

Declassified E.O. 12356 Section 3.3/NND No. 785017

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10000/109/880

Declassified E.O. 12356 Section 3.3/NND No. 785017

10000/109/880

EXCHANGE CONTROL
DEC. 1944 - OCT. 1945

28.

Ex. Com.

P. 24-26 for info.

Final
13/10.

exo

Next V.P.s. mention

W/17/12

B.U. 24/10 early Final 18/10.

32

Final
22/10.

280 - 2010 31 for info

End 24/10

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4
 COS: for COS to read p. 1-23, especially par. 4 and 5 on p. 1. JFR 29/12
 Assume Jt. Dir. Finance S.C. letter to C.C. direct in in accord with COS wishes.

COS / To Sec 1-3. MS / 30/12

8.
 COS: Finance SC will reply to para. 3 of folio 14: to see for info. JFR 29/12

C.S.O. For info folio. 14
 21/30/17

21/30/17

Secur
 csa: for info of Ex. Com. Folios 17-20
 You will recall that S.S. Comd
 mentioning the with 24/7

house. 21/25/17

3870

29/12/2001
CSO: Finance SEC will reply to para 3 of folio 27: to see for info. Jell 20/2

C.S.O. For info folio 14
14/12/2001

21/3/7

21

Secur for info of Ex. Com. folios 17-20
you will recall Par 5.5. Enm'd 24/7
mentoring etc. with
house. 21/12/2001

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23/10/2001
CSO - folio 22 for info Enm'd 29/7
26/2/2001

CSO - folios 24-25 for info Enm'd 12/10

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0021

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Trieste, 11th October, 1945

OCT 20 1945

Excellency,

With reference to the various requests made by my Company in order to be specially granted the permission to correspond with our subsidiary companies and branch offices abroad, considering that we have complied with the different conditions required, we have written a letter to the AMG 13 Corps, Financial Department, as per enclosed copy.

We shall be grateful if you will kindly see your way to intervene so that the restrictions now in force may be abolished thereby enabling us to resume our activities as soon as possible.

I take this opportunity to kindly call your attention to what "The Economist" of the 25th August published concerning the activities of the Italian insurance companies. According to "The Economist", the Italian insurance companies did not deal in foreign countries on an economic basis, but used their foreign organization as a political weapon to gather information and with propaganda aims.

This is completely false, and as far as the Assicurazioni Generali is concerned, I solemnly declare that nothing of the sort was ever done by my Company. The Assicurazioni Generali have built up their foreign organization little by little in years of hard and tenacious work and always on economic and business-like methods.

I remain, Excellency,

Yours faithfully,

enclosure

(Capt. Antonio N. Cosulich)

To his Excellency
Admiral Ellery Stone
Rome

E. C. DIST-19 OCT 45

ACTION: E. C. W. Sec
(Finance Sp.)

INFO: Chief Comm
Ex Comm

PA 20/10
20/10

22/10

(CAPT WHITE)

785017

ASSICURAZIONI GENERALI - Direzione Central

copy

Trieste, 5th October 1945

Chief Finance Officer
Allied Military Government
13 Corps
TRIESTE

Your ref. 13C/AMG/FIN/3571
Subject: Commercial Insurance

We would refer to your letter of August 21st, informing us of four conditions to be fulfilled before we can be authorized to resume our relations or undertake financial transactions with our external branches, subsidiaries or third parties.

In this connection we think that the foreign exchange control by the Allied Military Government (point a/ in your letter under reply) already exists, and so does the restoration of communications (see point c/ in the same letter).

As regards completion of epuration (point b), we would call your attention to the fact that our Board of Directors has been re-organised some months ago; it is at present formed by members whose personal position is unobjectionable also from a political point of view. In addition, some one hundred persons - between directing officers, officials and employees - have been suspended from service at the request of the Internal Epuration Committees and one General Manager was dismissed in compliance with your order dated August 31st.

In view of the above and as the conditions set out at the time have been fully complied with, at least as regards ourselves, we would again kindly ask - as already mentioned in our letter of July 27th, 1945 No. 1831 - the Allied Military Government to possibly revise the regulations contained in Appendix AA and to allow a substantial relaxation of those conditions, by authorizing us to resume commercial and financial correspondence both with the countries of the United Nations and with the territories occupied and controlled by Allied troops, as well as with neutral countries, so as to place us in a position

- a. to resume our relations with our foreign reinsurers, which were left in suspense for settling the question of reinsurance both in regard to the existing portfolio and to new contracts;
- b. to restore our connections with our numerous foreign branches and subsidiaries which for months and even years have been left to themselves and without any instructions by the Central Management.

Continued

We confidently hope that the Allied Military Government will take into consideration our present request, all the more as according to a communication from the Italian Treasury Ministry under date of September 24th (see attached copy) the Allied Commission has already authorized forwarding to Italian colonies (Tripolitania, Libya, Eritrea and Italian Somaliland) commercial and financial correspondence of any kind, it being understood that such a correspondence will be governed by the same regulations governing any similar direct communications with the United States and Great Britain. That authorization is obviously a relaxation of the present conditions on the subject of correspondence and we have no doubt that it automatically applies also to the territory of the 13 Corps; this we would kindly ask you to confirm us.

Your faithfully

ASSICURAZIONI GENERALI

Clewa Melchiori

Enclosure

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HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB COMMISSION

25
~~SECRET~~

13012/F

12 October 1945

SUBJECT : Lira Exchange rates.

OCT 13 1945

TO : See Distribution.

1. I refer to our letter 13012/F of 22 September, 1945, on the subject of lira exchange rates.

2. Attached for your information are copies of the following documents:

(a) TAM 701 of 9 October 1945 from the Combined Chiefs of Staff.

24
(b) Our letter 13012/F of 12 October, 1945, to the Minister of the Treasury, based on TAM 684 and TAM 701.

(Signed) ROBERT B. MENAPACE
Colonel

Director,
Finance Sub Commission

Distribution:

Chief Commissioner
Executive Commissioner ✓
Acting Vice President, Economic Section
Mr. Sullivan
Colonel Walton
Director, Commerce Sub Commission
British Embassy (for Sir Richard Nesworthy)
U.S. Embassy (for Mr. Henry Tasca)

(CAPT WHITE)

BELT/pmf

See 11/26
TA 11/12

C O P Y

26

This is TAM 701.

Exchange rates for use by Italian Government.

1. It is confirmed, Reference MAT 917, that Italian Government is free under FAN 553 to fix or negotiate new exchange rates irrespective whether such new rates yield cross rates equal to present official dollar-sterling-lira rates. However, reference paragraph 2 TAM 684, you should report to CCS all new exchange rates set by Italian Government in order that you may inform Italian Government any objections UNITED STATES and UNITED KINGDOM Governments jointly may wish to make through CCS channels to specific rates as prejudicial to their financial or trade relations with ITALY.

2. For your information, protective measures against exchange losses, if any, resulting from any eventual devaluation Italian lira in terms UNITED STATES dollars and/or Pounds-sterling on official and quasi-official funds of Armed Forces and on personal funds in hands of or in bank accounts of UNITED STATES and British Military and Naval personnel, are for unilateral consideration be appropriate UNITED STATES and British authorities with Italian Government; in so far as above mentioned funds of UNITED STATES Military and Naval Forces and personnel are concerned, protection against such losses is afforded under net troop pay procedure.

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HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB COMMISSION

13012/P

12 October 1945

SUBJECT : Lira Exchange Rates.

TO : Senatore Federico Ricci,
Minister of the Treasury.

1. I am directed by the Combined Chiefs of Staff to inform your Government that it is now at liberty to fix or negotiate with foreign countries, as may be appropriate, exchange rates for the lira without prior consultation with the Allied Commission and the Combined Chiefs of Staff. Henceforth the question of setting or altering exchange rates is the full responsibility of your Government.

2. I should be grateful, however, if you would advise me as and when any new exchange rate is set by your Government, in order that I may transmit such data to the Combined Chiefs of Staff.

(signed) ROBERT B. MENAPACE.
Colonel.

Director,
Finance Sub Commission

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~~RESTRICTED~~

22

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FX 45539
SEP 251136AF/9077
SEP 261730A
ROUTINE

From: ALEXANDER GITE PHONG

TO: ACTION ALL MAT ADDRESSEES INFO ALCON

19

SEP 25 1945

RESTRICTED.

This is MAT 917. Reference TAM 684.

Exchange rates for use by Italian Government. Confirmation requested as to whether Italian Government free to "fix or negotiate" exchange rates irrespective of whether such new rates yield a gross rate equal to official dollar-sterling rate.

To date exchange rates for other currencies have been fixed by crossing official rates with dollar. Italian Government have indicated on numerous occasions that they consider many of these official rates out of line.

It is felt that, if present exchange rate structure (dollar-sterling official rate) is abandoned, Italian Government may proceed to devalue the Lira as public opinion is well prepared for such a step and it would also tend to solve their export difficulties which they consider unfavorable at present rates of exchange.

~~REST~~INFO-ACTION: Finance SC
INFO: Chief Commissioner
Sec 2
Comptroller
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Fleet~~RESTRICTED~~

(CARL WHITE)

See M 23

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HEADQUARTERS ALLIED COMMISSION
APO 394
Finance Sub-commission

Ref: 13012/F

~~SECRET~~

22 September 1945

SUBJECT: Lira Exchange rates

SEP 22 1945

TO: See distribution

19

18

1. Attached are copies of :-

(a) paraphrase of TAM 634 of 13 September 1945, copy of which was sent by Financial Adviser G-5, A.P.H.Q. to Finance Sub-Commission.

(b) Our reply to G-5 A.P.H.Q. indicating our views.

2. The two documents, which are self-explanatory, are forwarded for your information. In view of the great importance of this subject it is strongly urged that no information be made available to the Italian Government until clarification is received from the Combined Chiefs of Staff on a document singularly lacking in precision on matters of world-wide interest. You are therefore requested to restrict the distribution of the attached documents to the absolute minimum.

A.P. Granger
Brig

Joint Director
Finance Sub-commission

Distribution - Chief Commissioner
Executive Commissioner —
Acting Vice-President, Economic Section
Brigadier Anderson
Colonel Walton
Director, Commerce Sub-Commission
British Embassy (for Sir Richard Nesworthy)
U.S. Embassy (for Mr. Henry Tasca)

SEP 25

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(CAR WATSE)

[Handwritten signature]
21
25/9

785017

PARAPHRASE

FROM: AGWAR from OCS cite COAC
TO: Alexander cite FHGEG. Info to BCS
REF.NO.: W-66378, dated 19 September 1945.

This is TAM 684.

Subject is exchange rates for use by Italian Government.

Para 1. The Italian Government, in accordance FAN 583, is now at liberty to fix, or negotiate with foreign countries, as may be appropriate, exchange rates for the lira. Prior conference with OCS is not required. You should so inform the Italian Government, and should make it clear that this is now the responsibility of the Italian Government.

Para. 2. However, you should keep the Combined Chiefs of Staff informed of all exchange rates which the Italian Government sets. You should also advise any special purpose for which the rates are fixed, when such information is available.

Para. 3. The Italian Authorities may be informed of the following official rates between the currencies mentioned MAT 882 and the U.S. dollar, subject to the above. If the Italian Authorities wish they may fix equivalent cross rates. The rates are quoted on the basis of dollars or cents per unit of foreign currency:

South African pound	4.035
Egyptian pound	4.15
New Zealand pound	3.2542
Australian pound	3.2370
Danish crown	0.2087683
Indian rupee	0.30349
Canadian dollar	0.90909

Para. four. Reference MAT 883 and 885. No commercial rates exist for the Albanian franc or the Polish zloty. For these two currencies the Italian Government should negotiate or fix its own rates.

SECRET

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HEAD QUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

Ref: 13012/F

22 September 1945

SUBJECT: Exchange rates.

~~SECRET~~

TO : G-5 (Financial Adviser), AFHQ.

1. I refer to your G-5/123.7 of 20 September, enclosing copies of a paraphrase of TAM 684.

2. We feel that TAM 684 is ambiguous as it stands, and before communicating its substance to the Italian Ministry of the Treasury we should appreciate clarification of a number of points:

- (a) Is the Italian Government now free to "fix or negotiate" new exchange rates for the dollar and sterling, and before of whether such new rates yield a cross rate that is equal to the official dollar - sterling rate of 4.025 dollars equal one pound sterling?
- (b) Up to the present time the exchange rates fixed for other currencies have been official rates, i.e. obtained by crossing with the dollar. The Italian Government has indicated to us on numerous occasions that they consider any of these rates out of line. It is therefore probable that in fixing new rates, particularly the one with Switzerland, the cross rates produced would differ widely from present dollar - lira and sterling - lira rates.
- (c) We would be unable to advise the Italian Government which rates should be negotiated and which rates could be fixed forthwith by them without consultation. We assume that the distinction in mind is between rates designed for commercial and remittance transactions (to be negotiated) and "internal" rates designed for converting foreign currencies held by repatriates (which could be fixed without consultation), but exact definition by CCS of their intent is desirable.

3. As you are aware, under CCS directives we have up to the present time maintained an exchange rate structure in Italy based on the official dollar - sterling rate, assuming that under the Bretton Woods Agreement there would be a general adjustment of exchange rates, but ~~3863~~ adjustment was not to be undertaken piecemeal at this time when future trade relationships and purchasing power parities are so obscure and difficult of determination. There has been an increasing volume of discussion in Italian Government and financial circles concerning the adverse effect of the over-valued lira on the resumption of Italian exports. We understand that the Italian Government is considering

1. I refer to your G-5/123.7 of 20 September, enclosing copies of a paraphrase of TAM 684.

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might well/

- 2 -

might well wish to devalue the lira without further delay, as public opinion is probably well prepared for such a step.

4. We should appreciate your consideration of these points and consultation with CCS, in order that we may advise the Italian Government as soon as possible.

5. We have communicated to the Italian Treasury the rates given in para 3 of TAM 684, suggesting that they may wish to fix equivalent cross rates.

For the Chief Commissioner:

(Signed) A.P. GRAFFIN-SMITH
Brigadier

Joint Director,
Finance Sub-Commission.

BBM:fbb

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by Conn
(16)

EX 42285

SEPT 101622

~~SECRET~~

1/7227

SEPT 111020

ROUTINE

From: SIGNED ALEXANDER CITE PROEG

To: ALL MAT ADDRESSES INFO AIGOM ROME

SEP 11 1945

SECRET.

(Ref MAT 044. This is MAT 903)

Remittances to ITALY.

1. Italian Government has now issued general license.
2. Ministry Of Treasury has now informed ALLIED COMMISSION that Italian Office of Exchanges and Censor Office are ensuring necessary control on payments.
3. General license includes followings: (a) all Italian banks authorized to correspond with correspondents in U.S. (A) re remittances, but in cash of sterling remittances only Banca D'Italia, Banco Di Napoli, Banca Di Sicilia are so authorized. (b) all dollars and sterling must be sold to Italian Exchange Control Office at official rate. All evasions such as currency compensations are forbidden.



DISE

INFO-ACTION
INFOFINANCE SC
CHIEF COMMISSIONER
EX COMMISSIONER 2
ECON SEC 2
COMMERCE SC
COMMUNICATIONS SC
FILE

3859

~~SECRET~~P.9
(C. M. ARNOLD Y)

785017

~~SECRET~~

FK 29447

JUL 28 2031B

F/1809

JUL 29 1620B

ROUTINE

From: SIGNED ALEXANDER CITE HIGEC
 To: ACTION ALL MAT ADDRESSEES INFO FOR ALCOM

JUL 30 1945

SECRET.

This is MAT 844, refer TAM 590, MAT 744 and CIVVED 22. Remittances to ITALY.

Italian Government still has not issued general license to cover outgoing mail. But foreign exchange control adequately reconstituted, civilian postal channels open between U.K., U.S. and ITALY, and decree soon being issued transferring dollar/sterling balances in U.S. and U.K. banks to account of Banca D'ITALIA as they accrue.

Consequently consider no objection to banks in U.K. and U.S. communicating directly through civilian postal channels with head offices of all commercial banks in ITALY, with exception VENEZIA GIULIA.

Please advise whether sterling remittances to expanded area per CIVVED 22 will be channeled only through Banca D'ITALIA or also through head offices commercial banks as above.

Also confirm whether general license 32A has been amended as proposed TAM 590 and concurred MAT 744 and whether dollar remittances to rest of ITALY (except VENEZIA GIULIA) will be effected through head offices Italian commercial banks and Banca D'ITALIA.

DIST

INFO-ACTION: Finance
 INFO: Chief Commissioner
 Ex Commissioner 2
 Econ 358
 Commerce
 Communications 80
 File 2
 Float

~~SECRET~~

CARTER ARNOLD

785017

13228/P

6 March 1945

Dear Mr. Kirk:

I write with further reference to your letter of 3 March 1945, regarding the proposed reorganization of Istambul.

We received from the Combined Civil Affairs Committee of the Combined Chiefs of Staff as TCM 481 of 1 March 1945, a telegram substantially identical to the one you quoted.

Attached for your information is a copy of the reply we have suggested be sent to the Combined Civil Affairs Committee by G-5, A.P.H.Q.

Very truly yours,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

The Honourable Alexander Kirk,
American Embassy,
Rome.

cc. FINANCE S/C

EXECUTIVE COMM

cc. FILES

3857

(12)

SUGGESTED CABLE TO C.C.S.

7
REFERENCE TAM 481. Agency to exercise Italian Foreign Exchange Control is subject. Isteambi is not being continued but is being liquidated and, as stated in MAT 541, will be replaced by an autonomous agency working closely with the Banca d'Italia for account of the Treasury and under the direct control of the principal officers of the Banca d'Italia and the Treasury. As stated in MAT 554, some of personnel of Isteambi are in German controlled Italy, many who remained behind are suspended and awaiting epuration hearings. (As stated in Finance Sub-Commission report for July 1944, twenty-eight officials were suspended before the restoration of Rome to the Italian Government.) No personnel will be transferred to new agency unless they have been cleared by Epuration Commission. Italian Government has been informed retention of the name Isteambi is considered undesirable and expressed no interest in retaining old name.

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JAQ/hd

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CC 4611

5 March 1945

Subject: Foreign Exchange Control - ISTCMBI

MAR 5 1945

To: Joint Directors
Finance Sub-Commission

9-10

1. Attached correspondence is passed to you for your consideration.

2. Will you please put up a suitable reply for the Chief Commissioner's signature.

2 Incls:

- 1 - Ltr, US Ambassador 3 Mar.
- 2 - Ltr CC-4611, 5 Mar, to US Ambassador.

9

J. A. JAYLE
Major, R. A.
Staff Officer to CC

10

cc: Executive Commissioner
CC Files

3855

JAQ/hd

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CC 4611

5 March 1945

My dear Mr. Ambassador:

9

I am directed by Admiral Stone to thank you for your letter of March 3rd on the subject of the proposed reorganization of ISICAMBI. The Chief Commissioner will be writing to you further on this subject in due course.

Very truly yours,

(Sgd) J. A. QUAYLE

J. A. QUAYLE

Major, R. A.

Staff Officer to CC

The Hon. Alexander Kirk
American Ambassador
119 Via Vittorio Veneto
Rome

cc: Finance S/C
Executive Commissioner
CC Files

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9

Rome, Italy
March 3, 1945.

Dear Admiral Stone,

For your information I am transmitting below in paraphrase pertinent portions of a telegram just received from the Department of State with respect to the proposed reorganization of Istatambi:

It is the view of the Government of the United States that since Istatambi and its policy personnel were intimately associated with the Fascist regime, that organization, under its present name or any other title, should not be continued. Although the Government of the United States is not inclined to interfere in matters of organization of the Italian Government, its considered opinion is that it would be to the best interests of the Italian Government to liquidate entirely Istatambi and to place with some other agency the function of exchange control. No transfer of personnel should be made to such other agency from Istatambi unless the Italian authorities have weeded out all Fascists by careful screening. The Bank of Italy appears to be the logical agency in which the exchange control function should be placed, although it is for the Italian Government to make the choice of such an agency.

I am informed by the Department that the British concur with the views expressed above.

Sincerely yours,

(signed) A. Kirk.

Admiral Ellery W. Stone,
Chief Commissioner,
Allied Commission,
Rome.

cc: Finance B/C
Executive Commissioner
CC Files

See 13
3853

~~SECRET~~FX 29107
FEB 181239AD/2389
FEB 181940A
ROUTINE
FEB 19 1945

FROM: AFHQ SIGNED ALEXANDER CITE FIDEG

TO: AGWAR FOR CCS FOR CCAC REHEATED FOR INFORMATION TO AMBRO FOR BRITISH CHIEFS
OF STAFF AND HQ COMZONE MAIN ETOWSA AND HQ ALCON

SECRET.

FOR INFORMATION ONLY

Reference TAM aigram 24 of 11 October this is MAT 541.

Agency to exercise Italian Foreign Exchange control is subject.

1. Ministry of Treasury, in reply to Chief Commissioner AC letter to Prime Minister on subject of agency to exercise exchange control (see section I, C of Finance SubCommission report for December 1944) stated he accepted substance of recommendations with certain exceptions. He agreed necessity reestablishment effective exchange control soon as possible and proposed formation of following inter-ministerial committee for policy consultation:

President-Minister of Treasury; VicePresident-Governor of Banca D'Italia;
Members-Ministers of Foreign Affairs, Finance, Agriculture, and Industry, Commerce and Labor.

2. As regards the technical executive organization, Minister proposes substantial reorganization ITCAMBI, with Governor of Banca D'Italia as President, and as Board of Directors the Direttore Generale of Treasury, Chief of Ufficio Valute of Treasury and 3 officials appointed by Ministries of Foreign Affairs, Agriculture, and Industry, Commerce and Labor. Minister proposes that the control (retaining the old name ITCAMBI) would be autonomous but working closely with Banca D'Italia.

3. Minister of Treasury indicated he will proceed draft necessary decrees

~~SECRET~~

~~SECRET~~

- 2 -

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(EX 29107 continued)

and present them to Council of Ministers. Your opinion requested in MAT 529 ADCTO
use name ISTCMBI.

FOR INFORMATION ONLY

DIST

INFO-ACTION: Finance S/C
INFO: A/President
Chief Commissioner
SO to Chief Commissioner
Executive Commissioner
Econ Sec
File



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~~SECRET~~

785017

This copy to: Chief of Staff.

460814

EWS/adm.

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13012/F

CONFIDENTIAL

27 December 1944.

28 DEC 1944

2

My dear Mr. Prime Minister:

I am enclosing copy of a memorandum addressed to me by the Joint Director of the Finance Sub-Commission dealing with the reconstitution of exchange control in Italy. You will appreciate that the views expressed therein are based upon technical considerations.

The memorandum indicates that discussion on this matter by the Finance Sub-Commission has been restricted to conversations with H.E. The Minister of Treasury and the Commissario of the Banca d'Italia. As the question of exchange control is one of national importance, vitally affecting the economic relations of Italy with the rest of the world, I suggest that you may wish to discuss the subject on a broad basis with all interested Ministries.

Yours very truly,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

His Excellency Ivanoe Bonomi
The President of the Council of Ministers
Italian Government
Rome

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see Minute

PA 23

785017

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

2

Ref No : 13012/P

27 December 1944

SUBJECT: Constitution of Exchange Control in Italy.

TO : Chief Commissioner, Allied Commission.

1. The Combined Chiefs of Staff have urgently requested the Allied Commission to report on the progress of the reconstruction of an exchange control organization in Italy. Until the Armistice, the control of international payments in Italy was exercised by a semi-autonomous body known as the Istituto Nazionale per i Cambi con l'Estero (Istocambi). The Bank of Italy controlled the foreign exchange operations of commercial banks for Istocambi through the Ispettorato del Credito. When the Ministero degli Scambi e Valute was dissolved, its jurisdiction over Istocambi passed to the Ministry of the Treasury. Istocambi has never been permitted to function in liberated Italy.

2. Numerous discussions have taken place with the Minister of the Treasury and the Commissario of the Bank of Italy on the above subject. The Minister of the Treasury wishes to revive Istocambi and to centralise exchange control operations in that body for the following reasons:

(a) Exchange control is a financial function and should, therefore, be exercised by the Treasury.

(b) If the officials of Istocambi, suspended under the Defascistization programme, are cleared, it will have competent personnel.

(c) The Bank of Italy, when it exercised exchange control under ex-Governor Assolini prior to 1934, did not function satisfactorily.

3. The Finance Sub-Commission, on the other hand, believes that Italian and Allied interests would be better served if exchange control were placed in the Bank of Italy. With respect to the position of the Ministry of the Treasury, the following may be noted:

(a) The Ministry of the Treasury directs the policies of the Bank of Italy and would, therefore, assume responsibility in policy questions of exchange control. Other interested Ministries would have to be consulted as well in the formulation of policy. The Bank of Italy would only serve as the technical executive organization in Italian foreign exchange control.

(b) All competent personnel of Istocambi not separated could be taken over by the Bank of Italy.

(c) While the Bank of Italy's control some years ago may have been inadequate, Istocambi's control was likewise unsatisfactory.

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- 2 -

4. There are positive reasons why the Finance Sub-Commission believes that technical functions of exchange control should now be placed in the Bank of Italy:

(a) The Bank of Italy is the most effective financial organization to handle the technical side of foreign exchange control.

(b) The Bank of Italy is the least politically-inclined organ of the Government. Therefore, its operations would tend to be governed by technical considerations.

(c) The Central Banking functions of the Bank place it in a strategic position to combine internal and external monetary policies in a manner best calculated to meet the interests of Italy.

(d) The Bank of Italy still carries abroad a degree of prestige which would facilitate financial relations between Italy and other countries.

5. It is also believed that Iateambi should be dissolved. This could best be done by constituting a section of the new exchange control authority which would have the function of liquidating the Istituto as soon as possible.

(Signed) A. D. GRAFTY SMITH

Joint Director,
Finance Sub-Commission.

APCS/jbh

0 9 6 7 |