

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

ACC

10000/100/320

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

10000/100/320

FINANCE, AMFA
SEPT., OCT. 1943

27 pp

TO : D.C.F.O., AMG, Sicily.
FROM : Chief Financial Officer, A.C.
SUBJECT : Treatment by AMFA of Metropolitan lire brought into Italy
by British Forces.
REFERENCE : AC/1011/5.
DATE : 24 October, 43.

1. Reference is made to letter of 13 October, 43, from D.C.F.O., AMG, Sicily, which referred to various cables outlining the question of the Metropolitan lire brought into Italy and Sicily by the British Forces.

2. Pending further clarification of ^{instructions} ~~instructions~~ contained in message 66525 (F 5) of 6 Sept from Troopers to A.F.H.Q., this entire matter is to be left in suspense.

s/ltt

R.A. Hamlyn,
Brigadier.

2762

FROM : C.P.O., A.C. *file*
TO : M.G.S. (Finance). *21A*
REFERENCE : AC/1011/5.
SUBJECT : Proposed reply to AGWAR (for CCS) 351 of 19 Oct.
DATE : 25th October, 1943.

The following reply is proposed to message 351, 19th October, from AGWAR, for CCS. :-

FROM : AFHQ. for NGS.
TO : AGWAR for CCS.

Ref your 351 of 19 October 43.

Transfer of Financial Sub-Commission of Allied Commission to Palermo with representative in Brindisi in contact with Italian Government now in process. Consequently urge early decision on status of AMFA as per our proposal in NAF 434 of 2 October 43. Matter was discussed with U.S. Treasury Officials while they were here. The question raised in the last paragraph of No. 351 are being considered and you will be advised later.

/tlt

R.A. Hamlyn

R.A. Hamlyn,
Brigadier.

for C.R. Lib

2215 hrs 22 October 20A

From: Lt. Cdr. Southard

To: Brigadier Hamlyn

Subject: Preparation of a movement record of AM live shipments entering this Theater.

1. I have personally spent two hours searching every item in the files relating to the movement of AM live into AMFA depositories in Palermo, Algiers, and Oran. On the basis of this search, I am of the opinion that it is impossible to prepare an accurate record of such movement except by reference to the note register maintained in Palermo.

2. We do have information as to a considerable part of the total movement of AM live into our vaults and of course we have accurate figures as to total amounts received as of this date. But we lack information as to the sea shipment of 727 boxes which arrived at Oran and was broken up, part being sent on to Palermo. We also lack information as to certain amounts which we believe to have been taken in at Algiers.

3. Such information as does exist has been properly tabulated by Major Chappelle and Bullozy, and is in the file. Some of this tabulation is, however, frankly based on approximations.

4. I recommend strongly that further work on this tabulation be delayed until the Palermo records are available, except for continuation of the current record.

(Sgd) V. A. Southard.

Yes I agree that the Current Records are to my mind important.

(Sgd) R. A. Hamlyn.

2. We do have information as to a considerable part of the total movement of AM lire into our vaults and of course we have accurate figures as to total amounts received as of this date. But we lack information as to the sea shipment of 727 boxes which arrived at Oran and was broken up, part being sent on to Palermo. We also lack information as to certain amounts which we believe to have been taken in at Algiers.

3. Such information as does exist has been properly tabulated by Major Chappelle and Gulletty, and is in the file. Some of this tabulation is, however, frankly based on approximations.

4. I recommend strongly that further work on this tabulation be delayed until the Palermo records are available, except for continuation of the current record.

(Sgd) F. A. Southard.

Yes I agree that the Current Records are to my mind important.

(Sgd) R. A. Hamlyn.

2760

Received 23 Oct. 43.

ROUTINE

TO FOR ACTION: AMFA FOR THE COMBINED CHIEFS OF STAFF
USFOR FOR BRITISH CHIEFS OF STAFF

REF NO: W 9585

19A

RAF NO: 3251

SIGNED: EISENHOWER, CITE: PHAGS

RAF 397

Unless CCS has objections thereto, AMG proposes to handle the accounting matter along the following lines:

(1) Under the Chief Financial Officer there will be a Chief Accountant who will be separate from AMFA which will also be under the Chief Financial Officer. The Chief Accountant will furnish a senior accountant and staff to AMFA to keep AMFA's accounts. In preparing accounting procedure and handling accounts affecting receipts and expenditure of funds directly or indirectly coming to or from AMFA, the Chief Accountant will be guided by AMFA's wishes.

(2) The Chief Accountant will furnish AMFA with the details of the distribution of funds furnished globally or otherwise by AMFA to civil affairs officers. Chief Accountant will furnish AMFA with the originals of vouchers and other documents showing the detailed distribution of funds and the acknowledgement of receipt of such funds by Communes, Provinces, etc.

(3) The purpose of the foregoing will be to enable AMFA accounts and records to reflect the receipts and expenditures of funds which it pays out or receives and to have a proper record of who are the debtors for funds advanced by AMFA. This will enable AMFA at some future time to turn over to an Italian Government or other Italian agency a full record and account of AMFA, simultaneously with turning over to such agency the liabilities and assets of AMFA and the responsibility for dealing with AM lire.

(4) AMFA will take into its accounts the yellow seal currency, BMA Notes, or British or American coin brought in by the Armed Forces; the expenditures of such currencies will be accounted for by the Army Paymasters and the disbursing officers to their respective departments in LONDON and WASHINGTON. AMFA will however be furnished with statistical information as to the amounts of such currencies which are brought into the occupied area, and with monthly reports from such disbursing officers and paymasters of holdings of all currencies and their receipts and expenditures. AMFA's accounts will reflect the paying out of AM lire and AMOUNT stamps, and also the Italian lire brought into the area by the British Army. AMFA accounts will of course reflect any BMA or yellow seal currency which it receives in exchange for lire, or which is deposited with it in payment for goods sold to the civilian population.

(5) Records will be kept by the Civilian Supply section of AMG of all bulk supplies drawn locally from the armies or imported for the civilian population. Records will be kept in quantities without necessarily placing a monetary value

(2) The Chief Accountant will furnish AMFA with the details of the distribution of funds furnished globally or otherwise by AMFA to civil affairs officers. Chief Accountant will furnish AMFA with the originals of vouchers and other documents showing the detailed distribution of funds and the acknowledgment of receipt of such funds by Communes, Provinces, etc.

(3) The purpose of the foregoing will be to enable AMFA accounts and records to reflect the receipts and expenditures of funds which it pays out or receives and to have a proper record of who are the debtors for funds advanced by AMFA. This will enable AMFA at some future time to turn over to an Italian Government or other Italian agency a full record and account of AMFA, simultaneously with turning over to such agency the liabilities and assets of AMFA and the responsibility for dealing with AM lire.

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(5) Records will be kept by the Civilian Supply section of AMS of all bulk supplies drawn locally from the armies of imported for the civilian population. These records will be kept in quantities without necessarily placing a monetary value on them. The Chief Accountant will supervise the records to be kept. Records will also be kept of goods belonging to the civilian population which are exported under the control of the civilian supply division. We hope that you agree that procedure outlined this cable gives sufficient check on AMFA's Accounts so as to meet problem raised in your 5997 of 5th Sept.

ORIGINATOR: MIL GOVT SEC

AUTHENTICATION: MAJOR T.B. JARMAN

INFORMATION: SCS

DPIC

FINANCE

AG RECORDS

MC OUT 3424

11 Sept 43

15073

REF. NO. W 9886/3201

Jdp R

2759

18A A

TO : Lt. Col. S.R. Vivian Smith, MGS (Finance), A.F.H.Q.
FROM : Chief Financial Officer, A.C.
SUBJECT : Letter for transmission to A.M.F.A., dated 22 Oct. 43.
REFERENCE : AC/1011/5.
DATE : 22 October, 1943. B

1. Attached hereto is a letter addressed to A.M.G., Sicily, for AFPA, making a suggestion as to arrangement of schedules supporting the balance sheet. If you are in agreement, please forward it to Palermo.
2. A copy is enclosed for your file.

s/ltt
Incl. 2.

R.A. Hamlyn,
Brigadier.

2758

CONFIDENTIAL.

B

TO: A.M.G., Sicily, for AMFA.
FROM: Chief Financial Officer, A.C.
SUBJECT: Suggested rearrangement of Schedules supporting AMFA Balance Sheet.
REFERENCE: AC/1011/5.
DATE: 22nd October, 1943.

1. The AMFA balance sheet for 7 October, 1943, has attached a supporting schedule entitled "Statement of Bank Balances as at 7 October 43". This schedule shows the following in summary:

No. 1 a/c - - -	Lira	743,905,174.
No. 2 - 4 a/c - -	"	1,565,545,574.
		2,309,451,048.
Banco di Napoli		
No. 1 a/c, Taranto.		101,765,500.

2. The AMFA balance sheet as of 7th October, shows the following relevant bank items:

Current accounts, banks - -	845,365,174.
Balances with Banco di Sicilia as a provision against credits granted by AMFA.	- 1,565,545,574.

3. The items in paras 1 and 2 total, in each case, 2,411,211,048 lire. It therefore appears that the supporting schedule summarized in para 1 relates to the balance sheet items given in para 2. However, it is suggested that schedules supporting the balance sheet should be so arranged as to tie in unmistakably with the balance sheet items which they support. For example why not number the balance sheet items and the corresponding items on the schedules?

S/tlt.

W.A. Haulyn,
Brigadier.

2757

TO: AMG, Sicily, for AMFA.
FROM: Chief Financial Officer, A.C.

SUBJECT: Matters raised in AMFA letter of 14 October, 1943 to
MSG of AFHQ, and in message 2914 of 15 October, 1943
from AMG Region 3.

REFERENCE: AC/1011/5

DATE: 21 October 1943.

1. Matters raised in AMFA letter of 14 October.

Para. 1 - 4. A few boxes of the three air-shipments which included the 80 boxes mentioned in this letter have not yet arrived in Algiers, nor is the box list yet available. A full statement of the shipments and the box lists will be supplied to AMFA, Palermo, as soon as the final boxes arrive.

Para. 5. For the time being, the principal Note Register of AMFA should continue to be kept at Palermo. A note register will be kept in Algiers covering the notes received and stored there. In addition a record will be kept at Fizi Ousou of the movement of shipments from the time they enter this Theater until they are cleared into one or another AMFA note depository.

2. Matters raised in message 2914 of 15 October from AMG Reg.3.

This message was repeated to AMG HQ, Sicily and has presumably reached AMFA. Three points in it immediately concern AMFA:

(a) Region 3 reports that the Fifth Army Disbursing Officers have an adequate supply of Al lire for October, but will need 700 million lire in November, making allowance for 40 percent recoupment. Colonel Sims, U.S. Army Chief Finance Officer at AFHQ, is requesting his Chief Finance Officer with the Fifth Army to verify this figure, indicating what denominations are needed and when. On receipt of this information it will be possible to decide whether AMFA should supply the Fifth Army from Palermo or Algiers. If the bulk of the 700 million can be supplied in 500s and 1000s, Algiers can handle it.

(b) Region 3 also reports that British Paymasters require an additional 600 million in 30 days, which has been requested from the Command Paymaster in Taranto. In the absence of information to the contrary, it is assumed that this amount is included in Colonel Rooney's estimates, and consequently can be taken care of as proposed in my letter of 18th October, 1943, to AMFA.

(c) With reference to Region 3's reiteration of immediate need of

2.

Para. 5. For the time being, the principal Note Register of AMFA should continue to be kept at Palermo. A note register will be kept in Algiers covering the notes received and stored there. In addition a record will be kept at Fizi Ouzou of the movement of shipments from the time they enter this Theater until they are cleared into one or another AMFA note depository.

Matters raised in message 2014 of 15 October from AMO Reg. 3.

This message was repeated to AMO HQ, Sicily and has presumably reached AMFA. Three points in it immediately concern AMFA:

- (a) Region 3 reports that the Fifth Army Disbursing Officers have an adequate supply of AM lire for October, but will need 700 million lire in November, making allowance for 40 percent recoupment. Colonel Sims, U.S. Army Chief Finance Officer at AFHQ, is requesting his Chief Finance Officer with the Fifth Army to verify this figure, indicating what denominations are needed and when. On receipt of this information it will be possible to decide whether AMFA should supply the Fifth Army from Palermo or Algiers. If the bulk of the 700 million can be supplied in 500s and 1000s, Algiers can handle it.
- (b) Region 3 also reports that British Paymasters require an additional 600 million in 30 days, which has been requested from the Command Paymaster in Taranto. In the absence of information to the contrary, it is assumed that this amount is included in Colonel Rooney's estimates, and consequently can be taken care of as proposed in my letter of 18th October, 1943, to AMFA.
- (c) With reference to Region 3's reiteration of immediate need of 1,000 million lire for A.M.G. purposes, you will no doubt have considered the suggestion relating to this matter contained in my letter of 18th October, 1943.

S/tlt.

R.A. Hanlyn,
Brigadier.

COPI

BY AIR COURIER

Ref : AMFA /BA/4

Subject : Metropolitan Lire brought into
Italy by British Forces.

To : Military Government Section, A.F.H.Q.
for Brigadier Hawlyn.

1. You will have received statement of account dated 1 Oct from
D.P.I.C. (British) at A.F.H.Q. showing Metropolitan Lire transactions carried
out by him on behalf of AMDOT.

2. Last previous references in our files on this subject are
cable 66525 (F.5) of 6 Sept from Troopers to A.F.H.Q. and cable 3249 of (7)
11 Sept. 43 from A.F.H.Q. to Troopers for Speed, which suggests that Troopers take
up with Washington question of how Metropolitan Lire should be handled
between AMFA and British Army and have definite instructions come from GCS.

3. I assume that you will now take steps to obtain decision as to
what sum, if any, should appear in AMFA's Balance Sheet in respect of
Metropolitan Lire brought into Italy by British Forces.

4. Accordingly AMFA Sicily will take no further steps in this
matter unless instructed by you.

(signed) C.A. GUNSTON
Lt. Col.

for. Deputy Chief Financial Officer.

AMDOT HQ, Sicily.
13 th Oct 43.

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

COPY

Falerno 14 Oct 43

To : Military Government Section, A/T/Hqrs.

Subject : Weekly Balance Sheet - AMFA.

Herewith one copy of AMFA Balance Sheet as at
14 October 1943.

In view of Brigadier Hualyn's expected early arrival
here, we are retaining his copy.

(signed) C.A. GUNSTON
Lieut. Colonel
AMFA.

2751

SECRET 16C

Statement of Prospective Arrivals of AM Lire Notes.

<u>Denominations</u>	<u>Number of Boxes</u>	<u>Value in Lire</u>
L. 50, 100, 500. and 1,000	?	About a further L. 1½ - 2 milliards <u>may</u> arrive by air in next few days. (Depends on whether AFHQ have decided to forward it to Palermo or retain it in Africa).
L. 1/ L. 500	2,000	2,389,752,000 By Water due at PALERMO on (?) 16 Oct.

(signed) ????

Capt.
A.M.F.A.

15 October 43.

2753

FUNDS HELD BY AMBOT OFFICERS IN THE FIELDANALYSIS AT 14 OCT. 43.

16 D

1,136,728,723

Region 1.Region 2.

13a/52 Benson	400,000	
13a/37 McFadden	53,952,000	
13a/57 "	100,160,000	
13a/58 Anderson	1,600,000	
13b/30 Bank of Italy per Mayer	100,544,000	
13b/31 " " " " "	100,544,000	
13b/32 " " " " "	100,544,000	
13b/33 " " " " "	100,544,000	558,288,000

Region 3.

13/a48 Neilson	92,800,000	
13/a46 GFO for T. Barrett	600,000	93,400,000

Region 4.

13/b17 Claiborne		6,912,000
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HQ Algiers

13/a38 Smith	48,000,000	
13/b10 Smith	36,800,000	
	84,800,000	
Less: To British Army	29,950,000	54,850,000

French Forces

13b/16 Claiborne		4,160,000
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Total Other Regions -

717,610,000

Grand Total per led. a/c -

1,854,338,723

AMFA IN ACCOUNT WITH BANK OF SICILYSTATEMENT OF BANK BALANCES
as at 14 Oct 43.
-----No. 1 Account

Palermo	99,458,633
Agrigento	42,282,000
Caltagirone	60,942,000
Caltanissetta	130,032,000
Catania	81,508,478
Enna	16,392,000
Ragusa	21,537,000
Trapani	17,612,000
Messina	60,540,000
Siracusa	89,672,000
Marsala	5,000,000

624,778,109No. 2 Account.

Palermo	158,000,000
Agrigento	59,889,942
Caltagirone	29,538,850
Caltanissetta	17,025,583
Catania	88,454,298
Enna	37,487,242
Ragusa	28,641,857
Trapani	80,000,000
Messina	90,000,000
Siracusa	40,000,000

629,037,770

No. 3 Account

Palermo	254,425,000
Agrigento	22,790,000
Caltagirone	5,650,000
Caltanissetta	42,140,000
Catania	141,300,000
Enna	6,000,000
Ragusa	61,115,000
Trapani	156,260,000
Messina	45,980,000
Siracusa	51,000,000

785,660,000

No. 4 Account.

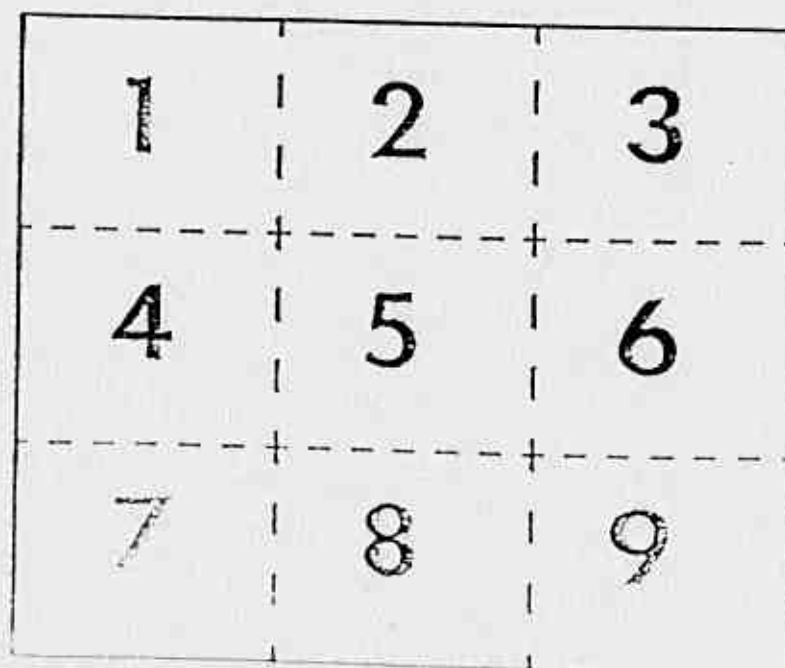
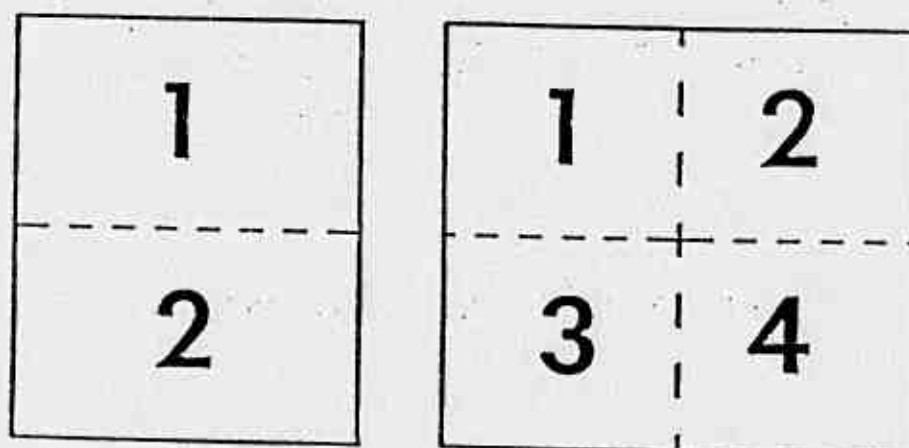
Palermo	48,400,000
Caltagirone	19,900,000
Caltanissetta	12,300,000
Catania	104,800,000
Messina	5,800,000
Trapani	10,300,000

201,500,0001,616,197,770.

2751

MAPS AND CHARTS TOO LARGE TO FILM
ON ONE EXPOSURE ARE FILMED CLOCKWISE
BEGINNING IN THE UPPER LEFT CORNER,
LEFT TO RIGHT, AND TOP TO BOTTOM.

SEE DIAGRAMS BELOW.



ALLIED MILITARY

FINANCIAL AGENCY.

(AM)

FA)

STATEMENT OF ASSETS AND LIABILITIES AS AT
(EXPRESSEDTHE CLOSE OF BUSINESS
IN LIRE)

ASSETS

CASH ON HAND AND IN BANK.

Current cash:

Lire	4,972,481
Lire (Mutilated or worn)	55,755
Dollars (yellow seal) \$ 31,627	3,162,700
B.M.A. Currency £ 9,405, 17. 8.	3,762,360
Other currencies Francs 2205	4,410

11,957,575

Reserve Cash 1, 255,125,000

Banco di Sicilia . Current Accounts

Lira 602,605,109

Dollars, (Yellow Seal) \$ 202,400) 20,240,000

B.M.A. Currency £ 4,827.10.0 1,931,000

624,776,106

1,892,861,785

FUNDS HELD BY AMGOT OFFICERS IN THE FIELD (pending
allocation to expenditure or other accounts)

No. 1 Region 1,136,723,723

Other Regions 717,610,000

1,854,333,723

BALANCES WITH BANCO DI SICILIA AS A PROVISION AGAINST
CREDITS GRANTED BY AMFA

1,616,197,770

A.M. STAMPS:

Reserve 32,000,000

Delivered to Post Offices 4,714,000

36,714,000

PAYMENTS FOR ACCOUNT OF AMGOT CIVILIAN SUPPLIES

DIVISION :

Purchases in Sicily of supplies for Export to:

United States of America 5,323,800

Great Britain

5,323,800

Purchases in Sicily of Supplies for Resale in

Sicily 24,444

5,348,244

ADVANCES (No date specified for repayment and no
interest rate fixed in advance):

To Italian State Treasury

To State Institutions 46,903,295

46,903,295

LOANS (Date of repayment or interest rates specified):

To Banks

ALLIED MILITARY

FINANCIAL AGENCY.

(AM)

FA)

ILITIES AS AT
(EXPRESSEDTHE CLOSE OF BUSINESS ON 14 October 1943.
IN LIRE)

LIABILITIES

NEW A.M. LIRE NOTES RECEIVED.		11,303,384,000
NEW A.M. STAMPS RECEIVED		86,714,000
DEPOSITS BY AMGOT DIVISIONS (pending allocation to revenue or other accounts)		
Civilian Supplies Division	643,215	
Others	510,490	1,153,705
DEPOSITS BY BANKS		201,500,000

1,892,881,735

1,854,338,723

1,616,197,720

86,714,000

5,348,244

46,903,295

NO. 1 REGION
Other Regions

BALANCES WITH BANCO di SICILIA AS A PROVISION AGAINST
CREDITS GRANTED BY AMFA

A.M. STAMPS:

Reserve 32,000,000
Delivered to Post Offices 4,714,000

PAYMENTS FOR ACCOUNT OF AMGOT CIVILIAN SUPPLIES

DIVISION :

Purchases in Sicily of supplies for Export to:
United States of America 5,323,800
Great Britain 5,323,800

Purchases in Sicily of Supplies for Resale in
Sicily 24,444

ADVANCES (No date specified for repayment and no
interest rate fixed in advance):

To Italian State Treasury 46,903,295
To State Institutions 46,903,295

LOANS (Date of repayment or interest rates specified):

To Banks 322,062,230
To Others 322,062,230
5,824,428,047

PAYMENTS ON ACCOUNT OF OCCUPATION COSTS :

Allied Military Missions 208,000,000
To United States Army 3,726,016,000
To United States Navy 56,266,000
To British Army 1,776,830,000

AMGOT Expenditure, less Revenue:

AMFA 96,151 .
Other Divisions 1,117,504

1,813,658

5,768,325,858

11,592,751,708

(signed ? ?) Lt. Col.
CHIEF ACCOUNTANT.

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

54,338,725

16,197,700

86,714,000

5,348,244

46,903,295

322,062,230

824,426,047

768,325,658

692,751,706

Line 11,592,781,706

(signed) C.A. SUNSTON, Lt. Col.
ALFA

785015

Received 20th October 43.

AFSC N 369/19
190555A
mah

WAR
NR 107
190239Z

ROUTINE.

FROM : AGWAR SIGNED CCS
TO : EISENHOWER FOR FMGS REPTD USFOR INFO BRITISH CHIEFS OF STAFF
REF NO THIS MESSAGE : 351, 19 October 43.

Plans for AMFA. TAM 56(CITE CCAC) Following is in reply to NAF 434 and also refers to NAF 397. We agree that there should be only 1 AMFA RPT AMFA with such branches as situation may require and that there should be full coordination of policies regarding the distribution of currency, making of loans, advances, and similar functions. We also agree that the Headquarters of AMFA should eventually be situated wherever the Central Headquarters for ALLIED ADMINISTRATION in ITALY may be located.

As soon as more definite plans have been worked out for the allocation of the precise functions of ALLIED MILITARY GOVERNMENT and the ALLIED Commission and the taking over by the latter of the former's functions in certain areas, we will instruct on the status of AMFA under such arrangements to be effected. If no event should AMFA become an issuing agency for the ALLIED COMMISSION or its basic functions be otherwise altered without prior approval of CCS.

In the event the activities of AMFA are transferred to or supplanted by a recognized ITALIAN authority, all records and accounts of AMFA are to be turned over to appropriate authorities of the ALLIED GOVERNMENTS to be designated. These records and accounts are to provide a basis for subsequent discussions and negotiations between the designated representatives of the ALLIED GOVERNMENTS and a recognized ITALIAN GOVERNMENT as to fiscal matters. Arrangements will of course be made to provide the ITALIAN authorities with such information regarding the activities of AMFA as it is necessary for them to have in order to carry out effectively their GOVERNMENTAL functions.

Similarly in the event of the liquidation of AMFA all liabilities and assets of AMFA are to be held in the custody of an ALLIED liquidating officer to be designated until, when the time becomes appropriate, they are to be transferred to a recognized ITALIAN GOVERNMENT under terms and arrangements arrived at by agreement between representatives of the ALLIED GOVERNMENT and representatives of a recognized ITALIAN GOVERNMENT.

Prior clearance should be obtained through CCS as to any plan contemplating the transfer of any records, assets and liabilities of AMFA before discussions regarding this matter are undertaken with ITALIAN authorities.

In respect to exports from SICILY and ITALY to NORTH AFRICA or other ALLIED areas, we are giving consideration to your problems and suggestions and any additional information you have would be helpful. In the meantime, appropriate records should be kept of all such shipments in order that ultimate

As soon as more definite plans have been worked out for the allocation of the precise functions of ALLIED MILITARY GOVERNMENT and the ALLIED Commission and the taking over by the latter of the former's functions in certain areas, we will instruct on the status of AMFA under such arrangements to be effected. If no event should AMFA become an issuing agency for the ALLIED COMMISSION or its basic functions be otherwise altered without prior approval of CCS.

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Prior clearance should be obtained through CCS as to any plan contemplating the transfer of any records, assets and liabilities of AMFA before discussions regarding this matter are undertaken with ITALIAN authorities.

In respect to exports from SICILY and ITALY to NORTH AFRICA or other ALLIED areas, we are giving consideration to your problems and suggestions and any additional information you have would be helpful. In the meantime, appropriate records should be kept of all such shipments in order that ultimate financial responsibility may be determined at a later date. Until further advice you are authorized to continue to pay the local exporter in AM lire.

Following refers to NAF 418 and TAM 26. In conformity with the last 4 paragraphs hereof, all gold, foreign currencies, foreign securities and valuable papers found in safety deposit boxes, vaults or in safe custody of banks in custody of AMFA are to remain immobilized. The owners claim against the impounded assets will continue to be evidenced by the accredited receipt granted to him by AMFA. We would appreciate an estimate of the amounts of such assets impounded. Your views are also requested as to whether owners would risk penalties for having hoarded such assets if AMFA were to turn them over to recognized ITALIAN GOVERNMENT.

NAF 434 ref W 1556/2521 is MC OUT 614 2/10/43 MGS

NAF 397 ref W 9685/3251 is MC OUT 3484 11/9/43 MGS

NAF 418 ref W 915/9258 is MC OUT 8038 25/9/43 MGS

TAM 26 Ref 9195 is MC IN 1710 3/10/43 MGS

ACTION : MIL GOVT SEC

INFO : SGS DPIC

FINANCE AG RECORDS

MC IN 11263 19 Oct 43 1440A Ref No. 551 ppm/R.

2749

FROM: Brigadier R.A.Hamlyn, Chief, Financial Officer, A.C.
TO: Lt. Col. S.E.Vivian Smith, MOS, (Finance) 124A
SUBJECT: Letter for transmission to AMG, Sicily.
REFERENCE: AC/1011/5
DATE: 18 October 1943.

1. I attach a letter to AMG, Sicily, answering a number of queries from AMFA raised in their letters of 10 and 11 October which I should be pleased if you would forward if you are in agreement with it.
2. Copy of the letter is also enclosed for your files.

R. A. Hamlyn,
Brigadier.

14B

FROM: The Chief Financial Officer, A.C.

TO: AMB, Sicily, for DOPG.

SUBJECT: Matters concerned AMFA raised by letters of 10 October (to AFHQ, WGS) and 11 October (to DPG, AMB, Sicily).

REFERENCE: AC/1011/5

DATE: 10 October 1943.

i. As to points raised by letter of 10 October:

Para 4. It is noted that AMFA, Palermo, is arranging to supply 400 million lire to 4 Bank of Italy branches in Region 2 to permit reopening of banks in Provinces of Cosenza, Potenza, Matera and Foggia in Region 2 and to restart Treasury Service. Also that CFI of Region 2 is being supplied with 100 million lire. As to funds for Region 2, see comment below on Para 7 of letter of 11 October.

Para 5 & 6. Inasmuch as French Army is being supplied from Algiers, there is no need to earmark funds in AMFA, Palermo, for that purpose. AMFA Palermo has been advised as to the transfer to the French made last week.

Para 7. As to earmarking 1,300 million lire for British Army, see comment on Para 8 of letter of 11 October, below.

Para 8 and 10. As to the establishment of AMFA branches, Colonel Crawshaw is now enroute to Palermo and I suggest that you should discuss the various accounting problems which will arise out of this step with him. We are entirely in agreement that a branch office of AMFA is needed in Naples and should be opened as soon as possible with available staff selected at your discretion. I also agree that it will be necessary, at the earliest possible moment, to open further AMFA branches but our ability to do this will be largely restricted by lack of personnel. Whether or not a branch at Taranto for Region 2 is the next branch after Naples that should be opened is difficult to say. I think that, if sufficient personnel are available, it should be done, provided it is understood that the branch may have to be closed and moved to another place when necessity dictates.

Para 11. I am in entire agreement that AMFA needs additional enlisted personnel for branch expansion, and have made a number of efforts to obtain it. However I have been informed that the War Establishment for clerical staff, is likely to be further reduced/and the only alternative is to endeavor to obtain some really good General Duties men and have them suitably trained. I shall do what I can on this.

see comments below in para 7 of letter of 11 October.

Para 5 / 6. Inasmuch as French Army is being engulfed from Algeria, there is no need to earmark funds in AMFA. Further, for that purpose, AMFA Palermo has been advised as to the transfer to the French made last week.

Para 7. As to earmarking 1,300 million lire for British Army, see comment on para 5 of letter of 11 October, below.

Para 8 and 10. As to the establishment of AMFA branches, Colonel Crawshaw is now enroute to Palermo and I suggest that you should discuss the various accounting problems which will arise out of this step with him. We are entirely in agreement that a branch office of AMFA is needed in Naples and should be opened as soon as possible with available staff selected at your discretion. I also agree that it will be necessary, at the earliest possible moment, to open further AMFA branches but our ability to do this will be largely restricted by lack of personnel. Whether or not a branch at Taranto for Region 2 is the next branch after Naples that should be opened it is difficult to say. I think that, if sufficient personnel are available, it should be done, provided it is understood that the branch may have to be closed and moved to another place when necessity dictates.

Para 11. I am in entire agreement that AMFA needs additional enlisted personnel for branch expansion, and have made a number of efforts to obtain it. However I have been informed that the War Establishment for clerks, already extremely small, is likely to be further reduced ^{as to 2000s}. The only alternative is to endeavour to obtain some really good General Duties men and have them suitably trained. I shall do what I can on this.

As to points raised by letter of 11 October:

2.

Para 5. It does not appear that Rodney needs 1,300 million lire at this time. He has received 1,700 million and probably has on hand about 1,000 million. If he is given another 800 million before November 1 he will have about 2,400 million. We are informed by Lt. Col. Haden (Brigadier Bracken's assistant) that the British Army intends to go onto all lire on November 1, and will require 1,500 million at that time. If, then, during November another 1,000 million is given then they will, at the end of that month, have about 1,800 to 1,900 million to meet the December needs which may rise to 1,600 million. Consequently it does not, in view of the heavy demands on us, seem necessary to allocate more than an additional 800 million before November 1.

2747

- 2 -

Para 6. Cable No. 8792 of 26 September from AGMAM from CCH was forwarded for draft reply by letter from AGS (Finance) to CPO, AGMAM under date of 30 September. It was not replied to by us because certain information is not available here. It is paraphrased below and a draft reply is requested urgently:

Paraphrase, 8792, 26 September.

"No ALPA balance sheet has been received since 18 August; balance sheet for 31 August is requested and one should be forwarded monthly as promptly as possible."

"Using balance sheet of 18 August as reference, explain the nature of item 'Deposits and Civilian Supply Section'. Also indicate how total stamps received as well as proceeds from sale of stamps will be handled. In the AGS maintaining basis accounting records on items such as taxes and other local revenues, and the government operating expenses of the local and provincial governments, or are such records kept by normal local facilities under supervision (as to policy) of AGMAM?"

"Referring to Treasury Department letter (see memorandum from Civil Affairs Division dated 7 September to CFC AGMAM, attention General Helms entitled 'ALPA Accounting Procedure') and proposal contained in it that all accounting transactions be recorded in accounts and included in financial statements in terms of each currency involved, inform whether separate accounting is being maintained for all receipts and expenditures by currencies involved in the transaction, together with balance sheet segregation by currency. If this is not being done, what procedure is being used to account for transactions involving currencies other than AL lire?"

It is assumed, of course, that by this time balance sheet for 31 August has reached AGMAM. The remainder of the cable needs immediate attention.

Para 7. It is preferred that Region 3 be taken care of from Palermo. Our estimates allocate 1900 for banks in Region 2, but we suggest that ALPA Palermo dispatch an officer to Naples with that amount preferred to take such part of it available as conditions require. He could remain as the nucleus of an ALPA branch office for Region 3. So far as possible, of course, the denominations requested by Colonel Barrett should be sent.

and other local revenues, and the government operating expenses of the local and provincial governments, or are such records kept by normal local facilities under supervision (as to policy) of CIAOS?"

"Referring to Treasury Department letter (see memorandum from Civil Affairs Division dated 7 September to CIO APAC, attention General Polans entitled "ANPA Accounting Procedure") and proposal contained in it that all accounting transactions be recorded in accounts and included in financial statements in terms of each currency involved, inform whether separate accounting is being maintained for all receipts and expenditures by currencies involved in the transaction, together with balance sheet segregation by currency. If this is not being done, what procedure is being used to account for transactions involving currencies other than AM lire?"

It is assumed, of course, that by this time balance sheets for 31 August has reached ANWAR. The remainder of the cable needs immediate attention.

Para 7. It is preferred that Region 3 be taken care of from Palermo. Our estimates allocate 100 for banks in Region 2, but we suggest that ANPA Palermo dispatch an officer to Naples with that amount preferred to make such part of it available as conditions require. He could remain as the nucleus of an ANPA branch office for Region 3. So far as possible, of course, the denominations requested by Colonel Barrett should be sent.

R. A. Hamlyn,
Scriber.

2748

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

PRIORITY

TO : AGWAR FOR CARTER

REF NO : W 2020

SIGNED: EISENHOWER

CITE : FMOS

Reference your 8579 of 25 September.

Your para 1 yes on all points.

Your para 2 Chief Accountant of AMO independent of AMFA and CAOS, checks final disposition of funds by CAOS and AMFA. In doing so he verifies authority for all expenditures and correctness of supporting documents. There can of course be within AMO no independent audit of AMO expenditure.

ORIGINATOR : MIL GOVT SEC

AUTHENTICATION : T.B. JACKMAN
MAJOR

INFORMATION : DPIC
FINANCE
AS RECORDS

MO OUT 2355

8 Oct 45

1749A

Ref No. W 2020

ra/WJM.

HC/10/1/5
24

(Original document prepared by Colonel Palmieri after discussion with Colonel Bernstein. Changes suggested made by Colonel Bernstein. General Holmes decided that in view of all circumstances, not to send this cable but to send 4226 dated 7th October, 1943.)

DRAFT CABLE

To: General Baron MacFarlane

Upon examination of the Italian Government's decree regarding legal tender the following objections are discovered:

Art. 1 speaks of A.L. Currency as "emesa", that is emitted by the Allied Governments. Implication is that they bear responsibility for all of that currency issued. (Yet Italian Government has suggested that such money be supplied to it for its own proper expenses, notably payment of its troops. As A to such issue the Allied Governments supply rather than themselves emit. To avoid false implication to prejudices of Allied nations, the word "emesa" should be omitted. Decree might be made to read simply "la valuta cartacea Allentata".)

Art. 2. A.L. notes are not based on sterling, so words "in sterling" are false and misleading.

Art. 3. The word "provisoriamente" was doubtless slipped in to give impression that a rate more favorable to Italy would presently be fixed. Whatever may eventually be done, it is objectionable to give this implication in advance and to introduce the suggestion of a rate of yellow seal dollar and B.M. pound. The word should therefore be omitted. *by the public*

Art. 3, next to last paragraph, appears to make it mandatory to exchange either way. It should be amended to declare that on demand like currency must be given in exchange for the various currencies mentioned in Art. 1.

Action to be taken on the above: First, draw these objections formally in writing to attention of Italian Government in order that the record may be made clear. Second, require the Italian Government to amend its decree or substitute one free from objection. In event second would in your opinion be impracticable, advise this Headquarters at once. Report action taken.

To avoid difficulties in future, following procedure advised. In name of Allied Commander in Chief you instruct Italian Government what action is required of it. It is for them to decide upon appropriate form of internal action and prepare draft documents. Major documents in draft should then be submitted to you in order that you may detect errors or implications prejudicial to United Nations. In proper case consult AFHQ before concurring. Allowing authorities should not show Italian Government aside and frame their measures but should have control over important acts before they are taken.

should be omitted. Decree might be made to read simply "in United States of America".)

Art. 2. *Italian notes are not based on sterling, so words "La sterline" are false and misleading.*

Art. 3. The word "provisoriamente" was doubtless slipped in to give impression that a rate more favorable to Italy would presently be fixed. Whatever may eventually be done, it is objectionable to give this implication in advance and to *imply that the value of yellow seal dollar and BMA pound, the word should therefore be omitted. by the public*

Art. 3, text to last paragraph, appears to make it mandatory to exchange either way. It should be amended to declare that on demand lire currency must be given in exchange for the various currencies mentioned in Art. 1.

Action to be taken on the above: First, draw these objections formally in writing to attention of Italian Government in order that the record may be made clear. Second, require the Italian Government to amend its decree or substitute one free from objection. In event second would in your opinion be impracticable, advise this Headquarters at once. Report action taken.

To avoid difficulties in future, following procedure advised. In name of Allied Commander in Chief you instruct Italian Government what action is required of it. It is for them to decide upon appropriate form of internal action and prepare draft documents. Major documents in draft should then be submitted to you in order that you may detect errors or implications prejudicial to United Nations. In proper case consult AMB before concurring. *Allying authorities should not shove Italian Government aside and frame their measures but should have control over important acts before they are taken.*

RIDER A

(Prepared by Lieut.-Col. B. Bernstein Oct. 7, 1943.)

We have always sought to leave ourselves free at an appropriate time to place the responsibility for any Allied Military lire which have been issued on the recognized Italian Government and therefore we do not wish to have it suggested to the public that the responsibility for supporting the currency etc. is upon the Allies. It should be also noted in this connection that a large part of the Allied Military paid out has been for the purpose of keeping going the machinery of communal, provincial, and state governments, state railways, banks, social insurance institutions, etc. and that the Italian Government itself has requested that such currency be supplied to it for its proper expenses, notably payment of its troops, in view of the shortage of Italian lire and the fact that the Italian printing presses are in areas controlled by the Germans and may be destroyed or withdrawn by the retreating Germans. To avoid false implication to the prejudice of the Allied Nations the words "emessa dagli alleati" should be omitted from Article 1.

PRIORITY.

FOR ACTION: FIFTH ARMY
EIGHTH ARMY
FATIMA
PARLE
STARS FOR AND

REF NO. 4226.

FOR INFO: FILPOT

SIGNED: EISENHOWER, CITE. FRAGS.

Desire promptly full information respecting currencies being used by Allied Forces in ITALY. In particular:

1. Has AMG posted proclamations 3 and 12 and on what date did such posting occur.

2. Does public know that BADOGLIO government issued decree making All lire BMA note and yellow seal dollar legal tender "Provisionally" fixing rate at dollars equal 100 Italian Lire and 1 pound equals 400 Lire. (Of course BADOGLIO'S proclamations does not operate in territory under AMG.)

3. Was public unwilling to accept any ^{of} such currencies

(A) Prior to posting of proclamations.

(B) After posting of proclamations and if so, what caused such unwillingness.

4. What currencies are now being spent by Allied troops and other Allied authorities.

5. Are there adequate supplies of Allied Military Lire in your area for next 30 days for various purposes, if not what additional amounts are needed.

6. Are any transactions in such currencies and Italian Lire being conducted at rates other than 100 Lire per yellow seal dollar, 400 Lire per BMA note and 1 Allied Military Lire equals 1 Italian Lire. 274

7. Is there any marked preference by troops or public of one currency over another and is there any evidence of hoarding of any currencies other than Italian Lire.

ORIGINATOR: MIL GOV SEC.

AUTHENTICATION: T.B. JACKMAN, MAJOR.

INFORMATION: SEC

2. Does public know that BADOGLIO government issued decree making AM Lire BMA note and yellow seal dollar legal tender "Provisionally" fixing rate at dollars equal 100 Italian Lire and 1 pound equals 400 Lire. (Of course BADOGLIO'S proclamations does not operate in territory under AMG.)

3. Was public unwilling to accept any ^{of} such currencies

(A) Prior to posting of proclamations.

(B) After posting of proclamations and if so, what caused such unwillingness.

4. What currencies are now being spent by Allied troops and other Allied authorities.

5. Are there adequate supplies of Allied Military Lire in your area for next 30 days for various purposes, if not what additional amounts are needed.

6. Are any transactions in such currencies and Italian Lire being conducted at rates other than 100 Lire per yellow seal dollar, 400 Lire per BMA note and 1 Allied Military Lire equals 1 Italian Lire. 2711

7. Is there any marked preference by troops or public of one currency over another and is there any evidence of hoarding of any currencies other than Italian Lire.

ORIGINATOR: MIL GOV SEC.

AUTHENTICATION: T.B. JACKMAN, MAJOR.

INFORMATION: SGS

DFIC

FINANCE

SUMMARY

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AG RECORDS.

MC OUT 1919

7 OCTOBER 43 1101A

REF NO: 4226 jdp P.

100/1044/5
10A
Tizi-Ouseu,
8th October, 1943.

Major G. Norwood, CMP.
Acting Cashier, AMFA.
PALERMO.

Receipt of two copies of AMFA's Balance Sheet as of
close of business 30th September, 1943 is hereby acknowledged.

It is noted that copies of future such Balance
Sheets will be forwarded weekly showing the position as of
close of business on Thursday of each week.

BRIGADIER R. A. HAMLYN,
Chief, Finance Sub-Commission, Allied Commission.

2743

WARP
/482
file 2821072

AFSC N 31/23
282841A
omc

ROUTINE

FROM : WAR FROM CCS FROM CARTER FISCAL DIRECTOR SPFA
TO : EISENHOWER FOR PHOMS REPEATED USFOR INFO BRITISH CHIEFS OF STAFF
REF NO THIS MESSAGE : 8792 28 Sept 43.

(cite CCAC)
TAM 19.

Last balance sheet received covering AMFA operations was dated as of 18th August. Request balance sheets and supporting operating statements of AMFA be furnished as of 31 August and end of each calendar month thereafter as promptly as possible after close of reporting period.

Reference 18 August balance sheet, what is source and nature of liability designated "Deposits AMG Civilian Supply Section"? What balance sheet treatment is contemplated for total stamps received and proceeds from disposition of stamps? Relative to future financial statements is AMG maintaining basic accounting records covering items such as taxes and other local revenues, local, provincial, and municipal government, RFT government operating expenses, etc. or are such basic records being maintained by normal local facilities under policy supervision of Military Civil Affairs Officers?

Please refer to Treasury Department letter transmitted by memorandum from CAD dated 7 September to CFC Allied forces, attention General HOLMES Subject "AMFA Accounting Procedure" and proposal therein that all phases of all accounting transactions be recorded in accounts and included in financial statements in terms of each currency involved. Is separate accounting being maintained for ALL receipts, expenditures, and balance sheet continuously segregated by the currencies that were involved in the transactions? If NOT, what procedures are being followed to adequately account for transactions involving currencies other than AM Lire?

ACTION MIL GOV SEC

INFO : SGS FINANCE MR MURPHY MR MAC MILLAN
G-1 A.G. RECORDS.

MC IN 17112 29 Sept 43 0928 A Ref No. 8792

ppm/Van

2742

Memorandum.

Subject :- Modification of AMFA procedures.

1. Changes in AMFA balance sheet to show advances to ACC and Military Missions.

(a) AMFA advances of A.M. Lire to Military Missions (e.g., to the Military Mission in Sardinia), to ACC officers, and to officers of MGS (AFHQ) make advisable certain minor changes in the form of AMFA's balance sheet.

(b) These advances are now (see e.g., balance sheet as of 2 October) carried in the item "Funds held by AMGOT officers in the field (pending allocation to expenditure or other accounts)".

(c) This item should be renamed: "Funds held by ACC and AMG officers and by Military Missions (pending allocation to expenditure or other accounts)". All sub-heads of this item should be listed the advances made to officers or Missions in the various Regions. These sub-heads may become so numerous as to make it advisable to show them in a separate schedule to be annexed to the balance sheet.

(d) The allocation subsequently to expenditure or other accounts should proceed as at present.

2. Changes in AMFA balance sheet to show advances to other armed forces.

(a) Advances of A.M. Lire to other Allied forces (e.g., to the French army units) or to Allied civilian agencies should be shown by adding appropriate sub-heads under the item "Payments on account of occupation costs".

(b) Advances of A.M. Lire to Italian forces cannot properly be considered a cost of occupation, and should therefore be shown under the item "Advances", by adding a sub-head "To Italian armed forces".

3. Change in procedure used in notifying London and Washington as to transfers of lire to Allied armed forces.

(a) The routine notice to London and Washington of AMFA advances to British and American forces should be speeded up. This can be done by permitting AMFA to prepare and forward to MGS (AFHQ) the routine despatches without clearance by the CFC or other AMG or ACC official outside of AMFA.

(b) It is AMFA's responsibility to inform itself of all advances to the Allied forces, even where they may be made indirectly -- as, e.g., by a Military Mission. Consequently AMFA branch offices in various regions should send despatches directly to MGS for transmission to Washington and London, sending copies thereof to AMFA HQ.

allocation to expenditure or other accounts)".

(c) This item should be removed: "Funds held by ACC and AMO officers and by military missions (pending allocation to expenditure or other accounts)". As sub-heads of this item should be listed the advances made to officers or missions in the various Regions. These sub-heads may become so numerous as to make it advisable to show them in a separate schedule to be annexed to the balance sheet.

(d) The allocation subsequently to expenditure or other accounts should proceed as at present.

2. Changes in AMFA balance sheet to show advances to other armed forces.

(a) Advances of A.M. Lire to other Allied forces (e.g., to the French army units) or to Allied civilian agencies should be shown by adding appropriate sub-heads under the item "Payments on account of occupation costs".

(b) Advances of A.M. Lire to Italian forces cannot properly be considered a cost of occupation, and should therefore be shown under the item "Advances", by adding a sub-head "To Italian armed forces".

3. Change in procedure used in notifying London and Washington as to transfers of lire to Allied armed forces.

27/1

(a) The routine notice to London and Washington of AMFA advances to British and American forces should be speeded up. This can be done by permitting AMFA to prepare and forward to MIS (AFHQ) the routine despatches without clearance by the CFC or other AMG or ACC official outside of AMFA.

(b) It is AMFA's responsibility to inform itself of all advances to the Allied forces, even where they may be made indirectly -- e.g., by a Military Mission. Consequently AMFA branch offices in various regions should send despatches directly to MIS for transmission to Washington and London, sending copies thereof to AMFA HQ.

6 October 1943.

R. A. Hanly, Brigadier,
Chief, Finance Division,
Armistice Control Commission.

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

DISBURSEMENT OF AM LIRE ON BEHALF OF AMFA AT MGS, AFHQ

Month of September

<u>Receipts</u>			<u>Disb</u>	
11 Sep 43	Case No. 4536 Containing 500 AM Lire Notes amounting to	16,000,000	16 Sep 43	To Maj. Steel
	Case No. 4597 Containing 1000 AM Lire Notes amounting to	32,000,000	18 Sep 43	To Capt. Hay
23 Sep 43	Case No. 4531 & 4532 Containing 500 AM Lire Notes amounting to	32,000,000	18 Sep 43	To Gen. Helmes
	Case No. 1708 Containing 100 AM Lire Notes amounting to	3,200,000	25 Sep 43	To Maj. Waters
	Case No. 1110 Containing 50 AM Lire Notes amounting to	<u>1,800,000</u>	1 Oct 43	Balance on hand
		<u>34,800,000</u>		
1 Oct 43	Balance carried down	42,800,000		

Certified correct:

J.E.V.
Lt.-Col
MGS (P)

Certified, Forty two million eight hundred thousand AM Lire held
by me in safe deposit.

(Approved 1943)

DISBURSEMENT OF AM LIRE ON BEHALF OF AMFA AT MGS, AFHQMonth of September

7A

		<u>Disbursements</u>	
16,000,000	16 Sep 45	To Maj. Steel	2,000,000
	18 Sep 45	To Capt. Hay	29,950,000
32,000,000	18 Sep 45	To Gen. Helms	50,000
32,000,000	28 Sep 45	To Maj. Waters	10,000,000
			42,000,000
3,200,000			
<u>1,600,000</u>	1 Oct 45	Balance on hand	<u>42,800,000</u>
34,800,000			34,800,000
42,800,000			

Certified correct:

J.E.V. SMITH
 Lt.-Colonel
 MGS (Finance) AFHQ.

Fifty two million eight hundred thousand AM Lire held
 by me in safe deposit.

2740

12/10/15

1495

785015

CABLE

TO:-- AGMAR FOR CCS REPEATED TO USFOR FOR MAY

DATE:-- 8rd October, 1943.

SECRET AND PRIORITY

IN VIEW OF THE SITUATIONS WHICH HAVE BEEN DEVELOPING HERE IT IS BECOMING NECESSARY TO PROVIDE AN LIRE TO WIDELY SCATTERED AREAS OF ITALY INCLUDING RADOLIO GOVERNMENT AT BRINDISI ITALIAN ARMIES IN SOUTH OF ITALY AND SARDINIA AMERICAN AND BRITISH ARMIES IN SICILY SARDINIA SOUTH ITALY AND AROUND SALERNO ALLIED MISSION IN SARDINIA FOR ADMINISTRATIVE EXPENSES AND FOR PURCHASING COAL AND OTHER COMMODITIES TO BE SENT TO OTHER PARTS OF ITALY OR TO BE EXPORTED FRENCH MILITARY FORCES GOING INTO ITALY AS WELL AS THE ALLIED MILITARY GOVERNMENT IN SICILY AND ELSEWHERE AND IN VIEW OF EVER CHANGING SITUATION INCREASING AND VARYING NATURE OF DEMANDS FOR CURRENCY AND FUNCTIONING OF AMPA IT BECOMES INCREASINGLY CLEAR THAT WITH IT WAITING FOR A DEFINITIVE SOLUTION OF THE PRECISE FUNCTIONS OF ALLIED MILITARY GOVERNMENT AND THE ALLIED COMMISSION AND THE TAKING OVER BY THE LATTER OF THE FORMER'S FUNCTIONS IN CERTAIN AREAS THE HEAD OFFICE OF AMPA SHOULD GRADUALLY BE TRANSFERRED FROM ALLIED MILITARY GOVERNMENT IN PALERMO TO THE ALLIED COMMISSION S T O P OF NECESSITY SUCH TRANSFER WOULD BE GRADUAL PENDING TRANSFER OF CERTAIN PERSONNEL AND TRAINING OF ADDITIONAL PERSONNEL WHICH IS WELL IN HAND S T O P SIMULTANEOUSLY WITH TRANSFER OF SUCH HEAD OFFICE OF AMPA THERE WOULD BE ESTABLISHED IN ALL APPROPRIATE AREAS OF ITALY INCLUDING AREAS DEALT WITH BY THE ALLIED MILITARY GOVERNMENT APPROPRIATE BRANCHES OR AGENCIES OF AMPA TO DEAL WITH CURRENCY AND OTHER PROBLEMS IN SUCH AREAS S T O P FOREGOING IS BELIEVED TO BE DESIRABLE BECAUSE IT WOULD SEEM CLEAR THAT THERE MUST BE ONE AMPA FOR ALL ITALY AND BECAUSE ONLY ONE AMPA CAN FORMULATE A COORDINATED POLICY FOR ALL ITALY REGARDING DISTRIBUTION OF CURRENCY AND MAKING OF LOANS ADVANCES ETC. S T O P THIS VIEW OF SINGLENES OF AMPA IS ALSO SUPPORTED BY AMPA ACCOUNTING SYSTEM WHICH HAS BEEN WORKED OUT AND WHICH WOULD SHOW LIRE WHICH AMPA HAS RECEIVED AND HOW LIRE HAVE BEEN PAID OUT WITH A VIEW TO TRANSFER OF ASSETS AND LIABILITIES OF AMPA AT AN APPROPRIATE TIME TO A RECOGNIZED ITALIAN GOVERNMENT OR TO AN AGENCY DESIGNATED BY IT S T O P PROBLEM HAS ALSO ARISEN OF HOW PAYMENT SHOULD BE MADE FOR SULPHUR WHICH HAS BEEN EXPORTED FROM ITALY TO NORTH AFRICA AND PURCHASED BY FRENCH S T O P SICILIAN EXPORTER HAS BEEN PAID IN AN LIRE PROVIDED BY AMPA S T O P SIMILAR PROBLEMS ARE ON THE HORIZON AND DECISIONS THEREOF MUST BE COORDINATED FOR ALL OF ITALY S T O P WE THINK THAT IN DECIDING QUESTION OF HOW FRENCH NORTH AFRICA SHOULD PAY FOR LIRE FURNISHED TO FRENCH ARMIES OR FOR EXPORTS FROM ITALY TO FRENCH NORTH AFRICA CONSIDERATION SHOULD BE GIVEN TO DESIRABILITY FROM A FINANCIAL POINT OF VIEW OF LIMITING ULTIMATE NEGOTIATIONS WITH ITALIAN GOVERNMENT CONCERNING AN LIRE TO BRITISH AND U.S. GOVERNMENTS S T O P WE PROPOSE SENDING YOU MORE DETAILED SUGGESTIONS ABOUT SOME OF FOREGOING PROBLEMS IN A LATER CABLE BUT IN MEANTIME WOULD APPRECIATE YOUR EARLY APPROVAL OF THE ABOVE MENTIONED PROGRAM RELATING TO ORGANIZATION OF AMPA WHICH WE BELIEVE IS A FIRST INSTALLMENT OF THE PROGRAM OUTLINED IN PARAGRAPH FOUR OF CABLE EIGHT FOUR THREE TWO S T O P

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BY FAST AIR

SECRET

(Equals BRITISH MOST SECRET)

A.M. Lire.

M.C.S. (Finance)
A.P.H.Q.

AMSCOT/2032/7.

1. I have discussed with the C.C.A.O. and D.C.C.A.O. the contents of
Lieut-Colonel Vivian Smith's letter of 21st September, requesting a shipment of
A.M. Lire 450 million to Algiers to meet the requirements of the Chief Paymaster
French Forces. They are in agreement that:

(a) A.M.F.A. have no power under existing Directives to make issues
other than the American and British forces and for civilian
requirements. Any issues to French Forces should presumably be
authorised by the C.C.A.O., and AMSCOT, accordingly instructed by
the Commander-in-Chief.

(b) Owing to the transfer of 1 billion A.M. lire to the British
Paymaster, (the bulk of which will be transferred to the Mainland)
A.M.F.A.'s visible stocks are reduced to A.M. lire 2,300 million.
This includes A.M. lire 900 million deposited over the Island.
We are faced by the possibility of having to provide funds in A.M.
Lire for the payment of Italian armed forces. A request for
A.M. Lire 1,000 million has been received from AMSCOT 8 Army.
Such transaction will have to be arranged through branches of
the Italian Treasury, and I am proceeding to SPINPISI to ascertain
requirements. In these circumstances we are most reluctant to
reduce our stocks by as much as A.M. Lire 450 million. Is it
possible to arrange to meet part of this requirement out of
metropolitan lire which should now be available in Tripoli?

2. Potential commitments on the Mainland are enormous; A.M. lire
will have to be made available for:-

- (a) British and American forces.
- (b) Italian armed forces.
- (c) normal civil requirements as in Region 1.
- (d) Regions 4, 5, 6, 7 etc., which at the moment are outside the
competence of AMSCOT.

I consider it highly probable that the Germans will destroy the
Banca d'Italia currency printing plates and press which will add considerably
to the eventual demand.

3. In view of the above I suggest that you signal AGHAR asking them to
continue to print until further notice, A.M. Lire notes in denominations
suggested in W.9511 of 8/9 and W. 9807 of 12/9. It is difficult to be
specific as regards amounts and destinations or dates, but it seems desirable
that you should ask for air shipment of a proportion of high denomination
notes to Algiers, in as far as priorities permit.

requirements. Any issues to French forces should presumably be authorized by the C.J.S., and AMGOT, accordingly instructed by the Commander-in-Chief.

- (b) Owing to the transfer of 1 billion A.M. lire to the British Paymaster, (the bulk of which will be transferred to the Mainland) A.M.F.A.'s visible stocks are reduced to A.M. lire 2,300 million. This includes A.M. lire 900 million deposited over the Island. We are faced by the possibility of having to provide funds in A.M. Lire for the payment of Italian armed forces. A request for A.M. Lire 1,000 million has been received from AMGOT 8 Army. Such transaction will have to be arranged through branches of the Italian Treasury, and I am proceeding to BRINDISI to ascertain requirements. In these circumstances we are most reluctant to reduce our stocks by as much as A.M. Lire 450 million. Is it possible to arrange to meet part of this requirement out of metropolitan lire which should now be available in Tripoli?

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- (a) British and American forces.
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- (c) normal civil requirements as in Region 1.
- (d) Regions 4, 5, 6, 7 etc., which at the moment are outside the competence of AMGOT.

I consider it highly probable that the Germans will destroy the Banca d'Italia currency printing plates and press which will add considerably to the eventual demand.

3. In view of the above I suggest that you signal AGWAR asking them to continue to print until further notice, A.M. Lire notes in denominations suggested in W.9511 of 2/9 and W. 9807 of 12/9. It is difficult to be specific as regards amounts and destinations or dates, but it seems desirable that you should ask for air shipment of a proportion of high denomination notes to ALGIERS, in so far as priorities permit.

4. GUESTON has not yet returned from the Mainland, but it is known through Reeney that he deposited A.M. Lire 50 million at the Banca di Napoli for the use of British Paymasters.

Copy to: Lieut.-Col. Bornstein.

(Signed) A. F. CHAFFET-SMITH,
Colonel,
Chief Finance Officer.

2738

WAR

filed 280058Z

AFSC M387/28
281248A
rbv

ACC 1011/5

4A

DEFERRED

FROM: AGWAR, FROM CCE

TO: EISENHOWER FOR FMCS, REPEATED USFOR INFO BRITISH CHIEFS
OF STAFF

REFERENCE NO. THIS MESSAGE: 8737, 28 September, 1943.

TAM 16. (CITE GCAC).

We agree to delivery as described in your MAT 32, subject to
the same conditions contained in our WD 6727 of 1 September including
qualification that no action is taken which would impair AMFA
accountability.

NOTE: 8727 (AGWAR) MC IN 1348 3/9/43 (MGS)

ACTION: MGS

INFORMATION: SGS
FINANCE
DPIC
AG RECORDS

MC IN 13394 29 Sept 43 0040A Ref No. 8737 rht/WJM

2737

ALLIED MILITARY GOVERNMENT

SECRET

Ref: AMFA/BA/1.
24 September 43.

MEMORANDUM FOR THE WAR DEPARTMENT

Attention: Major General J. H. Hildring,
Chief, Civil Affairs Division.

Via : Military Government Section,
Allied Force Headquarters.

Subject : AMFA Accounting Procedure.

Reference: Memorandum of 7 September 1943 from Chief,
Civil Affairs Division, and enclosures.

1. Reference memorandum inquiries (para 3) as to the extent which the Bank of Sicily, or other Italian banks, have been used as an agent by AMFA for the keeping of some accounts and records, thus relieving AMFA of some accounting detail. Thus far the Bank of Sicily is the only bank having a correspondent or depository relationship with AMFA. So far as accounting and recording are concerned we have used the Bank of Sicily as a depository in the nine Provincial capitals plus Caltagirone, for the maintenance of certain accounts for AMFA, and the customary periodic reports to AMFA of all drawings against such accounts. Some consideration has been given to the possibility of further utilizing the services of the Bank of Sicily - for example: the bank might forward to AMFA all vouchers arising out of the orders of payment on them, of AMO Officers in the field against their accounts in that bank. But it has not been considered advisable as yet to do this.

2. The letter of the Secretary of the Treasury to the Secretary of War, dated 31 August 1943, and forwarded as an enclosure to the reference memorandum, requests the Allied Military Financial Agency to furnish certain information in its monthly reports. The extremely limited staff available to AMFA makes it imperative to keep to a minimum the reports required. However, beginning with its Monthly Report for September, AMFA will be able to supply substantially all of the information requested by the Secretary of the Treasury.

(Signed) A.G.-S.
Colonel,
Chief Finance Officer.

TELETYPE

FOR:- FILPOT FOR AMOT FOR GRAFFNEY SMITH

FROM:- PHEDOM FROM HANLYN

IMMEDIATE & MOST SECRET

DATE:- 26TH SEPTEMBER, 1943.

IN VIEW OF NEED FOR ANFA PLANNING FOR ALL REGIONS OF ITALY INCLUDING ARMISTICE COMMISSION CONTROL AND GENERAL AGREEMENT HERE THAT THERE SHOULD BE A SINGLE ANFA FOR ALL OF ITALY EVEN THOUGH BOTH ANF AND ACC EXERCISE JURISDICTION IN ITALY AND THAT SOMEONE SHOULD BE DESIGNATED TO ACT FOR ANFA IN REGIONS WHICH ARE ABOUT TO BE OR WHICH MAY BE OCCUPIED I SUGGEST IF AGREEABLE TO YOU THAT LIEUTENANT COMMANDER SOUTHEARD BE SENT TO TIZI ONZOU TO DEAL WITH ALL OF ANFA PROBLEMS FROM THIS END S T O P HE COULD FUNCTION AT TIZI OR WHEREVER ACC HEADQUARTERS IS LOCATED AND KEEP ACC AND AMF INFORMED S T O P IN THIS WAY IT WOULD BE POSSIBLE TO UNIFY ANFA ACTIVITIES IN ALL REGIONS AND IN ALL HEADQUARTERS S T O P A MILITARY MISSION IS LEAVING FOR BRUXIN SIX VERY SOON WITH TWO FINANCE OFFICERS BOTH OF WHOM HAVE ESSENTIALLY ACCOUNTING EXPERIENCE S T O P THEY WILL HAVE 10 000 000 (TEN MILLION) A M LIRE WITH THEM OBTAINED AT ALGERIA S T O P I THINK IT WOULD BE MOST DESIRABLE IF YOU COULD SEND THESE TOGETHER WITH ABOUT 50 000 000 (FIFTY MILLION) LIRE AN OFFICER OF ANFA LIKE CAPTAIN COOK OR CAPTAIN BENNETT PICKING THE ONE WITH BEST BANKING EXPERIENCE AND WE WILL SEND HIM TO BARDINIA S T O P WE WILL SEND TO YOU MAJOR BRACIN BRIVISH FOR ATTACHMENT TO ANFA S T O P IF FORGOING IS SATISFACTORY PLEASE TAKE HECHEADLY STEPS AT YOUR END AND ADVISE S T O P IF YOU HAVE ANY QUESTIONS RE FORGOING OR OTHERWISE ON THE SUBJECT OF FINANCE THAT YOU WOULD LIKE TO DISCUSS WE SHOULD BE VERY HAPPY TO HAVE YOU VISIT US IN THE NEXT FEW DAYS S T O P WOULD APPRECIATE YOUR FORGOING US WITH

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US IN THE NEXT FEW DAYS S T O P WOULD APPRECIATE YOUR FURNISHING US WITH
REGULAR WEEKLY BALANCE SHEET OF AMPA

MEMORANDUM TO ALPA

ALPA was created in ALPOT pursuant to the directive of the Combined Chief of Staff, to handle the paying out of the Allied Military lire all over Italy, and for other purposes. Payments have been made to the British and American Armies, to the Communes, Provinces and State authorities to cover their deficits, to the banks, social insurance institutions, railways and for the payment of subsidies on wheat etc. There has been carefully worked out a system of accounting for ALPA which would show the lire which it has received and how the lire have been paid out, with a view to transferring all the assets and liabilities of ALPA, at an appropriate time, to a recognized Italian Government or to an Agency designated by it.

In every Region ALPA has functions to perform, and for all Regions ALPA must make plans, particularly with respect to the receipt of A.L. lire from the United States and the furnishing of such lire to Civil Affairs Officers, and to the other Agencies above-mentioned. It would seem clear that there must be one ALPA for all of Italy for the reasons above-stated, and also because only one ALPA can formulate a coordinated policy for all of Italy respecting the distribution of currency and the making of loans and advances etc. This view of the singleness of ALPA for all of Italy seems clearly implicit in the directives from the Combined Chiefs of Staff and in the thinking of Washington.

At present, the only actual ALPA staff that has been created is with A.L.C. Its records are at Palermo as are also the A.L. lire currency reserves. ALPA has jurisdiction over Regions 1, 2 and 5, as well as A.L.C. Headquarters. No one who is familiar with the affairs of ALPA, the policies it has formulated and the procedures it follows and the records it keeps has been clearly authorized to deal with ALPA problems in the other Regions of Italy. It would seem desirable that this state of affairs be remedied immediately, without waiting for any definitive solution of the problem of the overlapping jurisdiction of A.L.C., A.L.O., and A.L.S.

It is suggested that the most satisfactory way of dealing with ALPA on an interim basis is to have A.L.S. Headquarters and Lieut.-Commander Southard to Firi-Cuzon to deal with all of the ALPA problems from this end. Commander Southard has been an Officer of ALPA since its creation, and is familiar with the policies, procedures and records kept by ALPA in ALPOT. He also has the confidence of the U.S. Treasury and the War Department in dealing with these matters. He could function at Firi-Cuzon and keep A.L.S. and ALPOT informed. In this way, it would be possible to coordinate, on a satisfactory basis, ALPA activities in Regions 1, 2 and 3 and A.L.S. Headquarters, the ALPA activities of A.L.O. Headquarters, and the ALPA activities and planning required for Regions 4, 5, 6, 7 and 8.

(Signed)

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also because only one ALFA can formulate a coordinated policy for all of Italy regarding the distribution of currency and the making of loans and advances etc. This view of the singleness of ALFA for all of Italy seems clearly implicit in the directives from the Combined Chiefs of Staff and in the thinking of Washington.

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It is suggested that the most satisfactory way of dealing with ALFA on an interim basis is to have A.C.S. Headquarters send Lieut.-Commander Soutard to Tizi-Gouzou to deal with all of the ALFA problems from this end. Commander Soutard has been an Officer of ALFA since its creation, and is familiar with the policies, procedures and records kept by ALFA in ALGOT. He also has the experience of the M.C.S. Treasury and the War Department in dealing with these matters. He could function at Tizi-Gouzou and keep M.C.S. and ALGOT informed. In this way, it would be possible to coordinate, on a satisfactory basis, ALFA activities in Regions 1, 2 and 3 and A.C.S. Headquarters, the ALFA activities of A.C.S. Headquarters, and the ALFA activities and planning required for Regions 4, 5, 6, 8 and 9.

RE/rho.

24th September, 1945.

(Signed)

WILLIAM B. A. WILSON,
Chief, Financial Division, American C. U.

Agree

One Copy Taken by Col Maxwell
MCS on 25 Sep 45

AM

"AMFA"

Chief Clerk - file -

A/C 10/1/5

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