ACC

10000/136/435

435

FOREIGN EXCHANGE, ITALY
DEC. 1944 – OCT. 1946

4611/CC

LIST OF PAPERS

Office of the
Chief Commissioner

File under No. 4611 FOREIGN EXCHANGE, ITALY.

ALLIED COMMISSION

SECRET

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
14	Memo, Stone	26 May 45	Antolini	Mond Committee will wish discuss inequality in exchange rate problems.
15	13012/F, Grafftey-Smith	22 Sep 45	Dist	Lira exchange rates (TAM-684)
15a	Uff Ital Cambi, Einaudi	24 Sep 45	Stone	Signatures of Uff Ital dei Cambi.
16	13012/F, Grafftey-Smith	25 Sep 45	CC	Dollar-Sterling exchange rate.
17	Cbl AFHQ, MAT-917	25 Sep 45	CCX	Exchange rates for use by IG.
18	13012/F, Menapace	12 Oct 45	CC, Ex C	Lira exchange rates. (TAM 684 & TAM 701
19	Ltr 13106/F Timmons	17 Jan 46	CC	Italian Import - Export Financ. Policy
20	Ltr G-5 973.21	4 Oct 46	CC	Re foreign exchange regulations

2422

SECRET

4611/CC

Office of the
Chief Commissioner

ALLIED COMMISSION

LIST OF PAPERS

File under No. 4611 FOREIGN EXCHANGE, ITALY

SECRET

Page 1

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
1	Ltr Finance	20 Dec 44	CC AC	Request for help in approaching Bonomi with respect to controlling arm of for.eexch. within It Govt.
2	Ltr Stone	27 Dec 44	Bonomi	Enclosed is Ltr from Finance sub-com; pls discuss with Govt
3	Ltr Densmore 11.05/ES	27 Dec 44	Soleri, Minister of Treasury	Govt expected reestablish exchange control agency to supervise Ital-neutrals financial transactions
4	Cbl AFHQ MAT 505 FX-91893	26 Jan 45	CCS	Certification of requests for foreign exchange made by It Missions
5	Cbl AFHQ, MAT 529 (FX-25029)	11 Feb 45	CCS	Bank of Italy requests opinion of US/UK public reaction if ISTCAMBI retains name in reorganization.
6	Cbl AFHQ MAT 541 FX29107	18 Feb 45	CCS	Agency to exercise Ital Foreign Exchange Control
7	Cbl WAR 40529 CCS	20 Feb 45	AC	Export Porceeds to be deposited
8	Ltr Alex Kirk	3 Mar 45	Stone	US/UK FOs hold view ISTCAMBI shd be abolished;Banca d'Italia could do exchange control.
9	CC-4611, Quayle	5 Mar 45	Alex Kirk	Tnx for ltr 3 Mar on ISTCAMBI.
2421 10	CC-4611, Quayle	5 Mar 45	Finance S/C	Kirk's ltr on ISTCAMBI foraction
11	13228/F, Stone	6 Mar 45	Alex Kirk	Tnx for ltr on Istcambi. Fin S/C suggested answer to CCS.
12	Cbl AFHQ, MAT 574	7 Mar 45	CCS	IG requests permission rates of exchange TAM 467;also rates of currencies others than MAT 490.(???)
13	Cbl AFHQ, MAT 583	12 Mar 45	CCS	ISTCAMBI being liquidated,to be superceded by autonomous agency....

SECRET

COPY

OCT 14 1946

ALLIED FORCE HEADQUARTERS
G-5 Section
APO 512

G-5: 975.21

4 October 1946

SUBJECT: Foreign Exchange

TO : Headquarters,
AMG XIII Corps

1. In Italy as you are aware the foreign commerce regulations produce, in broad outline, the position that an exporter is permitted to use for his own account half of the foreign exchange he gets from the transaction; the other half is at the disposal of and used by the Italian Government, repayment for that half being made in lire to the exporter.

2. Will you please state the procedure for dealing with the foreign exchange earned by exports from Zone A.

3. In the event of any such balances of foreign exchange standing to the credit of AMG the amounts will be reported to this Headquarters.

BY COMMAND OF LIEUTENANT GENERAL MORGAN:

sgd. [illegible]
Colonel G.S.C.
Assistant Chief of Staff, G-5

4611/ac

Copy to:
Chief Commissioner
Allied Commission
APO 794

2420

(20)

OCT 14 1946

ECONOMIC SECTION

Date 12 OCT 1946

Fr		To	Fr		To
	Acting Vice President			Chief Commissioner	
	Chief Staff Officer			Executive Commissioner	
	Admin. Pers. Officer			Civil Affairs Section	
	Message Center			Establishments Section	
				G-1 (A)	
				G-1 (B)	
	Sup. Op. VC/Udine				
	C.E.M. Br.			ATTENTION OF :	
	Food. & Agriculture Br.				
	Ind. & Utilities Br.				
	Tn. & Shipping Br.				
	Commerce Br.				
	For appropriate action			Information	
	Please see me			Investigation Report	
	Dispatch			Note & Retain	
	Circulation & Return			File	
	Signature			Concurrence	

NOTE : Initials should be placed in correspondence and not on this sheet.
Please use Routing & Work Sheet for comments.

2419

CONFIDENTIAL

HEADQUARTERS ALLIED COMMISSION
FINANCE SUB-COMMISSION
APO 394

13106/F

17 January 1946

SUBJECT : Italian Import - Export Financing Policy.

TO : The Chief Commissioner.

1. I refer to your letter 13106/F of 7 November, 1945 to G-5 AFHQ (copy attached at Tab "A"), transmitting the Italian Government's program for import - export financing with the suggestion that it be forwarded to CCS.

2. CCS has now replied in TAM 735, of 10 January, 1946 (copy attached at Tab "B"). AFHQ has stated that no action in the matter is required by the Allied Commission.

4611/11

[signature] Simmons
Ft. Col.
Director
Finance Sub-Commission

2418

Copy to : U.S.Embassy (Dr.Tasca)
British Embassy (Sir R.Nosworthy)
Executive Commissioner
A/VP, Economic Section

File ✓ 5

19

COPY

ALLIED FORCE HEADQUARTERS
G-5 SECTION
APO 512

CONFIDENTIAL

12 January 1946

FILE : G-5/383.8

SUBJECT : Italian Import - Export Financing Policy.

TO : Headquarters Allied Commission APO 394
(Attention : Finance Sub-Commission)

1. Reference is made to your 13106/F of the 7 Nov. 45 and 13091/F of the 29 Nov. 45.

2. Enclosed herewith is a copy of TAM 736 which is the reply to MAT 950 of 10 Nov. and MAT 969 of 4 Dec.

3. It will be seen from contents of above reply that no action is required by Allied Commission.

BY COMMAND OF LIEUTENANT GENERAL MORGAN :

A.L. HAMBLEN
Brigadier General, G.S.C.
Assistant Chief of Staff, G-5.

2417

(19)

COPY

AFHQ MESSAGE CENTER
INCOMING MESSAGE

FILED : 101830A PARAPHRASE UNNECESSARY AFSC N 59/II
ROUTINE CONFIDENTIAL

FROM : AGWAR FROM CCS

TO : AFHQ FOR MORGAN, INFO : CABINET OFFICES WHITEHALL FOR BRITISH CHIEFS OF STAFF.

REF NO THIS MESSAGE : W 92331 10 January 1946

For FROEC.

Cite CCAC.

This is TAM 730.

Refer MAT 950

Italian Government proposed import and export Financial Policy

Since Italy is now free to set exchange rates and to control foreign trade, No. objection should be raised by Allied Commission to proposals reported in MAT 950. Views of US and UK Governments on relation of proposed plan to Military conversion rates and other matters will be discussed through diplomatic channels.

For your information both Governments reserve right to press for application of any special exchange rate or pratical equivament thereof to their military personnel.

NOTE : MAT 950 is ref FX 58587 MC OUT 169 4/12/45 G-5
MAT 930 is ref FX 58656 MC OUT 794 10/11/45 G-5

2416 ACTION : G-5

INFORMATION : C/S MTO FISC DIR RADMIN G5PCLAD

PARAPHRASE UNNECESSARY
MC 161622 II JAN 46 CONFIDENTIAL 0725A Ref No. W92331 hs/G

12406/F 4 November 1945

SUBJECT : Italian Import-Export
Financing.

TO : Assistant Chief of Staff, G-5,
AFHQ.

1. I attach hereto a copy of a letter, and translation thereof, from the President of the Council of Ministers, stating that the Italian Government intends to adopt a program of surcharging imports and granting an exchange premium on exports, using the same coefficient for both purposes.

2. This program represents the adoption of a major financial policy by the Italian Government, and as such should be referred to CCS for their information and consideration by the interested Governments, in accordance with para 2 of FAN 604, dated 11 September 1945; para 1 of FAN 701, dated 9 October 1945; and the spirit of para 7 of FAN 583, dated 3 July 1945. The Prime Minister's letter does not ask for a reply, as there does not appear to be any directive requiring the Italian Government to consult with or obtain clearance from the Allied Commission for an action of this type.

(Sgd.)

ELLERY W. STONE,
Rear Admiral, USNR,
Chief Commissioner.

415

(19)

371

Translation

The President of the Council of Ministers

S. 10.399

Rome, 26 Ottobre ~~November~~ 1945

My dear Admiral,

You are certainly aware that the difference between Italian internal prices and international prices prevents the resumption of our exports which would be so necessary to supply us with available value.

The Interministerial Committee for Reconstruction, which dealt with this matter, excluded for obvious reasons a modification of the relation of exchange between the lira and foreign values, and suggested adopting one increased coefficient for all wares and all countries, that would be the same for imports and exports, to be used as an instrument for the operation aiming at balancing the level of internal prices with that of international prices. For the present time, the proportion of this corrective would be of 100 %, meaning 200 L. for one U.S.A. dollar. In such a way, all exporters would cash twice the official exchange in Italian value, and all importers would pay the value granted to them on the same basis.

For what concerns direct purchases, the State keeps the right of assigning goods within the country at prices more in accordance with those of the Italian market. Besides, if it is necessary for reasons of a social character, the Treasury will assume the burden of financing the sale of some imported products (wheat, foodstuffs, etc) undercost, setting the operation in evidence in its accounts.

The account keeping regarding the said coefficient would be managed by the Foreign Trade Fund, foreseen in a decree which is now being published, and was presented by the Ministry for Industry and Commerce, with the agreement of the Interministerial Committee for Reconstruction.

The temporary character of the measure, and the use of the increased coefficient as manoeuvring instrument are ideas which require more explanations. With the incoming of foreign supplies, the resumption of Italian economic activity, and with the surplus which the Foreign Trade Fund could leave available to be partly reabsorbed in circulation, we have reasons to hope that the level of internal prices may be destined to decrease and balance that of international prices.

To facilitate this tendency and hasten its course, it has been foreseen that later on, the increased coefficient at present adopted might be reduced.

2414

I shall be happy to give you whatever explanation you may want.

2

Truly yours,

s. Ferruccio Parri

Admiral Ellery W. Stone
Chief Commissioner
Allied Commission
Rome

e/c

19

SECRET

OCT 12 RECD
CC 1800

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB COMMISSION

13012/F

12 October 1945

SUBJECT : Lira Exchange rates.

TO : See Distribution.

attached
4611

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.

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

R A Renapece
Col.
Director,
Finance Sub Commission

4611 cc

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

2413

18

SECRET

SECRET

COPY

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 583 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.

2412

18

SECRET

SECRET

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB COMMISSION

13012/F 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.

Director,
Finance Sub Commission

2418

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SECRET

BELT/pmf

RESTRICTED

FX 45539
SEP 251136A

F/9077
SEP 261730A

ROUTINE

ALEXANDER CITE FHGES
ACTION ALL MAT ADDRESSEES INFO ALCOM

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 andoned, 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.

2410

DIST

INFO-ACTION: Finance SC
INFO: Chief Commissioner
Econ Sec 2
Commerce
File 2
Float

17

RESTRICTED

SEP 25 RECD
CC 1103

HEADQUARTERS ALLIED COMMISSION
APO 394
Finance Sub-Commission

25 September 1945

Ref: 13012/F

SUBJECT: Exchange rates

TO: The Chief Commissioner

17

1. I refer to our 13012/F of 22 September 1945 to you, on the exchange rate question.

2. I think you will be interested in the attached extract from The Economist of 8 September, 1945, commenting on the rumours that sterling was to be devalued in relation to the dollar. The article concludes that there are no rational grounds for fixing a new rate at this time.

3. Incidentally, although the first paragraph of the article states that if U.K. adheres to Bretton Woods, the initial parity for sterling will be the rate ruling on 1 November, 1945, the text of the Articles of Agreement of the International Monetary Fund provides a procedure for adopting a new par value. I append for your information the relevant extract from Article XX.

A.P. Grafftey-Smith
Brig.

Joint Director
Finance Sub-Commission

Attachments

2409

4614

16

Extract from "THE ECONOMIST" of September 8, 1945

THE STERLING-DOLLAR RATE

It is perhaps only natural that the cancellation of Lend-Lease and the first really public ventilation of Britain's dollar difficulties should have given rise to some speculation about the possibility of an early adjustment in the sterling-dollar rate. In informed circles, too, it has long been recognised that the chances of a change, slender though they may be, are certainly greater now than at any time during the war, because of the approach of the critical dates fixed under the Bretton Woods agreement: if Britain adheres to the agreement, the initial parity for sterling will be the rate ruling on November 1st next. Finally, despite official statements to the contrary, some banking quarters insisted on construing the recent change in the status of "registered" sterling as an indication that an alteration in the rate was at all events under consideration. Until the end of this month any balances on an "American" sterling account (successor to the old "Registered" accounts) carries a guarantee of convertibility into dollars at the present official rate of 4.02½, provided the amount does not exceed the balance as at June 30th last. But after September 30th the right to convert can be exercised only at the official rate ruling at the time.

As if to give point to these various suggestions of impending depreciation of sterling, the enthusiastic Fiscal Director of US Headquarters' Theatre Service Forces in Paris last week issued a notice to US personnel calling attention to the altered regulations, explaining how sterling balances could be remitted to the United States, and advising that they should not be further increased. A few days earlier, moreover, the talk of depreciation had produced a violent speculative rebound in the Bombay bullion market, already in a highly sensitive state in consequence of the sales precipitated by the sudden collapse of Japan. (It is worth noting, parenthetically, that speculative purchases of bullion on the prospect of a fall in sterling impliedly assumed that, on any such movement, the rupee would move in step; this belief is hardly in line with the frequent - though highly questionable - suggestions from India that the present rupee ratio is too high.

NO CASE FOR CHANGE

Belief in the possibility of a lower sterling - dollar rate, though it has never really taken root in the City, has evidently been spreading abroad. The British authorities, of course, cannot be expected to declare their intentions. But it ought to be evident to any objective observer that there are no conceivable grounds for a depreciation at this stage. Under present conditions, it is indeed quite impossible to know whether sterling is overvalued or undervalued at its current level, and none can yet foresee how relative sterling and dollar prices will settle down at the end of the major reconversion phase. When the means for rational judgement are virtually non-existent, there is no doubt that the rate that has obtained for six years is the most satisfactory rate - and it will remain so for so long as the uncertainty continues. Britain's difficulties on capital account, which are the immediate cause of public speculation about the rate, have long been apparent to the authorities, and the broad magnitude of the problem has not been materially altered

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Much more important even than these arguments against depreciation is the fact that for the next year or two at least there will still be a seller's market throughout the world. The only justification for exchange depreciation at any time is to restrain imports and to provide a necessary stimulus to exports by relieving the pressure on domestic costs. But in the transition phase, at least, Britain's imports will be limited, as now, by direct action, and it is imperative that the cost of them shall not be increased by cheapening sterling. Conversely, during this phase the limiting factor upon British exports will not be the level of British costs - important though that is for the longer run - but simply the capacity of British industry to produce the goods and the willingness of the British public to do without them. The overseas markets will for a time have a voracious appetite. Whilst it may be against Britain's long-term interests to exploit this situation by charging up to the very limits of what the traffic will bear, there is emphatically no case for price-cutting - which is what exchange depreciation would amount to. In sum, it would be sheer folly to reduce the rate while these conditions obtain. And there is no reason whatever to suppose that the authorities do not share this view.

16

Extract from

Articles of Agreement
INTERNATIONAL MONETARY FUND
and
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

....

Article XX. Final Provisions

....

Sec. 4. Initial determination of par values.

(a) When the Fund is of the opinion that it will shortly be in a position to begin exchange transactions, it shall so notify the members and shall request each member to communicate within thirty days the par value of its currency based on the rates of exchange prevailing on the sixtieth day before the entry into force of this Agreement. No member whose metropolitan territory has been occupied by the enemy shall be required to make such a communication while that territory is a theater of major hostilities or for such period thereafter as the Fund may determine. When such a member communicates the par value of its currency the provisions of (d) below shall apply.

(b) The par value communicated by a member whose metropolitan territory has not been occupied by the enemy shall be the par value of that member's currency for the purposes of this Agreement unless, within ninety days after the request referred to in (a) above has been received, (i) the member notifies the Fund that it regards the par value as unsatisfactory, or (ii) the Fund notifies the member that in its opinion the par value cannot be maintained withint causing recourse to the Fund on the part of that member or others on a scale prejudicial to the Fund and to members. When notification is given under (i) or (ii) above, the Fund and the member shall, within a period determined by the Fund in the light of all relevant circumstances, agree upon a suitable par value for that currency. If the Fund and the member do not agree within the period so determined, the member shall be deemed to have withdrawn from the Fund on the date when the period expires.

....

2407

16

179

SEP 26 RECD
CC1101
CC FILES

Translation

Ufficio Italiano dei Cambi

The President

Rome, 24 September 1945

00025

Dear Admiral,

I have the honour of enclosing a few copies of the two circulars containing the fac-simile of the authorized signatures of the Ufficio Italiano dei Cambi, acting as such as well as functioning as liquidator of the Istituto Nazionale per i Cambi con l'Estero.

Created by D.L.L.17/5/1945, in force on 2/8/45, the Ufficio Italiano dei Cambi is the organization which is entrusted with the control of the currencies formerly exercised by the no longer existing Istcambi, whose tasks and functions are now fulfilled by the said Office.

Regarding this control, I have kept in mind the requests you made to the Chief of the Italian Government, in the name of the Allied Commission, in your letters of the 18th and 31st of July, letters which I have taken in due consideration, and which I made the subject of a communication to the Board of Managers of the Office in the first meeting, on August 27th.

I can assure you that the Council has acknowledged the requests of the Allied Commission, and that, in what concerns the functions of the Office, which are of an executive character, it will take all the initiatives deemed necessary to have the monetary control reach the desired end.

I remain, my dear Admiral,

Yours sincerely,

s. Luigi Einaudi

2406

Admiral Ellery W. Stone
Rear-Admiral, U.S.N.R.
Chief of the Allied Commission
Rome

EC DIST - 25 Sep 45
Action : Finance S/C
Info : Chief Commr
Exec Commr
Econ Sec

trans. e/c

15a

SEP 22 RECD
CE 1201

HEADQUARTERS ALLIED COMMISSION
APO 394
Finance Sub-commission

SECRET

Ref: 13042/F 22 September 1945

SUBJECT: Lira exchange rates

TO: See Distribution

1. Attached are copies of :-

(a) paraphrase of FAN [illegible] of [illegible] September 1945, copy of which was sent by Financial Adviser G-5, A.F.H.Q. to Finance Sub-Commission.

(b) Our reply to G-5 A.F.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 similarly 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. Grafftey-Smith
Brig
Joint Director
Finance Sub-commission

See (18)

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

2403

15

SECRET

PARAPHRASE

FROM: AGWAR from CCS cite CCAC

TO: Alexander cite FHGEG. Info to BCS

REF.NO.: W-66978, dated 19 September 1945.

This is FAN 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 CCS 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.

2404

S E C R E T

14

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

Ref: 13012/F

22 September 1945

SECRET

SUBJECT: Exchange rates.

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, irrespective 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 many 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

[illegible]
to the official dollar - sterling rate of 4.025 dollars equal one pound sterling ?

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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
2403 there would be a general adjustment of exchange rates, but that such 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 the introduction of an import - export financing scheme which would compensate exports whose foreign exchange value did not cover their lira procurement cost by surcharging imports. The plan would presumably be an interim measure to be used pending an exchange rate adjustment. If, however, inter-relationship of exchange rate considerations are no longer considered of importance, the Italian Government

10

might well/

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. GR[illegible] SMITH
Brigadier

Joint Director,
Finance Sub-Commission.

BELT:jbh

2402

SECRET

CROSS REFERENCE SHEET

Ltr Stone 26 May 1945

to Antolini, VP, Econ Sec

Please consult with Sub-Commissions on attached so as to have clear-cut program to discuss when MEAD COMMITTEE arrives.

INCL: Tel from Paris on Mead Committee

Committee interested in:

x - 4611 CC a. Inequality in exchange rate (problems arising out of)

b. German CA problems

c. Difficulties of organ. & admin. of overseas civ. agencies

x - 4052 CC d. DISPOSAL OF SURPLUS PROPERTY

1. Procedures to be followed, etc.
2. Use for rehabilitation, etc.
3. Disposition of military stockpiles.

DOCUMENT FILED IN 563 CC (Missions)

SECRET

2401

14

MAR 13 RECD
CC 679

MAT 583
FX 42019
MAR 121153

CONFIDENTIAL

W/4860
MAR 130830
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHCEG

AGWAR FOR CCS FOR CCAC RPT FOR INFO TO AMSSO FOR BRITISH CHIEFS OF STAFF AND HQ COMZONE MAIN ETOUSA, HQ ALCOM

CONFIDENTIAL.

(Reference TAM 481 this is MAT 583)

Agency to exercise Italian Foreign Exchange Control is subject.

Para 1. In course of the long discussion with Banca D ITALIA and Treasury, Allied Commission proposed that Banca D ITALIA be the operating agency in foreign exchange for account of Treasury and under Treasury direction in matters of policy substantially as recommended by you in TAM 481.

Para 2. However, Italian Governement and Banca D'ITALIA have decided to proceed as follows: Istcambi is being liquidated and, as reported 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. This autonomous agency will be a corporate body of which all capital shares will be owned by the Banca D'ITALIA. This has been a common procedure in the Italian Government; for example, Banca D'ITALIA has 3 such corporations for such purposes as industrial and agricultural credit. It is felt, therefore, that the Italian proposal substantially meets views as stated in para 1 above.

Para 3. As stated in MAT 554 CAS some of personnel of Istcambi are in German controlled ITALY; many who remained behind are suspended and awaiting epuration hearings

2400

(13)

CONFIDENTIAL

CONFIDENTIAL

Cont.

(As noted). (Finance Sub-Commission AC report for July 1944, 28 ~~officiaes~~ 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 Istcambi is considered undesirable and expressed no interest in retaining old name.

DIST

INFO-ACTION FINANCE SC (2)
INFO A/PRESIDENT
CHIEF COMMISSIONER
ECON SEC
FILE

2399

~~CONFIDENTIAL~~

(3)

SECRET

FX 39426
MAR 07/1913

D/4438
MAR 08/0700
ROUTINE

AFHQ SIGNED ALEXANDER CITE: FHGEG
AGWAR FOR CCS FOR CCAC RPTD FOR INFO: AMSSO FOR BRITISH CHIEFS OF STAFF AND HQ COMZONE MAIN ETOUSA AND HQ ALCOM ROME.

MAT 574

SECRET.

AC advises Minister of Treasury has now requested permission be granted Italian Government soonest possible to apply rates of exchange approved TAM 467 to all types of transactions. This is MAT 574. On grounds that is is urgently necessary that government be able to purchase such exchange from its citizens at an agreed rate now that it is beginning to mobilize its foreign exchange assets for diplomatic expenses. Minister also requested information as to the fixing of rates for currencies other than those named in MAT 490. Assume such proposed rates should be referred for your approval.

DIST

Info-Action: FINANCE S/C
Info: A/PRESIDENT
CHIEF COMMISSIONER
ECON SEC
FILE 2
FLOAT

2398

22/1194

12

SECRET

13228/F

6 March 1945

Dear Mr. Kirk:

(2)

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

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

NO

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.F.H.Q.

Very truly yours,

/s/ Ellery W. Stone

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

The Honourable Alexander Kirk,
American Embassy,
Rome.

2397 cc. Finance S/C
Executive Comm.
CC Files.

11

SUGGESTED CABLE TO C.C.S.

REFERENCE TAM 481. Agency to exercise Italian Foreign Exchange Control is subject. Istcambi 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 Istcambi 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 Istcambi is considered undesirable and expressed no interest in retaining old name.

2395

See 13

11

CC 633.

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION
TEL: 417/553

13228/F

6 March, 1945

SUBJECT: Istcambi.

TO : Chief Commissioner

As requested in your CC 4611 of 5 March, 1945, there is attached a suggested reply to Ambassador Kirk.

J. J. Lawler
Cmdr U.S.C.G.R.
Joint Director,
Finance Sub-Commission.

CC 11194

2393 APP.

JAQ/bd

CC 4611

5 March 1945

Subject: Foreign Exchange Control - ISTCAMBI

To: Joint Directors
Finance Sub-Commission

(8+9)

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.

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

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

cc: Executive Commissioner
CC Files

See (11) APP

4611/CC

2394

10

JAQ/hd

CC 4611

5 March 1945

My dear Mr. Ambassador:

(2)

I am directed by Admiral Stone to thank you for your letter of March 3rd on the subject of the proposed reorganization of ISTCAMBI. 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

4611/CC

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

(10)

cc: Finance S/C
Executive Commissioner
CC Files

2390

(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 Istcambi:

> It is the view of the Government of the United States that since Istcambi 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 Istcambi and to place with some other agency the function of exchange control. No transfer of personnel should be made to such other agency from Istcambi 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.

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

Sincerely yours,

A. Kirk

Sec (9)

(8) Admiral Ellery W. Stone,
Chief Commissioner,
Allied Commission,
R o m e.

22/1194

CONFIDENTIAL

WARX 40329 COM 38
FEB 20/2055

D/2712
FEB 21/1110
ROUTINE

CCS CITE UCAO
ALLIED COMMISSION, INFO: AFHQ FOR FHGSG AND UK BASE SECTION FOR CABINET SECRETARIAT.

CONFIDENTIAL.

Refer MAT 470, MAT 516, TAM 200, TAM 429, and COM 33.

Export proceeds.

The export proceeds are still being held by the US Commercial Company as outlined in the above TAM-MAT cables. If you concur in the policy stated in COM 33, the export proceeds (minus the 100,000 dollars asked to be employed in meeting I-2 requisitions) will be deposited at the US Commercial Company to the AF account of the Bank of ITALY in the guaranty Trust Company of NEW YORK when this account is opened.

DIET

Action: ECON SEC 5
Info: A/PRESIDENT
CHIEF COMMISSIONER
FILE 2
FLOAT

22391

(7)

CONFIDENTIAL

CC 498

SECRET

FEB 19 RECD

FX 29107
FEB 181239A

D/2389
FEB 181940A
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHGEC

AGWAR FOR CCS FOR CCAC REPEATED FOR INFORMATION TO AMSSO FOR BRITISH CHIEFS OF STAFF AND HQ COMZONE MAIN ETOUSA AND HQ ALCOM

SECRET.

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

(2)

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; Memebers-Ministers of Foreign Affairs, Finance, Agriculture, and Industry, Commerce and Labor.

2. As regards the technical executive organization, Minister proposes substantial reorganization ISTCAMBI, 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 ISTCAMBI) would be autonomous but working closely with Banca D'Italia.

239

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

See (13)

SECRET

SECRET

(FX 29107 continued)

5

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

DIST

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

89

6

SECRET

RESTRICTED

CC

FX 25029
FEB 11/1848

D/1566
FEB 12 /0930
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHGEG FHGEG

ACTION: AGWAR FOR CCS FOR CCAC INFO: AMSSO FOR BRITISH CHIEFS OF STAFF , HQ COMZONE MAIN ETOUSA, HQ ALCOM.

RESTRICTED.

This is MAT 529.

BANCA D'ITALIA would appreciate expression of your opinion of public reaction in US and UK were reorganized Italian Foreign exchange control to retain name ISTITUTI NAZIONALE PER CAMBI CON L'ESTERO (ISTCAMBI). ISTCAMBI has existed since 1917 but came under cloud as instrument of Fascist Policy. Reorganization would be simplified by retaining name. Decree is being drafted and reply is desired as soon as possible.

See (8)

DIST

INFO-ACTION : FINANCE SC

INFO : A/PRESIDENT
CHIEF COMMISSIONER
ECON SEC
FILE (2)
FLOAT

2/11/44

2388

(5)

RESTRICTED

CONFIDENTIAL

FX91893
JAN 261835A

E9576
C/
JAN 270830A
ROUTINE

AFHQ SIGNED ALEXANDER CITE FHGEG

AGWAR FOR CCS FOR CCAC REPEATED FOR INFORMATION TO AMSSO FOR BRITISH CHIEFS OF STAFF AND HQ COMZONE MAIN ETOUSA AND HQ ALCOM

CONFIDENTIAL. (Refer TAM 396 of 21 December this is MAT 505).

Certification of requests for foreign exchange made by Italian missions is subject.

1. Recommend simplification of certification procedure for use of dollars in AF accounts. Follows. Procedure for use sterling will be dealt with in answer to CIVMED 16 of 6 January.

2. Propose simultaneous notification U. S. Treasury and Correspondent Bank by RCA radio circuit via State Department. This channel now being used by AFA NAPLES. Such advices would contain specific AF account to be debited, amount and purpose of payment, and additional notice to Treasury that AC and Ministry of Treasury have approved debit. Confirmation notice from Italian bank to U.S. Correspondent Bank would follow by mail sent through APO channel via AC until civilian mails involve less delay.

3. In instances where delay in transmission is unimportant, propose that original notification to correspondent bank be sent by Italian bank via AC through APO channel. AC would forward notice to U. S. Treasury as above via this Headquarters and WAR DEPARTMENT.

4. Reference your paragraph 2. As long as civilian channels are inadequate

387

(4)

CONFIDENTIAL

CONFIDENTIAL

(FX91893 continued)

and AC must play indispensable role in communications, consider that instructions to Italian banks should continue to be given through AC.

DIST

Info Action Finance S/C

Info A/President
Chief Commissioner
Econ Sec
Communications
File (2)
Float

122386

CONFIDENTIAL

(4)

C-O-N-F-I-D-E-N-T-I-A-L

HEADQUARTERS ALLIED COMMISSION
APO 394
ECONOMIC SECTION

LDD/es

11.05/ES

27 December 1944

SUBJECT: Italian Foreign Exchange Assets.

TO : H. E. Marcello Soleri
Minister of the Treasury

1. From time to time there have been discussed numerous specific problems involving the use and control of Italian foreign exchange assets. In the light of several communications received from the Combined Chiefs of Staff, I feel that the time is appropriate to review the position and agree upon a wide coordinated program, the various parts of which can be implemented as the opportunity presents itself.

2. The Italian Government is expected to re-establish at the earliest possible date an adequate exchange control organization to supervise all financial transactions between Italy and neutral countries. It is my understanding that the agency which would exercise this control is a subject now under reference to the President of the Council of Ministers by the Chief Commissioner of the Allied Commission.

3. The work of the exchange control agency can in the immediate future play an important role in the rehabilitation of Italy. It is the wish of the Allied Commission that the Italian economic system be rehabilitated as rapidly as the present military exigencies allow. To this end, as you know, steps are now being taken to prepare a comprehensive import program coordinated with the supply programs of the United Nations. Consideration must also be given, however, to the assistance that Italy can obtain from neutral countries. It is most desirable that your Government take immediate steps to mobilize all available foreign exchange assets in neutral countries for its own use, including investigation of the possibility of obtaining contributions or advances frm Italian firms operating in such countries. For example, we are informed that the Pirelli interests and the Banca Nazionale del Lavoro are in a position to make contributions or loans towards the financing of your diplomatic mission in Spain. Also, the proceeds of Italian exports to neutral countries can be used to pay for goods shipped by neutral countries to Italy. It must however be clearly understood that the transfer or employment of any assets in neutral countries will not be effected without consultation with and prior approval of the Allied Commission.

2387

4. It is therefore desirable, in order to prevent the dissipation of pre-Armistice foreign exchange assets and to conserve current accruals, that Italian Missions in neutral countries be instructed that a direct control over Italy's foreign exchange assets will henceforth be exercised and that no payments or transfers will be made except on proper authorization.

C-O-N-F-I-D-E-N-T-I-A-L

The Allied Commission will do everything in its power to assist the Italian Government in the realization of the objectives described above. All transactions in Italian foreign exchange transactions will, of course, continue to require, as in the past, the prior approval of the Allied Commission through the Finance Sub-Commission.

5. In general, the use of Italian foreign exchange assets in neutral countries will be approved for the following purposes:

(a) Expenditures of Italian diplomatic missions to the extent approved by the Allied Commission;

(b) Payments required for the maintenance and supply of Italian vessels;

(c) Payments for imports provided for by approved supply programs of the Italian Government. Such imports will, of course, be coordinated through the Allied Commission with purchase programs of the United States and the United Kingdom.

(d) Repayments of outstanding advances made in neutral countries by the United Kingdom and the United States from assets remaining after the above requirements have been met.

6. As regards the financing of the expenditures of Italian diplomatic missions in neutral countries, The American and British Governments have agreed that from 1 January 1945, the Italian Government will be expected to finance from its own foreign exchange assets Italian diplomatic expenses in neutral countries, as well as the costs of maintaining Italian ships in neutral ports. The advances formerly made for these purposes by the Governments of the United States and United Kingdom will cease on 31 December 1944. As mentioned above in para 5 (a) and (b) the U. S. and British Governments have indicated that Italian diplomatic expenses should in the first instance be financed from Italian assets in the neutral country in which the expense was incurred. Only if the foreign exchange resources available to Italy in the neutral country are insufficient may the Italian Government, subject to the approval of the Allied Commission through the Finance Sub-Commission, draw on its sterling and dollar credits in order to meet the deficit.

7382

7. Such deficits will be covered equally from dollars and sterling. In the case of dollars, post-liberation blocked accounts will be drawn on under license from the American Treasury. In the case of sterling, the British Mission in the particular country will advance the necessary funds in local currency and the British Foreign Office will be reimbursed out of Italian sterling assets. It is my understanding that the Political Section of the Allied Commission is communicating with the Ministry of Foreign Affairs on this matter, including the preparation of budgets for those

C-O-N-F-I-D-E-N-T-I-A-L

Italian Missions now functioning in neutral countries. I would suggest that you inform the Minister of Foreign Affairs of the financial arrangements described above.

8. The Combined Chiefs of Staff have also indicated that Italian purchases in neutral countries should be coordinated with British and American supply programs. Until further procedures are developed, I would suggest that all proposed Italian purchases in neutral countries be referred to the Economic Section, Allied Commission, for clearance with the combined allocation and shipping agencies of the British and U. S. Governments. It would be most helpful if Italian Missions could be informed not to undertake negotiations until such clearance has been obtained and notified to the Italian Government by the Allied Commission. Thereafter miscellaneous Italian-owned supplies located in neutral countries may be disposed of, provided such goods are not needed in the Allied war effort and that the foreign exchange proceeds are brought under the control of the Italian Government.

9. I fully realize that this program represents only a beginning and that many complex problems, e.g. the control and utilization of pre-armistice assets and the status of Italian clearing agreements with various countries, have not been mentioned. These problems can, I feel, be dealt with only after the preliminary steps outlined in this letter have been taken.

10. I should appreciate the opportunity of discussing these questions with you and the other interested Ministers.

LDD.

L. D. DINSMORE
Colonel, F A
Acting Vice President
Economic Section

Chief Com
C of S

Copies to; 13012/F
13228/F
13214/F
13081/F

2383

EMS/adm.

CONFIDENTIAL

27 December 1944.

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,

ELLERY W. STONE
Rear Admiral, USNR
Chief Commissioner

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

2381

(2)

FILES A

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

Ref No : 13012/F

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 (Istcambi). The Bank of Italy controlled the foreign exchange operations of commercial banks for Istcambi through the Ispettorato del Credito. When the Ministero degli Scambi e Valute was dissolved, its jurisdiction over Istcambi passed to the Ministry of the Treasury. Istcambi 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 Istcambi 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 Istcambi, 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 Azzolini 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 organisation in Italian foreign exchange control.

2381

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

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

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 Istcambi 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.P. GRAFFTEY - SMITH

Joint Director,
Finance Sub-Commission.

APGS/jbh

2330

2

CC. 1212.
20/12/44

HEADQUARTERS
ALLIED COMMISSION
FINANCE SUB-COMMISSION
A.P.O. 394.

20 December 1944

1301 2/F CONFIDENTIAL

TO: The Chief Commissioner,
Allied Commission.

The reason why I am bothering you with what appears to be a highly technical financial problem is that hitherto our only contact on this question with the Italian Government has been with Minister Soleri, who is known to dislike the Banca d'Italia in general and Introna in particular, principally ~~particularly~~ because the latter refuses to play the political game. - If Einaudi is appointed as Governor of the Banca d'Italia the attitude of Soleri would probably be considerably modified.

As stated in the last paragraph of the attached letter, the decision is of vital importance to the whole country and it is essential that we should be apprised of the wishes of the Italian Government as a whole rather than of one minister whose record is not without blemish. You will realise that it will be within the power of whatever authority handles the management of foreign exchange assets to enable their friends to get out of Italian lira into dollars or sterling.

We are being pressed by the C.C.S. to obtain a decision on this matter.

A.P. Grafftey-Smith

Colonel,
Joint Director,
FINANCE SUB-COMMISSION.

2379

Foreign Exchange

Seen by C. C. & action taken.
(Meeting with Soleri)
28-XII
JAB.

(1)

A file.

FILE
Retype
cys

HEADQUARTERS ALLIED COMMISSION
APO 394
FINANCE SUB-COMMISSION

Ref No : 13012/F

~~19~~ 26 December 1944

1/6

SUBJECT: Constitution of Exchange Control in Italy.

TO : Chief Commissioner, Allied Commission.

1. The Combined Chiefs of Staff have~~, in TAM Airgram 24 dated 11 October 1944,~~ urgently requested the Allied Commission to ~~proceed to~~ [illegible] 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 (Istcambi). The Bank of Italy controlled the foreign exchange operations of commercial banks for Istcambi through the Ispettorato del Credito. When the Ministero degli Scambi e Valute was dissolved, its jurisdiction over Istcambi passed to the Ministry of the Treasury. Istcambi 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 Istcambi and to centralize 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 Istcambi, 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 Azzolini 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:

2376

(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.
[illegible] are not required

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

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

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 ~~appears to be~~ is the most effective financial organization ~~in the Italian Government.~~ to handle ~~.....~~ the fundamental task of foreign exchange control organ

(b) The Bank of Italy is the least politically-inclined ~~part~~ 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. ~~as well as those of the Allied Nations.~~

(d) Under the Bretton Woods agreements it is envisaged that foreign exchange controls are to be abandoned by the Member Governments as early as possible in favor of a system of multi-lateral trade and payments based substantially upon private operations in foreign exchange markets. The Bank of Italy would, we feel, be disposed to eliminate as quickly as possible its control exchange function (i.e., rationing and direct control of individual payments) and to replace it with the various obligations under the Bretton Woods agreements. This process could well be delayed if foreign exchange control were to be placed in the Ministry of the Treasury or a reconstituted Ministry of Trade and Exchange, which might be disposed to retain controls for political reasons.

(d) ~~(e)~~ 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 Istcambi 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.

6. I shall be grateful if you will ~~I request, therefore, that you~~ discuss this problem with the President of the Council of Ministers, placing before him our views, ~~which~~ are based upon technical considerations. A decision is needed as soon as possible. In discussing the matter with the Italian Government, it
2371 should be remembered that the question will interest a number of Ministries such as Foreign Affairs, Industry, Commerce and Labour and, perhaps, Finance. It is a question of national importance vitally touching Italy's economic relations with foreign countries.

A. P. Grafftey Smith
Col.

Joint Director,
Finance Sub-Commission.

Copy to: 13091/F

Q. M. C. Form 333 (Old No. 496)
Revised July 26, 1918

LIST OF PAPERS

File under No. ____________

SERIAL NUMBER	FROM—	DATE	TO—	SYNOPSIS
2376				

INSTRUCTIONS.—When papers on a subject become numerous they will be numbered serially and brief entries made on this form.