ACC

10000/100/319

10000/100/319

FINANCIAL CONTROL OF FINANCIAL INSTITUTIONS
AUG. - OCT. 1943

34 pp

Ac/10114 30A

JJAA

232015A

AFSC 1269/23
232202A
ojr.

URGENT

FROM : 15 ARMY GROUP FROM PHILPOT FROM AMGOT FROM CFO

TO: FREEDOM FOR MGS FOR MCSHERRY.

28

REFERENCE NO THIS MESSAGE 983 23 OCTOBER 1943.

Reference your AMGOT 470 of 22nd October. (Cite FA 78)

1. No money provided by AMGOT has been used to pay Italian troops in Region2. When banks were reopened on 19 September, specific instructions issued that such payments would not be made without consent of Finance Officer. On the one occasion where advance was made to 31 Italian Corps it was made by Banca D (?) Italia in metropolitan lire from its own funds. Money was paid to Corps Commander by the bank and Corps Commander responsible to Italian seven Army, which is responsible to Allied Military Mission.

2. All state, para-statal, provincial and Communal deficits are financed by over drafts at the Banca D (?) Italia. Provincial, and Communal needs are examined by Italian Officials, Provincial Civil Affairs Officers and Finance Officers. Recurrent state expenditure is sanctioned by the Intendente Di Finanza as hitherto. Cases of extraordinary state expenditure are reffered by the Intendente to the Finance Officer. Intendente also examines and refers to Finance Officer; request from other public bodies for funds.

3. Banca D (?) Italia renders bi-monthly statements in detail of all accounts opened in accordance with the above provisions and the "dimostrazion mensile,", showing all revenue and expenditure.

4. Under this system no AMGOT money is directly used to finance State expenditure. AMGOT money is deposited in the Banca D (?) Italia to provide bank with sufficient funds to finance overdrafts detailed in paragraph 2. AMGOT ranks as depositor at Banca D (?) Italia and State Provincial Communal and other overdrafts are debts due to Banca D' Italia and not AMGOT.

5. Your paragraph 5. Orders have been issued although no AMFA funds used for purposes mentioned. Presume you have checked up on region 6. Grateful for early and decisive ruling to advance to BADOGLIO Government and Italian services as problem might easily arise later.

6. Recent policy all departments AMGOT has been to give Italian authorities greater responsibilities. If detailed control implied by your signal is considered [illegible]

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3. Banca D (?) Italia renders bi-monthly statements in detail of all accounts opened in accordance with the above provisions and the "dimostrazion mensile,", showing all revenue and expenditure.

4. Under this system no AMGOT money is directly used to finance State expenditure. AMGOT money is deposited in the Banca D (?) Italia to provide bank with sufficient funds to finance overdrafts detailed in paragraph 2. AMGOT ranks as depositor at Banca D (?) Italia and State Provincial Communal and other overdrafts are debts due to Banca D' Italia and not AMGOT.

6. Your paragraph 5. Orders have been issued although no AMFA funds used for purposes mentioned. Presume you have checked up on region 6. Grateful for early and decisive ruling to advance to BADOGLIO Government and Italian services as problem might easily arise later.

6. Recent policy all departments AMGOT has been to give Italian authorities greater responsibilities. If detailed control implied by your signal is considered essential, financial staff and transport will have to be considerably increased.

7. Full report and copies of documents follow.

FOOT NOTE : 470 Not identified in AFHQ MC Files.

ACTION : MIL GOV SEC.

INFORMATION : DPIC
FINANCE
AG RECORDS

MC IN 14310 24 Oct 43 0245A Ref No. 085 vg/B

MGS/DR/jjf
Rec'd - 26 Oct 43
RDL

ALLIED FORCE HEADQUARTERS

Military Government Section

MGS 100

24 October 1943.

SUBJECT: Assegni Circolari
and Vaglia Cambiari

TO : J.C.S. (1 Copy)
for Col. Bernstein.
A.M.G. (P) (3 Copies)
H.Q., A.C. (3 Copies)
Chief Finance Officer, NATO USA
P.I.C. B.M.A.F.

Attached copy(ies) of H.Q., A.M.G., C.M.F., letter 2027/F of 18th October, 1943 is forwarded for information.

for S. [illegible] V. SMITH,
Lt-Colonel.

2800

26/oct/2431

AC/10115/4

Subject:- Assegni Circolari and Vaglie Cambiari 2027/F

AMGOT HQ, SICILY

18 Oct 43

To:- FOs and CAOs
through SCAO ____________ Province.

1. The Directive of the CFO dated 20 Sep 43, entitled "Assegni Circolari and Vaglie Cambiari" is hereby rescinded.

2. This action is taken in consequence of the restoration by General Order No. 10, effective 12 Oct 43, of full operations by the banks in Sicily. Such full operations include the honoring of such assegni circolari and vaglie cambiari as are their obligations and are in good order.

3. While SCAOs, FOs and CAOs may accept assegni circolari and vaglie cambiari as equivalent to cash, due caution should be observed as to the goodness of such instruments, not only as to their genuineness, but also as to their negotiability and as to the officer's liability as endorser, if endorsement is necessary. In case of any doubt, officers should consult local Italian bankers or this Headquarters.

R.B. Menapace

R.B. MENAPACE,
Lieut-Colonel,
Deputy Chief Finance Officer.

2799

[redacted]

Declassified E.O. 12356 Section 3.3/NND No. 785015

Received 21 Oct. 1943.

PRIORITY

TO: AGWAR (FOR COMBINED CHIEFS OF STAFF) REF NO. W 2993

RPTD: USFOR (INFO BRITISH CHIEFS OF STAFF)

SIGNED: EISENHOWER CITE: FHMGS

REF NO. 1 MAT 59

With reference to exports from ITALY the following is proposed for your consideration.

Prices in Lire to be paid to the supplier will be agreed to or fixed by AMG or Armistice Commission. AMG or Armistice Commission will then obtain from AMFA the Lire funds to make payment to supplier and to meet other expenses such as freight, warehousing, lighterage, etc., insofar as these expenses are not incurred in other currencies. We assume you will determine procedure as to price to be paid by purchasers abroad and that broadly speaking you intend that the currencies other than Lire paid by such purchasers will go into earmarked or blocked accounts. We will need to be advised also as to method of carrying out this procedure including selection of banks to handle such accounts. As to procedure to be followed in case of French purchases of Italian exports, the French opening proposal is to pay Algerian Francs into a blocked account at the bank of Algeria, to remain blocked until released under mutual agreement between the French United States and British authorities. We should appreciate your views on the above, bearing in mind your recent instructions that disposal of foreign currencies arising out of Italian operation will be subject of subsequent settlement. Prompt receipt of your view on foregoing will be of assistance to us should US Treasury Officials wish to discuss matter when they return to this area.

Originator: MIL GOV SEC. AUTHENTICATION: T.B. JACKMAN, MAJOR.

INFORMATION: FINANCE
DPIC
SGS

MC OUT 6070 20 Oct 43 1833A Ref No. W 2993/1 re/HFK

2798

Declassified E.O. 12356 Section 3.3/NND No. 785015

FROM : A.F.H.Q. (AMGS)

027A Action 4

TO : AGWAR FOR CCS

WITH REFERENCE TO EXPORTS FROM ITALY THE FOLLOWING IS PROPOSED FOR YOUR CONSIDERATION. PRICES IN LIRE TO BE PAID TO THE SUPPLIER WILL BE AGREED TO OR FIXED BY AMG OR ARMISTICE COMMISSION. AMG OR ARMISTICE COMMISSION WILL THEN OBTAIN FROM AMFA THE LIRE FUNDS TO MAKE PAYMENT TO SUPPLIER AND TO MEET OTHER EXPENSES SUCH AS FREIGHT, WAREHOUSING, LIGHTERAGE, etc., IN SO FAR AS THESE EXPENSES ARE NOT INCURRED IN OTHER CURRENCIES. WE ASSUME YOU WILL DETERMINE PROCEDURE AS TO PRICE TO BE PAID BY PURCHASERS ABROAD AND THAT BROADLY SPEAKING YOU INTEND THAT THE CURRENCIES OTHER THAN LIRE PAID BY SUCH PURCHASERS WILL GO INTO EARMARKED OR BLOCKED ACCOUNTS. WE WILL NEED TO BE ADVISED ALSO AS TO METHOD OF CARRYING OUT THIS PROCEDURE INCLUDING SELECTION OF BANKS TO HANDLE SUCH ACCOUNTS. AS TO PROCEDURE TO BE FOLLOWED IN CASE OF FRENCH PURCHASES OF ITALIAN EXPORTS, THE FRENCH OPENING PROPOSAL IS TO PAY ALGERIAN FRANCS INTO A BLOCKED ACCOUNT AT THE BANK OF ALGERIA, TO REMAIN BLOCKED UNTIL RELEASED UNDER MUTUAL AGREEMENT BETWEEN THE FRENCH, UNITED STATES AND BRITISH AUTHORITIES. WE SHOULD APPRECIATE YOUR VIEWS ON THE ABOVE, BEARING IN MIND YOUR RECENT INSTRUCTIONS THAT DISPOSITION OF FOREIGN CURRENCIES ARISING OUT OF ITALIAN OPERATION WILL BE SUBJECT OF SUBSEQUENT SETTLEMENT. PROMPT RECEIPT OF YOUR VIEWS ON FOREGOING WILL BE OF ASSISTANCE TO US SHOULD THE U.S. TREASURY OFFICIALS WISH TO DISCUSS MATTER WHEN THEY RETURN TO THIS AREA.

20/10/43
/tlt

Copies to :- Industry & Comm. )
Col. Evans )
JCS
JACS
E & F
Col. Bernstein
2 for file.

From : Finance Sub-Commission.

2797

26 A

ALLIED FORCE HEADQUARTERS CONFIDENTIAL

Military Government Section DSJ/DW/jw

19 October 1943

MGS 100

SUBJECT: Preparation of Budgets by, and Control and Payment of Advances to Provinces and Communes in Sicily.

TO : JCS (1 copy)
For attention Lt. Col. Bernstein
AMG (P) (4 copies)
H.Q. A.C. (5 copies)

Attached copy (ies) of H.Q. AMG report on the above subject is forwarded for information and attention.

for D. S. JACKLING
Lt. Colonel

Copy To:
DFIC (1 copy)
File and Circulation (1 copy)

AC/1011/4
Finance



2796

/jjf

SUBJECT:- Preparation of Budgets by, and Control and Payment of Advances to Provinces and Communes.

AMGOT/2036/F.

TO: S.C.A.Os., F.Os., C.A.Os., R.Os.
REGION I.

AMGOT H. Q. SICILY.

11, Oct. 43.

1. In AMGOT/2036/F of 29 September 1943, it was emphasized that Italian Provincial and Communal Officials should at once commence the task of preparing their budgets (Bilanci di Previsioni) for the 1944 fiscal year. This urgent request was based on the desire to institute effective control of funds being advanced by AMFA throughout the Occupied Territory and also to direct the attention of Italian officials to the need for developing tax revenues to meet deficits which may arise in Provincial or Communal budgets.

2. In order to institute similar controls over current expenditures, revenues and deficits of Provinces and Communes, centralize the authorization of advances and expedite the posting of advances on AMFA's books to the proper accounts, it is now directed that a Monthly Budget (Form C.R.O.7) and a Request for Advance (Form C.R.O.8) be prepared by the appropriate Provincial or Communal officials in consultation with C.A.Os., F.Os., and R.Os., to the extent that the latter are available.

3. These monthly budgets will be prepared on form C.R.O.7, and applications for advances made on form C.R.O.8. Enclosed are copies of a letter in Italian, which should be distributed by you to the officials concerned. An English translation is given in Appendix "A".

4. The communal monthly budgets will be considered by the C.A.O. for the district concerned who will then pass the forms as early as possible and without waiting for all communes to the S.C.A.O. Provincial monthly budgets will be sent direct to the S.C.A.O. of the province.

5. Revenue Officers or in their absence Finance Officers will examine the budgets of communes and provinces and in the cases of communes will consult the Prefect and have the forms C.R.O.7 Commune signed by him.

They will then make their recommendations to the S.C.A.O. who will in turn forward his recommendation to the Finance Division. One copy of the form C.R.O.7 will be retained by the R.O. or F.O. Attention is again drawn to the fact that copies of the 'Bilancio di Previsione' for all communes are available for reference at the **Prefettura.These** recommendations should be forwarded daily as received and should all reach Regional AMGOT H.Q. by the 22nd of the month preceding that for which the advance is required.

6. The C.R.O. of the Finance Division at Regional H.Q. will approve the necessary advances and pass the form C.R.O.8 to A.M.F.A. for payment. The C.R.O. will retain for investigation and checking the form C.R.O.7.

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7. As soon as an advance has been approved by the C.R.O., A.M.F.A. will forward to the S.C.A.O., for distribution, a cheque for the amount of each advance within his Province. These cheques will be accompanied by Vouchers for Advances to Communes, etc. (Form F/12) made out in triplicate. Before the cheques are turned over to the payees, the receipt formula on each copyof Form F/12 must be signed by at least two officials of the Commune or Province, and the Communal or Provincial seal or stamp should be affixed; the certificates of payment on the duplicates and triplicates must also be completed. The triplicates of Form F/12 will be retained by the S.C.A.O. as evidence that the cheques have been duly delivered and the originals and duplicates will be sent at the earliest possible moment through official channels direct to A.M.F.A. at Regional AMGOT Headquarters.

8. These instructions are effective commencing with the month of December 1943, and <u>no</u> advances will be made direct by S.C.A.Os., F.Os., or C.A.Os. after 1st December 1943.

A separate instruction is being issued as to the procedure to be followed in making advances to the Italian National Government and to State Institutions.

9. The returns required under AMGOT/2037/F dated 5.Sep.43, para.10, (a),(b), and (c), will no longer be required.

CHARLES M. SPOFFORD
Colonel, G.S.C.
Chief Staff Officer.

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APPENDIX "A".

To Prefect of the Province.
The Mayor of all Towns.
The Intendente di Finanza of all Provinces,(for information).

1. It is necessary :

(a) that the temporary arrangement during the early stages of the Allied occupation under which various local officers of the Allied Military Government made advances of money to various local Italian officials for salaries, recurrent expenses, relief of destitution etc., should now cease.

(b) that proper estimates and accounts of the Revenue and expenditure of the communes and provinces should now be prepared.

(c) that the pre-occupation system whereby such estimates were submitted to the Prefect should be recommenced.

(d) that communes and provinces should obtain the maximum amount of income from taxes, imposts and other sources and should review their expenses so that advances to such bodies will be reduced as much as possible.

(e) that, before any advance is asked for, full use should be made of all available cash balances. These items will be shown on form C.R.O.8.

2. Accordingly, commencing with the month of December no further advances will be made to communes and provinces unless the following procedure is complied with :

(a) Each Commune or Province will complete the enclosed form C.R.O.7 in duplicate for the month of December, 1943. The form will show as indicated thereon the actual income and expenditure for December 1942, and also the estimated income and expenditure for the month of December 1943. The forms C.R.O.7 will include the income and expenditure of all bodies (such as hospitals, waterworks etc.) which are normally financed through the budget of the Commune or Province concerned.

(b) The completed forms C.R.O. 7 together with the request for an advance on form C.R.O.8 will then be sent not later than the 5th November 1943,

(i) in the case of Communes, to the local officer of the Allied Military Government.

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(ii) in the case of Provinces, to the head officer of the Allied Military Government, at the Provincial capital.

(d) that communes and provinces should obtain the maximum amount of income from taxes, imposts and other sources and should review their expenses so that advances to such bodies will be reduced as much as possible.

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(i) in the case of Communes, to the local officer of the Allied Military Government.

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(ii) in the case of Provinces, to the head officer of the Allied Military Government, at the Provincial capital.

(c) The forms C.R.O.7 in respect of communes will subsequently be discussed with the Prefect by the head officer of the A.M.G. at the Provincial capital, or by his finance representative.

3. Forms will be completed for each month subsequent to December 1943, and the same procedure followed. A form C.R.O.7 will be completed each month even if no advance is required.

4. When an advance to a commune or province has been approved by the Allied Military Government the necessary funds will be advanced to the Bank at which the communal or provincial treasury is kept for the account of such treasury. The Bank will show the advance in the treasury account as an advance from the Allied Military Financial Agency.

5. In addition to the above all communes and provinces will proceed immediately to prepare and submit in accordance with the usual procedure their 'Bilancio di Previsioni' for the year 1944. These should be prepared in full as before on the usual forms and in accordance with existing Italian law.

250

Brigadier R.A. Hamlyn,
Chief Financial Officer,
Allied Commission.

13th October, 1943.

Brigadier F. Rabino,
107, bis Rue Michelet,
Algiers.

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Dear Rabino,

Thank you very much for your note of the 8th and for returning the list of Italian Bankers which I sent you recently.

It was kind of you to take the trouble to go over it and the information given on those whom you know will be useful.

Yours sincerely,

2793

Subject: Provincial & Communal Budgets.

AMGOT/2036/F/ ACC/10111/4 274

AMGOT H.Q. SICILY.

29 Sep. 43.

To: S.C.A.Os.
F.Os.
R.Os.

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The normal period at which the Provincial and Communal Budgets (Bilancio di Previsione) are prepared is September or October of each year. These budgets are drawn up in the Commune by the Sindaco and his advisors, and in the Province by the Prefect and the Giunta. Commune budgets become the subject of discussion and adjustment by the Provincial Prefetto.

It is most urgent that you request each C.A.O. in your Province to instruct Communes to prepare their Bilancios at once, in the customary fashion. Similar instructions should be given to Provincial officials, for the Provincial Bilancio.

When these budgets are submitted for approval to the Prefetto, they should be accompanied with brief comment by the C.A.O., but preparation of the budget should be the responsibility of the Italian officials. At the Provincial level the F.O. and R.O. will examine and approve with advice of the Prefetto.

Prompt execution of this instruction is most important in order to institute effective control of funds being advanced throughout the occupied territory, and will also forcibly draw the attention of Italian officials to the need for enforcing the tax laws.

R. B. MENAPACE.
Lieut-Colonel.,
Deputy Chief Finance Officer.

2799

Declassified E.O. 12356 Section 3.3/NND No. 785015

ACE/1011/4

WAR
NR 168
file 030553Z

AFSC N 593/03
031210A
elb.

ROUTINE.

FORM: CCS AGWAR

TO: EISENHOWER FOR FHMGS RPT USFOR INFO BRITISH CHIEFS OF STAFF

REF NO THIS MSG: 9195, 03 Oct 43.

CITE CCAC

TAM 26

Refer NAF 428

Gold, foreign currencies, foreign securities, and valuable papers disclosed as held in safty deposit boxes or vaults are to remain impounded under the custody of the AMFA. Pending such time when instructions regarding the disposition of these assets is determined upon under further instructions from CCS. Under no circumstances should AMFA transfer these funds to Italian authorities or otherwise take action which will result in the transfer of all or any part of these assets from its custody. The owners claim against the impounded assets will continue to be evidenced by the accredited receipt granted by AMFA to him.

NAF 418 MC OUT 8038 25/9/43 MGS

ACTION: MGS

INFORMATION: SGS DPIC FINANCE AG RECORDS.

MC IN 1710 3 Oct 43 1726A Ref No. 9195 js/P.

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( COPY )

AFHQ MESSAGE FORM

Acc. 10114 220

FROM : FREEDOM

TO : TROOPERS

CLASSIFICATION SECRET.

DATE : OCTOBER 1 1530 A

HAMLYN FEARS OUR PARAPHRASE HIS REQUEST TO COBBOLD UNINTELLIGIBLE X PAREN TO TROOPERS FOR F FIVE SIGNED EISENHOWER CITE FHMGS REFERENCE SEVEN ONE ONE OF TWO EIGHT SEPTEMBER PAREN X SHOULD READ QUOTE HAMLYN REQUESTS THAT COBBOLD OF BANK OF ENGLAND SEND HIM BY FAST COURIER BIOGRAPHICAL MATERIAL RE LEADING OFFICIALS BANK OF ITALY INCLUDING COMMENTS RE ABILITY CMA INTEGRITY AND OTHER FACTORS THAT WILL BE HELPFUL IN NEGOTIATIONS X IF POSSIBLE ADD COMPARABLE INFORMATION ABOUT ANY OUTSTANDING FIGURES IN ITALIAN FINANCE OR BANKING UNQOTE.

Distribution : MGS
AG RECORDS
SGS

Precedence - Routine

Originating section - Military Government Section.

Name typed - Major T.N. Jackman
Tel No. - 498

2790

ALLIED MILITARY GOVERNMENT.

SUBJECT: A.M. Lire. | File No. AMGOT/2062/F 2/A

TO: Lt.-Col. J.E. Vivian Smith.
MGS (Finance)
AFHQ.

AMGOT H.Q., SICILY

2 Oct. 1943.

AC/1011/4

Dear Col. Smith,

I am sending this letter by Lt.-Col. Claiborne who is flying today to Algiers and who will discuss fully with you the position of AMFA and the means of carrying out the requests in in your recent cables for the supply of cash to the French and Sardinia. A copy of our cable, this morning is attached. I hope that the arrangements made thus far will meet with your approval.

Your letter of 27th Sept. MGS100 came in late yesterday. A draft reply to AGWAR Cable 8579 for Brigadier Hamlyn is being prepared and will be sent for Brigadier Hamlyn's consideration.

Col. Grafftey-Smith is still away on a visit to Region 2. He is expected back about 5th or 6th October.

(Sgd. R.B.MENAPACE).

R.B. MENAPACE.
Lieut-Colonel,
Deputy Chief Finance Officer.

2789

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**ENCLOSURES TO AMGOT/2082/F DATED 2 Oct. 1943.**

(From Lieut-Col. R.B. Menapace to Lieut-Col. J.E. Vivian Smith)

1. Copy of cable (unnumbered) dated 2 Oct 43 from AMGOT FILPOT to A.F.H.Q. re provision of AM Lire 208,000,000 by Lieut Rush and arrival of Lieut-Col. Clairborne.

2. Copy of letter AMGOT/2082/F dated 1 Oct 43 from Lieut-Col. R.B. Menapace to Brigadier R.A. Hamlyn re various.

3. Copy of letter 2081/F dated 1 Oct 43 from Lieut-Col. R.B. Menapace to Lieut-Col. B. Bernstein re letter dated 24th Sept. on various.

21C

Report by C.F.I. - September, 1943. AMGOT/2081/F.

Chief Finance Officer.

30 Sep. 3.

**BANKING.**

1. General Order No. 6 was published Sept 1st reopening the Banks on a restricted withdrawal basis and excluding the Bank of Italy except for Royal Treasury operations. The opening dates of the Banks were as follows :-

(a) Palermo Province - 6th Sept.
(b) All other Banks in Sicily - 15th Sept.

2. The results of the opening were as follows:

(a) The first few days, withdrawals generally exceeded new deposits with some exceptions but such excess withdrawals were not substantial in amounts over new deposits.

(b) Subsequently, the situation evened off and new deposits equalled or exceeded withdrawals.

(c) Later and up-to-date, the situation seems quite stabilised with new deposits generally exceeding withdrawals or at least equalling withdrawals.

(d) For example, as of 18/9/43, the Palermo banks received new deposits of L. 25,186,000 and paid out L.17,834,000. This has generally continued down to-date.

3. The Banks of Messina Province were delayed in opening due to conditions of an adverse nature locally and the failure of instructions to reach that point. The S.A.P.O. and A.M.F.A. officer visited Messina and straightened out the situation and the banks reopened promptly following the visit.

4. The A.M.F.A. report will doubtless set forth the credit commitments to Banks and the aggregate amount actually used thereunder. Some banks have used very little A.M.F.A. money and some have later built up credit balances. The entire amount committed has not been required.

5. "Banca Agricola Popolare di Ragusa" did not reopen on the General Order date by instructions from C.F.I. This was due to reported strong Fascist influences and adverse banking practices. Two investigators were sent there and following an examination of the affairs of the Bank, filed a report with C.F.I. Allowing full value to Government Bonds of which the Bank held a large percentage, and full value to credit balances with other banks, this bank was in reasonably good condition. Correction in the banks, this bank was in reasonably good condition. Correction in the Management was indicated and also replacements on the Board of Directors.

(a) The first few days, withdrawals generally exceeded new deposits with some exceptions but such excess withdrawals were not substantial in amounts over new deposits.

(b) Subsequently, the situation evened off and new deposits equalled or exceeded withdrawals.

(c) Later and up-to-date, the situation seems quite stabilised with new deposits generally exceeding withdrawals or at least equalling withdrawals.

(d) For example, as of 18/9/43, the Palermo banks received new deposits of L. 25,188,000 and paid out L.17,334,000. This has generally continued down to-date.

3. The Banks of Messina Province were delayed in opening due to conditions of an adverse nature locally and the failure of instructions to reach that point. The S.A.B.O. and A.M.F.A. officer visited Messina and straightened out the situation and the banks reopened promptly following the visit.

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5. "Banca Agricola Popolare di Ragusa" did not reopen on the General Order date by instructions from C.F.I. This was due to reported strong Fascist influences and adverse banking practices. Two investigators were sent there and following an examination of the affairs of the Bank, filed a report with C.F.I. Allowing full value to Government Bonds of which the Bank held a large percentage, and full value to credit balances with other banks, this bank was in reasonably good condition. Correction in the Management was indicated and also replacements on the Board of Directors. This was agreed to as a condition precedent to A.M.F.A. credit of L.20,000,000 and the Bank reopened. The first few days, the Bank paid out only L.700,000 and received under new deposits L.50,000. There were no queues, runs or the like of that and the reopening went off quite normal. The new manager was supplied by the Bank of Sicily.

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6. The advances by A.M.F.A. to the Banks were restricted to "withdrawals of deposits". A need arose from the Banks for funds to reloan to customers for processing perishable and seasonal products such as Grapes, fish, grain, salt, sulphur, etc. A new Loan Agreement was worked out with A.M.F.A. providing such funds to Banks but requiring prior approval of the C.F.I. to the loans made by the Banks thereunder. A number of such loans have been approved by the C.F.I.

7. The "Blocked Account Section" expanded their supervision of all blocked accounts and set up a licensing program which has been put into effect. Records on all blocked accounts are centralized in this Section. Special licenses are issued under special circumstances. The program is working satisfactorily although we plan to contact the field soon for uniformity and education on the program. Distribution was made throughout the Island on Instructions as to this program.

8. "Banca Nazionale del Lavoro" was reopened on the scheduled date under General Order No. 6. and since been operating satisfactorily. New deposits have exceeded withdrawals. An investigator is now there checking operations since reopening and also checking certain reported transactions which took place prior to closing. A report will be duly filed.

9. The employees of Palermo Banks and Catania Banks petitioned for increased pay due to higher living scale and other increased costs. The answer was "that this was a matter of internal operations and rested entirely with the Bank Managers".

10. Non-payment of "Assegni Circolari", "Vaglie Cambiari", also became a troublesome problem. Speculation in such paper was indicated and an element of unfairness to the public holding such paper in good faith. The question was considered carefully and it was decided to authorize payment of this paper by the issuing banks upon lifting the restrictions upon banking in Sicily. The outside liability for the Island was estimated at L.300,000,000.

11. Travel on the Railroad to suburban towns was restricted by 7th Army officials. This placed a large number of bank employees in a position of being unable to get to and from their work. The matter was adjusted by requisitioning 200 passes from the number allotted to S.C.A.O. of Palermo ~~Messina~~ Province and by getting some employees to return to Palermo to live. The results to-date seem satisfactory. Some 250 employees involved.

12. Safe Deposit Boxes and articles in Safe Custody have been released only in the presence of an AMGOT Officer. Generally, a future date has been agreed upon with the Banks for such officer to be present. This has been working out satisfactorily. Some foreign currencies, securities and gold coin have been retained but no large amounts.

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13. Numerous technical enquiries have come in from the field officers and all have been uniformly answered. It is the opinion o fthe C.F.I. that uniformity of procedure now exists throughout the Island.

14. The Bank of Italy has conformed to the restrictions imposed upon it and there have been some questions raised in connection therewith, all of which have been uniformly answered. The Manager of the Palermo bank protested by letter the restrictions imposed but we had made our decision on good grounds.

15. In order to have an accessible supply of metropolitan lire, there was transferred from the Caltanissetta Branch L.20,000,000 to Palermo Branch, Bank

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15. In order to have an accessible supply of metropolitan lire, there was transferred from the Caltanissetta Branch L.20,000,000 to Palermo Branch, Bank of Italy. This lire is not being released without prior approval of the C.F.I. in order to conserve the currency for emergency military needs.

16. The Bank of Sicily has functioned very satisfactorily as Agent for A.M.F.A. and the cooperation has been all that could be asked. It has assumed its responsibility with respect to the general banking situation in Sicily with credit to itself and AMGOT.

17. The S.A.R.O. has operated in a highly satisfactory manner with office in the Bank of Sicily. He has kept in close contact with the Banks and followed their operations carefully from reports and visits.

18. The Banking situation appeared sufficiently stabilized to consider lifting all restrictions and a meeting was held with the Palermo bankers to consider doing so. They signed a joint statement (in our H.Q. file) stating that in their opinion such restrictions imposed upon the Banks under General Order No. 6 could be rescinded and banking in Sicily restored to normal without additional commitments from A.M.F.A. creditwise. They seemed all to agree that to do so would strengthen the banking situation generally in Sicily. They also proposed payment of "Assegni" and "Vaglie" either restricted or unrestricted.

19. The matter was considered carefully and the decision reached to lift all banking restrictions by proposed General Order No. 10 effective 6th October, excepting certain restrictions applicable to the Bank of Italy. This program includes payment of "Assegni", "Vaglia", etc., unrestricted and issuance of such paper of this nature under such limitations, if any, the C.F.I. may subsequently impose from a supervisory standpoint.

6th
(Date not
(certain
(yet.
(proposed
(Order still
(awaiting
(Signature
(of Gen.
(Rennell.

20. The following documents have been prepared :

(a) General Order No. 10.

(1) Lifting all Banking restrictions.

(2) Excepting Bank of Italy which transactions in which it may engage are defined therein.

(3) Initial opening of Safe Deposit Boxes and Articles of Safe Custody to take place only in presence of AMGOT Officer.

(4) Authorizing Bank of Italy to pay its "Vaglia". (The amount is estimated not to exceed the cash on hand of all Branches in the Island).

(b) Instructions of C.F.I. to all Banks based on General Order No. 10 and an interpretation of it to the Banks.

(c) Letter of A.M.F.A. to Banks amending the original credit agreement to permit use of A.M.F.A. remittances to the Banks for all normal banking transactions including loans to customers.

(d) Letter of A.M.F.A. and C.F.I. jointly cautioning Banks to be careful in extending credit and not to encourage speculation by excess use of credit by customers.

21. The early reaction to the planned unrestricted operation of the Banks has been very favourable and all P.Cs. almost without exception have made recommendations to that effect as well as many Bankers who have come to Palermo.

27

22. On or about 6th October, two representatives of this office will start on a tour of the Island to effect uniformity in the "blocking" and "licensing" program where it may not exist and to check the "results" of the unrestricted operations of the Banks under General Order No. 10. Their reports will be filed in due time. At a later date, the C.F.I. or the F.A.C.O. will visit Provincial capitals to confer with Bank Managers on any existing problems.

23. It might also be added that a gang of crooks planned a forging operation on Bank of Sicily "Assegni" with paper stolen which was to be properly printed, numbered and forged. They attempted to work through one of the banks messengers in obtaining required numbers and signatures.

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(d) Letter of A.M.F.A. and F.F.I. jointly cautioning Banks to be careful in extending credit and not to encourage speculation by excess use of credit by customers.

21. The early reaction to the planned unrestricted operation of the Banks has been very favourable and all P.Os. almost without exception have made recommendations to that effect as well as many Bankers who have come to Palermo.

27

22. On or about 5th October, two representatives of this office will start on a tour of the Island to effect uniformity in the "blocking" and "licensing" program where it may not exist and to check the "results" of the unrestricted operations of the Banks under General Order No. 10. Their reports will be filed in due time. At a later date, the F.F.I. or the F.F.O. will visit Provincial capitals to confer with Bank Managers on any existing problems.

23. It might also be added that a gang of crooks planned a forging operation on Bank of Sicily "assegni" with paper stolen which was to be properly printed, numbered and forged. They attempted to work through one of the banks messengers in obtaining required numbers and signatures. A trap was set-up and sprung 25th September in a little cafe near AMGOT Headquarters, and the gang was placed under arrest.

24. A comprehensive report of the Banking situation in Sicily was forwarded to Lt-Col. Bernstein at his request embracing all procedure followed and the late results.

25. Meetings have been held with the S.A.S.O. and bankers from Palermo and elsewhere. Contacts have been maintained with A.M.F.A. for close cooperation and exchange of information. The F.F.I. has reported each day at the morning meetings of the C.P.O.

POSTAL SAVINGS.

1. Only Palermo Province has reported on aggregate postal savings liability and the report is on file.

2. Repeated requests have gone out to P.Os. at Provincial capitals for this information but it has not as yet been made available. This is highly disappointing and presents a problem with respect to re-establishing postal savings facilities on the Island. To a large extent it hooks up with the enlargement of postal activities on the Island which are now restricted with many offices not functioning.

3. The C.F.I. has designated Major Osman as Acting Postal Savings Officer and a report with recommendation is being prepared with the help of Major Head.

4. It may be recommended that Postal Savings activities be initiated in Palermo Province first on a restricted withdrawal basis similar to the Banks and later extended to all Provinces of the Island as the required data is made available by the F.O. of each Province. When they learn of Palermo Province resuming the activity, they too may wish the same for their Provinces and will get the necessary information. The pressure will be on them to do so.

5. It is the opinion of the C.F.I. that Postal Savings should be resumed as soon as possible but will require advances from A.M.F.A. to do so. This is about the only remaining unsolved problem of the C.F.I. of a major and important nature from standpoint of public welfare and restoring the financial economy of the Island to near normal or to the pre-occupation status.

PRIVATE INSURANCE.

1. Major Osman and Captain Frampton prepared an analysis and report of the situation with respect to Private Insurance on the Island. There are only Agencies and no main offices.

2. The conclusion of this analysis was that nothing could be safely done now to reinstate private insurance activities in Sicily but that it should await control of the main offices in Italy. There are no reserves and assets here of any consequence to meet possible claims. It would mean setting up an entirely new insurance operation exclusively for Sicily with A.M.F.A. funds to meet claims in the large part. No true estimate can be made of premiums which would be paid and collected in Sicily.

3. The matter of continued payment of premiums by policy-holders was left optional. In view of the Moratorium, some later adjustment is indicated for those policy-holders not able to pay because of blocked funds in Banks or because of other conditions not of their own making.

4. Major Osman will file additional report to F.F.O. on this subject.

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SOCIAL INSURANCE.

(see report of Major Osman.)

DOCUMENTS, INSTRUCTIONS ETC.

1. Reprints have been made of most revised instructions for distribution to the field including condensed bank balance sheet.

2. The documents becoming a part of the new "Bible" were proof-read and corrections made where indicated.

3. General Licenses were printed with respect to blocked accounts and

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2. The documents becoming a part of the new "Bible" were proof-read and corrections made where indicated.

3. General Licenses were printed with respect to blocked accounts and distributed to the field. Special Licenses are typed and signed as the circumstances arise and the facts justify.

4. S.A.B.C. prepared and distributed certain bank operational instructions.

**REGION 2.**

1. The C.F.O. requested the C.F.I. to make a trip to Region 2 to determine the banking situation and money needs.

2. Transportation was unavailable beyond Messina and no assurance of transportation on other side for making a survey of the Banks as the request indicated. Exclusive use of a "Jeep" from this Headquarters was not authorized. Request still pending.

3. Lieut-Colonel Gunston returned from Region 2, Sept 29th, and reported that in some areas the Banks were open and operating unrestricted. Major McFadzean has recommended the Banks not open in any of the Provinces be reopened unrestricted including Bank of Italy, and that with the funds on hand in the Banks, not over L.800,000,000 will be required from A.M.F.A. The C.F.I. feels that such conclusions may be correct and favours normal banking operations on the Mainland wherever and whenever possible. In certain Provinces, AMGOT apparently has no present jurisdiction.

4. The C.F.I. is prepared to make the trip to Mainland whenever transportation is available for making complete survey and return to duties here without undue loss of time in order to follow closely the results of the lifting of the Moratorium completely on the Banks in Sicily.

J.E. KNIGHT.
Major.
Controller of Financial Institutions.

278

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2 Oct 43

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RESTRICTED EQUALS BRITISH CONFIDENTIAL
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INCOMING MESSAGE

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ROUTINE

Acc/1011/4

FROM AGWAR SIGNED CCS

TO ACTION NAEB INFO USFOR BY COURIER

REF NO THIS MESSAGE 9136 02 October 43

COS 1305, Treasury 97.

Foreign offices AMERICAN banks. Refer COS 1186.

Necessary that request of other banks receive equal consideration to that given proposal of representatives of CHASE National Bank.

As requested COS 1136, please give us your opinions in this matter. Indications other AMERICAN Banks interested in setting up offices in FRANCE, ITALY, and FRENCH AFRICA.

Attention invited to 7748 from AGWAR MC IN 9214 16/9/43 SGS

ACTION : NAEB

| | | |
|---|---|---|
| INFO : | SGS | MIL GOV SEC |
| | CIV AFFAIRS | FINANCE |
| | G-1 | CAO |
| | DTC | AG RECORDS |
| | G-2 | xx |
| | | SUMMARY |

MC IN 831 2 Oct 43 0714A No. 9136 nb/R

RESTRICTED EQUALS BRITISH CONFIDENTIAL. COPY NO. 2783

AFHQ MESSAGE CENTER
OUTGOING MESSAGE
ROUTINE

19A

TO FOR ACTION: AGWAR

REF NO. W 912

FOR INFO: USFOR

BOC 1344

Acc/10114

REF NO: 9230

SIGNED : EISENHOWER, CITE: FHAEB, FESGS

Reurad 7748, COB 1186, dated 15 Sep 1943,

Approve mission of Messrs REESE and LARKIN to North Africa to investigate possibilities establishment of branch banks for Chase National Bank in Algiers.

No American or British commercial concerns have been given permission to operate in Sicily or Italy and it is not proposed at present to review this question.

ORIGINATOR: NAEB

AUTHENTIFICATION: A.B. ROYCE
DIR. WAR ECON. OPER

INFORMATION: SGS
DTC
G-1
G-2
MIL GOVT
CIV AFFAIRS
FINANCE
CAO
SUMMARY
AG RECORDS

COORDINATED WITH : SGS

MC OUT 3015 25 Sep 43 1117B Ref No. W 912/9230 rc/LCS

Declassified E.O. 12356 Section 3.3/NND No. 785015

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NR 469
filed 241722Z

AFSC N 885/24
242000B
elb

DEFERRED

Acc/ 10114

FROM: AGWAR FROM CCS

TO : EISENHOWER FOR FIMGS REPEATED USFOR INFORMATION BRITISH CHIEFS OF STAFF

REF NO THIS MSG: 8542, 24 Sep 43.

CITE CCAC TAM 15

Directive has been altered as suggested in your MAT 50 and new permits use of bank of NAPLES and/or bank of ITALY according to circumstances.

MAT 50 REF NO. W 865/7447 IS MC OUT 6735 20/9/43 (M G S )

ACTION: MIL GOV SEC

INFORMATION: SGS
DPIC
FINANCE
AG RECORDS

MC IN 14624 25 SEPT 43 0359B REF NO: 8542 jdp P

278

O Action 4
171K

FROM: [illegible]

TO: [illegible] AFHQ

REFERENCE NO. [illegible] 72, Oct. 2, 194[illegible]

[illegible] telegram of Sept 30 and Oct. 1, BADOGLIO currency proclamation was received. Had very satisfactory meeting today with local bankers. [illegible] store of currency and estimate immediate requirements for this and all other purposes lira 200,000,000 required before Oct 10. In absence of supreme ITALIAN Commissioner to whom and against whose receipt shall money be paid?

ACTION: MIL GOV SECT.

INFO: [illegible]
[illegible]
FINANCE
[illegible]

MC IN 188[illegible] 2 Oct 43 1227A Ref. No. 72

2789

16A

WAR

AFSC M210/3
030337B

filed 022232Z

Action/4

ROUTINE.

FROM: AGWAR, FROM KILLDRING, SIGNED MARSHALL

TO: EISENHOWER FO FHMGS.

REFERENCE: NO. THIS MESSAGE: 6727 2 September 43

Military Governor is given broard powers and responsibilities in directive for operations HUSKY regarding relations with Bank SICILY or other local banks, see Section 2 Monetary and Fiscal Guides, Paragraph 8

Decision regarding delivery of unopened boxes of AM Lire currency to (?) Bank of SICILY can properly be made by Military Government, but we agree to proceedure recommended in your W 8603 provided no action is taken which would impair AMFA accountability.

W 8603 is MC OUT 11761 29/8/43 (MIL GOVT SEC)

ACTION: MGS

INFORMATION: SGS
FINANCE
DPIC
AG RECORDS

2779

MC IN 1346 3SEP 43 0625B Ref. No. 6727 htv/P

151A

Subject : Provincial & Communal Budgets.

AMGOT/2056/F.

AMGOT HQ SICILY. Acc/ion/4

29 Sep. 43.

To : S.C.A.Os.
F.Os.
R.Os.

---

The normal period at which the Provincial and Communal Budgets (Bilancio di Provisione) are prepared is September or October of each year. These budgets are drawn up in the Commune by the Sindaco and his advisors, and in the Province by the Prefect and the Giunt. Commune budgets become the subject of discussion and adjustment by the Provincial Prefetto.

It is most urgent that you request each C.A.O. in your Province to instruct Communes to prepare their Bilancios at once, in the customary fashion. Similar instructions should be given to Provincial officials, for the Provincial Bilancio.

When these budgets are submitted for approval to the Prefetto, they should be accompanied with brief comment by the C.A.O., but preparation of the budget should be the responsibility of the Italian officials. At the Provincial level the F.O. and R.O. will examine and approve with advice of the Prefetto.

Prompt execution of this instruction is most important in order to institute effective control of funds being advanced throughout the occupied territory, and will also forcibly draw the attention of Italian officials to the need for enforcing the tax laws.

R. B. MENAPACE.
Lieut. Colonel.,
Deputy Chief Finance Officer.

Subject :- Reopening Small Banks and Agricultural Financial Institutions. 14A

AMGOT/2048/F.

AMGOT HQ SICILY.

2 Oct 43.

To : All Provincial Finance Officers
through S.C.A.O.__________ Province.

1. It has come to the attention of this office that many small banking instiutions have failed to reopen for one reason or another principally for lack of funds to meet deposit withdrawals.

2. It is the intent and purpose of AMGOT that all banking institutions, large and small resume their functions under General Order No. 6., and any subsequent General Orders or Administrative Instructions issued incidental thereto. None should cease to operate and go into liquidation unless necessary.

3. The smaller institutions should first seek credit for these requirements from normal or preoccupation sources.

4. If such normal or preoccupation sources of credit are closed to them for any reason, it should be reported to C.F.I. with the facts of the case and estimated credit needs.

5. A.M.F.A. is prepared to meet the credit needs of such small institutions if the conditions warrant such advances and the balance sheet and management is such as to justify the advances.

6. Each Finance Officer should undertake to see that these small financial or Banking Institutions receive consideration for reopening at once or as soon as funds can be made available and recommendation should be made to that effect based on the facts of each case.

J.R. KNIGHT,
Major, A.U.S.
Controller of Financial Institutions.

AG 011/6

Lig Bizan

13A

INFORMATION MEMORANDUM - FINANCE.

AMGOT H.Q. SICILY.

22 August, 43.

Assegni Circolari.
Vaglia Cambiari.
Fede di credito.
Polizzine di Credito.

It is believed a description of the above documents would be useful. A full discussion with one of the bank managers in Palermo has brought out the following information.

Assegni Circolari may be issued by any bank, (e.g. Banca Commerciale Italiana, Credito Italiano, Banco di Roma, etc.) which is authorized to do so by the Italian Government. A deposit of cash or government bonds (about 40% of face value of assegni outstanding) must be kept with the government as a guarantee fund. The Head Office makes the deposit and also pays a tax on outstanding checks.
These instruments are in substance "circular checks", and a sample shown me bears the following language:

---

....................(Place of issue)     Date ..................

....................(Name of Branch which issues check)   No.............

The Banca Commerciale Italiana

will pay at sight for this Assegno Circolare

Lire ..................(Amount)

to ....................(payee)     ............................
............................
Signature of bank officials of
issuing Office of bank.

---

The Assegno may be made payable to bearer (rarely happens) or to a named payee and is negotiable. It can be made non-negotiable by the drawer by inserting "non-negotiable" on the face, or by an endorser by inserting these words after his endorsement. Assegni may be "crossed" i.e., made collectable only through a bank by credit to the holder's account. There is a legal prescription of three years, i.e. they may be held invalid after three years from date of issue.

2776

Assegni are issued by the various bank offices against deposit of the face value in cash, or debit to the customer's account. They may be cashed anywhere. The issuing office advises its Head Office (for example the Banca Commerciale Italiana, Milan) of the details of issuance of the check. Central

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....................(Place of issue) Date ................

....................(Name of Branch which issues check) No.............

The Banca Commerciale Italiana

will pay at sight for this Assegna Circolare

Lire ....................(Amount)

to ......................(payee) ..............................

..............................
Signature of Bank officials of
issuing Office of bank.

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Assegni are issued by the various bank offices against deposit of the face value in cash, or debit to the customer's account. They may be cashed anywhere. The issuing office advises its Head Office (for example the Banca Commerciale Italiana, Milan) of the details of issuance of the check. Central records for all assegni are kept at Head Office, both of issuance and payment (referred to as "estinzione" - extinction) from daily reports sent to Head Office by each branch. Assegni are issued for face cash value with no commission charge.

In consequence of the above, only the Head Office of the banks would have records of all Assegni outstanding.

The chief reason for the use of assegni circolari, our informant said, is the public's need for carrying or sending funds from one place to another.

I asked him whether assegni circolari had ever been issued as emergency money. He said that between Nov. 1942 and Jan. 1943, due to the lack of supply of new lira notes, his bank received permission from the Government to issue assegni circolari as emergency money. As the bank (the B.C.I. Palermo) could not legally make itself payee on the assegni, it used the names of officers of the bank as payees on assegni issued. All these emergency assegni issued by his bank have been retired, our informant said.

865

Vaglia Cambiari - are issued only by Banca d'Italia, Banco di Sicilia and Banco di Napoli. (For the two last mentioned this privilege was intended as compensation for taking away their note issue powers).

Head Office or any branch may issue Vaglia Cambiari, which are payable in turn at any of the bank's offices.

A vaglia shown me bears the following language:

---

........................Place of issue. Date ....................

IL BANCO DI SICILIA. No....................

on presentation of this vaglia cambiario will pay

Lire ....................(amount)

to.......................(payee)

Signatures:

The Director. The Cashier.

---

The Vaglia is negotiable. The issuing Office issues the Vaglia for account of Head Office, and advises Head Office daily of each vaglia issued. The Register of vaglia outstanding is at Head Office only. The paying office also advises Head Office daily of vaglia paid. The customer pays cash, or by debit to his account, for the face value, without commission. Head Office pays a tax to the Government on the amount outstanding, but makes no guarantee deposit.

Prescription period is 3 years, though in practice the banks honor vaglia outstanding for longer periods.

My informant stated that in effect the vaglia is like an assegno circolare. It is only a question of names. Vaglia cambiari are issued by Banca d'Italia, Banco di Napoli, and Banco di Sicilia; assegni circolari by the other banks which have obtained Government authority.

Fede di Credito - are issued only by Banco di Sicilia and Banco di Napoli. In this instance also, the privilege is in compensation for loss of note issue powers.

My informant did not have a specimen copy but he said the instrument is about as large as a common sheet of business letter paper; that it is a simple promise to pay on demand to a payee or order. Endorsements take on many interesting aspects due to the long term circulation of this kind of paper -- the period of prescription (called "statute of limitations" in U.S.A.) is 30 years. People have great faith in these instruments as representing cash and they like them because of the long term aspect. An endorser may insert all sorts of references to outside contracts, transactions, etc.

Signatures:

The Director. The Cashier.

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My informant stated that in effect the vaglia is like an assegno circolare. It is only a question of names. Vaglia cambiari are issued by Banca d'Italia, Banco di Napoli, and Banco di Sicilia; assegni circolari by the other banks which have obtained Government authority.

Fede di Credito - are issued only by Banco di Sicilia and Banco di Napoli. In this instance also, the privilege is in compensation for loss of note issue powers.

My informant did not have a specimen copy but he said the instrument is about as large as a common sheet of business letter paper; that it is a simple promise to pay on demand to a payee or order. Endorsements take on many interesting aspects due to the long term circulation of this kind of paper -- the period of prescription (called "statute of limitations" in U.S.A.) is 30 years. People have great faith in these instruments as representing cash and they like them because of the long term aspect. An endorser may insert all sorts of references to outside contracts, transactions, etc., relating to the transfer of the instrument to other persons. These do not affect negotiability and the well-known rules as to negotiability apply. Inheritances, gifts, distributions of funds, transfers of funds from place to place and many other operations are effected by means of the fede di credito.

The Head Offices of the issuing banks keep central registers of all fede di credito issued. The fede is issued only against payment by the customer of face value in cash, or debit to his account.

Polizzine di Credito. - are issued by Banco di Sicilia and differ from Fede di Credito only in the fact that they are issued only for small amounts.

R.B. MENAPACE.
Lieut-Colonel.,
Deputy Chief Finance Officer.

COPY

Subject :- "Headless Bodies" - Sicily. AMGOT/2027/F.

AMGOT H.Q. Sicily.

To :- Chief Finance Officer.

Reference page 49, and conversation with you, I understand that AMFA is only concerned with conferring powers on "headless" entities to enable them to make contracts with AMFA. As, in International Law, we obtain control of all State funds and State Railways, any moneys required to be placed in the State Treasury or State Railways is an occupational expense. I do not think it would be proper to contract with an Enemy State through an Agent of that State given power by ourselves to make the contract. It appears therefore, that only bodies such as Banks, Financial Institutions and Social Service Undertakings with Head Offices outside the Territory are concerned in Col. Gunston's problem.

2. "Headless Bodies" are, in effect, private property of persons outside the Occupied Territory. The "persons" in the case of corporate bodies, are situate at the head offices of those bodies. Care ought to be exercised that the rules of International Law regarding the safeguarding of private property are not disregarded. In my opinion, to confer powers generally on third parties to deal with the assets of a headless body, other than as a measure of protecting such assets, would not be justifiable, even although such third parties were responsible employees of the body concerned. On the other hand, it is a recognized rule of International Law that a military occupant may force both public and private organizations to engage in such business as is necessary for the public welfare of the territory and the maintenance of order, provided the forced business is not designed to enrich the occupant improperly at the expense of the territory. (Feilchenfeld, p 108) The absence of the head office of an undertaking from the Occupied Territory does not affect this power as regards branches of the undertaking.

3. The business which is is desired that branches of Banks, Financial Institutions, Social Service undertakings and the like shall undertake, is to accept loans from AMFA to enable those branches to carry on business vital to the public welfare of the territory. Such loans could properly be forced on the branches in accordance with the principles of International Law set out above. It follows that if loans can be forced on branches of undertakings in the above circumstances, the same branches can be empowered to accept loans.

4. Arrangements to carry into effect this policy can be made by the C.F.O. issuing directions to Branch managers authorising them to apply for and accept loans from AMFA. Form of authority is attached hereto (see Form "A"). The Branch Managers should then make applications for loans in the Form of Application also attached hereto (See Form "B"). It will be noted that this Application contains a provisional pledge of the Bank assets which is in no way objectionable to the provisions of International Law referred to in para. 2 above as to dealing with the assets of the undertaking concerned.

(Sgd) [illegible] ROWE,

Declassified E.O. 12356 Section 3.3/NND No. 785015

Occupied territory. The "persons" in the case of corporate bodies, are situate at the head offices of those bodies. Care ought to be exercised that the rules of International Law regarding the safeguarding of private property are not disregarded. In my opinion, to confer powers generally on third parties to deal with the assets of a headless body, other than as a measure of protecting such assets, would not be justifiable, even although such third parties were responsible employees of the body concerned. On the other hand, it is a recognized rule of International Law that a military occupant may force both public and private organisations to engage in such business as is necessary for the public welfare of the territory and the maintenance of order, provided the forced business is not designed to enrich the occupant improperly at the expense of the territory. (Feilchenfeld, p 10?) The absence of the head office of an undertaking from the Occupied Territory does not affect this power as regards branches of the undertaking.

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(Sgd) [illegible] ROSS,
Lt. Col.
D.C.L.O.

I concur in the above opinion.

(Sgd) W.C. Chanler, Lt. Col.,
C.L.O.

15 Sept 43.

C.F.O.

Ref conversation with you and Lt. Col. Dunston yesterday afternoon, I confirm advice that I see no objection to your relying on administrative action at a later date to regularise position over advances, and that the Form "A" and "B" need only be used if a Manager insists he cannot act without authority conferred on him by A.M.G.

(sgd) R.E.B.
16/9.

2275

ALLIED MILITARY GOVERNMENT OF OCCUPIED
TERRITORY

Form "A"

To the Manager of the Bank of.......................

.................. Branch.

You are hereby authorized by the Allied Military Governement of Sicily to apply for and accept loans from the Allied Military Financial Agency to your Bank for the purpose of carrying on its business and to pledge all or any of the assets of the said Bank as security for such loans.

This authority is given you by the Allied Military Government in pursuance of its powers as the Government of the Occupied Territory and in the absence of your being in a position to obtain other authority or funds from the Head Office of your Bank.

Dated this day of 1943.

Colonel,
Chief Finance Officer.

pledge all or any of the assets of the said Bank as security for such loans.

This authority is given you by the Allied Military Government in pursuance of its powers as the Government of the Occupied Territory and in the absence of your being in a position to obtain other authority or funds from the Head Office of your Bank.

Dated this day of 1943.

Colonel,
Chief Finance Officer.

2771

COPY

Form "B" ..........................Branch

..........................Bank.

To: The Allied Military Financial Agency.

Whereas the Head Office of......................... Bank is situate at.................................... outside the occupied territory;

And whereas the Branch of the said Bank at.......................... has insufficient funds for the purpose of carrying on its business in the Occupied Territory;

And whereas it is not possible to obtain such funds from any source other than yourselves by reason of the occupation of the Territory;

And whereas, in the absence of communications between the said Branch and the Head Office of the said Bank, the Allied Military Government of Sicily has authorized me to apply for and accept loans from you to the said Bank for the purpose of carrying on the business of the Bank;

Now, therfore, I, the undersigned, in pursuance of the said authority acting for and on behalf of the................ Bank hereby request you to advance..................... Lire (Lit.......................... ) to the...................... Branch of the said Bank for the purpose of carrying on the business of the Bank.

And, in further pursuance of the said authority conferred on me by the Allied Military Government and in so far as I may have power so to do, I hereby pledge to you all the assets of the said Bank and undertake that the said loan shall be repaid........................................................................

..............................................................................................

2773

And whereas it is not possible to obtain such funds from any source other than yourselves by reason of the occupation of the Territory;

And whereas, in the absence of communications between the said Branch and the Head Office of the said Bank, the Allied Military Government of Sicily has authorised me to apply for and accept loans from you to the said Bank for the purpose of carrying on the business of the Bank.

Now, therfore, I, the undersigned, in pursuance of the said authority acting for and on behalf of the.............. Bank hereby request you to advance..................... Lire (Lit........................ ) to the.................... Branch of the said Bank for the purpose of carrying on the business of the Bank.

And, in further pursuance of the said authority conferred on me by the Allied Military Government and in so far as I may have power so to do, I hereby pledge to you all the assets of the said Bank and undertake that the said loan shall be repaid...................................................................

1...................................................................................

2773

...................................................................................

Dated this day of 1943.

..........................

(see under (manager-

1 Add any special terms as to interest, time for repayment or otherwise.

Receipt from the Allied Military Financial Agency of the sum of...............

Lire (Lit............... ) is hereby acknowledged upon the terms set out above

Dated this day of 1943.

...................... Manager.

Declassified E.O. 12356 Section 3.3/NND No. 785015

SEVS/frt

AIR COURIER.

ALLIED FORCE HEADQUARTERS

Military Government Section

ACC/10111/34

23 September 1943.

SUBJECT: Gold, Foreign Exchange, etc.

TO : C.F.O.
AMG HQ, Palermo.

In accordance with your suggestion in your file number 2002/F, request has been forwarded to Combined Chiefs of Staff for a directive on the subject mentioned in your letter.

Lt. Colonel,
M.G.S., AFHQ
(Finance)

Copy to Col. Bernstein.

2772

Declassified E.O. 12356 Section 3.3/NND No. 785015

10H

SEPTEMBER 261005B

ACC/10111/4

FROM: FREEDOM

TO: AGWAR & USFOR

(REF No.) W/815/5288

(CLASSIFICATION) SECRET

SINCE ACCESS UNDER SUPERVISION ALLOWED TO SAFETY DEPOSIT BOXES SEVERAL HOLDINGS OF GOLD AND FOREIGN CURRENCIES REVEALED X PAREN TO AGWAR FOR COMBINED CHIEFS OF STAFF REPEATED USFOR FOR BRITISH CHIEFS OF STAFF SIGNED EISENHOWER CITE FHGCS NAF 418 PAREN X AMPLIFICATION OF ORIGINAL DIRECTIVE PAREN TERMS OF WHICH HAVE BEEN COMPLIED WITH IN SO FAR AS THEY GO PAREN REQUESTED AS TO DISPOSAL THESE HOLDINGS X QUESTION WILL BECOME URGENT IF AMFA TRANSFERRED ITS ACTIVITIES TO RECOGNIZED ITALIAN GOVERNMENT.

Originating Section: Military Government Section.

Distribution: SGS
MGS
AG RECORDS
DPIC
FINANCE.

2771

ACC/1011/24
9A

ALLIED FORCE HEADQUARTERS

Military Government Section /31

25 September 1943

MEMORANDUM:

SUBJECT: Blocking Program

CFO
AMG
H.Q. PALERMO

Reference your AMGOT/2043/F of 13 Sep 43, draft cable submitted has been sent forward.

Lt. Col.
M.G.S. (Finance)
AFHQ

Declassified E.O. 12356 Section 3.3/NND No. 785015

FROM: FREEDON SEPTEMBER 25 1120B

TO: (FOR ACTION) AGWAR

ACC/1011/4

TO: (FOR INFORMATION) USFOR

REF. NO.: W926/9309 SECRET

ON FOUR SEPTEMBERCMA NEW BLOCKING INSTRUCTIONS WERE ISSUED TO ALL BANKS IN
SICILY DESIGNED TO PREVENT ANY BANKING TRANSACTION HARMFUL TO ALLIED X
PAREN TO AGWAR ACTION COMBINED CHIEFS OF STAFF REPEATED USFOR INFORMATION
BRITISH CHIEFS OF STAFF SIGNED EISENHOWER CITE FHMGS REFERENCE PARAGRAPH
TWO OF OURTHREE THREE EIGHT FOUR MAT TWO FIVE OF ONE ONE SEPTEMBER
MAT 33 PAREN X ORIGINAL BLOCKING INSTRUCTIONS CONTAINED IN PARAGRAPH
THREE GAI NUMBER ONE THREE WERE EFFECTIVE IMMEDIATELY UPON OCCUPATION X
NEW INSTRUCTIONS DIVIDED INTO TWO PARTS X PART ONE DEALING WITH BLOCKED
ACCOUNTS AND SUBSTANTIALLY SIMILAR TO ORIGINAL BLOCKING INSTRUCTIONS X PART
TWO DEALING WITH ACCOUNTS OF ORGANISATIONS FINANCED OR CONTROLLED BY
NATIONAL GOVERNMENT X ALL PAYMENTS CMA TRANSFERS CMA WITHDRAWALS AND OTHER
TRANSACTIONS IN SUCH ACCOUNTS PROHIBITED SUBJECT PRIOR AUTHORIZATION OF CFI
X CONTROL BROAD BUT FLEXIBLE X THROUGH MEDIUM OF GENERAL LICENSES INTENDED
TO LIFT CONTROL IN REGARD TO CERTAIN ORGANIZATIONS X GENERAL LICENSE NUMBER
ONE ISSUED SEVEN SEPTEMBER FREEING OFFICIAL GOVERNMENTAL ACCOUNTS OF
STATE CMA PROVINCE AND COMMUNES SEMICLN ESATTORI SIMICLN SOCIAL INSURANCE
AND SOCIAL WELFARE ORGANIZATIONS SIMICLN CONSORZII AGRARII PROVINCIALI
SEMICLN PUBLIC UTILITIES AND PRIVATE ENTERPRISES NOT AFFECTED WITH A
PUBLIC INTEREST X GENERAL LICENSE NUMBER TWO AUTHORIZING PAYMENTS OR TRANSFER
OF CREDIT INTO BLOCKED ACCOUNTS AND WITHDRAWALS FOR PAYMENT OF IMPOSTS
CMA TAXES AND SOCIAL INSURANCE BEING ISSUED TODAY X PROGRAM STILL IN
EXPERIMENTAL PHASE BUT APPEARS WORKABLE X UNDUE ADMINISTRATION DIFFICULTY
NOT ANTICIPATED X ALL INFORMED BEING COORDINATED WITH OTHER SECTIONS OF
AMGOT AND VALUABLE ECONOMIC INTELLIGENCE MATERIAL FOR USE IN ITALY WILL
BE COLLECTED X ALL BANK ACCOUNTS WITHDRAWALS AND OTHER TRANSACTIONS
SUBJECT TO PROVISIONS OF GENERAL ORDER NUMBER SIX

( ITALIAN LETTER TO BANK MANAGERS )

GOVERNO MILITARE ALLEATO DEL TERRITORIO OCCUPATO

AL DIRETTORE DATA..............

........................

..................

N. I°) La Vostra attenzione e' chiamata al Proclama N. 5 Art. I stilato come segue:

ARTICOLO I

Chiusura di Istituti Finanziari

" Ogni societa', istituzione, ditta o persona nel territorio occupato che si interessa di affari finanziari, di ricevere o pagare depositi, di fare prestiti, di compra vendita di titoli, di cambio di valute, di cambi esteri, di servizio di custodia, con o senza cassette di sicurezza, o di qualsiasi altra operazione di indole finanziaria, e' con il presente proclama ordinata di sospendere ogni operazione ed e' ordinata di chiudere le porte dello stabile. La riapertura dello stabile ed il riinizio delle operazioni finanziarie saranno fatti a termini e condizioni e sotto restrizioni che L'Ufficiale Capo degli Affari Civili, o un altro Ufficiale che ha ricevuto tale potere dal predetto Capo, possa prescrivere per ordine.

Tali ordini possono essere di applicazione generale o specifica e saranno annunziati pubblicamente o a mezzo di comunicazione diretta a ciascuna ditta, istituto, societa' o persona interessata."

2°) Su approvazione del locale Rappresentante del Governo Militare Alleato, le istituzioni bancarie sono autorizzate a compiere le seguenti operazioni:

a) Accettare pagamenti di somme dovute alla Vostra banca.

b) Consentire prelevamenti in contanti per pagamento di imposte, tasse e contributi sociali assicurativi, come disposto dall'Ordine Generale N. 2, Art. III;

c) Consentire prelevamenti in contanti, quando autoriz-

Chiusura di Istituti Finanziari

" Ogni societa', istituzione, ditta o persona nel territorio occupato che si interessa di affari finanziari, di ricevere o pagare depositi, di fare prestiti, di compra vendita di titoli, di cambio di valute, di cambi esteri, di servizio di custodia, con o senza cassette di sicurezza, o di qualsiasi altra operazione di indole finanziaria, e' con il presente proclama ordinata di sospendere ogni operazione ed e' ordinata di chiudere le porte dello stabile. La riapertura dello stabile ed il riinizio delle operazioni finanziarie saranno fatti a termini e condizioni e sotto restrizioni che L'Ufficiale Capo degli Affari Civili, o un altro Ufficiale che ha ricevuto tale potere dal predetto Capo, possa prescrivere per ordine.

Tali ordini possono essere di applicazione generale o specifica e saranno annunziati pubblicamente o a mezzo di comunicazione diretta a ciascuna ditta, istituto, societa' o persona interessata."

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b) Consentire prelevamenti in contanti per pagamento di imposte, tasse e contributi sociali assicurativi, come disposto dall'Ordine Generale N. 2, Art. III;

c) Consentire prelevamenti in contanti, quando autorizzati dal locale Rappresentante del Governo Militare Alleato, dai seguenti conti:

I) Conti ufficiali governativi dello Stato, Provinca e Comuni;

II) Assicurazioni sociali e Istituzioni di beneficenza e benessere sociale;

III) Consorzi

IV) Esattori.

2758

d) Ricevere conti e trattare anche nuovi affari, non soggetti ad alcuna restrizione di versamenti o di prelevamenti, con le persone e Istituzioni di cui alla precedente sottosezione.

Voi non potete compiere alcuna operazione bancaria all'infuori di quelle elencate sopra. Nessun oggetto da Voi tenuto in custodia, puo' essere consegnato ad alcuno. Nessuno potra' avere accesso alle cassette di sicurezza.

3°

quei

3°) Dovete compilare elenchi dei nomi e dei saldi relativi di tutti quei conti che figurano sui vostri libri e che sono compresi nelle seguenti categorie; Conti intestati a:

I) Governo Italiano o Governi a questo Alleati, o loro Rappresentanti o Agenzie;
II) Istituti Governativi Italiani;
III) Organizzazioni Politiche fasciste, comprese quelle dipendenti da, o appartenenti al Partito fascista;
IV) Persone aventi alte cariche nell'Amministrazione Governativa Italiana o nelle Organizzazioni politiche fasciste;
V) Persone domiciliate nel territorio occupato dall'Asse o dai suoi alleati ovunque nel mondo;
VI) Persone i cui nomi figurano nell'elenco accluso o negli elenchi che potranno essere eventualmente a Voi consegnati di tempo in tempo.

Accanto ad ogni nome figurante su tali elenchi dovete indicare se o no il cliente abbia presso di Voi oggetti in custodia o cassette di sicurezza.

Tali elenchi, che dovranno essere compilati al piu' presto possibile, saranno da Voi conservati in attesa di ulteriori istruzioni.

Le schede di tali conti devono essere contrassegnate in maniera ben visibile con l'indicazione che i conti stessi sono stati bloccati, eccetto i conti sbloccati secondo il precedente paragrafo 2 c).

precedente

4°) Al piu' presto possibile dovrete compilare un bilancio della Vostra Banca secondo gli schemi allegati, in duplice copia, alla data dell'occupazione e a quelle altre date indicate in detti schemi.

Tali documenti saranno conservati da Voi in attesa di ulteriori istruzioni.

5°) Voi siete personalmente responsabili per la buona conservazione di tutti gli archivi, registri, schede, etc. della Vostra Banca.

2767

MGS ALG V MGS TIZ
25 SEPTEMBER 19[illegible]3
MESSAGE NO 6 - REPEAT

TO J A C S FOR ATENTION BRIG HAMLYN

SUBJECT REF ACC/1011/4 OF 24 SEPTEMBER

43 THE GUMMED SEALS SHOULD BE OBTAINED THROUGH COL PARKINS SUPPLY
20 OFFICER. IN THIS CONNECTION REFERENCE IS MADE REMARKS BY COLONEL
84 BUTTERWORTH AT MEETING NO 5 HELD 24 SEPTEMBER. MAJOR T B JACKMAN

Declassified E.O. 12356 Section 3.3/NND No. 785015

MGS ALG V MGS TIZ
25 SEPTEMBER 1943
MESSAGE NO 6 - REPEAT

TO J A C S FOR ATENTION BRIG HAMLYN 2767

SUBJECT REF ACC/1011/4 OF 24 SEPTEMBER

28443 THE GUMMED SEALS SHOULD BE OBTAINED THROUGH COL PARKINS SUPPLY
1420 OFFICER. IN THIS CONNECTION REFERENCE IS MADE REMARKS BY COLONEL
584 BUTTERWORTH AT MEETING NO 3 HELD 24 SEPTEMBER.

MAJOR T B JACKMAN

Declassified E.O. 12356 Section 3.3/NND No. 785015

MGS ALG V MGS TIZ
25 SEPTEMBER 1943
MESAGE NO 6

1808
25/9/43
573

ACC 5A
1011/4

TO J A C S FOR ATTENTION BRIG HAMLYN

SUBJECT REF ACC/1011/4 OF 24 SEPTEMBER

THE GUMMED SEALS SHOULD BE OBTAINED THROUGH COL PARKINS SUPPLY
UEBITERVOGTH XXIHECUONNECTOON HEEDRENCBEPTSEMBER.REMARKS BY COLONEL

MAJOR T B JACKMAN

ALLIED MILITARY GOVERNMENT
Seal'd
by

EXHIBIT 1

.............................
Civil Affairs Officer.

It is forbidden to break or tamper with this seal under penalty of fine and imprisonment.

È proibito di rompere o manomettere questo sigillo a pena di multa o reclusione.

EXHIBIT 2

S I Z E

TO:- M. .S., A.F.H.Q.

4

FROM:- Brigadier R. A. Hamlyn, Chief, Financial Division, Armistice C. C.

SUBJECT:- Supply of Gummed A.M.G. Seals

REFERENCE:- A.C.C./1011/4 file copy

DATE:- 24th September, 1943.

---

At the suggestion of the Chief Financial Officer for Region 4, it is requested that you have prepared a supply of 6,000 gummed seals in the form of Exhibit 1 attached, and of the size of Exhibit 2 attached. These seals would be used in the Regions by Civil Affairs Officers to secure vaults, safe deposit boxes etc. until appropriate examinations can be made by the Military Government or until instructions are issued which will enable private persons to have access to their vaults, safe deposit boxes, etc.

BRIGADIER R. A. HAMLYN,
Chief, Financial Division, Armistice C. C.

BD/rha.

0 See 1011/4
3A

**BY FAST AIR**

Subject: **Blocking Program**

AMGOT/2043/F.

AMGOT H.Q. SICILY

15 Sep 43

Military Government Section,
A.F.H.Q.

With further reference to para 2 of your 5384 of 11 Sep, I suggest the following:-

"On 4 September, new blocking instructions were issued to all banks in Sicily designed to prevent any banking transaction harmful to Allies. Ref para 2 on 5384 of 11 September. Original blocking instructions contained in para 3 G.A.I. No. 13 were effective immediately upon occupation. New instructions divided into two parts. Part One dealing with blocked accounts and substantially similar to original blocking instructions. Part Two dealing with accounts of organisations financed or controlled by national government. All payments, transfers, withdrawals and other transactions in such accounts prohibited subject prior authorization of C.F.I. Control broad but flexible. Through medium of general licenses intended to lift control in regard to certain organisations. General License No. 1 issued 7 September freeing official governments accounts of State, Province and Communes; Esattori; Social Insurance and Social Welfare Organizations; Consorzii Agrarii Provinciali; Public Utilities and private enterprises not affected with a public interest. General License No. 2 authorizing payments or transfers of credit into blocked accounts and withdrawals for payment of imposts, taxes and social insurance has also been issued today. Program still in experimental phase but appears workable. Undue administration difficulty not anticipated. All information being coordinated with other Sections of AMGOT and valuable economic intelligence material for use in Italy will be collected. All bank account withdrawals and other transactions subject to provisions of General Order No. 5"

I am enclosing a copy for Lieut-Colonel Bernstein.

(Signed) A. P. GRAFFTEY-SMITH,
Colonel,
Chief Finance Officer.

2755

AOC. 1011/4
2A

HEADQUARTERS SEVENTH ARMY
Office of the Finance Officer
APO 758, U. S. Army

12 September, 1943.

Major General The Lord Rennell of Rodd.

Sir:

Now that the Banks of Sicily have been or are in process of opening for business with the general public, it appears proper that I, as Finance Officer, Seventh US Army, should convey to you, and thru your kind indulgence, to the following officers serving under you my personal appreciation for their wholehearted co-operation and the many courtesies extended this office:

Colonel Grafftey-Smith
Lt. Col. Gunston
Lt. Col. Mayer
Lt. Col. Claiborne
Lt. Col. Bernstein
Major Knight

During the period leading up to the opening of banks, these officers experienced many difficulties, despite which they were at all times extremely courteous and considerate. It is my hope that the Finance Office, Seventh Army and its subordinate disbursing offices were able in some slight measure to lighten their load thru its currency exchange service and in placing a very considerable amount of Allied Military Currency into circulation.

Respectfully,

/s/ J. R. TILLMAN
/t/ J. R. TILLMAN
Colonel, F. D.
Finance Officer

2757

**TO:-** Colonel E. W. Foley, Finance Division, Armistice C. C.

**FROM:-** Lieut.-Col. C. A. Miller, Controller of Financial Institutions, Financial Division, Armistice C. C.

**SUBJECT:-** Study of Social Insurance Systems - Italy

**REFERENCE:-** A.C.C./1011/4

**DATE:-** 23rd September, 1943.

---

In considering the responsibilities with which we will be charged in connection with the supervision of the manifold Italian Social Insurance systems, two phases, among several, will require prompt attention. They are two studies to determine:

1. The actuarial soundness of the several types of insurance funds.

2. The management of the funds, with particular regard to:-

   (a) Efficient management set-up,

   (b) Graft, if any.

Those of us who have had experience in the operation of financial institutions can decide broadly what type of investigations should be made and the general way in which they should be conducted. However, any study of actuarial soundness and, to a lesser degree, of management set-up, to be truly effective, should be made by men of experience in the field.

I know of no individuals either here now or on the way from the States who could qualify for these two jobs. Under the circumstances, would it not be well to consider asking the Office of the Chief of Staff, Washington, or the War Office, London, to commission and send over as promptly as possible, two officers, one a life insurance actuary, and the second a Home Office Life Insurance Agency Manager.

LIEUT.-COL. C. A. MILLER,
Controller of Financial Institutions,
Finance Division, Armistice C. C.

CAM/rhe.

276

1 4 5 4