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FILE NO. 894.516/6-1447

TELEG

AUG 1 - 1947

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ROUTING SLIP
(Not for use outside A-H)

_____Mr. Cameron

_____Mr. Cross

_____Mr. Conger
_____Mrs. Buckley

_____General Crain

_____SWNCC

_____GA & JK Secretariats

_____Mr. Frank
_____Mr. Hemmendinger
_____Mr. Rudlin

_____Mr. Fierst
_____Mr. Weidman

_____Mr. Claxton
_____Mr. Lewis
_____Mr. Moreland

_____Mr. Hilliard

_____Mr. O'Sullivan

_____A-H/R

_____

_____

_____A-H Records

_____Appropriate Action
_____Preparation of Reply
_____Information
_____Comment &/or Concurrence
_____Note and Send to File
_____FILE

_____

ORIGINATOR _____
DATE 6/18

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND 760050

T-387

ACTION CABLE

~~AG~~ IN 5949 (Z 10700) Dated 6/14 FROM SCAP

SUBJECT: Banking Taxation

B

DIVISION OF JAPANESE AND KOREAN ECONOMIC AFFAIRS
DEPARTMENT OF STATE
JUN 18 1947

ACTION assigned to ~~IA~~ SECRETARIAT Date 6/18/47

ACTION assigned to Mr. Hellmuth (A-H) Date 6/19

Referred by Sutter WDSS CAD Date 6/18

COMMENTS:

2196

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I-387

# INCOMING TELEGRAM

DEPARTMENT OF STATE—DIVISION OF COMMUNICATIONS AND RECORDS TELEGRAPH BRANCH

file

REPRODUCTION OF WAR DEPT MESSAGE TO STATE FOR INFO

7

PLAIN

Info:
A-H
FE
OCD
ITP
ESP
OFD
FC

Control 5425

Rec'd June 16, 1947
5:55 p.m.

DIVISION OF JAPANESE AND KOREAN ECONOMIC AFFAIRS
DEPARTMENT OF STATE
JUN 18 1947

FROM: SCAP Tokyo, Japan

TO: WDSCA ES

NO: Z 10700

June 14, 1947

Reference is ourad Z-43481. 19 April 1947 subject: Bank of Taiwan.

Total number of depositors is 21,400. As of closing date 21,076 had balances under yen 100,000 with a total deposit balance of yen 85. 2.000,000. Of balances over yen 100.000 seven claimants balances amounting to yen 84. *Zero million cannot be paid pending further clarification of origin. This leaves over 21,000 depositors with balances totaling yen 135. 2,000,000 immediate payment of which is urgently recommended in view of the number of creditors involved. Creditors of bank of Chosen Korean counterpart of Bank of Taiwan, were satisfied over one year ago and situation of small depositors of Bank of Taiwan is in many instances acute. Cash available for account of Bank of Taiwan yen 192. 2.000,000.

* As received

NOTE: Z 43481 is MC IN 57342 (19 April ) CAD

ACTION: CAD

MC IN 55917 (15 June 47)

WLB

PLAIN

Record of E. F. 7/8/47

INFORMATION COPY

894.6-1947

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CONFIDENTIAL

WAR DEPARTMENT

WAR DEPARTMENT SPECIAL STAFF

CIVIL AFFAIRS DIVISION

WASHINGTON 25, D. C.

ASSISTANT SECRETARY
A-H
JUN 23 1947
GENERAL HILLDRING
DEPARTMENT OF STATE

19 June 1947

Assistant Secretary of State for Occupied Areas
Department of State
Washington 25, D. C.

Attention: Mr. W. M. Cameron
Room 4029 New State Bldg.

Dear Sir:

Reference is made to a proposed State cable draft (AH 1998) informing SCAP of contemplated SWNCC action incident to his request (C-52835 of 22 May 47) for the expansion of banking services to aid in the early restoration of Japanese foreign trade.

Inasmuch as SCAP was advised of the same SWNCC paper on 5 June 1947 (WAR 99545), and, in turn, indicated his concurrence in Part 1 of WAR 98341 dated 17 May through C-53042 of 31 May, we believe that the subject cable should be withdrawn from the official records.

Sincerely,

R. H. CHARD
Colonel, GSC
Executive

894.516/6-1947
FILED
APR 25 1950

CONFIDENTIAL

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DEPARTMENT OF COMMERCE
OFFICE OF
ADMINISTRATIVE SERVICES
1947 JUN 26 PM 3 59

# IRVING TRUST COMPANY

ONE WALL STREET

NEW YORK

FOREIGN OFFICE

F. HARTMAN
VICE-PRESIDENT

file

reply drafted
6/M 8/4/47

June 25, 1947

RECEIVED
DIVISION OF
NORTHEAST ASIAN AFF.
JUN 30 1947
AUG 7 - 1947
FAR EASTERN DIVISION
DEPARTMENT OF

Commercial Intelligence Division
Department of Commerce
Washington 25, D.C.

Gentlemen:

We are in receipt of a letter, dated May 1, 1947, from the Yasuda Bank, Ltd., of Tokyo, Japan, in which the manager of their foreign department suggests the eventual resumption of relations with us. He also states that the Yasuda Bank, Ltd. continues to operate actively and prosperously, maintaining over 200 branches throughout Japan.

For our own confidential use, we are wondering if, through the medium of your good offices and in cooperation with the State Department, we could be furnished with the answers to the following questions:

1. Under what conditions do the native Japanese banks now function?

2. Are there at present any plans which envisage permission for these banks to resume transactions involving foreign exchange?

3. In particular, what is the current status of the Yasuda Bank, Ltd., which has given us to understand that it is still one of the "big five" banks in Japan?

Any further pertinent data which you have to round out the information we are seeking would also be most welcome.

Please be assured of our sincere appreciation for any attention you may give to this matter.

Yours very truly

Hartman

Vice President

RECEIVED
JUN 27 1947
DIVISION OF
FILED
AUG 25 1947

894.516/6-2547

CS A

FT

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DEPARTMENT OF COMMERCE
Office of International Trade
Washington 25, D. C.

Mr. Edwin M. Martin, Chief
Division of Japanese and Korean Economic Affairs
Department of State
To: Room 18, Old State Dept. Bldg.
17th and Pennsylvania Ave., N.W.
Washington 25, D. C.

In Reply Refer To:
IT-1040-JFV
July 14, 1947

(Attn: O. J. McDiarmid, Chief, Finance Section)

We have received the attached letter dated June 25, 1947, from Irving Trust Company, One Wall St., New York 15, N. Y.

As the subject matter seems to be within your province, it is referred to you for attention. A reply) has been made to the inquirer by this Division.

This is in accordance with telephone conversation between Mr. Robert B. Parke of your office and Mr. James F. Vance of the Far Eastern Division on July 7.

Sincerely yours,

Charles K. Moser, Chief
Far Eastern Division

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FORM DS-516
5-13-47

DEPARTMENT OF STATE

**CHARGE SLIP**

| FILE NUMBER | DESCRIPTION OF DOCUMENT | CHARGE TO- | DATE OF CHARGE | CLERK'S INITIALS |
|---|---|---|---|---|
| 894.516/7-2947 | Letter from | PD - Huggenbathers | 5/5/49 | JRH |
| | Irving Trust | Co + reply | 8-12-47 | |
| With 130 Hartman | Florence / ? | | | |
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STANDARD FORM NO. 64

# Office Memorandum • UNITED STATES GOVERNMENT

15629W

DEPARTMENT OF STATE RECEIVED OCT 1 - 1947 DIVISION OF COMMUNICATIONS AND RECORDS

ASSISTANT SECRETARY A-S SEP 18 1947 MR. SALTZMAN DEPARTMENT OF STATE

TO : A-S - Mr. Saltzman

FROM : FE - Mr. Borton

DATE: September 9, 1947

SUBJECT: SWNCC 226/8 (Attached)

The attached paper, a statement by the State Member of SWNCC, has just reached me for information. Inasmuch as the paper was cleared by NA and FE, by other officers than myself, and has already been circulated to the member of the Committee, I regret having to offer suggestions in regard to it at this stage, but feel that certain changes of a procedural nature are definitely called for.

The nature of these changes, and the need for them, are pointed out in the attached proposed memorandum to the Secretary of SWNCC. Over and above these considerations, however, it is believed that the phrase "for implementation of existing policies" in Appendix C of SWNCC 226/8 is an unfortunate one; that it is inadvisable to tie this paper to another paper (C2-228/4, now before the FEC, whose final approval date cannot be accurately predicted) as is done in the footnote to Appendices "C" and "D"; and that it would be as inadvisable as it would be unusual to file with the FEC a U.S. directive (or grant authority) not sent as a formal interim directive.

1113

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A/FLH SECRET FILE
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NA:RAFearey:mls

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In reply refer to
OE

SECRET

SIGNED & RECEIVED IN SWNCC

MEMORANDUM FOR THE SECRETARY, SWNCC.

SUBJECT: "Establishment of Commercial and Foreign Trade Banking Facilities in Japan."
SWNCC 226 Series.

It is requested that the attached amended versions of Appendices "B" and "C" of SWNCC 226/8, a statement by the State Member, SWNCC, dated August 19, 1947, be circulated to the Committee, for approval, in place of Appendices "B" and "C" as originally submitted to the Committee. The proposed changes are motivated entirely by procedural considerations, and are not intended to affect the substantive recommendations of the original statement.

For your information, the Office of the Legal Adviser, Department of State, has expressed the opinion that the action contemplated is, under the terms of the Moscow Agreement of December 1945, within the authority of the Supreme Commander, who is empowered by that agreement to issue all orders for the occupation and control of Japan as the sole executive authority for the Allied Powers in Japan. The contemplated action would not seem to be a matter involving the fulfillment by Japan of its obligations under the Terms of Surrender and thus would not be appropriate for a policy decision by the FEC. At the same time, inasmuch as the necessary authority is believed already to be possessed by SCAP, it would seem both unnecessary and inappropriate for the U.S. Government to instruct the Supreme Commander in the matter, although it may appropriately give him the benefit of its views.

The Office of the Legal Adviser has accordingly recommended that the Supreme Commander be informed that the U.S. Government considers that he already has requisite authority in this matter and that the U.S. Government would approve action if determined by him in conformity with the "Conclusions" and the proposed cable, i.e., Appendices

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encl.

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i.e., Appendices "A" and "B", respectively, of SWNCC 226/8. It is further proposed that the press release at Appendix "D" of SWNCC 226/8 be amended to accord with these changes and that the present footnote in Appendix "D" of SWNCC 226/8 be deleted.

The above indicated changes in SWNCC 226/8 have the approval of this Department.

Charles E. Saltzman
State Department Member
State-War-Navy Coordinating Committee

Enclosures:

Amended versions of
Appendices "B" and "C"
of SWNCC 226/8.

cc# 1



A-S:CCHilliard:eg 9/23/47
NA:RAFearey/pm 9/10/47 Le FE OE A-S

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## APPENDIX "B"

## PROPOSED CABLE TO SCAP RE: ESTABLISHMENT COMMERCIAL AND FOREIGN TRADE BANKING FACILITIES

/Based on proposed cable in Appendix "B" of SWNCC 226/7

SCAP - TOKYO

Recurad WAR 98341, 17 May; Reurads C-52835, 22 May, Part 3; Z-48651, 29 May; C-53042, 31 May; C 51118, 22 March:

~~Pursuant SWNCC action, present authorization for operation of foreign branch banks in Japan, curad WAR 82130, March 1946, is extended to provide for banking services in connection with Japanese foreign trade, as follows:~~

~~1. Additional authorized functions:~~

~~a. SCAP is authorized to license such banks to render, subject to foreign exchange controls and other applicable regulations established by him, all necessary normal services in connection with Japanese export-import trade.~~

~~b. Such services as may be made available to SCAP, in connection with trading activities initiated by him and to private foreign traders.~~

~~c. Branches of foreign banks licensed to operate should not at present be permitted to perform services locally for Japanese nationals.~~

1. Pursuant SWNCC action, U.S. Government considers it to be within your present authority as Supreme Commander for the Allied Powers in Japan, and approves such action if determined upon by you, to license foreign branch banks in Japan to render, subject to foreign exchange controls and other applicable regulations established by you, a) all necessary normal banking services in connection with Japanese export-import trade, b) such services as may be made available to you, in connection with trading activities initiated by you, and c) such services as may be rendered to private foreign traders. It is believed that branches of foreign banks licensed to operate should not at present be permitted to perform services locally for Japanese nationals.

~~2. Eligibility of banks:~~

2. It is

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2. It is believed that

a. Foreign banks with recognized experience in foreign banking and with demonstrated ability to handle world-wide accounts ~~may~~ should be licensed to perform authorized services on a "first come, first served" basis, subject only to the availability of physical facilities and other relevant factors as determined by SCAP.

b. Representatives of qualified and interested foreign banks should be permitted to enter Japan for the purpose of surveying in advance desirability of establishing or reestablishing branches in Japan.

3. The term "foreign banks" as used herein ~~shall be~~ deemed is intended to include banks of all countries except enemy or ex-enemy countries.

4. It is proposed to release following to press at time to be notified by you:

The Supreme Commander for the Allied Powers in Japan announced today that provision has been made for the establishment in Japan of branches of foreign banks with recognized experience in foreign banking and with facilities to handle world-wide accounts, for the purpose of providing banking services in connection with the restoration of Japanese foreign trade on a limited private basis.

According to a survey made in Japan by the Supreme Commander for the Allied Powers, the need for banking services of this nature is not very great owing to the relatively small volume of Japanese foreign trade in the present stage of the occupation. A small number of branches of foreign banks, it was pointed out, would be ample to provide the required facilities and render the necessary services. However, representatives of qualified and interested foreign banks will be permitted to enter Japan for the purpose of surveying in advance the desirability of their establishing or reestablishing branches in Japan.

In accordance

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In accordance with the Supreme Commander's policy of non-discrimination, qualified U.S. and other foreign banks will be licensed to open and operate branches in Japan to perform normal commercial and export-import banking services in the order of their application, subject to such limitations as may be imposed by the Supreme Commander in view of the availability of physical facilities to accommodate offices and personnel of branches of foreign banks in Japan and in view of other relevent factors. Officials of the Department of State pointed out that the question of adequate physical facilities in Japan continues to be a serious one, and may be the factor which in practice will limit the number of branches of foreign banks in Japan.

Banks of enemy or ex-enemy countries, other than Japan, however, will not be permitted to establish and operate branches in Japan.

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## APPENDIX "C"

## RECOMMENDATIONS

5. It is recommended that:

a. SWNCC approve the conclusions in paragraph 4 above;

b. After approval by SWNCC~~,~~; ~~the cable at Appendix "G" hereof be transmitted to SCAP for implementation of existing policies;~~*

~~c. Copies of this paper be transmitted to the State, War and Navy Departments for information; and to the U.S. Member, FEC, for the information of the Commission:~~

(1) The cable at Appendix "G" be transmitted to SCAP;

(2) Copies of this paper be transmitted to the State, War and Navy Departments for information.

~~d. The Department of State be requested to issue the press release in Appendix "H" hereof.~~

e. The Department of State be requested to issue the press release quoted in the cable at Appendix "G" after receipt of advice as to the proper time of release from SCAP.

---

*~~This amendment proposed in anticipation of approval by the Far Eastern Commission of SC-239/4, which substantially embodies the provision for banking services made in SWNCC 273/1: "Restoration of Private Trade with Japan."~~

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benefit of its views. The Office of the Legal Adviser has accordingly recommends that the Supreme Commander be informed that the U.S. Government considers that he already has requisite authority in the matter, and would approve action, if determined by him, ~~on the lines indicated in the~~ in conformity with the "Conclusions" and proposed ~~radio~~ [Appendices "A" and "B", respectively, of SWNCC 226/8]. It is further proposed, to accord with these changes, that the press release at Appendix "D" be amended ~~as indicated above so as to indicate appear to originate with the Supreme Commander rather than with the U.S. Government.~~ and that the present footnote in ~~from~~ Appendix D of SWNCC 226/8 be deleted.

Charles E. Saltzman
State Department Member
State-War-Navy Coordinating Committee

A-S: Col Ir

NA:RAFearey/pm
9/10/47

SECRET

Le FE OE A-S

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In reply refer to
OE

SECRET

MEMORANDUM FOR THE SECRETARY, SWNCC,
~~FROM THE STATE MEMBER~~

SUBJECT: "Establishment of Commercial and Foreign Trade Banking Facilities in Japan." SWNCC 226 series.

It is requested that the attached amended versions of Appendices "B" and "C" of SWNCC 226/8, a statement by the State Member, SWNCC, dated August 19, 1947, be circulated to the Committee for approval in place of Appendices "B" and "C" as originally submitted. ~~It is further requested that the opening lines of the press release at Appendix "D" of SWNCC 226/8 be altered to read:~~

"The Supreme Commander for the Allied Powers in Japan announced today that provision has been made . . ." (to end of press release). The footnote in Appendix "D" should be deleted.

The proposed changes are motivated entirely by procedural considerations, and are not intended to affect the substantive recommendations of the original Statement. ~~It is the opinion of~~ the Office of the Legal Adviser, ~~of the~~ Department of State, has expressed the opinion that the action contemplated is, under the terms of the Moscow Agreement of December, 1945, within the authority of the Supreme Commander, who is empowered by that agreement to issue all orders for the occupation and control of Japan as the sole executive authority for the Allied Powers in Japan. The contemplated action would not seem to be a matter involving the fulfillment by Japan of its obligations under the Terms of Surrender, so as to make it appropriate for a policy decision by the FEC. At the same time, inasmuch as the necessary authority is believed already to be possessed by SCAP, it would seem both unnecessary and inappropriate for the U.S. Government to instruct the Supreme Commander in the matter, although it may appropriately give him the

benefit

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In accordance with ~~this Government's~~ the Supreme Commander's policy of non-discrimination, qualified U.S. and other foreign banks will be licensed to open and operate branches in Japan to perform normal commercial and export-import banking services in the order of their application, subject ~~only~~ to such limitations as may be imposed by the Supreme Commander in view of the availability of physical facilities to accommodate offices and personnel of branches of foreign banks in Japan and ~~the general supply situation for foreign personnel in Japan.~~ in view of the relevant factors. Officials of the Department of State pointed out that the question of adequate physical facilities in Japan continues to be a serious one, and may be the factor which in practice will limit the number of branches of foreign banks in Japan.

Banks of enemy or ex-enemy countries, other than Japan, however, will not be permitted to establish and operate branches in Japan.

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Classification approved by; 2/27/19

DCR

SIGNED & RECEIVED IN SWNCC SECRETARIAT

In reply refer to
OE

MEMORANDUM FOR THE SECRETARY, SWNCC

SUBJECT: Reference SWNCC 226/9 and SWNCC 226/10, "Reestablishment of Remittance Facilities Between the U.S. and Japan Through Commercial Banking Channels."

cc Stimson

It is requested that the Enclosure, a Statement by the State Member, SWNCC, be circulated to the Committee in connection with its consideration of the above references.

Charles E. Saltzman
State Department Member
State-War-Navy Coordinating Committee

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Final fk
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Attachment:

SWNCC Paper.

OE:OJMcDiarmid:mw
RBParke:mw
10/8/47

FN

NA

SJK

A-S

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A/GP SECRET FILE

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**REESTABLISHMENT OF REMITTANCE FACILITIES BETWEEN THE U.S. AND JAPAN THROUGH COMMERCIAL BANKING CHANNELS**

**STATEMENT BY THE STATE MEMBER, SWNCC**

The Dept. of State does not

~~I do~~ not concur in the amendments to paragraph 5 a and paragraph 3, Appendix "A", of SWNCC 226/9, as proposed by the War Member in SWNCC 226/10. While the Department of State has concurred in the general program for liquidation of yen holdings of U.S. Army Disbursing Officers in Japan, and for recovery of the dollar counter-value thereof, it is not considered that commercial remittances to Japan are an appropriate source of funds for this purpose.

Paragraph 4 of the Memorandum of Understanding of 15 May 1947, referred to in SWNCC 226/10, sets forth the means by which the liquidation of excess German and Japanese currencies and the recovery of the equivalent dollars are to be accomplished. These methods are:

"a. Any expenditure by an official agency of the U.S. Government out of official dollar funds.

"b. Any expenditure by any quasi-official organizations or private enterprises operating within and for the military establishment.

"c. Any expenditure by individual U.S. authorized personnel."

The Department of State

~~I do~~ not consider that the proceeds of remittances through commercial banking channels to the general public, or to non-official personnel in Japan, do not fall within any of the abovementioned categories. SWNCC 226/9, which proposes to extend the existing commercial remittance channel, presently open only to authorized personnel and accredited organizations, to all other persons in Japan, has as its objective the establishment of a channel by which funds may be obtained in Japan for expenditures by foreign businessmen and Japanese nationals who are not connected with the military establishment.

Furthermore, it should be noted that even under the present limited remittance arrangements, the dollar counter-value of yen outpayments in Japan accrue to the trade account. The official name of this account,

which

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which is usually referred to as the trust account, is "Deposits, Proceeds of Remittances to and Exports from Occupied Territories." This name emphasizes the intention to use the account as a depository for remittances. Funds in this account are held in trust for Japan by this Government.

When remittances are made through commercial banking channels, as proposed in SWNCC 226/9, the dollar proceeds are held by the remitting institution subject to the positive direction, control and disposition of SCAP, (Paragraph 1, Appendix "D", SWNCC 226/4), who, under present procedures established by the Treasury, may transfer such funds periodically to the trust account or to commercial bank accounts used by SCAP for trade purposes. The transfer of these funds to the troop pay account as proposed in SWNCC 226/10 would require, not only a change in procedure, but a basic alteration in the attitude of this government from that of regarding the funds as held in "trust" for the Japanese economy to that of considering them available to meet the troop pay deficit of the Army. ~~Since the yen outpayments in Japan will be used to purchase and consume Japanese resources by the remittees, and thus be a drain on the Japanese economy akin to exports, there would seem to be no greater justification for using these funds to defray the troop pay deficit, than to use export proceeds for this purpose.~~ The Department of State understands that foreign currencies used to purchase yen for the expenditure of visiting businessmen in Japan, which in principle are identical with the proceeds of remittances, are in accordance with a decision of the Department of the Army, accruing to the trade account. ~~The Department of State considers~~ It appears that the diversion of proceeds of remittances to the troop pay account would not be consistent with this decision.

While this government is bearing the costs of the occupation of Japan, we have nevertheless sought the approval of the Far Eastern Commission respecting the broad principles to be applied in the disposition of Japanese export proceeds, and in recouping our occupation costs. As Supreme Commander for the Allied Powers, General MacArthur may be subject to severe criticism on the

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TOP SECRET



on the part of other FEC governments if he were to expend the proceeds of commercial remittances for purposes of CINCFE and the Army. Similar criticism would not be applicable, to the same degree at least, to official or quasi-official yen expenditures in Japan for purposes of the occupation forces. Inasmuch as this dollar remittance channel is the only one now open to Japan, foreign governments and their nationals have, and will continue to utilize it. This factor would add support to any adverse criticism they might make if SWNCC 226/10 were adopted.

In view of the above considerations, it is proposed that SWNCC 226/9 not be amended as suggested by the War Member, but that it be approved as submitted.

OE:OJMcDiarmid:mw
RHParks:mw
10/8/47

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050

SECRET

THE STATE-ARMY-NAVY-AIR FORCE COORDINATING COMMITTEE
Washington, D. C.

DIVISION OF NORTHEAST ASIAN AFFAIRS
SANA-5756/47
16 October 1947
DEPARTMENT OF STATE

MEMORANDUM FOR THE SECRETARY OF STATE

DIVISION OF OCCUPIED AREAS ECONOMIC AFFAIRS
OCT 17 1947
DEPARTMENT OF STATE

Subject: SWNCC 226/6

References: a. SWNCC 226/7
b. SWNCC 226/8
c. SWNCC 226/8 (Revised)

894.516

Enclosed herewith for the information of the Department of State is a copy of SWNCC 226/6 as approved by the State-Army-Navy-Air Force Coordinating Committee at the 60th SWNCC Meeting on 3 October 1947.

The Joint Chiefs of Staff have been requested to transmit the cable at Appendix "G" to CINCFE with instructions to issue the press release quoted therein after advising the Joint Chiefs of Staff in order that it may also be simultaneously released in Washington by the interested Departments.

Copies of this paper have also been furnished the Departments of Army, Navy and Air Force for information.

It is also requested that the Department of State furnish the Secretariat, SANACC copies of any implementing action taken in this matter.

For the State-Army-Navy-Air Force Coordinating Committee:

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Enclosure:
Copy No. 53,
SWNCC 226/6

for Charles E. Saltzman
Chairman

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SECRET

THE STATE-ARMY-NAVY-AIR FORCE COORDINATING COMMITTEE
Washington, D. C.

SANA-5756
16 October 1947

MEMORANDUM FOR THE SECRETARY OF STATE

Subject: SWNCC 226/6

References: a. SWNCC 226/7
b. SWNCC 226/8
c. SWNCC 226/8 (Revised)

Enclosed herewith for the information of the Department of State is a copy of SWNCC 226/6 as approved by the State-Army-Navy-Air Force Coordinating Committee at the 60th SWNCC Meeting on 3 October 1947.

The Joint Chiefs of Staff have been requested to transmit the cable at Appendix "G" to CINCFE with instructions to issue the press release quoted therein after advising the Joint Chiefs of Staff in order that it may also be simultaneously released in Washington by the interested Departments.

Copies of this paper have also been furnished the Departments of Army, Navy and Air Force for information.

It is also requested that the Department of State furnish the Secretariat, SANACC copies of any implementing action taken in this matter.

For the State-Army-Navy-Air Force Coordinating Committee:

Charles E. Saltzman
Chairman

Enclosure:
Copy No. 53,
SWNCC 226/6

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State

SECRET

COPY NO. 53

14 October 1947

# THE STATE-ARMY-NAVY AIR FORCE COORDINATING COMMITTEE

## DECISION AMENDING SWNCC 226/6

## ESTABLISHMENT OF COMMERCIAL AND FOREIGN TRADE BANKING FACILITIES IN JAPAN

Note by the Secretaries

1. At the 60th SWNCC Meeting on 3 October 1947, after further amending, the State-Army-Navy Air Force Coordinating Committee approved SWNCC 226/8 (revised 30 September 1947) and agreed to amend SWNCC 226/6 accordingly.

2. Holders of SWNCC 226/6 are requested to make the following changes therein:

a. Substitute the attached revised pages 46, 47 and 59 for the ones contained therein and destroy the superseded pages by burning;

b. Add page 59a.

3. In view of the above action, no further action is required by the Committee on SWNCC 226/7.

H. W. MOSELEY
W. A. SCHULGEN
V. L. LOWRANCE
Secretariat

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State

S E C R E T

COPY NO. 53

14 October 1947

THE STATE-ARMY-NAVY AIR FORCE COORDINATING COMMITTEE

DECISION AMENDING SWNCC 226/6

ESTABLISHMENT OF COMMERCIAL AND FOREIGN TRADE BANKING FACILITIES IN JAPAN

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2. Holders of SWNCC 226/6 are requested to make the following changes therein:

a. Substitute the attached revised pages 46, 47 and 59 for the ones contained therein and destroy the superseded pages by burning;

b. Add page 59a.

3. In view of the above action, no further action is required by the Committee on SWNCC 226/7.

H. W. MOSELEY
W. A. SCHULGEN
V. L. LOWRANCE
Secretariat

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S E C R E T

COPY NO. 53

SWNCC 226/6

20 June 1947

Pages 46 - 59, incl.

# STATE-WAR-NAVY COORDINATING COMMITTEE

## ESTABLISHMENT OF COMMERCIAL AND FOREIGN TRADE BANKING FACILITIES IN JAPAN

Reference: 226 Series

### Note by the Secretaries

The enclosure presented by the State Member, SWNCC and approved by the Department of State is circulated for consideration by the Committee as a matter of PRIORITY.

H. W. MOSELEY
W. A. SCHULGEN
V. L. LOWRANCE
Secretariat

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# E N C L O S U R E

## ESTABLISHMENT OF COMMERCIAL AND FOREIGN TRADE BANKING FACILITIES IN JAPAN

A Study presented by the State Member, SWNCC

### THE PROBLEM

1. To consider request from SCAP for authority to expand functions of foreign banks now or hereafter licensed to operate in Japan to provide services required in connection with the restoration of Japanese foreign trade on a private basis, including:

a. Use of foreign banks by SCAP as depositories of proceeds of Japanese exports;

b. Global export-import banking services for SCAP; and

c. Commercial and export-import banking services for foreign private traders, subject to foreign exchange controls and other applicable regulations established by SCAP.

### FACTS BEARING ON THE PROBLEM

2. See Appendix "A".

### DISCUSSION

3. See Appendix "B".

### CONCLUSIONS

4. It is concluded that:

a. Foreign banks with recognized experience in foreign banking and with demonstrated ability to handle world-wide accounts, should be allowed to establish or reestablish branches in Japan for the purpose of providing banking services in connection with Japanese foreign trade;

b. Representatives of qualified and interested foreign banks should be permitted to enter Japan for the purpose of surveying in advance the desirability of establishing or reestablishing branches in Japan;

c. SCAP should be authorized to license such banks to

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perform normal commercial and export-import banking services, subject only to limitations imposed by the availability of physical facilities and other relevant factors;

d. Such services should be available to non-Japanese private traders as well as SCAP;

e. Branches of foreign banks licensed to operate in Japan should not, at present, be permitted to perform services locally for Japanese nationals;

f. All transactions engaged in by such branch banks in the course of the performance of their services should be subject to foreign exchange controls and any other applicable regulations established by SCAP in Japan;

g. The term "foreign banks" as used herein, shall be deemed to include banks of all countries except enemy or ex-enemy countries.

## RECOMMENDATIONS

5. It is recommended that:

a. SWNCC approve the conclusions in paragraph 4 above;

b. After approval by SWNCC:

(1) The cable at Appendix "G" be transmitted to SCAP;

(2) Copies of this paper be transmitted to the State, War and Navy Departments for information.

c. SCAP issue the press release quoted in the cable at Appendix "G" after advising the Joint Chiefs of Staff in order that it may also be simultaneously released in Washington by the interested departments.

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## APENDIX "A"

## FACTS BEARING ON THE PROBLEM

1. By informal action on March 15, 1946, the State-War-Navy Coordinating Committee approved SWNCC 226/3, authorizing, under certain specified conditions and for certain specified operations, the establishment or reestablishment in Japan of branches of American banks and of banks of other Allied Powers. The principal function then envisaged for foreign banks in Japan, was the performance of certain services for the occupation forces and related to the strictly military aspect of the occupation. It was expressly provided that such banks would "not be permitted at present to engage in any ordinary commercial banking activities including provision for export-import banking facilities . . ."

2. SCAP in Z 48651, dated May 29, 1947 (Appendix "C", Part 2), requested "that authority be delegated SCAP to provide additional banking facilities as events and attending circumstances require, and to amend licenses to permit expanding functions to meet economic developments as will be effected in expanding foreign trade."

3. In an earlier cable from the War Department (War 98341, dated May 17, 1947, Appendix "D"), SCAP was requested to comment on the proposal that all non-Japanese banks now or hereafter licensed to operate in Japan be permitted, with a view to facilitating the restoration of private trade to Japan, to act as depositories for proceeds of Japanese exports and to render global export-import banking services in connection with Japanese foreign trade for foreign private traders, as well as SCAP. It was suggested that foreign banks should be permitted to establish branches in Japan for this purpose as soon as services of this type were needed. Also, that representatives of interested and qualified foreign banks should be permitted to enter the theater for the purpose of surveying in advance the desirability of establishing or reestablishing branches in Japan.

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4. Advance theater views on this question were favorable as reflected in a cable from the trade mission recently sent to Japan (C 52835, May 22, 1947, Part three; Appendix "E"), wherein it is stated that "Mission and SCAP agree that decision to permit United States and foreign banks to enter (Japan) should be made in Washington immediately. When approval given, required personnel can immediately begin to enter . . . and commercial banking for trade purposes can begin after 'reasonable period' to assure equality."

5. In cable C 53042, May 31, 1947 (Appendix "F"), SCAP concurred in the proposal set forth in paragraph 3, above. This proposal is substantially in keeping with the request made by SCAP in his Z 48651 of May 29, 1947 (see paragraph 2, above).

6. On June 13, 1947, the conclusions set forth in paragraph 4 of this paper were discussed by teleconference with representatives of SCAP in Tokyo, who concurred therein.

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## APPENDIX "B"

## DISCUSSION

1. SCAP's request is based on the consideration that the "situation (of) non-Japanese banking functions and facilities in Japan (is) inadequate to support program aimed at reviving economy and reestablishment of foreign trade (see Appendix "C", Z 48651, Part 1)." Apparently, the need for the expansion of foreign banking facilities in Japan in connection with the restoration of Japanese foreign trade on a private basis was visualized simultaneously in Washington and Tokyo, as a similar proposal was made to SCAP at about the same time "with a view to facilitating restoration private trade Japan . . . ." (see Appendix "D", War 98341, Part 1).

2. Since SWNCC 226/3 provides that "uniform treatment of American banks and of banks of other Allied Powers should be approved as a matter of U.S. policy" (paragraph 4 B thereof), and that "it is highly important that careful safeguards be established to prevent the acquisition of special business privileges by any business interest permitted to enter Japan . . ." (paragraph 2, Appendix "B" thereof), it is believed that representatives of interested and qualified foreign banks should be permitted to enter Japan for the purpose of surveying in advance the desirability of their establishing or reestablishing branches in Japan. This proposition appears to be unobjectionable to SCAP in view of his concurrence in the proposals set forth in paragraph 3, above. In this connection, the Bank of America and the Chase National Bank, New York, and British, Dutch, and Chinese banking interests have indicated an interest in establishing branches in Japan. The National City Bank of New York and the Bank of Indo China are already in operation in Tokyo.

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3. In War 95133, dated 27 March 1947, on the subject of the early restoration of private trade with Japan, SCAP was informed that "earliest consideration should be given to development of complete plan (for the restoration of private trade with Japan) which would include . . . entry and restoration service firms, viz, insurance and shipping (and banking), concurrently with entry commodity traders." In this connection, it is believed that the advisability of establishing additional foreign banking facilities in Japan, so far as the profit motive is concerned, should be determined by the foreign banks concerned. SCAP is, of course, concerned with the question of logistics, such as messing facilities, personnel housing, office space, etc., and any limitations imposed by Occupation Authorities upon the number of branches of foreign banks to be established in Japan, should be based only on such considerations. It is not believed that it should be considered encumbent upon this Government or SCAP to determine whether it would be profitable financially for foreign banks to establish branches in Japan, or whether the present volume of Japanese foreign trade warrants the services of a given number of such branches. The procedure in being for the screening by the Board of Governors of the Federal Reserve System of applications of American banks desirous of establishing branches in occupied areas, should prevent the establishment in Japan of a branch of any American bank which is not qualified or equipped to render banking services incidental to Japanese foreign trade (see Appendix "D", Part 2, paragraph A).

4. The Department of State, the War Department, and SCAP, are generally agreed that foreign banks which are prepared and qualified to render necessary services in connection with Japanese foreign trade, should be licensed to establish branches in Japan. Licenses should be granted by the SCAP on a "first come, first served" basis up to the number of institutions which may be accomodated from a logistical point of view. Services which such institutions would be licensed to render would include all financial and commercial services within their competence which

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are required by non-Japanese businessmen and the Supreme Commander in connection with the reestablishment and expansion of Japanese foreign trade, and which are not in conflict with foreign exchange controls or other applicable regulations in Japan. Foreign banks should not be licensed by the SCAP to perform services locally for Japanese nationals which are now being performed by Japanese banking institutions.

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## APPENDIX "C"

### CABLE FROM SCAP TO WAR DEPARTMENT REQUESTING AUTHORITY TO EXPAND FUNCTIONS OF FOREIGN BANKS

"FROM: SCAP Tokyo Japan

TO: WARCOS

NR: Z 48651 29 May 1947

'Reurads W 82130 dated March 1946 and WAR 80830 dated September 1946 paragraph 3. Subject is licenses issued to non-Japanese banks. This radio in 2 parts.

'Part 1. SCAP must now obtain War Department approval prior to permitting changes in banking functions when functions are needed other than those specified in urad W 82130. Consider situation non-Japanese banking functions and facilities in Japan inadequate to support program aimed at reviving economy and reestablishment of foreign trade. Requests received from British and Dutch for reopening branches and expanding functions presently authorized by War Department. Application from Chinese expected.

'Part 2. Banking and foreign trade problems required prompt solution under changing economic conditions. The time involved to effect changes through Washington by submitting requests and data to justify the changes seriously handicaps efficient operations. It is recommended that authority be delegated SCAP to provide additional banking facilities as events and attending circumstances require, and to amend licenses to permit expanding functions to meet economic developments as will be effected in expanding foreign trade. Such transfer of authority would be consistent with the revision of the trading with the enemy act which transferred control of commercial activities to SCAP, urad WCL 41001, January 1947. Request earliest approval."

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## APPENDIX "D"

## CABLE FROM WAR DEPARTMENT TO SCAP PROPOSING EXPANSION FUNCTIONS OF FOREIGN BANKS

"FROM: WDSCA ES

TO: CINCFE, Tokyo, Japan

NO: WAR 98341 17 May 1947

'Reurad Mar WAR 82130 and urad Mar C 51118. Please pass copy to Lt. Col. R. F. Hartman, CAD, now on TDY SCAP.

'Part 1.

'1. As basis for proposed SWNCC action in connection your request authorization NCB Tokyo function as depository dollar proceeds Jap exports and render Global Export-Import Banking Svs (reurad) and with view to facilitating restoration private trade Japan (reurad) request your comments earliest fol proposals:

'A. That provisions Par 1 A WAR 82130 be amended to permit all non-Jap banks now or hereafter licensed operate Japan also to act as depositories for proceeds Jap exports and render Global Export-Import Banking Svs for foreign private traders as well as SCAP when svs this type needed.

'B. That representatives of interested and qualified banks be permitted enter theater subj to your apl to survey in advance of decision to apply for establishment or re-establishment branches in Japan. View here restoration private trade Japan on eff basis dependent on prior existence adequate commercial banking svs.

'Part 2.

1. Increasing interest of US Banks in various aspects of financial operations in occupied areas makes it desirable to acquaint you with recent developments:

'A. Establishment of bank branches. Fol procedure for handling applications for establishment of branches in Germany will also be observed with respect to applications for Pacific Theater. It is considered that US policy re equality of opportunity is

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accomplished by this procedure, provided theater arrangements are such as to refute conclusively any charges of discrimination and arbitrary exclusion of qualified US Banks.

(1). Any American Bank desirous of establishing branches in occupied areas can make written application to Board of Governors, Federal Reserve System, for such to establish branch offices in specified locations.

(2). Board of Governors of Federal Reserve System, under auth of Federal Reserve Act, screens applications of American Banks for establishment of foreign branches from various standpoints; for example, need for svs, desirability of representation of American Banks in area, whether or not prospective operation can be undertaken profitably, representative standing, financial strength and adequacy or organized sv facilities of applicant bank. As part of screening process, Federal Reserve request views of State and WD Subj to State and WD apl and to favorable results of screening, Federal Reserve approves or disapproves application by Federal Reserve on principle of first come, first served.

'B. Chase National Bank, NY, is requesting permission to establish branches, Tokyo and Seoul.

'Part 3.

In addition banks interested establishing branches Japan significant number American Banks have already approached State and War offering banking svs incidental Japanese foreign trade, e.g., depository your export proceeds, processing shipping documents, collections, payments, letters credit and similar operations. Our replies currently based assumption add svs these categories not now required.

'Part 4.

Request your comments and recommendations earliest proposal Part 1 and Chase Bank branches Tokyo and Seoul Part 2. In view contemplated early restoration Jap foreign trade on private basis and attendant needs for extensive banking svs, request you survey present and prospective banking reqmts and advise fully and

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soonest to facilitate review and restatement of existing bank policies in light recent developments. Also fwd operating statement for Tokyo Branch, National City Bank showing cumulative statistics for each licensed function, together with schedule of rates, interest, fees and sv charges, number of accounts and other pertinent info since reopening.

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soonest to facilitate review and restatement of existing bank policies in light recent developments. Also fwd operating statement for Tokyo Branch, National City Bank showing cumulative statistics for each licensed function, together with schedule of rates, interest, fees and sv charges, number of accounts and other pertinent info since reopening.

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## APPENDIX "E"

## CABLE FROM TRADE MISSION TO WAR DEPARTMENT

"FROM: Tokyo

TO: Secretary of State

NO: C 52835, May 22.

'FROM SCAP TO WDSCA. FROM BOWMAN, TRADE MISSION, PASS TO WHITMAN, DEPARTMENT OF STATE; GLASSER, TREASURY, FOR ACTION; BLAISDELL, COMMERCE, AND RECONSTRUCTION FINANCE CORPORATION.

. . . . . .

'PART THREE. Re bank personnel. Mission and SCAP agree that decision to permit United States and foreign banks to enter should be made in Washington immediately. When approval given required personnel can immediately begin to enter without counting against quota, and commercial banking for trade purposes can begin after "reasonable period" to assure equality. French opened branch Banque De L' Indochina on May 19 and SCAP is now processing for approval applications for branches British and Dutch banks. Request most expeditious processing in accordance Federal Reserve Board of Governors proposal of applications from United States banks in order to insure establishment Tokyo branches on operating basis soonest possible."

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## APPENDIX "F"

## CABLE FROM SCAP TO WAR DEPARTMENT CONCURRING IN PROPOSAL TO EXPAND FUNCTIONS FOREIGN BANKS

"FROM: SCAP Tokyo, Japan

TO: WDSCA ES

NO: C 53042 31 May 1947

PRIORITY

Reurads WAR 98969 and W 98341. This message in 4 parts. Parts refer to corresponding parts urad W 98341.

Part 1. Concur.

Part 2. A. Concur provided applications referred to SCAP for final approval.

B. Recommend immediate approval application of Chase National Bank for establishment of Tokyo branch, as additional banking facilities needed earliest to implement contemplated early restoration Jap foreign trade on private basis. Recommendation on application to establish Seoul branch will be made earliest.

Part 3. Agree that additional services categories listed not now required.

Part 4. Comments and recommendations not included in preceding parts will be submitted earliest."

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S E C R E T

APPENDIX "G"

PROPOSED CABLE TO SCAP RE: ESTABLISHMENT
COMMERCIAL AND FOREIGN TRADE BANKING FACILITIES

/Based on proposed cable in Appendix "B" of SWNCC 226/7

SCAP - TOKYO

Reourad WAR 98341, 17 May; Reurads C-52835, 22 May, Part 3; Z-48651, 29 May; C-53042, 31 May; C 51118, 22 March:

1. Pursuant SANACC action, U.S. Government considers it to be within your present authority as Supreme Commander for the Allied Powers in Japan, and approves such action if determined upon by you, to license foreign branch banks in Japan to render, subject to foreign exchange controls and other applicable regulations established by you, (a) all necessary normal banking services in connection with Japanese export-import trade, (b) such services as may be made available to you, in connection with trading activities initiated by you, and (c) such services as may be rendered to private foreign traders. It is believed that branches of foreign banks licensed to operate should not at present be permitted to perform services locally for Japanese nationals.

2. It is believed that representatives of qualified and interested foreign banks should be permitted to enter Japan for the purpose of surveying in advance desirability of establishing or reestablishing branches in Japan.

3. The term "foreign banks" as used herein is intended to include banks of all countries except enemy or ex-enemy countries.

4. It is proposed to release following to press at time to be notified by you:

The Supreme Commander for the Allied Powers in Japan announced today that provision has been made for the establishment in Japan of branches of foreign banks with recognized experience in foreign banking and with facilities to

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handle world-wide accounts, for the purpose of providing banking services in connection with the restoration of Japanese foreign trade on a limited private basis.

According to a survey made in Japan by the Supreme Commander for the Allied Powers, the need for banking services of this nature is not very great owing to the relatively small volume of Japanese foreign trade in the present stage of the occupation. A small number of branches of foreign banks, it was pointed out, would be ample to provide the required facilities and render the necessary services. However, representatives of qualified and interested foreign banks will be permitted to enter Japan for the purpose of surveying in advance the desirability of their establishing or reestablishing branches in Japan.

In accordance with the Supreme Commander's policy of non-discrimination, qualified U.S. and other foreign banks will be licensed to open and operate branches in Japan to perform normal commercial and export-import banking services subject to such limitations as may be imposed by the Supreme Commander in view of the availability of physical facilities to accommodate offices and personnel of branches of foreign banks in Japan and in view of other relevant factors. It was pointed out that the question of adequate physical facilities in Japan continues to be a serious one, and may be the factor which in practice will limit the number of branches of foreign banks in Japan.

Banks of enemy or ex-enemy countries, other than Japan, however, will not be permitted to establish and operate branches in Japan.

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SECRET
Classification
approved by

Chief, CA
10-17-47

OCT 20 1947

894.516/10-1647

SECRET

No. 446

To the
Officer in Charge of the American Mission,
Nanking.

The Secretary of State encloses for the information of the American Embassy copies of SWNCC and SANACC documents as listed below.

Attention is invited to the fact that the name of the State-War-Navy Coordinating Committee has been changed to the State-Army-Navy-Air Force Coordinating Committee.

894.516/10-1647 CS/N

Enclosures:
1. SWNCC 226/6, copy no. 44.
2. SANACC 236/51, copy no. 44. — 894.5107/10-1647 CS/N
3. SWNCC 377, copy no. 44.

800.515/10-2047 CS/N

DCR - OFD Unit
Anal. ...
Rev. ...
Cat. ...
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10-17-47

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STATE-ARMY-NAVY-AIR FORCE COORDINATING COMMITTEE
Washington, D.C.

DIVISION OF
NORTHEAST ASIAN AFFAIRS
OCT 30 1947
DEPARTMENT OF STATE

Memo. drafted 11/3/47 [redacted] 143 120 File

SANA-5799
29 October 1947

MEMORANDUM FOR THE SECRETARY OF STATE:

Subject: SWNCC 226/9

Forwarded herewith is a copy of SWNCC 226/9 as approved by the State-Army-Navy-Air Force Coordinating Committee at its 61st meeting on 23 October 1947.

It is requested that the Department of State transmit a copy to the US Member, Far Eastern Commission, for the information of the Governments represented on the Commission, in advance, then issue the press release contained in Appendix "B" of the enclosure.

The JCS has been requested to transmit to CINCFE the cable in Appendix "A" of the enclosure for his guidance and implementation.

It is also requested that the Department of State furnish the Secretariat, SANACC, copies of any implementing action taken in this matter.

For the State-Army-Navy-Air Force Coordinating Committee:

Charles E. Saltzman
Chairman

Enc.- Cy. No. 57 of SWNCC 226/9

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COPY NO. 54

28 October 1947

# STATE-ARMY-NAVY-AIR FORCE COORDINATING COMMITTEE

## DECISION AMENDING SWNCC 226/9

## REESTABLISHMENT OF REMITTANCE FACILITIES BETWEEN THE UNITED STATES AND JAPAN THROUGH COMMERCIAL BANKING CHANNELS

### Note by the Secretaries

At its 61st Meeting on 23 October 1947, the State-Army-Navy-Air Force Coordinating Committee approved SWNCC 226/9 as amended by SWNCC 226/10 and SWNCC 226/4 has been amended accordingly.

Holders of SWNCC 226/9 are requested to substitute the attached revised page 77 for the one contained therein and destroy the superseded page by burning.

H. W. MOSELEY

W. A. SCHULGEN

V. L. LOWRANCE

Secretariat

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COPY NO. 54

SWNCC 226/9

9 September 1947

Pages 75 - 79, incl.

STATE-WAR-NAVY COORDINATING COMMITTEE

# REESTABLISHMENT OF REMITTANCE FACILITIES BETWEEN THE UNITED STATES AND JAPAN THROUGH COMMERCIAL BANKING CHANNELS

Reference: SWNCC 226/4

## Note by the Secretaries

The enclosure, a statement by the State Member, is circulated for consideration by the Committee.

H. W. MOSELEY

W. A. SCHULGEN

V. L. LOWRANCE

Secretariat

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# E N C L O S U R E

## REESTABLISHMENT OF REMITTANCE FACILITIES BETWEEN THE UNITED STATES AND JAPAN THROUGH COMMERCIAL BANKING CHANNELS

### A Statement by the State Member, SWNCC

1. SWNCC 226/4, approved December 18, 1946, authorized the reestablishment of remittance facilities between the United States and Japan through commercial banking channels. Paragraph 15 e of SWNCC 226/4, provided that the "availability of commercial remittance facilities between the U.S. and Japan should be limited at present to

a. individuals who are with the Armed Forces of any of the United Nations in the course of service with such forces or who are accompanying such forces in the course of their employment by any of the Governments of the United Nations or organizations acting on their behalf; and

b. individuals or organizations otherwise accredited to the theater, such as correspondents, charitable and religious organizations, foreign diplomatic or other official establishments, U.S. official or quasi-official organizations, etc.

2. Since the approval of this paper:

a. The restrictions imposed by the Trading with the Enemy Act against the remittance of funds to Japan have been lifted by the issuance of Treasury General License No. 94;

b. Provision has been made for the transmittal to persons in Japan, including Japanese nationals, of limited powers of attorney for the protection and preservation of property in Japan of United Nations' Nationals; and

c. Arrangements have been made for foreign businessmen to enter Japan for trade purposes.

3. With a view to creating an additional source of dollar exchange to be used in the Japanese economy, and in anticipation of the need of foreign businessmen entering Japan to obtain funds to meet current expenses while in Japan and the need of agents in

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Japan of United Nations property-owners for funds to protect and preserve their property, CINCFE was requested (War 81170, July 1, 1947) to comment on the proposal that current regulations be expanded to permit the remittance of funds to any person in Japan, including Japanese nationals.

4. In cable C 54223, dated July 22, 1947, CINCFE replied he had "no objection (to the proposal) provided outpayments to Japanese nationals (are) made in yen at prevailing rate; all others (outpayments) to be determined (in yen or military payment certificates or other dollar facilities) by Commander in Chief Far East upon individual case."

5. In the light of the foregoing, I recommend that:

a. Paragraph 15 e. of the conclusions in SWNCC 226/4 be amended to read as follows:

"Commercial remittance facilities between the United States and Japan will be open to any person, natural or juridical, in Japan, including Japanese nationals, subject to such rules and regulations as SCAP may prescribe."

b. The JCS be requested to transmit to CINCFE the cable in Appendix "A" hereof, for his guidance and implementation.

c. The State Department be requested to issue the press release in Appendix "B" hereof; and

d. A copy of the press release in Appendix "B" hereof, be transmitted to the U.S. Member of the FEC in advance of its release to the press, for the information of the governments represented on that Commission.

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APPENDIX "A"

PROPOSED CABLE TO CINCFE FROM THE WAR DEPARTMENT

CINCFE

TOKYO.

Reourad War 81170 (1 July) and reurad C 54223 (22 July).

1. Pursuant to SWNCC action, para 5 ourad War 88433 (Dec. '46) 1/ hereby amended to read as follows:

"Commercial remittance facilities between the United States and Japan will be open to any person, natural or juridical, in Japan, including Japanese nationals, subject to such rules and regulations as you may prescribe."

2. Accordingly, NCB, NY, or any other American bank licensed operate branch in Japan, may receive and remit through its branch funds from U.S. to any person in Japan, natural or juridical, up to such monthly amts as you may establish; outpayments being made in yen at prevailing rate or, to extent to which remittees entitled thereto on basis your regulations, in MPC's or other dollar facilities including dollar deposit accts.

3. Disposition dollar proceeds all such remittances subject to provisions pars 5 and 6 ourad WAR 80684 (Sep 46) as amended by ourad WAR 88433 (Dec 46), except that to the extent U.S. Army disbursing officers hold Japanese yen in their official accounts, such yen already acquired with dollars will be utilized in making outpayments of yen.

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1/ Cable in Appendix "H", SWNCC 226/4

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APPENDIX "B"

PROPOSED PRESS RELEASE RE:
REMITTANCES TO JAPAN

The Department of State announced today that Military Government regulations in effect in Japan have been relaxed to permit the remittance of funds through commercial banking channels to any person in Japan, natural or juridical, including Japanese nationals, within the limitations prescribed by the Supreme Commander for the Allied Powers in Japan.

State Department officials explained that this action was taken in view of the desire of persons and organizations abroad to make remittances for charitable or similar purposes to Japanese nationals, and in anticipation of the need of foreign businessmen entering Japan to obtain funds to meet current expenses while in Japan, and of the probable need of United Nations' nationals for funds for the rehabilitation and preservation of their property in Japan. Heretofore, facilities for the remittance of funds through banking channels were available generally only to personnel and organizations officially accredited to, or connected with, General Headquarters, Supreme Commander for the Allied Powers in Japan.

Under these revised regulations, and in accordance with limitations currently in effect, any person in Japan may now receive remittances up to a maximum of $1000 per month through any American bank licensed to operate a branch in Japan. However, larger amounts may be authorized by the Supreme Commander whenever circumstances justify such action. Outpayments will be made in yen at the military rate of conversion of 50 yen for one dollar, or, to the extent that the remittee is entitled thereto on the basis of theater regulations, in Military Payment Certificates or other dollar facilities, including dollar deposit accounts in branches of non-Japanese banks in Japan.

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It was emphasized that the relaxation of theater regulations with respect to remittances, in no way affects the current restrictions on the acquisition of property in Japan by persons outside Japan, or on any transaction of a financial or commercial nature between persons in Japan and any foreign person, natural or juridical. Such transactions may not be engaged in, except with the approval of the Supreme Commander for the Allied Powers in Japan.

At present the only American bank having a branch in Japan through which remittances may be effected, is the National City Bank of New York. However, it is expected that in the near future, the Chase National Bank of the City of New York, and the Bank of America of San Francisco, will also have established branches in Japan.

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DC/R

In reply refer to
NA

November 5, 1947

CONFIDENTIAL

MEMORANDUM FOR THE UNITED STATES MEMBER,
FAR EASTERN COMMISSION

In accordance with a memorandum dated October 29, 1947, from the State-Army-Navy-Air Force Coordinating Committee, there is enclosed a copy of SWNCC 226/9 regarding the Reestablishment of Remittance Facilities Between the United States and Japan Through Commercial Banking Channels which was approved by the State-Army-Navy-Air Force Coordinating Committee on October 23, 1947.

The United States Member is requested to inform the other members of the Far Eastern Commission of the contents of a proposed press release as set forth in Appendix "B", to be issued by the Department regarding the Reestablishment of Remittance Facilities Between the United States and Japan Through Commercial Banking Channels and to advise the Department when this information has been made available to the other members of the Far Eastern Commission.

CHARLES E. SALTZMAN

Charles E. Saltzman
Assistant Secretary

Enclosure:

SWNCC 226/9

NOV 4 1947 P.M.
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11/3/47

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A true copy of the signed original
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CONFIDENTIAL FILE

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CONFIDENTIAL

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Porter

DOR

STATE-ARMY-NAVY-AIR FORCE COORDINATING COMMITTEE
Washington, D. C.

SANA-5802
30 October 1947

MEMORANDUM FOR THE SECRETARY OF STATE:

Reference: SWNCC 226/4

DIVISION OF OCCUPIED AREAS
E.O. OMI... AIRS
No action required
NOV 3 - 1947
DEPARTMENT OF STATE

Forwarded herewith is a copy of the Second Decision Amending SWNCC 226/4.

Copy No. 63 of the above reference was forwarded to the Secretary of State as the enclosure to SWN 5003, 24 December 1946.

For the State-Army-Navy-Air Force Coordinating Committee:

Charles E. Saltzman
Charles E. Saltzman
Chairman

Enc.- Cy. No. 63 of Second Decision
Amending SWNCC 226/4

894.516/10-3047

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SWN-5003
24 December 1946

MEMORANDUM FOR THE SECRETARY OF STATE:

Subject: Reestablishment of Remittance Facilities Between the United States and Japan Through Commercial Banking Channels.

Reference: SWNCC 226/4

At its 51st Meeting on 18 December 1946 the State-War-Navy Coordinating Committee approved SWNCC 226/4, a copy of which is enclosed.

In approving this paper the Committee agreed that the Treasury Department should be requested by the War Department to issue to National City Bank, New York, and other American banks which may be permitted to operate in Japan, an appropriate Treasury license permitting such banks and their Tokyo branches to effect remittances between the United States and Japan within the scope of the procedure in question and the provisions of SWNCC 226/4.

The Joint Chiefs of Staff have been requested to transmit the cable in Appendix "G" to CINCAFPAC, provided they have no objection from a military point of view.

It is requested that the State Department forward the message in Appendix "G" to the U.S. member of the Far Eastern Commission for the information of the delegates of the governments represented on that Commission.

For the State-War-Navy Coordinating Committee:

J. H. HILLDRING,
Chairman

Enclosure:
SWNCC 226/4, Copy No. 63

Copy for A-S, Mr. Hilliard

A true copy of the signed original.

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S/S-w/p

CONFIDENTIAL

63

28 October 1947

COPY NO._____

# STATE-ARMY-NAVY-AIR FORCE COORDINATING COMMITTEE

## SECOND DECISION AMENDING SWNCC 226/4

## REESTABLISHMENT OF REMITTANCE FACILITIES BETWEEN THE UNITED STATES AND JAPAN THROUGH COMMERCIAL BANKING CHANNELS

### Note by the Secretaries

At its 61st Meeting on 23 October 1947 the State-Army-Navy-Air Force Coordinating Committee approved SWNCC 226/9 as amended by SWNCC 226/10 and agreed to amend SWNCC 226/4 accordingly.

Holders of SWNCC 226/4 are requested to substitute the attached revised page 25 for the one contained therein and destroy the superseded page by burning.

H. W. MOSELEY

W. A. SCHULGEN

V. L. LOWRANCE

Secretariat

4

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b. While the technical procedure developed for the reestablishment of commercial remittance facilities between the United States and Japan should be available for operation, as a matter of U.S. policy, to American banks and banks of other Allied Powers alike, in the event of the latter opening branches in Japan, for technical reasons remittances in dollars to authorized nationals of the other Allied Powers stationed in Japan should be channelled through NCB facilities, or those of other American banks which may be permitted to operate in Japan under the provisions of SWNCC 226/3.

c. A limit should be imposed as to the amount which may be remitted to any one beneficiary in Japan over a given period of time, such limit and period to be determined by SCAP on the basis of theater policy and in the light of reasonable local needs.

d. Existing controls should be applied to ensure that no remittances may be effected from Japan to the United States against indigenous yen by reason of the reestablishment of commercial remittance facilities between the United States and Japan.

e. Commercial remittance facilities between the United States and Japan will be open to any person, natural or juridical, in Japan, including Japanese nationals, subject to such rules and regulations as SCAP may prescribe.

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NOV 4 1947

CONFIDENTIAL

No. 454

To the
Officer in Charge of the American Mission,
Nanking.

The Secretary of State encloses for the information of the American Embassy a copy of SWNCC 226/9, "REESTABLISHMENT OF REMITTANCE FACILITIES BETWEEN THE UNITED STATES AND JAPAN THROUGH COMMERCIAL BANKING CHANNELS", approved by the State-Army-Navy-Air Force Coordinating Committee on 23 October, 1947.

The reference document, SWNCC 226/4, is not available.

894.516/10-847

Enclosure:
1. SWNCC 226/9, copy no. 44.

A true copy of the signed original

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NOV 4 1947

CONFIDENTIAL

No. 454

To the
Officer in Charge of the American Mission,
Nanking.

The Secretary of State encloses for the information of the American Embassy a copy of SWNCC 226/9, "REESTABLISHMENT OF REMITTANCE FACILITIES BETWEEN THE UNITED STATES AND JAPAN THROUGH COMMERCIAL BANKING CHANNELS", approved by the State-Army-Navy-Air Force Coordinating Committee on 23 October, 1947.

The reference document, SWNCC 226/4, is not available.

894.5 16/10-847 (telegram)

Enclosure:
1. SWNCC 226/9, copy no. 44.

A true copy of the signed original

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STANDARD FORM NO. 64

# Office Memorandum • UNITED STATES GOVERNMENT

~~Hold~~

File DC/R

TO : FN - Mr. Doherty ✓ A-S - Mr. Hilliard
NA - Mr. Fearey

FROM : OE - Mr. McDiarmid

DATE: March 12, 1948

SUBJECT: SANACC 226/12 - Expansion of Functions of Foreign Banks in Japan.

SANACC 226/12, a statement by the Army Member, SANACC, on the expansion of functions of foreign banks in Japan, is now being considered by an SFE working group composed of State, Army, and Treasury representatives.

The attached is a copy of the paper prepared as a basis for discussion by the State representative on the SFE working group.

In order to develop the State Department position on the question, it will be appreciated if you will review the attached paper and return it as promptly as possible to Mr. Parke, Room 18, Old State, with such suggestions or comments as you may wish to make in connection with the problem treated.

OE:RBParke:mw

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ENCLOSURE

EXPANSION OF FUNCTIONS OF FOREIGN BANKS IN JAPAN

References a. SWNCC 226/3
b. SWNCC 226/4
c. SWNCC 226/6
d. SWNCC 226/9
e. SWNCC 226/10

THE PROBLEM

1. To consider the recommendation of the Supreme Commander for the Allied Powers that the functions of branches of foreign banks licensed to operate in Japan be expanded to permit them to:

a. Obtain the return of and effect the restitution to pre-war depositors of yen deposits and safe-custody items held by such branches on 7 December 1941 (See Appendices "C", "D" - Part 1, and "E" - Part 1);

b. Make yen loans to business concerns licensed to operate in Japan (See Appendices "F", "D" - Part 2, and "E" - Part 2);

c. Sell dollar and sterling drafts to authorized persons (See Appendices "G", "H" - Part 1, and "I" - Part 1);

d. Represent nationals of allied and neutral countries seeking to recover their pre-war assets in Japan (See Appendix "I" - Part 2,C);

e. Transmit orders for the purchase and sale of securities abroad for the account of authorized personnel (See Appendix "I" - Part 2, D);

f. Invest yen deposits in obligations of the Japanese Government (See Appendix "I" - Part 2, E).

FACTS BEARING ON THE PROBLEM

2. See Appendix "A".

DISCUSSION

3. See Appendix "B".

4. It

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CONCLUSIONS

4. It is concluded that:

a. Branches of foreign banks licensed to operate in Japan (hereinafter referred to as "the banks") should be authorized to perform the following additional functions:

a. Apply for and obtain the return of all property rights and interests owned by them or held on behalf of, or for the account of, others on 7 December 1941, and subsequently seized, confiscated, or sequestered under wartime measures of the Japanese Government, provided that:

(1) The return of such property shall be in accordance with established procedures for the treatment of property in Japan of nationals of members of the United Nations;

(2) The resumption of relationships between the banks and their pre-war depositors as a result of the return of such property rights and interests shall be limited to the extent necessary to restore such property to the owners or their duly authorized agents;

(3) In the event that deposit accounts are re-established with the banks in pursuance of sub-paragraph (2) above, transactions involving or with respect to such deposit accounts shall be subject to the same regulations as apply to transactions involving or with respect to similar deposit accounts in Japanese banks.

b. Make yen loans to business concerns licensed by SCAP to operate in Japan, provided that:

(1) Such loans shall be made only to enable the borrower to meet legitimate operating expenses

incurred

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incurred in pursuance of the license under which he is authorized to operate;

(2) The operations referred to in sub-paragraph (1) above, are considered to be of such a nature as to produce sufficient yen receipts to repay the loan;

(3) Such loans are made in accordance with any regulations applicable to similar lending operations of Japanese banks.

g. Sell foreign currency drafts drawn on banks outside Japan to any person in Japan who is authorized, under regulations in effect in Japan, to import or acquire and retain foreign exchange in bank accounts or in any other form, provided that:

(1) Such drafts shall be sold only against legitimately held foreign currency or authorized foreign currency instruments, including foreign currency deposit accounts held in the name of the purchaser;

(2) Such drafts shall be non-transferable and payable only to the payee through a bank or banker and shall be enfaced "Not negotiable within Japan, Ryukyu Islands, or Korea";

(3) The banks shall take all reasonable precautions to prevent any transaction in violation of foreign exchange regulations in effect in Japan, or any other applicable regulations.

h. Act as representatives or agents of nationals of United Nations countries or neutral countries in matters appertaining to the recovery of, or compensation for, their pre-war assets in Japan other than those provided for in paragraph a, above, subject to such regulations as may apply to the treatment of property in Japan of nationals of members of the United Nations.

i. Transmit orders for the purchase and sale of securities abroad on behalf of, and for the account of, members of the occupation, persons accredited to SCAP, licensed concerns, and authorized foreign traders, provided that:

(1) The

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(1) The transmission of any such order, or the execution thereof, shall involve no foreign exchange transaction which is prohibited by foreign exchange regulations in effect in Japan;

(2) Any securities so purchased or sold abroad shall not be imported into or exported from Japan, as the case may be.

B. Any foreign exchange paid to the banks as fees or commissions in connection with any service performed in accordance with the provisions hereof, is subject to the foreign exchange regulations in effect in Japan and shall therefore be surrendered to SCAP against payment in yen.

C. The question of the investment by the banks of yen deposits in obligations of the Japanese Government should be held in abeyance pending the establishment of over-all policy dealing with the question of foreign investments in Japan in general, which is presently under consideration.

D. Any directive or other regulation or license which prohibits, expressly or implicitly, the performance of any of the functions, services, or transactions referred to in section A, hereof, should be amended so as to remove such prohibition.

## RECOMMENDATIONS

5. It is recommended that:

a. SANACC approve the conclusions in paragraph 4, above;

b. After approval by SANACC, the JCS be requested, if they have no objections from a military point of view, to transmit the cable in Appendix "J", hereof, to CINCFE;

c. Copies of this paper be sent to the Departments of State, Army, Navy, and Air Force for their information.

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## APPENDIX "A"

## FACTS BEARING ON THE PROBLEM

1. In the initial banking action following the occupation (SWNCC 226/3 approved 15 March 1946) the opportunity to open or reopen branches in Japan was extended to the banks of Allied Nations under limited functions, specifically including:

a. General depository of public moneys of U.S., including official and quasi-official funds of U.S. Armed Forces.

b. Bank of deposit for members of U.S. Armed Forces for accumulation in dollars of pay and allowances found excess to their local needs. Withdrawals were limited to transfers to the credit of other such dollar accounts and to drawings against such accounts either for deposit in dollars or for encashment in yen with Army or Navy disbursement officers in the theatre.

c. Depository for yen representing the proceeds of remittances of the U.S. Commercial Company and similar U.S. Government agencies and eleemosynary funds such as those of American Council of Churches.

d. Depository for proceeds realized from local sales of civilian supplies introduced under U.S. military authority into Japan.

e. Safekeeping services.

2. Of particular significance is the provision in the JCS cable W 82130 of 26 March 1946, stating, "That National City Bank branch (or similarly established U.N. bank branches) not be permitted at present to engage in any ordinary commercial banking activities including provision for export-import banking facilities, acceptance of dollar deposits from recipients of dollar remittances, receiving funds of nationals of Allied countries which were on deposit with the bank on 7 December 1941, or representing nationals of Allied and neutral countries for purpose of recovery of their pre-war

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pre-war assets, but be used solely for services related to your occupation needs."

3. Remittance facilities between the U.S. and Japan through commercial banking channels were reestablished by SWNCC 226/4, approved 18 December 1946. These facilities were available to U.S. and United Nations personnel accredited to the theatre. Under the procedure, and subject to controls and limitations imposed by SCAP, the National City Bank of Tokyo is authorized to accept deposits in dollars from proceeds of dollar remittances on same basis as dollar deposits representing pay and allowances in excess of local needs, and to permit withdrawals against such accounts for remittance dollars through facilities previously established under W 82130 March 46.

4. Revised SWNCC 226/6, approved 3 October 1947, authorized foreign banks to provide banking services in connection with Japanese foreign trade, including (a) all necessary normal banking services incident to Japanese export-import trade, (b) such services as may be available to SCAP, in connection with trading activities initiated by SCAP, and (c) such services as may be rendered to private foreign traders.

5. Extension of commercial remittance facilities between U.S. and Japan to any person, natural or juridical, in Japan, including Japanese nationals, subject to rules and regulations prescribed by SCAP was approved by SWNCC 226/9, as amended by SWNCC 226/10, on 23 October 1947.

6. C 56851 (CM-IN 3774 of 23 Nov 47) recommended the transfer of all yen deposits and safe custody items from the Bank of Japan to United Nations banks in Japan that held these assets on 7 December 1941. SCAP notes that the transfer was prohibited by W 82130 of 28 March 1946. However, the receipt of numerous requests from U.N. nationals in Japan for the return of such yen deposits and safe custody items and the effectuation of the restoration program require the deletion of these restrictions in foreign banks' licenses.

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7. C 57171 (CM-IN 1329 of 7 Dec 47) requested advice respecting permissibility of yen loans to SCAP licensed businesses for approved operating expenses under terms of reference of W 88573 of 17 October 1947.

8. SANACC 226/12 of 26 December 1947, a statement by the Army Member, recommended the deletion of the provision, "receiving funds of nationals of Allied countries which were on deposit with the bank on 7 December 1941," from paragraph 1 a, Appendix "C", SWNCC 226/3.

9. WAR 94050 of 15 January 1948 requested additional information on the scope and character of deposit activities following the proposed transfer of yen deposits and safe custody items from Bank of Japan to U.N. bank branches as well as pertinent details of proposed yen loan operations.

10. C 48403 (CM-IN 729 of 5 Feb 48) advised that the foreign banks would not participate in domestic Japanese banking operations, but would serve only for the restoration of funds to depositors or their agents. It is estimated that 30,000,000 yen were deposited in pre-war accounts of approximately 3,300 depositers. Further, the yen loans made possible from large yen deposits of Army Finance officers, Post Exchanges, and such licensed concerns as news services, motion picture distribution, and book and magazine publishers would meet short-term yen needs of licensed concerns for approved operating expenses. Such loans would be approved only for licensed concerns justifying such action and having legitimate sources of yen income. SCAP emphasizes that Japanese banks have made loans to qualified licensees within the scope of recently instituted credit priority regulations, but these transactions place an added strain on the presently limited volume of Japanese credit.

11. In C 57887 (CM-IN 1704 of 10 January 1948), SCAP recommended that foreign banks licensed to operate in Japan be permitted to sell drafts drawn on banks outside Japan on the same basis as they now sell travelers checks and effect remittances through mail and telegraphic transfers.

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transfers. The recommendation is made on the grounds that travelers checks and mail or telegraphic transfers are not adaptable for such uses as mail-order transactions and the payment of income taxes.

12. In reply to a request (WAR 94501 of 22 January 1948) for additional information relative to the sale of foreign currency drafts, SCAP stated (C 58632 of 14 February 1948 - CM-IN 2674) that "foreign banks would be authorized to sell bank drafts to members of the occupation, licensed (business) concerns, and authorized private foreign traders in dollars or sterling". Such drafts would be enfaced "not negotiable within Japan, Ryukyu Islands or Korea".

13. In cable WAR 94501(cited in paragraph 12, above), it was suggested to SCAP that in view of the pending proposals relative to additional banking functions, ". . . probably necessary you resurvey functions deemed desirable that foreign banks in Japan perform in addition to those . . . (presently authorized)". In response,SCAP's C 58632 (cited in paragraph 12, above), recommended the following additional functions besides the pending proposals (indicated in paragraphs 6 and 7, above):

(1) Representing nationals of allied and neutral countries for the recovery of their pre-war assets;

(2) Transmission of orders for the purchase and sale of securities abroad for account of members of the occupation, licensed business concerns, and authorized foreign traders; and

(3) Purchase of obligations of the Japanese Government with yen deposits on a "no objection by SCAP" basis, at the buyer's risk and without responsibility on the part of SCAP. (SCAP indicated "this provision should also be applicable to all licensed concerns that acquire yen from licensed operations).

APPENDIX "A"

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APPENDIX "B"

DISCUSSION

1. Recent developments in Japan, including the gradual increase of foreign and domestic trade, the easing of restrictions on travel to Japan by foreign businessmen, and progress in the restoration program, necessitate the expansion of banking services by foreign bank branches whose past functions have necessarily been circumscribed by the limited requirements of occupational personnel in Japan. Since the services which SCAP recommends the banks be permitted to render would be available only to authorized persons, such as members of the occupation, persons accredited to SCAP, licensed concerns, and licensed private foreign traders, SCAP does not consider that the branches of foreign banks in Japan will become involved in Japanese domestic banking activities. The prospect of undue competition between the foreign banks and Japanese banks would therefore seem unlikely to occur.

Restitution of Pre-war Deposits.

2. Approval of the transfer of yen deposits and safe custody items from the Bank of Japan to United Nations banks possessing these assets on 7 December 1941 is desirable on the basis of preferential treatment already accorded U.N. nationals. For example, they have been granted unrestricted access to bank deposits if their property was blocked, confiscated or impounded, or if they were subject to imprisonment by the Japanese Government during the war because of their being U.N. nationals or their being in sympathy with the United Nation's cause. SCAP has also given permission to U.N. nationals in Japan for the withdrawal of an additional 400 yen per person per month for the payment of an additional food allowance as well as the benefit of exception from deposit account restrictions to U.N. nationals working for the occupation forces.

3. The concern expressed by interested Washington agencies over the participation of foreign banks in domestic Japanese banking operations, arising from the theatre's request to transfer yen deposits from Bank of Japan to U.N. banks, has been satisfactorily dispelled by

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C 48403 of 4 Feb 48. SCAP indicates that these deposits will be returned only for the purpose of restoring funds to depositors or their agents subject to the usual withdrawal restrictions applicable to similar deposits in Japanese banks. No new deposits will be accepted from Japanese nationals or foreign nationals not connected with the occupation. In view of the limitations placed upon U.N. banks receiving the deposit funds from the Bank of Japan, there appear to be no further objections to the proposed transfers of funds.

Loans to Licensed Concerns.

4. In response to Washington queries on yen loans, SCAP points out that licensed concerns have been accommodated by Japanese banks within the scope of recently instituted credit priority regulations. Such an arrangement, however, is not satisfactory since it places added strain on Japanese credit availability which is already overtaxed. It is believed that foreign banks with large yen deposits of Army finance officers, post exchanges, and various licensed concerns (news services, motion picture distributors, etc.) might better make short-term yen loans to licensed businesses for the payment of approved operating expenses. Qualifying borrowers would be required to show that their licensed operations justified such negotiations and that they have a legitimate source of yen income sufficient to repay the loan in yen.

5. Concerns without yen income and foreign traders will continue to obtain their local currency requirements against acceptable foreign exchange. It is not contemplated that foreign banks would make loans to foreign nationals not connected with the occupation. Inasmuch as yen loans are intended exclusively for the use of licensed concerns with source or possible source of yen from approved operations, SCAP does not consider that such loans will be made in anticipation of a change in the dollar-yen rate of exchange.

Sale of Bank Drafts.

6. The question of the sale of bank drafts is raised by SCAP on the grounds that existing channels available to accredited personnel for the remittance of funds from Japan are not adaptable for such

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 uses

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uses as mail order transactions and the payment of income taxes. ~~Neither~~ Nor are travelers checks, which the banks are permitted to sell, entirely suitable for such purposes.

The principal objection originally raised against the issuance by the banks of foreign currency drafts as a means to remit funds from Japan, was the possible misuse which might be made of such instruments, such as their resale at a premium by the purchasers to Japanese nationals or other persons in Japan not entitled under existing foreign exchange regulations to acquire or retain foreign exchange and other forms of black-market activity in foreign exchange. However, there should be no great difficulty in instituting adequate safeguards surrounding the sale and use of bank drafts, such as those provided for in paragraph 9 of the conclusions, to remove this objection. Another objection was based on the contention that there was no need for bank drafts since remittances from Japan could be effected through the banks by mail or telegraphic transfers. SCAP has now pointed out the need for bank drafts.

SCAP has proposed that the banks "be authorized to sell bank drafts to members of the occupation, persons accredited to SCAP, licensed concerns, and authorized private foreign traders in dollars or sterling", pointing out that dollars and sterling are "the only foreign currencies in which banks are authorized to carry deposit accounts for the foregoing (persons)." In this connection, it would appear desirable that the banks be authorized to sell foreign currency drafts, as distinguished from dollar and sterling ~~drafts~~, to any person in Japan who is authorized, under regulations in effect in Japan, to import or acquire and retain foreign exchange in bank accounts or in any other form. Such a provision would enable SCAP to add other categories of persons authorized to purchase drafts and to authorize the sale of drafts expressed in foreign currencies other than dollars and sterling, without seeking piece-meal authority from Washington, as conditions in the theater warrant such action.

Representation

APPENDIX "B"

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Representation of Foreign Nationals.

7. Procedures already in effect for the recovery of pre-war assets owned in Japan by United Nations' nationals, provide for the appointment of any person in Japan, including Japanese nationals but excluding occupation personnel and persons connected with the occupation, to act as representatives or agents on their behalf. So long as the functions of the banks were confined to matters appertaining to the occupation, the banks could not properly assume a function of this nature. Since the functions of the banks have been expanded to include services for other than purposes of the occupation, however, it would not now seem inappropriate for the banks to act as representatives or agents of United Nations' nationals or nationals of neutral countries seeking the recovery of, or compensation for, property which was seized, confiscated, or sequestered under wartime measures of the Japanese Government. Undoubtedly, the participation of the banks in this respect would materially aid and expedite progress in the program for the restitution and restoration of United Nations' property in Japan and such property of nationals of neutral countries as may have been seized, confiscated or sequestered by the Japanese Government as property of persons sympathizing with the Allied countries.

Transactional Communications.

8. Persons accredited to SCAP are not prohibited, of course, from looking after their personal affairs in their home countries through such channels of communication as are available to them. It is obvious that certain transactions, such as the purchase or sale of securities, may be more safely effected through banking channels. Given adequate safeguards against the misuse of such channels, such as those provided for in paragraph g of the conclusions, there would seem to be no cogent reason to disapprove the recommendation made by SCAP that the banks be permitted to perform this type of service on behalf of authorized persons in Japan. The purchase or sale of securities abroad under the conditions specified by authorized persons for their own account would not be likely to affect the Japanese economy and hence could not be

 prohibited

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prohibited on those grounds.

Investments in Japanese Government Obligations.

9. The question of the investment by the banks of yen deposits in obligations of the Japanese Government raises the broader question of investments in Japan by foreign investors in general. This subject has been treated in a recent exchange of cables between Washington and Tokyo and is now being considered by the Department of State with a view to presenting it to SANACC in a separate paper. It is considered, therefore, that the question of the investment by the banks of yen deposits in obligations of the Japanese Government should be determined at the time of the establishment of over-all policy in regard to foreign investments in Japan in general.

Collection of Fees in Foreign Exchange.

10. It is understood that in connection with certain services, the banks have been exacting fees and charges in dollars or other foreign exchange which they have retained. So long as the operations of the banks were confined to functions related to occupation needs, this practice did not appear to be unreasonable or particularly objectionable. It may be desirable that the banks be permitted to continue this practice in appropriate instances, such as regards services of the nature performed heretofore. However, with respect to such services as are rendered in pursuance of the new functions authorized in this paper, which are not strictly related to purposes of the occupation, it would seem difficult to justify the practice. The foreign currency proceeds of remittances to Japan in payment of services performed, for example, by Japanese banks or by an individual in Japan for persons outside Japan,would accrue to the Japanese economy. It is considered that the same principle should apply as regards any foreign exchange paid to the branches of foreign banks in Japan as fees or commissions

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in connection with any service performed in pursuance of any new functions granted them. The fact that such functions are performed by branches of foreign banks should not predetermine the disposition of any foreign exchange that may be tendered in payment for services performed in Japan. Such services should be paid for in yen acquired in accordance with the foreign exchange regulations in effect in Japan.

At the time authority was granted to permit the establishment or reestablishment in Japan of branches of foreign banks, it was provided that "yen earnings accrued by . . . (branches of foreign banks in Japan) . . . from service charges or other sources would be blocked in same manner as other foreign exchange assets (yen) accruing in Japan to . . . (the head offices of branches in Japan) and would be subject to future determination as to repatriation on same basis as yen accruals of such other American business concerns as may be authorized to begin or resume activities in Japan." Nowhere does the record show that it was ever intended that foreign business concerns licensed to operate in Japan would be entitled automatically to retain foreign exchange acquired as a result of their operations in Japan. Any foreign exchange acquired by Japanese organizations, including Japanese subsidiaries of foreign corporations, accrues to the Japanese economy. Thus the operation of foreign concerns in Japan represents an investment, the earnings on which will become convertible into foreign exchange at such time as provision will be made for the conversion of earnings on foreign investments in Japan in general.

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APPENDIX "C"

"FROM: SCAP Tokyo Japan

TO: Dept of the Army for CSCAD

NO: C 56851 22 November 1947

Subject is transfer of yen funds and safe custody items from Bank of Japan to United Nations Banking Institutions in Japan.

1. Progress of the restoration program makes advisable the transfer at this time of all yen deposits and safe custody items held on 7th December 1941 by the National City Bank and other United Nations Banks in Japan from the Bank of Japan to the Foreign Banking Institutions.

2. SCAP licenses issued to foreign banks in conformity with your radio W 82130, 28th March 1946, prohibit the transfer of these yen funds and safe custody items. SCAP is in receipt of numerous requests from United Nations nationals in Japan for return of such yen deposits and safe custody items. No objection is seen here to such transfers at this time and effectuation of restoration program requires deletion of these restrictions in foreign banks licensees.

3. Recommend that these restrictions be removed from present licenses of all foreign banks in Japan.

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SECRET

APPENDIX "D"

"FROM: CSCAD cite ECON

TO: CINCFE Tokyo Japan

NO: WAR 94050 15 January 1948

Reurads Jan C 57872, Nov C 56851 and Dec C 57171. Proposed expanded activities Foreign Banking Institutions in Japan is subj. This radio in 3 parts.

Part 1.

A. Request reurad C 56851 was referred by Army Member to SANACC in Dec. Considered proper that branches in Japan of foreign (UN) banks be permitted apply for an obtain return of assets, yen deposits and safe custody items held on 7 Dec 41 on same basis as other UN property holders and in accordance with established restoration procedures.

B. However, some concern expressed here re participation foreign banks in domestic Jap banking operations. Resumption deposit activities these banks on behalf pre-war depositors raises fol questions on which your comments are requested:

(1) Will 7 Dec 41 deposits reopened in foreign branches be subj to same regulations,including those of Jap govt, as apply similar deposits in Jap banks?

(2) Do you contemplate foreign banks including new banks such as Bank of America and Chase will be permitted accept new deposits Jap natls and Foreign natls not connected with occupation in add to reopening deposits held before 7 Dec 41?

C. What are total amts yen deposits and total number of depositors involved?

D. How would proposal reurad affect 7 Dec 41 deposits of Foreign banks not now operating Japan, if any?

Part 2.

1. In order fully understand here proposed plan reurad C 57171, fol

info

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info requested:

A. Source of yen Foreign banks would lend;

B. Form and manner loans would be r@paid;

C. Purposes licensed concerns would employ borrowed funds.

2. Transactions under proposed plan reurad C 57171 would not appear be within purview para 1 (C) ourad W 88573. On basis presented info, desirability such transactions questioned here on grounds:

A. Local currency reqmts licensed commercial entrants were intended to be obtained against acceptable foreign exchange since Jap resources consumed by such entrants represent invisible Jap export. Remittance channels recently expanded for such purpose. Licensed commercial entrants possibly seeking local currency loans in anticipation change in dollar-yen rate of exchange. If so, would appear to be evasion foreign exchange controls;

B. Foreign banks are licensed operate Japan to serve occupation needs and provide essential svs in connection Jap Foreign Trade, which Jap Banks under current regulations may not do. So long as oprs Foreign Banks restricted to these functions, assume such banks not subj Jap banking regulations applicable Jap Financial Institutions. If Foreign Banks permitted make loans foreign natls not connected with occupation, would appear inevitable they become involved other domestic activities not consistent with their present status in Japan, and would be performing functions within competence Jap Financial Institutions while latter excluded participate oprs licensed Foreign Banks.

C. Add of Foreign Banks to present domestic Jap banking system would seem to lead toward credit expansion which would not otherwise occur, and attendant inflationary effect.

Part 3-new subj.

Since broad question future yen investments in Japan now under consideration, would appreciate full info scope and opn plans reurads to aid our discussions and to facilitate decision your recommendation respect thereto."

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SECRET

APPENDIX "E"

"FROM: SCAP Tokyo Japan

TO: Dept of the Army for CSCAD ECON

NO: C-58403

4 February 1948

PRIORITY

Reurad 16 January W 94050. This radio in 3 parts.

Designations same urad.

Part 1.

A. Noted.

B. Participation foreign banks in domestic Japanese banking operations not contemplated. Resumption depositor relationships created by return yen deposits to foreign banks only for purpose restoring funds to depositors or agents requesting same. Bank accounts to be of restricted nature for withdrawals only.

(1) Yes.

(2) No.

C. The approximate amount of prewar yen deposits in United Nations Banking Institutions credited to United Nations Nationals as of 7 December 41 is 30 million yen. The approximate total number of United Nations Nationals depositors to whom the above amount is credited is 3,300.

D. Deposits of foreign banks not operating in Japan will not be affected differently than those of banks now operating. The only prewar bank not now operating is Banque Franco Japonaise. Bank has agent in Japan who can accept deposits for restoration to depositors.

Part 2.

1. A. Foreign banks receive large yen deposits from fiscal director, Army Finance Officers, Post Exchanges, similar British Agencies, and licensed concerns such as Motion Picture Distributors, Life, Time, and Readers Digest Publications, and News Agencies such as United Press,

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Press, Associated Press, International News Service.

B. Loans would be repaid in yen obtained from authorized licensed functions. Licensed concerns would negotiate yen loans when their licensed operations justify such action and that they have source of yen income. Quarterly reports now submitted by licensed concerns indicate yen sources and purposes for yen payments.

C. Licensed concerns would employ borrowed funds only in pursuance of licensed functions, such as payment of rent, salaries, transportation, and the cost of repair of facilities essential for their operations.

2. A. Local currency requirements of foreign traders are obtained against acceptable foreign exchange. Many concerns licensed by SCAP have deposited yen income with Japanese banks. License does not preclude yen borrowings for approved operations. Japanese banks have made loans only when licensee has yen income to repay loans. Proposed action is to permit foreign banks to make loans only to SCAP licensees on same basis as Japanese banks. Foreign banks now precluded under terms their license from making such loans. Loans from Japanese banks while within scope of recently instituted credit priority regulations place added strain on Japanese credit availability which is presently taxed to utmost. SCAP licensed concerns may be divided into 2 categories with respect to local operations.

(1) Concerns not having any possible source of yen income. Such concerns obtain yen against acceptable foreign exchange.

(2) Concerns with source of yen income. Short term yen needs may necessitate yen loan. Such loans are considered legitimate in view of nonconvertibility of yen back to dollars if previously converted at 50 to 1 to meet immediate need. Concerns considered eligible to borrow yen are only those with source or possible source of yen for approved operations. Therefore, do not consider such loans in anticipation of change in dollar-yen rate of exchange.

B. Do

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APPENDIX "B"



B. Do not contemplate foreign banks making loans to foreign nationals not connected with occupation. Proposed action relates to SCAP licensed concerns only. Therefore, do not consider foreign banks will become involved in Japanese domestic banking activities.

C. As indicated above proposed action would not cause addition of foreign banks to present domestic Japanese banking system.

Part 3. Information requested on investments will follow by separate radio at earliest.

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APPENDIX "T"

"From: SCAP Tokyo Japan

To: Dept of the Army for JCS

Nr: C-57171 7 December 1947

Reurad W-88573

In view of yen needs of licensed commercial entrants to meet operating expenses in Japan, consideration being given here to plan whereby foreign banks would be authorized to make yen loans to concerns licensed by SCAP and under controls established by SCAP. Request advice earliest as to whether terms of reference of W-88573 constitute requisite authority to implement proposed plan.

End."

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## APPENDIX "G"

FROM: CINCFE, Tokyo, Japan

TO: Dept of the Army for CSCAD

NO: C 57887 10 January 1948

Subject is sale of drafts by licensed banks. Foreign banks in Japan are not permitted to sell drafts drawn on banks outside Japan. At present banking exchanges are effected by mail and telegraphic transfers. Banks are also permitted to sell travelers checks when enfaced "not negotiable within Japan, the Ryukyus Islands, or Korea". These methods not adaptable for such uses as mail order transactions and payment of income taxes.

Recommend banks be permitted to sell drafts when enfaced as above stated. Comments requested.

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APPENDIX "H"

"FROM: CSCAD cite ECON

TO: CINCFE Tokyo Japan

NO: WAR 94501 22 January 1948

Reurads Jan C 57887, Jan C 57872, Dec C 57171, Nov 56851, and ourads Oct WAR 88573, Jan WAR 94050, Mar '46, 82130, and Dec 46 WAR 88433. Sale of drafts and other proposed functions foreign banks is subj. This rad in two parts.

Part 1. Discussions here proposal urad C 57887 indicate need following additional information to facilitate early action:

A. Who will be eligible purchase drafts and for what currencies?

B. To preclude transfer by indorsement to third party, will you require that drafts be drawn payable only to ultimate beneficiary and negotiable only through banks? Do you consider this and other limitations on negotiability desirable to prevent unauthorized transaction involving foreign currency instruments Japan.

C. Do you propose additional technical controls other than imprint urad to prevent possible negotiation within Japan and cloaking illegal transfer to accounts abroad in which Japs may have concealed interest?

Part 2. In view proposal urads C 57887, C 57171, and C 56851, considered here probably necessary you resurvey functions deemed desirable that foreign banks in Japan perform in addition to those authorized WAR 82130, WAR 88433, and WAR 88573. Request you incorporate any further recommendations such additional functions in your reply to above, or ourad WAR 94050, in order expedite consideration entire subject here."

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APPENDIX "I"

"FROM: GHQ SCAP Tokyo Japan

TO: Dept of Army for CSCAD

NO: C 58632 14 February 1948

PRIORITY

Reurad W-94501 dated 23 January 48. This radio in two parts.

Designations same urad.

Part 1.

A. It is proposed that foreign banks be authorized to sell bank drafts to members of the occupation, persons accredited to SCAP, licensed concerns and authorized private foreign traders in dollars or sterling. These are the only foreign currencies in which banks are authorized to carry deposit accounts for the foregoing. Licensed banks are allowed to effect mail and telegraphic transfers in these currencies but these methods are not adequate to the needs of the personnel concerned.

B. No. When drafts are enfaced "not negotiable within Japan, Ryukyus Islands or Korea" do not consider it necessary to impose any further restrictions on their negotiability.

C. Do not consider any other imprints necessary but will require that banks report sale of all drafts exceeding $1000 or 250 pounds sterling.

Part 2. The following additional functions are recommended for foreign banks:

A. Yen loans by licensed banks to licensed concerns. Reourad C-58403 dtd February 48.

B. The acceptance of yen deposits and safe custody items held by banks on 7 December 41 for restoration to depositors reourad C 58403.

C. Representing nationals of allied and neutral countries. The purposes of recovery of their prewar assets. Now prohibited by urad W 82130 March 46. Need for this prohibition appears to have passed. Recision would greatly aid in restitution and restoration of property.

D. Transmission

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D. Transmission of orders for the purchase and sale of securities abroad, for account of personnel enumerated part 1 A above, provided such securities are not transported in or out of Japan.

E. Purchase of obligations of the Japanese Government with yen deposits on a "no objection" by SCAP basis provided it is clearly understood that the purchaser buys entirely at his own risk and without responsibility by SCAP. This provision should also be applicable to all licensed concerns that acquire yen from licensed operations. Dormant funds held by licensed banks could assist in counteracting inflationary trend.

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SECRET

APPENDIX "J"

PROPOSED CABLE TO CINCFE RE: EXPANSION OF FUNCTIONS OF FOREIGN BANKS IN JAPAN

CINCFE - Tokyo

Reurads C 56851 (22 Nov 47), C 57171 (7 Dec 47), C 57887 (10 Jan 48), C 58403 (4 Feb 48), and C 58632 (14 Feb 48); recurads War 94050 (15 Jan 48) and War 94501 (22 Jan 48).

Sole paragraph. For your information, SANACC action reference radios follows:

(Text of Conclusions from Section A to Section D, inclusive, to be inserted).

OE:RBParke:mw
3/11/48

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SECRET

April 29, 1948

Dear Mr. Draper:

I refer to your letter of April 27 enclosing a copy of a proposed cable to CINCFE, Tokyo, Japan, on the subject of authorizing additional banking functions to licensed banks in Japan.

In confirmation of yesterday's conversation between Mr. Hilliard of my office and Colonel Munson of your office, the cable referred to above represents a position and a text agreed among State, Treasury and Army Department members of a working group. The proposed cable has my approval. It is my understanding that the Treasury Department is signifying, directly to you, Treasury agreement to this cable but is not expressing to you an opinion regarding reference of this matter to the Far Eastern Commission.

In regard to your proposal that a cable setting forth an agreed interdepartmental position in this matter be dispatched directly to SCAP without further reference to the Far Eastern Commission, authorizations on this subject to SCAP, such as those contained in the proposed cable, have not been referred to the Far Eastern Commission since it has been considered that this matter is of an administrative nature under existing policy. Therefore, in accordance with past procedure, I confirm herewith that, in this case also, the above mentioned cable may be dispatched to SCAP without reference to the Far Eastern Commission.

Yours sincerely,

Charles E. Saltzman
Assistant Secretary

The Honorable
William H. Draper, Jr.,
Under Secretary of the Army,
Department of the Army.

Above mentioned cable to SCAP cleared with:
OE - Mr. McDiarmid
NA - Mr. Fearey
Treas.Dept. - Mr. Lipsman

CCH./

O:CCHilliard:fa
4/29/48

cc filed 201 Draper, Hilkam

CCS.

SECRET

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894.516/4-2748

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SECRET

DEPARTMENT OF THE ARMY
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

27 APR 1948
MR SALTZMAN
DEPT OF STATE
1948 APR 28 AM 11 54
ASSISTANT SECRETARY
A-S

Honorable Charles E. Saltzman
Assistant Secretary of State
Department of State

Dear Mr. Saltzman:

There is forwarded herewith for your earliest approval a copy of a draft cable to the Supreme Commander for the Allied Powers in respect to the addition of new banking functions to licensed banks in Japan.

It is proposed that an agreed position of State, Treasury, and Army Departments in connection with these functions requested in recent communications from the theater be dispatched directly to SCAP for his guidance without further reference of the matter to the Far Eastern Commission.

The provisions embodied in the draft cable represent the agreed views of the working level of State, Treasury, and Army Departments, and are substantially in consonance with the requests made by SCAP in order to broaden banking accomodations for occupational and accredited personnel.

Inasmuch as SCAP has recently requested expeditious action in behalf of those functions permitting the banks to aid in the recovery of property in Japan of foreign nationals, it would be greatly appreciated if you would give the proposed cable priority consideration.

Sincerely yours,

William H. Draper, Jr.

William H. Draper, Jr.
Under Secretary of the Army

1 Incl
Draft Cable
to CINCFE

not seen 7/24/69

894.516/4-2748

28-4-48
copy + draft
cable sent
to Mr. Parke, OE

SECRET

776

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STANDARD FORM NO. 64

CONFIDENTIAL (8)

# Office Memorandum • UNITED STATES GOVERNMENT

TO : O - S/JK

DATE: June 28, 1948

FROM : OE- Whitman

SUBJECT: Italian and French Yen Balances.

Prior to the recent bank reorganizations in Japan, specifically the reorganization of the Yokohama Specie Bank, there were on deposit in that bank about 64,000,000 yen of Italian funds and about 1,300,000,000 yen in the name of the Bank of French-Indo China. An exchange of cables with SCAP early in 1947 elicited the information that these accounts were classified No. 2 Restricted and would be substantially written off as a result of the reorganization of the Yokohama Specie Bank then going forward. The Department of State at that time wished to segregate in No. 1 Restricted accounts a certain portion of these balances which in our view did not arise from war trade or military activities. SCAP then took the position that such segregation of any portion of the accounts would interfere with bank reorganization procedures and that the distinction which State wished to establish between balances arising from war trade and ordinary commercial activities could not be substantiated. The Army supported SCAP in this view. Consequently, no action was taken with respect to these accounts, and in the meantime they have been substantially reduced under dissolution and reorganization procedures.

Information recently received from SCAP indicates that the bank reorganizations are now complete and the distinction between No. 1 and No. 2 Restricted accounts has been eliminated. The Italian Government has also renewed its request for the release of its funds. The attached cable is for the purpose of reopening the question with SCAP and securing the release to their owners of any residual balances now remaining in their accounts.

P B Whitman

OE:OJMcDIARMID;ms

CONFIDENTIAL

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894.915/6-2848

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CONFIDENTIAL

DRAFT CABLE TO SCAP - TOKYO

Reurads C-68776 (4 Jan 47) and C-50662 (7 Mar 47); reourad WAR 92783 (25 Feb 47); Italian yen balances is subject.

1. Italian Embassy Washington has again approached State Dept with request that Italian yen balances in Japan be released for use Italian Mission Tokyo. Embassy indicated Italian representative Tokyo claims unblocking of Italian yen accts has heretofore been denied by American Military authorities on grounds instructions were expected from Washington.

2. Understood here Jap bank reorganization program now completed and No. 1 and No. 2 restricted accounts have been combined. Therefore, no objections perceived here to your releasing residual balances Italian yen accts. Same applies to question of French yen accts which was subject of earlier exchange of messages (urad C-50923, 17 Mar 47; ourad W-90769, 28 Jan 47).

3. Request advice your disposition this question.

OE:RBParke:el 6/25/48 FN SE WE NA O

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DEPARTMENT OF STATE

# *Memorandum of Conversation*

DATE: July 28, 1948

SUBJECT: Italian Yen Balances.

PARTICIPANTS: Mr. Ortona - 1st Secretary, Italian Embassy
Mr. Parke - OE

COPIES TO:

1—1493

Mr. Ortona is not entirely clear as to the precise nature of his problem. On the basis of the first communication from the Italian representative in Tokyo, Mr. Ortona was of the impression that it was simply a question of obtaining the release of the Italian yen balances. These had been blocked pending liquidation of the YSB (the bank of Account) and the completion of the bank reorganization program in Japan. Since the YSB has been liquidated and the reorganization program completed, we had prepared a draft cable to SCAP suggesting that the accounts might now be released to the Italians (and also the French).

This cable was withdrawn by me on the basis of the second communication from the Italian representative in Tokyo which appears to imply [redacted] that the accounts are available but the residual balances are but a very small percentage of the original balances and that the problem, really, is whether the original Italian balances were entitled to immunity against write-offs and, according to the Italian representative in Japan, "should have been granted U. N. treatment." This is a misconception, since immunity was granted to official government funds (such as the It. "R" a/c) but not to trade accounts. The same applied to a/cs of Banque del Indo Chine. I explained this to Mr. Ortona by phone and he requested that we do not reply to his letter of May 20, 1948, until he has had the opportunity to raise the matter with the Italian representative in Tokyo and determine exactly the nature of the problem.

OE:REParke:ms

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STANDARD FORM NO. 64

CONFIDENTIAL

# Office Memorandum • UNITED STATES GOVERNMENT

TO : A-H - JK/Sec DATE: April 1, 1947

FROM : JK - Mr. Martin

SUBJECT: Draft Cable to SCAP Re: Accounts of Istcambi with YSB.

In cable C-68776 dated January 4, 1947, SCAP requested instructions and statement of policy on the question of releasing to the Italian Diplomatic representative in Tokyo for aid to Italian nationals in Japan, and for official purposes of the Italian Mission certain funds deposited with the Yokohama Specie Bank in the name of the Istituto Nazionale peri Cambi con l'Estero (Italian Foreign Exchange Office - Istcambi).

There are six yen accounts involved having a present balance totalling approximately 44 million yen. Of these, only one (yen Account R - balance 8,600,000 yen) appears to be of a type which might be considered for release at this time on the basis of information presently available, although SCAP has advised that the Italian Government has instructed its representative in Tokyo not to use this account at this time. The yen Account R was opened on December 28, 1940, with a transfer of $5,000,000 from New York. The funds contained in this account, therefore, would not appear to represent the proceeds of wartime trade between Italy and Japan.

ES (Mr. Baker), FN (Mr. Costanzo) and SE (Mr. Dowling) are agreed that there is nothing in the Italian peace treaty that would attach Italian assets in Japan or otherwise preclude their use by the Italians. It also appears to be agreed that U.S. policy in general is to return to Italy her external assets and otherwise make available to Italy all feasible assistance of a financial nature and accord Italian funds in Japan not derived from wartime trade activities, the same treatment as is accorded to the assets of members of the United Nations.

It is recommended, therefore, that the attached draft cable, which is a redraft of a draft cable prepared earlier by the War Department, CAD, be dispatched to CINCFE.

JK:RBParke:mw ESP ES FN SE NA

CONFIDENTIAL

DECLASSIFIED E.O. 11652, Sec 3(E) and 5(D) or (E) NND# 760050



PROPOSED CABLE TO CINCFE

Reurad C-68776, Jan. '47, C-50662, March '47: reourad W-92783, Feb. '47. Italian diplomatic and governmental accts in YSB subject. This radio in two parts.

Part 1. a. Reurad C-68776, Part 1 a & b. On basis info reurad and discussions Italian representatives here would appear balance yen acct R not (repeat not) proceeds war trade activity. State perceives no reason for denying balance this acct immunity granted official accts referred Part 1 reurad C-50662. Fact funds now in no. 2 restricted category not (repeat not) considered justification deny immunity if otherwise entitled thereto.

b. Concur your recommendation other funds Istcambi and Angelone accts not be released in view origin such funds cited reurad C-68776.

c. Consider inadvisable to extend funding facilities to Italians for official purposes Japan.

d. Interpose no objection to funds individual Italian nationals cited Part 2 reurad C-68776 be made available to Italian Mission for official purposes if depositors willing to look Italian Govt. for repayment.

e. General US policy is to return to Italy her external assets and otherwise render all feasible financial assistance. View here Italian assets not acquired through wartime trade activities should be accorded same treatment as UN assets in Japan.

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Part 2. a. Concur your granting immunity and transferring to no. 1 restricted or free accts govt and diplomatic funds of unquestionable origin, but consider such treatment applicable all official accts not definitely related war trade or similar activities.

b. Approve full compliance accepted liquidation procedures but consider essential liquidation and bank reorganization operations not prejudice funds otherwise entitled protection in accordance with established policy.

JK:OJMcDiarmid:mw
4/1/47

ESP ES FN SE NA

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CONFIDENTIAL

PROPOSED CABLE TO CINCFE

Reurad C-68776, Jan. '47, C-50662, March '47: reourad W-92783, Feb. '47. Italian diplomatic and governmental accts in YSB subject. This radio in two parts.

Part 1. a. Reurad C-68776, Part 1 a & b. On basis info reurad and discussions Italian representatives here would appear balance yen acct R not (repeat not) proceeds war trade activity. State perceives no reason for denying balance this acct immunity granted official accts referred Part 1 reurad C-50662. Fact funds now in no. 2 restricted category not (repeat not) considered justification deny immunity if otherwise entitled thereto.

b. Concur your recommendation other funds Istcambi and Angelone accts not be released in view origin such funds cited reurad C-68776.

c. Consider inadvisable to extend funding facilities to Italians for official purposes Japan.

d. Interpose no objection to funds individual Italian nationals cited Part 2 reurad C-68776 be made available to Italian Mission for official purposes if depositors willing to look Italian Govt. for repayment.

e. General US policy is to return to Italy her external assets and otherwise render all feasible financial assistance. View here Italian assets not acquired through wartime trade activities should be accorded same treatment as UN assets in Japan.

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Part 2. a. Concur your granting immunity and transferring to no. 1 restricted or free accts govt and diplomatic funds of unquestionable origin, but consider such treatment applicable all official accts not definitely related war trade or similar activities.

b. Approve full compliance accepted liquidation procedures but consider essential liquidation and bank reorganization operations not prejudice funds otherwise entitled protection in accordance with established policy.

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STANDARD FORM NO. 64

RESTRICTED

# Office Memorandum • UNITED STATES GOVERNMENT

TO : Mr. O. J. McDiarmid, Rm 709 State Annex No. 7
Potomac Park Apts, State Dept., Wash 25, D.C.

DATE: 17 November 1948

This Document must be Returned to the RMR Central Files

FROM : M.F.Foster, Dept of Army - CAD - ext 6841

SUBJECT: Comments on Proposed Japanese Banking Laws

Attached hereto are copies of the final cable draft to SCAP relative to U. S. views on proposed Japanese banking laws outlined in paras 5 through 13 of ESS/FIN 010 dated 28 May 48.

The suggested changes of the various participating Washington agencies have been made and it would be appreciated if you would obtain concurrence of your agency and advise me as early as possible.

If you may have any questions concerning the contents of the final draft cable please call me on Army Dept extension 6841.

1 Incl
Final draft
cable, subj as
above (2 copies)

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**Final Draft Cable to SCAP**

**on Proposed Banking Laws**

Nov C 65458,

FROM CSCAD CITE ECON. Reurads Oct C 64251, Aug C 62860; reourads Nov WAR 92176, Oct WAR 91507. Re - Memo ESS/FIN 010 (28 May 48)

PART I

A. Primary purpose this radio is to supply you specific comments on paras 5 through 13 reference memo. To make these comments it was necessary to adopt definite assumptions about the immediate revisions most feasible in the monetary and central banking fields. In accordance ourad Oct WAR 91507 (see especially para 5) we assumed most practical approach would be interim program to expand authority present Bank of Japan. View here is such program would provide Bank of Japan with controls sufficiently powerful to permit it to curb credit and thus play its part in stabilization program. This would not preclude more extensive changes in monetary and central banking system if and when further study, especially of your proposed Banking Board, should prove such changes practicable and desirable.

B. Interim program might be accomplished by amendment Bank of Japan law (a) to require banks to hold reserves with Bank of Japan, (b) to give Bank of Japan control over reserve requirements within prescribed limits (See comment below on your para 5i), (c) to make Bank of Japan principal regulating, supervising, and examining authority of all banks (excepting possibly that right to charter new banks be left with Minister of Finance), (d) to foster independence of Bank by deleting most provisions giving control over Bank's operations to Minister of Finance (see, for example, articles 21, 24, and 25 Bank of Japan Law) and by giving Bank officers more secure tenure (see article 47), and (e) to grant Bank of Japan such

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