

**FEDERAL RESERVE BANK
OF DALLAS**

Dallas, Texas, January 15, 1942

**To All Banking Institutions, and Others Concerned,
in the Eleventh Federal Reserve District:**

The Secretary of the Treasury has issued the following press statements and general ruling:

PRESS STATEMENT

“Secretary Morgenthau disclosed today that prompt action by American officials in the Philippines prevented many millions of dollars worth of securities, coin, currency, bullion, jewelry and other property from falling into the hands of the Japanese. This is the first application of the ‘scorched earth policy’ which any country has as yet made to this class of valuables.

“In anticipation of the temporary occupation of Manila and other parts of the Philippines and remembering the experience of unprepared European countries that permitted hundreds of millions of dollars of valuables to fall into the hands of Germany, the Secretary of the Treasury, in cooperation with the Secretary of the Interior and at the direction of the President, vested in the United States High Commissioner the sweeping powers of Title III of the First War Powers Act of 1941 and authorized him to take all necessary steps to prevent bullion, currency, coin, checks, securities, and similar valuables from falling into enemy hands. The High Commissioner was authorized to destroy any of these assets or otherwise dispose of them rather than to permit the Japanese to acquire them.

“Although it is too early to state the amount of valuables within the Philippines which were turned over to or impounded by the High Commissioner, it is certain that the amount runs into many millions. No information has come to the department of any significant amount of such valuables falling into enemy hands.

“Secretary Morgenthau pointed out that High Commissioner Sayre had been assisted in executing this program by Treasury Department representatives who had been detailed from Washington last July to assist the High Commissioner in administering the freezing control in the Philippines. The Secretary commended the courage and ability of those people in carrying out this program.

“The Treasury today, acting in cooperation with the Department of the Interior and at the direction of the President, issued a general ruling under the freezing regulations imposing a strict control over Philippine securities and impounding Philippine paper currency within the United States. These measures, together with those taken simultaneously by the Philippine Government, are designed to choke off the market for any assets which the Japanese may subsequently discover in their looting operations in the Philippines.

GENERAL RULING

“GENERAL RULING NO. 10 UNDER EXECUTIVE ORDER NO. 8389 of April 10, 1940, and Regulations issued pursuant thereto, relating to **transactions in foreign exchange, etc.**

(1) The acquisition, disposition or transfer of, or other dealing in, or with respect to, any of the following is hereby prohibited except as authorized by license expressly referring to this general ruling:

- (a) Any Philippine paper currency;
- (b) Any security issued by, or the obligation of, either the Government of the Commonwealth of the Philippines, including political subdivisions thereof, or any corporation or other organization organized under the laws of the Philippine Islands, unless Form TFEL-2 has been previously attached to such security by, or under the direction of, the Treasury Department.

Form TFEL-2 will be attached to any security referred to herein if presented to any Federal Reserve bank on or before February 1, 1942, accompanied by a description thereof

on Form TFR-10. Subsequent to February 1, 1942, Form TFEL-2 will be attached to such securities only in the discretion of the Secretary of the Treasury and only upon the filing of appropriate application with a Federal Reserve bank tracing the ownership of such security since January 1, 1942, and satisfactorily explaining the reasons the security was not presented to a Federal Reserve bank on or before February 1, 1942, for the attachment of Form TFEL-2. Such form will be attached to stamped securities of the type referred to in section 2A (1) of the Order only pursuant to existing procedure relating to stamped securities.

- (2) Except as authorized by license expressly referring to this general ruling:
- (a) All Philippine paper currency held within the United States is hereby required to be deposited on or before February 1, 1942, in a blocked currency account with either a domestic bank or with the New York office of the Philippine National Bank.
 - (b) The bank of deposit shall hold such currency for the account, or pursuant to the instructions, of the depositor.
 - (c) On or before February 15, 1942, every bank holding any blocked currency accounts shall file a report on Form TFR-110 in triplicate with the appropriate Federal Reserve bank.

As used in this general ruling and in any other rulings, licenses, instructions, etc., the term 'blocked currency account' shall mean an account from which no payments, transfers, or withdrawals may be made, and no other transaction or dealing may be effected with respect thereto, except pursuant to a license expressly referring to such account.

(3) Philippine paper currency which, prior to January 1, 1942, was of recognized special value to collectors of rare and unusual currency, or which is held as part of any collection of rare and unusual currency, is hereby excluded from the provisions of this general ruling.

By direction of the President.

January 14, 1942

E. H. FOLEY, JR.
Acting Secretary of the Treasury"

PRESS STATEMENT

"At the direction of the President, the Treasury Department acting in cooperation with the Department of the Interior today issued a general ruling under the freezing regulations imposing a strict control over Philippine securities and impounding all Philippine paper currency within the United States.

"These measures, taken at the request of the Philippine Government, are designed to thwart any attempt by the Axis to dispose of looted Philippine assets in the United States. Simultaneously the Philippine Government took action to prevent looted assets being liquidated in markets outside the United States. It was pointed out that not only does this interfere with the Axis war effort but in addition it may contribute materially to minimizing Axis looting in the Philippines by removing the incentive for such action.

"Under today's general ruling all Philippine paper currency within the United States must be deposited in blocked currency accounts in banks on or before February 1, 1942. Currency placed in such accounts may be removed only with permission of the Treasury Department under a freezing control license. On or before February 15, 1942, banks must report all Philippine currency in their possession. All dealings in such currency are prohibited. This is intended to destroy any possible 'black market' in the United States for looted Philippine currency which might otherwise be smuggled into the country.

"The general ruling also curbs all dealing in securities issued by, or the obligation of, either the Philippine Government or any corporation organized under Philippine law unless a 'clearance certificate' known as Treasury Department Form TFEL-2 has been attached. Persons within the United States holding any such securities will be able to have the clearance certificates attached to their securities before February 1, 1942, with a minimum of inconvenience since the Federal Reserve banks will automatically attach the certificates upon presentation of the securities accompanied by their description.

"After February 1, 1942, the clearance certificates will be attached to Philippine securities only after the holder has satisfactorily explained his possession of the securities and the reasons a clearance certificate was not attached prior to February 1, 1942.

"The Treasury Department called attention to the notice of the Philippine Government to all holders of Philippine securities and currency which was issued today. This notice directed all holders of such

securities and currency in all countries except enemy countries to deposit their holdings with banks and forward a registration report through their bank to the New York office of the Philippine National Bank. The full text of such notice is as follows:

'In order to protect bona fide holders of Philippine currency and securities from the effects which would otherwise result from the disposition of such securities and currency which may have been looted during the temporary occupation of parts of the Philippine Islands, the following notification is hereby given on behalf of the Government of the Commonwealth of the Philippines.

'All holders of Philippine paper currency elsewhere than within the Philippine Islands are notified to deposit such currency on or before February 1, 1942, for registration and safekeeping in a reputable bank located outside, and organized under the laws of a country other than, an enemy country, or territory occupied or controlled by an enemy. Depositors of such currency should obtain an appropriate receipt from such bank identifying the currency by kind, denomination and serial number. Banks receiving such currency for such deposit or holding such currency for their own account are hereby notified to hold it in safekeeping pending further instruction. Each such bank should immediately forward to the New York agency of the Philippine National Bank, 25 Broadway, New York, New York, a report in three counterparts, certifying the names and addresses of the depositors of such currency, the date of deposit, the amount so deposited by each depositor and the description (including serial number) of the currency so deposited. Such reports should be placed in the mail on or before February 15, 1942. Each counterpart should, if feasible, be dispatched by separate means.

All holders, outside the United States and elsewhere than within the Philippine Islands, of securities issued by, or the obligation of, either the Government of the Commonwealth of the Philippines, including political subdivisions thereof, or any corporation or other organization organized under the laws of that government are notified to follow a similar procedure. Banks receiving such securities for registration and safekeeping should identify them as completely as possible in the receipts given to depositors and in their reports which are forwarded to the New York agency of the Philippine National Bank. Such reports should include the name and address of the depositor, date of deposit, and the description should include the name of the issuing party, the issue, the total number of securities, the serial or certificate numbers, and the name of the registered owner, if any, and in appropriate cases, the denomination.

'The Government of the Commonwealth of the Philippines has requested the United States Treasury Department and the Department of the Interior to make appropriate provision for the registration of Philippine Government and corporate securities located within the United States, and to adopt such regulatory measures as will assist in carrying out the purposes of this notification with respect to both currency and securities. Compliance with the provisions of General Ruling No. 10 issued by the United States Treasury Department, under Executive Order No. 8389, as amended, shall be deemed to be compliance with the requirements of this notice.

'All Philippine securities and currency not registered pursuant to this notice will be presumed by the Government of the Commonwealth of the Philippines, in the absence of clear proof to the contrary, to have come under the control of the enemy.

J. M. ELIZALDE
Resident Commissioner of the Philippines
to the United States'

E. H. FOLEY, JR.
Acting Secretary of the Treasury''

January 14, 1942

Yours very truly,

R. R. GILBERT

President