COUNTRY    Germany
SUBJECT    Counterfeiting of American currency

SUB SOURCE    Well-Informed German Business Man
DATE OF ORIGIN  11 March 1944
PLACE OF ORIGIN Istanbul

DISSEMINATION NO. A-25655
Report No.    D-1888

OSS EVALUATION  B-C fairly reliable
truth cannot be judged.

DISTRIBUTED 8 April 1944

1. A German who has just returned to Istanbul from Germany
told sub-source's informant that, of all foreign currencies,
American dollars are most in demand among people within
Germany. American paper money has until recently been
the most difficult to obtain. Now, according to this
German source, new issues are obtainable without difficulty.

2. The sub-source's explanation of this change is that
Germany is able to counterfeit perfectly any paper money
which the American Treasury issues, for there is no longer
any color which the I. G. Farbenindustrie cannot reproduce.
American experts themselves are said to be unable to
identify this currency, and it is believed that United
States will thus be obliged to pay out several millions
of its gold reserve.

Distributions: Mr. Taylor, Mr. Orten, Mr. Tukins, Mr. Lumsford, Mr. Arons
Mr. Schmidt, Mr. Fox, Mrs. Shumate.

Copied for distribution to: Mr. Aik, Mr. Rains, Mr. Gilbert, Mr. Back,
Mr. Day, Mr. J. C. Jones.

000376
April 13, 1944

Mr. J. Lagersd

Ref: U.S. Non-yellow seal currency in North Africa

The memorandum of Leonard Ackerman, attached to R. L. Hoffman's letter of March 21, 1944, indicates that there is considerable traffic in blue seal currency in North Africa; but, as Mr. Rains pointed out in his memorandum of April 11, the situation does not appear too serious.

It seems to me that the proposed new regulations Nos. 3 and 4 on Page 6 of Ackerman's report would not be effective unless Nos. 1 and 2 are also adopted. Unquestionably, the first two regulations could be burdensome if enforced too strictly; however, they are desirable, if not necessary, to make effective the others.

I concur with Mr. Rains that while it is desirable to improve the situation in North Africa we should not attempt to do so at the expense of complicated measures; and I wholeheartedly endorse his suggestion that the points listed in the memorandum be complied with and interpreted with a "reasonable amount of liberality and common sense".

cc/Lessrs. Alk, Rains, Kehl, Bach

J. Lagersd/sg/4/13/44
TO: Messrs. Fox, JCBones, Aarons, Alk, Tomlinson, Gilbert, Bach and Raina.

Mr. Taylor was recently requested by the War Department to indicate the procedures which should be followed in the handling of regular U. S. currency when European territory is liberated from enemy control. The attached is a first draft of a memorandum dealing with this subject. I should appreciate receiving your comments or suggestions.

It may be that the most expeditious way to handle this problem would be to hold a meeting and to use this draft as the basis of the discussion.

J5Richards 3/6/44
TREATMENT OF U. S. BLUE SEAL CURRENCY IN LIBERATED AREAS

It is recommended that, immediately following the occupation of any European area which has been under the control of the enemy, the following steps be taken with respect to U. S. blue seal currency:

1. A proclamation or decree should be issued which would require that all holders of U. S. blue seal currency turn such currency into designated depositories within a specified time limit. The proclamation or declaration should indicate that, after the date specified, the continued holding, use, or export of U. S. blue seal currency is prohibited and will be subject to penalty.

2. All U. S. blue seal currency turned in should be impounded and the depositor given a non-negotiable receipt acknowledging the deposit of the currency.

The primary reasons supporting the above recommendations are as follows:

1. To consolidate holdings of foreign exchange assets.

By requiring the deposit of all blue seal currency, it will be possible, if it is deemed desirable to do so, to make the resulting dollars available to whatever governmental authority is established in each area. The actual decisions with respect to the use by the established governmental authority of such foreign exchange assets will depend upon the conditions in each area and can be made at a later date.

2. To prevent the enemy from gaining any advantage from blue-seal currency already in his possession.
At least until such time as Germany has fallen, it is clear that Germany will continue its attempts to sell U. S. currency in its possession to neutral countries in order to strengthen the German foreign exchange position. It is probable that a failure on our part to require the impounding against receipt of blue seal currency in areas occupied by Allied forces would be construed in the neutral countries as an implication that the United States will abandon its currency controls upon the cessation of hostilities. Such an impression would certainly strengthen the market for S. S. dollar currency in the neutral countries and would facilitate the efforts of Germany to dispose of its holdings of U. S. currency.

2. To prevent speculators in the enemy and enemy-occupied countries from realizing any profit through purchases during the war of blue seal currency at a discount.

One of the purposes of the U. S. currency controls has been to force down as much as possible the value of blue seal currency outside the United States. An inevitable result has been that speculators have been afforded an opportunity to purchase blue seal currency at a discount in the expectation that the controls will be removed after the war.

Agreements should be made with the occupying authorities whereby no credit would be given to the depositors until such time as the circumstances of each particular case had been reviewed. It would not be necessary to pay much attention to persons who deposit small amounts of currency. In cases where large amounts are deposited, however, a thorough check-up could be made before allowing the local depositor to receive a local currency credit. Here again, the procedure to be
followed will vary from area to area, depending upon the kind of
governmental authority which is established and the nature of the
agreement between it and the occupying forces. For example, in the
case of Belgium, the entire problem of preventing speculators from
profiting might be left to the local authorities. In other cases,
if an Allied Control Commission is in authority, the question of
speculators could be deferred or could be carried out by the mili-
tary authorities acting under authority from the Allied Control
Commission.

As a corollary to the above and in order to prevent blue seal curren-
cy which was in the area prior to Allied occupation from losing its identity
and significant status through the introduction of new blue seal currency
into the area, affirmative steps should be taken to insure that Allied mili-
tary personnel, merchant seamen, etc., are not allowed to import into the
area any blue seal currency, but are required to exchange, and are provided
with facilities for exchanging, such currency, as well as other foreign cur-
rency legally in their possession, for whatever currency is legal tender in
the area. In those cases where U. S. yellow seal currency or a similar in-
vasion currency is used, blue seal currency could be exchanged for yellow
seal. In other cases, the blue seal currency would be exchanged for an ap-
propriate form of local currency. The necessary exchanges could be effected
either at the time of embarkation, at some point in transit to the area to
be occupied, or at the time of debarkation, depending upon practical
considerations.

In order to provide for those cases whose Allied personnel have innocently
imported blue seal currency into the area, finance officers should be au-
thorized to exchange such currency when they are satisfied that the currency
has been imported by, and is in the possession of, Allied personnel. Care
should be exercised to prevent this exception from providing a channel where-
by persons not entitled to such privileges could dispose of blue seal currency.