

General Ruling No. 17

000203

MEMORANDUM FOR THE FILES

14
April 17, 1944

Subject: General Ruling No. 17.

The subject matter of the last paragraph of my memorandum of April 13 - i.e. the abandonment by the Treasury of certain objectives of General Ruling No. 17 - was discussed with Mr. Luxford and by him with Messrs. Pehle and Bernstein, and it was concluded that we should advise Mr. Straessle that the Treasury was not prepared to abandon the fundamental objectives of General Ruling No. 17 but that, if he felt it desirable to have another Swiss representative come to Washington to discuss the matter, we were prepared to discuss the whole situation with him. It was further agreed to advise Mr. Straessle that we would, of course, be glad to discuss with him or any other Swiss representative alternative procedures which would tend to smooth out the problems of the Swiss in connection with General Ruling No. 17 and which did not involve the abandonment of the fundamental objectives of the Ruling.

Mr. Straessle was advised accordingly on April 17 and indicated that, in respect to any possible alternative procedures, he would like to discuss the matter in a preliminary manner with this office before arranging for any one to come from Switzerland. A meeting for this purpose was arranged for Wednesday, April 19 at 11:30 a.m. Messrs. Alk and Moskovitz will be invited to attend this preliminary meeting with Mr. Straessle.

A. U. Fox

cc: Messrs. Pehle, Schmidt, Bennett, Richards, Day, E.M. Bernstein,
Luxford, Alk, Moskovitz, Hartwig,

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100204

MEMORANDUM FOR THE FILES

April 13, 1944

In a discussion with Treasury on April 12 in connection with Swiss franc matters, Mr. Straessle raised the matter of our interpretation in respect to the applicability of General Ruling No. 17 to American securities physically located in Switzerland, and indicated his objection to the form of the interpretation and certain wording thereof, and to the fact that it had been released to the banks prior to his being informed of its contents.

This matter was discussed at length with Mr. Straessle on April 13, and it was explained that the interpretation had been given to the banking committee at the end of March, under the impression that it would be read into the minutes on April 14 and distributed to banks at that time. Inadvertently the interpretation had been circulated to banks by the banking committee at the end of March, which fact was not brought to our attention until April 10. In the meantime, we had endeavored to reach Mr. Straessle by phone but had been unable to do so and, under the impression that the Ruling would not be circulated until April 14, the discussion of the matter with him had been deferred until the meeting scheduled for April 12. Mr. Straessle expressed his satisfaction with the explanation and stated that he considered that aspect of the matter closed.

There was then discussed with Mr. Straessle the following possible alternative approaches: (a) cancellation of the interpretation and allowing the problem to remain unresolved for the time being; (b) a substitute interpretation which had been discussed and cleared with Messrs. Alk, Moskovitz and Hartwig earlier on April 13; (c) certain revisions of the interpretation as already existing; or (d) other possible forms of interpretation not yet considered.

After discussing the various alternatives at considerable length, Mr. Straessle indicated his preference for alternative (b) - i.e. a substitute interpretation as cleared earlier on April 13 with Messrs. Alk, Moskovitz, and Hartwig, pending further consideration of the overall problem of General Ruling No. 17, which Mr. Straessle had also raised at the Swiss franc meeting on April 12.

Mr. Straessle then reiterated the strong objections of the Swiss to the use of the April 8, 1940 date in connection with Swiss securities, instead of the date of the Swiss blocking - i.e. June 14, 1941. Mr. Straessle was advised that this date constituted a fundamental tenet underlying the application of our freezing controls, and that any decision in connection with changing the date would constitute a matter of fundamental policy and would have to be cleared at a high level in the Department. Mr. Straessle urgently requested that this matter be considered and was advised that, in accordance with his request, it would be discussed with appropriate people in the Treasury.

100205

Mr. Straessle then inquired if, in our opinion, it would be worthwhile for him to request that an expert on security and banking laws and transactions be sent here from Switzerland to discuss problems arising out of General Ruling No. 17, with an idea of endeavoring to work out some solution which would minimize Swiss problems in connection with the Ruling. It was indicated to Mr. Straessle that if the visit of such expert was only for the purpose of urging abandonment of our fundamental objectives, it was felt that no useful purpose would be served by bringing another representative to the United States from Switzerland but if the purpose was to endeavor to resolve Swiss problems in a mutually satisfactory manner and in a way which would not oblige this government to forego its objectives, discussions with such an expert would probably be helpful. Mr. Straessle was advised that I would, however, discuss this matter in the Treasury and attempt to give him an answer on April 13 prior to leaving for New York or, failing that, on Saturday, April 15.

This subject was discussed at the noonday conference on April 13, and the general feeling was that the visit of such an expert would probably be beneficial if the abrogation of our fundamental objectives was not involved, although it was generally agreed that the April 8, 1940 date was fundamental and was one which we would almost certainly be unwilling to change in favor of June 14, 1941.

This matter was later discussed with Mr. Luxford who concurred, and Mr. Straessle was advised accordingly on the afternoon of April 13.

The conversation with Mr. Straessle, however, developed the fact that he considered it essential that (a) the April 8, 1940 date be given up, and (b) our objective of identification be abandoned.

In respect to (b) above, Mr. Straessle stated that the certification procedure, which involves inspection of records in Switzerland by American governmental representatives and the submission of evidence to the Treasury within one year after the war, was considered humiliating by the Swiss and he felt that, as a minimum, this requirement must be given up in favor of certification by the individual institutions, confirmed by the Swiss Bankers Association, and that unless we were prepared to do something substantial along these lines, he could not assume any responsibility or give any assurance of the successful conclusion of the Swiss franc negotiations. Mr. Straessle was advised that while I was prepared to see that consideration was given to these two points in the Treasury, I was not optimistic as to the prospects of a change in policy. In conclusion, Mr. Straessle stated that he felt it would be preferable to defer asking an expert to come from Switzerland until he had a definitive response to these two matters from Treasury.

A. U. Fox

cc: Messrs. Pehle, Schmidt, Bennett, Richards, Day, E.M. Bernstein,
Luxford, Alk, Moskovitz, Hartwig.

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100206

Text of interpretation in respect to the applicability of
General Ruling No. 17 to American securities physically
located in Switzerland, as revised April 13.

Inquiry has been made as to the applicability of General Ruling No. 17 to American securities which are physically located in Switzerland and are traded in small lots on stock exchanges in Switzerland. It is understood that these securities include stock of American European Securities Corporation, registered in the "street name" of Dominick and Dominick, New York, and certain other securities registered either in the name of Swiss Bank Corporation or in the name of the Credit Suisse. It is also understood that such securities may be purchased and sold only by Swiss citizens.

Without at this time resolving the applicability of the provisions of General Ruling No. 17 to the situation in question, the Treasury will entertain applications by the registered owners, or their correspondents in the United States, of such securities for licenses to permit income derived from such securities to be credited to blocked accounts in the names of the nominees, which accounts may be operated in accordance with applicable general and specific licenses now outstanding or hereafter issued.

000207