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ADDRESS OFFICIAL COMMUNICATIONS TO
 THE SECRETARY OF STATE
 WASHINGTON, D. C.



DEPARTMENT OF STATE
 WASHINGTON

October 28, 1942

AIR MAIL

Dear Leland,

I have your letter of September 4 concerning the reasons which prompted this Government to deny the recent application by the Bank for International Settlements to transfer \$1,000,000 from its account with the Federal Reserve Bank in New York to the account of the Swiss National Bank.

So far as the feeling of this Department is concerned our decision not to intervene with the Treasury Department on behalf of the Swiss did not mean that we subscribed to the Treasury thesis that if the application under reference were denied the B.I.S. might be compelled to use its holdings in free currencies to repay the deposits of the Swiss National Bank. The primary considerations which influenced the Department are those set forth in the third and fourth paragraphs of the memorandum of July 15 addressed to me by FD and FF, a copy of which was among the enclosures sent to you with my letter of August 5. Possibly some amplification of the statements set forth therein may clarify our position.

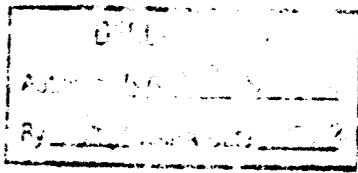
As we saw it the only reason advanced by the Swiss for asking for withdrawal of funds from the B.I.S. was the fear of the Swiss as to the future of the B.I.S. Thus the Swiss aide-memoire of June 3 states that the future of the B.I.S. is uncertain and that nobody can foresee what its assets will be worth after the war. It was in fear of this contingency that the Swiss wished to withdraw part of their deposits with the B.I.S. However, regardless of the degree to which the policies and assets of the bank may or may not

be

The Honorable
 Leland Harrison,
 American Minister,
 Bern.

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be controlled by the Axis at the present time, it is a not impossible contingency that the Axis may seize control of the Bank and its assets, directly or indirectly, and operate the Bank as an Axis institution or in the Axis interests. If this contingency should come to pass we might find it appropriate and to our interest to regard the B.I.S. as an Axis institution and might under certain circumstances treat the assets of the B.I.S. in the United States as part of the general pool of Axis property in this country available as security for or eventual payment of possible claims against the Axis. If it is argued that this is only a contingency the answer can be made that the Swiss proposal was to withdraw funds because of fear of this or a like contingency. We could not see our way clear to ask the Treasury to defer to the Swiss on the latter's request as presented. If we permitted assets of the B.I.S. in the United States to be transferred to the names of neutral European countries for reasons such as that advanced by the Swiss, creditors of the Bank in such countries would be given a preference with respect to the dollar assets of the Bank to the possible detriment of the interests of the United Nations and their associates in the Bank.

I trust that the foregoing will be of some assistance to you in understanding the Department's position.

With kindest personal regards.

Sincerely yours,

Dean Acheson
Assistant Secretary