

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date February 20, 1947

To Chairman Eccles

Subject: Polish gold loan

From Mr. Knapp 

Mr. Knoke has called to inform me that the New York Bank's Board of Directors today approved the extension of a 20 million dollar loan on gold to the Bank Polski on the revised terms proposed by the Board. The question remains open for consideration by the Policy Group of whether this loan should now be renewed for a long period or disposed of by "refunding" it into a long-term loan by a commercial bank in the market.

In this connection, I received a telephone call from Mr. Sanford of the New York Bank this morning who informed me that Mr. Shepard, Vice President of the Bankers Trust Company, had taken up with Mr. Sproul the question of a two-year loan by the Bankers Trust Company to the Bank Polski against the security of 14 million dollars in gold held by the Bank Polski at the Bank of Canada. I gather that Mr. Sproul said nothing to discourage this proposition and of course no Treasury license would be required since the gold is located abroad. Mr. Sproul promised to ascertain whether the State Department had any objection to such a loan, and at Mr. Sanford's request I followed this matter up with Mr. Ness this morning. Mr. Ness called me back to say that the State Department had no objection, and I have so informed Mr. Sanford.

This incident again suggests to me that the best way to handle the Polish request for a loan on gold under earmark here would be to pass this loan on to the commercial banks in the market who could commit themselves for a two- or three-year credit.