

- (3) The exclusive use for all other portions of unencumbered Pay of military payment orders expressed in dollars.
- (4) That no civilians, regardless of being in and under the military establishment, be allowed the privileges accorded by Army finance officers.

d. The undersigned pointed out that the foregoing suggestions were not in full consonance with accepted War Department policy relative to certain freedom enjoyed by military personnel in the handling of their personal funds.

9. The undersigned pointed out that conversations and discussions and planning had been going on actively in the theater since July and had resulted in a series of four successively stricter foreign exchange control regulations being issued on a theater-wide basis from July 1945 forward. As of today, no military and/or civilian personnel in ETO may acquire dollar instrumentalities in excess of one month's unencumbered pay plus 10% in any one month.

a. The C/S at USFET is fully aware of the effect of unlimited marks conversions upon the U.S. tax-payer, as well as of the secondary effect upon our financial relations with net troop pay countries. Nevertheless, it is the expressed desire of the CG and the C/S of USFET that no restrictions upon military personnel in the ETO that are not equally binding upon military personnel in other theaters affected by the same problems.

10. Figures were submitted to Mr. White by the undersigned showing the consolidated portions in marks for all of ETO for the period 1 through 31 July 1945, as well as informal figures covering the first twenty-two days of August for the US Zone in Berlin only. The undersigned expressed the opinion that, while the situation regarding marks and their redemption was still critical, the effects of controls would begin to be reflected in the theater figures shortly. The War Department undertook to secure consolidated mark figures for the period 1 through 31 August 1945, at the earliest practicable date for submission to the Treasury Department.

11. There was dispatched to ETO on 1 October 1945 WAR 71871 which directed that a foreign exchange control card system be inaugurated soonest in that theater. A book message, repeating original message of 10 September from General Bedell Smith and WAR 71871 was forwarded to all theaters in anticipation of putting in a system similar to that inaugurated by ETO in other theaters similarly affected.

12. There was received from ETO S-27497 (CM-IN-5632 11 Oct 45) implying that the temporary measure that had been in effect in ETO since July had been "liberalized" on 28 September.

a. Article in Stars and Stripes on 8 October under title "POE puts No Limit on Money Changing" makes it appear that practically no controls whatsoever now exist, with respect to individuals leaving the theater when currencies conversion are made at POE's.

14. By X-ray conversation on 19 October the BOWD stated the War Department's position with respect to foreign exchange control. The conversation (TC 4545) between General Richards and General Cobbs on this subject is quoted below:

Richards: Another subject: Foreign Exchange Control: It is noted from your S-27597 that Foreign Exchange Control Card System will become effective in your theater on the 10th of November. In WAR 71871 the War Department authorized an interim period, in which the conversion of foreign currency, which had been accepted as initial declaration, could be transferred. This provided for a strict examination of amounts in excess of one month's pay and allowances before they were accepted as initial declaration. This conversion was to be limited to the amount approved in a single declaration of all foreign currency acquired legally from pay and allowances and/or through Army channels from your cashing of dollar instrumentalities. Now, your S-27597 gives no indication that the requests for transfer of funds by individuals remaining in the theater must be subject to approval by a local source, such as the enlisted man's personnel officer who should be well acquainted with the enlisted man's activities, but rather, it would appear, that the individual may make a transfer on a simple certificate without the prior approval of this personnel officer, or other officer, who would be familiar with his habits and operations. Thus, it would appear that the control of transactions by false and multiple certificates has been lessened, with respect to individuals leaving the theater, it would appear that practically no control exists for amounts being exchanged at ports of embarkation. For example, an article by Gene Graff and Henry Watson in the 8 October edition of "Stars and Stripes" under the title, "Ports of Embarkation Put No Limit on Money Changing". I suggest that you read that article, if you have not already done so.

Cobbs : I haven't seen that, sir.

Richards: It indicates there that the lid is off.

Cobbs : I think that that's a misinterpretation, because I don't believe that the lid is off. But I shall read that and re-examine our instructions to find out what loopholes there are in the system.

Richards: In view of our WAR 68716, 24 September, indicating that you would have a reply from us by the 29th of September, it is not understood why the interim control measures were liberalized, if they have been liberalized, on the 28th of September.

Cobbs : I'll examine that also.

Richards : We want it clearly understood and you understand it, I'm sure, that the War Department receives from Congress only sufficient dollars to meet the pay and allowances of all of our military and civilian personnel. You realize, I'm sure that the War Department cannot assume responsibility for the use of its facilities and it cannot provide dollars which are not appropriated for the conversion into dollars of foreign currencies

Foreign Exchange ^{FB}
CXC
19 October 1945

MEMORANDUM FOR COLONEL PFORZHEIMER AND GENERAL RICHARDS:

SUBJECT: Comments on Letter from Secretary of the Treasury, dated 17 October 1945, Proposing Drastic Foreign Exchange Controls.

1. The proposal made in the attached letter and cable is divided into two parts:

a. To limit all exchanges of foreign currency into dollars up to 31 October to \$100 a man and subsequent to 31 October to \$25 a man. This will apply only to men leaving the theater. (No comment is made concerning transfers by individuals within the theater and, presumably, this point will also have to be covered.) No

b. To pay all military and authorized personnel largely in military payment orders, which would be made out in fixed denominations. The object of using military payment orders would be to permit the individual to cash these as needed and, therefore, eliminate the necessity of his ever having much illegally acquired foreign currency to convert. No

2. The use of military payment orders in this matter was proposed at an earlier date by the Treasury. As indicated above, the concept is that an individual would draw the major proportion of his pay in several, possibly five to ten, military payment orders and only a minor amount in foreign currency. Whenever he needed additional foreign currency, he would cash a military payment order. Thus, there would never be a reason for him to have other than very minor amounts of foreign currency to reconvert, which would presumably be covered by the \$25 reversion limit on leaving the theater. Transfers and savings would be made by presentation of military payment orders instead of foreign currency. The theory in back of this proposal is excellent, as it would introduce a dollar instrument which, however, could only be converted through military channels. To carry out this proposal effectively, however, there would have to be a complete change in the Army's method of handling military payment orders (which are now handled as checks) or a substantial increase in available personnel in the European Theater. In this connection, there is attached a memorandum from Maj. Baldwin, OFD/ASF, giving details of his talk with General Cobbs concerning this proposal and its impracticability under present conditions. It would appear that the only mechanism which might make this proposal feasible would be for such military payment orders to be made up not only in fixed denominations, but also as payable to bearer and, therefore, capable of being handled exactly like cash in accounting procedures. A further necessary limitation, however, would be that, although payable to bearer, they could only be cashed through official sources, and only by military or authorized personnel. In effect, this would mean the introduction of a new dollar instrument which was completely negotiable, without limitation in military circles, but could only be employed by military or authorized personnel and only converted through official channels. Further inquiry is being made with the Treasury as to whether such an instrument is feasible.

Upton
THOMAS G. UPTON
Lt. Colonel, GSC
Foreign Financial Branch

UPTON = We made first suggestion to try on payment orders, but try to find some down on legal grounds. See my memo of 19 October.



THE SECRETARY OF THE TREASURY
WASHINGTON 25

OCT 17 1945

1945 OCT 17 17 33 PM

7 Copies

WAR DEPARTMENT
ASSISTANT SECRETARY

Oswood Memorandum
Approved
10-17-45
103
(10-17-45)

Dear Mr. Secretary:

I am enclosing the draft of a cable concerning the acceptance of foreign currencies by Army Finance Officers which it is proposed the War Department dispatch to all theaters.

The War and Treasury Departments have been concerned for many months with the problem of prohibiting the conversion into dollars of local currencies acquired in various ways by Army personnel other than as part of their pay and allowances. It has now become apparent to the Treasury that there are no simple administrative techniques whereby reconversions into dollars of local currencies can be limited to currency originally paid out as troop pay and allowances. To the extent, of course, that local currencies not eligible for conversion into dollars are so converted, it is a direct loss in dollars either to the United States or to the foreign country concerned.

The problem has become particularly acute in Germany and in the Netherlands. In the latter country we understand the Army now holds more than 30 billion guilders in excess of guilders originally obtained as advances from the Netherlands Government. The Belgian Government has also raised with the Treasury the question of its receiving compensation for Belgian francs accepted by Army Finance Officers which are not eligible for conversion into dollars.

The Treasury considers that drastic steps must be taken immediately to remedy this situation, otherwise the United States Government will be faced with losses which might run into many millions of dollars. I urge strongly that the attached cable be dispatched promptly as an initial step in altering the troop pay arrangements. Then, consideration can be given to what additional measures need to be taken.



There may, of course, be technical details in the cable which will need to be "ironed out", but I am sure this can be accomplished satisfactorily by the personnel of the War and Treasury Departments directly concerned with this problem.

Sincerely yours,

Frank G. V. ...
Secretary of the Treasury

The Honorable

The Secretary of War

Enclosure

DRAFT OF CABLE TO ALL THEATERS

Effective immediately the acceptance of foreign currencies by Army Finance Offices for all purposes from military and civilian personnel shall cease except as provided below:

1. Prior to midnight, October 31, 1945, personnel leaving a foreign country for the United States will be permitted to exchange local currency up to a maximum of \$100 for United States dollar currency or military payment orders. If the destination is a country other than the United States the exchange may be made only for military payment orders up to the maximum of \$100. It will be your responsibility to prevent any person from carrying out more than one such conversion. It is suggested that more than one conversion can be prevented in the following manner:

- (a) Soldiers traveling under individual travel orders should be required to present their travel orders at the time of requesting conversion of local currency. Travel orders should be marked to indicate that the single allowable conversion has been carried out.
- (b) Soldiers traveling under unit travel orders should be required to obtain written authorizations from the unit personnel officer to be presented at the time of requesting conversion at the Army Finance Office. The personnel officer would issue only one such authorization to each soldier and the Army Finance Office would make no conversion without such an authorization.

2. Effective November 1, 1945, personnel leaving a foreign country will not be entitled to convert more than the equivalent of \$25 in local currency.

3. Effective immediately, personnel desiring to draw their pay and allowances in cash will be given full facilities to obtain any portion thereof, either in local currency or in military payment orders. Such military payment orders

are already available in your theater and should be distributed to disbursing officers. We are taking steps to provide military payment orders in fixed denominations in order to reduce the clerical work involved. It is our plan to supply you with an adequate quantity of these payment orders in sufficient time to meet the payroll on October 31.

4. Effective immediately, ~~Army~~ post offices should sell postal money orders only against military payment orders. All Army organizations such as the APC, post exchanges, Army messes and Quartermaster stores receiving funds from personnel shall not accept more than the equivalent of \$4 in local currency from any individual at any time. Such organizations are hereby authorized to accept military payment orders.

5. The above provisions apply fully to civilians and no exchanges of foreign currency shall be made for civilians unless they are traveling under military travel orders with or without assimilated rank. You are authorized to sell military payment orders to American civilians.

6. With regard to foreigners traveling with APC, exchanges may be made into local currency up to \$10 per day, either for dollars or for the currency of the country of which the foreigner is a national. However, in making such exchanges the foreigner should be informed that the local currency cannot be reconverted either into dollars or into the currency of the country of which he is a national.

7. Violation of these instructions should be considered as an offense subject to court martial on charges similar to defrauding the United States Government. Negligence in carrying out these instructions on the part of responsible officers shall also be regarded as an offense subject to court martial.

Oct. 11,
1945

Theater cable stating interim stop gap (110%) was lifted on Sept 28 to permit transfer of any amounts if handling agency is furnished with appropriate certification that amount sought to be transmitted was derived only from US official sources (pay and allowances or money legally imported while individual on duty in theater) and as so liberalized will be continued in effect until 10 Nov. 45.

Comment:

It appears probable that the lifting of the temporary stop gap measures, applied as in the story in the Stars and Stripes will enable all previously illegitimately acquired currency to be transferred before exchange card system goes into effect, so that card will only be effective over future currency acquisitions. Lifting of 110% safeguard, on simple certificate, and without any central control by personnel officer, leaves the door open.

Oct. 1

War 71871 dispatched approving 110% stopgap measure for persons remaining in theater and recommending continuance until exchange card system installed. Also pointing out some exception to 110% might have to be made for personnel leaving theater prior to installation exchange card, where it could be adequately proved larger amounts arose from pay and allowances.

Oct. 8

Stars and Stripe story on "POE puts no limit on Money Changing" (Attached.)

ca 20 Sept.

Stop gap answer to theater promising
instructions by Oct. 1.

ca 25 Sept.

Treasury meeting at which Mr. White stated
situation with respect to control of Reichsmark
(and other European currency) exchanges was
costing Govt. substantial sums of money, and must
be further restricted. Mr. White said if necessary
Treasury would push matter to highest levels and
disclaim any responsibility for present situation.

31 July

Theater limitation of exchanges to 110% of ^{such} pay and allowances in any one month. _{center}

10 September

Theater cable proposing replace 110% limitation on transfers in any one month with exchange card system allowing transfer of 150% in any one month, as of Oct. 1, and asking for War Dept. guidance.

ca 10 July

Treasury meeting at which Mr. White insisted
necessity close control of Reichsmark (and other
European currency) exchanges into dollars.

20 July

Memo to Col. Pforzheimer in ETO with proposed
instructions to theater on exchange control.

Temp Exchange
FFB
October 12, 1945

Sequence of Important Recent Developments - Exchange Control, ETO

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T G Upton

Chrow

October 12, '45

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T G Upton

Paraphrase of War Department Cable

NO: War 71871

28 September 1945

TO: Commanding General, US Forces, European Theater, Main, Frankfurt, Germany.

1. There is no obligation for Finance Officer to accept for remittance, savings or exchange amounts of foreign currency in excess of cash pay and allowances disbursed to military personnel and dollar instruments converted by them through official channels War Dept considers. Reurad S 22572 relations with liberated countries require adequate steps to control acquisition of local currency in black markets by troops. Failure of controls results in accumulation of local currency balances in hands of Finance Officers and consequent unjustified reduction dollars payable to countries where net troop pay agreements exist. Where cash purchase basis exists illegally acquired currency may result in direct loss to War Dept if country concerned refuses repurchase. Transfers or conversions of illegally acquired currency of conquered countries result in direct cost of equivalent dollar amount at official rate to U.S. Government.

2. Over illegal acquisition local currency by troops, particularly in Germany, Holland, Belgium and France and repeated reports of professional operators and large gains by individuals War Dept seriously disturbed. Refer your S 22810. Figures for Germany and Holland interpreted to show present currency controls are inadequate.

3. Morale factor is important, with respect to desirability exchange control, but in face of widespread illicit traffic and in view fact transfers of any amounts in excess of total cash pay and allowances disbursed and dollar instruments cashed are not an obligation of the Army and can only be accomplished at the direct cost of the US or of other governments concerned, adequate control measures must be taken. Such control measures must reduce to a minimum transfers of currency acquired through sale of personal property, black market currency transactions and gambling, through which channel for large amounts illicitly acquired foreign currency acceptable status is sought.

4. To limit amount of foreign currency exchangeable to 1 months unencumbered pay and allowances plus 10%, reference para 2 S22572 and Sec 6 GHQ No 77 ETO, dated 29 August 45, War Dept approves temporary stopgap measures taken and recommends continuance for personnel remaining in theater until exchange card system instituted. In case of personnel leaving theater permanently, however, and prior to installation exchange card system consideration should be given to permitting exchange or transfer upon departure of larger amounts where it can be adequately proved legitimate savings are involved which previously could not be transferred.

5. At earliest feasible time establishment by you of exchange card control described para 4 322572 is approved. Limitation, however, to one months pay plus 50% appears too high. Controls should be used as guidance outlined below:

A. Initial declaration without examination should be generally limited to one months unencumbered pay and allowances. Until thoroughly scrutinized by individual examination which must take into consideration unparalleled opportunity which exists at time of initial declaration to give legal status to illicitly acquired currency, larger amounts may not be declared. If you consider desirable maximum initial declaration without examination could be set at higher figure for certain countries where black market opportunities extremely limited, such as England. Initial declaration on exchange card becomes first entry.

B. A limited period of time should be allowed, after initial declarations have been completed, for transfer of amount of such initial declaration. Subsequently, in any one month individual may never exchange, transfer or deposit more foreign currency for dollars or for another foreign currency than existing balance shown on card, or one months unencumbered pay and allowances plus dollar instruments cashed, whichever is lower. In effect this means that individuals desiring to accumulate savings in excess of one months pay and allowances, plus dollar instruments cashed, must accumulate such savings in dollar instruments such as soldiers deposits, war bonds, postal money orders and personal transfers on a monthly basis. To exchanges from one currency to another within the theater as well as to exchanges from theater currency into dollars or dollar instruments the above limitations apply.

C. On card of funds legally received debit entries should consist of original declaration, cash pay and allowances drawn, dollar instruments cashed and foreign currency received in authorized exchange for another foreign currency. Credit entries consist of bond purchases, PTA transfers, local currency legally exchanged for another currency or for military payments orders, soldiers deposits and postal money orders purchased.

D. Individual leaving theater on PCS will at time of final exchange turn in card when dollars or dollar instruments will be given the individual for balance shown on card, one months unencumbered pay and allowances plus any legally acquired dollar instruments, whichever is less. Card should then be stamped "Final Payment" and returned to personnel officer for attachment to and forwarding with enlisted mans service record or officers qualification card (WDAGO 66-1) where it will be available for future references. In effect this means that if the individual leaves the theater under circumstances such that he is unable make the final

exchange before departure he will automatically retain exchange card and have it available on arrival US or another theater. Finance Officers in U.S. or other theaters will therefore, not make exchange of any ETO currency without submission of card, at which time for retention as above card will be taken up.

E. If he desires exchange of theater currency, individual leaving theater on TD or DS will carry card with him and will be required to submit card to Finance Officer outside theater. Exchange of non-theater currency for theater currency will be entered on card at time of return to theater.

F. Upon reporting to first station within theater individual newly arriving in theater will be issued exchange card. Initial entry will consist amount of currency in possession upon arrival at that station which will be subject to examination in case individual possesses foreign currency in excessive amounts. To personnel assigned either on permanent or temporary duty foregoing procedure will apply.

G. Now being discussed with State and Treasury desirability of comparable regulations governing exchange by civilian personnel and recommendations will follow shortly.

6. War Department policy reference above is that exercise of strict control measures in exchange of foreign currency is essential in all theaters. Copies your cable S 22572 and our reply thereto are being transmitted all theaters for information and guidance. More specific instructions to other theaters relative to comparable procedures to be established will be given upon receipt and examination of final procedures established by you. Forward by airmail to OFDASF Washington, DC copies in quadruplicate of regulations and exchange card issued in accordance foregoing. Request your recommendation as to date after which Disbursing Officers in US and in other theaters should not exchange without submission exchange card ETO currencies.

7. With Treasury Department this problem has been coordinated. Latter indicates it is seriously perturbed over inadequacy of controls particularly for marks and anticipates that in near future drastic additional limitation for Germany may be proposed by it.

Extract from Congressional Record, 26 September 1945
(Reference Appendix A4372, No. 168, Wednesday, September 26, 1945.)

Extension of Remarks of Hon. B. W. (Pat) Kearney
House of Representatives

Mr. Speaker, under leave to extend my remarks, I wish to include in the RECORD the following open letter received by me today from a group of soldiers stationed overseas, which speaks for itself:

Camp Twenty Grand
Le Havre, France
September 16, 1945

This is not an appeal--this is a statement of fact.

Personnel of the Second Armored Division, stationed in Berlin, were paid for the month of July 1945 in Russian Allied military marks. Also, at this time these men holding French francs, Dutch guilders, or Belgian francs had their currency exchanged into these Russian marks.

During this same month (July), money orders were limited to the amount drawn across the pay table plus 10 percent. However, during the following month, even after this pseudo limitation, commissioned officers signed for money orders from one hundred to one thousand dollars. These men closely connected to orderly rooms, headquarters sections, etc. were able to send home hundreds of dollars worth of money orders, all purchased with these Russian marks. These men less fortunate were usually told that the quota had already been filled. In the meantime the accumulated savings piled up. Men were forced to carry huge sums of cash in their pockets. There was nothing to buy in Berlin. Gambling was inevitable. To add to the confusion, the sale of watches was declared legal in the Stars and Stripes.

At Camp Atlanta, on the way home, all of the Russian Allied military marks were accepted, but only 2 months pay plus 10 per cent was exchanged into French francs. The balance was held for safe-keeping in the orderly rooms of the various companies.

At Camp Twenty Grand, near Le Havre, all of the marks left over were returned to the men. Next came an order limiting the amount to be turned into American dollars to 2 months' base pay plus 10 percent plus 20 percent for overseas service. Of course, many soldiers had more than that amount in French francs and German marks. In order to get this overage converted into dollars, many soldiers paid heavily (sometimes as much as 30 percent) to have other soldiers turn in some of the money for them. The whole business was very complicated

and cost the soldiers hundreds of unnecessary dollars because, in the long run, most of the money was turned in anyway. Those men still retaining Russian marks, American marks, French francs, were advised that this currency might be converted into dollars in the United States of America.

Many disgusted soldiers burned their extra marks. It was all too stupid and too fantastic. Their own Government was letting them down after they had served overseas, in combat, for 3 years. Their own Government would not honor money printed for the use of invasion troops nor would this fine democracy honor the currency of her Allies--France, Russia, Holland, or Belgium.

~~At 12:15~~
~~(copy)~~
125
ETO(-)

WAR DEPARTMENT
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PARAPHRASE NOT REQUIRED PER EXCEPTIONS PARA 44g, AR 380-2

PRIORITY

From: CG US Forces European Theater Main Frankfurt Germany

To: War Department

Nr: S 22472

10 September 1945

S 22572 from USFET Main to for action AGWAR personal for Handy from Smith and for information to WARBUDIV. Signed Eisenhower.

Subject is control of foreign exchange transactions.

Recently the situation in the Berlin area, where United States military personnel are in contact with Russians who held large amounts of AM marks in back pay, resulted in the circulation of large quantities of Russian issued AM marks in the United States area. Quantities of these marks were being presented for conversion into United States dollars and other currencies, and this necessitated drastic curtailment of foreign exchange transactions.

As a temporary stop gap measure we limited the amount of foreign currency that could be exchanged for dollar instrumentalities and sent home to an amount equal to one months unaccounted pay plus ten percent. The quantities of back pay in AM marks now held by Russian soldiers is believed to be diminishing, but it seems that some form of currency control will remain necessary so long as our troops are in contact with a source of cheap marks. However, our stop gap measure seems to be unnecessarily restrictive and we intend to modify it on about October 1 as described in the next paragraphs unless some general War Department instructions are received prior to that date.

OM-IN-8112 (11 Sept 45)

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Page 2

From: CG US Forces European Theater Main Frankfurt Germany

Nr: S 22572

10 September 1945

General Eisenhower feels that currency control, if necessary, should be world wide and not applicable solely to this Theater as our personnel will naturally feel that they are being restricted because of currency arrangements concluded at national level and that they suffer by comparison with other Theaters.

If the War Department considers any type of limitation and/or control of foreign exchange transactions and foreign currency conversion to be necessary in view of net troop pay agreements with certain European countries and the general undesirability of United States redemption of Russian or even United Kingdom issued AM marks, this Theater is prepared to put a foreign exchange control card system into effect. Briefly, the system worked out here requires a declaration of assets, cash and in the bank, on a specified date by all personnel and a justification of excessive amounts. After this declaration, which would be recorded on a currency control card, military personnel would be given a specified time to convert current assets into dollars and send them to the United States, and thereafter would be limited in foreign exchange transactions to one month's unencumbered pay plus, say, 50 percent during any calendar month. However, it is repeated that any such directive should be on a world wide basis to avoid the appearance of discrimination against United States military personnel in this Theater.

The alternative to a general currency control policy as outlined above seems to be to place no limitation on foreign exchange transactions or on local currency exchange to dollars in any Theater. Thus any dollars needed for conversion in excess of normal pay and allowances would

CM-IN-8112 (11 Sept 45)

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16-50600-1 GPO

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Page 3

From: CG US Forces European Theater Main Frankfurt Germany

Nr: S 22572

10 September 1945

either be charged to Germany or Japan as normal occupational costs, or would be realized from Germany or Japan by delivery of saleable goods, or in the case of liberated countries would be recorded on Treasury books for post war intergovernmental settlement.

As this problem is a very pressing one it would assist us greatly to be informed of the War Department thought in the matter, as this will guide us in determining the extent of the temporary restrictions which we will place on foreign exchange transactions by military personnel.

End.

ACTION: Gen Richards

INFO : Gen Hull; Gen Handy; C of S

CM-IN-8112

(11 Sept 45)

DTG: 101900B

ngr

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16-39609-1 GPO

COPY

GENERAL HEADQUARTERS
UNITED STATES ARMY FORCES, PACIFIC

WAR DEPT
(exc Pacific)
B

APO 500
2 August 1945

CIRCULAR)
:)
NO...33)

Section

Currency Control 1

1. CURRENCY CONTROL. - 1. a. It is necessary that close liaison and coordination be established between all finance officers in order to keep cash working balances of disbursing officers to a minimum and maintain an adequate supply of funds on hand for all purposes.

b. All accountable disbursing officers located outside the geographical limits of Australia will procure the type of funds required from the nearest established base finance officer who services the area in which they are located. It is contemplated that funds of the following types be procured from the Bases indicated:

<u>Types of Funds</u>	<u>Where Procured</u>
Australian currency and coin	Base G
NEI currency and coin	Base G
Pesos (P.I.) currency and coin	Base K, M, and Phibsec, or other designated Philippine Base.
U.S. currency and coin	Bases G, K, M and Phibsec, or other designated Base.

c. To obviate the necessity for each disbursing officer carrying any excess over and above current requirements, the base finance officers referred to above will carry a 60 days' supply of currency and coin, exclusive of current needs, for all accountable disbursing officers serviced by the base. Caution will be used in estimating 60 day requirements, such estimates to be based on best available information as to present and future troop strength and activities serviced by the base.

2. Technical finance instructions to accountable disbursing officers covering detailed reporting and accounting procedures will be issued from time to time by Fiscal Officer, United States Army Forces, Western Pacific.

3. Section III, USAFEE Circular 30, 1 April 1945, is rescinded.

By command of General MacARTHUR:

R. K. SUTHERLAND
Lieutenant General, United States Army,
Chief of Staff.

OFFICIAL:

B. M. FITCH
Brigadier General, U. S. Army

SECRET

20 July 1945

TGU/GJR
2806

jlb/ml

MEMORANDUM FOR COLONEL PFORZHEIMER

SUBJECT: Control of Reichsmark Exchanges.

1. Attached are instructions concerning control of Reichsmarks which have been suggested for issuance by the War Department.
2. Due to the complexity of the problem involved, and to the possibility that some of the suggestions may be difficult of implementation, it is requested that you discuss this matter with the theater authorities as soon as possible and advise this Division of your thoughts thereon.
3. You may remember that this Division recommended strict exchange control measures, including consideration of "exchange cards" to OFD some months ago. Up to the present time, it has not been possible for OFD to implement these recommendations. However, an exchange card system in which each individual carries with him a permanent record of his transactions, is being worked out and may be published some weeks from now.
4. There is no doubt that if restrictions on exchanging Reichsmarks are lifted, even to a limited extent, there will be presented a flood of Reichsmarks which will have been accumulated by individual soldiers, perhaps largely illegally, during past months. Therefore, whatever measures are enacted must take this into consideration.
5. It appears advisable to remove the existing discrimination against the Reichsmark. At present there seems to be a real danger that two different currencies are developing in Germany, with the AM Mark commanding a considerable premium over the Reichsmark. Therefore, even if the proposed measures are not capable of efficient implementation under existing circumstances, it would seem that something should be done before this "dual currency" situation develops much further.
6. Refusal to exchange Reichsmark currency, while temporarily effective in preventing exchange of illegally acquired marks, becomes less and less effective as time goes on; and the necessity of control measures, even for AM Marks becomes more urgent. This results from AM Marks coming legally into the hands of the population in ever

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increasing numbers, with the result that troops may acquire them illegally with greater ease as time goes on. The lack of coordination with the Russians with respect to handling of AM Marks may also contribute to the necessity of control measures.

7. The attached suggestions have been discussed at very considerable length with G-1, CAD, OFD/ASF and the Treasury, and are concurred in by all groups. They are the result of a compromise between different viewpoints. We are asking you how this compromise appeals to you and to the theater. If something close to this will work, it is believed prompt formalization should take place. If the theater has objection to the procedures proposed, it is requested that they make immediate counter-proposals which will achieve the same result. Your views of any theater objection to the proposed measures, and of the effectiveness of any counter-proposals is requested.

ESGD

GEORGE J. RICHARDS
Major General, GSC
Director, Budget Division

Incl:
Instr. on Exchange
of Indigenous RMs



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SUBJECT: Exchange of Indigenous Reichsmarks

1. Refer communications from Fiscal Director, ETO, dated 25 May, 5 July, to Budget Officer. Conflicting factors are involved in problem of regulating conversion mark currency for U. S. military personnel.

a. Pertinent CCS and JCS directives embody basic monetary principle that Allied Military and other legal tender German mark currencies will be freely interchangeable one for one within area occupied by U. S. and other elements Allied forces.

b. Payment of U. S. troops has been effected to date only in Allied Military Marks.

c. Illegal acquisitions of large amounts of marks by military personnel are believed to be almost exclusively in Reichsmarks and Rentenmarks.

d. Fiscal Director, ETO, has issued instructions which prohibit conversion of German issue currencies, but do not prohibit conversion of Allied Military Mark currency.

e. Coordination with Soviets has not yet been effected relative to control of issuance of Allied Military Mark currency in Germany.

2. Purpose of following instructions is to obtain best practical solution to reconcile basic principles with existing procedures, pending establishment of longer range control measures.

3. It is requested that ETO letter 19 April 1945, file AG 123 OPGA, subject, "Possession by Military Personnel of German Indigenous Currency", which is not considered in accord with directives in para 1a above and with principles governing use of military currency, be rescinded, and regulation substantially as follows be issued:

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a. Reichsmarks in denominations of 5, 10, 20, and 50 marks, and Rentenmarks currency in denominations of 1, 2 and 5 marks will be acceptable by finance officers, postal authorities, war bond officers and post exchange officers for all purposes on the same basis as Allied Military marks. Denominations of Reichsmarks higher than those indicated above will not repeat not be acceptable from authorized personnel whether inside or outside Germany for any purpose. When reference is made below to "Mark Currency", the term applies equally and without distinction to both Allied Military marks and the acceptable denominations of Reichsmarks and Rentenmarks.

b. Transactions involving acceptance of mark currency within Germany for any type of exchange, savings, or remittance to points outside of Germany, must be individually approved by the unit commander or personnel officer for all military personnel up to and including the grade of Lt. Colonel. Military personnel receiving dollar or foreign currency remittances will be informed that unless these are registered with personnel officer prior to cashing, any mark proceeds arising therefrom will not be eligible for reconversion into foreign currency or into dollar instruments for savings or remittance purposes. Records must be maintained by personnel officers showing for each individual subject to these regulations, on the one hand, the amount of mark currency drawn monthly as pay, and amounts of remittances received from overseas, and on the other hand requests for exchange, savings, and transfers approved and disapproved. Finance, postal and war bond officers will not accept mark currency for any transactions without a certificate from the personnel officer evidencing approval of such transaction.

c. As a matter of general guidance, approval of requests within Germany for acceptance of mark currency for remittances and savings should be limited in any one month to amounts not in excess of one month's cash pay drawn, unless it can be

specifically established that the source of larger amounts requested is also pay allowances, or exchange of dollar obligations at official rate.

d. Requests for exchanges within Germany of mark currency for other currency or for military disbursing officers' payment orders will be approved by personnel officers, and finance officers will make such exchanges only when individual is in possession of orders authorizing departure from Germany either on permanent change of station, temporary duty, leave or furlough. As a matter of general guidance, cash exchanges for individuals leaving Germany should be limited to two months' cash pay received less any amounts previously remitted or deposited, unless justification for higher amount can be specifically established as described in g above.

e. Only one exchange of mark currency for currency of other countries or military disbursing officer's payment orders will be authorized outside of Germany and this will be made only upon submission of sworn affidavit establishing satisfactorily that such currency was received from pay and/or allowances, or exchange of dollar obligations at official rate, and stating:

- such curr
- (1) The specific reasons which prevented the holders from having such currency exchanged before departure from Germany.
 - (2) That previous exchange of any of the marks in question has not been refused either inside or outside Germany.
 - (3) That no previous exchange of mark currency has been made since leaving Germany.

In addition to the strict screening of all mark conversions in accordance with the above provisions, an exchange of mark currency made outside Germany may not, repeat not include more than a total of one hundred German Reichsmarks or Rentenmarks of the acceptable denomination described in para 3a above.

f. All personnel will be strictly enjoined to exchange mark currency before leaving Germany, and every facility will be given to see that such exchanges can be made.

e. Regulations promulgated in accordance with above will be brought to the attention of all personnel.

4. It is not considered feasible to lay down more specific limitation on amounts of mark currency exchangeable than those recommended above, as it is believed that discretion must be left to individual personnel officers or finance officers as the case may be to pass on exceptional and substantiated cases. However, the limitation recommended should specifically not be considered as permitting automatic transfer or exchange up to amounts specified, as these limitations represent working maximums which it is believed could legitimately be requested by relatively few individuals. Only the very exceptional case would have grounds to request transfer of a higher sum. Particular emphasis should be put on measures taken to see that all military personnel leaving Germany exchange mark currency before departure. Enforcement of this will permit finance officers outside of Germany, where no detailed check on previous transactions is possible at present time, to become increasingly severe in their acceding to requests for exchanges of mark currency.

5. Strict disciplinary action should be taken in case of violation of these regulations.

6. Request intification of date when above instructions have been effected and submission to War Department, attention OFD/ASF, of four copies of instructions issued.

7. In connection same subject, information requested why amendment to para 6i, Section 1, Finance Circular Letter No. 80, contained in Section 2 GHQ No. 56, OFD, ETOUSA, 17 June 1945, omitted para 3 and 4 of original para 1a, which prescribed exchange control records would be maintained by unit personnel officer. Implementation this cable would appear to require reinstatement of this or similar control measures.

16 June 1945

The Honorable

The Secretary of the Treasury

(Identical letter sent to
State Department)

Dear Mr. Secretary

The disturbed monetary and economic conditions which are the aftermath of war in many foreign areas make it desirable that the War Department state its position concerning foreign exchange rates and price inflation abroad, insofar as these factors affect the purchasing power of military personnel stationed outside the United States, and of the War Department in procuring supplies in foreign countries.

I believe it was the tacit assumption of Congress in passing the Pay Readjustment Act of 1942, that pay disbursed in foreign currency to troops abroad would command locally a purchasing power substantially equivalent to that which pay disbursed in dollars to troops in the United States would provide in this country. In determining whether pay disbursed abroad does command such equivalent purchasing power, due allowance must be made for prices resulting from the demand of troops for specialized goods and services, to local shortages from which all persons in a given area may suffer, and to different standards of living. Making reasonable allowance for such factors, the War Department holds that the medium of payment and the rate of exchange should be such as to provide consistently and without exception, a fair purchasing power for military personnel. This policy stems not only from the principle of providing equitable treatment for all troops wherever stationed, and from the necessity of maintaining morale and discipline, but it reflects, I am sure, the will of Congress. I feel sure also, that Congress would agree when I say that War Department money expendable for supplies in foreign areas should command an equally fair purchasing power, particularly when such supplies are purchased in a country which the United States is aiding by Lend-Lease, by relief measures, or by the utilization of American armed forces to assist in its liberation.

When the rate of exchange and the medium of payment in any foreign country do not provide a fair purchasing power to troops, and for supplies, I consider that immediate steps should be taken to rectify the situation, either by an adjustment in the exchange rate, by a change in the medium of payment, or by other appropriate and adequate measures. Furthermore, I feel that the purchasing power of United States troops and Army procuring officers having been established

by Congress by its Legislation and Appropriation Acts, ipso facto, in terms of dollars, the establishment or restoration of a fair purchasing power in terms of foreign currencies, under the economic circumstances governing at the present time, is primarily the responsibility of the foreign government concerned. Indeed, for the War Department to attempt to keep pace with monetary inflation in a foreign country, where restrictive exchange measures prevent the United States dollar from commanding its proper value in terms of the local currency, would simply be to underwrite the inflation at the cost of the American taxpayer.

It seems not unlikely that situations will arise where, as a result of a substantial inflation in local prices, previously established exchange rates or mediums of exchange will no longer provide a satisfactory purchasing power for United States troops in the affected area. Unless the position of the War Department is made known in advance of such developments, long delays, causing hardship to military personnel and serious drains on War Department appropriations for local procurement, may occur before negotiations for remedial measures can be completed. I should like to suggest, therefore, that the opportunity be taken, where appropriate, to establish the principles enumerated above in conversations with foreign countries about reimbursement for troop pay or concerning the local procurement of supplies for our armed forces.

If it is felt that the expression of such a principle is not consistent with the present diplomatic or financial policies of the United States in the case of some specific country where this situation exists, I believe that the War, State and Treasury Departments should join in discussing the matter with the appropriate committees of Congress. For if such a principle is not accepted and, when necessary, implemented without delay, the War Department must either see military personnel in an affected area suffer, or else attempt to maintain purchasing power at the cost of not unlimited appropriated funds. Such use of appropriated funds, in anything but nominal amounts to meet temporary emergencies, would have the effect of increasing the need of money for the Army, and of altering the specific purposes for which appropriations are presently made available. To obtain additional funds or to bring about such alterations, the mandate of the legislative body itself would be required.

I am addressing a similar letter to the Secretary of State.

Sincerely yours,

/s/

Secretary of War

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June 10, 1945

SECSTATE

Washington

____ June 10 ____

Problems confronting army authorities in light of new situation prevailing following VE Day and due to lessening influence of military necessity argument were reviewed by General Cobbs, Colonel Pforzheimer and Treasury representatives. We suggest for your consideration and review the following: (FOR SECRETARY OF TREASURY FROM TAYLOR)

1. That in the cases of France, Belgium and Holland there should be set up in the US Treasury a special blocked account in the name of the national government concerned into which would be paid the dollar equivalent for the full amount of local currency advances to US armed forces provided that the national government conveys to the US Treasury full authority to debit the account as follows:

(a) for return of excess local currencies by US Armed forces to national government either through SHAEF currency section or by other agreed procedure,

(b) for local currency expenditures by US armed forces for items chargeable to reverse lend-lease with national government receiving appropriate credit for reverse lend-lease,

(c) for net troop pay and other local currency expenditures not covered by (b) above, the amount debited to be paid into an account designated by national government.

2. That in the cases of Norway and Denmark due to small number of US armed forces involved that local currency be purchased under procedure similar to that used in UK with

understanding that national government will repurchase in dollars all local currency excess turned back by US armed forces at rate at which they were purchased.

3. If procedure in (1) above meets with your approval it should be made absolutely clear to national governments that the arrangement is without prejudice to any future claim by the US for an appropriate adjustment of dollars paid or due to be paid on account of 1(c) in the event of an alteration in the current US dollar local currency rate of exchange or in the event of a subsequent revision of army accounts.

4. In respect to 1(a) we have discussed informally with Colonel Pforzheimer procedure to be followed when SHAEF currency sections are liquidated. One procedure suggested is that US Treasury representatives in areas involved should be the agent through which US army finance section will obtain additional local currency or return local currency excess. This method would have advantages of regularizing contacts with national governments and of correlating needs in the field and flow of information to Washington. If this procedure were to be agreed it would necessitate immediate appointment of US Treasury Representative in Holland.

General Richards of War Department being advised of above by Colonel Pforzheimer.

Charge Special Account.

WINANT

Mr. Callman
Mr. Allison
Mr. Taylor

WHT:ko

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US URGENT

June 10, 1945.

SECSTATE

Washington

5876 June 10 6 p.m.

MESSAGE BEGINS Full discussion held here with Taylor and Cobbs regarding various European currencies currently (FOR SECRETARY OF TREASURY FROM TAYLOR. FOLLOWING MESSAGE being advanced to US Army./ It is proposed that for France, IS FOR GENERAL RICHARDS, WAR DEPARTMENT FROM COL. PFORZHEIMER.) Belgium, Netherlands there will be set up in US Treasury special blocked trust accounts in the name of the relevant government the full dollar equivalent of the currencies advanced to US Army charging Army account of advances. US Treasury to reserve the right at all times to change the account for (a) return by US Army of currencies excess to their needs to relevant SHAEF currency section (b) dollar equivalents of net troop pay as certified by War to Treasury Department and of other local currency expenditures not covered by reverse lend lease (c) local currency expenditures by US Army for items covered by reverse lend lease. Amounts charged to be credited under (a) and (c) to army account of advances with foreign government receiving appropriate reverse lend lease credit, under (b) to whatever account recipient government designates with the firm understanding between governments of US and of countries involved that any overpayment is immediately reimbursable and should be handled in the same manner as any US claim arising from a subsequent change in the rate of exchange between the US dollar and the franc or guilder. Such procedure would allow affected central banks to reflect offsets on their balance sheets for currencies advanced to US Army while guarantee under (b) would allow War Department to certify net troop pay more liberally. Also

bringing such proposals to French at this time would strengthen our position on scrip negotiations. In view of no lend lease agreements with and small numbers of US troops in Norway and Denmark, it is proposed that local currency requirements be purchased outright by charging army account of advances with firm understanding between government of US and countries involved that latter will repurchase at the same rate of exchange for dollars all excess local currency returned by US Army.

Foregoing procedures suggested in view of declining potency of military necessity argument with combat conditions terminated and imminence of disappearance of SHAEF currency sections. Upon dissolution of latter some agency independent of War Department must replace SHAEF as intermediary between Army in the field and the foreign national Treasuries to report army's withdrawals and refunds of these currencies and to provide field supervision to insure army implementation locally of US Government financial policies with regard to the affected European countries. Treasury representatives here have agreed to review this matter with Treasury Department Washington. Treasury guidance in field will also be needed when various currency and financial agreements signed by SHAEF and foreign governments are replaced by new agreements signed by the US Theater Commander on unilateral basis. Treasury being advised. Seeing Key tomorrow on G Five billings and outside audit. MESSAGE ENDS.

WINANT

Charge Special Account.

Mr. Callman
Mr. Allison
Mr. Taylor

WHT:ko
Original and 2 copies.

Orig. 6

Major Upton
F 2806
E get Div. WDGS

D R A F T

19 March 45

Draft - Never Sent Out

The Honorable,
The Secretary of the Treasury

Dear Mr. Secretary:

Up to the present time, activities of the War Department in foreign exchange have been generally concerned with obtaining through the medium of the Treasury Department adequate amounts of currency for disbursement to troops and for local procurement, and with the technical problems related to such transactions. The time is approaching, however, when the War Department will hold foreign currencies for which no immediate need can be foreseen. Indeed, this situation is already arising in certain areas where disbursing officers are preparing to close their books with portions of their accountability represented by foreign money, and elsewhere through the acquisition of foreign currency by sales abroad of surplus property.

Such holdings of excess foreign currencies, and the acquisition of additional amounts through sales of surplus property, give rise to questions not only of departmental budgetary significance, but also, because of the magnitude of the international transfer problem involved, to basic questions of the United States foreign economic policy.

The War Department is being faced to an increasing extent with questions difficult to answer. For example: what arrangements can be made concerning transfer of foreign currencies held by the War Department to assure realization of the optimum dollar counter value for the government? In view of transfer difficulties, what policy should be adopted in respect to sale of surplus property in terms of foreign currency, as compared to sales in dollars, particularly where an important price differential exist in favor of disposition for foreign currency? Since insistence on sales in dollars may seriously hinder disposition of surplus property, should sales in foreign currency be favored?

It is believed that the Treasury Department, as financial and fiscal representative of the United States, is not only best equipped to answer questions of this nature, but should also become the custodian of foreign currencies, the immediate need for which cannot be foreseen by the government agency or department concerned. Definite advantages would accrue to the Government from such a procedure, as it would place the entire handling of ~~United States~~ ^{United States} foreign currency ~~transactions~~ ^{holdings} under one department, thereby avoiding competition which might arise between United States agencies and departments abroad in their individual attempts to convert foreign currencies into United States dollars.

If this assumption concerning the interests of the Government and the responsibility of the Treasury Department is well founded, it would likewise seem appropriate for the Treasury to assume explicit responsibility for financial guidance of agencies and departments in respect to the currency aspects of surplus property disposition abroad, since the currency terms of such transactions will influence the amount of foreign moneys the Treasury will eventually have to dispose of, and the complexities of transfer negotiations. The assumption by the Treasury of such financial guidance will also insure that all interested agencies and department will follow a uniform policy in this sphere.

In view of the forgoing, it is recommended that the Treasury indicate its intent to take over foreign currencies from the War Department, the immediate need of which cannot be foreseen, and that a study of the proper interdepartmental bookkeeping for such transfers be initiated.

It is also recommended the Treasury establish policies in respect to the currency aspects of surplus property disposition abroad, particularly with reference to the negotiation of sales in dollars or local currency, the determination* of under what ~~relative~~ relationship of prices obtainable in either dollars or local currency, sales should be made in each, and similar problems.

insert → * by area, or other appropriate subdivision,

Since the assumption of such responsibility may involve the Treasury in foreign exchange losses subsequent to the acquisition of foreign currencies from the departments and agencies, it may be you will wish to initiate action to secure appropriations to cover such a contingency. If desired, the Budget Officer of the War Department will aid in securing such an appropriation. In this respect, it is felt it would be desirable to handle such potential losses through transfer of foreign currencies of all departments and agencies to the Treasury Department, at the existing official rate, and for all departments to then assist in the establishment of one appropriation for the Treasury to cover such potential exchange loss, rather than through the retention by individual groups of excess currencies, making necessary individual requests for appropriations by the several agencies and departments concerned.

In view of day to day operating decisions which must be taken in respect to these matters, particularly concerning surplus property disposal, it is hoped you can give your consideration to these questions in the near future.

Sincerely yours,

Secretary of War

TREASURY DEPARTMENT
Washington

FOR RELEASE, MORNING PAPERS,
Wednesday, March 14, 1945.

Press Service
No. 45-45

STATEMENT OF THE TREASURY DEPARTMENT ON INVASION CURRENCY

The wide geographical scope of military operations in this war and the great development of techniques of economic warfare have made money an important offensive and defensive weapon of war. Providing this weapon in its most efficient form has required careful and detailed planning far in advance of military operations. Just as we need many varieties of military weapons, of ships and of planes, so we have found that the effective conduct of war on the financial side requires a variety of currency measures designed to meet varied and changeable situations. This memorandum explains some of the principal currency measures which have been carried out during this war.

1. Keeping Dollars from the Axis

Even before we entered the war, this Government, through the Foreign Funds Control of the Treasury Department, took steps to prevent the Axis from using American currency which it looted when it overran the countries of Western Europe and other territories. If we had taken no protective measures, the Germans would have been enabled to use freely the dollars they looted in Holland, in Belgium, in France, and elsewhere, to buy critical war materials in the United States or in other markets, to finance propaganda and espionage, and for a host of other activities constituting an important part of the Axis total war. The strength of the dollar and its universal acceptability throughout the world made it of particular importance that we take steps to prevent use of this currency by the Axis. What we did in substance was to say that no one would be permitted to import dollars into the United States unless he could prove that the dollars were not looted by the Axis. We could not stop trading in dollars in foreign countries entirely, but we did serve notice on anyone who bought the dollar bill anywhere in the world that before he or anyone to whom he might pass the dollar note could bring it into the United States and use it for purchases here, he would have to prove that the dollar did not pass through Axis hands. These measures went a long way in accomplishing their purpose. The Axis realized far less from the dollars they stole than otherwise.

When the Japanese descended upon the Philippines, we were able to take even more effective measures. While the Japanese were still marching toward Manila, we invited people to deposit all dollar and Philippine peso currency they had with the American authorities, against receipt. Careful records were made of the currency so received, and the records are in Washington today. When the defense of the Philippines became hopeless, we burned the currency to make sure that the Japanese would not get it.

EXHIBIT I

After the attack on Pearl Harbor, Hawaii became a danger spot in our defenses, and we could not be blind to the possibility that the Japanese might attempt to invade the Islands, as, indeed, they evidently intended to do when we stopped them at Midway. As a defensive measure, we introduced the Hawaiian dollar, which is simply regular United States currency with the word "Hawaii" overprinted in large letters. We exchanged all regular dollar currency in Hawaii for Hawaiian dollars, and we were then ready for the Japanese from the point of view of money. Had the Japanese conquered Hawaii, the distinctive Hawaiian currency would have made it possible to take appropriate measures to prevent the enemy from using this currency to any advantage. In 1943 and early 1944, the Hawaiian dollar was put to further use in the occupation of certain Japanese-held islands in the Pacific, for the convenience of our naval personnel, since they operated out of Pearl Harbor. More recently, since our successes in the Pacific have removed all danger of an invasion of Hawaii, we have discontinued issuing Hawaiian dollars and are gradually withdrawing these dollars from circulation by replacing them with regular currency as they are turned in to banks.

2. U. S. Military Disbursements in the United Kingdom

Large American forces have been in Great Britain at all times since the early days of our participation in the war. These men had to be paid, and the Army and Navy had to make incidental expenditures for their maintenance and for other military purposes not covered by reverse lend-lease. The British Government did not want American dollars paid to our troops, and thus put into circulation on a large scale in Britain. British exchange control laws forbid the circulation of foreign currencies, and the use of American dollars for troop pay and other purposes would have broken down the British domestic and foreign exchange controls. Moreover, dollar payments would have been inconvenient for the men as well, since everything they might want to spend the money for was priced in terms of British currency. For these reasons, it was obviously undesirable to pay our men in dollars. In the United Kingdom we followed the usual practice, and the one that we followed in the last war; we bought British pounds from Britain and paid for them in American dollars. Then the British money was disbursed as net troop pay in Britain and for other purposes. No special problems arose because Britain was not an invaded country, the government was functioning normally, and banking facilities were readily available for this kind of exchange transaction.

It must be pointed out that in Great Britain as well as in all other parts of the world, whatever the currency arrangement may be, the soldier gets local currency only to the extent that he wants cash for local expenditures. Much the greater part of the soldier's pay is not drawn in cash at all. It is allotted to dependents of the soldier, it goes to pay premiums on insurance policies, it is sent to people in the United States in the form of personal remittances, it is deposited through Army facilities in American banks, and it is used to purchase war bonds. All of these transactions are carried out wholly in dollars. It is only the minor percentage of pay which the soldier wants in cash for expenditures in the

foreign country which is paid to him in foreign currency. If at any time a soldier finds that he has not spent all the foreign currency he drew, he can exchange what he has left, through Army facilities, for dollars to be sent to the United States as a remittance or for saving.

The same pattern has been followed in other lands, not occupied by the enemy, where our troops have gone in the course of the war. Thus, in Australia, Brazil, Canada, India, Iran, Iceland, and other far-flung places where our troops have gone to man the supply lines, we buy the local currency we need for dollars in the traditional manner.

3. Invasion Currency

When we prepared to invade enemy countries, and countries occupied by the enemy, we could not plan to use the procedure followed in Britain and other countries which have not been battlefields of the war. From the outside, we could not know with certainty what we would encounter in enemy-held territory. In Tunisia, the Germans flooded the territory with French francs, paid out with a lavish hand, in the hope of setting loose an uncontrollable inflation, as they did so much more thoroughly in Greece. In Sicily, the Germans ordered the banks to burn Italian currency before our forces arrived. We had to be ready to meet both these tactics, as well as others which have been used against us. We needed to assure our troops of necessary currency, without depending on local banks (because we might find banks destroyed, or unusable because their management's loyalty was questionable), without knowing whether civilian government would be in condition to permit normal business transactions, and without the opportunity (in the case of enemy and French territory) of making arrangements in advance with a recognized government. We had to anticipate the possibility that we would be required to provide currency for civilian needs, before local self-government could be re-established in liberated areas. Our assault forces would precede even a recognized government. We might find that the mayor of the first town liberated needed money urgently to keep his police force on the job, to hire laborers to clear the streets, or for a host of other work needed in the immediate wake of battle. Our supply officers needed an acceptable currency so they might purchase quickly and readily supplies and services which the Army might require of local civilians. It is obviously easier to hire a crew of laborers to unload ships if we pay them in cash at the end of each day, rather than give them receipts and tell them to submit their claims for future collection.

In our first invasion operation, North Africa, we used yellow seal dollars. Yellow seal dollars, like Hawaiian dollars, are regular American currency, with a distinguishing mark to permit segregation if the situation so requires. We simply substituted yellow ink for blue in printing the seal on regular silver certificates of the United States. We did not know whether we would be welcomed as allies or resisted as invaders; we could not be certain that we would not incur reverses. The yellow seal gave us the opportunity to segregate the currency if we should be driven from North Africa. The yellow seal also gave us the opportunity to distinguish this currency from regular United States currency which we found in circulation in North Africa on our arrival there. In administering

our controls designed to keep the Axis from realizing on looted dollars, we were able to permit the yellow seal currency to be imported into the United States with less necessity of control than regular currency, which might have been looted by our enemies.

We stopped issuing yellow seal dollars in North Africa within a few months after our arrival there, and have succeeded in withdrawing almost all from circulation. When we planned to change over to the use of regular North African banknotes, we found that the French in North Africa had neither the paper, ink, nor printing facilities to supply the demand for local currency. Thus the French currency finally put to use in place of the yellow seal dollar was actually printed by a private firm in the United States, for the North African issuing banks. If General Eisenhower's invading forces had not carried a supply of currency, there would have been an actual physical shortage of money for the circulation required in North Africa. The new North African currency made possible a prompt currency conversion by the French authorities after the Nazis were expelled from Tunisia, thus stemming the inflation the Germans tried to create.

In planning for the invasion of Italy, we had another important consideration in mind. We did not want to pay our men in dollar currency, and thus turn dollar claims against the United States into general circulation in an enemy country. After the last war, our Army of Occupation made gross disbursements of almost \$300,000,000 in Germany, most of it by cashing dollar checks for marks at German banks, and by paying out actual dollars to our troops. These dollars were never recovered. We filed a claim for our net costs of occupation, and we have been no more successful in collecting than have the European reparation claimants against Germany. By using an invasion currency assimilated to the currency of the occupied territory, we can keep the dollars pending final settlement rather than give them to the enemy.

In the first few weeks of the Sicilian operation, we used yellow seal dollars, as in North Africa. While preparations were under way for months in advance to use the Allied Military lira, we did not want to print the word "Italy" or the word "lire" until the world knew where the Allied armies would strike. We discontinued issuing yellow seal dollars in Sicily within a short time, and, as in North Africa, have since succeeded in withdrawing the bulk of this currency from circulation.

The AM lira, which has been used ever since in Italy, is not a currency of the United States in any sense. It is an Italian currency, originally declared legal tender in Italy by the occupying Allied armies acting as the military government of occupied Italy. Under settled international law, the military governor of occupied enemy territory can make laws for the territory, with the full governmental authority. Thus, the Supreme Court of the United States has said:

"The right of one belligerent to occupy and govern the territory of the enemy while in its military possession, is one of the incidents of war, and flows directly from the right to conquer. We, therefore, do not look to the Constitution or political institutions of the conqueror, for authority to establish a government for the territory of the enemy in his possession, during its military occupation, nor for the rules by which the powers of such government are regulated and limited. Such authority and such rules are derived directly from the laws of war, as established by the usage of the world, and confirmed by the writings of publicists and decisions of courts--in fine from the law of nations. *** The municipal laws of a conquered territory, or the laws which regulate private rights, continue in force during military occupation, except so far as they are suspended or changed by the acts of the conqueror. *** He, nevertheless, has all the powers of a de facto government, and can at his pleasure either change the existing laws or make new ones." Dooley v. United States, 182 U.S. 222 (1901).

The military governor declared AM lira to be legal tender in Italy, and thereby made the currency equivalent to and assimilated with the previously issued regular Italian lira. AM lira contains no promise of redemption on the part of the Allied forces, and the currency has in every way been made part of the currency issue of Italy. The Italian Government made the AM lira legal tender as one of its first official acts after its arrival in liberated territory in September 1943.

The Allied Military lira, while printed in the United States, was not issued by the United States. It was issued by the Allied Military Commander of the Mediterranean Theater, acting for the armies under his command, British and American, with contingents of other countries. The printing could just as well have been done in Brazil or India; we did it here because we had the printing facilities.

Our preparations for D-Day, for the invasion of Western Europe, were simpler in two respects. First, we had legally recognized governments-in-exile with which we could deal, in the case of Belgium, the Netherlands and Luxembourg. Second, plans for an invasion of Western Europe were publicly announced, and the currencies for all of the occupied Western European countries were produced simultaneously.

The allied forces landed on the Normandy beaches with "supplemental francs". This currency was printed in the United States, because printing facilities were available here, in agreement with the British Government and after consultation with the French Committee of National Liberation. Subsequently, the French Committee, which was successively recognized as the de facto authority in France and as the Provisional Government of the French Republic, assumed responsibility for the issue of all the supplemental francs used since D-Day. Our arrangements with the French authorities thus are the same as the arrangements with Belgium, the Netherlands and Luxembourg, made before D-Day.

The Belgian Government in London had prepared a new issue of Belgian currency which was printed at its order in England. The Belgians were asked to advance to General Eisenhower as much of this new Belgian money as might be needed by the liberating armies. We undertook to pay the Belgian Government in dollars for any expenditures made by the American forces for net troop pay or for certain other strictly military purposes not covered by reverse lend-lease. Any advances made toward the conduct of normal civilian affairs in Belgium would be for the account of the Belgian Government, and we would not be expected to reimburse the Belgians.

Netherlands currency was printed privately in Canada at the order of the Netherlands Government-in-Exile, and similarly was supplied to General Eisenhower. The new Luxembourg currency was printed both in Britain and in the United States.

The availability of a new currency for each of these liberated countries provided a necessary monetary instrument, necessary both for the military forces of liberation and for the government of the liberated country. Thus, the Belgian Government, after its re-establishment in Brussels, called in all old high denomination Belgian currency circulating, and made the new notes the only legal tender. This was done as part of a financial program designed to reduce the inflated currency circulation imposed on the Belgians by the Germans and to help stabilize the Belgian economy.

In the Pacific theatre, we followed the same procedure in our arrangements with the Dutch Government for military operations in the Netherlands Indies. The forces of General MacArthur and Admiral Nimitz were armed with Netherlands Indies guilders prepared upon the order of and issued by the Netherlands Government supplied to General MacArthur and Admiral Nimitz and paid for in dollars to the extent that they were used for net troop pay and other strictly military expenditures not covered by reverse lend-lease.

United States Army and Navy forces in the Philippines are using a new "Victory Series" of Philippine currency and a new 1944 series of Philippine coins prepared in anticipation of our return. The currency, as in pre-war days, was produced by the United States Bureau of Engraving and Printing, and the coins were manufactured by the United States Mint, at the request of the Philippine Commonwealth Government. As in pre-war days, every two pesos of the new Philippine Treasury certificates is backed by one United States dollar on deposit in the United States, and in addition the Commonwealth maintains an exchange stabilization fund amounting to between 15 and 25% of the currency in circulation.

In each of the Allied countries, the invasion currency used was not in any sense a currency of the United States. It was provided by the local government of the liberated country itself, and such government or its central bank is solely responsible for the redemption of the currency. We pay in U. S. dollars for the foreign currency we use for net troop pay and certain other strictly military expenditures not covered by reverse lend-lease. The moment any such disbursements are made by Army Finance

officers, Washington is notified and the dollar amount is taken from the Army appropriation and set up in a special account in the Treasury. A similar procedure is followed with Navy expenditures. Thus, Congressional control over the size of Army and Navy appropriations is strictly maintained, Generals Eisenhower and MacArthur and Admiral Nimitz are supplied with ample local currency of the country in which they are operating and the Allied government is paid later when the accounts are balanced up.

As the picture changed in Italy, and Italy became a co-belligerent in our war against Germany, the AM lira demonstrated its usefulness. It was decided to make available to the Italian Government, for vital rehabilitation, the dollar equivalent of net American troop pay disbursements made in AM lira, thus following, in part, the pattern of our arrangements with our Allies. This action, taken in such a way as not to prejudice any ultimate financial settlement with Italy, is helping Italy today to share in the struggle to liberate Northern Italy.

The Allied Military mark has now been introduced in occupied areas of Germany by the Allied armies. It is being issued under the same conditions as provided the basis for the original issuance of AM lire.

4. Who Will Redeem These Currencies?

When invasion currencies were first put to use by the Allied forces the question was frequently raised, "Who will redeem these currencies?" Writers in various popular periodicals, as well as financial journals, speculated from time to time as to whether the United States did or did not intend to redeem invasion currencies, or whether some other government or agency did or did not intend to do so.

All of this speculation about whether or not the United States will "redeem" such currencies arises from a fundamental misconception of their nature. The United States Government did not issue any of this invasion currency (except, of course, yellow seal and Hawaiian dollars, which, as pointed out above, are in every respect United States money), and therefore is under no obligation to "redeem" such currencies. No promise of redemption was ever made. No invasion currency carries any legend suggesting redemption by the United States. In fact the words "United States" do not appear on any of the invasion currencies at all. These currencies serve the same purpose of providing local means of payment as is served by the British sterling used to pay our troops in Britain and our obligation of redemption no more exists in the former case than in the latter.

Every local currency used by the Allied forces is issued by the authority of the lawful government of the country in which the currency is disbursed. Belgian, French and Dutch currencies used by our troops are issued by the lawful Belgian, French and Dutch Governments, just as the British pounds we use are issued by the British Government. AM lire and AM marks are issued by the lawful governments of the portions of Italy and Germany occupied by the Allied forces; under international law the military commander of these areas is the lawful government. Due to the

destruction of Italian facilities, it has been necessary for the Allied Financial Agency to continue to make available AM lire, which has been made legal tender by the Italian Government in territory controlled by it, both for the needs of the Italian Government and the Allied forces.

Thus, it is perfectly clear that the United States has not obligated itself in any way to "redeem" any invasion currency issued in a foreign land, and we have no "secret understandings" that we will ever do so.

We have arranged to pay the Allied governments dollars equivalent to the net amount of invasion currency disbursed to our troops as pay and allowances in these foreign lands, as we pay dollars to the British when we buy sterling with which to meet our Army and Navy payrolls in the United Kingdom. Similarly, other strictly military expenditures originally effected in invasion currency in these Allied countries are also compensated in dollars to the Allied country whose currency we use, if they do not come within the scope of reverse lend-lease.

The local currency which is paid to our troops in foreign territories is furnished to the military forces by the governmental authority concerned. When the U. S. forces obtain a foreign currency for military expenditures, the relevant military appropriation is charged for the dollar equivalent thereof in the United States. In this manner the control of Congress over the expenditures of the U. S. military forces is maintained. The amounts of the dollar equivalent of the net troop pay and other strictly military expenditures not covered by reverse lend-lease which have been certified to the Treasury by the War and Navy Departments are paid to the Allied government concerned. In the case of Italy, we held the money in a suspense account until recently, when it was decided, in view of Italy's status as a co-belligerent, to make the net troop pay dollars available to the Italian Government for the purchase of necessary rehabilitation supplies in the United States, as pointed out above.

When our troops are paid in new Belgian francs supplied by the Belgian Government, they are getting the lawful currency of Belgium. Similarly, when they are paid in AM lire, they are getting a currency which is a lawful currency of Italy.

It is the same in each of the countries into which our armies have moved. Invasion currency is not something separate and apart from the currency of the country. It becomes, immediately upon issue, part of the currency of the country in which it is issued. We use the currency system we find for the needs of our troops, because that is the quickest and most efficient way of providing our armies with the money they need for carrying on their operations.

Our allies have followed similar procedures in providing currency for their military forces in foreign lands. The British used a British Military Authority note, denominated in pounds in their early operations in Africa; again, side by side with our yellow seal dollar, in North Africa and in the early weeks of the Sicilian operations; and, only a few

months ago, in the operations in Greece. The British joined us in the use of AM lire in Italy. British arrangements with the Western European countries for currency are much the same as ours. Canada is being supplied with francs and guilders in the same way. The Russian forces introduced a military lei in their invasion of Rumania, and are today using the same AM mark in eastern Germany as we are using on the Western Front. We have planned with our Allies for the use of money as well as for the use of other weapons of war.

oOo



HEADQUARTERS ARMY SERVICE FORCES
OFFICE OF THE FISCAL DIRECTOR
WASHINGTON 25, D. C.

SPFDF-SUB-10
xSUB-5

7 March 1945

MEMORANDUM FOR DIRECTOR, BUDGET DIVISION, WDSS

Attention: Major T. G. Upton

Subject: Remittances by Military Personnel through
Purchase of Dollar Money Orders

1. In accordance with paragraph 2 of attached disposition form, Budget Division, dated 1 March 1945, on above noted subject, the following statement is submitted for incorporation in reply to letter from Mr. H. D. White dated 23 February 1945.

"The use of Army finance and post office remittance facilities by military personnel as a means of transferring to the United States funds derived from the sale of stolen Army property, illicit blackmarket operations, or from collusive relations with local civilians is a problem of serious and increasing concern to the War Department. As an outcome of recent conferences between representatives of the Air Transport Command of the Army Air Forces, The Office of the Budget Officer of the War Department and the Office of the Fiscal Director, ASF, the last named agency has been directed to make a study of existing currency and exchange regulations established by theater commanders, and to recommend administrative procedures designed to make these more effective, including consideration of proposals to require use of individual currency exchange record cards, limitations on the amounts that may be transferred through Army channels by individual personnel within a given period and the use of special Treasury checks issued in round amounts as a medium of transferring personal funds.

It is not considered that the issuance of War Department instructions to any postal officers, similar to those contained in paragraph 11c of War Department Circular No. 364 would prove effective in accomplishing the results desired, since Army post offices have no records of the amount of funds which applicants for postal money orders may have also transferred through Personal Transfer Account channels.

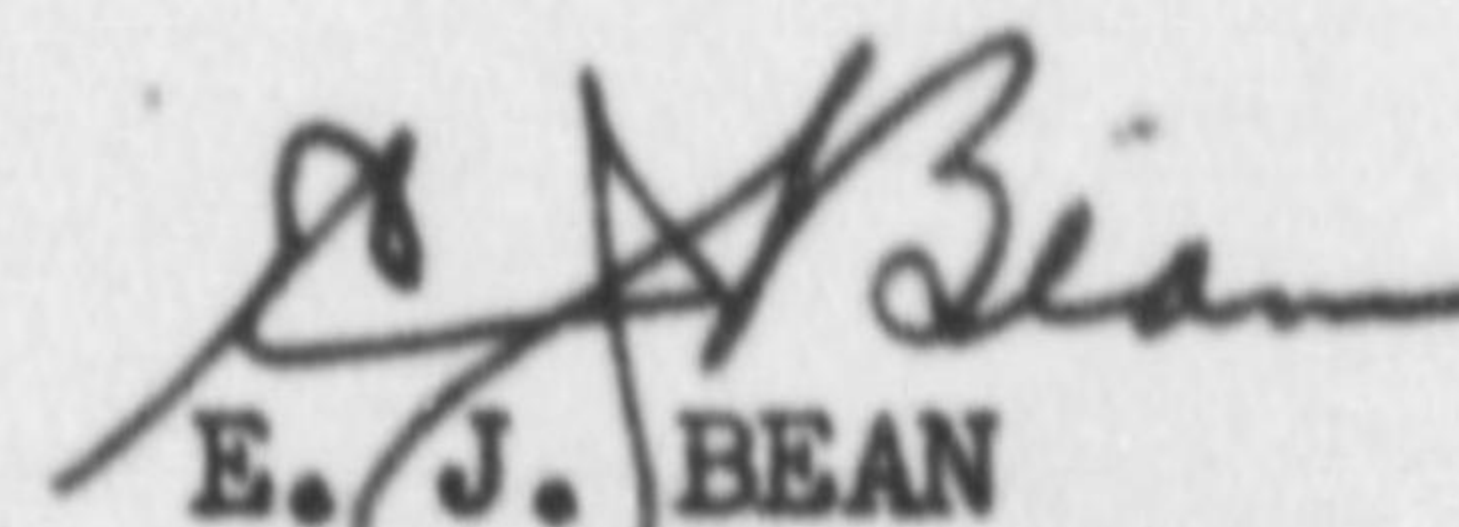
Consideration is being given in the War Department to the feasibility of instituting general application of a procedure established by the Commanding General of the Ninth Army in the European Theater of Operations, whereby personnel desiring to remit funds by postal money order or by PTA transmission are required

WDSS 193 Disposition (9-23-45)

to submit such applications to their personnel officer or unit commander for approval before presentation to Army post offices or disbursing officers."

2. With reference to paragraph 3 of disposition form, this office has contacted the Army Postal Service concerning the suggestion contained in Mr. White's letter. It is the view of Army Postal Service that, due to personnel limitations, it would not be administratively practicable for Army postal officers to require applicants for postal money orders to execute certificates as to legitimacy of source of funds presented for purchase of postal money orders, and that such checks can be made most effectively by personnel officers or unit commanders. This proposal will be included in the study of control of "Illicit Transactions in Foreign Exchange and Currency" which is being conducted by the office of the Fiscal Director, and to which reference is made in paragraph 1 of disposition form.

For the Fiscal Director:



E. J. BEAN
Colonel, Finance Department
Chief, Foreign Fiscal Affairs Branch

I Incl.

1. Disposition form dtd 1 March 45

AGAO-P 122.1
(22 Feb 45)
Postal Money
Orders.

Commanding General, U S Forces
European Theater of Operations
APO 887, c/o Postmaster
New York, New York

The Adjutant General's
Office.
Washington 25, D. C.

JFJ-dej-4A478

6 March 1945

1. Reference is made to an Army postal inspector's report dated 22 February 1945, subject, Payment of Money Orders, copy of which was referred to your headquarters.

2. The recommendation made by the inspector in paragraph 3 thereof is not favorably regarded by the United States Post Office Department due to accounting complications which would arise. Furthermore, the proposal is not regarded favorably by this headquarters since it would open a possible avenue for use of postal money orders for illegal purposes or to secure a black market rate of exchange.

3. It is desired that extensive publicity be given in your theater to the fact that domestic postal money orders are not to be used in transactions with civilian personnel of liberated areas. They are to be cashed only at authorized U.S. military agencies such as APO's and finance offices by personnel authorized to use APO service. These domestic money orders are designed for use only in United States post offices and their branches and stations, and in the conduct of money order business with certain American countries with which money order service is operated on a semidomestic basis.

4. They are not intended for use as negotiable instruments in dealings with the personnel of liberated areas. U.S. domestic postal money orders drawn in favor of military personnel or issued at APO's and subsequently coming into the possession of French civilians cannot be redeemed without protracted negotiations between the individual and the U.S. Government.

5. If considered appropriate, it is suggested that you advise the French Government of the foregoing so that proper publicity may be given this matter in civilian channels.

BY ORDER OF THE SECRETARY OF WAR:

COPY FOR: Col. D. D. Duggan.
OPD, Attn: Major J. F. Baldwin,
Foreign Fiscal Affairs Branch,
4A437.

Adjutant General.
R. K. B. B.

6B.5
X 6113.10.

HEADQUARTERS, ARMY SERVICE FORCES
Office of The Adjutant General
Army Postal Service
Washington 25, D. C.

Written at APO 887
22 Feb 1945

SUBJECT: Payment of Money Orders.

TO: The Director, Army Postal Service, Washington 25, D. C.

1. A number of cases have come to attention, wherein U.S. Postal money orders, payable to military personnel, are being accepted by French civilians. Under present regulations, the civilians are unable to convert the money orders into cash.

2. No publicity has been released to the French advising that U. S. Postal money orders cannot be accepted by U.S. Army Post Offices or U.S. Finance Officers. A deterrent against such action would be that it might be misunderstood and reflect unfavorably toward the integrity of the financial position of U. S. currency.

3. It is suggested that possibly the Post Office Department may wish to consider initiating arrangements whereby U. S. Postal money orders could be negotiated by the French people through the French banking system, provided the regulations pertaining to payment of money orders are observed.

s/ William D. Forbes
WILLIAM D. FORBES,
Major, AGD,
Army Postal Service.

copy to: -CG, Hq Com Z, APO 887, U.S. Army
Att: Theater Postal Officer; Thru: AG-X

CONFIDENTIAL
1st Ind.

3971 SCU, FOUA, 450 Mission St., San Francisco 6, Calif., 9 January 1945

TO: Office of the Fiscal Director, Hqrs. ASF, Washington 25, D.C.

1. With reference to the basic communication the following information is furnished:

(2 a.) All records relating to Personal Transfer Accounts are centralized with the exception of the Disbursing Officers' retained copies of paid vouchers and check copies which are filed with the regular series of vouchers and checks. However, such vouchers and checks are readily identifiable and can be assembled with a minimum of effort. A complete investigation of all transmittals can be conducted locally.

(2 b.) Since this office does not maintain an individual remitter or payee record any determination as to the total amount remitted by an individual over a given period would require a compilation of data shown on the vouchers or check copies. In this connection information is furnished that approximately 1,400,000 payments have been processed under the plan.

(2 c.) In order to furnish reliable data upon which to base an estimate of the number of payments in excess of \$1,000.00 this office has selected, at random, four groups of 5,000 checks each over a wide period of time and compiled the following:

Checks under	\$500.00	\$500/999	\$1000/5000
May 1943	4817	106	43
Average remittance		\$545.00	\$1351.00
April 1944	4910	52	14
Average remittance		\$575.00	\$1076.00
February 1945	4568	189	57
Average remittance		\$613.00	\$1363.00
November 1945	4736	194	36
Average remittance		\$598.00	\$1379.00

(Checks "spoiled" in writing account for difference in tally and 5,000).

(2 d.) No action has been taken toward arriving at the total amount of those remittances listed above under the heading "Under 500" in order to strike an "average" payment. However analysis of the weekly reports of Personal Transfer Accounts transactions as reported to the Fiscal Director reveals that the overall averages are as follows:

Week Ending	Amount
15 Sept. 1943	\$103.00
23 Dec. 1943	95.00
13 July 1944	122.00
20 Oct. 1944	122.00
22 March 1945	137.00
20 Dec. 1945	147.00

JAN 14 1946 AM
F. R. 533
OFFICE OF THE FISCAL DIRECTOR
WASHINGTON 25, D. C.

CONFIDENTIAL

PTA

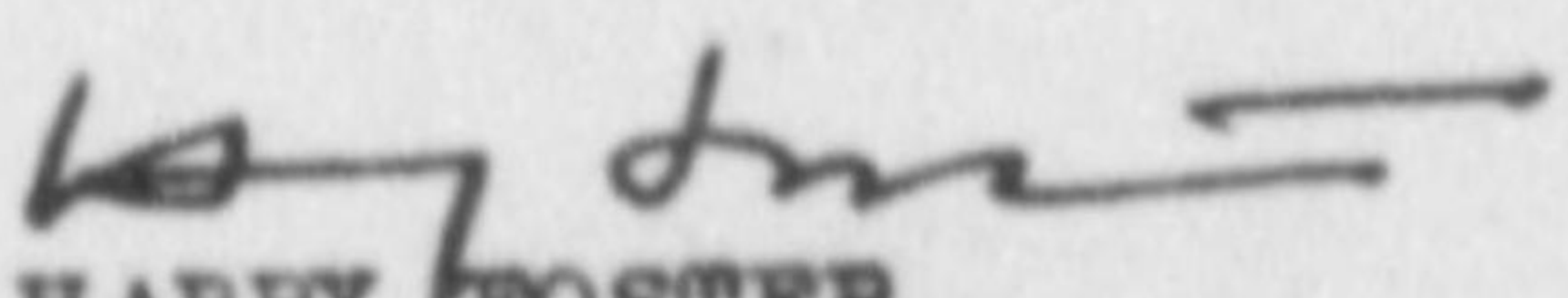
Contd. 9 Jan. 45
Fiscal Dir. Washington, D.C.

(2 e.) Should it be determined to tabulate all payments it is estimated that with the use of electrical tabulating equipment such as I.B.M., the work could be completed in 7500 manhours. This estimate is based upon the average ability of qualified punch-card operators to produce 225 to 250 cards per hour; 500 hours for sorting and tabulating; 1000 hours administrative overhead (including assembly and refiling of records.). While mechanical equipment of this type is not on hand in this office there are several installations in the immediate vicinity who do have machine record units. No estimate is offered on a manual posting operation.

2. During the examination of the checks referred to in paragraph 2.c. above it was noted that in one instance a remitter designated one payee as recipient of \$1,000 and another the sum of \$600.00. Another transmitted sums of \$1,450.00 and 1,800.00. It is reasonable to assume that numerous "split-payments" have been processed. It may also be added that while no payments in excess of \$5,000.00 were among the groups of checks analyzed for this report there have been frequent remittances between the \$5,000 and \$7,500.00 level. In two instances that are recalled WAC personnel transmitted sums in excess of \$10,000.00

Attached hereto is a copy of correspondence relative to a payment appearing in the current business which may prove of interest to the Fiscal Director.

3. No additional suggestions or recommendations are offered at this time.


HARRY FOSTER
Colonel, FD
Finance Officer, U.S.A.

Incl: Cpy ltr 1/8/46

CONFIDENTIAL

Joe Barnes

Story on friend with
diamond rings

Story

Nichols' Brother

man goes up to bank. blow up.

take stocks of money

give to Polish people.

—————
—————

Extract from:

TITLE 13

Trade and Commerce--Part 3--Foreign Trade

13-300

Scope. Under existing interim arrangements concerning exports, as in effect between the occupying powers, the Commander of each Zone is the authority for determining supplies and requirements within the Zone. The provisions of this Part are intended to serve as interim instructions, under these arrangements, pending the formulation of policies, programs, and procedures by the Allied Control Authority.

13-301

Definitions.

13-301.1

Exports and Imports. Exports and imports as used herein cover trading in goods and services between the United States Zone of Germany and other countries across Germany's 1937 frontiers, except as modified by Section IX, paragraph 13, of the Report on the Tripartite Conference of Berlin, and exclusive of the following classes:

- a. coins, bullion, currency, drafts, bills of exchange, securities, and other financial instruments;
- b. U.S. or allied military stocks acquired from countries other than Germany, but including captured enemy materials, transported for the direct use or consumption of U.S. or allied forces; and
- c. reparations and restitutions.

13-301.2

Way Bill. Way Bill as used herein refers to the standard German Frachtbrief.

13-301.3

Export Value Declaration and Statistical Sheet. Export Value Declaration and Statistical Sheet as used herein refers to the standard German export value declaration and statistical form.

13-301.4

Commercial Invoice. Commercial Invoice as used herein refers to the suppliers' commercial invoice.

13-302

Policy. Exports from the U.S. Zone of Germany will be stimulated in every way consistent with internal economic objectives to provide sufficient funds to meet the obligations arising from imports of food, merchandise, raw materials and supplies currently required for minimum subsistence. The Office of Military

Government for each Land will instruct the Ministerpräsident that the importation of food, merchandise, raw materials and supplies in order to raise the living standard of the German people above the level of minimum subsistence will depend entirely on exports being made in sufficient volume to provide the necessary foreign exchange to pay for such imports.

13-303

Organization for Control and Direction of Exports and Imports.

13-303.1

Organization for Exports and Imports. An Export-Import Section is established in the Economics Division, Office of Military Government for Germany (U.S.) Similarly, an Export-Import Section is established in the Economics Division, Office of Military Government for each Land.

13-303.2

Responsibility of Military Government. Arrangements for exports or imports and for shipment will be effected under the supervision of the appropriate Office of Military Government. Certain specific responsibilities are allocated as follows:

- a. Economics Division, Office of Military Government for Germany (U.S.), will determine whether the import constitutes an approved import;
- b. Economics Division, Office of Military Government for Germany (U.S.) will be responsible for locating and approving all exports from the U.S. Zone of Germany;
- c. Finance Division, Office of Military Government for Germany (U.S.) shall satisfy itself that all disbursements made out of accounts under its direct control both for financing exports out of Germany and imports into Germany are in accordance with the financial provisions of the interim export-import program approved by the Control Council; and
- d. Finance Division, Office of Military Government for Germany (U.S.) shall be responsible for the carrying out of such accounting as may be necessary to implement the purely financial aspects of this plan.

13-303.3

German Agencies. Within the limitation set forth in MGR 13-303.2 the Ministerpräsident of each Land will be made responsible for the implementation of export and import trade under the supervision of Military Government. The Ministerpräsident will carry out such responsibility through the Minister of Economics and the Land Economic Ministry as set forth in Part 8 of Title 4.

13-303.4

Financial Organization. (See MGR 13-312).

13-304

Export Programs.

13-304.1

Development of Programs for Exports. The Ministerpräsident of each Land will be required to propose a program for the export of commodities that are immediately available, and a program for the production of commodities for export. The Ministerpräsident will be directed to coordinate the programs with the Ministerpräsidenten of the other Lander and to submit a report thereon to the Office of Military Government for the Land. The Office of Military Government for the Land will forward the programs to the Economics Division, Office of Military Government for Germany (U.S.) through functional channels.

13-304.2

Information to be included. The Ministerpräsident of each Land will be directed to include the following information in the reports:

- a. list of commodities with complete specifications;
- b. location;
- c. quantities in units of the metric system unless item is, according to normal practices, ordered in unit lots;
- d. prices in Reichsmark, including both internal price and a list of export prices according to country of destination;
- e. dates when commodities will be available;
- f. Countries where it is considered that the commodities can be sold and, if known, the names and addresses of specific prospective purchasers in such countries;
- g. the terms and conditions under which commodities are to be purchased from supplier with particular reference to guaranties or warranties, if any, to be made to the purchaser;
- h. a description of methods and cost formulare used in arriving at export prices (all such price information will be considered confidential); and
- i. any other pertinent information.

13-304.3

Requests for Exports from Germany Originating from Outside of Germany. Requests for the export of commodities from Germany by U.S. Army Commanders not located in Germany to meet the direct needs of their forces or to meet military relief needs of liberated countries for which they are responsible, and requests by countries outside of Germany for the export of commodities for Germany, will be considered as a normal export and will be submitted to the Office of Military Government for Germany (U.S.) for processing.

13-304.4

Export of Electricity, Water and Gas. Approval of the Office of Military Government for Germany (U.S.) to export electricity water and gas will be obtained before the services are instituted and thereafter annually or at such other times as may be specified.

13-305.

Procedure for effecting Exports.

13-305.1

Notification. Upon processing goods for export or effecting an arrangement for a specific export transaction, the Economics Division, Office of Military Government for Germany (U.S.) will forward through functional channels to the Office of Military Government for the appropriate Land, a release for export and all necessary data to initiate the export transaction. The release for export will bear an export serial number which will identify the particular transaction and which will serve as an export license.

13-305.2

Implementation of the Release for Export. The Office of Military Government for the Land will then issue the necessary instructions to the Land Economic Ministry. The Land Economic Ministry will notify the supplier to prepare the goods for the shipment and to complete the following forms in German, which will bear the export serial number assigned to the transactions:

- a. Way Bill original and one copy;
- b. Suppliers Commercial Invoice, including original and two copies, (with certification that the prices stated thereon are in accordance with current price regulations); and
- c. Export Value Declaration and Statistical Sheet (a single combination form) original and four copies;

13-305.3

Approval of Export Forms. The Land Economic Ministry will review the forms submitted by the supplier and will retain the supplier's commercial invoice and copies, the original and one copy being temporarily held for verification of price at time of payment, and the other copy for the office record. The Land Economic Ministry will stamp the original and copies of the Export Value Declaration and Statistical Sheet, retaining one copy for the office record and submitting one copy to the Office of Military Government for the Land for transmittal through functional channels to the Economics Division, Office of Military Government for Germany (U.S.). The original and the other two copies together with the original and copy of the Way bill, will be returned to the supplier.

13-305.4

Arrangements for Visual Inspection and Shipment. The supplier will arrange for a visual inspection of the commodities by the Land Economic Ministry for the purpose of verifying that the goods are in accordance with the description on the Export Value Declaration and Statistical Sheet and for the stamping of such verification on the original and two copies thereof. The supplier will retain one copy for his own records. The other copy will be forwarded by the Land Economic Ministry to the Economics Division, Office Military

Government for Germany (U.S.) through the Office of Military Government for the Land. The supplier, with assistance of the Land Economic Ministry, will make necessary arrangements for the shipment of the commodities. When the goods have been turned over to the carrier, the supplier will obtain a receipt from the carrier. The original and copy of the Way Bill will be stamped by the dispatching station. The original of the Way Bill and of the Export Value Declaration and Statistical Sheet will accompany the goods enroute. The supplier will retain the copy of the Way Bill together with the Carrier's Receipt.

13-305.5

Clearance of Goods at German Border. At the German frontier or upon arrival at ship side at port of embarkation within Germany, the Frontier Control Agent will remove the original of the Export Value Declaration and Statistical Sheet time stamp and sign the sheet in the proper place and forward it through Military Government channels to the Economics Division, Office of Military Government for Germany (U.S.). Unless otherwise specifically provided, title to the goods will pass to the foreign purchasers at the time when the goods pass the German frontier or are turned over to the shippers for loading aboard ship at a German port.

13-305.6

Payment of Supplier for Goods Exported. After the goods have been turned over to the carrier the supplier will execute Part A of an Export Payment Certificate in original and three copies retaining one copy for his own records. He will take the original and two copies together with the copy of the Way Bill and the Carrier's Receipt, to the Land Economic Ministry which will, upon the delivery of such documents, pay the supplier in Reichsmark the price of the goods stated thereon. The original of the Export Payment Certificate will serve as a bill of sale passing title to the goods to the Land Economic Ministry. Further handling of the Export Payment Certificate will be as outlined in MGR 13-312. ~~Export Payment Certificate will be as~~ (See also Part 4 of this title) The Land Economic Ministry will forward to the Economics Division, Office of Military Government for Germany (U.S.), through the Office of Military Government for the Land, the copy of the Way Bill, the Carrier's Receipt and the original of the certified Commercial Invoice, together with full particulars concerning the terms and conditions under which commodities were purchased from the supplier, including reference to guaranties and warranties, if any, made by the supplier. The Office of Military Government for Germany (U.S.) will forward to its representative, in the country of destination, the copy of the Way Bill and other documents and instructions necessary to enable him to permit the foreign purchaser to obtain possession of the shipment from the carrier upon delivery to the representative in the country of destination of a quantitative receipt.

13-305.7

Discount of the Payment Receipt. The Land Economic Ministry will present to the local branch of the Reichsbank the Export Payment Certificate as outlined in MGR 13-312. The local branch of the Reichsbank will advance to the Land Economic Ministry the amount of the payment receipt in the form of a loan.

13-306

Sale Price of Commodities in Country of Destination. The Office of Military Government for Germany (U.S.) will fix export sale prices and terms. The prices will be in U.S. dollars or other foreign currency acceptable to the Allied Control Authority for the sale of the commodities.

13-307

Handling of Proceeds from Exports. The proceeds from exports, in the form of promises to pay on demand U.S. dollars or other foreign currency acceptable to the Allied Control Authority, will be held by the Finance Division of the Office of Military Government for Germany (U.S.) and will be available for the purchase of, or payment for approved imports. (See MGR 13-312).

13-308

Determination of Requirements for Imports. The Ministerpräsident of each Land will be responsible for determining and submitting to the Office of Military Government for the appropriate Land requirements for commodities, not available within Germany, necessary for minimum subsistence. The following information will be included:

- a. list of commodities with complete specifications;
- b. quantities in units of metric system, unless item is according to normal trade practices, ordered in unit lots;
- c. suggested sources of supply;
- d. prices within Germany in Reichsmark;
- e. specific end use of commodities; and
- f. justification of requirement.

13-309

Screening of Requirements and Determination of Commodities to be Imported. The Office of Military Government for the Land will screen and forward the requirements to the Economics Division, Office of Military Government for Germany (U.S.) through functional channels. The Office of Military Government for Germany (U.S.) will then determine the commodities to be imported.

13-310

Procedure for Imports.

13-310.1

Negotiations with Foreign Suppliers. The Office of Military Government for Germany (US) will negotiate or authorize negotiation with foreign suppliers the terms and prices in dollars or other foreign currency acceptable to the Allied Control Authority for goods to be imported into the U.S. Zone of Germany.

13-310.2

Payment of Imports. The Finance Division, Office of Military Government for Germany (U.S.) will be given advance notice of proposed imports in order to make the necessary arrangements for the payment of such imports (see MGR 13-312)

13-310.3

Title to Imports. Title to imports will pass to the Office of Military Government for Germany (U.S.) upon crossing the German frontier or upon being unloaded on dock at a German port.

13-310.4

Handling of Imports. The Economics Division, Office of Military Government for Germany (U.S.) will notify the Office of Military Government of the appropriate Land through functional channels in regard to imports that have been arranged together with the necessary details including the import serial numbers. The Office of Military Government for the Land will notify the Land Economic Ministry. The Land Economic Ministry will assume title to imports at the points designated in the notifications and will deliver to the Economics Division, Office of Military Government for Germany (US) through the Office of Military Government for the Land, quantitative receipts therefor. The Land Economic Ministries will be responsible for the resale of such imports within the U.S. Zone of Germany. Reichsmarks received from such resale of imports shall be deposited by the respective Land Economic Ministries in an Export/Import Account to be opened and maintained with the Reichsbank Branch at Frankfurt by the Finance Division, Office of Military Government Germany (U.S.). Such deposits will be available to repay loans made by the Reichsbank to the respective Land Economic Ministries in connection with financing purchases for export. Pending final settlement, such deposits shall be deemed to be partial payments in respect of quantitative receipts (see MGR 13-312)

13-311

Border Trade. Border trade with any country on any basis is not authorized without the express consent of the Office of Military Government for Germany (U.S.). The Office of Military Government for Bavaria will report through functional channels instances where a failure to permit a limited border trade imposes undue hardship on the local population, with recommendations and supporting facts.

13-312

Financial Arrangements

13-312.1

Reichsbank Account and Exports. The Finance Division, Office of Military Government for Germany (U.S.) will open a Reichsmark checking or giro account at the German Reichsbank Branch at Frankfurt A. M. to be used for compensating Land Governments or other persons for sums provided by them to pay for exports from Germany within the limitations as are set forth below:

- a. each withdrawal will be supported by a consolidated statement by the Land Economic Ministry (or by the Reichsbank Branch at Frankfurt, which shall base such statements on proper substantiating documents) as to expenditures to be reimbursed therewith, which will be certified to be no greater than permitted under German price control regulations;
- b. payments will be made only for export transactions on which the Finance Division has received independent notification from the Economics Division, Office of Military Government for Germany (U.S.) and German consolidated requests for payment will therefore indicate the export license number issued by the Economics Division;

- c. withdrawals to make payments in advance of shipment of export goods, or to make direct payment to private suppliers, will not be effected except after agreement between the Economics Division and the Finance Division;
- d. The Economics Division will provide notice to the Finance Division at least one week in advance of export;
- e. Reimbursement payments will be made to the Land authorities with the proviso that refunds will be rendered by them in the event of any loss or a reduction in price for any reason occurring in connection with any shipment of goods, which it is determined by Office of Military Government for Germany (U.S.), Economics Division, should be borne by the Land government or the supplier.
- f. the Finance Division, Office of Military Government for Germany (U.S.) will direct the Ministerpräsidenten through the Offices of Military Government for the Lander to pay into this account the Reichsmark proceeds of sale of imported Military Government supplies (including POL, flour and wheat), or of supplies imported through commercial channels into their areas as described in MGR 13-301.1, as an installment payment pending the final settlement of Reichsmark values; and
- g. the Land Economic Ministries will provide with each payment made a list of the sales covered, including quantity, price and subordinate government authority (if any) involved, as well as the date or other identification of quantitative receipts. (The Finance Division will not assume responsibility for the correctness of the records, or the completeness of the remittances. The Finance Division will not assume responsibility for the or completeness of the payments or reports made by the German Authorities, and will limit its control over payments for imports to requiring gross discrepancies between Reichsmark payments and known imports to be ameliorated. The task of auditing payments for imports is intended for a future central Ger-Agency, and the Finance Division will preserve records called for under this plan for eventual use by such an agency).

13-312.2

Credits from Exports. The Finance Division, Office of Military Government for Germany (U.S.) will receive credit instruments reading in U.S. dollars, issued by governments of the United Nations (including Denmark), to be utilized for the following purposes and with the following limitations:

- a. these instruments shall represent payment for exports made from the U.S. Zone, Germany, or made prior to the present date against quantitative receipts issued to units of the U.S. Army;
- b. in the case of exports made subsequent to this date, the Economics Division will certify that each individual item included in any payment has been calculated in accordance with specific policies established by the Allied Control Authorities or by the Zone Commander (In the absence of specific policies from these authorities, the Economics Division will certify, on the basis of best knowledge and belief, that each individual item included in any payment has been calculated at the fair market price of the export (this will normally be on the basis of maximum legal internal prices of the importing country or at world market prices) converted into U.S. dollars or other authorized currency at the official rate of exchange);
- c. prior to receipt of such certification, the amount in question will be considered as a transitory item, and will not be utilized;
- d. if, for any reason, less than 100% but not less than 80% of the fair price is to be collected, this will be indicated by the Economics Division, with the reason;
- e. these credit instruments will be managed as a current account by the Finance Division, to be drawn on as needed to pay for imports approved by the Allied Control Authority;
- f. before payment is made from these credits, the Economics Division will certify, on the basis of best knowledge and belief, to the Finance Division that the import into Germany is being made at a reasonable price, and that it is in accordance with the import policy approved by the Allied Control Authority;
- g. the Finance Division may endeavour to use dollar credits to pay for imports from the debtor countries, and to take into consideration in requiring any transfers thereon the economic condition of the debtor country, but it will make no commitment impairing its ability to realize on them immediately in U.S. dollars, without direct authorization from higher authority; and
- h. the Economics Division, Office of Military Government for Germany (U.S.) will provide two weeks' notice to the Finance Division, Office of Military Government for Germany (U.S.) of all imports to be made at the expense of such funds, specifying the commodity, quantity and total amount involved.

13-312.3

Instructions to Reichsbank Offices. As a means of implementing the export-import program described in Title 13, Part 3, instructions will be sent by the Finance Division through the appropriate Offices of Military Government to the Reichsbank offices and to the Ministerpräsidenten as set forth in Part 4 of this Title. These include:

- a. Instructions to the Reichsbank and its Offices, No. 4 and Instructions to the Land Economic Ministries;
- b. Form--Export Payment Certificate; and
- c. Form--Report of Export Certificates.

Lot more could be done

MPC's - JAPAN

"Up service" to exchange control

specific "Postal Money orders"

"Trans. checks"

auth. to banks to sell, theater
considers this control

Ups - urge auth. is 1st step

2nd - tell banks pay in
of which, + to

(categories) whose sale may
be made.

Extract from:

TITLE 13

Trade and Commerce--Part 1--Price Control

Section C

ENFORCEMENT INSTRUCTIONS

Troop Participation in Black Market Prohibited. All U.S. military and civilian personnel subject to military law are forbidden, within the U.S. Zone,

- a. to sell, barter or exchange for services any goods purchased in Army Exchange Stores, to Germans or to other persons wherever situated;
- b. to purchase German rationed goods or services, including among other things, food, meals, in restaurants, clothing footwear, textiles, soap, and fuel; or
- c. to pay more than authorized prices for those non-rationed German goods and services which U.S. Military and civilian personnel are permitted to buy.

13-143.1

Violations Punishable. Violations of the provisions of MGR 13-143 constitute offenses punishable by Court Martial under the Articles of War.

UTILIZATION PROGRAM

GERMAN MARKS + JAPANESE YEN

Germany

- #1 - Overall Policies on Disposal
- 2 - POW Encashment
- 3 -- Intelligence Operations
- 4 - Messes Expenditures
- 5 - Club Expenditures
- 6 - Commercial Agencies
- 7 - Stars and Stripes
- 8 - Leave and Non-Official Travel
- 9 - Taxi Service
- 10 - Telephone Service
- 11 - Army Exchange Service
- 12 - Army Exchange Procurement
- 13 - Exchange for Individuals
- 14 - Special Services Expenditures
- 15 - Salaries of Indigenous Personnel
- 16 - Government Agencies Expenditures
- 17 - Captured Enemy Funds
- 18 - Erroneous Miscellaneous Receipts Collections
- 19 - Experts for U. S. troops in Austria
- 20 - Port Charges
- 21 - UNRRA Transit Charges
- 22 - U. S. Business Men Expenditures
- 23 - U. S. Tourists Expenditures
- 24 - Rentals by U. S. Personnel
- 25 - Exchange of MPC's
- 26 - Net Troop Pay Accounts
- 27 - Review of Accounts
- 28 - Retired Pay and Gratuity Pay
- 29 - German Scientists
- 30 - IRD Purchases in Germany
- 31 - Post Office Terminal Charges
- 32 - Compensation for German Claims
- 33 - Remittances to Germans
- 34 - Sales to Navy
- 35 - UNRRA - Mark Advances
- 36 - Reports on Mark Holdings

FILES - Foreign Financial Branch

014.33 Repatriation of Foreign Nationals
014.61 Civil Affairs (Overseas)
014.612 Austria
014.613 Germany
014.614 Italy
014.615 Japan
014.616 Korea
018.1 Lend-Lease (Cable)
018.1 Lend-Lease (Correspondence)
018.2 Reciprocal Aid #1 (Cable)
018.2 Reciprocal Aid #2 (Correspondence)
020 Weekly Recap - Foreign Financial Branch (Administrative)
(Last six months)
040 AD HOC Committee on Financial Planning
040 Clearing Office for Foreign Accounts
040 FEA
040 National Advisory Council
040 Strategic Service Unit
040 UNRRA
080 Red Cross - Financial Matters
091.31 Export-Import Programs - Overseas
091.312 Austria
091.313 Germany
091.314 Japan
091.315 Korea
091.41 Displaced Persons in Foreign Countries

092.1	Currency Repurchase Agreements with Foreign Countries (#1 of 2)
092.1	Currency Repurchase Agreements with Foreign Countries (#2 of 2)
112	Army of the Philippines (Budget)
120.1	<i>Definition of War Adept. Expenditures.</i>
122.2	Remittances to Overseas Areas
123.21	Allied Invasion Currencies Billings for Allied Military Stamps & Currency
123.7	Exchange of Foreign Currency
123.701	Albania
123.703	Argentina
123.705	Australia
123.707	Austria (#1 of 2)
123.707	Austria (#2 of 2) N.T.P.
123.709	Belgium (#1 of 2)
123.709	Belgium (#2 of 2) N.T.P.
123.711	Brazil
123.713	British Possessions
123.715	Bulgaria
123.717	Burma (See India Burma)
123.719	Canada
123.721	China (#1 of 3)
123.721	China (#2 of 3)
123.721	China (#3 of 3) N.T.P.
123.723	Denmark
123.725	Finland
123.727	France (#1 of 2)
123.727	France (#2 of 2) N.T.P.
123.729	French Possessions
123.731	Germany (#1 of 2)
123.731	Germany (#2 of 2) N.T.P.
123.732	Greece

123.7325	Hungary
123.733	India-Burma
123.735	Iran
123.736	Iraq
123.737	Italy (#1 of 2)
123.737	Italy (#2 of 2) N.T.P.
123.739	Japan (#1 of 2)
123.739	Japan (#2 of 2) N.T.P.
123.741	Korea (#1 of 2)
123.741	Korea (#2 of 2) N.T.P.
123.743	Mexico
123.745	Netherlands (#1 of 2)
123.745	Netherlands (#2 of 2) N.T.P.
123.747	Netherlands East Indies (#1 of 2)
123.747	Netherlands East Indies (#2 of 2) N.T.P.
123.749	Netherlands West Indies (#1 of 2)
123.749	Netherlands West Indies (#2 of 2)
123.751	New Zealand
123.753	Norway (#1 of 2)
123.753	Norway (#2 of 2) N.T.P.
123.755	Persia
123.757	Philippines (#1 of 3)
123.757	Philippines (#2 of 3)
123.757	Philippines (#3 of 3)
123.759	Poland
123.761	Portugal
123.763	Rumania
123.765	Russia
123.766	South America
123.767	Spain
123.769	Sweden

123.771	Switzerland
123.773	Turkey
123.774	United Kingdom (England - Ireland)
123.775	Union of South Africa
123.776	Yugoslavia
123.8	Net Troop Pay
125	Currency Exchange Control in Foreign Countries
132.3	Independent Outside Audit of Civilian Supplies Overseas
150	Claims - Foreign
157	Graves Registration & Expenses
161	<i>Military Assistance to G.I.</i>
230	Civilian Employees - Pay in Overseas Areas
241.13	Pay & Allowances Overseas - Per Diem and Allowances (Cables)
241.13	Pay & Allowances Overseas - Per Diem and Allowances (Cases)
249	Dependents - Financial Arrangement in Overseas Areas
292	Veterans
311.2	Telegraph and Radio
321.1	Philippine Scouts
334.1	Report of Finance Mission to Italy
334.2	Financial Missions to Allied Military Countries
341.01	Recruitment of Philippine Scouts
400.136	Local Procurement (Overseas)
400.3295	Civilian Supplies - Finances
400.703	Surplus Property #1 (Cables)
400.703	Surplus Property #2 (Correspondence)

1st issued to - marks Dec 1944

to May 45 - no chance for blackout for

April - May 45 - Theater placed restrictions
on PTA, War Bonds etc. thru personal
officers & Company commanders.

June 45 Theater noticed that they
were taking back more than
they were paid.

Aug 45 - ^{First} Reflective - Office Chief of
Finance Reports

Sept - war Dept cables

- Controls - book, progressively
better until the MPC's were
migrated

- Military Government funding, Hartley
- Pay rolls - not originally included. How
- Captured enemy funds ^{being worked}

Pow's responsibility in making this study
and calculation, it is requested that a
reasonable reserve be ~~held~~ ^{made known to} held

as a reserve to cover for contingencies

which may arise at any future

date following this settlement in this

number and ~~be~~ an additional amount

be contributed and held in reserve

to enable a cashment of sum required

to Pow's who were and are under

other than the same veterans. A copy of

~~proposed~~
~~detailed~~ ^{proposed} draft policy in the letter
report is attached for your guidance.

W. A. C. (1941)
W. A. C. (1941)
W. A. C. (1941)
W. A. C. (1941)
W. A. C. (1941)

It is regarded that this ~~matter~~
matter be ~~settled~~ ^{resolved} at once in view
of the desire to include settlement
of the Italian problem during the
course of ~~settlement~~ ^{settlement} negotiations being
held between the USA and Italy. It
will be expected if ~~any~~ ^{any} solution
can be provided, ~~by~~ ^{substantiated} with
a detailed method of calculation, by
10 June 1941.

I am making a copy of this
D/F available to the Chief of Finance
with a request that he designate
representatives of his office to work
closely with you regarding the
the problem and assist you in
any way possible.

W.R.

D/F to Brig. Gen. Bryan
Prov. & Max level Travel
Washington D.C.

Summary
T. H. M. G.
v. um

1. Considerable funds have accrued, as you know, in the War Department Prisoner of War Trust Fund Account (218915) as a result of payments ~~made~~ accruing to German, Japanese, and Italian Prisoners of War. These funds have been, or are now being paid out, in relatively minor amounts as a result of former POWs cashing either ~~the~~ ^{the} Certificates of Credit or Military Payment orders given them at the time of their repatriation.

2. It is believed to be in the ^{good} interests of the War Department to clear this trust fund account at the earliest ^{possible} ~~date~~ ^{date}. As especially indicated by the authorities in the War Department, ^{however,} considerable ^{administrative and delay} difficulties have ~~been~~ ^{developed} which seriously hamper the encashment of these outstanding instruments. These difficulties have manifested themselves

part-icularly in Italy, ~~due to the~~
~~fact that arrangements~~ The same
diplomats must be anticipated in
Germany and Japan as ~~the~~ ^{agreements for Japan and} black ~~reason~~
the point when ~~arrangements~~ ^{they} are
being made on a large scale basis.

3. Because of these difficulties it is
planned to settle this problem with Italy
~~Germany~~ ^(Germany) ^(Japan) on a long-term
- one payment basis, ~~at government~~
~~level~~ in so far as the U.S. is concerned
this such a settlement will be
at a governmental level and will be
accomplished through negotiated written
agreements with the respective
authorities.

4. To accomplish this, it is reported that
a breakdown ~~of~~ of the money ^{remaining} ~~remaining~~ ^{remaining} ~~remaining~~
in the P.O. Trust fund or in ~~the~~ ^{the} ~~1940's~~ ^{the account of 1940's}
~~calculated~~ ^{calculated} on the details ^{available to}
The War Department, ^{but} ~~but~~ ^{but} ~~but~~ ^{but}
having known, ^{for} ~~for~~ ^{for} ~~for~~ ^{for}

D/R to Chief of House

1. Your attention is invited to the attached copy of D/R which is being sent to the PRC ~~on~~ this date regarding a fund type for ~~the~~ settlement in ~~in~~ favor of the U.S. citizens concerned, for unevoked benefits of C or MPOs held by former POWs. The PRC has been requested to study and ~~to~~ ~~and~~ ~~spec~~

submit the ~~an~~ ~~on~~ ~~and~~ ~~broken~~ down of the ~~invest~~ ~~ment~~ ~~in~~ the POW trust fund 21-8195 which should properly be awarded to Italy, Germany (A.G.B.) as ~~to~~ ~~scope~~ (S.C.B.) and ~~the~~ ~~astronauts~~ ~~of~~ ~~other~~ than these three, ~~and~~

2. It would be appreciated if you will designate ~~a~~ ~~representative~~ ~~or~~ representative of your office to assist the PRC in this matter ~~whenever~~

1949
10/10/49
10/10/49

It is not known to what extent the
new ~~regulations~~ instruction actually affects ~~the~~
~~net~~ ~~financial~~ condition ~~of~~ your government in Japan

It is suggested that your
representatives in ~~the~~ Japan review in detail
your ~~agreement~~ with the ~~the~~ ^{offices} ~~the~~
fiscal authorities if the conditions ^{currently} prescribed
are ~~of~~

6 January, 1947

1st Memo Indorsement

To: Chief: Office of Special Services: Dept of Army

1. The basic correspondence and inclosures have been reviewed in this office, and the following comments, with respect to the currency problem involved, ~~appear~~ appear pertinent: ~~at~~

a) The reference on the part of the ~~the~~ Pepsi-Cola Company to War Dept Memo No 210-65-17 as ^{an informal} financial guide is believed to be erroneous. ~~The specific reference to Paragraph 1. c. thereof is an announcement of "general policy" and must be~~ subject to ^{appropriately} more specific definition of financial terms and arrangements ^{by the} respective overseas commanders.

b. ~~The~~ Although licences and financial terms arrived at between the ^{local} military commander and the various individual

commercial agencies are at times
reviewed in the context of the
Army, the Army itself is not
in a position to

c. The operation of all ^{U.S.} commercial
agencies in ~~the~~ the occupied
areas must of necessity be
controlled at this time

where unbalanced currency
situations exist. These controls
~~are necessary in an effort~~
~~to bring about~~

The particular problems to which
the P.C. Co. is addressing itself is
one of the typical ^{zone} ~~typical zone~~, ~~but not~~
~~controls have~~
which, without controls, ^{would result in} an
unbalanced condition ~~would result~~
such as to ^{disproportionately} benefit the
U.S. even at the expense of 8

~~the~~ Japanese.

c. The P-C Co. ~~is~~ operates
in Japan ~~at~~ with the permission
of the military commander ~~and~~
~~accordingly must~~
for and on behalf of the
U.S. ~~is~~ personnel stationed there.
Although the P-C Co. would
contend that they operate on a
strictly civilian basis, it is
pointed out that ~~at~~ their American
personnel is undoubtedly provided
suitable quarters, messing facilities, ~~in~~
plant facilities, Army messes, P-X families, etc
without which ~~not~~ it is questionable
whether the company would be
able to operate.

d. The military conversion rate of
50 yen per one dollar is ~~the~~ ^{the} officially
suggested and recognized conversion
rate ~~in Japan~~ in Japan at this
time. All "authorized" American
personnel in Japan are required
to effect ^{all} their purchases at
this rate. It is not ~~considered~~
considered appropriate that
the U.S. commercial agencies operating
a profit business in Japan should
be ~~not~~ granted preferential
treatment in

c. The ^{summed} questionable transactions of
private concerns have been with
controlled or prohibited by the
fiscal action, although such ~~control~~
restrictions work to the detriment
of the ~~divided~~ interests of private
U.S. concerns operating in Japan,
as indicated in the Pepsi Cola
letter, it is not known that
such increased costs ~~are~~
~~are~~ are prohibitive. In fact the
non-disclosure of ^{or lack of an admitted} net loss in its
operation in Japan would tend to
indirectly otherwise.

1944

x7/R - Conversion Case
Name: Nicholas Martini - 440 (Marks)

Rules and Regulations Factors

Statement of Problem - General

T/sgt. Martini was a member of the 8th Inf. Div. during 1944 and left from Europe in May 1945. He ~~is~~ was wounded on Dec 31, 1944 + sent to hospital. A friend sent his personal effects home including the currency, and the mother held same for him until he ~~was~~ arrived home (date not provided) after leaving theater in May 1945. On 12 Sept 1946, Sgt Martini presented (44) 100 mark notes to ~~Major M. B. Farley, FC~~ the finance office, Camp Kilmer for conversion. The money was held there till 8 Jan 1947. On 4 April 1947 Sgt Martini filled ~~out~~^{out} a form request for conversion of the marks. He states (subscribed + sworn) that while on furlough he went through his personal articles and found ~~the~~^{an} envelope containing the Allied Invasion Money. He returned from the theater as

a "hospital" case. He states that he exchanged no foreign currencies in preparation for and immediately prior to leaving theater. On 22 May 1947 Martin certified that the \$440.00 of German Division ~~money~~ Marks were obtained by him "in legal means". \$200 was received ~~via~~ through pay channels, the other \$240 was money repaid to him ~~back~~ and which had been "loaned out to my friends in my old organization".

On 18 March 1947, his company commander officially inquired as to how the soldier could recount his currency. The C.O. states therein that the soldier ~~at~~ immediately started proceedings to exchange the money after he discovered it at home, but no finance officer (in the U.S.A.) wanted to change it until the soldier filled out an affidavit. Upon completing the form, the soldier had been shipped to the MTO.

"Rules and Regulations" Factors

1. In May 1945, ^{War Dept and} USFET Regulations in effect and applicable to this case stated:

a) "The obligation of the War Dept to exchange foreign currencies for authorized personnel extends only to those currencies in which troops are paid and in reasonable amounts with due regard to the legitimacy of source. The maintenance of the exchange privilege on this basis is necessary to block individuals from black market or collusive operation for personal gain." (WD Cir 364, 8 Sept 44).

b) "Army personnel in overseas theaters are cautioned against sending foreign currencies by mail or courier to addressees in the U.S.A. The recipients thereof are not considered "authorized personnel" ~~***~~ and Army disciplinary officers in the United States will

not exchange such currencies for holders who receive it in this manner." (WD Cir 364, § 44)

c. "where excessive amounts of local currency are presented for conversion, in relation to the pay scale of the individual concerned, distillery officers should require the execution of certificate by the applicant establishing the legitimacy of the source from which such currency was obtained by him." (WD Cir 364, § 44)

d. "Authorized personnel returning to the United States from overseas areas will exchange all local currencies in their possession with Army distillery officers at overseas ports of embarkation ***" (WD Cir 364, § 44)

e. "In the case of personnel evacuated to the United States from overseas hospitals, funds of patients will be counted prior to evacuation, ***" (WD Cir 364, § 44)

f. " In cases where evacuated patients, ~~and~~
*** return to the United States
with foreign currencies in their
possession which for valid reasons
were not exchanged prior to departure
from overseas areas ***, disbursing
officers within the continental
limits of the United States are authorized
to accept such foreign currencies
for exchange in reasonable amounts,
provided that a certificate is executed
by the holder declaring that the
~~same~~ foreign currency presented
was obtained from an authorized and
legitimate source; that it was
not taken from the country of origin
in contravention of ~~any~~ the laws or
regulations of that country or of any
War Department instructions on currency
control, and/or regulations of the
United States; that it was unavoidably
brought into the United States, that
no other party has any interest in the

transaction; **." ~~the~~ (W.D. Cir 364, 8 Sep
44)

g. Cable references indicate that Allied Military marks were introduced by the U.S. Armed Forces for pay of troops in September 1944. This pertained to troops in Germany (not in Alsace-Lorraine).

h. Administrative Memorandum No. 35 dated 25 October 1944 ^{as} revised 7 Dec 1944 in part stated " Personnel in occupied German territory * * * are prohibited from: * * * participating in transactions involving the purchase, sale or exchange of any currency against any other currency, except through authorized agencies. * * * Importing or exporting any currency through mail or parcel post facilities, except currency as souvenirs not exceeding one dollar * * *. Partic-

~~27~~

icipating in any transaction ~~invol-~~ invol-
ving ~~the~~ ~~the~~ ~~the~~ the foreign exchange
assets of any person in liberated
or occupied territories not belonging
to the Allied Forces. ~~the~~ ~~the~~ ~~the~~ Violation
of any provision hereof will ~~be~~ subject
the offender to trial by courts-martial
or other appropriate disciplinary
action. 6. The provisions of this order
will be brought to the attention of
all personnel and will be conspicuously
posted in appropriate places."

i. "Confidential currencies used by the
Army will be exchanged for sterling and/or
dollar currency before leaving the continent"
(Ch. #1 CIV 80 Hq ETO, 12 March 45)

2. ^{a.} ~~The~~ Army ^{rules and} regulations were not ~~not~~ considered with by Sgt. Martinis. Regulations did, however, allow for exceptions of his specific ~~type~~ case within certain further limitations. The Sgt. fails to provide any ^{specific} facts surrounding the reasons which precluded ~~the~~ exchange of the marks by himself within the theater. ~~before leaving the theater.~~ The circumstances in which he found himself at the time, however, ~~and it~~ may ^{well} have been such as to preclude his acting in his own behalf to effect the exchange.

b. His acquisition of marks as official pay from September 1944 thru 31 December 1944 in total \$ 200 is in accordance with rules wherein marks were used ^{for pay purposes} from Sept 1944 forward. Whether his unit was actually in Germany or not in Sept 1944 is not ~~to~~ stated. From Dept Army records, the 8th Inf Div went into Germany on _____ 1944. This lends additional verification to soldier's story.

c. His acquisition of \$240 worth
of marks from the repayment of
debts by other soldiers is ~~not~~
certified to ~~be~~ by Montini.
Regulations in effect at the time
would not have precluded such acquisition,
since other soldiers, ^{also} had been
paid in marks, and ~~at this time,~~
~~the marks~~ ^{although} Regulations, in fact, prohibited
exchange transactions between U.S.
soldiers and indigenous persons, ^{they} ~~but~~
specifically excluded other Allied
personnel ^{from such restrictions.} No substantiation of
his claim, other than his sworn
statement, is available.

By strong inference, he was
correct in accepting repayment
of ~~the~~ a ~~large~~ loan, in
marks. from other soldiers

"Financial" Factors

- (per soldier's statement)
1. a) Monthly net pay ~~(\$ 50.00)~~ $(\text{₹ } 50.00)$
 - b) Total Pay between Sept and Dec ^{in Marks} (Possible) $\text{₹ } 200.00$
 - c) Total time in theater prior to being paid in marks 13 months
 - d) Possible total pay for 13 months $\text{₹ } 650.00$
 - e) Possible total pay for remaining 4 months while overseas Jan - May 1945 $\text{₹ } 200.00$
 - f) Total possible pay while overseas $\text{₹ } 1050.00$
 - g) Total possible pay in marks while overseas $\text{₹ } 400.00$
 - h) Total sent home while overseas $\text{₹ } 500.00$
 - i) Net available for expenditure or commission $\text{₹ } 550.00$

2. Analysis

- a) Of total pay ~~of~~ drawn overseas 21 months ($\text{₹ } 1050.00$), Sgt. Martini sent home $\text{₹ } 500$ (analysis of sworn statement). Balance available to the Sgt was then $\text{₹ } 550.00$. \rightarrow Total payments
- b) in marks could have been $\text{₹ } 400$, although an exchange of his ^{foreign currency} cash at time of entrance into Germany could have resulted in ^{the} acquisition of additional marks.

550

Facts surrounding this aspect of case are not provided.

c. Also, had the ~~the~~ amounts owed him by his fellow soldiers been contracted before he went into Germany, and repayment made ^{later} within Germany ~~of~~ in marks, a further accumulation of marks would be possible. Facts surrounding ~~the~~ ^{this} aspects are ~~missing~~ not provided.

d. Of the total \$550 available for expenditure, the Sgt wishes to convert \$440, leaving ~~approximately~~ \$110 ~~to~~ which represents his expenditures ^{in Europe} over a period of 21 months - namely approximately \$5.00 per month. This concludes to a somewhat ~~a~~ unrealistic situation.

e. ~~His~~ statement is ~~provided~~ regarding the ~~source~~ source of the \$240 owed by his ~~friends~~ friends. If gambling winnings, then ~~the~~ ~~above~~ ~~must~~ must be recalculated to indicate total expenditure of \$350 in the local economy of Europe - namely approximately \$17.00 per month. This concludes to a

$$\begin{array}{r} 2 \overline{) 350} \\ \underline{21} \\ 140 \\ \underline{140} \\ 0 \end{array}$$

~~realistic situation~~

Analysis:

1. Study of this case results in the following ~~and~~ analysis:

- a) The soldier did not comply with regulations, however regulations allowed exceptions ^{in his type} ~~in his type~~ cases. The record indicates he acted promptly upon finding the currency.
- a) ~~The~~ sending of the currency home by another soldier was ~~in violation of~~ ^{contrary to} existing regulations. This ^{action} however, appears to be one beyond ~~the~~ ^{Martin's} control at the time. The regulations did allow exceptions ~~in~~ ⁱⁿ ~~conversion~~ ^{currency} hospital cases. The record states ^{the soldier} ~~he~~ acted promptly upon finding the currency. ~~Time~~ ^{Time} indicators given do not substantiate this latter contention. They do, in fact, indicate ~~for~~ negligence on the part of the individual with respect to obtaining conversion.

assuming that the soldier probably went home on
furlough shortly after returning home from overseas duty.

b. The fact that the Sgt did not convert any
marks upon departure from theatre, and that
the $\text{RM} 440$ worth of marks were all in
his effects at home, concludes to
the fact that, if paid $\text{RM} 200$ from
Jan 1945 - thru April 1945, he ^{probably} spent all
or a gully portion of $\text{RM} 200$ worth of marks within the German
economy in a 4 month period. This
being the case it must be assumed
that his monthly expenditures before
those months were similar, and accordingly
similar question is raised as to the
legitimacy ~~of~~ ~~the~~ ~~marks~~ ~~holdings~~ ~~which~~ ~~are~~ ~~being~~ ~~presented~~
at this time. If an average
expenditure of $\text{RM} 50$ per month was
normal to that soldier, ~~then~~
~~a question arises as to his~~
~~possibility of~~

Further checking on this point
in the U.S.A. is not possible, since the soldier
is Regular Army and service record
is not available in U.S.A. for check.

C-5) The acceptance of ~~the~~ Martin's ~~statements~~ statements, covering the total \$440 in marks ~~as~~, as sufficient and conclusive evidence to substantiate an acceptance of the marks into official Army accounts in Chicago for dollars is not considered to adequately safeguard U.S. appropriated funds. The ~~unqualitative~~ ^{unqualitative} conclusions which must be drawn from an analysis of the soldier's own statements seem to cast doubt on the legitimacy of the currency being presented for conversion. In the light of inconclusive evidence to reject his request, recommend this case be not approved.

PROPOSED ACTION ~~#45~~

Dull Space "1. The conversion, through Army channels, of extra legally acquired currencies or currencies obtained through