Report from Istanbul (No. 1473, October 1, 1943) indicates that sales of gold by the Deutsche Bank in September were comparatively light, and that the Germans are encountering increasing difficulties in financing operations with gold. Consequently, the current situation may not be so serious as the British study would imply.

c.c. Mr. Taylor

AFF:er 10/27/43

226791

DECLASSIFIED
AUTHORITY: M87702
BY: MVA
DATE: 11/14/01

RG 226 E92
B 612 F2

COM

SECRET CONTROL

33563-621

21 June 1948

TO: Mr. Walter S. Surrey, Chief,
Economic Security Controls Division,
Department of State

FROM: ECONIC, SSU

SUBJECT: German Gold in Switzerland

The following report from a reliable conservative French source, is based on information supplied by a banker who has been involved in many currency transactions with Switzerland.

1. Before the end of the war, Switzerland received gold ingots from Germany either in payment for supplies and settlement of various accounts, or as deposits to the account of German firms. So that these ingots could not be included in the war damage settlements, Switzerland requested that they be stamped prior to 1939.
2. The Allies have been able to observe that certain ingots bearing this stamp were cast before (after ?) 1939. Switzerland has admitted receiving a certain number of these ingots, but the quantities declared are very much below reality.
3. Certain Swiss banks therefore have on hand ingots which are difficult to dispose of through normal channels. They sell them to private concerns which either directly or indirectly have coined foreign gold moneys, particularly of South America. Such moneys are disposed of in countries where the exchange is low. Thus there was considerable traffic in pesos in the Bordeaux region three weeks ago. (Source comments that this item was supplied by the French Police).
4. The channeling of these funds from Switzerland is reportedly done in cooperation with Colonel Masson (of the Swiss AR).

cc
Mr. Howe
Mr. Cummings

Gardiner S. Flatt
Chief

J 06546
O. D. E.

226792

DECLASSIFIED
AUTHORITY: 2607702
BY: WMM
DATE: 11/15/98

RG 226 E92
B 612 F2

33563-409
SECRET
X

R/W

9 April 1948

TO : Mr. Walter S. Surrey, Chief,
Economic Security Controls Division,
Department of State.

FROM : ECONIC, SSU

SUBJECT : Looted Gold

1. In the current negotiations with Switzerland, the Swiss representatives seem to resent the charges that the National Bank of Switzerland accepted gold which had been stolen from the Banque de France and the Banque Nationale Belge.

2. It is quite possible that the Germans have been selling looted gold to Switzerland after having melted and restamped the ingots so as to camouflage their origin. We understand that an analysis of the gold involved would easily prove what country had prepared the gold ingots as each country uses a different alloy formula.

3. Furthermore, as the gold holdings of the Reichsbank at the beginning of the war must have been known to Switzerland, they must have realized during the war that the Germans were selling to neutral countries much more gold than their original holdings. Therefore, it must have been gold that the Germans had "acquired" in occupied countries.

Gardiner S. Platt
Chief.

O. D. E.

#1037
SECRET

226793

DECLASSIFIED
 Authority: VWD97828
 By: JLW NARA DATE: 2-22

DOA
 RG 56
 Entry 56-75-101
 File Booted Gold
169

April 11, 1947

Mr. Crosby

John S. Richards

In accordance with our conversation yesterday, there is presented below a list of the assets of the Bank for International Settlements in the United States as of December 31, 1946:

Cash - held with

J. Henry Schroeder Banking Corp.	\$600,000.00	
Manufacturers Trust Co.	111,848.40	
First National Bank of New York	200,000.00	
Brown Bros. Harriman & Co.	430,898.29	
Federal Reserve Bank of New York	180,813.12	
J. P. Morgan & Co.	<u>100,000.28</u>	
		\$1,713,658.09*

Gold - held with

Federal Reserve Bank of New York	<u>\$13,154,089.44**</u>	\$13,154,089.44**
----------------------------------	--------------------------	-------------------

Commercial Paper - held with

Brown Bros. Harriman & Co.	\$2,942,784.75	
Federal Reserve Bank of New York	<u>5,911,073.08</u>	<u>\$8,853,857.79</u>
Total		<u><u>\$8,853,857.79</u></u>

* In addition, J. P. Morgan & Co. holds funds in trustee accounts for the redemption of bonds and payment of interest coupons. The amount involved is not readily ascertainable.

**including \$3,880,201.52 designated as property of Yotli Bank, Estonia.

FGwirts:gd 4/11/47

- 2 -

his letter that B.I.S. is "greatly interested in finally straightening out this matter of restitution of looted gold sold by Germany during the war The bank cannot, in fact, dispose of the blocked assets which it holds in the United States, nor can it help, as it would like, to assist European banks of issue in connection with their urgent treasury (reserve and currency) requirements". Mr. Vaidie in his letter further asks if it is planned that I return to Europe to participate in a settlement with B.I.S. and that, "it is obvious that, if this trip should cause you too great a loss of time, it would be possible, in view of both the simplicity of the work involved and the good will of the bank, to have the checking done by competent persons designated by the governments concerned from among the officials who are already in Switzerland".

As you know, it was planned for me to spend a short time in Basle while I was in Europe and due to developments questioning the future status of B.I.S., I was advised after my departure from Washington not to do anything about B.I.S. looted gold. Arrangements could now be made for Kasper to visit Basle and join with British and French representatives and undertake a gold settlement. This proposed meeting with B.I.S. could be arranged promptly through a meeting with British and French representatives here, who would advise their respective governments to assign to the B.I.S. case, in all likelihood, Mr. McCoombe and Mr. Vaidie respectively, who worked on looted gold problems with me. Mr. Vaidie is presently attached to the French Embassy in Switzerland. I should like also to point out that Don Curtis, attached to the Treasury office in Switzerland, is somewhat familiar with the looted gold studies. He has been a member of the American group in Germany that prepared the first report on looted gold from captured German documents.

This matter has been discussed with Dr. Fletcher, FN at the State Department. He has already taken steps to have a meeting this week with the British and French to discuss an immediate move to settle the B.I.S. gold. I have emphasized that at such a meeting, or at any other meeting with the British and French there should be no reference to the United States present consideration for unblocking B.I.S. Dr. Fletcher received the copy of the unblocking letter that you sent to Mr. Ness.

Dr. Fletcher has suggested as an alternative to representatives of the governments meeting with B.I.S. the matter be taken up directly by the Tripartite Gold Commission with the B.I.S. Fred Smith and I are both opposed to this alternative because it will lose time and possibly result in a less satisfactory job, at least in one where we will have considerable reduced control. However, both proposals will be considered at a meeting with the British and French.

A further comment on the proposed B.I.S. letter is that the reference to gold payment be made in terms of gold weight rather than U. S. dollar value. This is desirable in view of our previous sad experience with the Swiss on a proper rate of exchange for payment of the gold agreed upon in this Swiss Accord.

226796

DECLASSIFIED	DUK
Authority: <i>NND 978028</i>	RG <u>56</u>
By: <i>JW</i>	Entry <u>56-75-101</u>
NARA Date: <i>2-22</i>	File <u>Looted Gold</u>
	<u>169</u>

STANDARD FORM NO. 64

Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. Southard

FROM : Mr. Schwartz *MS*

SUBJECT: Settlement on B.I.S. Looted Gold

DATE: March 16, 1948

On Friday, March 12, Fred Smith and I initialed a memorandum for your signature prepared by Belle Schwartz and to be sent to Herman Mess, State Department. The memorandum contains a proposed letter to Mr. Maurice Trave on the unblocking of B.I.S. Both Fred and I are concerned with the fact that the letter proposes as a third condition for unblocking a payment by B.I.S. to the Tripartite Gold Commission of \$4.2 million of reputed looted gold without any reference to United States consultations with the British and French Governments. Although the memorandum is neither a proposed final settlement nor a binding commitment on the British and French and although it is apparently a satisfactory condition to the Allies on looted gold, it still has not been the position of the United States in the past, to take action on the restitution of looted gold without agreement with the other two governments.

Since the letter to B.I.S. is urgent and delay at this time undesirable prior consultation and agreement with the British and French may be impracticable. It is suggested, therefore, that arrangements be promptly made for British, French and United States representatives to meet in Basle to examine the B.I.S. records on gold acquisitions and sales and to prepare an accord on looted gold while consideration is being given to the unblocking of B.I.S. This could be done since B.I.S. has already indicated a willingness to have its gold records examined and a desire to reach a settlement. It is intended that the looted gold discussion with B.I.S. be conducted independent of the status of the unblocking letter which would be delivered without regard to progress on gold and that the actual unblocking need not be delayed pending a gold settlement so long as B.I.S. agrees to the terms outlined in paragraph 3 of the proposed letter.

The American designee should be someone now in Europe and readily available. Herman Kasper, an attaché at the American Embassy in Lisbon, is adequately prepared to handle developments in Basle. He has worked on looted gold for over two years and is both well-informed and competent. He was the second member of the so-called U. S. gold team which was to visit B.I.S., among other places, in an attempt to reach settlements on looted gold questions. Kasper has copies of some of the necessary gold records in Lisbon.

The attached cable from Petrov points out that, "if the Treasury should decide to examine the books of the B.I.S., it would be preferable if this work could be done by a specialist who is not attached to this office". Also, reference is made to the attached translation of a letter to me from Mr. Vaidie, Financial Attaché of the French Embassy in Switzerland. Mr. Vaidie was Chief of the French Delegation on looted gold in Lisbon. Mr. Vaidie states in part in

FILE COPY, SEND TO CENTRAL FILES

COPY NUMBER

FILE NUMBER

ENTER NUMBER

941/2/301

226795

RG NON-RECORD

Entry REF MATERIALS
OF FED RESVFile BANK BY
BUNDL #1

Box BOX #1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE January 8, 1947

TO Mr. Kroke

SUBJECT: The Soviet Union and the Bank

FROM M. A. Kriz

for International Settlements

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

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

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

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

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

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

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

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226797

RG *NON-RECORD*
 Entry *REF MATERIALS*
 File *OF FEB 1934*
 Box *BANK NY*
BINDER # 1
Box # 1

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____

TO _____

SUBJECT _____

FROM _____

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

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

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

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 MKR:DJX

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RG NON-RECORD
Entry REF MATRIMOS
OF FED DISAV
File BINDER #1
Box #1

December 4, 1940

For Information

Article in Financial Times November 25 on future of BIS points out position of US Govt officials has shifted from elimination of BIS in light of Fund and Bank to dispassionate examination of its facilities with an eye to salvage.

Change in feeling attributed generally to:

1. Relaxation of attitude "towards those suspected, rightly or wrongly, of doing business with the enemy".
2. Removal of Secretary Morgenthau and Dr. Harry White from their former positions of prominence on the Government stage.
3. Influence of British Government, which is "taking lead in championing the BIS."

RG *NON-RECORD*
Entry *REF MATERIALS*
OF FEB 1946
File *13 APR 44*
BINDER #1
Box *BOX #1*

B.I.S.
11/26/46
//

B.I.S.

Future Activity FIN. TIMES, 25/11. The paper's Washington correspondent reports that the attitude of American Govt officials towards the B.I.S. is becoming mellow and that one no longer hears demands for its demise. To-day, on both sides of the Atlantic there is in evidence the intention to salvage what is useful from the Bank. This is believed to be the desire of British officials, supported by the Dutch, Belgian and French Govts. The predominant sentiment among central bankers, at least in western Europe, is that the B.I.S. plays a useful role in providing a meeting place for such bankers and should be preserved. American banking opinion is that it ought to be possible to find some way of using the B.I.S. as an agent of the Monetary Fund and the World Bank. With the B.I.S. as the only European place where financial representatives can discuss mutual problems on neutral ground, American bankers feel that to destroy such an asset would be a pity. It cannot be said with certainty, therefore, that the Bretton Woods Conference's resolution recommending its liquidation will be carried out. The correspondent continues by stating that there is a disposition in Washington to-day to examine dispassionately the facilities and resources of the B.I.S. to see how they can be used. ~~At the end, it is decided that the~~ American Govt wants the B.I.S. liquidated, it is still not certain that Washington can make this wish prevail. The U. S. Govt has no direct financial interest in the Bank, though it has a stake in the shares formerly controlled by the Reichsbank and the Bank of Japan; but such an interest, unsupported by any other countries, would probably not suffice to determine the fate of the institution. Technically, the writer states, it would be possible for the B.I.S. to continue in existence as a European central bankers' meeting place, paying the expenses out of the interest on its investments. In conclusion he stresses the influence of Gt Britain on the U.S. attitude, stating that in Washington and elsewhere to-day the British Govt is taking the lead in championing the B.I.S.

SOURCE: B.I.S. Press Review - Nov. 26, 1946.

BOX
RG NON-RECORDEntry REF ID: A61715
OF FEB 1942File 13 APR 1942
BINDER # 1

Box BOX # 1

C
O
P
Y

June 19, 1942

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

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

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

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

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L. G.
Belle

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RG NON-RECORD
 Entry REF ID: A66115
 OF FEB 1950
 File BANK NY
 BINDER # 1
 Box BOX # 1

- 2 -

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

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

for purpose of liquidity
to summary

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

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

B.S. have review, receipt promptly
 H. L. ...

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

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

*2 the
 subject to
 learn*

APPENDIX I

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

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

70% frozen

*of un-frozen money
 less 1/2 in U.S.A.*

EMBernstein/jm
 6/19/42
 Copied of 1/21/43

226803

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 Box *Box #1*

APPENDIX II

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

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

	<u>ASSETS</u>	<u>Percent</u>
OLD IN BARS	42,082,396.06	8.9
CASH		
in hand and on current account with Banks	32,962,453.81	6.9
RIGHT FUNDS at interest	16,340,546.99	3.4
REDISCOUNTABLE BILLS AND ACCEPTANCES		
1. Commercial Bills and Bankers' Acceptances	114,158,585.20	24.0
2. Treasury Bills	29,886,659.98	6.3
	<u>144,045,245.18</u>	
TIME FUNDS at interest		
Not exceeding 3 months	21,068,707.65	4.4
SUNDRY BILLS AND INVESTMENTS		
1. Maturing within 3 months		
Sundry Investments	77,856,216.35	16.3
2. Between 3 and 6 months		
Sundry Investments	35,799,652.38	7.5
3. Over 6 months		
(a) Treasury Bills	74,464,835.62	15.6
(b) Sundry Investments	31,842,102.24	6.7
	<u>219,962,806.59</u>	
OTHER ASSETS	183,979.08	0.0
	<u>476,646,135.36</u>	100
	<u>LIABILITIES</u>	
- CAPITAL		
Authorized and issued 200,000 shares, each of 2,500 Swiss gold francs of which 25% paid up	500,000,000.—	
	<u>125,000,000.00</u>	26.2
- RESERVES		
1. Legal Reserve Fund	5,780,203.15	
2. Dividend Reserve Fund	4,200,538.73	
3. General Reserve Fund	13,342,650.13	
	<u>23,323,392.01</u>	4.9
- LONG TERM DEPOSITS		
1. Annuity Trust Account Deposits	152,606,250.—	32.0
2. German Government Deposit	76,303,125.—	16.0
	<u>228,909,375.—</u>	
- SHORT TERM AND SIGHT DEPOSITS (various currencies)		
1. Central Banks for their own account;		
(a) Not exceeding 3 months	3,968,900.—	0.8
(b) Sight	13,354,565.86	2.8
	<u>17,323,465.86</u>	
Central Banks for the account of others;		
Sight	1,267,341.84	0.3
3. Other depositors;		
(a) Not exceeding 3 months	24,344.68	0.0
(b) Sight	4,565,711.41	
	<u>4,565,711.41</u>	
- SHORT TERM AND SIGHT DEPOSITS (Gold)		
1. Not exceeding 3 months	1,464,753.74	0.3
2. Sight	27,579,932.38	5.8
	<u>29,044,686.12</u>	
- MISCELLANEOUS	47,212,163.12	9.9
	<u>476,646,135.36</u>	100

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

226804

BOX
RG NON-RECORDEntry REF INSTRUCTIONS
OF FEB 03 1942

File BANQUE N.Y.

Box BINDER # 1

DM-12-41

CONFIDENTIALFEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 25, 1942.TO Mr. KnokeSUBJECT: Application for Transfer of B.I.S.FROM F. M. TamagnaFunds to Banque Nationale Suisse.

Prepared at request of Mr. Knoke.

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

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

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

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OF FEB 1950

File BINDER # 1

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17BM-12-41

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____

To _____

SUBJECT: _____

FROM _____

-2-

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

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

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BOX

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OF FED RESV

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BANK NY
BINDER # 1

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BOX # 1

INCOMING CABLEGRAM - SERIAL NO. 1220

RECEIVED ON April 12, 1942

Basle, April 12, 1942

Federal Reserve Bank of New York

New York

No. 28

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

CABLE DIVISION

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OF FEB 03 1942File 13 APR 1942
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Mr. Rouns
INFORMATION COPY FOR

INCOMING CABLEGRAM - SERIAL NO. 1220

RECEIVED ON April 14 1942

- 2 -

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

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

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

Wachitrick
Bank for International Settlements

103 254- Peterson Code
test correct

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FEDERAL RESERVE BANK
OF NEW YORK

FILE C

OUTGOING CABLEGRAM—SERIAL NO. 1688

SENT ON April 8, 1942

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

Bank for International Settlements

Basle

No. 81

X 2/21/42

Your No. 11

Application denied

Federal Reserve Bank of New York

EMH
RCA 16 - Sent in English

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CABLE DIVISION

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TREASURY DEPARTMENT

UNITED STATES CUSTOMS SERVICE

NEW YORK, N. Y.

January 6, 1941

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

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

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

Sir:

I hereby certify that a shipment of fine gold bars imported from Lisbon covered by Free Entry 332565 for 10 cases and entered in the name of Federal Reserve Bank of New York as ultimate consignee, which arrived on 1/6/41 19 on the steamer S.S. EXETER at pier F Jersey City Port of New York, the original port of entry for the said shipment, and that the said consignee declared to the Collector of Customs at the said port that said fine gold bars contain 16,073.369 ounces of fine gold /fine of a value of \$ 562,567.92, ~~and are intended for sale to the U.S. Assay Office at New York through the Federal Reserve Bank of New York, a fiscal agent of the United States;~~ and I further certify that said shipment of fine gold bars has been in customs custody throughout the period in which it has been situated within the customs limits of the continental United States, having been transferred from Pier F Jersey City Federal Reserve Bank of ~~U.S. Assay Office~~ New York in the custody of a United States Customs Inspector.

Respectfully

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

226810

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IN REPLY REFER TO:



TREASURY DEPARTMENT

UNITED STATES CUSTOMS SERVICE

NEW YORK, N. Y.

173-2

February 10, 1941

ATTENDED TO

FEB 19 1941

FOREIGN ACCOUNTS DIVISION

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

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

Sir:

I hereby certify that a shipment of fine gold bars imported from Switzerland covered by Free Entry 338448 for 6 cases and entered in the name of Federal Reserve Bank of New York as ultimate consignee, which arrived on 2/10/41 19 on the steamer s.s. EXCALIBUR at pier F Jersey City ~~New York~~, the original port of entry for the said shipment, and that the said consignee declared to the Collector of Customs at the said port that said fine gold bars contain 9,623.810 ounces of fine gold / fine of a value of \$336,833.35 ~~and was imported through the Federal Reserve Bank of New York, New York to the U.S. Treasury Office in New York in the custody of a United States Customs Inspector.~~ and I further ^{heraby} certify that said shipment of fine gold bars has been in customs custody ~~throughout~~ throughout the period in which it has been situated within the customs limits of the continental United States, having been transferred from Pier F Jersey City ~~New York~~ to the Federal Reserve Bank of ~~U.S. Treasury Office in~~ New York in the custody of a United States Customs Inspector.

Respectfully

G. W. O'Keefe
Assistant Collector.

226811

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

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OF FEDERAL

File BINDER # 1

Box Box # 1

MISC. 3260M 9:37

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 15, 1938

TO Mr. Knoke

SUBJECT: BIS Note on Credits

FROM L. Galantiere

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

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

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

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BINDER 1

Box Box #1

MISC. FORM 9-37

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 13, 1938TO Mr. KnokeSUBJECT: BIS Reciprocal Credits inFROM L. GalantiereInternational Trade

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

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

As requested, the Note on international trade credits

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

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

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 13, 1938

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SUBJECT: _____

FROM _____

- 2 -

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

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

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

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

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

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FEDERAL RESERVE BANK
 OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 13, 1938

TO _____ SUBJECT: _____
 FROM _____ - 3 -

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

BIS International Trade Credits

BIS Credits Granted to

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

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

Credits Taken by BIS from

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

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

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

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

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FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE April 13, 1938

TO _____ SUBJECT: _____
FROM _____ - 4 -

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

4 JG:MM

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A SCHEDULE OF APPLICATIONS FILED BY THE FEDERAL RESERVE
BANK OF NEW YORK, ON BEHALF OF BANK FOR INTERNATIONAL
SETTLEMENTS AFFECTING BANQUE NATIONALE SUISSE

<u>Date</u>	<u>Application Number</u>	<u>Amount</u>	<u>Description</u>	<u>Remarks</u>
1941 May 21	NY-145038	\$1,000,000	Transfer on our books to the Banque Nationale Suisse.	We cabled Bank for International Settlements and requested the nature and purpose of transaction to which they replied * * * "Our last cables communicated to you that we lately received about \$3,000,000 repayment of Hungarian credits. Out of this amount we have sold our own account of \$1,000,000 to Banque Nationale Suisse against Swiss Francs to create slightly better balanced position between dollars and Swiss Francs. After this transaction net long position of Bank for International Settlements will be 9.2 million Swiss Francs as against 24.7 million dollars. We recall that most of Bank for International Settlements own expenses are to be met in Swiss Francs". On 9/5 we received the following cable from Bank for International Settlements: * * * "Thanks for your effort but considering unusual delay in execution and owing to change in our Treasury position we hereby cancel instructions re said transfer favor Banque Nationale Suisse". Application withdrawn 9/5.
1942 February 3	NY-358614	1,000,000	do	Bank for International Settlements informed us that this transaction is "representing part of their sight balance with us". On 2/5 we forwarded to the Treasury Department a monthly comparison of the dollar liabilities of Bank for International Settlements as furnished periodically by it to us and in which it was indicated that if this application was approved the dollar liabilities of the Bank for International Settlements would be reduced to \$2,720,000. Application denied 2/20. On 2/24 we made re-application NY-371534 on this transaction after receiving the following cable from Bank for International Settlements "In agreement with Banque Nationale Suisse please renew application for license. We wish to repeat that \$1,000,000 represents part of their sight balance held with us since September year 1940 and included in our dollar liability statement January 31 year 1942 despatched to you on February 2". The following cables were received by Mr. Gautier from Banque Nationale Suisse and were forwarded by us to the Treasury Department - 2/22 "Have held with Bank for International Settlements, Basle, since September 1940 1,695,000 dollars sight deposit and since January 1941 1,300,000 subject to three days' notice. Have requested transfer value three of one million dollars our account Federal Reserve Bank New York to the debit of sight account. Received today cable Federal Reserve Bank saying license for transfer refused without indicating reason. Request you communicate with Federal Reserve Bank".

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13 APR 1941
File B-10-DEL-11

2/27 "Yours twentysixth recent transfer Bank International Settlements
Onemillion in no way connected with transaction made fifteenth May
1941 which latter represented sale dollars by Bank International
Settlements to us against Swiss Francs whereas present application
concerns simple transfer as per our cable twentyfirst February".
Application denied 3/4/42.

REPRODUCED AT THE NATIONAL ARCHIVES

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File 8 UNDER # 3
Box BOX # 1

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A SCHEDULE OF APPLICATIONS FILED BY THE FEDERAL RESERVE BANK
OF NEW YORK ON BEHALF OF BANQUE NATIONALE SUISSE, ZURICH
AFFECTING SPAIN AND PORTUGAL

<u>Date Applied</u>	<u>Application No.</u>	<u>Amount</u>	<u>Description</u>	<u>Remarks</u>
1941 June 24	NY-163789	\$100,000.	Transfer on our books to the account of Banco de Portugal.	On 6/24/41 we cabled Banco de Portugal and requested the nature and purpose of credit to which they replied "we think the proceeds thereof are intended for payments in Escudos for Portuguese exports to Switzerland." We also cabled Banque Nationale Suisse, Zurich asking for nature and purpose of credit to which they replied "we need Escudos to pay in Lisbon merchandise destination Switzerland and freight". We also spoke to Mr. Gautier who informed us that the payment covers imports to Switzerland, or freight rates or rent for ships. License issued - 6/27/41.
July 15	NY-189422	600,000	Payment to Manufacturers Trust Company, New York, for account of Instituto Espanol de Moneda Extranjera, Madrid.	Banque Nationale Suisse informed us that this transaction "serves for freight payment Spanish steamer account Swiss Government" - License issued - 7/17/41.
August 22	NY-228400		Release from the earmarked gold account of Banque Nationale Suisse approximately 2,000 kilos in fine gold bars and to export such fine gold bars to the Banco de Portugal.	Application made at the request of Mr. Gautier who informed the Treasury of the underlying transaction in letter dated 8/21/42 a copy of which was attached to our application and in which it was stated that "During the months of July and August the value of goods imported to Switzerland from Portugal has been greatly in excess of the value of Swiss goods sold to Portugal". ***"the balance of payment in favor of Portugal is to be paid in gold in Lisbon" - Application denied 9/16/41.
September 8	NY-241606	1,000,000	Payment to Manufacturers Trust Company, New York, for account of Instituto Espanol de Moneda Extranjera, Madrid.	Banque Nationale Suisse informed us that this transaction is "serving for freight payments Spanish steamers account Swiss Government". On 9/17 Banque Nationale Suisse asked if payment had been executed. We replied that the application was still pending and that the Treasury requested the following information. 1. Period of time covered by freight payments. 2. Names of Spanish steamers involved. 3. Information as to traffic involved including names of ports.

REPRODUCED AT THE NATIONAL ARCHIVES

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File 8 JAN 1954
Box # 1

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On 9/22/41 Banque Nationale Suisse replied "Payment to be effected on basis Swiss Spanish transport agreement dated 27th March 1941. Costs of shipments are debited in current account therefore unable quote fixed periods for which freight is covered nor to state name of ships. Several ships chartered for specific voyage from and back Iberic Atlantic ports to Savona for English and American coal and to Genoa for other goods. All transports effected in consentment British Government and exclusively for goods of which documents are found in order by British blockade authorities - License issued 9/29/41.

September 30 NY-260520 \$500,000

Payment to Manufacturers Trust Company, New York favor Instituto Espanol Moneda Extranjera, Madrid.

Banque Nationale Suisse informed us that this transaction is "serving for freight payments Spanish steamers account Swiss Government Refer ours 22nd". License issued 10/6/41.

October 10 NY-269473

transfer 823 gold bars (approximate value \$11,480,000) from the ordinary earmarked gold account of Banque Nationale Suisse to the ordinary earmarked gold account of Banco de Portugal.

(Note- Refer to NY-228400) Banque Nationale Suisse advised us "as you see Banco has consented to such transfer instead of asked shipment from New York." On 12/31/41 Banco de Portugal advised that "if license not granted by today please cancel transaction cabling us confirmation". Application withdrawn 12/31/41.

October 16 NY-273398 1,000,000

Payment to Manufacturers Trust Company, New York, favor Instituto Espanol Moneda Extranjera, Madrid.

Banque Nationale Suisse informed us that this transaction is "serving for freight payments Spanish steamers account Swiss Government." License issued 10/17/41.

February 18 NY-368529 1,500,000

Payment to Manufacturers Trust Company, New York, account Instituto Espanol Moneda Extranjera, Madrid.

Banque Nationale Suisse informed us that this transaction covers "freight payments according Swiss Spanish Transport agreement dated 14 October 1941. Several ships chartered by Swiss Government for sailing from and to Iberic Atlantic ports conveying English and American coal to Savona other goods to Genoa taking Swiss export goods returning. All transports effected with consent British Government comprising goods only which are covered by documents approved by British Blockade Authorities." On 3/5 we received the following cable - * * * "Owing to arrangement Bank of England with Washington please transfer immediately 1,000,000 of above order to Manufacturers Trust Company in favor of Instituto Espanol Moneda Extranjera Madrid" * * License issued March 19, authorizing payment of \$1,000,000.

REPRODUCED AT THE NATIONAL ARCHIVES

RG Non-Record
Entry FEB 1945
File NY
Box # 1

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RG FED RESERVE SYSTEM
 Entry NON-RECORD
REFERENCE MATERIALS
 File BINDER # 4
 Box 2

MHC 36-3M-7-39

FEDERAL RESERVE BANK
 OF NEW YORK

OFFICE CORRESPONDENCE

DATE October 27, 1939TO Dr. WilliamsSUBJECT: Suppression of up-to-date informa-FROM R. Tiranaon gold movements to the U.S.

Copies to Messrs Sproul and Roalse

This unsolicited note is concerned with today's news regarding the suspension by the Bank of reports on gold movements. The step is to be welcomed in so far as it renders historical rather than "hot news" any public discussion of future gold movements into this country. If this is its object, I wonder whether the measure is adequate. The daily statement of the Treasury will presumably continue to report daily changes in the gold stock. From this it would not be difficult to deduce how much gold the Treasury has bought, and from available figures on U.S. output it is an easy step to arrive at net purchases of foreign gold. It is the latter that appears to be the subject of unfortunate controversies. The specific origin of the foreign gold is perhaps secondary. Curiosity regarding this may be fully satisfied eventually by the figures which the Department of Commerce will publish with the usual delay. This curiosity may partially be satisfied immediately by reference to the weekly changes in the central reserves of the most important countries reported in the newspapers at frequent and regular intervals. Of secondary interest is also the problem of whether the foreign gold purchased by the Treasury was released from earmark or came from recent imports. These various possible leakages suggest that I am probably wide off the mark regarding the purpose of this measure.

I should like to refer to two other points indirectly connected with this measure. They are more in the nature of queries. If it wished to, could the Treasury make use of the obscurity afforded by this measure to discriminate in its purchases of gold? This discrimination might have one of two objectives, the prevention of gold imports not likely to be used for immediate purchases in

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RG FED RESERVE SYSTEM

Entry NON-RECORDFile REFERENCE MATERIALSBox BINDER # 4
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MIS. 38-3M-7-39

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE _____

To _____

SUBJECT: _____

FROM _____

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American markets, or a disinclination for various reasons to purchase gold of certain origins, e.g., Russian, German, Italian, Japanese. Discrimination is obviously difficult unless there were collaboration in this respect from other countries to which such gold could be diverted for eventual sale in the U.S. Collaboration would probably be gladly offered by "the allies." This leaves other important sources of diversion, notably, the Netherlands, the Scandinavian countries and Switzerland. One wonders, however, whether these countries are politically in a position to refuse to take gold of certain specified origins without placing general restrictions affecting other matters. Even if they should be in such a position would it be possible to maintain discreet such measures of discrimination?

The other query relates to a matter which, for obvious reasons, was relegated to a footnote in my memorandum of October 24 regarding remedial action on gold. It refers to publicity regarding gold output in the principal producing areas, notably the British Empire. I may be allowed to stress this point here. If the U.S. Treasury does not wish to or thinks it is not in a position to enforce a restriction of output to at least present levels, then it could suggest discreetly or bluntly to the gentlemen across the Canadian border and on the other side of the Atlantic that they should refrain from publicising increases in their gold output.

RT:AK

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RG FED RESERVE SYSTEM

Entry NON-RECORD
REFERENCE MATERIALSFile BINDER # 4Box 2C O P Y

Taken from Federal Register dated Sept. 27, 1939

T. D. 49970

CUSTOMS REGULATIONS-CONFIDENTIAL INFORMATION ²

To Collectors of Customs and Others Concerned:

Article 1465,³ Customs Regulations of 1937 (Sec. 25.2), is hereby amended by adding a new paragraph (o), reading as follows:

(o) ((Sec. 25.2 (o)) During the effective period of any proclamation of the President that a state of war exists between foreign nations, information concerning imports and exports shall not be disclosed except as provided for in paragraphs (e) and (h) of this article.

This regulation shall be effective on and after the date of publication in the Federal Register. (R.S. 161; 6 U.S.C. 22)

(Seal)

BASIL HARRIS

COMMISSIONER OF CUSTOMS

Approved September 22, 1939.

Herbert E. Gaston,

Acting Secretary of the Treasury.

(F. R. Doc. 39-3549; Filed 9/26/39; 11:56 A. M.)

2. This document affects 19CFR 25.2

3. 2 F.R. 1754

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RG FED RESERVE SYSTEM

Entry NON-RECORD
REFERENCE MATERIALSFile BINDER # 4Box 2

MISC. 32 60M 5-39

FEDERAL RESERVE BANK
OF NEW YORK252
x765.1
x262.2

OFFICE CORRESPONDENCE

DATE October 4, 1939.of Mr. KnokeSUBJECT: Release of gold importFROM D. J. Cameronfigures to the press.

Attached hereto is a copy of a Treasury Decision amending the Customs Regulations of 1937, relative to the disclosure of information concerning imports and exports during the effective period of any proclamation of the President that a state of war exists between foreign nations.

Although this Decision does not appear to govern our actions in reporting gold engagements to the press it would seem desirable, however, in view of the present situation abroad, to discontinue such reports to the press or at least discontinue giving the name of the country.

Copies of our daily gold import statement from which all figures are given to the press and a newspaper clipping regarding gold imports reported by this bank during the month of September are also attached.

What do you think?

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Harry Dexter White

First Draft

Letter

During this past year, and increasingly during the months since the outbreak of the European War, we at the Treasury have been receiving hundreds of inquiries about gold. The people of this country are perplexed. They are asking why so much gold is coming here. They want to know whether this is good or bad. They want to know if the future value of gold is in danger. They ask whether the United States will be able to use ~~all~~ ^{this} this gold we are getting or whether we shall be stuck with it. They wonder whether it wouldn't be better to import less gold. They are afraid that we may perhaps be paying too high a price for gold. They want to know whether we can reduce the inflow and whether we should if we could. And they give us a lot of advice.

The facts are startling enough to warrant all this to-do about gold. During the last six years we have acquired more gold than we or any other country ever possessed.

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Last year alone we received over \$3 billion. This year, while almost all of the principal countries of the world have been losing gold, we have been getting it at the rate of \$250 ^{million} a month. The United States Treasury now has in its vaults over \$19 billion of gold -- a truly stupendous sum, amounting to almost two-thirds of all the gold held by the combined Treasuries and Central banks of the world!

How can we account for so large an inflow of gold?

The answer is at once disturbing and reassuring. It is disturbing because this drain of gold from foreign countries results from a gravely distorted economic and political situation throughout the world. It is reassuring because that gold is coming here for the reason that the United States has peace, security, and social and political stability. Our economic position in the world is dominant and unchallenged and the amazing inflow of gold into the United States

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is but the monetary reflection of that economic and social strength.

There is a good deal of misunderstanding as to why gold keeps streaming into the United States. Some people have expressed the view that it comes here because the United States stands ready to buy all the gold offered to us at a fixed price. But that obviously cannot be the explanation. We have been buying gold at a fixed price for virtually 150 years. Ever since 1792 -- with only a 7 months' interlude -- we have been ready to buy at a fixed price all the gold offered to us.

Some people again are under the impression that we are getting gold because we pay a higher price for it than other countries do. This also is an error. The price for gold is virtually the same the world over. When we convert our \$35 price for gold into the currencies of other nations and

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international exchange. It is sent to buy the currency of the country of destination. When London, for example, sends gold to New York -- what London wants is dollars. Similarly, when we sell gold to England, what we want is Sterling. Therefore, when people ask why foreigners send gold to the United States, they are really asking the question: Why do foreigners want dollars rather than their own currency or some other countrys?

A large portion of the dollars obtained by foreigners is placed on deposit with our banks. It is placed there for possible exchange gains and for safekeeping because foreigners think America is a safe place to keep their money. Another portion is used to make investments in American industry because foreigners think American business is a safe investment. For these two reasons alone, almost 3 billion of foreign funds have come to the United States in the past six years. And this is a great tribute to the soundness

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of America. It is a most eloquent answer to those who complain that the New Deal has brought this country to rack and ruin. And I can't help thinking that the critics of our monetary policy think so too; else they would be selling dollars to buy sterling, francs, yen, or roubles.

We find, on the contrary, that Americans have been withdrawing their funds from abroad, and liquidating their foreign holdings. During the past six years over 1 1/4 billion dollars of American capital has been repatriated. And this, too, has helped to swell the inflow of gold.

Then there is the fact that we have sold more goods and services abroad than we have purchased. From 1933 to 1937 our export surplus was not very large, averaging less than \$300 million per year. From 1938 on, however, it has been about \$1 billion a year, and since the outbreak of war it is running double that rate. At the same time our

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tourist expenditures abroad, which in past years have been a large offset to our export surplus, have naturally been much reduced. ~~The same has been true of the total of other items which enter into the international balance of payments -- interest, insurance, shipping, and other services.~~

Such was our position up to last year. Since the war things have changed. Whereas formerly capital movements to the United States constituted an important item in our balance of payments, now this item has become minor, and ^{has been ~~replaced~~} its place taken by an increase in our export surplus. This has happened because many countries are prohibiting capital ^{from leaving} movements to the United States and because some of the belligerents are using up their balances and investments in American securities to pay for imports from the United States. The sharp increase in our export surplus of goods and services, arising directly out of war conditions, has, however,

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more than offset the reduced inflow of capital so that foreigners now want just as many dollars as they did last year.

So much for the reasons why gold has been pouring into this country. Now for the question: Is this good or bad? We can't answer this question without first asking another: What alternative have we? What would happen if we stopped the inflow of gold?

The flow of gold to the United States can be stopped only by adopting one of the following types of action:

1. We can reduce our sales of goods and services to foreign countries.
2. We can increase our purchases of goods and services from foreign countries.
3. We can sell our exports for credit instead of cash.
4. We can force an outflow of foreign and domestic capital from the United States.

These are the only things that will stop gold from coming to the United States. You will at once appreciate how unwise any of these measures would be. Any one of them would prove little short of disastrous to the strides towards recovery which we have already made.

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If we cut our exports of commodities and services, we would throw hundreds of thousands of workers out of their jobs and wholly disrupt agriculture. If we tried to stop our gold flows by increasing our purchases from abroad, we would have to permit dumping of foreign goods to displace American products on a gigantic scale. And just think what it would mean ^{American} to business, if it were exposed to such competition! As for increasing our purchases of foreign services, that avenue for expansion has been practically closed. Americans can no longer safely travel in Europe or Asia, and while they are free to go to ^{Canada} Central and South America, the possible increase in such travel does not represent -- at least immediately -- a large sum.

We might try to provide more dollars to foreign countries by tying up our own ships and letting our shipping business be carried in foreign bottoms. But, I am sure, no one would advocate the abandonment of our merchant marine

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There remains the last possibility. We can stop the flow of gold by selling on credit. Instead of accepting foreign gold in payment for the goods we sell, we can take I.O.U.'s. I assure you that we would have no difficulty in selling many billion dollars' worth of our goods and services on such terms. Foreign countries would be only too delighted with such an arrangement. (The question is: Would we be as well pleased? There may be some ^{but} who prefer that the United States should receive the I.O.U.'s of foreign governments in place of their gold. As for me, knowing the success (?) we have had in collecting our debts of the last war, I prefer to see the United States paid in cash.

No. All the alternatives are definitely bad. I am sure you will agree with me that no responsible person would want to stop the inflow of gold at the price of precipitating any of the serious consequences I have mentioned.

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And yet that is exactly what some people are advocating. Perhaps they don't know it, but that is just what they are advising us to do when they suggest that we stop buying foreign gold, or that we change the price we pay for gold, or that we wipe out our "favorable" trade balance.

Take, for example, this proposal so frequently made to us that we stop buying gold. It has the charm of simplicity; all we have to do is prohibit gold imports by a Treasury order. Well, let us look at what would happen.

The immediate reaction would be a sharp increase in the value of the dollar in terms of foreign currencies. ^{the} ~~foreign~~ ^{dollars} ~~value~~ ^{which being new want} ~~of~~ ^{would be built to obtain} For-
 eign currencies, in other words, would at once sharply depreciate and set in motion a chain of economic forces which would disrupt our foreign trade and introduce serious difficulties into our home markets.

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I will not go into the technicalities. Briefly this is what would happen. First of all American products would be much more difficult to sell in foreign markets. This would not apply so much to war goods -- airplanes, armaments, etc. -- but it would hit hard our export of hundreds of agricultural and industrial commodities not vital to the conduct of war. We would lose heavily in the very markets we will badly need when the war is over. ^{imports} Imports of foreign goods, at the same time, will react even more drastically on our domestic economy. It will be just those very items which compete with our domestic manufactures that will flood our home markets. We would not be encouraged to buy much more rubber or tin. But ~~milk~~ products, textiles, shoes and hundreds of other manufactures would at once be subjected to greatly intensified competition from abroad. Furthermore, Americans who have investments abroad (we have some \$7 billions) would find that they had suffered substantial losses overnight, just as foreigners with investments here would

find that they have had windfall gains overnight.

So you see this simple and charming remedy is, in effect, a proposal that would completely disrupt our foreign exchanges and our trade and greatly increase unemployment in this country, and so with the other naive proposals which well-meaning Americans suggest as a remedy to our accumulating gold stocks.

Shall we follow their advice and cut the price for gold? A moderate cut would be ineffective, and a drastic cut would introduce the same conditions as would follow on a prohibition of gold imports.

Shall we discriminate against certain countries in the purchases of our gold? Such a policy would be even worse. It would not even have the virtue of effectiveness.

There is no way in which you can differentiate one bar of gold from another bar, for gold is one of the most homogeneous products in the world. Obliterate the mark of country of origin and you can no longer identify its source. Remelt

it and it is salable in any market in the world. The active cooperation of every other country would be required to prevent any one country's gold from circulating. Obviously this would be impossible under any circumstances, let alone at a time when political relationships are so ^{chaotic} disrupted.

Gold is an exceedingly specialized instrument of international finance. Its value depends upon its unqualified use and acceptance as an international medium of exchange. If you tamper with its acceptability as an international medium of exchange for any reason whatsoever, then you are undermining the whole status of gold. We must remember that not only do we have over \$18 billion of gold, but we produce each year over \$175 million of gold. For the United States to take any action which would diminish the utility of gold as an international medium of exchange would be little short of criminal irresponsibility.

~~There is no simple remedy.~~ A careful examination of our gold policy will quickly convince you that we have been

pursuing the only course compatible with our national interests; that any change in that policy would have ^{adverse} serious and bad effects on us and on the rest of the world. I want to take this opportunity to state categorically and unequivocally that we have no intention of altering our gold policy. We shall continue to buy all the gold that is offered to us at \$35 an ounce.

Of course, should basic conditions alter, should we be confronted with new and unforeseen economic and political developments, we shall necessarily act in such a way as will best protect American interests. -- It is to be prepared for that very contingency that we have insisted right along on maintaining flexible powers with respect to gold operations. -- But so long as the inflow of gold is the result of disrupted conditions abroad and of stable, secure, and peaceful conditions in this country, ^{at} we have no alternative. We must follow the policy by which we have so far abided. We intend to do nothing to interfere with the

legitimate flow of gold to this country.

There is only one way in which we shall exert ourselves to reduce the inflow of gold, and that is by doing everything in our power to promote business recovery here and by laboring to reestablish normal political and economic conditions abroad. With an increasing measure of prosperity here and with peace and economic stability abroad the gold problem will resolve itself. Our great export surplus will necessarily drop -- not because we shall sell less abroad but because we shall buy more. Foreign capital will be repatriated -- not because we drive it out but because it ^{will be} ~~is~~ ^{Kapke} attracted out by the return of security abroad. Our investors will once again invest their funds abroad -- not because of the scarcity of opportunity at home but because of greatly enhanced opportunities for sound and profitable investments in other lands. Our tourists will spend hundreds of millions more in foreign countries and our expenditures on shipping will return to something like pre-war status.

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These are the developments which will automatically direct the flow of gold away from the United States. These are the developments upon which we must concentrate. We must concentrate on them not because they will correct the gold situation but because of much more important reasons. That their attainment will automatically solve the gold problem is only a by-product.

I should like to turn now to the question of the continued usefulness of the gold we have and the gold we are going to get. The matter seems to be troubling some people.

Let me reassure you once for all. As long as there are independent nations, and as long as there is international trade in goods and services so long will it be necessary to settle international balances. And gold is the most effective, most efficient and most economic medium for settling these balances. Gold is the international medium of exchange par excellence. Its acceptability does not depend upon any government's fiat; its utility as international money is

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not subject to changes in economic systems. It is used and needed just as much by the purest democracies as by dictatorships -- as much by capitalist economies as by socialist economies. It is the refined instrument of international exchange of goods and services, as well as an essential ingredient in the more complex international financial transactions -- and instrument that has functioned as international money without challenge for hundreds of years. Every country wishes it had more of it; no country likes to lose any of it; all countries accumulate it as soon as they can afford to do so. And the fact that some countries find it possible to conduct their international trade without gold does not mean that they prefer to do so any more than people reading by candlelight do so because they prefer candles to electricity.

Gold does not lose its value because some countries are forced to barter, clearing arrangements, import controls,

and other substitutes. All these substitutes are admittedly a worse alternative. They are admittedly a method of conducting trade and finance which will only be adopted when a country does not possess adequate gold holdings. Governments resort to these substitute methods for keeping a country's balance of payments in equilibrium only during times of great and prolonged stress and instability, and only when for one reason or another they have been unable to prevent a complete loss of practically all their gold holdings. All countries would like to have more gold, and the countries which have the least are, you will find, countries which are striving most to add to their gold holdings.

You hear much of the fact that Germany appears to conduct her trade without the use of gold. I think I am safe in saying that there probably isn't another country

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Last year alone we received over \$3 billion. This year, while almost all of the principal countries of the world have been losing gold, we have been getting it at the rate of ^{million} \$250 a month. The United States Treasury now has in its vaults over \$19 billion of gold -- a truly stupendous sum, amounting to almost two-thirds of all the gold held by the combined Treasuries and Central banks of the world!

How can we account for so large an inflow of gold?

The answer is at once disturbing and reassuring. It is disturbing because this drain of gold from foreign countries results from a gravely distorted economic and political situation throughout the world. It is reassuring because that gold is coming here for the reason that the United States has peace, security, and social and political stability, Our economic position in the world is dominant and unchallenged and the amazing inflow of gold into the United States

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There is another aspect of the gold question that I should like to speak about -- the financial aspect. There are two diametrically opposed views with respect to our gold policy which in effect cancel each other out. One says that the inflow of gold by creating a vast base for credit expansion is promoting a runaway credit inflation. The other maintains that the Administration is retarding recovery by burying the gold in Fort Knox instead of putting it into active circulation.

Now the fear that inflows of gold will bring about run-away inflation is based on theories no longer relevant to present-day circumstances. It used to be thought that the existence of any large volume of excess reserves in the banking system would lead to an inflation ~~irregardless~~.

The events of the last few years, during which excess reserves have mounted to ^{several} over \$5 billions without any ^{evidence of} ~~unde-~~ _{real inflation} ~~sirable consequences~~ should have taught all those willing to

learn that inflation does not come about because of an increase in excess reserves. Run-away inflation is the product of powerful economic forces which are completely absent in the United States. There are as yet no forces in the United States making for a rapid sustained and marked rise in prices, and the volume of excess reserves in the banking system, which has of course been increased by the inflow of gold, cannot of and by itself lead to such a price spiral.

This Administration is, of course, entirely aware of the undesirability of inflation. [Its financial, banking, and monetary reforms give the monetary authorities plenty of powers to prevent an excessive rise in prices.] If our present powers are inadequate, new legislation can be easily obtained long before it is necessary to apply it. If and when an excessive rise in commodity prices appears imminent, we shall be fully prepared to act. And it would be amusing, if it were not so discouraging to many business men, to speak of the danger of inflation at a time when we still

have far too many idle resources and idle manpower. Let me say it again: There is no danger of inflation at present. What we have to worry about, if anything, is not that prices are too high, but that they are not high enough. A moderate rise in prices would be beneficial to the farmers and producers of this country, it would stimulate employment and business recovery. It will be time enough to worry about the possibility of inflation when our economy is approaching capacity, when important bottlenecks appears in employment and production, and not before.

The obverse view that our gold policy leads to deflation is just as absurd. The gold imported is being used just as much now as it ever was. We have not (except temporarily for a brief period and at a very slight cost) sterilized inflowing gold. We have not taxed to buy gold. Our gold purchasing is self-financing. Except for the gold held by the Stabilization Fund and certain other relatively minor amounts from the gold revaluation profits, there are gold

certificates outstanding against all the gold in the Treasury. In accordance with the terms of the Gold Reserve Act of 1934, these certificates can be legally owned only by Federal Reserve banks. They constitute the major portion of the assets of Federal Reserve banks. Against these assets in the Federal Reserve banks there exist either Federal Reserve notes or deposits due to the commercial banks, which are their legal reserves. These reserves are held in turn against the demand and savings accounts of the public in the commercial banks. For every dollar of gold in the Treasury, therefore, the public holds at least one dollar of bank deposits or currency.

Anyone in the United States to whom money is lawfully due can receive and hold that money either in currency or bank deposits, entirely at his own convenience. It is not for the Treasury to try to force any individual or corporation to hold currency rather than bank deposits if he prefers to hold the latter. Yet all the many suggestions that the United States put gold into more active circulation amounts to a demand that the money which is issued against gold be kept in circulation in the form of currency rather than as bank deposits passed from persons to person by means of bank checks. As long as our banking system is sound, money in the form of bank deposits is as good as money in the form of currency. It would help the economic situation in the United States not one bit to diminish the volume of bank deposits and to increase the amount of currency to the same extent.

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The last proposal I want to deal with is the suggestion that the Treasury restore the issue of gold coins as an ~~alternative to putting gold into circulation by the issue of gold certificates.~~ This proposal is of very little importance. Even those who support it are aware that such gold coins would not circulate more actively and affect the domestic economic situation more than do the currency and bank deposits now in circulation against gold. The adherents of gold coinage though they do not admit and may not even be aware of it are merely asking to make gold coins available for private hoarders. All during the twenties, there was very little gold coin in circulation, and such as there was used mainly for gifts. For decades now the business of the country has been transacted by means of bank deposits, paper money and subsidiary silver and minor coin. For the United States to start minting gold coins now would

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be to incur a needless expense and to militate against the effective regulation of the domestic monetary system in order to cater to an irrational demand of private hoarders. Accordingly, I strongly believe in continuing to hold all the monetary gold in one central pool in the possession of the United States Government.

The swap we made and are making in return for gold was not a bad bargain. It enabled us to increase employment and recovery ~~beyond any point which would have been possible without the acquisition of gold.~~ If we had tried to tamper with gold in the way some people have suggested, we might well have been faced with a major depression. We have expanded our exports and encouraged our domestic industry. We have made possible a rise in prices well beyond the 1932 lows. And not least we have acquired in return for our export surplus and for foreign claims on American wealth the safest physical asset in the world, an asset moreover

in the world which, notwithstanding its propaganda to the contrary, values gold more highly than does Germany and which is more eager to accumulate gold at the first opportunity. Any person at all familiar with the workings of international trade and finance in countries like Germany and Japan whose gold holdings are not adequate will understand what I mean when I say that gold is the most efficient, most satisfactory instrument of international exchange that has ever been developed. Gold is not only the best way to store foreign purchasing power, it not only constitutes one of the most effective war chests, but it is a medium of international exchange which is acceptable anywhere, any time, and in exchange for anything.

To be sure, if the political picture of the world should undergo a drastic change in the future so that instead of fifty or sixty independent nations there will exist only one or two groups dominated by ruthless powers, then international trade and finance will assume the character of

domestic trade. There will cease to be independent monetary systems, as there will cease to be independent foreign policies. Balances between countries will be settled as balances between our states are settled now -- that is wholly by transfers of deposits. Under such circumstances it may well be that gold will no longer be needed. But under those circumstances life will be so different, that the possible loss in the value of gold will, I am sure, be the least of our worries. Certain governments may boast of the day when independent democracies will disappear, I for one, have no fears that such boasts can be made good. I am as confident that gold will continue to be international money as I am that the majority of nations will succeed in maintaining their independence. With the return of peace and of normal economic and political relationships the barriers to the free flow of goods, capitals and services will be gradually lowered; standards of living will once more resume their upward climb, and a more equitable distribution of the world's gold will take place.

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There is another aspect of the gold question that I should like to speak about -- the financial aspect. There are two diametrically opposed views with respect to our gold policy which in effect cancel each other out. One says that the inflow of gold by creating a vast base for credit expansion is promoting a runaway credit inflation. The other maintains that the Administration is retarding recovery by burying the gold in Fort Knox instead of putting it into active circulation.

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The events of the last few years, during which excess reserves have ^{several} amounted to ~~over~~ \$5 billions without any ^{evidence of} ~~unde-~~ ^{real inflation} sirable consequences should have taught all those willing to

learn that inflation does not come about because of an increase in excess reserves. Run-away inflation is the product of powerful economic forces which are completely absent in the United States. There are as yet no forces in the United States making for a rapid sustained and marked rise in prices, and the volume of excess reserves in the banking system, which has of course been increased by the inflow of gold, cannot of and by itself lead to such a price spiral.

This Administration is, of course, entirely aware of the undesirability of inflation. [Its financial, banking, and monetary reforms give the monetary authorities plenty of powers to prevent an excessive rise in prices.] If our present powers are inadequate, new legislation can be easily obtained long before it is necessary to apply it. If and when an excessive rise in commodity prices appears imminent, we shall be fully prepared to act. And it would be amusing, if it were not so discouraging to many business men, to speak of the danger of inflation at a time when we still

have far too many idle resources and idle manpower. Let me say it again: There is no danger of inflation at present. What we have to worry about, if anything, is not that prices are too high, but that they are not high enough. A moderate rise in prices would be beneficial to the farmers and producers of this country, it would stimulate employment and business recovery. It will be time enough to worry about the possibility of inflation when our economy is approaching capacity, when important bottlenecks appears in employment and production, and not before.

The obverse view that our gold policy leads to deflation is just as absurd. The gold imported is being used just as much now as it ever was. We have not (except temporarily for a brief period and at a very slight cost) sterilized inflowing gold. We have not taxed to buy gold. Our gold purchasing is self-financing. Except for the gold held by the Stabilization Fund and certain other relatively minor amounts from the gold revaluation profits, there are gold

certificates outstanding against all the gold in the Treasury. In accordance with the terms of the Gold Reserve Act of 1934, these certificates can be legally owned only by Federal Reserve banks. They constitute the major portion of the assets of Federal Reserve banks. Against these assets in the Federal Reserve banks there exist either Federal Reserve notes or deposits due to the commercial banks, which are their legal reserves. These reserves are held in turn against the demand and savings accounts of the public in the commercial banks. For every dollar of gold in the Treasury, therefore, the public holds at least one dollar of bank deposits or currency.

Anyone in the United States to whom money is lawfully due can receive and hold that money either in currency or bank deposits, entirely at his own convenience. It is not for the Treasury to try to force any individual or corporation to hold currency rather than bank deposits if he prefers to hold the latter. Yet all the many suggestions that the United States put gold into more active circulation amounts to a demand that the money which is issued against gold be kept in circulation in the form of currency rather than as bank deposits passed from persons to person by means of bank checks. As long as our banking system is sound, money in the form of bank deposits is as good as money in the form of currency. It would help the economic situation in the United States not one bit to diminish the volume of bank deposits and to increase the amount of currency to the same extent.

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The last proposal I want to deal with is the suggestion that the Treasury restore the issue of gold coins as an ~~alternative to putting gold into circulation by the issue of gold certificates.~~ This proposal is of very little importance. Even those who support it are aware that such gold coins would not circulate more actively and affect the domestic economic situation more than do the currency and bank deposits now in circulation against gold. The adherents of gold coinage though they do not admit and may not even be aware of it are merely asking to make gold coins available for private hoarders. All during the twenties, there was very little gold coin in circulation, and such as there was used mainly for gifts. For decades now the business of the country has been transacted by means of bank deposits, paper money and subsidiary silver and minor coin. For the United States to start minting gold coins now would

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be to incur a needless expense and to militate against the effective regulation of the domestic monetary system in order to cater to an irrational demand of private hoarders. Accordingly, I strongly believe in continuing to hold all the monetary gold in one central pool in the possession of the United States Government.

The swap we made and are making in return for gold was not a bad bargain. It enabled us to increase employment and recovery ~~beyond any point which would have been possible without the acquisition of gold.~~ If we had tried to tamper with gold in the way some people have suggested, we might well have been faced with a major depression. We have expanded our exports and encouraged our domestic industry. We have made possible a rise in prices well beyond the 1932 lows. And not least we have acquired in return for our export surplus and for foreign claims on American wealth the safest physical asset in the world, an asset moreover

which will play an essential part in reestablishing a permanent peace.

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Authority NND80211L
By JW NARA Date 4-10

RG 59
Entry DECIMAL FILE
1940.44
File 854.515
Box 5283

FOREIGN FUNDS AND FINANCIAL DIVISION

NOV 18 1941

DEPARTMENT OF STATE

DEPARTMENT OF STATE
RECEIVED
AUG 19 1942
BRITISH EMBASSY
WASHINGTON, D.C.
10th November, 1941.

Assistant Secretary
of State

NOV 15 1941

MR. ACHESON

SAFE HAND

W.T.1045/112/41

Dear Pehle,

With reference to our recent discussions about Swiss gold, we have now received a little further information from London about the Germans' method of obtaining escudos.

MINISTERIAL SECRETARY OF STATE
NOV 17 1941
MR. PEHLE

Hitherto the Swiss have been buying the escudos for Swiss francs. The escudos, of course, are transferred to the Reichsbank account. The Bank of Portugal converts the Swiss francs into gold in Switzerland. If the Bank of Portugal now re-transfers this gold back to the Swiss against the transfer of ear-marked gold in the United States, it means ultimately that the German purchases in Portugal are being financed out of the Swiss gold here and that the game can be played for as long as there is any Swiss gold left here.

I have noticed a number of indications lately that the Germans are looking for all sorts of ways of obtaining escudos. In particular, I refer you to paragraph 1 of the first enclosure (W.T.1036/259/41 of 27th October) to Stopford's letter of 3rd November W.T.1036/274/41, and the first paragraph of Auburn's letter to Dietrich W.T.1020/114/41 of 1st November. It looks as though they are getting short of funds to finance their wolfram purchases and if this shortage can be maintained, it may result in the double benefit of making them be content with less wolfram and reducing the price so that we can get ours cheaper. It seems that escudos at present is from our point of view the least desirable of all the foreign currencies to allow the Germans to have, and, since the State Department are already interested in cork and appear likely to become interested in

Mr. J. W. Pehle,
Foreign Funds Control,
U.S. Treasury Department,
1610 Park Road,
Washington, D.C.

wolfram/

- cc:11/13/41
- Mr. Pehle
- Mr. Towson
- Mr. Schmidt
- Mr. Fox
- Mr. E.M. Bernstein
- Mr. Aiken
- Mr. Volentine
- Mr. E. Bernstein
- Mr. Miller ✓

RECEIVED
NOV 25 1941
DEPARTMENT OF STATE
FOREIGN FUNDS AND FINANCIAL DIVISION

AUG 7 1942

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By <u>JW</u> NARA Date <u>4-10</u>	File	<u>854.515</u>
	Box	<u>5283</u>

- 2 -

wolfram, from yours also. Because this question is closely connected with discussions which Mr. Finletter of the State Department is now having, we are also sending him a copy of this letter.

Yours sincerely,

/s/ W. Ritchie

P.S. I enclose a copy of our HW. 5/25/26/27 of 10th November which seems to envisage a direct purchase by the Swiss of Escudos against Gold ear-marked in either New York or Rio.

(init.) W.R.

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By <u>JW</u> NARA Date <u>4/10</u>	File	854.515
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COPY

INTERNATIONAL FINANCIAL DIVISION

November 10, 1941

H.W. 5/25/26.27

Banque Nationale Suisse, Zurich asked Banco de Portugal, Lisbon on September 15, 1941 referring to earlier exchange of cables regarding placement of gold and dollars at Banco de Portugal's disposal in New York, whether they could now reconsider this question favourably.

Banco de Portugal, Lisbon informed Banque Nationale Suisse, Zurich on September 16, 1941 that they had credited the Banque Nationale Suisse Escudos account with Esc.14,093,512.57 against kilos fine gold 500.99579 placed in Banco de Portugal gold deposit "A."

Banque Nationale Suisse, Zurich asked Banco de Portugal, Lisbon on September 18, 1941 whether they could eventually accept gold at Buenos Aires or Rio de Janeiro against Escudos.

IN.27/1/10/41 shows that Banco de Portugal, Lisbon notified Banco do Brasil, Rio de Janeiro on September 22, 1941 they would like to know:

1. Under what conditions bank is prepared to receive and to keep in safe custody Gold which may be sent for account of Bank of Portugal.
2. If the export of Gold is free.
3. If they could deposit Gold in Bank under the condition that it might be freely exported at any time.
4. Under what terms would Bank undertake to assist in effecting such export.

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Entry REF ID: A660115
File OF FED RESV
Box BINDER #1
Box #1

FEDERAL RESERVE BANK
OF NEW YORK

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W p to

OFFICE CORRESPONDENCE

DATE May 2, 1941.

TO Mr. Spraul
FROM L. W. Knoke

SUBJECT Mr. McKittrick's letter
of April 17. 41

You have asked me whether there is anything further on this. I would say "No" because if you answer at all it seems to me you will have to venture into uncharted depths; also because I don't believe Mr. McKittrick expects a reply.

If you feel differently, I would deal with two aspects of the letter:

(1) the question of Administration policy: all we set forth in our letter of April 4 was the Treasury Department's policy today. As to what will be done with frozen assets after the war nobody knows and I am sure the Administration has no established policy yet.

(2) most everybody, I believe, is in agreement with Mr. McKittrick's philosophy on free international commerce and free international payments "except for immediate purposes of the war". Unfortunately a great part of the world is at war and others seem on the brink of it.

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LWK

LWK:KW

lets drop it for the present

AD

5/3/41

RG NON-RECORD
 Entry REF. INFORMATION
 OF FEB 1934
 File 13 APR 1941
 Box BINDER # 1
 Box # 1

12-00188

BANK FOR INTERNATIONAL SETTLEMENTS

BY AIR MAIL.

Mr. Knicker ✓
 Mr. Ruppel
 Mr. Brown
 Dear Sprout,

Files RECEIVED
 APR - 2 1941
 - RECEIVED
 ATTENDED BY: H. G. ...
 BASEL, April 17, 1941.
 see memo. E. D. Knoke
 Mr. Sprout
 5/2/41

Thank you for your letter of April 4 giving the view of the Treasury as to the use of blocked balances to meet interest payments outside the United States. As you say this news will not help us much in solving our problems but it is, nevertheless, a great advantage to know how the land lies. I am grateful to you for the trouble you have taken in this connection.

What you say has been causing me some concern of late, by which I mean - if I am correctly informed - the policy in Washington of reserving assets blocked in the United States to settle debts due to Americans by the owners of such assets or by their compatriots. My concern has been whether those who have formulated this policy really think of its effect on international commerce and the future of monetary relations. America must take measures to prevent unjustified use of dollar assets by an occupying power, but there is a difference between such steps and measures designed to give special advantages to American creditors outside the normal machinery of the law and the usages of banking. Is this not in its effect precisely similar to prohibitory tariffs, quotas, embargos and all the other things from which the world must free itself before real prosperity can return? 3/5

International commerce requires international payments and to effect such payments with the facility needed by the modern world something in the nature of a clearing-house is necessary. When exchange restrictions were introduced in England, London ceased to play the part of a clearing-house and the only currencies of international importance which retained any substantial measure of freedom were the dollar and the Swiss franc. The Swiss take the viewpoint - rightly, I believe - that their country and resources

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Entry

REF MATRONS
OF FEB 1934

File

BANK NY
BINDER # 1

Box

BOX #1

- 2 -

are too small for them to do the work of an international clearing-house. Attempts except by the Swiss themselves to hold reserve cash for international purposes in the form of Swiss francs are consistently discouraged. That leaves the dollar alone as the currency for international settlements. The custom of making balances under clearing agreements payable in dollars is not new and of this the recent arrangement between the Dutch East Indies and Japan is a good example.

If the United States ~~are~~ not prepared to provide the facilities needed for international commerce, where can they be found? The persevering efforts of the State Department to facilitate the flow of commerce through commercial treaties have won much approval throughout the world. Interference with the machinery necessary to free commerce, except for the immediate purposes of the war, seems a step backwards. If a foreign depositor loses the certainty that his funds in the United States will be available when he needs them subsequently, it is hard to see how he can run his business. If all nations froze bank balances to satisfy the debts due to their nationals, the normal flow of international payments would definitely cease, and business except by out and out barter would then be impossible.

I hope my misgivings are not justified, and with best regards, I am,

Always sincerely yours,

J. H. M. W. H. H. H.

Allan Sproul, Esq.,
President,
Federal Reserve Bank of New York,
New York.

4/5

BOX
RG NON-RECORD
Entry REF ID: A66115
OF FEB 03 1941
File BANK NY
Box BINDER #1
BOX #1

(original sent via airmail; duplicate via ordinary mail)

AIRMAIL

April 4, 1941.

Mr. L... to Mr. Bel...
3/3/41

My dear McKittrick:

I am reverting today to your letter of January 2, receipt of which I briefly acknowledged on February 26.

We have discussed the whole matter over the intervening period with the Treasury Department and as a result of various discussions have gained the impression that unfavorable decisions on requests for licenses to transfer frozen funds from here to Switzerland to meet interest requirements on French loans held in Switzerland were prompted by a disinclination to see frozen funds used to meet obligations outside the United States. That appears to be the established policy of the Treasury Department today. If the use of such frozen funds in countries outside the United States has in some cases been approved in the past, such approval was presumably given because of special considerations believed at the time to exist and the fact that it was given should not be interpreted as constituting a precedent in other cases involving situations which may have certain points of similarity. As far as the Bank for International Settlements is concerned we have gained the definite impression that decisions of this nature were not directed against the Bank for International Settlements nor were they rendered for the purpose of preventing the Bank for International Settlements from receiving interest.

I am not very sure that all this will be very helpful to you but I know you will understand the many difficulties inherent in the present situation.

Sincerely yours,

rationale

Allan Sproul

Mr. T. H. McKittrick, Jr., President,
Bank for International Settlements,
Basle, Switzerland.

LWK:KW

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Authority NND80211
 By JW NARA Date 4-10

RG 59
 Entry DECIMAL FILE
1940.44
 File 854.515
 Box 5283

DEPARTMENT OF STATE

FOREIGN FUNDS CONTROL DIVISION

July 24, 1942.

A-A - Mr. Acheson

After sitting through three hours of the conference with Stopford, Reifler, Bernstein, et al, I have no idea what sort of reply should be drafted to Mr. Bruggmann's note to you of July 13.

Unless there were further developments between the time of my departure and the time of the termination of the meeting (I doubt that there were any real developments), I suggest that the following course be followed:

1. Stopford be requested to obtain from the British precise information as to what their agreement with the Swiss is with respect to the earmarking of gold in Canada in return for which Swiss francs are made available to the British. Mr. E. M. Bernstein has sent me an excerpt from a letter from the Bank of Portugal to the Bank of Canada which makes it pretty clear that the gold in Canada may be exported to the central banks of the Western Hemisphere, and also to the central banks of neutral European countries. I do not know why Stopford played his cards so closely at the conference. Furthermore, the British suggestion that we send an expert to London seems to me unfortunate. The converse, I believe, should be followed, since the Swiss here know what they want and we know what we don't want to give them, and the only link missing in the chain is information as to the present position and ultimate desires of the British. Under these conditions, I think Mohammed should come to the mountain.

2. Mr. B. Bernstein should be requested to prepare a draft reply which Treasury would like to see transmitted to the Swiss.

3. Mr. Reifler should be requested to prepare a draft reply which he would like to see transmitted to the Swiss.

4. We should prepare the type of reply which this Department would like to see transmitted to the Swiss.

5. A conference should be called as soon as Stopford can obtain the necessary information from the British and the aforementioned drafts put in shape for examination and discussion.

If this is agreeable, please so indicate, and I will pass the word on to Stopford, Bernstein and Reifler. Moreover, if you will indicate what your views are, I shall prepare a draft reply along those lines.

FF:DH:PS

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Donald Hiss
 Donald Hiss

854.515

Assistant Secretary
 of State
 JUL 25 1942
file
See July 25
 MR. ACHESON

854.515 / 59-1/2

NOV 22 1942

PS/KN

BOX
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 OF FED DISAV
 BANK NY
 File BINDER # 1
 Box BOX # 1

FEDERAL RESERVE BANK
 OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 2, 1940.

To Mr. Logan

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

FROM L. W. Knode

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

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

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

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

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

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

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

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BOX
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Entry REF MEMORANDUMS
OF FEBRUARY
File BINDER # 1
Box BOX # 1

MISC 33 GM 440

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE August 2, 1940.

To Mr. Logan

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

FROM L. W. Knoke

2

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

*Submitted
"any" for
agreed*

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

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

LWK
LWK:KW

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BOX
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 Entry REF. IN MEMORANDUMS
 OF FED. RES. SV.
 File BANK NY
 Box BINDER #1
 BOX #1

NOV 2 12 634 440

FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

DATE July 26, 1940

TO Mr. Knopke

SUBJECT: Status of Bank for International
Settlements under Executive Order
No. 8389, as amended.

FROM H. H. Kimball

As you requested I have considered the cable from Bank for International Settlements of July 19, 1940 (their number 328) for the purpose of determining whether or not such bank is a "national" within the meaning of Executive Order No. 8389, as amended. I have also examined the attached memorandum from Mr. Moore to Mr. Tiebout, dated June 28, 1940.

is correct.

Assuming that Mr. Moore's statement that 30.53 per cent of the shares of Bank for International Settlements is owned by countries designated in the Executive Order, I think it is perfectly clear that Bank for International Settlements is technically a "national" within the meaning of the following clause of the Executive Order:

a substantial part of the stock, shares, bonds, debentures, or other securities of which has been owned or controlled by, etc.

There are various other factors in the case, however, which seem to me to make it desirable to urge the Treasury Department not to classify Bank for International Settlements as a "national" under the Executive Order. These factors are adequately set forth in the bank's cable above mentioned. The only one of such factors which might have any bearing on the technical classification of the bank is the statement that "ownership of Bank for International Settlements shares carries no voting rights and is therefore of no influence on policy". This information is contrary to that contained in Mr. Moore's memorandum.

In the circumstances it seems to me that it would be appropriate for us to recommend to the Treasury Department that Bank for International Settlements be not classified as a "national" under the Executive Order or that the bank be granted a General License. I take it that the latter alternative would not be satisfactory to the bank.

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RG NON-RECORD
 Entry REF ID: A64115
 OF FEB 1934
 File 13 APR 1941
 Box BINDEL # 1
 Box # 1

Copy to: Mr. Sproul

Mr. Cameron *also*

Mr. Cowan *Kindell*

Mr. Brome

July 24, 1940.

Mr. Klocke:

Mr. Dreibelbis telephoned to me this afternoon about the B.I.S. cable No. 328 of July 19, 1940, copies of which, together with copies of other cables, were sent to the Treasury and to the Board with your letters of July 23. I said it was my understanding that while we were in process of considering whether the B.I.S. is a national of one or more of the invaded countries within the meaning of the recent Executive Orders, the Treasury had ruled on the point affirmatively without much, if any, preliminary consultation or discussion with us; that we had accordingly discontinued our investigation of the question, as our opinion in the matter seemed to be academic; but that we are now pursuing it further in the light of the B.I.S. cable No. 328.

Mr. Dreibelbis asked me if we had yet discussed the matter with the Treasury Department, as contemplated in our letter of July 23, and I said we had not. He and I agreed that the Board probably would be interested in the matter, as it seemed to involve a question of our relationship with the B.I.S. and that it would therefore be a good idea for you or me to discuss with him, when we are ready to do so, what we propose to say to the Treasury Department in relation to B.I.S. cable No. 328. I said that I would pass this on to you.

(GSR)

W.S.L. *W.S.L.*

RG FED RESERVE SYSTEM

Entry NON-RECORD
REFERENCE MATERIALSFile BINDER # 2Box I

OFFICE CORRESPONDENCE

DATE January 27, 1943

TO Mr. Knoke

SUBJECT: Argentina's Request for Gold Shipment

FROM H. C. Wallich

Copies to Messrs. Sproul (Rounds), Williams, Roelee (Johnson) and Sanford.

The Argentine Banco Central has advised us by cable of January 25 that it would like to ship to Argentina the gold it expects to buy in 1943, and if possible, also that bought during 1942. It asks us to make suggestions as to the best way of effecting the operation and to inform it of the approximate cost.

The reasons given for the request - that the gold cannot be used in the United States and that the holdings at home are to be increased - are not very enlightening. The gold is not needed in Buenos Aires to maintain legal reserves, since the Banco Central's charter permits the inclusion of earmarked gold in monetary reserves. Nor does there seem to be any other purely economic reason which could motivate Argentina to ask for shipment at the present time. Hence, it is logical to conclude that the request is being made for political reasons. Presumably, Argentina expects greater pressure to be applied to her by this country and may therefore think that now is her last chance to withdraw some of her gold.

If this is true, it is not likely that high transport costs will be a deterrent. Neither should the shortage of cargo space constitute an obstacle, because the Argentine Government has a merchant fleet of its own. Since the ships are relatively safe from Axis attack, the actual risk and perhaps also the insurance cost may not be as high as in the case of other vessels. The consummation of the shipments, therefore, is likely to depend on whether or not the Board of Economic Warfare will grant an export license,

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RG FED RESERVE SYSTEM

Entry NON-RECORD
REFERENCE MATERIALSFile BINDER # 2Box 1

OFFICE CORRESPONDENCE

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DATE _____

TO _____ SUBJECT: _____

FROM _____

unless some technical factor should interfere.

From an economic point of view, there are both advantages and disadvantages in refusing to ship gold. We must consider the possibility that Argentina may later want to ship gold from Buenos Aires to some European country. Furthermore, as long as the gold is in our vaults, we are in a position to apply economic pressure to Argentina both during the war and after, although the purposes for which this might be done would be different in each case. On the other hand, Argentina has enough gold at home to take care of any shipments to Europe she wants to make and is not dependent on her earmarked gold in New York. Also, to keep the Argentine gold here in order to have a club which we can hold over their heads, is, in peace time at least, a two-sided matter. If other countries get the idea that we want to exploit the fact of their having deposits with us, the international standing of the dollar would be damaged, and international financial relations would become more difficult. Finally, a refusal to ship earmarked gold would be an immediate blow to the status of gold as an international means of payment, although this aspect might not be prominent under war conditions. From an economic point of view, the balance of arguments therefore seems to be in favor of allowing the gold to move.

The question of gold shipments to Argentina is primarily, however, a political and not an economic one. Failure to meet the Banco Central's request would undoubtedly be interpreted as an attempt to bring pressure upon Argentina for a modification of her neutrality. By itself this step probably would fail to achieve any such result. There seems to be considerable public sentiment, however, for a pressure campaign against Argentina, which might even involve a complete boycott. The freezing of Argentine gold and other

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RG FED RESERVE SYSTEM
 Entry NON-RECORD
REFERENCE MATERIALS
 File BINDER # 2
 Box 1

OFFICE CORRESPONDENCE

-3-

DATE _____

TO _____ SUBJECT: _____

FROM _____

assets would naturally form part of such a campaign. A policy of this kind, however, would be dictated by resentment rather than reason, and would, I think, yield no net advantages beyond that of satisfying our desire for revenge. We do not gain a friend when we force Argentina to align herself with the United Nations. All we achieve is the reduction of espionage and of such small shipments of materials as may still be reaching the Axis through Argentine channels. We would be doing this at the expense of the intense humiliation which all Argentines, not only those who are neutral or opposed to the United States, must be expected to feel when their government is publicly forced to its knees. Six months ago, when we needed every little bit of support that we could muster, and when the Argentine Government had not so rigidly committed itself, the gain from a change in Argentine policy would have been greater and Argentina's humiliation less. Pressure then might therefore have been justified. At the present time, the gains would be less valuable, and the political defeat for Argentina more painful. Since, after all, we have to live in the same hemisphere with that country, I think it would pay us to overcome our feelings and avoid humiliating the Argentines in the interest of better postwar relations. We may, in fact, be gaining in a postwar sense by allowing Argentina to pursue her present course, because this course will take her farther and farther away from the position of leadership in Latin American affairs, which in the past she often utilized to antagonize the United States. These aspects of the case, therefore, seem to favor permitting the gold to move freely.

A third aspect is connected with the fact that we have in the past

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RG FED RESERVE SYSTEM

Entry NON-RECORD
REFERENCE MATERIALSFile BINDER # 2Box 1FEDERAL RESERVE BANK
OF NEW YORK

OFFICE CORRESPONDENCE

-4-

DATE _____

TO _____

SUBJECT: _____

FROM _____

discouraged certain other Latin American countries from shipping gold. By giving Argentina a free hand now, we may be creating bad feeling. We must also avoid the impression that we are placing a stamp of approval on Argentina's policy in general. These latter considerations would favor an effort to avoid having to meet the Argentine request, but, since I have not enough knowledge of the details of other Latin American cases, I am unable to assess their precise importance. On the whole, however, the above-mentioned economic and political advantages in granting the Argentine request probably outweigh these final considerations. Should it be decided, however, that we are not to ship the gold, it is in my opinion highly important that plausible technical grounds for our refusal be found so that the Argentines will not be unduly offended.

are Argentina's

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Authority NNR80211
By JW NARA Date 4-10RG 59
Entry DECIMAL FILE
1940-44
File 854.515
Box 5283

3/42

SWITZERLAND'S FINANCIAL TRANSACTIONS ON BEHALF OF GERMANY AND
AXIS COUNTRIES

In view of the fact that Switzerland is surrounded by Germany and Axis controlled territory, she has to collaborate economically with these countries. The degree of this collaboration and the degree of which certain transactions may be detrimental to the interest of the United States or the United Nations will be investigated in this study. Suggestions for stopping such transactions will be made.

A. Regular Commercial and Financial Transactions

Switzerland must import many foodstuffs and raw materials from Germany or German-occupied Europe. On the other hand, she must also export to these countries the products of her soil and industries. Furthermore, there are many regular financial transactions between these countries originating in investments, insurance obligations, etc. Most of them only affect Switzerland and her trading partners. Third parties like the United States may have an abstract interest in the type of commercial transactions between Switzerland and our enemies, but little can be done to change that situation.

Switzerland has clearing agreements with most German-dominated Europe because in most instances Swiss receipts, due to exports, foreign investments, insurance transactions, surpass payments to these countries. Clearing agreements were instituted in order to balance, if possible, the mutual transactions and to cut down certain types of payments. Swiss financial creditors in the most of these agreements received only a partial share of their claims. Although, as previously stated, most of the clearing agreements attempt to balance mutual commercial and financial payments, two big exceptions exist - namely, payments with Germany and Italy. Since the German and Italian factories have fallen behind in their deliveries to Switzerland while their requirements from the neutral countries are increased, Switzerland has accumulated considerable clearing claims in Germany and Italy. At first this meant that Swiss exporters were not paid for several months - that is to say, until in chronological order money received from Germany or Italy permitted payments of claims. Usually payments were several months late. In order to relieve the Swiss exporters, the Swiss government agreed to assume these clearing claims. Up to the end of 1941 450 million francs were allowed to be accumulated in the clearing account and up to the end of 1942 this amount may increase to 850 million francs. In reality this means that the Swiss exporters are paid by the Swiss government, who temporarily advances the money to Germany. With Italy the clearing loan amounts to 125 million francs. Although Switzerland agreed to these clearing loans, it is not certain that Germany and Italy can actually take advantage of them, because Swiss deliveries of goods to Germany and Italy are limited by Swiss productivity. Certain exports can be maintained only if sufficient raw materials are received from the Axis with which to manufacture these goods. In other words, Germany has to

226878

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Authority NND802111
By JW NARA Date 4/10RG 59
Entry DECIMAL FILE
1940-44
File 854.515
Box 5283

- 2 -

supply Switzerland with raw material if the Swiss economy is to furnish Germany with manufactured goods. From the evidence available at the present time, it seems improbable that Germany can utilize even as much as one-half of the clearing loan granted by Switzerland under the agreement. These clearing loans cannot be used for other transactions.

The granting of clearing loans to Germany and Italy - that is to say, to our enemies, should be considered an unneutral act, because Switzerland is granting a unilateral benefit to one group of belligerents. It is true that Switzerland has not much choice in the matter; nevertheless, the granting of a loan to a belligerent is in a different category from commercial and financial exchanges on a compensating basis. The fact that the Swiss National Bank and the Swiss private citizens have large amounts of investments in the United States which are frozen under the United States legislation does not offset or mitigate this unneutral act because Switzerland has also very large investments in Germany which are frozen and unusable at the present time.

B. Financial Transactions Not Covered by Clearing Agreements

In most clearing agreements there is a clause permitting the so-called debtor nation - that is, the nation which is in arrears on her commercial and financial payments, to receive a certain percentage of the amount paid into the clearing account to be at its free disposal. This amount does not have to be used to pay foreign creditors, but can be used by the debtor country in any way it sees fit. This is free exchange not subject to bilateral restrictions. Germany, and in particular the Reichsbank, which operates the Verrechnungskasse, has been receiving every month a certain amount of Swiss francs which could be used for propaganda, for acquiring currencies of third countries, for expenses not covered by the clearing agreement, etc. Since clearing figures are no longer published, it is impossible to determine how much free Swiss exchange Germany or other Axis countries have received in the past and are receiving at the present time. Since Swiss-German trade is large, considerable sums are at the disposal of Germany.

Another source of free Swiss francs available to the Germans results from gold sales. According to confidential intercepts, Germany has sold more than 260 million Swiss francs worth of gold to Switzerland during the six months ending January 1942. The gold is shipped to the Swiss National Bank by the Reichsbank, but an analysis of the published gold holdings of the Swiss National Bank does not indicate that the gold was bought by this bank for its own account. It would appear that the gold was bought by Swiss commercial banks; but because they have no facilities for weighing gold, the Swiss National Bank was entrusted with that function. In other words, the Swiss commercial banks own most of the gold received from Germany, but instead of keeping it in their own vaults use the facilities of the National Bank. As payment for the gold these commercial banks make Swiss francs available to the Germans.

226879

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Authority NND80211
By JW NARA Date 4-10RG 59
Entry DECIMAL FILE
1940-44
File 854.515
Box 5283

- 3 -

The published official gold holdings of Germany are less than the amount already sold by Germany. It has been known for a long time that Germany has a large unrecorded gold reserve. The intercepts concerning gold sales to Switzerland occasionally indicate that Czechoslovakian and Russian gold is involved. Since the Reichsbank has confiscated considerable amounts of gold from Poland, the Netherlands, Czechoslovakia, Belgium, and possibly Denmark, it is probable that its present gold holdings are still very large. If the Reichsbank can sell that gold abroad, valuable foreign exchange can be acquired for purchasing needed raw materials. Because Switzerland is close to Germany, Germany finds it easy to sell gold abroad. Elimination of such gold sales will force Germany to find other markets; this may not be as easy because of transportation difficulties and because other countries may not be willing to accept that gold.

Whether Switzerland's purchases of gold from Germany should be considered an unneutral act is difficult to determine. In any case, it is significant that the Swiss National Bank is not a direct party. The Swiss commercial banks, whose main interest is to make a living, do not care whether they commit an unneutral act.

A third source of free Swiss francs for Germany comes from the sale of American dollar notes in Switzerland. According to information received from the British government, it appears that Germany has systematically collected large amounts of hoarded dollar notes in Germany and occupied territories. They have been confiscated, purchased in the black market, or looted, and although no figures are available as to the amount of dollar notes hoarded or circulating in Europe, very large sums of money can be realized by Germany. Since Switzerland is a free gold and foreign exchange market, there are few difficulties in selling dollar notes. The British estimate that the German government or the Reichsbank sell dollar notes in Switzerland at approximately 60 percent of their parity. It is undoubtedly desirable to stop such trade in American bank notes in Europe because Germany derives a great benefit from them. The best method to accomplish this will be discussed later. A special discussion on the problem of dollar notes in all of Europe is given in the appendix.

Finally, Germany may be able to realize free Swiss exchange through the sale of German or foreign securities in Switzerland. Although the United States has put into effect an effective system of security supervision to prevent any payments with a possible immediate or removed enemy interest, there still is a considerable trade in American securities in Switzerland. The purchasers often have a speculative interest, or are hoping that in the long run, especially at the conclusion of the war, they may profit from these security purchases. Securities, other than American, are probably freely traded - partly as investment possibility and partly as a speculative transaction. It is apparent too that Germany is able to sell some of her own securities in Switzerland. Considerable amounts of free Swiss exchange can thus be collected by Germany. It appears that Swiss francs resulting from security sales are not subject to clearing provisions.

226880

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By JW NARA Date 4-10RG 59
Entry DECIMAL FILE
File 1940-44
854.515
Box 5283

- 4 -

Summarizing this section, it appears that Germany has no difficulty in acquiring large amounts of free Swiss francs from gold, bank notes, and security sales and from the free allowance in the clearing agreement. The Swiss National Bank is involved to a certain extent, but it appears that most of the transactions are undertaken by Swiss commercial banks and brokers.

C. Utilization of Free Swiss Francs by Germany

Since Germany, under the provisions of the existing clearing agreement with Switzerland, can buy Swiss products irrespective of inpayments into the clearing account, the free Swiss exchange available is to be used mostly for purchases or transactions outside Switzerland. It has been shown in previous paragraphs that German purchases in Switzerland are facilitated by the Swiss clearing loan and are thus only limited by Switzerland's ability to produce them. If Germany then uses the free Swiss exchange for buying commodities in other neutral countries, or possibly through these in non-belligerent or enemy countries, Switzerland facilitates a transaction beneficial to our present enemies. From various intercepted material it appears that Germany has been acquiring large amounts of escudo exchange and some Argentine pesos. For example, it is known that from September 8, 1941 to March 11, 1942 Switzerland made available to Germany a total of 285 million escudos. This amount was paid by various Swiss commercial banks into the escudo account of the German Reichsbank at the Banco Lisboa y Acores and Banco Espirito Santo.

Before discussing the origin of the large escudo balances at the disposal of the Swiss commercial banks, it is important to illustrate what use Germany is making of these escudo credits. Intercepts show that large amounts of escudos from Reichsbanks' account were made available to Minerio Silvicola probably for tungsten purchases. For example:

Week of January 15-21, 1942	Esc. 29,400,000
Week of January 22-29, 1942	39,200,000
Week of February 5-11, 1942	49,200,000

Occasionally there are outpayments to Japanese payees, but these amounts are not very large. Other German firms are mentioned occasionally. Most of these payments are probably for German purchases of raw materials or foodstuffs in Portugal. In other words, the Swiss commercial banks facilitate German purchases of vital raw materials in Portugal.

The exact origin of these large escudo amounts are not known although much evidence on certain Swiss escudo transactions are available. The regular Swiss commercial transactions with Portugal do not leave a balance in favor of Switzerland. Consequently, Switzerland has no escudo surplus from that source. In fact Swiss trade with Portugal is very passive at the present time, as the following table illustrates:

226881

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Authority NND802114
By JW NARA Date 4/10RG 59
Entry DECIMAL FILE
1940.44
File 854.515
Box 5283

- 5 -

Switzerland's Trade with Portugal
(In millions of francs)

	Imports from Portugal	Exports to Portugal	Import (-) or Export (+) Surplus
1939	8.13	9.51	+1.38
1940	11.03	10.43	- .60
Nine months of 1941	72.75	7.45	-65.30
Monthly for 1941:			
January	2.52	0.90	-1.62
February	0.71	0.98	+ .27
March	4.84	0.79	-4.05
April	6.18	0.51	-5.67
May	8.99	0.51	-8.48
June	7.41	0.70	-6.71
July	11.09	1.07	-10.02
August	16.38	1.21	-15.17
September	14.63	0.77	-13.86

As a result of the great import surplus for the first nine months of 1941, Switzerland had to make large payments to Portugal. First it was suggested that Swiss gold from New York was to be shipped to Portugal and later that Swiss gold was to be earmarked for Portugal in New York; however, neither transaction was licensed by the Treasury. Switzerland thereupon had to make gold available to Portugal in Europe. During the last few months the Swiss National Bank has been sending regularly considerable amounts of gold to Portugal. These gold sales have nothing to do with making escudos available to Germany, and the Swiss National Bank has stated emphatically that it is not a party to any of the Swiss-Portuguese transactions on behalf of Germany.

Other commercial transactions also do not offer any possibility for accumulating large escudo balances. Export surpluses toward the Western Hemisphere are small and any proceeds transferred to Portugal are but a fraction of the German escudo requirements. Consequently, it appears that the available escudos must come from other types of transactions - particularly transactions in American dollar notes, gold, and possibly foreign securities.

Available statistics or intercepts do not indicate that the Swiss commercial banks have been selling the gold acquired from Germany to Portugal or to any other country on behalf of Portugal; although it is possible that the gold is actually sold but earmarked in Switzerland rather than transported to Portugal.

It is known that Swiss commercial banks are selling large amounts of dollar notes to Portugal, shipping them in packages of approximately \$10,000 each.

226882

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Authority NND802111
By JW NARA Date 4-10RG 59
Entry DECIMAL FILE
1940-44
File 854.515
Box 5283

- 6 -

The notes are sold at a discount of approximately 32 percent - that is to say, they are sold at 68 percent of their parity, the seller paying postage and insurance to Portugal. Since the bank notes usually are acquired at a discount of 40 percent, the Swiss banks are making a profit of about 8 percent minus postage and insurance charges. Through these bank note sales large amounts of escudos are made available to the Swiss banks which, in turn, buy German owned free Swiss francs against delivery of Portuguese escudos. Naturally Portuguese banks can only absorb large quantities of these bank notes if they can sell them again at a profit to other countries. In this connection it appears that dollar bank notes are sold mostly to South America, and in particular to the black markets in Argentina and Brazil. Originally they were sent by the "Lati" air service, but since its suspension, other means of transportation have to be used, and it has become more difficult to dispose of the notes in South America.

A number of other intercepts indicate that Swiss commercial banks receive a considerable amount of escudo exchange from Argentina. It is possible that Portuguese banks act as intermediary for the bank note sales, so that the proceeds of the dollar note sales become available in Argentine pesos and are then converted into Portuguese escudos. Another possibility is that Swiss investors in the United States, who have their money frozen by the unwillingness of the Swiss National Bank to accept dollars, are sending their monies to Argentina and then sell them to the Swiss commercial banks. The third possibility is that Swiss held foreign securities, possibly of German or Axis origin, are disposed of in Portugal or South America. Little evidence is available concerning such transactions.

Under all circumstances the Swiss commercial banks facilitate financial transactions for our enemies. As long as free Swiss exchange resulting from legitimate commercial transactions is involved, Switzerland acts as an intermediary for Germany. If, on the other hand, confiscated gold, American bank notes, or securities are involved, Switzerland facilitates the sale of stolen goods, which must be considered an unneutral act. Swiss commercial banks undoubtedly have the point of view that they do not care about the origin of the gold or the bank notes as long as they can make some profit on the transaction, and thus they furnish direct help to our enemies. It might be argued that even in these instances Switzerland acts as an intermediary and is not actually a part of the transaction. The ultimate buyer of the bank notes or the gold or the securities is really responsible for the unneutral act. If Portuguese or South American buyers were no longer interested in such transactions, the Swiss commercial banks would no longer execute them. This argument at times is further reinforced by stating that if Switzerland were not willing to act as intermediary, Germany could still undertake such transactions directly with Portugal or with South America. Such an argument cannot be accepted because it is apparent that Germany uses Switzerland because transactions with the assistance of Switzerland are much simpler and are only possible because Switzerland acts as intermediary. The elimination of Switzerland would undoubtedly make things much more difficult for Germany. Since most of these transactions on the part of the Swiss can be considered an unneutral

226883

DECLASSIFIED
 Authority NND80211
 By JW NARA Date 4-10

RG 59
 Entry DECIMAL FILE
1940-44
 File 854.515
 Box 5283

- 7 -

act, it is to the interest of the United States to stop them.

D. Present Freedom of the Swiss Commercial Banks

As has been mentioned before, the Swiss National Bank apparently does not facilitate directly any of the German-Swiss-Portuguese-South American financial transactions. It seems to act as an agent of German gold sales to Swiss private banks but does not take any interest in the underlying or contemplated transactions. Although the Swiss National Bank has bought small quantities of German gold for its own account, the gold payments it has made to Portugal are due solely to a deficit in the Swiss-Portuguese balance of trade. The Swiss National Bank has certified to the American government that it has not acted on behalf of Germany in other neutral or overseas countries. I believe this statement to be true to the facts.

On the other hand, as it also has been shown in the preceding sections, the Swiss commercial banks are heavily involved in indirect transactions on behalf of Germany. The following Swiss banks are the most active dealers in the Portuguese market for American bank notes:

1. Banque Federale, Geneva
2. Societe Banquiers de Geneve, Geneva
3. Credit Suisse, Geneva
4. Soc. Generale Alsacienne de Banque, Zurich

On the other hand, the Swiss commercial banks which make the escudos available to Germany are mostly the following:

1. Leu & Company, Zurich
2. Swiss Bank Corporation, Zurich
3. Credit Suisse, Zurich

The Leu Bank seems to be the most important single bank facilitating such transactions. For instance, during the week of April 23-29, 1942, the payments into the Reichsbank's escudo accounts in Portuguese banks were as follows:

a. To the <u>Banco Lisboa y Acores</u>		
From:	Leu & Company	Esc. 6,200,000
	Misc. Sources	<u>1,800,000</u>
		Esc. 8,000,000
b. To the <u>Banco Espirito Santo</u>		
From:	Credit Suisse	Esc. 2,000,000
	Swiss Bank Corporation	1,000,000
	Leu & Company	1,500,000
	Misc. Sources	<u>2,800,000</u>
		Esc. 7,300,000

Observing the development during many weeks, it seems absolutely certain that neither the bank note sales, by the above mentioned banks, nor the

226884

DECLASSIFIED
 Authority NND80211
 By JLW NARA Date 4-10

RG 59
 Entry DECIMAL FILE
1940-44
 File 854.515
 Box 5283

- 8 -

inpayments into German escudo accounts are isolated transactions. On the contrary, transactions in dollar notes occur every week, and the statements of the Portuguese banks every week show inpayments by various Swiss commercial banks.

Swiss commercial banks can undertake such transactions practically without any restriction because Switzerland still has a free gold and foreign exchange market, and the Swiss commercial banks are not subject to much governmental control. The Swiss National Bank has practically no authority over gold and foreign exchange transactions and cannot prevent the Swiss commercial banks from undertaking certain types of transactions. There is only an agreement concerning dealings in dollar exchange. This agreement could be made because there is a great abundance of dollar exchange which the Swiss National Bank is willing to absorb under certain conditions. Since it is the only large buyer, it can lay down its own conditions. In regard to other transactions, no such one-sided advantage exists. As the Swiss constitution also provides for complete banking secrecy, it is possible that the Swiss National Bank and the Swiss government are not fully aware of what is actually going on. Information is, however, available to us through the British Intercept and information services.

E. Methods to Stop Unneutral Swiss Transactions

In the preceding paragraphs several financial transactions detrimental to our interests have been outlined. All of them benefit our enemy and must be considered unneutral acts by Switzerland on behalf of Germany. Efficient economic warfare demands that some, if not all, of these transactions be stopped.

Not much can be done concerning the clearing loans granted to Swiss exporters which, in reality, amount to a loan to Germany, because Switzerland depends on foreign trade for a living. Since Germany and Axis countries virtually surround Switzerland, trade with overseas countries is limited, forcing Germany to trade mostly with German-dominated Europe. It might be possible, however, to increase our purchases of Swiss products which might be helpful to Germany or in which a large amount of Swiss labor is involved; then this labor cannot be at the disposal of the German war economy. In other words, the clearing credit can hardly be stopped, but we might succeed in preventing Switzerland from shipping too many goods to Germany, which will result in a partial non-utilization of that clearing credit.

The gold and bank note sales to Switzerland must be absolutely stopped; the Swiss commercial banks performing these transactions must be prevented from undertaking any transactions beneficial to our enemies. We might request Switzerland to refrain from executing these transactions; or we might request Switzerland to introduce an official gold and foreign exchange regulation. The Swiss National Bank should have a monopoly or full control over all foreign exchange transactions with all foreign countries. These recommendations are based upon a belief that the Swiss National Bank's assertion that it is no party to any indirect unneutral transaction is true. We can assume that the execution of the gold and foreign exchange monopoly by the Swiss National Bank would produce the same results.

226885

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Authority NN080211L
By JW NARA Date 4/10RG 59
Entry DECIMAL FILE
File 1940-44
854.515
Box 5283

- 9 -

How the Swiss government or Swiss National Bank can introduce a gold and foreign exchange control is difficult to appraise. Several possibilities exist. It is possible for the Swiss National Bank to negotiate a gentleman's agreement with the commercial banks whereby the latter promises not to undertake any large scale financial transaction with Germany without the prior approval of the Swiss National Bank and, in particular, to refrain from dealing in gold and American bank notes on behalf of Germany. In the second place, the Swiss Federal Council (executive branch of the government) might issue an emergency decree under its temporary war powers, granting the Swiss National Bank the exclusive privilege to deal in gold and foreign exchange transactions. It appears that such an emergency decree is legal under present legislation and war conditions. Whether it would need the approval of Parliament is a debatable question. When many months ago the Swiss gold holdings located in Switzerland fell below the legal minimum, the Swiss National Bank argued that the refusal for shipping Swiss gold from New York to Europe would necessitate the changing of the Swiss gold laws; this, in turn, might arouse an unfavorable public reaction. Although the gold was not shipped to Europe and although the gold reserves continue to stay below the legal minimum, the action of the Federal Council authorizing this situation was, as far as I know, never submitted to Parliament. The introduction of the gold and foreign exchange control especially effecting large financial transactions on behalf of Germany could certainly be accomplished in a similar way.

Requesting Switzerland to refrain from executing large financial transactions on behalf of Germany might not lead to results if we do not have weapons to force Switzerland to accept such a request. There are two possibilities in that respect. In the first place, we might make General License No. 50 more strict, or even revoke it; in this case, Swiss financial transactions with the United States would become more difficult. In the second place, we might make the granting of future export licenses conditional upon the elimination of these financial transactions detrimental to our interests. These weapons are undoubtedly very strong and should not be used before other means have been exhausted.

Apart from asking the Swiss government to prevent the execution of such unneutral transactions, we might put all the Swiss banks involved in these practices upon the black list and suggest that the British authorities follow suit. Since British authorities in the past have always been skeptical about the transactions of the Swiss commercial banks, this support on our part may give them the necessary assistance in eliminating these unneutral practices.

Concerning the trade of American bank notes in Europe, the British Government has already informed the Turkish Government, which is also implicated in some of these transactions, that all American bank notes destined to Turkey or originating in Turkey are subject to seizure and confiscation except if there is proof of non-enemy interest. A similar warning might be sent to the Swiss government making it thus more difficult to dispose of American Bank notes in that market. Germany, in that case, might still

226886

DECLASSIFIED
 Authority NND80211L
 By JW NARA Date 4-10

RG 59
 Entry DECIMAL FILE
1940-44
 File 854.515
 Box 5283

- 10 -

be able to sell dollar notes, but in all probability the discount would be larger, and thus the German profit in the transaction would tend to disappear.

Finally, we should be well aware that any policy toward Switzerland alone may be insufficient and that Switzerland should not necessarily be singled out as the only country on which to apply such pressure. Although it is true that Germany is using Switzerland to a very large degree, Germany is also using Portugal, and similar measures should be devised in order to control German dealings in Portugal. These recommendations in regard to Switzerland are, therefore, merely one step in a more far-reaching control of enemy financial transactions in all neutral countries.

A final word should be said about a possible German reaction in regard to such pressure. Since Switzerland is so dependent upon Germany, Germany might try to force Switzerland to continue some of these practices, and in that case Swiss relations with the United States might further disintegrate. However, it seems to me that Germany has a considerable interest in Switzerland's trade with the United States, particularly in regard to Swiss imports from this country since any raw materials and foodstuffs received would make the Swiss economy function better. This would make available to Germany a larger amount of Switzerland's energy and factory output. Furthermore, Switzerland's bargaining position towards Germany is not negligible. In the first place, Germany needs the Swiss railway system including the tunnels through the Alps in order to supply her Axis partner Italy. In the second place, Swiss labor and Swiss industrial equipment are important in the German war effort. Finally, Switzerland offers a good opportunity for Germany to maintain contact with overseas countries. It seems to me that a request to Switzerland to eliminate these unneutral transactions would not fail because of German pressure upon Switzerland; consequently such a course of action should be followed. Naturally, we should not overlook that the United States also has an interest in the maintenance of the Swiss economy and independence. Switzerland at the present time is a very valuable observation post and its existence may be of paramount interest to this country.

226887

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Authority NND80211
By JW NARA Date 4-10RG 59
Entry DECIMAL FILE
1940.44
File 854.515
Box 5283SALES OF UNITED STATES DOLLAR BANK NOTES

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|---|--|
| <p>A. <u>GERMANY</u> gives</p> <ol style="list-style-type: none"> 1. <u>To Switzerland</u> - U.S. \$ bank notes 3. <u>To Switzerland</u> - Swiss Francs <p>B. <u>SWITZERLAND</u> gives</p> <ol style="list-style-type: none"> 1. <u>To Portugal</u> - U.S. \$ bank notes <p>C. <u>PORTUGAL</u> gives</p> <ol style="list-style-type: none"> 1. <u>To South America</u> - U.S. \$ bank notes (mainly to Casal Manfredi y Perego, Buenos Aires, but also by smugglers among ships' crews and passengers) <p>D. <u>CASAL MANFREDI Y PEREGO, BUENOS AIRES</u> gives</p> <ol style="list-style-type: none"> 1. <u>To South American Black Markets</u> - U.S. \$ bank notes <p>E. <u>SOUTH AMERICAN BLACK MARKETS</u> give</p> <ol style="list-style-type: none"> 1. <u>To local holders of \$ bank notes</u> - local currency 3. <u>To New York banks</u> - U.S. \$ bank notes 5. <u>To Portuguese banks</u> - \$ in blocked a/c 7. <u>To South American clients</u> - Escudo, Cheques or telegraphic transfers <p>F. <u>PORTUGAL</u> gives</p> <ol style="list-style-type: none"> 1. <u>To South American beneficiaries</u> (or to their order) - Escudos - E. 7 above <p>G. <u>AXIS BANK IN SOUTH AMERICA</u> gives</p> <ol style="list-style-type: none"> 1. <u>To South American Black Market</u> - local currency or agreeable payment 3. <u>To Swiss banks</u> - Escudos <p>H. <u>SWISS BANKS</u> give</p> <ol style="list-style-type: none"> 1. <u>To Reichsbank</u> - Escudos | <p>A. <u>GERMANY</u> receives</p> <ol style="list-style-type: none"> 2. <u>From Switzerland</u> - Swiss Francs 4. <u>From Switzerland</u> - Escudos <p>B. <u>SWITZERLAND</u> receives</p> <ol style="list-style-type: none"> 2. <u>From Portugal</u> - Escudos <p>C. <u>PORTUGAL</u> receives</p> <ol style="list-style-type: none"> 2. <u>From South America</u> - \$ cheque on N.W. in the case of Casal Manfredi and local currency in the case of smugglers <p>D. <u>CASAL MANFREDI Y PEREGO, BUENOS AIRES</u> receives</p> <ol style="list-style-type: none"> 2. <u>From South American Black Markets</u> - Counter-value in free funds <p>E. <u>SOUTH AMERICAN BLACK MARKETS</u> receive</p> <ol style="list-style-type: none"> 2. <u>From local holders of \$ bank notes</u> - U.S. \$ bank notes 4. <u>From New York banks</u> - \$ in free a/c 6. <u>From Portuguese banks</u> - Escudos 8. <u>From South American clients</u> - local currency <p>F. <u>PORTUGAL</u> receives</p> <ol style="list-style-type: none"> 2. <u>From New York banks</u> - \$ in blocked a/c <p>G. <u>AXIS BANK IN SOUTH AMERICA</u> receives</p> <ol style="list-style-type: none"> 2. <u>From South American Black Market</u> - Escudos - E. 7 above 4. <u>From Swiss banks</u> - Swiss francs <p>H. <u>SWISS BANKS</u> receive</p> <ol style="list-style-type: none"> 2. <u>From Reichsbank</u> - Swiss francs or gold |
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