

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date September 30, 1940

To Chairman Eccles

Subject: _____

From Mr. Dreibelbis



CONFIDENTIAL

The attached copy of a memorandum prepared by Mr. Brome of the Legal Department of the New York Bank summarizes in convenient form the status as of September 23, 1940 of the foreign accounts in which special authority is or has been in effect.

Attachment

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Revised to
September 23, 1940

FOREIGN ACCOUNTS
WITH RESPECT TO WHICH SPECIAL AUTHORITIES
ARE NOW, OR RECENTLY HAVE BEEN, IN EFFECT.

Copies to:

Mr. Sproul
Mr. Logan
Mr. Knoke
Mr. Dreibelbis
Mr. Koppang
Mr. Tiebout
Mr. Cameron
Mr. Brome
Legal Department
Special Files

BANQUE NATIONALE DE BELGIQUE

Dollar Accounts

"Account A"
(ordinary account)
9/23/40
Balance \$696,586.38

"Account No. 2"
(opened as stabilization, used as check account since September 26, 1939)
9/23/40
Balance \$ 33,123.94

"Account No. 3"
(opened by transfer from "A", no indication as to function) 9/23/40
Balance \$203,431.41

Gold Accounts

"Account A"
(Bank's gold)
9/23/40
Balance \$166,770,123.56

"Account No. 2"
(stabilization gold) 9/23/40
Balance -0-

No special authorities recognized by us. Ambassador Extraordinary Theunis was given authority to draw up to \$1,500,000. After several payments balance was transferred to his account at Chase. On June 29 the State Department sent us a copy of a power of attorney signed by Governor Janssen to Baudewyns, and, as alternate, Anxioux, effective "in the event that the administration . . . should find it impossible to give instructions" and to Theunis in the event the above mentioned could not act.

The Belgian Ambassador, through the State Department, sent us a copy of a decree law of February 2, 1940, permitting corporations to move their head offices (siege social) outside Belgium, and suspending the power of officers, etc., within occupied territory. The Ambassador certified that the bank had moved to Paris pursuant to such decree, and later Janssen sent us a copy of an "amending declaration" changing the siege social to the seat of the Belgian Government, and suspending the powers of officers, etc., in occupied territory.

On June 6 the State Department recognized the Belgian Government in Paris and that the powers of the King had devolved upon such government. Under date of June 26 the Belgian Ambassador stated That the Belgian bank had moved, with the Bank of France, from Paris to Saumur to Mont de Marsan whereas the Belgian Government had gone to Ostend then Poitiers and finally Bordeaux, but that it was quite legal for the administration of the bank to be conducted from some place other than its siege social.

On June 15 Janssen from Poitiers advised that the bank had moved there with the Bank of France and would transmit its cables through official Belgian channels as government cables. This was never done. On June 17 we were

advised that the bank was in Mont de Marsan, and on June 20 that Theunis would confirm certain cables. On July 1 and 2 the Belgian bank moved to Tarbes, Hautes Pyrenees, with the Bank of France, cabling us (directly and also via American Consul) to pay \$321,918.18 to Guaranty for Account D Belgian Government to meet July 1 bond payments. Theunis had already met such payments and requested changed instructions to pay Chase \$351,398 favor Theunis, which instructions came from Vichy direct only by cables dated July 9 and 13. Thereafter our and Theunis's cables were unanswered. Payment was made to Chase on August 31 after we received a letter from Belgian Ambassador confirming the validity of the payment, the government's property interest, etc., and that on July 9 and 13 the Belgian Government and Belgian bank were legally situated in Vichy. The State Department referred to its June 6 letter and stated that it recognized the continuity of the Belgian Government. (By letter dated September 23 Mr. Theunis advised us that he had just received a cable dated July 8, 1940, from the Belgian bank setting forth the contents of a cable which it proposed to send to us, being the cable (No. 222) dated July 9 referred to above.)

On September 7, 1940, we received a letter from the B. I. S. transmitting copies of a letter to them from Janssen and its enclosure, which they had received from the Reichsbank. The enclosure was a copy of the Moniteur Belge for July 19, 1940, containing a notice that on July 15, 1940, the Board of Directors of the Belgian bank, meeting in Brussels, had "attested" to the cancellation of its May 15, 1940, decision to change the siege social. On September 21, 1940, we received a letter from the Reichsbank transmitting a letter to us from Janssen together with another copy of the same pages of the Moniteur Belge. Janssen's letter was similar to his letter to the B. I. S.

Mr. Theunis has indicated that an attempt will be made to provide a means of meeting Belgian bond payments from these accounts. At the present, however, the Legal Department has advised that no instructions can be honored.

BANK OF CANADA

(Entire balance of dollar account (only account maintained) transferred to account designated "The Government of Canada-Account A" on August 31, 1940, see below.)

CANADIAN GOVERNMENT

Dollar Accounts

"The Government of Canada - Account A"
\$225,666.650.05 from Bank of
Canada account
9/23/40 Balance \$235,796,322.68

"The Government of Canada - Account B"
9/23/40 Balance \$ -0-

Gold Account

"The Government of Canada - Gold
Account"
9/23/40 Balance \$ -0-

In accordance with instructions from the Bank of Canada received direct and from the Government of Canada received through our State and Treasury Departments, at the close of business on August 31, 1940, we, as fiscal agent for the United States pursuant to request of the Secretary of the Treasury, opened two dollar accounts in the name of the Canadian Government, and, as principal pursuant to authority of the Federal Reserve Act, opened a gold account in the name of the Canadian Government.

Authorities: Bank of Canada authorized to operate dollar account "A" and gold account, and six officials of Canadian Government authorized to operate dollar account "B".

BANK OF ENGLAND

(Gold and dollars in all accounts transferred to corresponding accounts in names of His Britannic Majesty's Government on July 12, 1940, see below.)

BRITISH GOVERNMENT

Dollar Accounts

"His Britannic Majesty's Government Current Account F"

\$2,909,762.12 from Bank of England Account F.

9/23/40 Balance \$2,683,978.60

"H. B. M. G. Current Account G"
\$27,760,902.56 from Bank of England Account G.

9/23/40 Balance \$58,767,908.56

"H. B. M. G. Special Account A"
\$21,146,171.98 from Bank of England Account A.

9/23/40 Balance \$ 916,928.99

Gold Account

"H. B. M. G. No. 3 Account"

All gold said to contain
3,824,927.632 fine ounces
in Bank of England No. 3
account.

9/23/40 Balance \$54,288,992.56

In accordance with instructions from the Bank of England received direct and from the British Government received through our Secretaries of State and the Treasury, at the close of business on July 12, 1940, we transferred the balances in all Bank of England accounts to accounts in the name of the British Government as indicated in first column. The dollar accounts were opened and maintained by us as fiscal agent of the United States pursuant to Treasury request. The gold is held by us as principal under authority of sections 4 and 14(a) of the Federal Reserve Act.

Present authorities: Bank of England authorized to act as to all accounts. Special authorities to Purvis, et al., re Special Account A remain in force.

Emergency authorities: Upon receipt by us of a notification from the British Ambassador in the form which has been arranged, the authority of Bank of England ceases, Purvis, et al. retaining authority re Special Account A, and in lieu of the Bank of England to British Ambassador and J. A. C. Osborne would have authority to operate all accounts other than Special Account A.

BANQUE DE FRANCE

Dollar Accounts

No designation (ordinary)

9/23/40 Balance \$ 3,184,100.19

"Account M"

9/23/40 Balance \$ 3,679.00

"Account S"

9/23/40 Balance \$ 5,397.18

"Account T"

9/23/40 Balance \$ 233,700,588.61

"Special Account"

9/23/40 Balance \$ 15,565,547.71

Gold Accounts

No designation (ordinary)

9/23/40 Balance \$ 484,597,641.21

"Account S"

9/23/40 Balance \$ -0-

"Account P"

9/23/40 Balance \$ -0-

"Account Z"

9/23/40 Balance \$ 17,686,574.52

Security Accounts

No designation (ordinary)

9/23/40 Balance \$ -0-

By cable No. 15 dated Bordeaux June 25, 1940, signed "P. Fournier, Banque de France" we were notified that the authority of Martial and de Sieyes to draw on all accounts was cancelled, and that they "remain accredited only to operate the special account ***". Mr. Martial had been authorized by letter dated March 7, 1940 to draw on "Account T" "for his and his collaborators' personal expenses". Under date of September 13, 1940 Martial requested us to pay the Chase National Bank \$3,000 by debit to Account T for credit to his account for "personal and office expenses". In view of Bank of France cable No. 15 we cabled (No. 169) that bank on September 14 to confirm its letter to us of March 7 authorizing us to place at the disposal of Martial to the debit of its Account T any amount which he may request for his personal expenses and also to advise us whether it was intended that such authorization should include Martial's office expenses. Not having received a reply, on September 20 we cabled (No. 181) "Have you replied our No. 169". We have as yet received no reply to these cables.

Meanwhile on September 14, 1940, we received an unnumbered and untested cable, dated September 13, 1940, signed "Bank of France" to the effect that "M. Yves Breart de Boisanger has been appointed Governor of the Bank of France". On September 17, 1940, we cabled (No. 172) requesting them to repeat such cable with proper test and number, which they did by their cable No. 124 dated September 20. The Legal Department has under advisement the question of what formal authentication of this change and what statement regarding the recognition of the Vichy government by our government, if any, should be obtained. In the meantime the accounts are being operated on the existing cable test arrangement.

DE NEDERLANDSCHE BANK

Dollar Accounts

No Designation
9/23/40 Balance \$ 285.10

"Account F"
(Balance transferred
to Government)

Gold Accounts

"Special Gold Account B"
9/23/40 Balance \$ 538,994,190.59

"Special Gold Account FB"
9/23/40 Balance \$ -0-

"Special Gold Account A"
9/23/40 Balance \$ -0-

"Special Gold Account F"
(Transferred to Government)

Regular authorities not in effect because of "Zenyt" cable. Decree of May 24, 1940 purports to place accounts of Dutch banks domiciled in Holland at disposal of Government, and Government has given power of attorney to Minister. - Exchange of notes between Netherlands Minister and State Department set forth in State Department letter June 27, 1940, - State Department says it recognizes authority of Minister to operate accounts and other assets of Royal Netherlands Government. See our circular No. 2091, 7/2/40.

ROYAL NETHERLANDS GOVERNMENT

Dollar Account

"Royal Netherlands Government Dollar Account" Transferred balance of bank's "F" account.
9/23/40 Balance \$ 12,587,587.13

Gold Account

"Royal Netherlands Government Gold Account" Transferred gold in and received for bank's "F" account
9/23/40 Balance \$ 24,884,094.47

By letter dated January 18, 1939, de Nederlandsche Bank advised us that its dollar and gold account "F" were government property and by cable dated May 13, 1940, that the right to dispose of the "F" accounts had been transferred to the government, which would probably act through the Bank of England. By cable dated May 24 the Bank of England transmitted a message from the Dutch government to the effect that de Geer and van Asch van Wijck have been authorized to operate all government accounts in the U. S. and requesting transfer of F accounts to name of government. This was confirmed by letter dated May 24 signed "van Asch van Wijck" transmitting specimen signatures. The accounts were transferred on May 24, the dollar account being held in liquidation only. On June 7 the Treasury authorized us to open these accounts as fiscal agent.

At the time the State Department's letter of June 27, 1940, relative to the decree of May 24 was obtained we sought to obtain official confirmation of the foregoing, but it was sidetracked. By letter dated August 30, the Treasury recognized that the gold account is held by us as principal under the Fed. Reserve Act. Under date of Sept. 10 we sent the Treasury the specimen signatures of de Geer and van Asch van Wijck for authentication by the Dutch Minister. Drafts of letters for the Minister and State Department have been delivered for their respective considerations.

At various times de Geer and van Asch van Wijck have authorized the Dutch Minister to draw on the dollar account as follows:

(a) up to \$145,000 monthly, total not to exceed \$6,960,000,

(b) up to \$6,400,800 in favor of Guaranty Trust Co. until Dec. 31, 1941,

(c) up to \$4,200,000 until Dec. 31, 1941, and

(d) up to \$288,996.

NORGES BANK

In name of Norges Bank

Dollar Account

No designation
9/23/40 Balance \$14,962,406.71

Gold Account

No designation
9/23/40 Balance \$17,119,082.63*

Security Accounts

"Ordinary Depot"
9/23/40 Balance \$15,110,000.00

"Separate Depot"
9/23/40 Balance \$1,509,000.00

No designation
9/23/40 Balance \$82,000.00

Gold accounts in name of
Royal Norwegian Government

"Account No. 1"

9/23/40 Balance \$5,247,999.46

"Account No. 2"

9/23/40 Balance \$11,317,614.12

*Of this amount \$3,015,284.37 is held by F. R. B. of San Francisco as our agent and for our account.

By letter dated May 6, 1940, the State Department advised us as follows: (1) that the American Minister in Stockholm had received from the Speaker of the Norwegian Storting an original power of attorney, signed by the Norwegian Minister of Foreign Affairs and Finance authorizing the Norwegian Minister to the U. S. "to operate all accounts and other assets in the U. S. belonging to * * * the Bank of Norway * * * ", (2) that the State Department was satisfied of the genuineness of such power, (3) that the Norwegian Minister had advised the Department of a Norwegian decree of April 22, 1940, of which the Department took "official cognizance", article 10 of which provided that "At motivated request of Royal Norwegian Government, Norges Bank is to place means at disposal of Government for purpose of waging the war and obtaining supplies to extent considered necessary and defensible by Government", (4) that the Norwegian Minister had officially advised them that the King under such decree had on April 22 appointed a new Board of Directors for Norges Bank consisting of Dr. Arnold Raestad, Chairman, Jens Noeve, Ole Colbjørnsen, Dr. Wilhelm Keilham and Oscar Hansen, and that "Holdings abroad which belong to banks or private persons in areas occupied by Germans are taken over by Norges Bank on behalf of the Royal Norwegian Government * * * ", the Department "took official cognizance of this notification", and (5) that the Department accepted the authority of the Norwegian Minister "to operate all accounts and other assets in the United States belonging to the Norwegian Government, the Norges Bank * * * ."

By letter dated May 8, the Norwegian Minister confirmed (1) the power of the Minister of Finances to sign the power of attorney, (2) that Norges Bank is a governmental institution, (3) that the power of attorney is valid, (4) that the

April 22 decree was constitutional, (5) after quoting article 10, thereof, that the "formal document incorporating the decision" by which Norges Bank placed its assets at the disposal of the government has not been received, but that such a decision was evidently the basis of the power of attorney, and that he would get such document and forward it to us, hoping that "definite action may be taken" without awaiting the arrival of the document.

The above letters were mimeographed and transmitted to interested banks.

On June 27 the Board sent us a letter from Norges Bank dated May 10, enclosing Signatures of Dr. Arnold Raestad, Mr. J. Norve and "Principal Cashier" Mr. John Norman, and a copy of a Norwegian publication containing a copy of the decree of April 22. This decree was translated by the Norwegian Minister, who, under date of July 5 again confirmed that he alone had authority to operate the Norges Bank account

More recently we have received a letter dated June 10 signed by Mr. Erik Colban, Norwegian Minister in London, and Mr. Oivind Lorentzen, Norwegian Shipping Directors, informing us that the Norwegian Minister in Washington is authorized to operate this account conjointly with Mr. Erik Colban or Mr. Oivind Lorentzen or Mr. Ole Colbjornsen. -- The Minister is taking steps to have this letter withdrawn.

BANK POLSKI

Dollar Account

No designation
9/23/40 Balance \$599,871.74

Gold Account

No designation
9/23/40 Balance \$2,246,202.39

Securities Account

No designation
9/23/40 Balance \$1,100.00

On November 17, 1939, the Polish Ambassador confirmed to us by letter transmitted through the State Department that the authority of Messrs. Karpinski and Nowak to sign on behalf of Bank Polski had not been revoked and, under the laws of Poland, continued to exist and could be exercised in Paris "or elsewhere". On January 22, 1940, he certified to the same effect including Messrs. Baranski and Czernichowski. On December 1, 1939, and thereafter we informed Bank Polski that we would act on written instructions only. While operating from Paris all of the gold and dollar balances of the Bank Polski were transferred to the Bank of France. On July 5, 1940, Bank Polski cabled that they had moved to London, care of Bank of England. This cable was duly confirmed by letter and by a letter dated July 12 from the Financial Counselor to the Polish Embassy in the United States. By Bank of England cable 675/40 dated July 6, 1940, Bank Polski stated that they had \$776,318 and 159 gold bars containing 64,177 fine ounces in Bank of France account with us and requested us to communicate with Bank of France re transfer. By Bank of England cable 702/40 dated July 11, 1940, Bank Polski informed us that they had left their telegraph key in France and requested a new one. By cable No. 50 dated July 23, 1940, Bank of France requested us to hold \$776,318.82 for Bank Polski and 64,177.212 fine ounces of gold. We effected transfer July 24, 1940, and advised Bank Polski by cable dated July 25, 1940, and letter dated July 29, 1940, indicating same authorities and restrictions continued in effect.

SVERIGES RIKSBANK

Dollar Accounts

No designation
9/23/40 Balance \$52,135,674.23

Designated "Mr. Wollmar Bostrom and Mr. Harry Eriksson, acting jointly (property of Sveriges Riksbank subject to disposal by Mr. Bostrom, Minister of Sweden to the U. S., and Mr. Eriksson, Commercial Counselor of the Swedish Legation in Washington, acting jointly, in accordance with the power of attorney dated May 6, 1940, referred to in the letter dated May 25, 1940, from Mr. Bostrom to the Secretary of State, and the letter dated May 28, 1940, from the State Department to the Federal Reserve Bank of New York)".
9/23/40 Balance \$100,791,178.98

Gold Accounts

No designation
9/23/40 Balance \$ -0-

Designated as is second dollar account above.
9/23/40 Balance, \$52,940,137.81

Regular authorities in effect except as follows:

In a letter dated May 25, 1940, to the State Department the Swedish Ambassador enclosed a copy of a power of attorney from Sveriges Riksbank empowering Wollmar Bostrom, Swedish Minister to the U. S., and Harry Eriksson, Commercial Counselor, acting jointly, to dispose of certain amount of gold to be earmarked in their names and \$65,000,000. The Minister certified to the authenticity and validity of this power of attorney.

Certified copies of the letter and power of attorney were transmitted to us by the State Department with a letter dated May 28, 1940, in which it is stated that the Government of the United States recognizes and accepts the authority of Messrs. Bostrom and Eriksson under such power of attorney.

GOVERNMENT OF THAILAND

Gold Account

"Royal Thai Treasury"
9/23/40 Balance \$8,999,985.69

In September, 1939, we, as fiscal agent, sold to the Royal Thai Treasury (Siam) 257,142.449 fine ounces of gold, and, we, as principal, accepted and still hold all of such gold under earmark for the Royal Thai Treasury, subject to instructions first of former Thai Minister Phya Abhibal Rajamaitri and now of the present Thai Minister Mom Rajawongse Seni Pramoj.

| | <u>Total Foreign countries</u> | <u>Total Invaded countries</u> | <u>Nether- lands</u> |
|--|--|--|--------------------------|
| | (In millions of dollars) | | |
| Dollar deposits in commercial banks <u>1/</u> | 2,393 | 620 | 148 |
| Other short-term banking assets in commercial banks <u>2/</u> | 158 | 14 | 3 |
| Securities (market value) | 5,597 <u>3/</u> | 1,529 <u>4/</u> | 780 <u>4/</u> |
| All other assets (market value) | 650 <u>3/</u> | 364 <u>4/</u> | 126 <u>4/</u> |
| | <hr/> | <hr/> | <hr/> |
| Total of above | <u>8,798</u> | <u>2,527</u> | <u>1,057</u> |

1/ Source: Reports of banks and bankers in Second District only as of September 25, 1940, except that figures for Lithuania and Esthonia included in total in second column are taken from special Treasury report as of July 10, adjusted in case of Lithuania for Lithuanian deposits at Federal Reserve Bank of New York as of that date. (Figures for other Districts insignificant.)

2/ Same as above, except that no separate figures available for Luxemburg and three Baltic countries in making up total in second column.

3/ Source: Department of Commerce estimates for end of 1939.

4/ Source: Special reports to the Treasury as of various dates from April to July 1940 (Netherlands reports as of May 10, 1940), including assets held in the name of residents in the overseas possessions of the invaded countries.