

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date May 8, 1942To Chairman EcclesSubject: Alien Property Custodian andFrom M. S. Szymczakthe Federal Reserve System

After careful consideration of the question of whether the Alien Property Custodian might take over the freezing powers from the Treasury and administer them through the Board and the Federal Reserve Banks, I have come to the conclusion that this procedure would not be feasible or, if feasible, would not be appropriate.

With regard to the question of whether it would be possible for the Alien Property Custodian to take over the freezing powers, the maze of Executive Orders and delegations of authority which delimit the spheres of the Treasury's Foreign Funds Control and the Alien Property Custodian, respectively, seem to admit a technical argument that the A.P.C. could in effect take over most, if not all, of the Treasury functions. These functions are performed, generally speaking, with respect to foreign property in the United States which the A.P.C. is authorized to vest in himself. Thus, if the A.P.C. exercised his vesting powers very broadly, the Treasury's functions would largely lapse for want of subject matter. In practice, however, it is expected that the A.P.C. will limit his vesting orders to the property in this country belonging to the Axis powers and their allies or perhaps to only business enterprises and patents controlled by such countries. The few vesting orders which have been announced so far have been confined to the latter field. In any case, very few transactions have been permitted by the Treasury in the frozen assets of the Axis countries and their allies, except that the operation of business enterprises in the United States controlled by such countries has in some cases been allowed to proceed under the close supervision of the Treasury. The most active blocked assets have been those of the enemy-occupied countries, and it seems likely that these assets will not be taken over by the Alien Property Custodian and will continue to constitute the principal concern of the Treasury Foreign Funds Control. Reading between the lines of the Executive Orders on this subject leaves the clear impression that a continuing role of this nature was envisaged for the Treasury.

In any case, even if a theoretical argument could be made out to the effect that the Alien Property Custodian has power to take over all the foreign property in which the Treasury is

interested, it would still seem impolitic for the Board to encourage such a procedure. We would be encouraging it if we undertook negotiations with the A.P.C. with a view to offering him the services which the Federal Reserve Banks have hitherto been performing as fiscal agents of the Treasury. The Treasury naturally feels that it has a vested interest in this picture, since it has been operating Foreign Funds Control for more than two years, and it would no doubt resent an unreasonable encroachment upon its activities in this sphere.

One line of cooperation with the Alien Property Custodian which the Board might consider is offering the services of the Federal Reserve Banks in administering the filing of claims on property which is vested by the A.P.C. On March 25 the A.P.C. issued regulations for the filing of such claims which provide that they shall be prepared on a special form and sent direct to the office of the Alien Property Custodian in Washington. The regulations further establish a Vested Property Claims Committee which is empowered to hold hearings on the claims and to submit its findings and recommendations to the A.P.C., who renders the final decision. These claims must relate directly to the vested property, and since the amount of property actually vested by the A.P.C. thus far has been rather limited, the A.P.C.'s office has probably not been overburdened with claims. If the A.P.C. extends his vesting orders over a much wider sphere, however, it might be appropriate for the filing of claims to be decentralized in the Federal Reserve Banks, who would be able to assist in the technical problems of preparing the claims. Presumably the foreign property control divisions in the Federal Reserve Banks could offer expert knowledge in this field.

A handwritten signature in dark ink, consisting of stylized, cursive letters, possibly reading 'M.S.' or similar, with a horizontal line underneath.