THE GENERAL BOARD

United States Forces, European Theater

FINANCIAL PLANS AND OPERATIONS

OF

CIVIL AFFAIRS AND MILITARY GOVERNMENT

MISSION: Prepare report and Recommendations in connection with Financial Plans and Operations of Civil Affairs (Liberated Territory) and Military Government (Occupied Territory).

The General Board was established by General Orders 128, Headquarters European Theater of Operations, US Army, dated 17 June 1945, as amended by General Orders 182, dated 7 August 1945 and General Orders 312 dated 20 November 1945, Headquarters United States Forces, European Theater, to prepare a factual analysis of the strategy, tactics, and administration employed by the United States forces in the European Theater.

File: R 100/1

Study Number 34

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THE GENERAL BOARD

UNITED STATES FORCES, EUROPEAN THEATER

APO 408

FINANCIAL PLANS AND OPERATIONS

of

CIVIL AFFAIRS AND MILITARY GOVERNMENT

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UNITED STATES FORCES, EUROPEAN THEATER
APO 408

FINANCIAL PLANS AND OPERATIONS OF CIVIL AFFAIRS AND MILITARY GOVERNMENT

PART ONE

LIBERATED TERRITORY

CHAPTER 1

FRANCE

SECTION 1

PUBLIC FINANCE

1. Plans

a. In the preparation of the "OVERLORD" plan the staff of the First US Army Group collaborated with the staff of the 21 Army Group (British). Therefore, the Civil Affairs fiscal instructions pertaining to operation "OVERLORD", as published by 21 Army Group (Appendix 1) were drafted with US concurrence. First US Army Group was redesignated on 14 July 1944 as 12 Army Group. On 1 August 1944, 12 US Army Group assumed command of all US Forces then operating in Northern FRANCE. US collaboration in preparation of the "OVERLORD" Civil Affairs fiscal instructions eliminated the necessity of making any major changes in the original instructions as these successive changes in jurisdiction occurred.

b. Public Finance plans pertaining to Civil Affairs provided that:[1] (note)

(1) Taxes and revenues would be maintained at levels existing at the time of initial entrance into the territory, and that maximum use would be made of indigenous governmental methods and existing agencies.

(2) Exemption from taxation would be granted to all Allied military personnel and property and all Allied imports, exports and local purchases for military purposes; directives regarding taxes on goods specifically for civilian purposes would be issued later.

(3) Governmental budgets would be prepared by the French authorities concerned and controlled through French governmental channels. Civil Affairs supervision of budgets for FRANCE would be at "Departmental" level only, unless otherwise directed.

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[1] Note - Refers to the bibliography, which is located at the end of each Chapter or Part.

(4) Service on the French public debt would be continued. It was assumed that agreement and consultation would exist between the armed forces and the responsible French authorities on this subject.

(5) Pensions, allowances and benefits under social insurance would be continued, payments to be restricted to bona-fide pensioners and not to be made to certain categories of officials to be defined by Counter-Intelligence.

(6) State monopolies, such as railways, and the postal, telephone and telegraph system, would be provided with such financial assistance as would insure their proper functioning.

(7) All extraordinary and emergency needs of the French people, such as mass feeding, housing and transportation of displaced persons, extra police and guards, would be provided and paid for by French public authorities. Payments normally made by a higher echelon of government would be made by a lower echelon in newly liberated areas.

(8) Loans and advances from Civil Affairs funds would be made to Public Authorities to meet essential and immediate needs which might interfere with the military effort if not relieved. Such advances would be made by detachment commanders only after prior approval by a higher echelon Civil Affairs Financial Officer, and would normally be limited to needs for thirty days.

(9) Management and control of public finance would be left in the hands of appropriate French authorities to the maximum extent. However, Civil Affairs personnel at all levels would render necessary assistance, and be prepared to take over the management and control of public finance themselves should such an extreme step be necessary.

(10) The "maximum responsibility", which Civil Affairs financial personnel must be prepared to assume, and the detailed procedures for carrying out these responsibilities, are stated in the fiscal section of the "OVERLORD" plan of the 21 Army Group (Appendix 1) and in Chapter Four of "SHAEF Field Handbook for Civil Affairs - FRANCE - Provisional" (Appendix 2).

c. Complete agreements with responsible French authorities prior to the invasion date did not exist. Such agreements were impossible due to the fact that the Allies had not officially recognized any French Government-in-Exile. The absence of such agreements and the lack of definite knowledge of the capabilities of French financial authorities necessitated the formulation of plans covering every possible contingency and defining the "maximum responsibility" which Civil Affairs personnel must be prepared to assume. This should be borne in mind in considering the plans as stated above and in detail in Appendices 1 and 2.

2. Operations

a. Responsibility for the functions of public finance was promptly assumed by French authorities as areas were liberated.[2] Beginning with the lowest echelon of French government, successively[6] higher echelons assumed their financial responsibilities fully and adequately. Civil Affairs financial personnel of successively higher echelons concurrently developed working arrangements with corresponding French authorities. The financial plan was put into effect on a nationwide basis in September 1944. This was made possible by the official Allied recognition of the provisional national government of FRANCE that had been set up by the French Committee of National Liberation, under General De Gaulle.

b. Loans and advances to French public authorities were found[2] to be unnecessary.

c. Civil Affairs financial operations in the field of public finance therefore were limited to general supervision of and occasional assistance to the French authorities. The turn of events[6] was such that the "maximum responsibility" for which Civil Affairs was prepared was never assumed.

3. Conclusions. The absence of a financial agreement with responsible French national authorities prior to the invasion caused confusion and misunderstanding.

SECTION 2

FINANCIAL INSTITUTIONS

4. Plans[1-2]

a. Banks

(1) It was announced that the basic policy would be to interfere as little as possible with the existing financial machinery, that banks would be kept open, and that no general moratorium would be declared. The reason for keeping commercial banks open was of course to permit payments necessary for the continued operation of essential governmental and economic activities. Steps also were to be taken to assure the normal functioning of savings banks and the postal savings system in order to minimize the necessity for relief payments. Provision was made for requiring the French authorities to close the banks in the event of threatened "runs" and to declare a general moratorium in any locality where the situation should require this action.

(2) The absence of a formal agreement with responsible French authorities, the lack of definite information concerning the conditions surrounding French financial institutions, and the possibility that a state of financial chaos might be found upon the entry of our forces, made it necessary to prescribe in detail what steps should be taken with regard to banks under the least favorable financial conditions that might be encountered. These instructions will be found in Appendices 1 and 2.

b. Advances of funds

(1) The Bank of France was to be the primary source of loans to French Government organizations and essential enterprises. Civil Affairs fiscal officers were directed to supervise and assist with such loans.

(2) Civil Affairs Funds might be loaned to financial institutions and essential enterprises under emergency conditions and subject to drastic restrictions.

c. Prohibited Transactions, which Civil Affairs personnel were to require French authorities to enforce included:

(1) Trading with the enemy or enemy controlled persons or any persons in enemy occupied territory;

(2) Operations involving evasions of foreign exchange regulations;

(3) Transfers of property of enemy nationals and of all hostile persons, institutions, and organizations.

d. Undesirable Persons in financial institutions were to be reported to the French authorities with a view to their removal, and in event French authorities failed to take proper action, report was to be made to higher Civil Affairs authority. The possibility was contemplated of having to suspend entirely the operations of certain banks because of collaboration with Germany or the German-controlled Vichy Government.

e. Financial Institutions other than banks, such as insurance companies, stock and commodity exchanges, and savings and loan societies were to be kept in operation if possible, subject to restrictions regarding prohibited transactions and undesirable personnel.

5. Operations.[3]

a. The lack of a financial agreement with French authorities prior to D day has already been mentioned. Despite the lack of such an agreement, banks and other financial institutions were able to open (or to remain open) and to perform normal functions from early dates in the invasion.

b. Adequate bank cash was found, as will be shown in Section 3 (Currency).

c. Control of the banking situation was assumed by responsible officers of the Bank of FRANCE, locally at an early date in the invasion, and at the national level soon after the occupation of PARIS. The major branch banking systems such as the Societe General and the Comptoir National d'Escompte de PARIS opened their offices as the area was cleared.

d. The early banking situation is reflected in the After-Action Report of the Third US Army for August 1944, which records that offices of the Bank of FRANCE had reported the following cash holdings:

RENNES	1,400,000,000 francs
ST. MALO	200,000,000 francs
DINAN	176,000,000 francs

e. No advances of Civil Affairs funds to financial institutions were required.

f. No Moratorium was declared.

g. Posting of the currency proclamation by Civil Affairs detachments was discontinued when effective financial arrangements were established with the French authorities, approximately 1 September 1944.

6. Conclusions. Planning, and to some extent organization, were necessarily based on "maximum responsibility" of Civil Affairs financial personnel. As in Public Finance, this "maximum responsibility" was never assumed by Civil Affairs financial personnel. It is again evident that financial agreements with French authorities prior to D day would have made possible a more precise definition of policies and procedures.

SECTION 3

CURRENCY

7. Plans:[1-2]

a. Supplemental franc currency, to be printed by the Allied governments and issued to the invading forces, was to constitute the major supply of currency. The Allies would also use Bank of France notes in their possession insofar as the supply permitted. The two types of currency would be equal in value, and they, as well as French coins in common use, would be legal tender for all purposes. Notes and coins issued by communes or local authorities and in habitual use by the French would not be legal tender, but no action would be taken to eliminate or forbid their use by the French.

b. Spearhead currency, in the form of Yellow Seal Dollars and British Military Authority notes and US and British coins were to be used only in emergencies, such as the refusal of the French to accept the Supplemental Franc Currency.

c. Rates of exchange between francs, dollars, and pounds sterling were fixed prior to D day as follows:

£1 = 200 francs
$1 = 49.5663 francs

The odd rate for dollars was due to the fact that the rate between dollars and sterling had been fixed previously at £1 = $4.035.

d. Currency proclamations were prepared prescribing the legal tender status of the currencies mentioned above, restrictions regarding the use of dollars and sterling, and rates of exchange between the currencies. Posting of these proclamations was to be one of the initial tasks of Civil Affairs detachments.

e. Supply of Currency

(1) Initial plans for currency supply, as stated in the "Fiscal" Section of the "OVERLORD" Plan of 21 Army Group (Appendix 1), contemplated that all currency needs of the allied forces would be supplied by the "Allied Financial Agency-FRANCE". This was to be a civilian organization, generally the same as the organization of similar name which functioned in earlier operations in ITALY.

(2) Subsequent plans, stated in the "SHAEF Field Handbook of Civil Affairs - FRANCE (Appendix 2), provided for currency supply by a Currency Section for FRANCE (hereafter referred to as Currency Section). As the officer in charge of the Currency Section interpreted this and prior directive, the Currency Section was to make bulk issues only, from one central location, to the top levels of the US/British disbursing agencies and Civil Affairs financial agencies, operations thus to be roughly analagous to those of a Reserve or Central Bank. The Fiscal Director, European Theater of Operations, US Army (hereafter referred to as the Theater Fiscal Director) interpreted prior directives as requiring the Currency Section to furnish currency when and where needed, to individual disbursing officers (US) and paymasters (British). This would have involved the Currency Section in operations analagous to those of a branch banking system. The final directive, as stated in the Handbook referred to immediately above, does not resolve this difference, but leaves the question open to either interpretation.

8. Operations

a. The decision to use special supplemental French Currency, equal in value to the French Metropolitan currency, and to fix rates of exchange favorable to FRANCE, was made by the Joint Chiefs of Staff in Washington, after collaboration with the State Departments of the countries concerned. The exchange rate of 49.5663 francs to the dollar or 200 francs to the pound sterling, which was announced prior to D day, was an official rate only for the purpose of exchanging dollar and sterling currency in the possession of troops and of fixing the troop pay scales in francs. This rate of exchange was favorable to FRANCE and bore little relation to the actual relative values of the currencies, which under the circumstances could hardly have been accurately determined. If yellow seal dollars and British Military Authority notes had been used, it would have been necessary to have fixed rates of exchange which would have been official for all purposes. This would have given rise, from time to time, to pressures to change the rates as economic and other factors changed. Initially, the rate probably would have been nearer 200-1 than 50-1, as established for military purposes. It was the opinion of many qualified observers in the field of economics that extreme inflation probably would have followed. Such inflation would have injured the French people, already suffering from the effects of four years of German occupation, and probably would have necessitated the closing of French banks and the declaration of a general moratorium, with consequent impediment to Allied military operations. The wisdom of the policy adopted has

been questioned mainly on the ground that Allied troops have not received full value for the money they have spent in FRANCE. Since personal expenditures by troops have been only for items which cannot be classed as essential and consistently have involved only a small fraction of their earned pay, the loss to them appears to have been of small moment compared to the undeniable advantages that accrued from the avoidance of inflation. Certainly this was true during the period of active military operations.

b. There being no recognized French Government-in-Exile, the signing of a financial agreement prior to D day was impossible, although working agreements were made with the French Committee of National Liberation. No signed financial agreement being in effect, the supplemental French currency was issued by the Supreme Commander under the authority of The Hague Convention.[3]

c. The Allied Financial Agency - FRANCE (Appendix 1) was not established as a functioning agency. Responsibility for its proposed functions was assumed in part by the Currency Section, and in part by the[4] Theater Fiscal Director. This latter officer was responsible for all receipts and disbursements in the US military forces, except those made by Civil Affairs, and for formulation of the military financial policies of the US forces, exclusive of Civil Affairs.

d. Operations of the Currency Section must be viewed in the light of the considerable differences of opinion that existed between the Chief of the Currency Section and the Theater Fiscal Director, which have[4] been considered briefly in paragraph 7e (2) above. The decision to limit the operations of the Currency Section to bulk transactions was made by the Chief of that section over the protests of the Theater Fiscal Director. The effect of the decision was to place upon the Theater Fiscal Director the responsibility for making distribution of currency to individual disbursing officers, at locations accessible and at times convenient to them, a function which obviously must be performed by someone. The fact that prior directives placed responsibility for currency supply upon Civil Affairs through its Currency Section precluded the possibility of the Theater Fiscal Director making estimates and requisitions for the personnel that would be required for supplying currency at the points needed. The Chief of the Currency Section at first told the[4] Theater Fiscal Director that he was prepared to assume responsibility for currency supply, including distribution to individual disbursing officers at locations sufficiently dispersed to provide accessibility. At a conference in March 1944, he reversed his former position and informed the Theater Fiscal Director that he was prepared to supply currency only in bulk at one location, and that his instructions did not require him to make distribution beyond that point. This stand forced the Theater Fiscal Director to assume responsibility for currency distribution to individual disbursing officers, who otherwise would be unable to function. To perform this operation he was forced to use Finance Disbursing Sections furnished and intended to be used for payments and other financial services to troops. Consequently there was a shortage of such Finance units, which resulted in troops not receiving the quality of finance service that otherwise would have been available.

e. Initial supplies of franc currency for the invasion were secured from the Currency Section by the Theater Fiscal Director and distribution for army disbursements was made as follows:

(1) Dollar and sterling currency in the possession of

troops was exchanged for francs a few days before D day. Each individual who required it was given a partial payment of 200 francs.

(2) Each disbursing officer brought to the continent at least a month's supply of francs.

(3) The Fiscal Officer, Advance Section, Communications Zone, carried to the continent the initial reserve supply of currency, consisting of 3,387,136,000 francs, valued at $68,355,468.50, requiring 22 trucks for its transportation.

f. Initial supplies of franc currency for Civil Affairs purposes were issued immediately prior to D day in the First US Army approximately as follows:

Chief Financial Officer, First US Army	4,000,000
1 "A" Detachment	100,000
2 "B" Detachments	200,000
50 "C" & "D" Detachments 50,000 each	2,500,000
Total	6,800,000

g. The supplemental currency met with ready acceptance by the French people, but French financial authorities questioned the authority for its issue. The disagreement came to a head when the French Regional Commissioner at ROUEN directed French tax collectors not to accept the supplemental currency in payment of taxes. The French Committee of National Liberation was then advised that the Allied Forces were in position to use Yellow Seal Dollars and British Military Authority notes, that the franc-dollar rate would have to be changed from 50-1 to perhaps 200-1 and that nothing must happen to jeopardize the military operation. With the promise of an effective financial agreement as soon as the source of an adequate supply of indigenous currency should be uncovered, the ROUEN tax decree was rescinded. At a later date the French Provisional Government assumed responsibility for the supplemental currency. The Currency Section advised the Treasurer of the US on 17 July 1944 that no more supplemental francs were needed. Since the termination of combat, the Bank of France has withdrawn from circulation all supplemental franc notes except in denominations of ten, five, and two francs.

h. Before liberation, special concern was expressed by the President of the United States as to the effects of soldier spending on the French economy and that of other liberated countries. After collaboration between the staffs of the Theater Fiscal Director and Civil Affairs Finance Branch, both negative and positive measures were taken by the Supreme Commander to prevent soldier spending in civilian channels. In the first category were increased facilities for voluntary allotments, remittances, savings deposits, purchase of war bonds and insurance, purchases at post exchanges and quartermaster stores; a recreational program by Special Services; a public relations and an educational program on the harmful effects of promiscuous spending. Among the positive measures taken to prevent soldiers spending in civilian channels were prohibitions placed on local purchases by the Army procurement services and by individuals; the placing of restaurants and retail establishments off-limits; the placing of entire cities off-limits; prohibiting transactions in other than the currency of the country involved; forbidding payment of other than established local wages and price rates. The success of the program exceeded expectations.

i. The currency situation as it applied to French banks is summed up in a few items from daily reports of the 12 Army Group as follows:[6]

8 July 1944	Banks, post offices and municipalities are in good cash positions.
11 Aug 1944	Bank of FRANCE, RENNES has over one billion francs, other offices 600 million francs.
15 Aug 1944	Bank of FRANCE, ST LO, has 200 million francs.
16 Aug 1944	The Vice governor of the Bank of FRANCE has assumed responsibility for all its branch offices in the liberated areas.
1 Sept 1944	There is no currency black market.
6 Sept 1944	The Bank of FRANCE at PARIS has 90 billion francs. An accord with the French Provisional Government has been signed.

j. In September and October 1944 new currency problems[3] were faced in ALSACE-LORRAINE. These provinces had been formally annexed by GERMANY, and German currency was still in use when the area was liberated. A necessary step in the repatriation of the area was the retirement of the German currency in circulation and the substitution of French currency. The Currency Section assisted the French Treasury in making the exchange for the civil population. Before the exchange was officially initiated, a franc-mark rate of 20-1 had been proposed by the Theater Fiscal Director. The French currency proclamation covering this operation fixed the rate at 15-1. The Currency Section secured copies of this proclamation and copies of letters from the French Government to the French authorities in ALSACE-LORRAINE and furnished them to Armies operating in that area. Since the normal franc-mark rate had been fixed by order of the Joint Chiefs of Staff in Washington at approximately 5-1, instructions were issued by the Theater Commander requiring all necessary exchange for troops to be completed in a short period and prescribing that thereafter only francs would be used to pay troops in that area.

9. Conclusions

a. The decision to use French currency, rather than US and British currency, appears to have been wise.

b. Fixing of the rate of exchange between francs and dollars at 50-1 and maintaining this artificially high value of the franc seems to have been justified during the period of military operations.

c. The establishment of a Currency Section to perform the functions originally planned for Allied Financial Agency - FRANCE was advantageous only to the extent that a military agency was substituted for a proposed civilian agency. Further considerations are stated in 9 d and e, below.

d. The directives relative to the Currency Section for FRANCE[2] were not sufficiently clear to preclude differences of interpretation on major points.

e. Responsibility for supply of currency from its source to[4] ultimate destination should have been placed upon the Theater Fiscal Director.

SECTION 4

FOREIGN EXCHANGE AND BLOCKING

10. Plans

1-2

a. Foreign exchange and blocking controls were to be primarily a responsibility of the French authorities. Civil Affairs Financial officers (or officers in charge of Civil Affairs Detachments) were given the responsibility of seeing that the program was properly and completely executed by the French authorities. In the event of failure by the French authorities to execute the program completely, report was to be made to higher Civil Affairs authority, which would give the necessary orders and instructions. Such orders might go to the extreme of posting a SHAEF proclamation prohibiting all transactions in foreign exchange to replace similar French proclamations if these were proven to be ineffective.

1-2

b. The principal actions of foreign exchange and blocking control to be executed by the French were:

(1) Prohibition of all foreign exchange, all foreign trade transactions, and all imports and exports of currency, except as permitted under regulations to be issued.

(2) Impounding or blocking of all assets of enemy governments, enemy banks, hostile individuals and organizations and of all persons acting on behalf of the foregoing, and, where appropriate, assets of all persons resident in enemy occupied countries.

(3) Prohibition of access to safety deposit boxes and vaults except under a proper system of supervision.

(4) Establishment of controls over the transfer of real property and securities.

11. Operations

6

a. During the earlier operations in NORMANDY there was little occasion for the application of foreign exchange and blocking controls. Many cities were heavily damaged and business was at a standstill. During this period working arrangements with the French Committee of National Liberation included re-establishment or continuation of French laws which met the requirements of the Allied Forces. These arrangements were confirmed satisfactorily in September 1944 as a part of the formal agreements with the French Provisional Government. As a result there were no significant problems of foreign exchange or blocking controls. The major phases of the problem, on a national basis and in larger cities, were assumed by the French. 3

b. The overall problem of foreign exchange and blocking controls was largely an aggregate of the local problems of many small communities. These local problems were dealt with directly by Civil Affairs detachments. The operations of Civil

Affairs detachments followed a simple pattern in accordance 2
with the "SHAEF Field Handbook of Civil Affairs - FRANCE": to check the posting of the French Proclamation, or more often to merely show the Mayor the Handbook Proclamation, and then to make sure at each bank at the time of opening that the military requirements for foreign exchange and blocking controls were understood. These requirements were not new to the French as they conformed essentially to the procedures of the pre-1940 government and those of the VICHY and German administrations. The problem was further simplified by the fact that nearly all foreign exchange assets had been removed by the Germans prior to the Allied invasion, or had been concealed by French owners and remained concealed during the Allied operations in FRANCE.

12. Conclusions

a. The value of operations in this field can be summerized by the statement that thus far no deficiencies have come to light which in any way seriously jeopardized military operations or which had any other important significance.

b. The soundness of the policy of placing major responsibility for the operation of the financial program upon the French authorities was again demonstrated.

c. It is worthy of note that the quality of work done by local detachment Civil Affairs officers in this, as in other financial fields, was dependent on adequate supervision or on some type of area coordination. Individuals varied greatly in their fitness, interest and energy in pursuit of this work. Time limitations alone resulted in substantial differences in operation. "A" and "B" detachment financial specialists performed this coordinating function as rapidly as their areas could be organized, chiefly under Communications Zone jurisdiction. If foreign exchange and blocking controls were to be truly effective, or if this function had become of greater importance for any reason, it would have been necessary to provide sufficient additional staff personnel:

(1) To make at least spot checks of the foreign exchange and blocking activities of all major financial institutions, and

(2) To provide greater coordination between the Civil Affairs financial operations in different areas.

SECTION 5

FINANCIAL INTELLIGENCE

13. Plans

a. Financial reports of broad scope were required 1-2
from all echelons, in order that no information of financial significance would escape the attention of financial specialist officers of higher echelons.

b. The period to be covered by reports varied from 1-2

one day to one month, with provisions for immediate reports covering development of financial crises or black markets in currency.

c. The condition of banks was to be given special attention in reports. The French authorities were to be used as the principal source of information. 1-2

d. Keeping reports to a minimum consistent with financial control was mentioned in the "SHAEF Field Handbook of Civil Affairs - FRANCE" (Appendix 2). 2

14. Operations

a. As operations developed the periods of reports as required by various instructions changed from semi-weekly to the following pattern: 1-2-6

(1) A special financial report during the first week of occupation of an area and thereafter when the occasion warranted.

(2) Monthly reports from all specialist financial officers.

(3) Daily Civil Affairs Summaries (CASUMS) from all echelons, covering all functions, including financial.

(4) Fortnightly CASUMS from all echelons, covering all functions, including financial.

b. The scope of financial reports was initially made broad to permit adaptation to the constantly changing significance of the various types of financial information. This led in some cases to excessive detail in the reports covering local bank operations and spot news of small value. Because of limited facilities and personnel, the contents of reports were progressively reduced, so that eventually many reports stated only that banks were opened, and the amounts of currency they had on hand, this being the only significant financial information available. 6

c. The task of developing dependable and adequate summary information for an area such as a Department or Region was difficult at all times and was impossible when Armies were moving or were in combat. The French system could not operate for the time being and "A" and "B" detachment financial officers operated only under Communications Zone jurisdiction. Coordination of this type required systematic surveys by trained financial officers with a sense of the relative value of the different types of financial information. 6

d. In practice, Chief Financial officers kept in touch with the major financial problems by personal visits when possible, or by sending officers of their staffs to investigate and report. For example, when a First US Army detachment reported 200,000,000 francs in bank vaults under piled rubble at ST LO, the Chief Financial Officer at First US Army Headquarters investigated, and immediate steps were taken to protect and transport this money to safer locations. 6

15. Conclusions

a. Financial intelligence of significance, as distinguished from financial information in great detail and volume, should be the object sought in reports, and financial specialist officers should be trained to distinguish between the two.

b. A reserve of financial specialists should be available in Army or Army Group headquarters to visit the financial specialists of lower echelons, coordinate their work, and orient them as to requirements of higher headquarters.

SECTION 6

ACCOUNTS AND AUDITS

16. Plans

a. Accounting procedures for both cash and supplies[1] at all echelons of command were prescribed.

b. Cash accounting, as prescribed, began with the Sub-Accountant, an officer of the Civil Affairs Detachment who[2] was accountable for all cash receipts and payments of the detachment; the Sub-Accountant was required to render accounts monthly to the Chief Financial officer at Army Group Headquarters (Controller of Finance and Accounts) (CFA); the staff of the CFA was to include a Chief Accountant and Auditor. The method of accounting for funds resembled that used in accounting for[2] company funds.

(1) Cash for Civil Affairs purposes was to be supplied by the Currency Section.

(2) Necessary expenditures for administrative[2] needs, such as clerks, interpreters, official transportation and travel, heat, light, power and telephone were authorized from Civil Affairs funds, if such needs could not be supplied by requisition from military sources or by temporary loan from a public authority.

(3) Prohibited expenditures from Civil Affairs[2] funds included payments for services normally paid for through usual army channels, and services which personnel were required to pay for personally.

c. Supply accounting instructions pertained to accounting, in terms of physical quantities, cash values, and actual cash, for supplies furnished to the French for civil needs. Examples are food issued for relief purposes, and gasoline issued for use in vehicles of doctors.

(1) The initial plan provided for sales of necessary supplies to French officials, the money received in reimbursement to be handed over to the Sub-Accountants and taken up in their

accounts.

(2) The subsequent plan provided for issues against quantitative receipts, without cash payment, settlement to be deferred.

17. Operations

a. Accounting and auditing operations at Army Group level never assumed any great importance, because of the small number of transactions at lower levels. The 21 Army Group, which initially had jurisdiction over all US Forces in Northern FRANCE, included in the G-5 financial staff a Chief Accountant and an Auditor. The 12 Army Group, which assumed jurisdiction on 1 August 1944, found it unnecessary to include a Chief Accountant or an Auditor in the G-5 financial staff until December 1944. At that time the G-5 financial staff was increased because of increasing operations in GERMANY.[3]

b. Supply accounting never assumed any relatively great importance. Serious faults in the accounting procedures prescribed under the initial plan of cash sales were never corrected in orders, because the entire plan was superseded before this could be done. The plan of issues against quantitative receipts, with settlement deferred, was adopted in August 1944. Thereafter the volume of issues constantly diminished as French supplies became available in increasing quantities.[6]

c. The volume of cash accounting transactions was never as great as had been anticipated, and constantly diminished. Since services and supplies were largely obtained by the usual army procurement methods, without cash payment, cash expenditure from Civil Affairs funds were limited to emergency purchases. Thirty cash transactions per month by a Sub-Accountant was an exceptional volume. The work of Sub-Accountants, which it had been expected would involve large relief and other payments, was actually so relatively unimportant that it can be safely said that there was little need for Sub-Accountants or for Civil Affairs cash.

d. The operation of Sub-Accountants initially were not satisfactory. This was due in part to the assignment of relatively weak officers to the relatively unimportant duties of Sub-Accountant. The reports of Sub-Accountants were frequently defective, indicating carelessness, neglect, or lack of understanding on their part, and inadequate review on the part of detachment commanders. In June 1944 the First US Army instituted a system under which such reports were reviewed, prior to submission, by accounting advisors of the Army headquarters staff. In this manner Sub-Accountants were promptly advised of the latest instructions, errors were corrected without loss of reporting time, and uniform procedures were established. The need for such assistance diminished with experience and with the reduced volume of transactions.

e. The sale of captured enemy supplies and equipment was a major part of total cash receipt transactions during operations in NORMANDY.[6] One Sub-Accountant reported cash receipts amounting to more than a million francs from the sale of captured horses. In another detachment captured horses were rented to

farmers for a monthly fee. Later instructions provided for issue against quantitative receipt, without cash payment.

18. Conclusions. There is no basic reason for the existence of a separate system of accounting for Civil Affairs cash. The normal army disbursing system already has provisions for handling all receipts and disbursements pertaining to Civil Affairs. The volume of Civil Affairs transactions is so slight that the added burden to the army disbursing system would be negligible. If this responsibility were placed in the army disbursing system, the only point where Civil Affairs personnel would be involved would be at detachment level. Here an officer would be appointed a Class "B" agent to an army disbursing officer. From the disbursing officer he would receive on a temporary receipt funds for his estimated needs for a month or lesser period. To these funds he would add any receipts that came into his possession. From aggregate funds he would make, on proper vouchers, any required payments. Once a month he would have a settlement with the disbursing officer, delivering to him all vouchers paid during the preceding period and any excess cash on hand. At this time all payments would be audited, and that would end the matter so far as Civil Affairs would be concerned. The disbursing officer would then treat the vouchers as any others in his account, following procedures which are already established and using personnel which have to be provided for normal army payment. Therefore it is recommended that the present system of accounts and audits be eliminated and that all receipts and payments be handled through the normal army disbursing system.

SECTION 7

PROPERTY CONTROL

19. Plans. The French authorities were to be made responsible for property control. Civil Affairs financial officers[1-2] were responsible for inspecting property of the United Nations or nationals thereof, and for seeing that the French authorities took proper action to protect it. Their responsibility for impounding or blocking of enemy assets was also to be exercised through the French authorities. Details of required action and of the course to be followed in the event of failure of the French authorities in any respect were also prescribed.

20. Operations. As planned, the control of enemy and United Nations property was left almost entirely to the French authorities. Instructions gave to Civil Affairs officers great latitude as to the extent of work to be done in making inspections, listing of affected properties, and in requiring of the French reports of physical conditions and other details regarding such properties.[2] The efforts to check the work of the French authorities decreased, as with the passing of time the function of property[6] control by general agreement had less and less importance to the military objective.

21. Conclusions. The potential importance of this function was great. Operations would have been simplified if more precise instructions based on agreements with French authorities prior to D-Day could have been issued. It is probable that most of the work of checking French performance was spotty and of little value. Checking at the national level probably would have been sufficient.

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4. Statement of Brigadier General Nicholas H. Cobbs, Fiscal Director, Headquarters Theater Service Forces, European Theater. (Appendix 8).

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CHAPTER 2

BELGIUM

SECTION 1

BROAD POLICY

22. Exercise of Authority. An agreement was entered into[1] between the Supreme Commander and the Belgian Government prior to operations in BELGIUM. This agreement contemplated a first or military phase during which the powers of the Supreme Commander would be analgous to those recognized in The Hague Convention as arising out of military necessity. During this phase the Supreme Commander would take the action necessitated by the military situation, including the establishment of military government, if required. As soon as military operations in BELGIUM were completed, military government would be discontinued, and thereafter the civil administration would normally be operated by the Belgian Government.

23. Supreme Headquarters Mission - BELGIUM. Liaison between the Supreme Commander and the Government of BELGIUM was to be accomplished by a Supreme Headquarters Mission - BELGIUM.[1] It included a Civil Affairs component which would transmit to the Belgian government the requests of the Supreme Commander covering civil administration and for utilization of Belgian resources.

SECTION 2

PUBLIC FINANCE

24. Plans

a. The responsibility of the Belgian government in the[1] field of Public Finance, as agreed upon between the Supreme Commander and the Belgian Government-in-Exile, was to include responsibility for:

(1) Restoration of the financial machinery of the government.

(2) Supply of sufficient currency to meet the financial requirement of all levels of the Belgian government.

(3) Execution of policies and instructions agreed upon by the Supreme Commander and the Belgian government.

(4) Payment for all normal governmental services such as salaries, pensions, relief, social insurance, and purchase of supplies, and for all extraordinary or emergency needs such as: mass feeding; housing and transportation of displaced persons; extra police and guards.

b. The responsibility of Civil Affairs in the field of[1] Public Finance was to include:

(1) Assisting in carrying out fiscal policies and instructions as agreed upon by the Belgian government and the Supreme Commander and cooperating

with the Belgian Ministry of finance and financial officers of provincial and communal government.

(2) Promptly reporting to higher military authority and/or Belgian Civil Affairs officers or other appropriate agency of the Belgian government conditions requiring immediate financial assistance.

(3) Insuring that public officials were informed of and understood the responsibilities and intentions of the Belgian government with respect to governmental finance.

(4) Taking necessary action to protect the financial records and cash of Belgian authorities, actual custody of such records and cash to remain the responsibility of Belgian authorities.

(5) Reporting the existence of any discriminatory taxes introduced during German occupation, any expenditures of public funds for purposes of organizations obnoxious to the Supreme Commander's policies, and any interruption or prospect of interruption of an essential public service or other essential public function because of financial difficulty.

25. Operations

a. In Public Finance as in other fields the outstanding point of operations in BELGIUM was the existence of agreements made with the national government prior to occupation. The creation of the SHAEF Mission provided for continuous coordination of financial policies with the Belgian government.

b. Field operations were characterized by the continuation of patterns which developed in FRANCE with few changes. Detachments assisted and supervised Belgian officials in public finance, frequently adding substantial impetus in situations which moved too slowly. The continuation of a static phase in military operations until the middle of December 194[illegible] made possible the development of effective cooperation with the Belgian authorities, which yielded important results in the following months. By Spring financial support to transportation, mining, and industrial production in BELGIUM was vital to the military effort. The Supreme Commander's directive that there must be no breakdown in the economic affairs of BELGIUM during the drive into GERMANY was carried out in full.

26. Conclusions.

a. The success of operations in the field of Public Finance in BELGIUM demonstrated the material advantages of having a clear understanding and definite agreement with the national government of the country to be liberated, prior to actual liberation of that country.

b. Requiring the authorities of a country to manage their own Public Finance is a sound policy. This was demonstrated by experience with the French, and confirmed by experience with the Belgians.

SECTION 3

FINANCIAL INSTITUTIONS

27. Plans

a. The responsibility of the Belgian government with respect to Financial Institutions, as agreed upon between the Supreme Commander and the Belgian Government-in-Exile, was to include responsibility for:[1]

(1) Placing at the disposal of the Supreme Commander the services of all the branches of the Ministry of Finance, the facilities of the National Bank of BELGIUM and the assistance of Belgian Civil Affairs officers with technical financial qualifications.

(2) The publication and enforcement of laws implementing the financial policy agreed upon between the Belgian government and the Supreme Commander.

b. The responsibility of Civil Affairs with respect to Financial Institution was to include:[1]

(1) Assistance to the Belgian authorities in re-establishing the ordinary banking services as quickly as possible.

(2) Arrangements through appropriate army channels for placing armed guards over banks or other financial institutions if considered necessary, or if requested by the Belgian authorities.

(3) Maintaining information files concerning banking conditions, based upon reports from detachments, the detachments to secure such information by continuous contact with local Belgian officials and Belgian Civil Affairs officers.

(4) Recommending to the Belgian authorities the opening (under necessary restrictions on withdrawals, and with proper freezing and blocking of accounts) of banks which the Belgian authorities might close.

(5) Closing of Belgian banks in critical situations, preferably by recommendation to and action by Belgian authorities, but if necessary by action of the local Allied military commander.

c. Loans and advances of Civil Affairs funds were authorized to essential private enterprises such as banks, savings banks, insurance companies, private utility concerns, and companies assisting the war effort, including those engaged in essential civilian work. The conditions and restrictions pertaining to such loans were as follows:[1]

(1) Failure to provide the loan might prejudice the military effort.

(2) The enterprise must have exhausted all possibilities of securing the loan elsewhere.

(3) Loans would be made on behalf of the Belgian government.

(4) Loans would be made to the highest banking level possible, preferably to the National Bank of BELGIUM. The higher bank would then advance the necessary funds to lower banks, and they in turn would make the loan to the ultimate user of the funds.

28. Operations.

a. No advances of Civil Affairs funds were required. All[2] credit needs of financial institutions were cared for by the Belgian authorities.

b. Throughout the period of occupation Civil Affairs[2] assisted the Ministry of Finance and the National Bank of BELGIUM in restoring and maintaining normal banking facilities. Two items of assistance are worthy of note:

(1) In planning for the liberation of BELGIUM, the National Bank of BELGIUM had acquired vast quantities of new currency, which was stored in the vaults of the Bank of ENGLAND. Civil Affairs assisted in securing the transportation of this currency to BELGIUM as it was needed.

(2) During the period of the German breakthrough into the ARDENNES in December 1944, Civil Affairs assisted banks and other financial institutions in endangered areas in removing and transporting to safer areas their cash and records.

c. The responsibility of financial institutions to manage[2] their own affairs was met adequately.

29. Conclusions. The policy that banks and other financial institutions should be permitted to manage their own affairs, and that Civil Affairs should assist and advise rather than attempt to manage, was proven to be sound by the standard of results accomplished.

SECTION 4

CURRENCY

30. Plans[1]

a. The fact that full agreement had been made with the Belgian Government-in-Exile influenced all of the military planning for operations in BELGIUM and particularly those of Civil Affairs. By reason of such agreements, plans could be made much more definite and precise than had been the case in FRANCE.

b. It was agreed that Belgian currency would be used by the Allied forces. The Belgian Government-in-Exile, well in advance, prepared stocks of new Belgian currency and coin and stored them in the vaults of the Bank of ENGLAND. Plans contemplated that the new currency and coin and the old currency and coin found in circulation upon entry of the Allied forces would both be legal tender without distinction. US Yellow Seal Dollars and British Military Authority notes were to be used only in cases of extreme emergency when authorized by the Supreme Commander.

c. The official rate of exchange was agreed upon as £1 = 176.625 francs ($1 = 43.7732 francs). This of course was SECRET in-

formation during the planning period, but it was contemplated that it would be proclaimed to the Belgian population at the proper time.

d. Transactions in Reichskreditkassenscheine were to be prohibited. This currency was a special currency used by the Germans for military pay and purchases in occupied territories and was not legal tender in GERMANY.

e. Transactions in foreign currencies and securities, gold and silver bullion, and coins would be prohibited except under license.

f. The Belgian government agreed to assume responsibility for:

(1) Making available to the Allied military forces an adequate supply of Belgian currency.

(2) Enacting, publishing, and enforcing such legislation as the exigencies of the currency and foreign exchange situation might require.

g. The Currency Section for BELGIUM would "in the fullest co-operation with Belgian finance liaison officers and other Belgian authorities, giving respect to their advice and, subject to overriding military necessity, co-ordinating all plans with theirs", be responsible for the following functions:

(1) Receive, hold and supply adequate currency for pay and procurement of Allied military forces and for Civil Affairs operations. (The question of whether the Currency Section would issue only bulk supplies of currency to one agent of the Theater Fiscal Director, or would make distribution to individual army disbursing officers, which has been discussed more fully in the corresponding section of Chapter 1 (FRANCE), remained unsettled insofar as any clear statement in directives is concerned. Actually it was agreed informally that retail distribution would be made by "funding"officers under the Theater Fiscal Director.)

(2) Provide a central depository and clearing house for funds issued to and deposits received from the Allied military forces, including Civil Affairs.

(3) Provide a central financial medium for such measures as might be necessary to insure an adequate banking and currency structure.

(4) Maintain such accounts as might be required for the purposes of the US and British governments.

(5) Establishing such sub-sections as might be required.

(6) Establishing relations with Belgian banks as required, including the opening of accounts with such banks if necessary.

h. The Allied forces would furnish protection for currency supplies.

31. Operations.

a. The first supplies of Belgian currency for military use were secured by the Theater Fiscal Director from the Currency Section (which was then located in ENGLAND), on 1 September 1944, and carried to FRANCE by an agent of the Theater Fiscal Director. The Currency Section moved from ENGLAND to BRUSSELS on 24 September 1944, coincident with the return of the Belgian Government-in-Exile. The Theater Fiscal Director relates that "after establishment in BRUSSELS it functioned excellently".

b. All currency supplies were furnished by the National Bank of BELGIUM to the Currency Section. This is a striking contrast to the operations in FRANCE, where the Currency Section initially was required to do the reverse, that is, to supply the Bank of FRANCE with currency. The needs of the Allied forces for funds for payment of military personnel constituted the largest single demand for Belgian currency. In order to secure the large amount of currency required, on at least one occasion it was necessary for agents of the Theater Fiscal Director to visit banks in or near the battle areas, secure currency from them, and then report their drawings to the Currency Section for proper recording.

c. The Belgian authorities met their currency responsibilities adequately. In order to block the profits of collaborationists and profiteers, and to render valueless the large amounts of Belgian currency that had been seized by the Germans during their occupation, in September and October 1944 all of the larger denominations of Belgian currency were withdrawn from circulation, and new currency substituted therefor. In this exchange the possession of large amounts by single individuals was carefully scrutinized, and unless the holders were able to prove that their funds had been fairly and legally acquired, such funds were either confiscated or subjected to confiscatory excess profits taxes. Of course funds held in the old currency by known German agents were never presented for exchange. During the same period all of the old currency in the hands of personnel and disbursing officers of the Allied Forces was also exchanged for the new issues.

d. Restoration of Belgian franc currency in repatriated areas was another problem faced by the Belgian authorities. The cantons of EUPEN, MALMEDY, and ST. VITH, with three territories of MORESNET, had been formally annexed by GERMANY in 1940. In these areas mark currency had been made legal tender, and was found in general circulation when the Allies repatriated the areas. The problems of exchange involved were the same as those encountered in ALSACE-LORRAINE, which have been discussed in the corresponding section of Chapter 1 (FRANCE, and were met in the same manner.

e. During the German breakthrough into the ARDENNES in December 1944, the Belgian banks, financial institutions and public authorities were generally successful in removing their financial records and currency from threatened areas in advance of the arrival of the German forces. Their greatest problems were transportation and armed escort, which in most cases were provided by the US military forces, usually at the request of Civil Affairs detachments. A minor problem of such detachments was the protection and removal of their own records and currency, provisions for which had been made in directives.

f. Decree - Laws relative to currency were promulgated by the Belgian government and were generally considered to be effective.[2]

32. Conclusions. The existence of agreements made prior to occupation and the ability of the Belgian government to carry out these agreements greatly simplified the financial problems of Civil Affairs. The conclusions reached in Section 2 of this Chapter apply equally here.

SECTION 5

FOREIGN EXCHANGE AND BLOCKING

33. The Belgian Government assumed responsibility for Foreign Exchange Control and Blocking of bank accounts. With the assistance and advice of Civil Affairs, the Belgian government issued the necessary Decree - Laws and supervised their execution.

34. The execution of the laws by the Belgian financial institutions was generally regarded as satisfactory. As stated in the corresponding section of Chapter 1 (FRANCE), it is too early to state that no significant amounts of foreign exchange assets were removed into enemy hands during the period of Allied Military operations in BELGIUM.

SECTION 6

FINANCIAL INTELLIGENCE

35. There was no substantial change in BELGIUM from the methods of reporting or using financial intelligence that had been developed in FRANCE. As was the case in FRANCE, the value of individual reports varied greatly.

SECTION 7

ACCOUNTS AND AUDITS

36. The SHAEF "Field Handbook for Civil Affairs - BELGIUM" included instructions for cash accounting and supply accounting substantially without change from the instructions in the similar Handbook for FRANCE. A minor change was that Civil Affairs funds were to be obtained from the Currency Section of the SHAEF Mission-BELGIUM, rather than from the Currency Section for BELGIUM.

37. The SHAEF "Field Handbook for Civil Affairs - BELGIUM" provided for emergency sales of Civil Affairs supplies to Belgian authorities for cash. However, revised instructions based on agreements with the Belgian government provided that all issues of supplies for civil purposes would be on the basis of quantitative receipts without cash payments.

38. All services and supplies required for Civil Affairs needs were obtained through normal army supply channels or by means of requisition on local Belgian officials with ultimate payment by the Belgian government against reciprocal aid agreements.

39. Since there were normally no cash receipts from sales of Civil Affairs supplies, and no cash payments except a very few of an emergency nature, the Sub-Accountants' books recorded very few transactions. Accounts and audits at higher levels were reduced

accordingly. Thus the conclusion stated in the corresponding section of Chapter 1 (FRANCE), that there was little need for Sub-Accountants or for Civil Affairs Cash is reinforced by the record of experience in BELGIUM.

SECTION 8

PROPERTY CONTROL

40. Decree - Laws of the Belgian government provided for registration and control of United Nations and enemy assets through an "Office of Sequestration." At times there were comments that the Belgian law was2 less effective than the corresponding French law. On the whole, however, administration by the Belgian government was considered to be adequate.

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CHAPTER 3

LUXEMBOURG

41. Plans. An agreement entered into with the LUXEMBOURG Government prior to invasion, was the basis for the "SHAEF Handbook for Civil Affairs - LUXEMBOURG" and for directives to Army Groups and Armies concerned, and [2-3] to the SHAEF Mission (LUXEMBOURG). The Mission operated in close coordination with the SHAEF Mission (BELGIUM). For a time, because of combat conditions, it operated under the jurisdiction of 12 Army Group.[2-6] Policies and procedures followed closely the precedents already established in instructions for FRANCE and BELGIUM. In principle, the plans were identical.

42. Operations

a. The occupation of this small country raised new problems. The enemy had annexed this area, substituted marks for francs, established a Reichsbank Branch Office, discontinued much of the former fiscal administrative organization, and at the time of the withdrawal of the German Forces had removed cash and records from many financial institutions, public and private.[4]

b. Stocks of new LUXEMBOURG franc currency had been provided. In addition Belgian authorities provided stocks of Belgian francs which by decree were given the same value as LUXEMBOURG francs and circulated freely within the country. The Mission for LUXEMBOURG assisted substantially in establishing the new fiscal administration, and in carrying out the Decree in October 1944 for recalling mark currency and exchanging it[5] for franc currency. Public finance was re-established and foreign exchange, blocking and property controls were instituted.

c. During the German offensive of December 1944 even greater difficulties were encountered as a major portion of the country was overrun. Fortunately, the Capital city of LUXEMBOURG remained in Allied hands. Again the SHAEF Mission - BELGIUM and other Civil Affairs units assisted materially in the protection of cash and records, and later in the re-opening of banks and other financial institutions in heavily damaged areas.

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CHAPTER 4

THE NETHERLANDS

43. Plans. An Agreement between the United States, British and Netherlands Governments, prior to invasion, provided a basis for Civil Affairs policy[2-4] and for directives to the 21 Army Group and to the 12 Army Group. A Field Handbook for Civil Affairs was issued.[1] As in BELGIUM, an accredited Supreme Headquarters, Allied Expeditionary Force Mission - (NETHERLANDS) was established, including Currency and Accounting Sections under the Comptroller of Finance and Accounts. Detailed instructions were substantially identical with those issued for BELGIUM.[1]

44. Operations. US Forces, under the First and Ninth US Armies, occupied only a small area of THE NETHERLANDS. As a consequence no major or new basic fiscal problems were encountered. Minor problems relating to currency held by refugees and border industrial workers were coordinated between the US and British commanders.

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FINANCIAL PLANS AND OPERATIONS OF

CIVIL AFFAIRS AND MILITARY GOVERNMENT

PART TWO

OCCUPIED TERRITORY, GERMANY

CHAPTER 1

PUBLIC FINANCE

45. Plans

a. Specific instructions for the period prior to defeat, and exclusive of the post defeat period, were issued to Armies by Army Groups. A "Directive for Military Government of GERMANY prior to Defeat or Surrender"[4] was issued by the 12 Army Group, 23 November 1944. These basic uniform instructions substantially followed prior Interim Directives (12 Army Group, 11 September 1944) and incorporated the following by reference:

(1) "A Handbook for Military Government in GERMANY" (SHAEF)[1]

(2) "Financial and Property Control Technical Manual" (SHAEF)[2]

b. The Technical Manual was complete in itself and included[2] surveys, policies and instructions, with appendices containing laws, orders, licenses, instructions to officials and institutions, lists of officials and institutions, check lists for Financial Officers and Property Control Officers, forms used by Military Government and forms required under Military Government Laws 52 (Blocking) and 53 (Foreign Exchange Control). German and English texts were included as appropriate.

c. Five initial objectives in the financial field were specified[4] as follows:

(1) To eliminate "active Nazis or ardent sympathizers",

(2) To avoid conditions which would affect adversely the military forces in their operations.

(3) To assist in dealing with undesirable German practices, institutions and persons.

(4) To facilitate control of German foreign exchange assets and certain categories of other assets.

(5) To facilitate the obtaining of financial and economic intelligence.

d. To carry out these objectives the financial administrative machinery existing in GERMANY at the time of occupation was to be utilized[4] to the maximum extent practicable, consistent with policy

and subject to supervisory control from the highest possible level down.

e. The specific instructions for Public Finance were simple.[1-2-4] Expenditures prejudicial to the military situation or to the program for control or elimination of certain German (Nazi) institutions and persons were prohibited. The Military Government Officer was to insure that taxes were not collected under the laws of the organizations abolished or suspended by order of Military Government, or for the benefit of these organizations. Subject to these restrictions, he was to order German authorities to continue collection of taxes and other public income and the incurring of normal budgetary expenses.

f. The tax collection organization for lower units of government[2] began with the "tax collection area", usually a Kreis. In cities (Stadtkreise) and rural areas (Land-Kreise), tax officials (Steueramter) administered local finances based on local tax and other revenues supplemented by allocations from national and "state" revenues. The Land-Kreise supervised the finances of its towns or villages (Gemeinden). Supervising the "areas" were "tax collection districts", usually Regierungsbezirke (counties). Regierungsbezirke were under supervision of "states" (Lander, Provinzen, or Reichgaue). The RHINE PROVINCE for example contained five Regierungsbezirke: DUSSELDORF, AACHEN, KOLN, KOBLENZ and TRIER. Neither the "counties" nor the "states" were organized for general fiscal administration. Certain of the many sources of German taxes were allocated to these units of government but they received a major portion of their funds from distribution of taxes collected by the national government. Under the Nazi regime the trend was to take taxing authority away from local government and retain it under national control.

g. The organization for collection of national taxes was entirely[2] separate from the organization described above for collection of taxes for lower units of government. Each provinz was divided into Reich tax collection districts under Oberfinanzpresidenten who reported directly to the Reich Finance Ministry. In the RHINE PROVINCE, for example, there were two Reich tax collection districts, centered at DUSSELDORF (F-39) and KOLN (F-45). Each "district" was divided into "areas", the boundaries of which generally coincided with those of Kreise. In each Kreis there was usually one Zollamter (customs and consumption tax officer), and one Finanzamter (collector for other taxes).

46. Operations

a. The highest level of financial administrative machinery existing in GERMANY at the time of occupation was, in substantially all[1-2] cases, the Kreis. For example, the Oberfinanz offices at KOLN (F-45) were destroyed. Cash, records and personnel had been evacuated or lost. The Regierungsbezirk and Provinz administration was nonexistent because of evacuation or removal of Nazi personnel. In the Kreise also heavy losses from destruction and evacuation had been suffered by Steueramten (local taxes) and Finanzamten (Reich taxes). During the combat phase the situation East of the RHINE was not much better. Many of these communities had suffered less damage and there was much less evacuation of the population. However, in this highly mobile phase, the administrative organization above that of the Kreis was totally unable to function, if for no other reason, because of restriction of travel and communication. During the period after Allied forces entered the various areas, up to the capitulation date, no State, Provinz, Regierungsbezirk or Reich Head Finance offices functioned even approximately in areas occupied by US Forces.

b. In consequence Military Government operations in Public Finance were confined to local operations in Kreise and Gemeinden by local[12] Military Government detachment officers. There was no agreement with an officially recognized government, and there was no government to accept responsibility for policies or their administration.

c. A standard type situation rapidly developed in these local[12] governments: With Military Government encouragement Burgomasters and Landrater (in charge of Land Kreise) assumed charge of any Reich tax collection offices within the Kreis and in general held all collectible revenues at that level with appropriate revenue accounts. New revenues were obtained by sale of building material and other supplies in damaged areas. A program of collection of the more direct and accessible taxes, such as wage and sales taxes, was instituted under German responsibility, in some cases with increases of tax rates. Monthly and short term budgets covering allowable expenditures were initiated under Military Government supervision and in accordance with the highly standardized German budget procedures. In addition, governments were given priority in obtaining bank loans. Thus the first bank loan in occupied GERMANY was to the Stadt AACHEN (K-84) where as early as the end of December 1944 much of this[3] general pattern of public finances was worked out. Arrangements were likewise made within Landkreise and later within Regierungsbezirke for redistributions of revenue.

d. Later developments in municipal finance and in budgetary finance are typified in the following statement of the AG of S, G-5,[12] Ninth US Army (Weekly M.G. Summary No 3, 11 June 1945):

> "Reports received from detachments located in larger cities indicate that the problem of re-organizing the municipal finance structure in order to make Reich tax income available had been serious. It has not been feasible to subordinate district finance agencies to city tax collecting and disbursing agencies following the pattern which proved successful in smaller towns. The solution has been to keep the two organizations intact, but to permit the cities to draw needed revenues from bank accounts of the Reich tax collecting agencies. In the field of budgetary finance, though present policy does not include approval of budgets by Military Government, it is necessary to check all budget items because directives state that no unauthorized expenditures will be permitted. This checking cannot be done by detachments unless additional financial officers are provided. Detachments have been submitting budgets to this headquarters for approval and numerous unauthorized items have been disallowed, but the work should be done in the field by competent auditors".

47. Conclusions

a. It is essential that adequate detailed financial instructions be placed in advance in the hands of all Military Government officers. The soundness of their "spot" decisions depends largely upon the adequacy of their prior instructions.

b. Operations in the various areas should be co-ordinated as early as possible. In the operations just described, the higher echelons of civil government were not functioning, therefore this source of co-ordination was lacking. In this situation the operations of Military Government officers were uncoordinated, consequently they did not consistently conform to any policy.

c. Co-ordination between areas of responsibility can best be provided by visits of staff officers. For this purpose there should be a reserve of financial specialist officers at Army or Army Group headquarters. The extreme lack of financial specialist officers in the operations above described may be illustrated by the fact that in the area of the First US Army, for a time there was only one financial specialist officer in the area between the RHINE and the ELBE rivers.[12]

CHAPTER 2

FINANCIAL INSTITUTIONS

48. Plans[1-2-4]

a. Banks and other financial institutions were to be placed under such control as deemed necessary to provide adequate facilities for military needs and to insure the observance of instructions and regulations issued by Military Government.

b. Banks were to be permitted to remain open or to reopen as soon as possible and were to be closed only when absolutely necessary to introduce satisfactory control by Military Government, to remove objectionable personnel and to carry out instructions for the blocking of certain accounts.

c. Access to safe deposit boxes and vaults and other objects left for safe keeping was to be permitted only when a proper system of control had been introduced.

d. The Reichsbank, after establishment of satisfactory control, was to be used for the official purposes of the Allied Forces.

e. Insurance companies were to be permitted to operate subject to control by Military Government.

f. German authorities were to be ordered to continue existing controls and regulations of transactions in real estate and securities, and transactions on stock and commodity exchanges, subject to requirements of Military Government Laws governing foreign exchange, blocking and property control.

g. These instructions contemplated the maximum use of the Reichsbank system, again at the highest possible level, for the purposes of issuing instructions to banks and seeing that requirements of Military Government were carried out. The Reichsbank offices were organized by separate districts under Chief Branches (Reichsbank Hauptstellen) or Branches (Reichsbank-Stellen), both reporting direct to the Head Office in BERLIN. Within districts were Sub-Branches (Reichsbanknebenstellen). As a rule there was at least one office in each Kreis. In the RHINELAND, there was one Hauptstelle at KOLN (F-45). Reichsbankstelle were located at AACHEN (K-84), BONN (F-53), DUSSELDORF (F-39), KOBLENZ (L-89), KREFELD (A-10), MUNCHEN-GLADBACH (F-08), and TRIER(L-22).

49. Operations

a. The Reichbank system was unable to perform the major functions[12] as contemplated in the plans. The RHINELAND afforded an example. The Hauptstelle in KOLN (F-45) and the Stelle in AACHEN (K-84) were totally destroyed and practically no cash, records or personnel remained. Similar conditions were found in other cities. The Reichsbankstelle in Munchen-Gladbach (F-08) had substantial cash funds and was apparently the strongest of the banks in the RHINELAND. However, banks in all areas, when they could be re-established, were seriously handicapped during most of the period involved because of the necessity of elimination of Nazis and by restrictions on travel and communications. With Military Government assistance a few important bank-to-bank cash transfers were made. Reichbank staffs,

after reorganization, assisted in local city areas in distribution and interpretation of Military Government directives to other bankers. Generally speaking, those directives were not adequately enforced.[12] The "establishment of satisfactory control" in Reichsbank Offices was itself a slow process and they were therefore, though cooperative, unable to take more than the first steps in carrying out "the official purposes of the Allied Forces".

b. The cash position of the German banks is considered in Chapter 3, "Currency".

c. The policy of permitting banks to open promptly was realized. Openings depended primarily on availability or redistribution of cash. The organization of a system of centralizing and redistributing currency holdings of banks by the Reichsbank system by areas such as the RHINELAND was considered but never carried out. Of great assistance in this situation were the extensive branch banking systems with head offices in larger cities. Individuals and business institutions in general were well supplied with currency, and with business at a standstill the immediate need for banking services was not large. Thus with rapidly increasing confidence in the banking system under Military Government control deposits regularly exceeded withdrawals in all areas.

d. Savings Banks (Sparkassen) and the Postal Savings Offices[12] (Postsparkassen) were a significant part of the German financial system and in many areas performed a major part in the function of collecting funds during this period. The operations of the larger commercial banks also were chiefly in this field. Other operations under Military Government supervision consisted of aid to local governments and, rarely, to industry. For instance, in April, 1945 the KOLN (F-45) banks at the request of Military Government financed on a withdrawal basis certain large coal[3] mine payrolls in the AACHEN (K-84) area. This made unnecessary the continuance of one of the few advances of Military Government Funds by which prior payrolls of these important coal mines had been financed. (These Military Government loans had aggregated RM 780,000.[3])

e. The program of denazification in banks was progressive.[12] As the official questionnaires (Fragebogen) were reviewed by Counter-Intelligence Corps and Military Government, with eradication of the records of bank personnel, frequent and sometimes wholesale removals were made. There were instances where this resulted in the closing of banks until acceptable staffs could be organized. The principal difficulty in the denazification program was to find a workable definition of "active Nazis and ardent Nazi sympathizers".

f. The Bank der Deutschen Arbeit, one of the "Big Six" commercial[3] banks, was very closely associated with the Nazi regime and was permanently closed in all areas. For similar reasons certain specified private banks were not permitted to open.

g. It was not found necessary to establish a moratorium.[12] This followed from the general condition of business inactivity during the combat period.

h. Financial institutions other than banks, presented no[12] special problems. The delivery of official instructions met the existing needs pending the development of a more active period of operations.

i. The restoration of banking services in GERMANY, as

anticipated,[12] was an immediate problem and required as a rule a major part of the efforts of Financial Officers. The opening of the first bank in occupied[3] territory, the Kreissparkasse of AACHEN (K-84), 27 November 1944, is described in the 12 Army Group After Action Report. At first such restoration was clearly important to military objectives. Later, particularly as the "Russian Zone" was entered, the purpose of restoration changed towards meeting longer range objectives which are not primarily within the scope of this study. The difficulties of opening banks in[12] larger cities such as LEIPSIG (E-21) were very great and continued to require much attention by Military Government officers. These officers took the position that the German authorities would in all cases be responsible for opening banks and for subsequent operations.

50. Conclusions

a. Policies and directives for the period prior to defeat necessarily merged into the requirements for the post-defeat period. Thus, instructions for financial institutions required a degree of supervision of banking management and operations which in fact could not be carried out during the period prior to defeat. In the actual situation, civil organization, Reichbank and other bank supervisory organizations to carry out Military Government policies were non-existent or incapable of taking responsibility over large areas. Military Government financial personnel were insufficient in number to carry out these directives, or to coordinate the varied actions of local Military Government officers.

b. It would have been desirable to have made a clearer distinction between prior-to-defeat and post-defeat actions. A Third US Army report, for instance, recommended that forward detachments should confine their financial activities to security measures and redistribution of currency. This might have been proper under conditions prior to defeat, but obviously would not be adequate in the post-defeat period.[8]

c. The same report emphasized the importance of a clear directive on the subject of denazification supported by an adequate system of checking the progress of this program. This reflected the general opinion of Military Government personnel in lower echelons.[12]

CHAPTER 3

CURRENCY

51. Plans

a. It was decided that Allied Military Marks would be used to supplement the Reichsmark and Rentenmark currency and coin indigenous to[1-2-4] GERMANY. The latter would be legal tender within the German economy, but German military currency and coin, such as Reichskreditkassenschein and Verrechnungsscheine would be outlawed for all purposes.

b. It was ordered that only Allied Military Marks would be used for official army purposes. In accordance with this policy, directives were issued prohibiting: the personal holding of indigenous marks by US military personnel, the exchange or conversion of such holdings by US Army disbursing officers or other US Army financial officers, and all private dealings with German banks by US military personnel. The purpose of these directives was to prevent any personal gain by US military personnel from funds acquired as loot or from other illegal sources.

c. In emergency, by special authorization of the Supreme Commander, US forces would be permitted to use Yellow Seal Dollars and regular[1-2-4] US coin.

d. A rate of exchange of 10 Marks to the Dollar was established, to apply only to Allied Military Marks and only for military purposes. As a[11] matter of policy it was announced that this rate would have no implications and that no one would take any action tending to fix a rate of exchange for indigenous Mark currency.

e. Military Government Law No. 51 - "Currency" (Appendix 5), proclaimed Allied Military Marks as legal tender and prohibited transactions[3] providing for payment in or delivery of a currency other than Allied Military Marks or legal indigenous mark currency and coin.

f. The formation of a Currency Section for GERMANY was directed. Initially, this agency was to operate as a part of Supreme Headquarters,[1-2-4] Allied Expeditionary Force. As military operations moved into GERMANY, instructions were issued that the Currency Section would operate under[3] 12 Army Group. The functions to be performed by the Currency Section for GERMANY were generally the same with respect to German currency as has been prescribed for the Currency Section for FRANCE with respect to French Currency.

52. Operations

a. The supply of adequate amounts of currency for all military purposes was met by obtaining Allied Military Marks in quantities sufficient for all estimated needs. The Currency Section for GERMANY was established in ENGLAND prior to the invasion. Since the Allied advance had reached the German boundary much sooner than had been anticipated and the need for Marks had thereby become an immediate rather than a future need, the Theater Fiscal Director obtained a bulk supply of Marks[10] from the Currency Section for GERMANY at the Bank of ENGLAND on 1 September 1944 and shipped them to PARIS. The Currency Section moved to PARIS as a part of the rear echelon of Supreme Headquarters, Allied Expeditionary

Force, as soon as permitted by movement priorities. It supplied Allied Military Marks to funding officers of the Theater Fiscal Director from its location in PARIS until 20 March 1945, when it moved to VERDUN and came[10] under the jurisdiction of 12 Army Group. It remained at VERDUN until 18 May 1945, when it moved to FRANKFURT (M-67).

b. The provision of adequate amounts of currency for the minimum needs of the German economy was a matter of concern to the Allied forces[1-2-4] only to the extent that a lack of such currency might obstruct the German economy to a degree causing interference with Allied Military Operations.

(1) During the period of military operations in GERMANY, in order to meet the emergency needs for currency for the[12] civilian economy, much effort was exerted by Military Government toward locating cash in the possession of banks and other institutions. The need for this action was demonstrated by early experience in the RHINELAND, where for a time there was a serious shortage of currency due to destruction and removal. In this area the eventual location of sufficient amounts of currency enabled banks to open and cleared the way for re-establishing the civilian economy to a degree sufficient for the minimum needs of the period. In the RHINELAND banking facilities in German territory were initiated by opening one bank in AACHEN (K-84), with cash of RM 1,500,000. Later RM 20,000,000 were found in various banks in COLOGNE (F-45), and larger amounts in MUNCHEN-GLADBACH (F-08). Still later, after deposits had accrued, reports indicated that aggregate bank holdings in the RHINELAND amounted to RM 500,000,000.

(2) The problem of mal-distribution of currency arose as larger offices of the Reichsbank were uncovered. Some of the larger amounts found in Reichsbank offices were as follows:

FRANKFURT a/M	(M-67)	RM 41,000,000
NURNBERG	(O-40)	120,000,000
ERFURT	(J-36)	107,000,000
HALLE	(D-92)	46,000,000
LEIPZIG	(E-21)	53,000,000
MAGDEBURG	(V-60)	707,000,000

As an example of re-distribution, the Reichsbank branch at MAGDEBURG (V-60) made transfers to other Reichsbank branches as follows:

HANNOVER	(X-32)	RM 200,000,000
BRUNSWICK	(X-90)	100,000,000
MUNSTER	(A-97)	100,000,000
LEIPZIG	(E-21)	70,000,000

(3) At the end of May 1945, the estimated RM 3,000,000,000 that had been uncovered appeared to be adequate to meet immediate requirements.

c. An activity not originally contemplated for the

Currency Section was brought about by the capture of the bulk of the gold reserve of GERMANY, together with immense amounts of foreign currency, German loot, and other treasure. This is described in the After-Action Report of 12 Army Group as follows: "It was found necessary, as a result of the tremendous amount of treasure and loot found throughout GERMANY, to extend and expand the functions of the Currency Section for GERMANY. Treasure and loot have been discovered throughout occupied German territory. Officers of this headquarters and SHAEF participated in the survey and transfer of what is considered the most dramatic discovery of loot in military history. The bulk of the gold reserve of GERMANY, representing over 200 tons of gold; foreign exchange; and still unvalued and tremendous stocks of art, were discovered buried in a saltmine at MERKERS (L-74). In order to protect this hoard of wealth, directives were issued by this headquarters to transfer all such treasure and loot to a central depository at FRANKFURT (M-67). The Currency Section for GERMANY was then charged with responsibility for it. The number of such transfers accomplished and the amounts involved under the direction and coordination of this headquarters, are too extensive to enumerate. The treasure and loot so transferred included gold, silver and platinum bullion, coins and notes of most countries of the world, and jewelry and precious stones. Full records and data concerning the deliveries to FRANKFURT (M-67) were turned over to the Currency Section depository. Among the cities or areas in which such treasure caches were uncovered, in addition to MERKERS (L-74), were NORDHAUSEN (D-12), LEIPSIG (E-21), BUCHENWALD (J-57), HALLE (D-92), MAGDEBURG (V-60), ESCHWEGE (H-68), WURZBURG (N-53), MUNICH (Y-85), and BERCHTESGADEN (Z-90) in Germany; and SPITAL and INNSBRUCK in Austria. The greater part of the bullion and currency uncovered was the property of the German government or the Reichsbank, although in many cases, particularly where jewelry and coin were involved, it represented loot, brought from outside GERMANY or taken from inmates of concentration camps or others. In some instances, however, private collections of loot were involved, including a large cache of foreign currency and coin assembled by Heinrich Himmler".

53. Conclusions

a. Plans generally were as complete as could have been drawn in advance, and in general were adequate to meet the needs of the situation as found.

b. The Currency Section for GERMANY met its responsibilities adequately.

CHAPTER 4

FOREIGN EXCHANGE AND BLOCKING

54. PLANS

a. Directives to Army Commanders required them to make necessary arrangements to insure that effective controls were established with[4] respect to Foreign Exchange assets and transactions. Military Government[1] Law No. 53, "Foreign Exchange Control", (Appendix 7), the SHAEF "Handbook for Military Government in GERMANY" and the "SHAEF Financial and Property Control Technical Manual" supported these instructions. Specifications[1-2] of such assets and transactions, forms, procedures and instructions to the Reichsbank and other financial institutions were shown in the Technical Manual referred to above.

b. During initial phases of the occupation, action by Military[4] Government was to be focused on total blocking and freezing. Provisions for licenses (permits for specific transactions or specific types of transactions) were included.

c. Specific instructions to Financial Officers provided that they would insure elimination of undesirable personnel, distribute[1-2] instructions to Reichsbanks, agencies and persons affected, and make periodic spot checks as to the manner in which such instructions were being carried out.

d. The fundamental objective of "blocking" certain property as defined in Military Government Law No. 52 "Blocking and control of [6] Property (Appendix 6) was to maintain in status quo all property of certain categories of owners. Reference is made to Chapter 7 of this Part which considers the subject of Property Control from the point of view of custody of such property.

e. Directives required the issuance of necessary instructions by Army Commanders to insure the institution of such blocking (freezing)[4] or impounding measures as might be necessary to prevent unauthorized transactions.

f. The duties of Financial Officers in regard to Blocking Control were to supervise compliance and report violations of instructions[2], collect Reports of Blocked Property from Financial Institutions, Post Offices and others, obtain blacklists, insure additional blocking where necessary, and to report action taken with respect to the withholding of license privileges.

55. Operations

a. The effect of publishing Laws and issuing Instructions on[3] Foreign Exchange and Blocking throughout occupied GERMANY was to establish immediately the policies of the military commander, place the responsibility for compliance on the German institutions and persons concerned and furnish a basis for subsequent actions in a post-defeat period. In a general sense the main objectives were successfully accomplished. Operating procedures were directly related to the use of the Reichbank offices and the development of the banking system in GERMANY.

b. Financial Officers, however, had serious trouble in attempting to carry out their missions because of the limited number of qualified[3-12] officers available, the extended areas involved, the great number of institutions affected, and above all the lack of a clear separation of prior-to-defeat and post-defeat procedures. Under the conditions relatively little could be done to insure compliance, few spot checks could be made, and in general it was necessary to accept the word of leading local bankers that instructions were delivered, understood and were being followed. In the prior-to-defeat period the filing of the basic returns (under mandatory time limits) for both foreign exchange assets and blocked property could not be adequately enforced.

56. Conclusions

a. Clearer instructions outlining actions to be taken prior to defeat, would have been desirable.

b. The actual number of qualified officers was frequently inadequate even for a reduced program. A more flexible organization, providing a pool of Financial Officers to deal with special situations and to coordinate operations between areas, would have been desirable.

CHAPTER 5

FINANCIAL INTELLIGENCE

57. Plans

a. Financial Intelligence instructions were contained in the SHAEF Technical Manual. Financial Officers Interim and Monthly Reports listed thirty subjects regarding which information was desired, under headings of currency and foreign exchange, financial institutions, securities and other property, public finance, troop expenditures, prices and wages, and black markets. It was expected that Financial Officers would exercise wide discretion regarding the relative importance of information available at the time of making the reports.

b. Detachments not having Financial Officers were to continue[2] to include financial information in daily summary reports with special reports as required by the situation.

58. Operations

a. In practice the principal source of financial intelligence[12] proved to be spot news of banks open, currency on hand, removals of personnel, government offices organized, revenue programs instituted and similar local information. Organized statistical information from German sources was not available because of the breakdown of the financial system.

b. The expansion of financial intelligence operations beyond[12] local city areas to the point where larger detachments could make summary reports for whole regional areas was a slow process.

c. The monthly reports of Army Deputy Controllers of Finance and [12] accounts tended to reflect the spotty character of detachment and other reports.

59. Conclusions

a. Assigned Financial Officers were so heavily involved in Operations that it would have been desirable to detail financial officers from an outside source to make survey reports on timely subjects. Financial surveys conducted by the First and Ninth US Armies proved to be useful in setting patterns which were widely followed.[12]

b. In general, the system of periodic Military Government summaries, supplemented by special reports covering unusual occurrences or conditions, was successful in supplying the required financial intelligence.

CHAPTER 6

ACCOUNTS AND AUDITS

60. Plans

a. Policy, organization, and technical instructions were covered in the "Financial and Property Control Technical Manual" issued by Supreme[2] Headquarters, Allied Expeditionary Force. Organization and Technical Instructions followed closely the pattern that had been published in the SHAEF "Civil Affairs Handbook for FRANCE" and developed in the Handbooks for other countries. The statement of policy was simply that "the prescribed standard forms and records will be maintained for all Military Government financial transactions".

b. Organization was prescribed briefly as follows:[2]

(1) Accounting began with the Sub-Accountant, an officer who handled the monies pertaining to a detachment and was accountable therefor.

(2) The Sub-Accountant submitted his accounts monthly, after review by his detachment commander, to the senior Military Government Financial officer (Deputy Controller of Finance and Accounts) (DCFA) at Army Headquarters. This officer performed no auditing functions and kept no accounting records, but merely reviewed the accounts submitted to him and forwarded them to Army Group Headquarters.

(3) The senior Military Government Financial Officer at Army Group headquarters (Controller of Finance and Accounts)(CFA) was responsible for audit of the accounts and for centralized control accounting therefor. His staff included a Chief Accountant and an Auditor.

(4) The Chief Accountant (Army Group level) was responsible to the CFA for establishing and developing Military Government accounting and financial reporting procedures, analysing and consolidating the accounts rendered by Sub-Accountants, and preparation of reports as required.

(5) The Auditor (Army Group level) was responsible to the CFA for auditing records and vouchers submitted by Sub-Accountants, auditing the accounts of the Chief Accountant, the Currency Section, the Property Control Section and other Military Government Sections as deemed advisable, conducting field examinations, and reporting to the CFA the results of such examinations.

(6) The Accounts and Audits Subsection of G-5 Financial Branch, Supreme Headquarters, Allied Expeditionary Force received the reports from Army Group headquarters and was responsible for the establishment and

maintenance of an accounting system designed to maintain financial and statistical records for Military Government administration and for ultimate inter-governmental settlements. It must be borne in mind that the phrase "ultimate inter-governmental settlements" referred only to Military Government funds and supplies and not to the larger overall settlements involving lend-lease and reciprocal aid accounting, responsibility for which was vested in the Theater Fiscal Director. It should also be noted that the familiar principal that an agency should not audit its own accounts was later recognized by the separation of the Accounts and Audits Subsection into an Accounts Subsection and an Audits Subsection. Its Sub-

c. Technical instructions. In general, the records and forms to be used by Sub-Accountants resembled those used in accounting for Company Funds.

d. Expenditures for administrative Military Government expenses were closely limited. Services, equipment, supplies and office space were to be obtained through prescribed army procurement channels, or by requisition on the German public authorities. Only if it should be impossible to obtain such items from these sources would expenditure of Military Government funds be authorized. Expenditures for personal needs were expressly prohibited. Claims of civilians against Allied Forces were to be forwarded to the appropriate agency and were not to be handled by Military Government.

e. Supply accounting requirements were reduced to a minimum. No relief supplies were to be sold for cash, and no imports were to be made for the German population beyond the minimum to prevent such disease and disorder as might endanger military operations. Thus issues of supplies were to be limited almost exclusively to those made to Displaced Persons. All issues were to be made against an "Official Receipt" for future settlement. The detachment commander, in Displaced Person Centers, in lieu of an authorized German "receiving party" was to sign the "Official Receipt", and at the end of the month forward to the CFA signed copies attached to a "Monthly Register of Official Receipts". At Army Military Government supply depots, copies of "Tally-Outs" or issue vouchers were to be transmitted to the CFA, through Army G-5 Financial Branch as a verification of the "Official Receipts".

61. Operations

a. The volume of transactions for both cash and supply accounting was smaller than anticipated and planned for. Some of the Military Government detachments and most of the Provisional detachments organized from combat troops were not issued any cash. In many detachments the only cash handled by Sub-Accountants came from the collection of Military Government Court fines. Expenditures were negligible in volume. In later phases no advances of Military Government funds were made to public authorities or financial institutions. Reference

has been made previously to early advances to finance payrolls of coal mines in the AACHEN (K-84) area.

b. In Supply accounting the issuance of instructions was frequently too late to meet the needs of the situation. In addition the rapid organizational expansion to meet the problems of Displaced Persons in GERMANY resulted in unavoidable neglect of the simple accounting procedure. One expedient employed in this situation was to secure a blanket "Official Receipt" at a Displaced Persons Center for all rations issued for the month. The auditing function of checking "Official Receipts" against depot "Tally-Outs" was carried out at Army Group level. It was found impracticable to do this at Army level because of frequent shifting of Military Government detachments between armies.

c. The handling of captured funds was an unforeseen problem and required coordination between the G-5 and Finance Sections of Armies and Army Groups. Funds of the Wehrmacht, Reich Government, Nazi Party, local governments, post offices, private owners and unknown owners came into the possession of combat units or Military Government detachments and were normally deposited at Finance Department Disbursing Offices. Included were German and other currencies and securities and occasionally foreign exchange assets other than currency and securities. Disbursing Officers received such funds with certificates describing the circumstances of acquisition and were directed to secure from the G-5 Financial Branch at Army headquarters a ruling as to whether or not such funds were in actuality "captured enemy funds", (strictly defined as property of the Wehrmacht or German military forces) and therefore required to be taken into account as "General Fund Receipts" under US treasury regulations. Pending such determination disbursing officers accounted for such funds in their "Special Deposit" accounts. When the determination was made that funds were not "captured enemy funds" they were to be disposed of by one of the following methods:

(1) Returned to owners.

(2) Deposited subject to Law No. 52 (in blocked account).

(3) Deposited subject to Law No. 53 (Foreign Exchange).

(4) Placed under formal property control.

(5) Held in safe keeping by Military Government detachments pending further instructions.

These instructions worked out satisfactorily in cases where action was promptly taken and where both the Disbursing and Military Government officers concerned were still in the same immediate area where the funds had been acquired. In the mobile period, when action was delayed the return of funds in required cases was complicated. These complications were frequently avoided where Military Government officers acquired the funds in the first instance, disposed of them as stated above, and delivered to the disbursing officer only such funds as were clearly "captured enemy funds".

62. Conclusions.

a. If the function of "Accounts and Audits" is to remain a responsibility of G-5 the maintenance of a strong accounting staff at the Army Group level is desirable. Current problems could be dealt with to best advantage at Army Group level because higher headquarters are usually too remote and Army Headquarters are likely to be heavily involved in operations.

b. The corresponding section of Chapter 1, Part One (FRANCE) included a recommendation that the present system of accounts and audits be eliminated and that all receipts and payments be handled through the normal army disbursing system. Experience in GERMANY confirms and reinforces this recommendation.

c. Determination of the nature of captured funds must be made by someone. The logical person to make this determination is the Commanding General of the Disbursing Officer who receives the funds. The disbursing officer usually has the benefit of conversation with the person turning in the funds, which is denied to any officer at higher level. Most of the difficulties encountered would have been eliminated if this system had been in effect.

CHAPTER 7

PROPERTY CONTROL

63. Plans

a. The objective in the mobile period was to be the laying of[2] the groundwork for full operation in the static period. It was not intended that any attempt would be made to perform all of the varied[4] functions of Property Control in the mobile period. A Chief Property Control Officer (CPCO) was to be designated at Army Group level, with a Deputy (DCPCO) at Army level. Property Control Officers (PCO) were to be assigned to the staffs of the larger Military Government detachments, to perform local Property Control functions, or to exercise supervisory functions if the jurisdiction of the detachment were more than local. In the initial period the DCPCO would maintain centralized files of property and accounting records. Duties, procedures, technical instructions and forms for property and cash accounting records of PCO's and the DCPCO were prescribed[2].

b. Initial instructions specified eight categories of property[4] under Military Government Law No. 52 (Appendix 6) to be taken into control, custody or possession and to be held or administered as and until otherwise directed. Later instructions issued prior to any extensive military[12] operations in GERMANY further limited to three the categories of properties to be taken into control at the earliest time such action would be physically possible:

(1) Nazi Headquarters and party property used for party purposes.

(2) Abandoned properties of sufficient importance and value to warrant Property Control.

(3) Prima facie loot from outside GERMANY.

c. The posting of a "Notice of Custody" was further specified[12] as an informal temporary procedure pending final determination of the advisability of taking formal control by completing and filing more formal records. In addition instructions stated that Property Control officers would not engage in operation of industrial or other plants. In cases involving plants of military importance, military services such as Ordnance would assume charge of operating activities. In general during the mobile phase of military operations the purpose of Property Control would be to protect important property and to maintain the status quo.

64. Operations

a. Conditions in initial phases quickly demonstrated that in heavily damaged and evacuated areas there was little if any property of[12] sufficient importance to warrant formal Property Control. All cases were submitted to a simple test, viz., what benefit would accrue from taking the property under formal control? In this manner Property Control and other Military Government Officers eliminated from further consideration cash and securities already blocked in banks, vacant land, private houses, buildings totally destroyed, other buildings

occupied by Allied Forces, and properties under adequate civilian or military guard. In doubt were cases where properties could be put into production of goods of military or civilian importance within a short period of time, and where equipment or materials were subject to deterioration from exposure, or to theft. Establishment of adequate guard was sometimes sufficient action. Authorization to approved German custodians to spend limited sums of available cash, to sell building supplies and materials for repairs, or to hire guards and labor, met the situation in most other cases. Within the actual time limit imposed by the military situation little else could be done. The case of a small farm tractor plant at WORBIS (C-81) illustrates[12] this point. There were stocks of finished and unfinished tractors, parts and materials. Production could be started at once. The finished tractors were not desired for military use. A custodian was appointed, protective measures were adopted and the facts reported to higher headquarters, which made the decision that formal Property Control was not necessary.

b. The actual number of properties taken into formal custody by Property Control Officers was small. In the experience of the First US[12] Army for instance, during the mobile period there was only one such property - a metal working plant in AACHEN (K-84). Activity in this case was limited to making current repairs. Major properties in some cases were taken into formal control by higher headquarters, an example being the extensive organization of the I. G. Farbenindustrie combine, the whole of which was placed under formal control by order of the Supreme Commander. Summarizing the trends within occupied GERMANY in May 1945, a report of the Finance Division, US Group Control Council states:[9]

"Although numerous Nazi-owned properties have been taken into custody along with Allied-owned properties, this field had not attained the prominence nor magnitude anticipated. In many cases property was leased and not owned by the Nazi party. There have been only a few instances discovered of cloaked ownership and in some cases Nazi property has been requisitioned by Allied military units. In still further instances records have been destroyed so that ownership cannot be ascertained."

c. It may be mentioned that in numerous instances, through the efforts of Property Control Officers, German property records in various forms were located, protected, and examined. These records were of increasing value as the devious Nazi methods of "cloaking" ownership were further analyzed and identified.

65. Conclusions

a. So far as the combat phase was concerned, the magnitude of the task of Property Control was over-estimated. As late as December, 1944 it was considered that an extensive accounting and administrative task was involved. This perhaps would have been true under conditions of total enemy collapse prior to extensive occupation.

b. Basic plans and instructions were necessarily based upon the maximum operations that might be required, and on this basis were properly prepared and adequately stated.

c. The objective, stated in the basic instructions, of laying during the mobile period the groundwork that would be required in the static period, was accomplished.

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2. Supreme Headquarters, Allied Expeditionary Force "Military Government GERMANY - Financial and Property Control Technical Manual".

3. G-5 Section, 12 Army Group, "After-Action Report of Civil Affairs and Military Government in "OVERLORD" and "ECLIPSE" Operations 1944-45" (Extract - Section XV - "Finance and Property Control") (Appendix 3).

4. Directive, 12 Army Group, 23 November 1944, Subject: "Directive for Military Government of GERMANY Prior to Defeat or Surrender"; Annex III, "Military Government Policy Directives"; Section VII, "Finance and Property Control". (Appendix 4).

5. Military Government Law No. 51 - "Currency". (Appendix 5).

6. Military Government Law No. 52 - "Blocking and Control of Property", (Appendix 6).

7. Military Government Law No. 53 - "Foreign Exchange Control". (Appendix 7).

8. After-Action Report of G-5 Section, Headquarters Third US Army.

9. Monthly Report of Finance Division, US Group Control Council, April 1945 and May 1945, Subject - "Financial Aspects of the Allied Occupation of GERMANY".

10. Statement of Brigadier General Nicholas H. Cobbs, Fiscal Director, Headquarters, Theater Service Forces, European Theater. (Appendix 8).

11. Advance Section Communication Zone Operational History 1943-1945.

12. Periodic Military Government Summaries of various Divisions, Corps, Armies, Army Groups, and higher headquarters.

PART THREE

STAFF RESPONSIBILITIES

CHAPTER 1

PURPOSE AND ANALYSIS

SECTION 1

PURPOSE

66. The purpose of Part III is to examine the financial functions presently assigned to the G-5 Section (Civil Affairs and Military Government), and consider whether the functions should be assigned to other Staff Sections.

67. The seven financial functions for which Civil Affairs and Military Government is responsible are as follows:

a. Public Finance.

b. Financial Institutions.

c. Currency.

d. Foreign Exchange and Blocking.

e. Financial Intelligence.

f. Accounts and Audits.

g. Property Control

SECTION 2

INTER-RELATIONSHIP OF FINANCIAL FUNCTIONS OF THE G-5 SECTION

68. "Public Finance", "Financial Institutions", and "Foreign Exchange and Blocking", are clearly inter-related.

69. "Currency" has a slight connection with "Public Finance" and "Financial Institutions". For example, in the case of BELGIUM, it was shown in Part One, Chapter 2, that the Belgian Government-in-Exile prepared new stocks of currency, and issued them to the National Bank of BELGIUM, which supplied our Currency Section for BELGIUM with currency for military use. Otherwise "Currency" has a negligible relationship to any other function.

70. "Financial Intelligence" is related to all the other functions, except "Accounts and Audits". It is concerned with supplying and evaluating information concerning all the other functions except "Accounts and Audits". However, its relationship to "Currency" is slight.

71. "Accounts and Audits" has a negligible relationship to

any of the other functions.

a. "Accounts" is concerned with receiving and paying money, accounting for it, and submitting for audit the records of the accounting. An occasional loan may be made to a public financial authority, and checking deposits may be maintained with financial institutions such as banks.

b. "Audits" is concerned with auditing "Accounts", and may also audit the transactions of the Currency Section and of Property Control Officers.

72. "Property Control" is slightly related to "Financial Institutions" and "Foreign Exchange". For example, property placed under formal control is usually real estate or industrial property, but may include also foreign exchange assets in the physical custody of a financial institution such as a bank. Otherwise the relation of "Property Control" to the other functions is negligible, as is shown by the title of the SHAEF "Financial and Property Control Technical Manual".

SECTION 3

RELATIONSHIP OF FINANCIAL FUNCTIONS TO STAFF SECTIONS.

73. This section will show the relationship of the financial functions of the G-5 Section to functions of staff sections other than G-5.

74. "Currency" has an intimate relationship to the normal functions of the Finance Section.

a. The principal duties of the Finance Section are the receipt and disbursement of public money, and matters connected therewith. In any foreign theater, before any money can be disbursed it must first be obtained, usually in physical form (Currency). In the European Theater very nearly all financial transactions involved physical transfers of currency. Extensive payments by check were made only in the UNITED KINGDOM. Therefore the assurance of adequate supplies of currency is just as vital to the Finance Section as the assurance of adequate supplies of food is to the Quartermaster Section.

b. Initial procurements of currency in the European Theater were made by "Currency Sections", (one for each country involved), which were under G-5. Therefore the Theater Fiscal Director (Finance Section at highest US level), who was responsible for keeping all Finance Sections supplied with currency, had no direct control over its initial procurement, nor over such vital matters as when and where bulk supplies would be made available to him.[1]

c. The distribution and supply of currency to ultimate users were responsibilities of the Finance Section at various levels. Thus it can be seen that the Finance Section was responsible for and performed all steps of supply except initial procurement.[1]

d. The difficulties that arose from the situation described in the preceding sub-paragraphs have already been presented in Part One, Chapter 1, Section 3.

c. The solution would have been to place responsibility for the function of "Currency" under the Finance Department rather than under G-5. Such removal would not have adversely affected the performance of any other function by G-5, nor would it have added any burden to the Finance Section except at the highest level, where it would have been welcome.[1]

75. "Accounts and Audits" has an intimate relationship to the normal functions of the Finance Section.

a. "Accounts" receives and pays money - specifically, Civil Affairs and Military Government money-and accounts for transactions, the accounts finally being analyzed and consolidated at Theater level.[2-3]

b. The Finance Section receives and pays money. Its receipts and payments are of all categories, and in volume several hundred times as large as those of Civil Affairs and Military Government. It has procedures and forms that could be used without change for the receipts and payments now made by "Accounts". The accounts of all disbursing officers are analyzed and consolidated at Theater level, as is done with G-5 "Accounts".

c. The Finance Section also has a function similar to the "Audits" function of the G-5 Section, which has been described above. The accounts of all disbursing officers are audited in the Theater by the Receipts, Disbursements, and Allotments Division of the Office of the Theater Fiscal Director, and finally receive the very comprehensive and exacting audit that is given to all US Government accounts by the Treasury Department and the General Accounting Office.

d. Assigning responsibility for "Accounts and Audits" to the G-5 Section was wasteful of personnel, as the Finance Section was already performing identical operations.

e. The solution would have been to place responsibility for "Accounts and Audits" under the Finance Section rather than under the G-5 Section. The manner in which the function would be performed under those conditions has already been discussed in Part One, Chapter 1, Section 6.

76. Relationship of Functions.

a. The relationship of the financial functions of the G-5 Section, other than "Currency" and "Accounts and Audits", to the normal functions of the Finance Section, is not so intimate as in the case of the two functions mentioned. In fact, operations under these functions do not parallel any of the operations performed by the Finance Section under present organization and doctrine.

b. However, all of the seven financial functions of the G-5 Section may be considered as having an intimate relationship to the normal functions of the Finance Section, if present organization and doctrine relative to these functions were revised to conform to F.M. 101-5. Paragraph 35 of this Manual gives as duties of the Finance Officer the following:

(1) Adviser to the commander and staff on fiscal matters.

(2) Payment of the command, and payments for hired labor, for supplies purchased or requisitioned, and for damages or claims.

(3) Custody of financial records.

(4) Custody and disbursement of all Government funds, including such special funds, as the commander may direct.

SECTION 4

OTHER CONSIDERATIONS

77. Similar staff functions should be grouped so far as possible in a single staff section. If other considerations are eliminated, this principle would require that all financial and fiscal functions be grouped in the Finance Section. However, other considerations must be taken into account, and all considerations weighed in order to reach a logical conclusion.

78. Background and Training.

a. The principal other consideration is the lack of the background and training in civilian finance normal to officers of the Finance Department. The lack arises from several causes.

(1) The peace time system of detailing in the Finance Department officers of other branches without special Finance qualifications and subsequently transferring them to this branch.

(2) Failure to include in the curricula of the principal schools of the Finance Department (Officer Candidate Schools, and the disbursing course of the Finance School) any training in civilian finance.

(3) Lack of peace-time opportunities for officers of the branch to acquire training in civilian finance by practical experience, their normal army duties consisting entirely of financial activities peculiar to the army and only remotely related to civilian finance.

b. The first two causes enumerated can be overcome by planning and training. The third cannot be met by any means presently available. However, the lack of all-round experience in civilian finance will generally be common also to officers who are procured from civilian sources for Civil Affairs financial duties. Officers secured from civilian sources will normally have specialized knowledge in one of the seven fields concerned, and only general knowledge or none at all in the other six fields.

79. Another minor consideration is that the assignment of the financial functions of the G-5 Section to the Finance Section would require a considerable revision of present organization, and a complete re-orientation of the thinking of the officers concerned. However, extensive reorganization and reorientation are inevitable in the post-war period, and while they are underway, changes that are desirable should be introduced.

SECTION 5

CONCLUSIONS

80. Responsibility for all financial functions now assigned

to the G-5 Section should be assigned to the Finance Section. Unless all the functions are transferred at one time, first priority should be given to the transfer of "Currency" and "Accounts and Audits".

Bibliography

Part Three

1. Statement of Brigadier General Nicholas H. Cobbs, Fiscal Director, Headquarters, Theater Service Forces, European Theater. (Appendix 8)

2. Directive, 12 Army Group, 23 November 1944, Subject: "Directive for Military Government of GERMANY Prior to Defeat or Surrender"; Annex III, Military Government Policy Directives"; Section VII, "Finance and Property Control". (Appendix 4)

3. Supreme Headquarters, Allied Expeditionary Force, "Military Government GERMANY - Financial And Property Control Technical Manual".

FINANCIAL PLANS AND OPERATIONS OF
CIVIL AFFAIRS AND MILITARY GOVERNMENT

PART FOUR

CONCLUSIONS AND RECOMMENDATIONS

CHAPTER 1

CONCLUSIONS

81. The absence of a financial agreement with responsible French national authorites prior to the invasion caused confusion and misunderstanding. Financial agreements with French authorities prior to the invasion would have made possible a more precise definition of policies and procedures to be followed by Civil Affairs officers. The advantages of such prior agreements were demonstrated in the operations in BELGIUM, THE NETHERLANDS and LUXEMBOURG.

82. The decision to use French currency rather than US and British currency for the operations in FRANCE was proper.

83. Fixing of the rate of exchange between French francs and dollars at 50-1 and maintaining this artificially high value of the franc was justified during the period of military operations.

84. The establishement of a Currency Section to perform the functions originally planned for Allied Financial Agency - FRANCE was advantageous only to the extent that a military agency was substituted for a proposed civilian agency.

85. The directives relative to the Currency Section for FRANCE were not sufficiently clear to preclude differences of opinion on major points.

86. Responsibility for supply of currency from its source to ultimate destination should have been placed upon the Theater Fiscal Director.

87. In the field of Foreign Exchange and Blocking in FRANCE and BELGIUM no deficiencies occurred which in any way seriously jeopordized military operations or which had any other important significance.

88. The policy of placing major responsibility for the operation of the public finance program in FRANCE upon the French authorities was sound. The soundness of the policy was confirmed by operations in BELGIUM, THE NETHERLANDS and LUXEMBOURG.

89. Financial intelligence of significance, as distinguished from financial information in great detail and volume, should be the object sought in reports, and financial specialist officers should be trained to distinguish between the two.

90. There is no basic reason for the existence of a seperate system of accounting for Civil Affairs cash. All receipts and payments should be handled through the normal army disbursing system.

91. The policy that banks and other financial institutions should be permitted and required to manage their own affairs, and that our financial specialist officers should assist, advise, and order, rather than undertake direct management, proved to be sound by operations in liberated and occupied territories.

92. In advance of operations, adequate detailed financial instructions should be placed in the hands of all Military Government financial officers.

93. Financial operations in the various areas of liberated or occupied territory should be co-ordinated as early as the military situation will permit.

94. There should be a reserve of financial specialist officers at Army or Army Group headquarters, available to visit lower echelons, co-ordinate their work, orient them as to requirements, and to make "spot" checks, inspections, and survey reports of public finance officials and financial institutions of the country involved.

95. Directives relative to denazification did not sufficiently define "active Nazis and ardent Nazi sympathizers".

96. The logical person to determine the nature of captured funds and consequently their disposition is the disbursing officer who receives the funds.

97. In property control operations in GERMANY, laying during the mobile period the groundwork that would be required during the static period following defeat of GERMANY, was a proper objective and was properly accomplished.

CHAPTER 2

RECOMMENDATIONS

98. That responsibility for all financial functions now assigned to the G-5 Section be transferred to the Finance Section, with first priority given to the transfer of the functions of "Currency" and "Accounts and Audits".

99. That formal financial agreements be made with the de-facto government of a country to be liberated, in advance of operations.

100. That a reserve of financial specialist officers be maintained at Army Group headquarters, to be used for the purposes of providing area co-ordination, checking the work of and advising financial officers at lower levels, inspecting public finance officials and financial institutions, and making survey reports of special situations as required.

101. That banks and other financial institutions in foreign territory being liberated or occupied be permitted and required to manage their own affairs, and that our financial specialist officers assist, advise, and order, rather than undertake direct management.

102. That responsibility for the operation of the public finance program in liberated or occupied territory be placed upon the public officials of the country involved.

103. That adequate detailed financial instructions be placed in the hands of all operating Civil Affairs and Military Government financial officers, in advance of operations.

104. That determination of the status of captured funds and consequently of the disposition of such funds be made by the CO of the disbursing officer who receives the funds, rather than by a staff officer at higher level.

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After-Action Report of Civil Affairs and Military Government in "OVERLORD" and "ECLIPSE" Operations 1944-45; G-5 Section, Headquarters 12th Army Group AEF. (Extract - Section XV - "Finance and Property Control").	3
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OPERATION "OVERLORD"
21 Army Group Administrative Instructions:
Civil Affairs No. 12
15 March 1944

Note: In the preparation of this directive, the staff of First US Army Group collaborated with the staff of the 21 Army Group (British). First US Army Group was redesignated on 14 July 1944 as 12 US Army Group. On 1 August 1944 12 US Army Group assumed command over all US Forces then operating in Northern FRANCE.

FISCAL

INTRODUCTION

1. Conditions affecting financial matters in connection with Civil Affairs administration are fluid and are subject to constant alterations. This Instruction will be supplemented and amended as necessitated by changing conditions. It will be read in conjunction with 21 Army Group NEPTUNE Civil Affairs Plan.

2. It must be assumed that prior to D day, agreements will be made with the responsible French authorities whereby they will take over the major responsibility for currency and financial administration at an early date. This instruction places a maximum responsibility on Civil Affairs under the OVERLORD Operation, but current conditions during the operation may permit a decrease in such responsibility and a consequent increase in that of the French authorities. This contingency will be borne in mind when interpreting this Instruction.

3. Directives necessary to implement this Instruction will be issued subsequently, and specimen Ordinances will be prepared. The above will include detailed instructions in regard such matters as:-

(a) Currency and rates of exchange.
(b) Control of banks and financial institutions.
(c) Blocking of enemy accounts and commercial transfers.
(d) Arrangements for official deposits.
(e) Control, accounting, and auditing of payments and receipts.
(f) Financial relations with Central and Local Governments.
(g) Finance and accounts of supplies.
(h) Taxation and Revenue.
(i) Control of wages and prices.
(j) Relief.
(k) Budgets.

ORGANIZATION

4. Civil Affairs Fiscal Officers are represented in Civil Affairs Staff allotted to Headquarters of Armies and are included in increments of Civil Affairs Detachments (see Appendix 'A' to 21 Army Group Operation Instruction No.....).

5. Civil Affairs Fiscal Officers with Civil Affairs Detachments are directly responsible to the Officer Commanding Detachment who in turn is responsible, via Civil Affairs Staffs at formation/unit headquarters, to the Commander of the formation concerned.

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6. Channels of communication with higher formations by Civil Affairs Fiscal Officers will be as follows:-

(a) For all matters involving policy, or which are not purely technical - through channels via Officers Commanding Detachments to Civil Affairs Staff.

(b) For all matters of a purely technical nature - direct to Civil Affairs Fiscal Officers on Army and Army Group Staff.

CURRENCY AND EXCHANGES

7. General Policy

Spearhead currency in form of Yellow Seal dollars and BMA notes and US/Brit coins will not be used except in emergencies. Banque de France notes in the hands of the Allies and/or special francs will be used by the Armed Forces and for Civil Affairs purposes. No action will be taken to eliminate notes or coins issued by communes or local authorities which, though not legal tender, are in habitual use.

8. Rates of Exchange

Rates of exchange between francs and dollars and sterling, unless previously announced, will be made known to formations/units immediately before D day. Appropriate Ordinances covering legal tender status and rates of exchange will be issued if special military, Yellow Seal dollars or BMA currencies are used. Issuance and posting of currency and exchange Ordinances will be the responsibility of the Commander-in-Chief subject to any agreement made between Supreme Commander, Allied Expeditionary Force and the responsible French authorities prior to D day regarding the degree of their responsibility to be assumed by the French authorities in this connection.

9. Exchange Transactions

All foreign exchange, all foreign financial and trade transactions, and all imports and exports of currency will be prohibited immediately upon entrance into the territory, except as permitted under regulations to be issued.

10. Allied Financial Agency - FRANCE

Allied Financial Agency - FRANCE - (AFA FRANCE) will be established on instructions from SHAEF to deal with larger problems of currency, accounting and finance.

(a) Primary purpose is to provide cash for military use and civil administration, to maintain accounts and keep such records as will serve as part of the basis for eventual settlements between the government of liberated FRANCE and those of the United States and Great Britain.

(b) AFA FRANCE will be under control and direction of the Director of the Fiscal Section of the Civil Affairs Staff at Headquarters 21 Army Group. Banque de France or branches thereof will be designated as agent for AFA FRANCE.

(c) Functions listed below will be reduced and as many as possible taken over by the responsible French Government agencies in accordance with agreements to be reached between SCAEF and the responsible French authorities.

(i) To receive, hold and supply bulk reserves of currency for Army Pay and procurement and for civil administration purposes.

(ii) To act as a depository, clearing house and agency for all funds issued to and received from the Allied Expeditionary Forces (AEF).

(iii) To receive, hold and supply such stocks of stamps as are necessary in the interests of the AEF.

(iv) To withdraw from circulation at the Order of the SHAEF any spearhead or other currencies that may have been issued.

(v) To make advances directly or indirectly to Government or sub-divisions thereof, or to banks, public utilities and other enterprises in accordance with prescribed policy, when such advances cannot be obtained elsewhere.

(vi) To act as depository for and/or to exercise control over funds seized or impounded.

(vii) To finance essential exports.

11. Freezing Control

Immediately on entrance into the territory Officers Commanding Detachments, in conjunction with Counter-Intelligence Staff, will proceed to:-

(a) impound or block all assets of enemy governments, enemy banks, hostile individuals and organizations, and of all persons acting on behalf of the foregoing.

(b) prohibit access to safety deposit boxes and vaults except under a proper system of supervision.

(c) establish controls over the transfer of real property and securities.

12. Currency Accounting.

A detailed Civil Affairs directive and forms for currency accounting in AFA FRANCE will be issued later.

13. Cash for Civil Affairs Officers Use

(a) In the initial stages of operations, available local supplies of currency may be very limited. Cash disbursements during this period must be restricted to the absolute minimum.

(b) Prior to D day, Officers Commanding Detachments will be supplied with a certain quantity of currency which they will take with them for emergency expenditure during the first few days of the operation.

(c) After D day and during the initial stages of the operation, funds required for Officers Commanding Detachments Civil Affairs can be obtained from Field Cashiers/Finance Officers. If large sums are involved prior notice will be given.

(d) When AFA FRANCE has been established in the territory, Officers Commanding Detachments will requisition necessary funds for Civil Affairs purposes through Fiscal Officers from AFA FRANCE.

BANKS

14. Non-closure

Basic policy will be to interfere as little as possible with the

existing financial machinery. Hence in order to permit payments necessary for the continued operation of essential governmental and economic activities, banks will be kept open subject to freezing control considered in paragraph 11 above, and necessary restrictions regarding limited withdrawals. A general moratorium will not be declared. In addition, steps will be taken to assure the normal functioning of savings banks and the postal savings systems in order to minimize the necessity for relief payments.

15. Closure and re-opening

Despite the above basic policy and in the event of no agreement prior to D day having been reached with a responsible French authority placing on the latter the responsibility for banks and other financial institutions, it is possible that at the time of entrance drastic financial measures will have to be taken. Under these circumstances the policy will be as follows:-

(a) Banks and all other financial institutions will be closed and a general moratorium will be declared. Officers Commanding Detachments will see that Ordinances are published, bank vaults as well as safety deposit boxes are properly sealed, and all records preserved. Bank managers will be given instructions concerning their responsibilities.

(b) Plans for re-opening banks must assure adequate supplies of currency in order to avoid the danger of re-closure. Financial institutions other than banks will be re-opened in accordance with their importance to the economic life of the territory.

(c) Partial lifting of the moratorium and re-opening of banks will be accomplished as soon as possible in order to allow personal withdrawals of a limited amount per capita for subsistence and in order to free from restrictions the following types of payments:-

Taxes of all types;
Wages and salaries due for work performed;
Amounts due for essential expenditure of the government and sub-divisions and agencies thereof;
Bona fide pensions and benefits under social insurance schemes, both public and private;
Amounts due to public utilities.

(d) It should be assumed that consultation will be held between the Armed Forces and the responsible French authorities regarding problems of re-opening such institutions if and whenever possible.

(e) Directives will be issued in regard to the above procedure when necessary.

16. Advances of Civil Affairs Funds

(a) French Government organizations and essential enterprises will obtain financial assistance from normal channels and/or local banks. When necessary, such organizations and enterprises will apply for assistance to the Banque de France which, in turn, may be supplied with currency by AFA FRANCE. Supervision of such advances will be the responsibility of Civil Affairs Fiscal Officers.

(b) In emergencies, certain direct advances will be made by Officers Commanding Detachments in conformity with general fiscal instructions issued in the form of Directives.

PUBLIC FINANCE

17. (a) Taxes and revenues will be maintained at levels existing at the time of initial entrance into the territory, and maximum use will be made of indigenous governmental methods and existing agencies.

(b) All Allied military personnel and property and all Allied Imports, exports and local purchases for military purposes will be exempt from taxation. Directives regarding taxes on goods specifically for civilian purposes will be issued subsequently.

18. Governmental Budgets will be prepared by the French authorities concerned and will be submitted and controlled through French governmental channels. Civil Affairs supervisory contact with budgets for FRANCE will be at "Departmental" level only, unless otherwise directed.

19. Service on Public Debt
The Service on the French public debt will be continued. It must be assumed that agreement and consultation will exist between the Armed Forces and the responsible French authorities on this subject.

20. Pensions, Allowances, Benefits under Social Insurance will be continued. Payment will be restricted to bona fide pensioners and will not be made to certain categories of officials. Such categories will be defined subsequently in a Directive in conjunction with the Counter-Intelligence Staff.

21. State Monopolies
Financial measures will be taken to ensure the proper functioning of the Railways, the Postal, Telephone and Telegraph System, and other State monopolies.

FINANCIAL ASPECTS OF OTHER FUNCTIONS

22. Control of Prices and Wages is primarily the responsibility of the Economic Section of Civil Affairs Staff at Headquarters 21 Army Group, which will work in close co-operation with the Fiscal Section. The Fiscal Section is concerned with problems of the general price and wage level and with the interconnection between the two levels. Every effort will be made to keep the price level under control and to maintain reasonable relationships between prices and wages. The initial level of prices and wages will be based on those in effect at the time of entrance into the territory.

23. Relief

(a) Administration of relief of the indigent will be the responsibility of the French Central or Local Governments. As a general rule relief will be in cash and not in kind. Rates of cash relief will be based on the subsistence level at prevailing official prices and will be set so as to provide uniform relief in as large a geographical area as possible.

(b) Relief (whether in cash or in kind) will normally be distributed to the civilian population through existing relief agencies, or if no such agencies exist, through some agency or committee of local inhabitants approved by CA for the purpose. Only in emergency will Civil Affairs distribute relief direct to the indigent themselves.

(c) Supplies will normally be paid for by the agencies or committee

to whom they are issued at prices to be announced or approved by SHAEF. If the agency or committee has no funds available with which to purchase the supplies they will be instructed to apply for a loan from a local Bank for the purpose. If no such loan can be made available, Civil Affairs funds may be advanced direct to an established relief agency.

(d) Prior to D plus 30 it may be found necessary for relief in kind to be provided free. In such an emergency a quantitative record of the supplies so used will be maintained and whenever possible agreed with some responsible French authority or official, and account rendered to the nearest CA Fiscal Officer.

GENERAL ACCOUNTING

24. (a) Appropriate cash accounting procedure will be followed at all echelons of command. Instructions and forms have been prepared and will be issued. They include:-

Instructions to Sub-Accountants (Cash Accounting)
Instructions to Sub-Accountants (Supply Accounting)
Instructions to Accountants
Allied Financial Agency Accounting

(b) Appropriate records of railway freights and daily mileage on Civil Affairs account will be maintained in terms of wagon and personnel mileage.

(c) Appropriate supply accounting will be followed for items of both consumer goods and capital goods in accordance with issued instructions.

PAY AND RATIONS FOR CIVIL AFFAIRS MILITARY PERSONNEL

25. The normal Army procedure will be employed in each case. Civil Affairs funds are not to be used for payment or allowances of Civil Affairs Military personnel, nor the purchase of their rations or fuel. In every case Civil Affairs personnel must follow the regulations and methods laid down for the Army.

CLAIMS

26. It is not a responsibility of Civil Affairs Officers to entertain, process, transmit or pay claims against the Armed Forces, but they will assist claimants in establishing contact with the Claims Officer at formation/units.

BILLETING AND REQUISITIONS

27. When Civil Affairs is in need of obtaining billets or carrying out requisitions they will use the machinery and methods of the military formation/units to which they are attached. There will thus be no necessity for Officers Commanding Detachments to authorize payment direct for such services.

CONTROL OF PROPERTY

28. This will form the subject of a separate 21 Army Group Administrative Instruction: Civil Affairs.

SHAEF

FIELD HANDBOOK

OF

CIVIL AFFAIRS

FRANCE

(PROVISIONAL)

FIRST EDITION (REPRINT)

16 June 1944

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Note: IV, V, and VI are shown herein only by list of contents. The subject matter consists of a mass of detailed instructions, forms, etc., which are not necessary for an understanding of this study.

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II. FINANCE - POLICY

61. The object of the Supreme Commander is to ensure the adequate maintenance of French financial machinery and the proper direction of French financial activities in order to facilitate military operations.

62. This policy is developed below in two sections:

Section I - Responsibilities which will be executed by the Allied Forces regardless of the extent to which other essential responsibilities will be assumed by the French authorities.

Section II - Responsibilities which will be executed by the French authorities but which will require assistance in the event circumstances prevent the complete execution by the French authorities.

SECTION I

Currency

63. US/British and other Allied Forces will use French francs. Regular franc currency and coin and administrative currency now in circulation in Metropolitan France and supplemental French franc notes and coin will be used without distinction.

64. For military reasons it may be found necessary for US forces to use Yellow Seal Dollars and regular US coin and British forces British military Authority notes and regular British coin.

The use of US Yellow Seal Dollars and British Military Authority notes, however, will be avoided whenever possible, especially in initial operation, and resort will be had to their use only in emergencies due to unsatisfactory acceptability within France of supplemental French currency or inadequate supplies of French franc currency at times and places needed to meet military requirements.

If it is found necessary to use US Yellow Seal Dollars and British Military Authority notes, the rate at which they will be interchangeable will be announced.

a. US Finance Officers and British Paymasters are authorized to accept non-Yellow Seal Dollars and regular pound notes from US and British military or authorized personnel for conversion into franc currency at the decreed rate of exchange after satisfying themselves as to the source of the notes.

Currency Distribution by Currency Section

65. French Franc Currency for use by the Allied Forces will be provided by this HQ and distributed by the Currency Section. Clear distinction will be drawn in record keeping between funds transferred to military forces for army pay and procurement and funds issued for Civil Affairs purposes, in accordance with accounting instructions laid down by SHAEF. Appropriate arrangements will be made so that in the initial phase of operations, if currency cannot be obtained from the Currency Section for Civil Affairs purposes and if the need for such currency is urgent and immediate, the military pay services will issue funds to authorized Civil Affairs Officers.

Administrative Expenses

66. Services, equipment and supplies necessary for the conduct of Civil

Affairs will be obtained from military sources or from the French Authorities wherever possible. If it is impossible to secure them from such sources, the necessary expenditures may be made from CA Funds. The expenditure of CA Funds is prohibited for all personal needs such as billeting, rations, fuel, personal servants and officers' mess expenses, except under specific instructions from SHAEF.

Claims

67. The claims of civilians against Allied Forces will be referred to the appropriate military agency.

Accounting

68. Appropriate accounting procedure for both cash and supplies will be followed at all echelons of command in accordance with instructions issued by SHAEF. All supplies obtained from BR/US Military Forces and distributed to the civilian population and supplies procured in France by military forces for export or use in France will be dealt with at prices fixed by and in accordance with arrangements made by the Supreme Commander.

Protection of Records and Currency

69. If areas have been evacuated, precautionary measures will be taken to ensure that public funds and public records do not fall into the hands of the enemy.

United Nations Property

70. The care and protection of property of United Nations and nationals thereof by the French administrative agencies will be investigated and reported and recommendations made to SHAEF. Enquiries from owners of property of United Nations or nationals thereof will be forwarded to the French officials for information and action thereon will be ascertained.

Financial Reports

71. Reports will be made and statistics furnished to SHAEF at the time and in the form requested. Additional reports required by other echelons will be kept to such a minimum, both in number and in length, as is consistent with the necessities of financial control.

Prohibited Transactions and Unreliable Personnel

72. Violation of orders and regulations regarding transactions of a financial character and the existence of unreliable bank officials will be brought to the attention of the appropriate French authorities and action thereon will be ascertained.

SECTION II

73. Responsibilities set forth in this Section will be executed by the French authorities. In the event circumstances prevent the French authorities from executing their responsibilities the following action will be taken to fulfill them. Except as otherwise indicated this action will be taken.

Currency

74. Supplemental franc notes issued for use by the Allied Forces will be made legal tender and will be interchangeable with regular franc currency and coin and administrative currency (such as that issued by the Communes) without distinction.

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Rates of Exchange

75. The official rate of exchange expressed in terms of French francs to the dollar and French francs to the pound sterling will be announced to the population.

Transactions in Currencies

76. All transactions in currencies will be controlled.

Banks and Moratorium

77. Control of banks and other financial institutions will be in accordance with the program of the French authorities. If the situation in any locality is critical, however, and runs on the banks are threatened, then appropriate commanders, if possible not below Army, may, through the French authorities, in their discretion cause the banks to be closed and a general moratorium to be declared. A report will be made to SHAEF of action so taken.

Loans and Advances.

78. a. Advances for Civilian purposes. Expenditure by public authorities will be financed by the French authorities themselves in accordance with the usual procedure. If an advance is required, a public authority will apply through the normal administrative channels or to the Bank of France or other French banks. If these methods fail and the need is essential and immediate, or if the failure to obtain funds will prejudice the military situation, an advance from CA funds may be made. Advances from CA funds will be to the highest level of public authority in the area and will be limited usually to a 30 day period. This authority will not normally be delegated below Army.

b. Advances for Private Enterprises. CA advances to essential private enterprises may be authorized only if they are unable to obtain their requirements from banks or other available sources and if their need is immediate and urgent and capable of prejudicing the military effort if not relieved. This authority will not normally be delegated below Army.

c. Emergency Advances. Notwithstanding the provisions laid down in "a" and "b" above, appropriate instructions may be issued to authorize CA officers in lower echelons to make advances to the minimum extent necessary to provide against a temporary and extreme emergency when the approval of higher authority cannot be obtained by normal communications and the military effort may be prejudiced if the advance is not made immediately.

Public Finance.

79. Matters of public finance will be handled in accordance with the program of the French authorities. Non-essential expenditure should be discouraged and those of a capital nature will always be subject to special scrutiny. Existing tax laws should be maintained. Basic policy should be to continue service on the public debt, but if the fiscal situation dictates, payments of principal may be postponed. Government monopolies and municipal enterprises should be controlled and their revenues used in the normal manner. All bona fide government pensions and all social security benefits should continue to be paid.

Control of Property

80. Control of enemy and United Nations property including freezing and blocking regulations will be carried out by the French authorities. In the event of the French taking no satisfactory action:

a. All reasonable steps necessary to preserve the property of the United Nations and their nationals will be taken, within such limits as are imposed by the military situation and a report of the situation regarding all classes of property will be made to SHAEF.

b. The appropriate French authorities will be urged to take measures to impound or block all assets of enemy governments, enemy banks, hostile individuals and organizations and all persons acting on behalf of the foregoing and, where appropriate, assets of all persons resident in enemy occupied territories. In the event no action is taken by French authorities, report is to be made to SHAEF.

III. FINANCE - INSTRUCTIONS (GENERAL)

81. Introduction. These instructions are developed into two sections:

Section I - Responsibilities to be discharged by Civil Affairs Officers regardless of the extent to which other essential responsibilities are assumed by the French authorities.

Section II- Responsibilities which, although discharged by the French authorities, may involve to a greater or less extent the assistance of Civil Affairs Officers.

82. The initials CFA (Controller of Finance and Accounts) are used to mean the Senior Finance Officer CA at any Army Group or L of C / Com 2.

83. The extent to which technical-functional CA channels will be used by CA Financial Officers will be determined by CG Army Group or CG L of C/Com 2.

SECTION I

84. Currency

a. Distribution of Currency. Initial amounts of currency for Civil Affairs purposes will be distributed to CA officers designated as sub-Accountants through Currency Section for France (for functions and powers of Currency Section see Finance Appendix A). Sub-Accountants will requisition subsequent amounts of currency from Currency Section through the CFA or the Senior Financial Officer for France in accordance with the procedure outlined in Instructions to Sub-Accountants (Cash Accounting) commencing at para. 117 hereafter. In the initial phase of operations, if currency cannot be obtained from the Currency Section for France and if the need for such currency is urgent and immediate, CA Officers may apply to the Army Paymaster (BR) or Finance Officer (US).

Currency for Army Pay and procurement purposes will pass through Currency Section for France and will be disbursed on requisition and against receipt to the Army Paymaster (BR) or Finance Officer (US) concerned. This currency and that for Civil Affairs purposes will consist of regular and supplemental French franc notes and coin except as provided in "b" below.

b. Yellow Seal Dollars and BMA notes. These currencies will be issued only in an emergency and will be withdrawn from circulation as soon as possible. In event of the unsatisfactory acceptability of supplemental franc currency or inadequate supplies of franc currency in the locality, OC Detachment will report the circumstances to the CFA and await instructions.

c. Exchange of Currencies. Paymasters (BR) and Finance Officers (US) will accept non-Yellow Seal Dollars and regular Sterling notes from British and US Military or authorized personnel for conversion into franc

currency at the decreed rate of exchange after satisfying themselves as to the source of the notes. Such Paymasters and Finance Officers may also exchange into francs any foreign currencies held by military personnel entering Metropolitan France from other liberated territories.

d. Currency Discovered or Seized. All Currency of any nature acquired by CA personnel through discovery or seizure will be reported by them monthly to Currency Section for France, and may be turned over if so arranged. In the case of currency acquired by military personnel other than CA, Paymasters (BR) and Finance Officers (US) will assume initial responsibility and will report to Currency Section for France and/or turn over such currency if so requested.

85. Accounting

a. Cash Accounting Procedures. Detailed cash accounting instructions and specimen forms will be found in Instructions to Sub-Accountants (Cash Accounting) commencing at para. 98 hereafter.

b. Supply Accounting Procedures. Detailed supply accounting instructions and specimen forms will be found in instructions to Sub-Accountants (Supply Accounting) commencing at para. 125 hereafter.

c. Accounting at CFA level. Instructions to Accountants CFA, commencing at para. 147, hereafter, do not directly concern accounting at the Detachment level. They are furnished for the use of CA Officers stationed at the CFA level and for the information of Detachment Officers.

86. Administrative Expenses

a. Necessary Expenditures. OC Detachment may make necessary expenditures of CA funds to perform CA administrative duties if such services, equipment and supplies are not available by requisition from military sources or by temporary loan from a public authority. These needs include, for example clerks, interpreters, official transportation and travel, heat, light, power and telephone. Proper vouchers will always be procured for all such expenditures.

b. Prohibited Expenditures. Except on specific orders of DCCAO the expenditure of CA funds is prohibited for all personal needs including for example, billeting, rations, fuel, personal servants, and Officers' mess expenses. Billeting, rations and fuel for CA and other military personnel will be provided by and paid for through the usual army channels.

87. Requisitioned Property and Claims. CA officers will not requisition property. Payments for requisitioned property and claims by civilians for all damages, tort or contract, will be dealt with through the appropriate military channels as laid down by higher authority.

88. United Nations Property.

a. The CA Financial Officer operating at Departmental level will inform the Prefect that French authorities will continue to be responsible for the care and protection of property of the United Nations and Nationals thereof and for procuring information regarding its physical condition.

b. The Prefect will be informed that requests will be made to him from time to time for reports of the physical conditions, or operational status of properties located within his Department of United Nations or Nationals thereof.

c. The CA Financial Officer should ascertain from the Prefecture

the more important United Nations Properties within the Department and, as time permits, make either personally or through CA Detachments a general inspection of their physical conditions and protection. French authorities will be requested in the light of the inspection to take whatever steps seem necessary to prevent any avoidable damage, deterioration or looting of such property.

d. If property is abandoned or neglected the CA Financial Officer will request that the French Authorities take appropriate action.

e. If the Army occupies any such property which has been abandoned, a report of its condition at the time of occupation and the designation of the occupying unit will be made by the OC Detachment in the area.

89. Financial Reports. The OC Detachment will include financial information of importance under General Remarks in the next Field Report; they will give special attention to the condition of the banks, for that purpose, obtaining and attaching to the Report a summary of the current banking situation from the highest French banking authority in the locality. The OC Detachment will make an immediate report, in whatsoever form appears most suitable, should a financial crisis occur or black markets in currency develop. CA Financial Officers will make Functional Reports as required. See, in either case, Reports Instructions.

90. Protection of Funds and Records. If an area is to be evacuated, funds and records must be protected from seizure by the enemy and CA Officers will take action as follows:

a. Remove all important books and records and all currency and securities to a rear echelon if transport is available and the movement is otherwise feasible.

b. If movement to a rear echelon is not feasible and capture appears inevitable, destroy all important books and records and all currency and securities. Destruction of currency must be witnessed by two disinterested officers, if available, otherwise by two or more enlisted men/other ranks. A certificate will be prepared in triplicate showing the date, hour and place, the amounts by denominations and serial numbers, if available, and any other pertinent facts covering the circumstances and necessity for the destruction of the funds. The certificate will be signed by the officer destroying the funds and certified to by the officers or enlisted man who witnessed the destruction. A report in detail accompanied by a copy of such certificate, should be made as soon as possible by the CA Officer concerned to his OC Detachment and to the CFA.

c. If movement or destruction of books and records is impossible, conceal to the best possible advantage.

91. Prohibited Transactions. CA Officers upon discovery of instances of any of the types of transactions listed below will report them to the French authorities and to a higher CA authority. The French will be encouraged to take immediate action to prohibit the following transactions and will be given all possible assistance. Types of transactions are: trading with the enemy or persons in any occupied territory and enemy controlled persons; operations involving evasions of foreign exchange regulations; transfers of property of enemy nationals and of all hostile persons, institutions and organizations.

92. Undesirable Persons and Illegal Transactions. If any bank personnel seems undesirable because of collaboration with Germany or Vichy or is considered otherwise unreliable or incapable; or if a bank is discovered to be engaged in any illegal transactions of a financial character such

as violating any freezing controls or exchange regulations, OC Detachment or CA Financial Officers will:

a. Bring the matter to the attention of the appropriate French authorities with the request that they take action.

b. In event action is not taken report to higher CA authority and await instructions.

SECTION II

Responsibilities set forth in this Section will be executed by the French authorities. CA Officers will assist in their fulfilment and if circumstances prevent complete execution by the French authorities; Civil Affairs Officers will take action as follows:

93. Currency, Exchange and Restrictions in Certain Transactions.

a. Currency and Exchange. Upon instructions from higher authority OC Detachment will immediately post a proclamation (see Financial Appendix B) for the purposes of:

(i) Making Supplemental Franc Notes legal tender on the same basis as existing French currency.
(ii) Fixing the rate of exchange between the Franc and the Dollar/Pound Sterling.
(iii) Prohibiting all transactions in foreign currencies.

b. Currency for Displaced Persons. OC Detachment will apply to the CFA for instructions relative to the exchanging into Francs of any foreign currencies held by displaced persons or refugees.

94. Financial Institutions. Unless the French authorities have a different program or unless compelling reasons dictate the necessity for contrary action, banks (including Postal Savings, Cheques Posteux and pawn shops) and other financial institutions will remain open and no general moratorium will be declared.

a. OC Detachment and CA Financial Officers will act as follows:

(i) If requested by the French authorities, or if it is otherwise considered necessary, place an armed guard on banks (or any other financial institutions). Arrangements will be made through appropriate army channels.
(ii) Maintain continuous contact with local French Officials regarding banking conditions.
(iii) Report regarding such condition to SCAO* as required and necessary - see Reports Instructions.
(iv) Request French authorities to take appropriate measures such as restrictions or withdrawals from banks in event control appears advisable.
(v) Cooperate in providing any necessary loans and advances - see para. 15 below.
(vi) If the situation is critical, advise French authorities to close the banks. If the French authorities do not act, recommend to the Military Commander that banks in the locality be closed. The order closing the banks will be issued by the Military Commander. Notification will be made to CFA or DCFA.

b. If banks are found closed upon the arrival of CA Officers or

*Senior Civil Affairs Officer

close voluntarily after arrival, no action will be taken. The facts will be notified to CFA or DCFA.

c. If banks have been closed either by action of the French authorities or the Military Commander, OC Detachment or CA Financial Officers will act as follows:

(i) Maintain contact and make reports as above.
(ii) Request French authorities to reopen banks as soon as possible with such restrictions on withdrawals, and freezing and blocking of accounts, as are considered necessary, and cooperate regarding loans and advances. The special importance of reopening savings and banks and postal savings will be emphasized.
(iii) If French authorities do not reopen banks, make recommendations and request instructions from higher authority.

d. In regard to financial institutions other than banks OC Detachments or CA Financial Officers will act as follows:

(i) Contact local French Officials regarding ability of Insurance Companies to meet claims, and be prepared to assist the French authorities in respect of financial problems of such companies.
(ii) Request French authorities to close Stock Exchanges if conditions make this step advisable.

e. OC Detachment or CA Financial Officers will maintain close liaison with the Postal and Communications Section of Civil Affairs within the locality for proper coordination of all activities regarding postal matters. The service of Bonds issued by the Post Office Services should be in accordance with the policy regarding the Public Debt.

95. Freezing and Blocking. As soon as practicable after entrance into liberated territory OC Detachment or CA Financial Officers will take the following action regarding freezing and blocking:

a. Request Prefect and/or other appropriate French Officials to take measures to impound or block all assets of enemy governments, enemy banks, hostile individuals and organizations and all persons acting on behalf of the foregoing and, where appropriate, assets of all persons resident in enemy occupied countries.

b. If no action is taken by the French authorities or Officials, report with recommendations to higher CA authority and await instructions - See Reports Instructions.

96. Loans and Advances.

Advances for Governmental Purposes.

(i) French public authorities* will provide and pay for:

*Public Authorities include in part: Communes; Departments; Deposit & Trust Fund; (Caisse des Depots et Consignations); Government Departments dealing with:- Pensions, Relief, Social Insurance & Workmen's Compensation; Municipal Pawn Banks (usually called "Credit Municipal"); Municipal Savings Bank; Municipal Transport (Buses, Tramways); Municipal Water Boards; Postal Cheque Accounts (Cheques Postaux); Post Office Savings Banks (Caisse National d'Epargne); Posts Telegraph & Telephone (P.T.&T.); Railways (Societe Nationale de Chemins de Fer Francais - S.N.C.F.).

All normal government services, such as salaries, pensions, relief, social insurance, and purchase of supplies.

All extraordinary or emergency needs including those due to wartime conditions such as: mass feeding, housing and transportation of displaced persons, extra police and guards; and payments normally made by a higher echelon of government which is not yet in the Liberated Area.

(ii) When a Public Authority is unable to obtain funds to carry out its normal, extraordinary and emergency functions from customary French sources and the need is essential and immediate and capable of prejudicing the military effort if not relieved, an advance of CA funds may be made by the OC Detachment directly to the Public Authority, but NOT without the prior approval of the CFA or, in his absence, the nearest CA Financial Officer. Advances of CA funds will normally be limited to the amount needed to cover the deficit of a Public Authority for a period not exceeding thirty days. Demands for repayment of advances to public authorities and inclusions of provision for interest rates and security, if any, will be made only upon specific instructions from the CFA.

(iii) All advances to public authorities will be made for the account of "Currency Section for France" and in the manner laid down in Instructions to Sub-Accountants (Cash Accounting) (General Payment Voucher Form CA/f6), commencing at para. 113. d. hereafter.

(iv) Recipient of such funds will be informed that the sums are to be used only for the purpose for which they were requested and that they should be recorded and accounted for through the normal budgetary procedure. In order to pass upon the necessity for and amount of an advance of CA funds, the OC Detachment will require the Public Authority seeking such advance to present duly executed "Application for advance of CA Funds" (see Financial Appendix C). Such application should be duly executed by two responsible Officials of the public authority. The OC Detachment will indicate his approval, disapproval or modification. If the application for the advance is approved by the CFA or his delegate, the OC Detachment will be notified, and he will then make the approved advance out of CA Funds in his possession.

(v) When a public authority is temporarily not functioning, it may be necessary for CA funds to be expended directly for the purchase of equipment, supplies, transport and services essential to civilian needs. Direct purchases of this character will be made only:

- In the minimum quantities required to meet immediate needs.
- At prices, rates and wages in conformity with current official schedules, and
- Through channels of the General Purchasing Agent (GPA) wherever possible, in which case the GPA will charge CA at the appropriate level, eliminating the need for cash payment by Sub-Accountants.

If such purchases are made from sources other than the GPA, and in all instances involving the purchase of services (wages, salaries), payments will be made in the manner set forth in Instructions to Sub-Accountants (Cash Accounting) commencing at para. 113 hereafter. General Payment Form CA/f4 will be executed by the civilian(s) receiving the funds, and appropriate advance vouchers on Form CA/f6 to cover such payment must be procured from the public authority at the earliest

possible date after the public authority commences to function. When purchases are effected through the GPA, it will NOT be necessary to obtain an executed Form CA/f4 prior to delivering the supplies, equipment, etc. to appropriate civilians for their essential needs. However, it will be necessary to obtain an executed advance voucher on Form CA/f6 (or cash payment) for the value thereof from the public authority at the earliest possible date after it resumes its normal functions.

b. Advances for Private Enterprises.

(i) Advances of CA funds may be made only by the CFA to essential private enterprises such as:
- Banks and Savings Banks
- Insurance Companies
- Private Utility Concerns
- Companies and Enterprises assisting the war effort, including those engaged in essential civilian work.

(ii) Loans to private essential enterprises, including banks and other financial institutions may not be made by the OC Detachment, but only by the CFA or his delegate. Where such loans appear to be necessary, the OC Detachment will procure from the enterprise the "Application for Advance of CA Funds" (Finance Appendix C) duly completed, together with all supporting information required by the attached schedules. OC Detachment will submit recommendations in forwarding the application for the loan. It is intended that loans to banks, as well as to other financial institutions, will be made only at the highest level, presumably the Bank of France, by the CFA or his delegate or by the Currency Section for France to finance other banks and financial institutions, as well as public authorities and essential enterprises. The CFA may, if he deems desirable, receive the execution of a credit agreement. If the loan is approved by the CFA he will issue appropriate instructions.

c. Emergency Advances.

(i) There may be occasions, which should be extremely rare even under the emergencies caused by war, where OC Detachment may have to make advances of CA funds on his own responsibility to public authorities, agencies of the Bank of France, other banks and financial institutions, and essential private enterprises. Such advances will only be for indispensable purposes. They will be made only if communication with CFA or a CA Financial Officer is impossible, and if financing through local channels cannot be accomplished.

(ii) OC Detachment will see that the form "Application for Advance of CA Funds" (see Finance Appendix C) is properly executed for all emergency advances.

97. Public Finance. At the outset it should be emphasized that pending the complete liberation of France, interim adjustments in the management of Public Expenditures, Revenue and Debt will have to be made. CA Officers will assist the French authorities to facilitate and coordinate the operations of the machinery of Public Finance on the most economical basis consistent with meeting immediate needs.

a. Budget and Expenditure. OSC Detachments and CA Financial Officers will remind Prefects of the importance of exercising careful

review and control of communal budgets. Expenditures for obnoxious purposes and organizations and for objects inimical to the military effort should not be made. If such expenditures are made, the matter will be reported to higher CA Authority. Non-essential expenditures should be discouraged and those of a capital nature, even where due to war damage, avoided. Similar action will be taken for departmental budgets. Wherever advances of CA funds are desired by a governmental entity OC Detachment will request comparative figures of revenue and expenditure showing the income and expenses of all kinds for the current month and the same month last year as well as the estimate for the next month and the corresponding month of last year by categories. If conditions do not permit the delivery of such data and the advance of CA funds is required, then the figures must be prepared as soon as possible after the expenditure. For additional information see "Loans and Advances" para. 96 above.

b. Public Debt. It is basic policy to maintain full service on the public debt, except that principal payments may be postponed. CA Officers will function as follows:

(i) Cooperate with local French Officials in accordance with instructions from higher CA authority.
(ii) Make recommendations to higher CA Authority concerning any immediately urgent situation.

c. Revenue and Taxation. Existing tax laws will be maintained except as changed by the French authorities. The continued existence of any discriminatory taxes introduced during the German occupation will be reported by CA Officers to higher CA authority. The collection of revenue and taxes will be the responsibility of the local officials and of the various national services which operate at the departmental and communal levels.

All existing taxes, including "octroi" and customs duties, will be levied and collected at existing rates and in accordance with existing laws and regulations except as respects Allied Forces personnel, goods and transactions, for which see the end of this subparagraph "c". CA Financial Officers will urge the French Officials at the communal level (Maire, Precepteur or Receveur Municipal) and at the departmental level (Prefect, Directeur, Inspecteur, Controleur; and Tresorier Payeur General) to obtain full and prompt collection of all taxes so that the need for advances will be lessened and inflationary influence curbed, and will co-operate with such officials to that end. Reports on results contained will be made to higher CA authority as indicated in reports Instructions.

Since the progress of military operations may prevent the flow of revenues through the normal channels, CA Officers will be prepared to assist French officials in providing temporary methods of handling such revenues. The following may be recommended:

(i) If Civil Affairs is operating at the communal level with no representation at a higher level, all taxes collected within the Commune or Communes may be held at that level.
(ii) If Civil Affairs is operating on a departmental level, with no representation at a higher level, all taxes collected within the Department may be held therein.
(iii) If Civil Affairs is operating on a regional basis, with no representative at a higher level, all taxes collected within the Departments comprising the Region may remain at the Departments concerned unless valid reasons exist for centralizing such funds at the regional level for subsequent redistribution.

Members of the Allied Forces and organizations and persons employed by or accompanying these Forces, and all property belonging to

them or their Governments, shall be considered exempt from all taxation (including customs) except as may be subsequently agreed between the Allied Government concerned and the appropriate French authorities. The immunity from French taxation may be extended by subsequent directives to such selected civilians, officials and employees of the Allied Governments present in France on duty in furtherance of the purposes of the Allied Expeditionary Force as may from time to time be designated by or under authority of SCAEF.

d. State Monopolies.

(i) State monopolies, including railways, Postal, Telephone and Telegraph systems and all state enterprises will be assisted by financial measures as in the case of other public authorities in order to ensure their proper functioning from the standpoint of military necessity and essential civilian needs. Actual operation of such monopolies and enterprises will be the responsibility of the French authorities and/or the Armed Forces. Whenever circumstances permit, additional objectives will be to maintain maximum net income and to reduce any deficits. Every effort will be made to continue the revenue-producing capacity of the Tobacco Monopoly. Responsibility for the financial management of State Monopolies and enterprises will rest with the French authorities. CA Officers will give appropriate assistance and supervision to see that the stated objectives are attained. For policy regarding advances see para. 96, "Loans and Advances."

(ii) CA Financial Officers and OSC Detachments will: Cooperate with local authorities to ensure the proper functioning of State Monopolies in so far as financial matters are concerned, coordinating wherever necessary with concerned services such as RE/CE and R Sigs/SC.

Refer all matters which cannot be handled locally to higher authority with recommendations for action as necessary.

Cooperate with proper officials in assisting the Tobacco Monopoly with respect to production, manufacture and distribution of tobacco within the area.

e. Municipal Enterprises.

(i) Where governmental entities below the State level own and operate utilities and other enterprises, the policy is essentially the same as that for State Monopolies and enterprises. Local authorities will operate and manage such enterprises with assistance as necessary from Civil Affairs.

(ii) CA Financial Officers and OSC Detachments will: Cooperate with local authorities to ensure the proper functioning of municipal enterprises insofar as financial matters are concerned, co-ordinating wherever necessary with concerned services such as RE/CE and R Sigs/SC.

Refer all matters which cannot be handled locally to higher authority with recommendations for action as necessary.

f. Government Pensions, Social Security Benefits. These will continue to be paid as a normal budgetary expense. CA Financial Officers and OSC Detachments will take no action other than to ascertain that payment is being made. New pensions and social security benefits arising out of laws in existence at the date of liberation will receive the same treatment as those approved prior to the date of liberation and currently receiving payment.

g. Financial assistance necessary for the continued operation of any essential public or semi-public enterprise will be given in accordance with the principles set forth in paragraph 96, "Loans and Advances".

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IV. FINANCE - INSTRUCTIONS TO SUB-ACCOUNTANTS (CASH ACCOUNTING) (ALSO KNOWN AS CA INSTRUCTION 117)

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Appendix A.

Movements of Cash

Forms

CA/F 1. Cash Book - Receipts

2. Cash Book - Payments

3. Receipt Voucher

4. General Payment Voucher

5. Payroll (Civilian Employees)

6. Advance Voucher

7. Requisition for Funds

8. Cash in Transit

9. Appointment of Sub-Accountant

10. Cancellation of Appointment of Sub-Accountant

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V. FINANCE - INSTRUCTIONS TO SUB-ACCOUNTANTS (SUPPLY ACCOUNTING). (ALSO KNOWN AS CA INSTRUCTION 118).

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Form CA/F11 Register of Requisitions and Issues.

Form CA/F12 Register of Billing Values of Supplies Issued

Form CA/f13 Monthly Report of Billing Values of Supplies Issued

VI. FINANCE - INSTRUCTIONS TO ACCOUNTANTS (On all types of accounting at CFA Level)
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Appendix A. Chart of Accounts

B. Instructions for Detailed Work, Cash Accounting.

FINANCE APPENDIX A

CURRENCY SECTION FOR FRANCE

1. Organization. Currency Section for France is a part of the organization for the financial administration of Civil Affairs for France. It will be under supervision of the Controller of Finance and Accounts (CFA) Army Group as long as the Commanding General Army Group retains responsibility for Civil Affairs in the liberated area and thereafter under the control of the Senior Financial Officer in France.

2. Location. Currency Section for France will be located in the capital banking city of the liberated area, but during the progress of military operations the Currency Section may be at HQ Army Group.

3. Functions. Currency Section for France will: (a) receive, hold and supply adequate currency for military pay and procurement and for Civil Affairs purposes; (b) provide a central depository for all funds issued to and deposits received from the Allied Expeditionary Forces and Civil Affairs; (c) provide a central medium for such measures as may be necessary to ensure an adequate banking and currency structure in France; (d) receive, hold and supply such stocks of postage stamps as are necessary in the interest of Allied Expeditionary Force and/or the civilian population, (e) maintain such control, subsidiary accounts and records as may be required for the purposes of the US/UK governments; and (f) keep records as to the origin and disposal of any currency or financial assets acquired by Allied Military Forces from any sources within the area with the exception of Prisoners of War funds.

4. Powers. Currency Section for France will have such powers as are necessary to perform the above functions. These will include powers: (a) to establish subsections in locations other than that of the Section itself, (b) to designate one or more French Banks as its agent, giving preference to the Bank of France; (c) to make advances on instructions from the CFA or his delegate directly or indirectly to political entities, financial institutions, industrial enterprises and other organizations; and (d) to act as a depository for and/or to exercise control over any assets seized or impounded by Allied Military Authorities.

FINANCE APPENDIX B (Translation)

LIBERATED FRANCE

P R O C L A M A T I O N

1. In order to prevent any shortage of currency, due to the disturbance of war, supplemental franc notes will be used to supplement the existing currency.

2. The supplemental franc notes are in the following denominations:

2 francs
5 francs
10 francs
50 francs
100 francs
500 francs
1,000 francs
5,000 francs

All notes bear on the reverse the French colours and the words "LIBERTE EGALITE FRATERNITE".

Supplemental francs shall be legal tender in Liberated Metropolitan France, and shall in all respects be equivalent to other French lawful money of like face value. No person shall in any transaction whatsoever discriminate between supplemental francs and such other existing French lawful money.

3. The rates of exchange will be:

---------- francs = 1 US dollar

---------- francs = 1 pound sterling

However, transactions in all foreign currency, including US dollar and sterling notes are forbidden, except as permitted by the appropriate authority.

Date.....

AFTER ACTION REPORT
of
Civil Affairs and Military Government

in

"OVERLORD" and "ECLIPSE" Operations 1944-45

G-5 SECTION
Headquarters 12th Army Group AEF

* * E X T R A C T * * *

SECTION XV

FINANCE & PROPERTY CONTROL

1. Over-all finance planning for D-Day operations included not only specific plans for Overlord-Neptune, but cover plans, which made it appear that landings were imminent from Spain to the Arctic Circle. Thus detailed financial planning covered every liberated country in Western Europe as well as Germany.

2. In financial planning for operations in Western Europe there were very many differences of opinion among Allied experts to be adjusted. These differences did not run along national lines but tended to fall into two groups, one, those favoring the Allied Military Government of occupied territory plan, which called for the closing of banks, the declaration of a moratorium, the use of Yellow-Seal dollars and British Military Authority notes and inflationary rates of exchange. The other favored the Civil Affairs Administration of Liberated Territory plans, which called for the placement of responsibility for civil administration upon the local authorities. While provisions were made in these plans for the possibility of the closing of banking institutions, and a moratorium, action relating thereto was to be arrived at in cooperation between Civil Affairs Detachments and local French authorities. An outstanding point in this latter plan was the utilization of a special supplemental franc note equal in value to the French Metropolitan Franc, in that manner eliminating the necessity for an exchange rate between currencies and the probable inflation acrollary thereto. The latter principles were ultimately adopted.

3. In the latter part of 1943, a series of weekly exploratory financial conferences were started at the War Office. Representatives of the following were present: First United States Army Group (CAS, FTOUSA), Fiscal Director's Office, FTOUSA: Chief of Staff Supreme Allied Command (later Supreme Headquarters, Allied Expeditionary Forces); Bank of England; US Treasury Department; Finance Department Staff of the War Office; and British Foreign Office.

4. The conferences at the War Office were of such value that similar conferences were held with the Governments-in-Exile in London and the French Committee of National Liberation (FCNL).

5. During the first part of the SHAEF planning period in London, the G-5 Finance Officer of FUSAG had an office at that headquarters; close relationship was also maintained with the Civil Affairs Finance Officers of the 21st Army Group. Since France was to be the ultimate zone of the United States Forces, the Controller of Finance and Accounts, 21st Army Group, agreed that no financial instructions to armies operating in France would be issued without the prior approval of this headquarters, and none were issued without such approval during the period of 21 Army Group responsibility in France.

6. The Supreme Commander, Allied Expeditionary Forces signed fin-

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ancial agreements with the recognized Governments-in-Exile. Although there were working arrangements with the FCNL, no agreement was signed prior to D-day. Since there was no recognized French Government-in-Exile, the supplemental French currency used by Allied forces was issued by the Supreme Commander under authority of the Hague Convention.

7. Immediately prior to D-day series packages containing currency and accounting instructions were furnished to each Civil Affairs Detachment by First US Army. The sums involved for D to D plus 15 were as follows:

Approximately 50 (C) and (D) detachments
50,000 French Francs each
2 (B) Detachments
100,000 French Francs each
1 (A) Detachment
100,000 French Francs
1 Finance Officer, First US Army
Approximately 2,000,000 French Francs

8. The French people readily accepted supplemental currency when presented in payment for things that could be purchased. Every phase of the financial plan for France met the requests of French financial experts with the exception that they questioned the authority for the issuance of supplemental currency. A question of sovereignty was involved and the French Regional Commissioner of Rouen immediately brought the matter to a head by directing the French tax-collectors not to accept the supplemental francs in payment of taxes. A G-5 Finance Officer was delegated to inform the FCNL that nothing must happen to jeopardize the military operation, that the Allied Forces were in a position to use Yellow-Seal dollars and BM notes, that the franc-dollar rate would have to be changed from 50-1 to perhaps 150 to 200-1. With this promise of an effective financial agreement as soon as the source of an adequate supply of indigenous currency was uncovered (Paris), the tax decree was rescinded. Later the French Provisional Government assumed responsibility for the supplemental currency.

9. In arriving for operations in western Europe the Finance Officer of this section took the position that all cash and supply accounting should be on a national basis. Because of the small financial staff of this section, the Currency Section for France and the Accounting Section for France were at first located at 21st Army Group Headquarters. When Supreme Headquarters, AEF, moved to Versailles early in September 1944, these two units were moved there. In order to expedite the policy of National Accounting and make it uniform throughout the area liberated by 12th Army Group and at the same time keep the G-5 Staff of 12th Army Group small, the following instructions, with the approval of SHAEF, were issued to armies;

"Reports of sub-accountants in your area will be transmitted as follows:

(1) When deployed in France to: Accounting Section for France, c/o Headquarters Seine Base Section, Communications Zone, European Theater of Operation, APO 887.

(2) When deployed in Belgium to: Supreme Headquarters, Allied Expeditionary Force, Mission (Belgium), Attention G-5 Financial French Accounting Section.

(3) When deployed in Luxembourg to: Head, Supreme Headquarters, Allied Expeditionary Force, Mission (Luxembourg), Attention G-5 Financial Branch Accounting Section.

(4) When deployed in Germany to: Commanding General, 12th Army Group, APO 655, Attention G-5.

(5) When deployed in Netherlands to: Head, Supreme Headquarters, Allied Expeditionary Force, Mission (Netherlands), Attention G-5 Financial Branch Accounting Section.

10. G-5 Finance Officers maintained close working contacts with the other general and special staff sections of this headquarters. In September and October the operation of US Armies in France, Germany, Belgium, Luxembourg and The Netherlands made the problem of paying troops in local currency difficult. The plans of liberated countries to retire mark currency still in circulation in restricted areas such as Alsace-Lorraine in France, Malmedy and Eupen in Belgium and in the Grand Duchy of Luxembourg further complicated the problem.

11. In addition to the problem of physically exchanging currency for troops there was the additional problem of exchange rates. In Alsace-Lorraine, troops complained that prices were still being quoted at the Franc-Mark rate of 20-1. To alleviate this situation, in September 1944 the Finance Officer of this section, with the assistance of the Head of the Currency Section for France, secured from the French Government copies of letters to French officials in Alsace-Lorraine and copies of the French Currency Proclamation which fixed the rate of exchange at 1 Mark equalled 15 francs. These documents were made available to armies operating in that area.

12. This section assisted the French Treasury and the Banque of France in the conversion of mark currency. French currency was stockpiled in the forward area and later widely distributed to exchange centers. Clearance was secured for personnel involved through G-2 channels. When conversion operations started, reports of its progress and effects on the United States Forces in the area were made to higher headquarters. Although minor conversion difficulties arose, the conversion operations proceeded according to plans.

13. For Belgium and Luxembourg, with the exception noted below, the currency needed for troop pay, procurement purposes and civil affairs needs were obtained from the Currency Section for Belgium and Luxembourg. Repetition of exchange difficulties already noted for Alsace-Lorraine occurred. Where German currency had been in use, complaints about the mark rate of exchange were common. During the first phase of the operations in these two countries, the responsibility for dealing with the respective governments through the SHAEF Missions was delegated to the First US Army, but it later proved desirable for this headquarters to resume this responsibility. With the completion of the "Gutt" conversion plan in Belgium and the retirement of Reichsmark currency in Luxembourg during late September and early October 1944 these difficulties were eliminated.

14. At the time the SHAEF Mission to Luxembourg was reorganized, the financial problems of the Luxembourg Government, insofar as they affected civil affairs operations, became the direct responsibility of the 12th Army Group. A second difficulty arose out of the inability of the Luxembourg Government to finance US Army procurements in Luxembourg on a lend-lease basis. The following arrangements were made: cash was paid by US Finance Officers for some of the goods already procured; the Belgian Government made cash available to the Luxembourg Government as a charge against its lend-lease agreement with the US Government; and some cash payments were made by the Luxembourg Government under a reciprocal aid agreement with the United States Government.

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15. No unusual Civil Affairs financial problems developed in the Netherlands. Only a small area was occupied by US Forces. Cash and supply accounting reports were made through channels to the SHAEF Mission to Luxembourg. Currency, with the exception noted below, was obtained from the Currency Section for The Netherlands.

16. On September the rapid advances of US troops made it desirable to secure supplies of currencies in The Netherlands, Belgium and Germany. At this time the respective currency sections were not in operation on the continent, but arrangements were made with SHAEF for the delivery through this headquarters of currencies of specified amounts to the Finance Officers of armies to cover the immediate requests of detachments.

17. On 18 September 1944, the Chief of the Accounts Division, Office of the Fiscal Director in Washington, visited this headquarters and following an examination expressed approval of the finance directives and policies then in force in the Army Group area.

18. Accounting Control for detachments deployed in the liberated countries was centralized in the SHAEF Missions for the respective countries. However, accounting control and centralization of records for detachments deployed in Germany were located at this headquarters.

19. Before liberation, special concern was expressed by the President of the United States as to the effects of soldier spending on the French economy and that of other liberated countries. Both positive and negative measures were taken to prevent soldier spending in civilian channels. In the first category were increasing facilities for voluntary allotments, remittances, savings deposits, purchase of war bonds and insurance, purchases at post exchanges and quartermaster stores; a recreational program by Special Services; a public relations and an education program on the harmful effects of promiscuous spending. Among the negative measures taken to prevent soldier spending in civilian channels were prohibitions placed on local purchases by the army procurement services and by individuals, the placing of restaurants and retail establishments off-limits; the placing of entire cities off-limits prohibiting transactions in other than the currency of the country involved, forbidding payment of other than established local wages and prices, etc. The success of the anti-inflation program exceeded expectations.

20. G-5 financial planning for Germany first appeared in the Rankin C plan. Although it never became effective, it was to become the basic plan. During September 1944 an agreement was reached that no attempt should be made to fix the rate of exchange. However, a rate for troop pay, procurement and accounting purposes was needed and established.

21. With the increasing emphasis on operating and preparation for operation in Germany, steps were taken in the winter of 1944-45 to increase the financial staff. Prior to 8 December 1944 when an accounting officer was placed on duty, there was only one G-5 Finance Officer at this headquarters. By the end of 1944 there were but three G-5 Finance Officers at this headquarters. During January 1945 the branch was increased to six officers and the work departmentalized to include: banks, public finance, property control, blocking and freezing, financial intelligence and accounting.

22. The advance planning for Germany required little later change. Circumstances necessitated a few new regulations. The efforts of the officers of the branch were largely devoted to assisting the Armies with the day-to-day application of basic principles to the problems encountered.

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23. In Germany banks and banking, as anticipated, were the immediate problems. As the Armies advanced first through the Aachen area, and later to the Rhine River, it was found that the extensive bombing had severely damaged all bank premises. For the most part, records, personnel and currency had been evacuated and those records left behind had been partially and sometimes completely destroyed. The first bank to be opened in the territory was the Kreissparkasse at Aachen, 27 November 1944. Under the directives issued, the German civilian slowly recreated sufficient records to begin operations. Seven employees acceptable to Military Government were located, and RM 1,500,000, overlooked by the Germans, made possible the opening of this bank. It is interesting as a matter of record, that the first loan made in Germany under Military Government was RM 25,000 loaned by the Aachen Kreissparkasse to the city of Aachen for relief and municipal payrolls. During January and February, in accordance with the policy to open banks as rapidly as possible, many banking institutions began operations throughout the Rhineland. In most cases banks operated under primitive cellar conditions, with incomplete records and few personnel. Banking hours were frequently two or three hours a day. For the most part banks were open only for the receipt of deposits and limited withdrawals. From the beginning, deposits far exceeded withdrawals.

24. At the time of the occupation public finance operations in the Rhine province were at a standstill. Similarly, as in the field of banking, tax offices had suffered severe damage or complete destruction. Records, personnel and cash had been evacuated. In order to permit those operations considered desirable, the German civilians prepared a tax program for Aachen and its immediate territory. To assist in the solution of the many complex problems, this headquarters in conjunction with Supreme Headquarters, AEF, set a policy permitting local communities to collect and use taxes formerly collected for the Reich, requiring a careful accounting record to be kept, so that proper adjustment might be made later. Local communities were permitted to sell abandoned perishable property. Directives were issued narrowing the scope of the sales of goods. During the early months of 1945 the major funds of cities in the Aachen area were derived in this manner.

25. G-5 Operational Instructions Number 10 was issued by this headquarters 1 March 1945, as an interim directive on the delivery of our general orders and licenses and instructions to Reichsbanks and their offices. It placed upon the Reichbank or alternate institution the responsibility for the redistribution of these forms and the responsibility for carrying out instructions contained therein. The Reichsbank and other officials cooperated to the fullest extent.

26. Operational Instructions Number 9 of this headquarters, on the subject of property control, was issued 1 March 1945. Since the number of trained property control officers was limited, these men were placed in F and F Military Government detachments. This instruction, as an implementation of the Handbook, ordered that the following three types of property should be taken into control:

a. Property, and records of Nazi party organizational property, used directly for party purposes.

b. Abandoned property of sufficient importance and value to Military Government to warrant control - priority being given to property owned by United Nations Governments or Nationals.

c. Prima facie loot obtained from outside Germany.

Pursuant to this directive, intensive surveys of properties have been made, but it has not been necessary for many to be taken into control. In many cases Army units have requisitioned properties; others were in charge of an acceptable custodian, and, in many instances, records had

been destroyed, so that it was impossible to determine ownership.

27. Conferences were held in November 1944 between officers of this headquarters and SHAEF, at which the decision was reached to permit loans to industry that were considered essential to the Army. The first case of this kind was that of the large coal mines in Aachen area. Coal was essential to the Army, but due to lack of cash it was impossible for the directors of the mines to meet the extensive payrolls. The very large amount which they formerly had at local banks in Aachen and Köln were not available. As a result of conferences held, total loans aggregating RM 750,000 of Military Government funds were made available through the Currency Section for Germany. Instructions were issued by this headquarters, requiring that the funds so advanced by Military Government to cover working expenses of German coal mines would not be used for:

a. Making company contributions to employees' pension funds.

b. Payment of any tax obligations of the mine company due or accrued. It was further stipulated that there was no objection to the use of these funds for, and the deduction from payrolls by the company for:

(1) Employees' contribution to a pension fund.

(2) Current due and payable taxes paid by employees through payroll deduction.

28. As the Armies advanced beyond the Rhine River, two conditions were encountered: one, similar to that in the Rhine Province, in which banks were largely destroyed, and records, personnel and cash evacuated; two, cases in which banks were only partially or slightly damaged and records, personnel and cash available. In the conduct of our operations with financial institutions, personnel of these institutions became of prime importance. Considerable progress was made in the program of de-Nazification of German financial institutions and governmental financial personnel.

29. Beyond the early planning stages, and the resultant directives issued on blocking and freezing, no further directives or directives were found necessary. However, this section has worked in day-to-day solution of cash problems arising in this field. Spot checks of financial institutions ordered by this headquarters verify the fact that German financial officials, acting under our directives and the supervision of local detachments, have fully cooperated. On occasion they were over-cautious and blocked some accounts not intended to be blocked by our directives.

30. It was found necessary, as a result of the tremendous amount of treasure and loot found throughout Germany, to extend and expand the functions of the Currency Section for Germany. Treasure and loot have been discovered through the entire German territory. Officers of this headquarters and SHAEF participated in the survey and transfer of what is considered the most dramatic discovery of loot in military history. The bulk of the gold reserve of Germany, representing over 200 tons of gold; foreign exchange, and still unvalued and tremendous stocks of art, were discovered buried in a saltmine at Merkers. In order to protect this hoard of wealth, directives were issued by this headquarters to transfer all such treasure and loot to a central depository at Frankfurt. The Currency Section for Germany was then charged with responsibility for it. The number of such transfers accomplished and the amounts involved under the direction and coordination of this headquarters, are too extensive to enumerate. The treasure and loot so transferred included gold, silver and platinum bullion, coins and notes of most countries of the world, and jewelry and precious stones. Full records and data concerning the deliveries to Frankfurt were turned over to the Currency Section depository. Among the cities or areas in which such treasure caches were un-

covered, in addition to Berkers, were Nordhausen, Leipzig, Buchenwald, Halle, Magdeburg, Aschroeps, Wurzburg, Munich, and Berchtesgaden area in Germany; and Spital and Innsbruck in Austria. The greater part of the bullion and currency uncovered was the property of the German Government or the Reichsbank, although in many cases, particularly where jewelry and coin were involved, it represented loot, brought from outside Germany or taken from inmates of concentration camps or others. In some instances, however, private collections of loot were involved, including a large cache of foreign currency and coin assembled by Heinrich Himmler.

31. In March 1945, it was found necessary to issue directives implementing instructions covering the proper handling of captured enemy funds. Great sums in this category had been taken by our forward combat units. In conjunction with the Fiscal Office, directives stipulated that instead of these monies being deposited under "Miscellaneous Receipts", they were to be put into special deposits and reported upon to Armies and G-5 Finance, this headquarters. Action was taken by the Army or by this headquarters, in the following ways:

a. Returned to owners.

b. Deposited subject to Law No. 52.

c. Deposited subject to Law No. 53.

d. Placed under formal property control.

e. Held in safekeeping by Military Government detachments pending further instructions.

32. The task of cash and supply accounting in liberated and occupied areas has been a tremendous one. The accounting department has processed records for seven countries: France, Belgium, Holland, Luxembourg, Germany, Czechoslovakia, and Austria; and has maintained supply and cash records for the last three mentioned countries. Sub-accountants were assigned to detachments, and supplied with Military Government funds. As operations proceeded, it was gradually discovered that most municipalities had sufficient funds for operation. In May 1945 this headquarters issued a directive removing all funds from sub-accountants in Germany, excepting those held by the A and F Military Government detachments; the latter were authorized to retain funds at their discretion. In June 1945 the activity of sub-accountants was limited to the A and F teams. Cash accounts cleared through this office have included approximately RM 2,000,000 collected for fines exacted by Military Government courts. In the field of supply accounting, the majority of the supplies have been issued to Displaced Persons Camps, a few medical supplies and POL have been issued to local authorities. Supplies have been issued on a quantitative basis, settlement for which will be made later. Quantitative Records maintained at this headquarters will be the basis for settlement.

33. At the end of June 1945, the following conditions obtained: The reorganization of the public finance structure of Germany had progressed from the Kreis level to the Regierungsbezirk and the Provincial levels. Local governments continued to make use of the Reich revenues to carry on normal activity. Tax records and other books were being recovered. Duplicate files were being used, the originals having been recovered from other military districts, where they had been placed for safekeeping. The debt obligations of German local governments, other than the Reich itself, were found to be small. The position of banks continued to improve. Bankers assumed more responsibility for activities of their institutions under Military Government supervision. Currency in general flowed back to banks with deposits continuing to exceed withdrawals. Where the opposite situation was reported to be true, it reflec-

ted a sound development in the economy, in that the outward flow was due to use for agricultural or essential business needs. Bankers reported in certain areas an excess of funds for which there was no need, pending the reestablishment of trade and industry. In addition to normal functions, Reichsbanks made funds available to Wehrmacht paymasters for paying discharged German Prisoners of War and Company payrolls. Some disturbance had been caused by rumors that Reichmarks bearing the swastika sign were invalid. Isolated instances were reported of Belgian and French soldiers making purchases with French francs, establishing their own rate of exchange. Armies had been instructed that francs were not legal tender in Germany, and that persons subject to Law 53 were obliged to deliver all nonGerman currency to the Reichsbank. Similar action followed a report that farmers were demanding American dollars for livestock. Controls were established for any necessary blocking of deposits with financial institutions. This headquarters ruled that under Article 3, Law No. 52, the transfer of blocked property from the present holder to another person may be effected with the consent of the Military Government detachment which has jurisdiction. The groundwork in Finance had been laid, and the major hurdles had been successfully crossed.

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HEADQUARTERS
12th Army Group
APO 655

23 November 1944

[illegible] Stimulation for Military Government of Germany prior to Defeat or Surrender.

* * * * EXTRACT * * *

Annex [illegible] (Military Government Policy Directives)

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Section VII (Financial Property Control)

1. GENERAL OBJECTIVES

a. Initial objectives of the Supreme Commander in the financial field are as stated herein.

b. As may be necessary to eliminate active Nazis or recent sympathizers from the financial system.

c. As may be essential to avoid conditions which will adversely affect the military forces in their operations.

d. As will assist the Supreme Commander and any successor control organization in securing the desirable German practices, institutions and [illegible].

e. As will facilitate control over all foreign exchange assets and certain categories of other assets.

f. As will facilitate the obtaining of such financial and economic intelligence as will enable the Supreme Commander and any successor control organization to discharge their programs and responsibilities.

To carry out these objectives, the financial administrative machinery existing in Germany at the time of occupation will be utilized to the maximum extent practical, consistent with policy and subject to supervision by the Supreme Commander at the highest practicable level [illegible], and in accordance with instructions which may be issued from time to time by the German [illegible]. This will assist the Military Government financial administration in the formulation of uniform policy.

2. INFLATION

The establishment of a comprehensive financial programme to deal with the inflationary problems of inflation is not, at least initially, a responsibility of the Supreme Commander. During the period of the Supreme Commander's Military Government, German authorities will be ordered to continue the counter-inflationary controls already operating, such as rationing and freezes to control prices and to combat black markets, subject to the requirements of the military situation and the programme for eliminating discriminatory and objectionable practices and unnecessary [illegible].

3. CURRENCY

Allied military marks will supplement Reichsmark and Rentenmark currency in circulation. Allied military marks and Reichsmarks will be unlimited legal tender and Rentenmarks and German coin will be legal tender to the extent fixed by existing German law. Reichskredit-

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kassenscheine and other German military currency and coin will not be legal tender. US dollar and British sterling notes will not be legal tender, but authorized personnel can convert such currencies into marks at the decreed rate of exchange, but only with US finance Officers/British Paymasters, providing the latter are satisfied as to the source of the notes.

4. YELLOW SEAL DOLLARS AND BMA POUNDS

If for any reason it is deemed necessary, US Forces may use Yellow Seal Dollars and regular US coin, but such currencies will not be used without the prior consent of and receipt of detailed instructions from this Headquarters.

5. SUPPLY OF CURRENCY

a. Currency for your use will be distributed by Military Government Currency Officers who will obtain it from the Supreme Commander or, under instructions to be issued by Supreme Commander, from the Reichsbank.

b. If, during the initial phase of operations, cash for Military Government purposes cannot, for any reason, be obtained from Currency officers and the need for such money is urgent, Finance Officers will issue funds to authorized Military Government Officers.

c. Clear distinction in record keeping will be drawn in accordance with instructions laid down by the Supreme Commander between funds transferred to Military Forces for Army pay and procurement and funds issued for Military Government purposes.

d. Currency Officers will maintain accounts and records necessary to indicate supply, control and movement of currencies held by them as well as financial data of expenditures arising out of operations or activities of Allied Military Forces.

6. RATES OF EXCHANGE

The rates of exchange between the Reichsmark and Rentenmark on the one hand and the Allied Military Mark, the dollar, the pound sterling and the rouble on the other, will be provided at a later date.

7. BANKS AND OTHER FINANCIAL INSTITUTIONS

a. Banks will be placed under such control as deemed necessary by you in order that adequate facilities for military needs may be provided, and to ensure that instructions and regulations issued by you will be fully observed. Banks should be closed only if absolutely necessary and then only long enough to introduce satisfactory control by Military Government, to remove objectionable personnel, and to carry out instructions for the blocking of certain accounts. Consistent with the foregoing, banks, if closed, will be permitted to reopen as soon as possible.

b. Access to safe deposits, boxes and vaults and other objects left for safe keeping will be permitted only when a proper system of control has been introduced by you.

c. When satisfied that the Reichsbank or the branches thereof are under adequate control, you should use this institution for the official purposes of the Allied Forces.

d. Insurance companies will be permitted to operate subject to such control by Military Government as may be undertaken.

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e. Subject to Military Government laws including blocking and property controls and foreign exchange controls, until further instructions are issued, the German authorities will be ordered to continue existing controls and regulations of transactions in real estate and securities and transactions on stock and commodity exchanges except in connection with blocking and property controls and foreign exchange.

8. FOREIGN EXCHANGE CONTROL

You will make necessary arrangements to ensure that effective controls are established with respect to:

a. Foreign Exchange assets in GERMANY, including gold or silver coin, gold, silver or platinum bullion; foreign currencies; checks, bills of exchange and other similar instruments drawn or issued by persons outside GERMANY; foreign securities; German-owned property located outside GERMANY; claims against or involving persons outside GERMANY, or expressed in foreign currency; and assets expressed or payable in foreign currency.

b. Properties in GERMANY owned or controlled directly or indirectly in whole or part by persons outside GERMANY.

c. Transactions between persons inside GERMANY and persons outside GERMANY.

d. Transactions involving obligations owned by or to become due from any person in GERMANY to any person outside GERMANY.

e. Transactions involving the bringing into GERMANY of foreign exchange assets, German currency or securities, etc; and the removing or remitting of property from GERMANY.

9. BLOCKING AND CONTROL OF PROPERTY.

a. You will issue necessary instructions to ensure the institution of such blocking (freezing) or impounding measures as are necessary to prevent, except as permitted under licenses or other instructions you may issue, any transaction or other dealing in any:

(1) Property owned or controlled directly or indirectly, in whole or in part by any of the following:

(a) The German Reich, or any of the Lander, Gaue, or provinces, or any agency or instrumentality thereof, including all utilities, undertakings, public corporations or municipalities under the control of any of the above;

(b) Governments, nationals or residents of other nations, including those of territories occupied by them, at war with any of the United Nations at any time since 1 September 1939,

(c) The NSDAP, all offices, departments, agencies and organizations forming part of it, attached to, or controlled by it, its officials, leading members and supporters;

(d) Persons placed under detention or other types of custody by you;

(e) All organizations, clubs or other associations prohibited or dissolved by Military Government;

(f) Absentee owners, including United Nations Governments or their nationals;

(g) Any Kreis, municipality or other similar local subdivision.

(h) Any institution dedicated to public worship, charity or education or the arts and sciences; and

(2) (a) Property which has been the subject of duress, wrongful act of confiscation, dispossession or spoliation from territories outside GERMANY, whether pursuant to legislation or by procedures purported to follow forms of law or otherwise;

(b) Works of art or cultural material of value or importance, regardless of the ownership thereof.

b. You will also take into your control, custody or possession and hold and administer until you are otherwise directed such of the categories of properties listed in 9 a (1) through (f) above or in 9 a (2) (a) and (b) above, as are directed by this Headquarters.

c. You will prohibit all transactions which directly or indirectly involve any trade or communication with (1) any enemy or person in enemy occupied territory engaged in hostilities against the United Nations, and (2) any persons whose name is specified on lists furnished you for this purpose.

10. PUBLIC FINANCE

In relation to public finance you will ensure that expenditures are not made for purposes that might be prejudicial to the military situation or to the programme for control or elimination of certain German institutions and persons and to ensure that taxes are not collected under the laws and for the organizations abolished or suspended by order of Military Government. In other respects, you will order the German authorities to continue collection of taxes and other public income and the incurring of budgetary expenditures by local German public authorities, who will continue to be responsible in such regard.

11. MORATORIUM

A general or limited moratorium may be established only if absolutely required by the situation found in the area and only upon specific instructions from this Headquarters.

12. ADVANCES OF MILITARY GOVERNMENT FUNDS

Military Government Officers will make no loans or advances. If a loan seems necessary, the facts will be reported through channels to this Headquarters for action. The German public authorities, the German banking system and other normal local channels of finance will provide and pay for all required government services including all extraordinary and emergency needs, and labour, supplies, equipment and transportation required for all Military Government purposes as well as financing essential activities of private enterprises. Necessary funds to meet deficits will be obtained through normal German channels such as higher German government authority, the Reichsbank and local banks.

13. TAX IMMUNITY

You will ensure that the personnel, equipment and transactions of

Allied Forces and their personnel are exempt from all German taxes, customs and other levies (including social security contributions) except that personal expenditures of Allied personnel are liable to non-discriminatory sales taxes.

14. ADMINISTRATIVE EXPENSES

Services, equipment, supplies and office space necessary for the conduct of Military Operations and Military Government shall be obtained as far as possible from the appropriate branch of the Allied Military Services, or through a purchasing or contracting officer, or in the absence of such, direct from the German public authorities. If it is impossible to secure them from such sources, you are authorized to make necessary expenditures from Military Government funds. Expenditure of Military Government funds is prohibited for all personal needs such as billeting, rations, fuel, personal servants and officers' Mess expenses, except under instructions from the Supreme Commander and this Headquarters. Claims of civilians against Allied Forces will not be handled by Military Government, though Military Government officers may assist in forwarding such claims to the appropriate military agency.

15. ACCOUNTING

Appropriate accounting procedure for both cash and supplies will be followed at all echelons of command in accordance with instructions issued by the Supreme Commander and this Headquarters.

16. REMOVAL OF NAZI PERSONNEL

You will remove active Nazis and ardent Nazi sympathizers holding positions in German financial institutions.

17. REPORTS AND FINANCIAL INTELLIGENCE

Financial intelligence relating to all phases of the financial and economic life of the area will be obtained, and reports will be made and statistics furnished to Supreme Headquarters at the time and in the forms required.

APPENDIX 4

MILITARY GOVERNMENT - GERMANY
SUPREME COMMANDER'S AREA OF CONTROL

LAW NO. 51

CURRENCY

ARTICLE I

Allied Military Marks

1. Allied Military Mark Notes of the denominations specified in the Schedule hereto shall be legal tender in the occupied territory of Germany for the payment of any Mark debt.

2. Allied Military Mark Notes will in all respects be equivalent to any other legal tender Mark currency of the same face value.

3. No person shall discriminate between Allied Military Marks and any other legal tender Mark Currency of equal face value.

ARTICLE II

Prohibited Transactions

4. Except as authorized by Military Government, no person shall make or enter, or offer to enter, into any arrangement or transaction providing for payment in or delivery of a currency other than Marks.

ARTICLE III

Penalties

5. Any person violating any provision of this Law shall, upon conviction by a Military Government Court, be liable to any lawful punishment, other than death, as the Court may determine.

ARTICLE IV

Effective Date

6. This Law shall become effective upon the date of its first promulgation.

BY ORDER OF MILITARY GOVERNMENT

SCHEDULE

Denominations of Allied Military Mark Notes (Marks)	Size (in cm.)	Words and Figures indicating amount and printed in
0.50	6.7 x 7.8	Green
1	6.7 x 7.8	Dark Blue
5	6.7 x 7.8	Reddish Purple
10	6.7 x 11.2	Dark Blue
20	6.7 x 15.6	Red
50	6.7 x 15.6	Dark Blue
100	6.7 x 15.6	Reddish Purple
1,000	6.7 x 15.6	Green

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On the face of all notes are printed:

(a) The amount in words - thus: Funfzig Pfennig, Eine Mark, etc. Also the amount in figures - thus: ½ (on the Pf. 50 note) 1 (on the M.1 note), etc.

(b) The words "Alliierte Militarbehorde" at the top of the note.

(c) The words "In Umlauf gesetze in Deutschland", "Serie 1944", and the serial number of the note. On the notes for M.20, 50, 100 and 1,000 all of these appear twice.

The basic colour of the field on the face of all the notes is light blue; on the back it is reddish brown.

MILITARY GOVERNMENT - GERMANY
SUPREME COMMANDER'S AREA OF CONTROL

LAW NO. 52

BLOCKING AND CONTROL OF PROPERTY

ARTICLE I
Categories of Property

1. All property within the occupied territory owned or controlled, directly or indirectly, in whole or in part, by any of the following is hereby declared to be subject to seizure of possession or title, direction, management, supervision or otherwise being taken into control by Military Government:-

(a) The German Reich, or any of the Lander, Gaue, or Provinces, or other similar political subdivisions or any agency or instrumentality thereof, including all utilities, undertakings, public corporations or monopolies under the control of any of the above;

(b) Governments, nationals or residents of nations, other than Germany, which have been at war with any of the United Nations at any time since September 1, 1939, and governments, nationals or residents of territories which have been occupied since that date by such nations or by Germany;

(c) The NSDAP, all offices, departments, agencies and organizations forming part of, attached to, or controlled by it; their officials and such of their leading members or supporters as may be specified by Military Government;

(d) All persons while held under detention or any other type of custody by Military Government;

(e) All organizations, clubs or other associations prohibited or dissolved by Military Government;

(f) Owners absent from the Supreme Commander's area of Control and Nationals and Governments of United Nations and Neutral Nations;

(g) All other persons specified by Military Government by inclusion in lists or otherwise.

2. Property which has been the subject of duress, wrongful acts of confiscation, dispossession or spoliation from territories outside GERMANY, whether pursuant to legislation or by procedures purporting to follow forms of law or otherwise, is hereby declared to be equally subject to seizure of possession or title, direction, management, supervision or otherwise being taken into control by Military Government.

ARTICLE II

Prohibited Transactions

3. Except as hereinafter provided, or when licensed or otherwise authorized or directed by Military Government, no person shall import, acquire or receive, deal in, sell, lease, transfer, export, hypothecate or otherwise dispose of, destroy or surrender possession, custody or

APPENDIX 6
NO OF PAGES 4

control of any property:-

(a) Enumerated in Article I hereof;

(b) Owned or controlled by any Kreis, municipality or other similar political subdivision;

(c) Owned or controlled by any institution dedicated to public worship, charity, education, the arts and sciences;

(d) Which is a work of art or cultural material of value or importance, regardless of the ownership or control thereof.

ARTICLE III

Responsibilities for property

4. All custodians, curators, officials or other persons having possession, custody or control of property enumerated in Articles I or II hereof are required:-

(a) (i) To hold the same, subject to the directions of the Military Government and, pending such direction, not to transfer, deliver or otherwise dispose of the same;

(ii) To preserve, maintain and safeguard, and not to cause or permit any action which will impair the value or utility of such property;

(iii) To maintain accurate records and accounts with respect thereto and the income thereof.

(b) When and as directed by Military Government:-

(i) To file reports ~~furnishing~~ such data as may be required with respect to such property and all receipts and expenditures received or made in connection therewith;

(ii) To transfer and deliver custody, possession or control of such property and all books, records and accounts relating thereto; and

(iii) To account for the property and all income and products thereof.

5. No person shall do, cause or permit to be done any act of commission or omission which results in damage to or concealment of any of the properties covered by this law.

ARTICLE IV

Operation of Business Enterprises and Government property

6. Unless otherwise directed and subject to such further limitation as may be imposed by Military Government:-

(a) Any business enterprise subject to control under this law may engage in all transactions ordinarily incidental to the normal conduct of its business activities within

APPENDIX 6
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occupied Germany provided that such business enterprise shall not engage in any transaction which, directly or indirectly, substantially diminishes or imperils the assets of such enterprise or otherwise prejudicially affects its financial position and provided further that this does not authorize any transaction which is prohibited for any reason other than the issuance of this law;

(b) Property described in Article I, 1 (a) shall be used for its normal purposes except as otherwise prohibited by Military Government.

ARTICLE V

Void Transactions

7. Any prohibited transaction effected without a duly issued license or authorization from Military Government and any transfer, contract or other arrangement made, whether before or after the effective date of this law, with intent to defeat or evade this law or the powers or objects of Military Government or the restitution of any property to its rightful owner, is null and void.

ARTICLE VI

Conflicting Laws

8. In case of any inconsistency between this law or any order made under it and any German law the former prevail. All German laws, decrees and regulations providing for the seizure, confiscation or forced purchase of property enumerated in Articles I or II hereof, are hereby suspended.

ARTICLE VII

Definitions

9. For the purposes of this law:

(a) "Person" shall mean any natural person, collective person and any juristic person under public or private law, and any government including all political sub-divisions, public corporations, agencies and instrumentalities thereof;

(b) "Business Enterprise" shall mean any person as above defined engaged in commercial, business or public welfare activities.

(c) "Property" shall mean all moveable and immoveable property and all rights and interests in or claims to such property whether present or future, and shall include, but shall not be limited to, land and buildings, money, stocks/shares, patent rights or licenses thereunder, or other evidences of ownership, and bonds, bank balances, claims, obligations and other evidences of indebtedness, and works of art and other cultural materials;

(d) A "National" of a state or government shall mean a subject, citizen or partnership and any corporation or other juristic person existing under the laws of, or having a principal office in the territory of, such state or govern-

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ment;

(c) "GERMANY" shall mean the area constituting "Das Deutsche Reich" as it existed on 31 December 1937.

ARTICLE VIII

Penalties

10. Any person violating any of the provisions of this law shall, upon conviction by a Military Government Court, be liable to any lawful punishment, including death, the Court may determine.

ARTICLE IX

Effective Date

11. This law shall become effective upon the date of its first promulgation.

BY ORDER OF THE MILITARY GOVERNMENT

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MILITARY GOVERNMENT - GERMANY
SUPREME COMMANDER'S AREA OF CONTROL

LAW NO. 53

FOREIGN EXCHANGE CONTROL

ARTICLE I

Prohibited Transactions

1. Except as duly licensed by or on instructions of Military Government, any transaction involving or with respect to any of the following is prohibited:

(a) Any foreign exchange assets owned or controlled directly or indirectly in whole or in part, by any person in Germany;

(b) Any property located in Germany owned or controlled directly or indirectly, in whole or in part, by any person outside Germany.

2. Any transaction with respect to or involving any ~~of the~~ following is also prohibited, except as duly ~~licensed~~ by or on instructions of Military Government:

(a) Property wherever situated if the transaction is between or involves any person in Germany and any person outside Germany;

(b) Any obligation of payment or performance, whether matured or not, due or owing to any person outside Germany by any person in Germany.

(c) The importing or otherwise bringing into Germany of any Foreign Exchange assets, German currency, or securities issued by persons in Germany and expressed or payable in German currency;

(d) The exporting, remitting, or other removal of any property from Germany.

3. All existing licenses and exemptions issued by any German authority authorizing any of the aforesaid transactions are cancelled.

ARTICLE II

Declaration of Property and Obligations

4. Within thirty (30) days of the effective date of this law unless otherwise ordered, any person owning or controlling directly or indirectly, in whole or in part, any foreign exchange asset, or owing any obligation of payment or performance, whether matured or not, to a person outside Germany, shall file with the nearest branch of the Reichsbank, or other institution designated by Military Government, a written declaration of such assets or obligations in such form and manner as will be prescribed by Military Government.

ARTICLE III

Delivery of Property

5. Within fifteen (15) days of the effective date of this law,

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all of the following classes of property shall be delivered, against receipt therefor, by the owner, holder or other person in possession, custody or control thereof, to the nearest branch of the Reichsbank, or as otherwise directed:

(a) Currency, other than German currency;

(b) Checks, drafts, bills of exchange and other instruments of payment drawn on or issued by persons outside Germany;

(c) Securities and other evidence of ownership or indebtedness issued by:

1. Persons outside Germany, or

2. Persons in Germany if expressed in a currency other than German currency;

(d) Gold or silver coin, gold, silver or platinum bullion or alloys thereof in bullion form.

6. Any person owning or controlling directly or indirectly, in whole or in part, any other type of foreign exchange asset shall, when ordered by Military Government, deliver, against receipt, the possession, custody or control of such asset to the nearest branch of the Reichsbank, or as otherwise directed.

7. Any property referred to in this Article which hereafter comes into the possession, ownership or control of any person subject to this law, shall, within 3 days thereof, be delivered by such person in the same manner as provided in this Article.

ARTICLE IV

8. Application for licenses to engage in transactions prohibited by this law, or any request in relation to the operation of this law, shall be submitted in accordance with such regulations as may be issued at a future date by Military Government.

ARTICLE V

Void Transfers

9. Any prohibited transactions effected and any transfers, contracts or other arrangements made, whether before or after the date of this law, with the intent to defeat or evade the powers or objects of Military Government, are null and void.

ARTICLE VI

Conflicting Law

10. In case of any inconsistency between this law and any orders made under it and any German law, the former prevails.

ARTICLE VII

Definitions

11. For the purposes of this law:

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(a) The term "person" shall include any natural person or collective persons and any juridical person or entity under public or private law having legal capacity to acquire, use, control or dispose of property or interests therein, and any government including all political subdivisions, public corporations, agencies and instrumentalities thereof;

(b) The term "Transaction" shall include acquiring, importing, borrowing or receiving with or without consideration, remitting, selling, leasing, transferring, removing, exporting, hypothecating, pledging or otherwise disposing of; paying, repaying, lending, guaranteeing or otherwise dealing in any property mentioned in this law;

(c) The term "property" shall include all movable and immovable property and all legal, equitable, or beneficial rights and interests in or claims to such property, whether matured or not, and shall include but shall not be limited to land and buildings; money, bank balances, checks, drafts, bills of exchange and other instruments of payment; stock, shares, patent rights or licenses thereunder, and other evidences of ownership; claims, bonds, debentures and other evidences of indebtedness;

(d) The term "foreign exchange asset" shall be deemed to include:

1. Any property located outside Germany;

2. Currency (other than German currency); bank balances outside Germany, and checks, drafts, bills of exchange and other instruments of payment drawn on or issued by persons outside Germany;

3. Claims and any evidence thereof owned or held by;

(a) Any person in Germany against a person outside Germany whether expressed in German or other currencies,

(b) Any person in Germany against any other person in Germany if expressed in a currency other than German currency,

(c) Any person outside Germany against another person outside Germany in which claim a person in Germany has any interest;

4. Any securities and other evidences of ownership or indebtedness issued by persons outside Germany, and securities issued by persons in Germany if expressed or payable in a currency other than German currency;

5. Gold or silver coin, or gold, silver or platinum bullion or alloys thereof in bullion form, no matter where located;

6. Such other property as is determined by Military Government to be a foreign exchange asset;

(e) A juridical person shall be deemed to be in the country by or under the laws of which such person was created, or

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carries on business, or in which such person has a principal place of business;

(f) Property shall be deemed to be "owned or controlled" by any person if such property is held in his name or for his account or benefit, or owed to him or to his nominee or agent, or if such person has a right or obligation to purchase, receive or acquire such property;

(g) The term "Germany" shall mean the area constituting "Das Deutsche Reich" as it existed on 31 December 1937.

ARTICLE VIII

Penalties

12. Any person violating the provisions of this law shall upon conviction by Military Government Court be liable to any lawful punishment other than death as the court may determine.

ARTICLE IX

Effective Date

13. This law shall become effective upon the date of its first promulgation.

BY ORDER OF MILITARY GOVERNMENT.

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HEADQUARTERS
THEATER SERVICE FORCES
EUROPEAN THEATER
OFFICE OF THE FISCAL DIRECTOR

(Main) - APO 757

8 November 1945

Statement by the Theater Fiscal Director.

1. From the beginning of my contacts with the Chief of the Currency Section for France, it was my understanding that the Currency Section would be responsible for "funding" of disbursing officers, which would include establishing branches of the Currency Section at a number of points, so disposed as to be reasonably accessible to the disbursing officers. The Chief of the Currency Section agreed to this interpretation of the directives which had been published, and stated that he was prepared to carry out the operations on that basis.

2. At a conference in March 1944, the Chief of the Currency Section reversed his former position, and stated that his directives required him only to supply currency in bulk at one location, and further that he was not prepared to make distribution of currency to individual disbursing officers.

3. This stand forced me to use Finance Disbursing Sections originally intended for finance service to troops to perform the operation of funding. I had been prevented from including in my estimates and requisitions any personnel for any phase of currency supply, because the existing directives placed this responsibility on the Currency Section. The result was a shortage of Finance Disbursing Sections available for direct service to troops.

4. As a further indication that the Currency Section did not make adequate plans to meet its responsibility for supply of currency, its record of accomplishments, the following statements of facts are cited:

a. After the March 1944 conference referred to above, the Chief of Currency Section insisted that we secure in England and carry to the continent only enough French currency to supply our needs for thirty days and that he would thereafter furnish us with bulk supplies of currency on the continent. I would not agree to reducing my estimates of French currency to less than a sixty day supply and obtained it. The first bulk supply did not arrive in Cherbourg until sixty days after D-Day. Its storage in Cherbourg made it so inconvenient to fund the fast-moving Armies over such great distances involving motor transportation that it was not possible to use the supply in Cherbourg to fund any office except those in the immediate vicinity. Sometime in September a bank account was opened with the Bank of France and large denomination notes were deposited with the Cherbourg Branch for credit to that account. After that time, he supplied us with currency by giving us checks drawn on the Bank of France from which we secured the currency. The small denomination notes were taken over by my funding officers when it was learned that the Currency Section intended to deposit those notes in its Bank of France account. This was done to enable finance officers to be supplied adequately with small denomination notes as the Bank of France issues were limited. The Currency Section did not desire to retain storage facilities for these notes for the purpose of funding finance officers.

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b. The Belgian Currency Section moved to Brussels on 24 September 1944, and after that supplied Belgian currency to finance officers. The first bulk amounts were drawn from the Bank of England on 1 September 1944 and shipped to France by my office. After establishment in Brussels it functioned excellently.

c. The Netherlands Currency Section opened in Brussels on 24 September 1944, but the entire supply of currency was turned over to the 21st Army Group and on our first demand for currency, finance officers were delayed several days because it was necessary to go to elements of 21st Army Group to obtain surplus in their possession to be turned over to us.

d. The German Currency Section moved to Paris from London 16 September 1944 and began to supply Allied Military marks to my funding officers after that time. The first bulk amounts were drawn from the Bank of England on 1 September 1944 and shipped to Paris by my office. The German Currency Section remained in Paris until 20 March 1945 and then moved to Verdun where it remained until 18 May 1945, when it moved to Frankfurt. While located in Paris, it was necessary for all shipments of Allied Military marks to be made by finance personnel to funding officers with the Armies, ADSEC and CONAD.

e. The first shipment of Austrian currency was made from supplies obtained from the Bank of England in April 1945. The Austrian Currency Section was not functioning until after VE-Day.

5. I would have been able to meet my overall responsibilities much more effectively and easily if I had been given the responsibility for currency supply, as it would have enabled me to obtain the necessary personnel for currency supply in all its phases. I am very much of the opinion that this should have been my responsibility rather than that of Civil Affairs.

/s/ N. H. Cobbs
/t/ N. H. COBBS
Brigadier General, USA
Fiscal Director

HEADQUARTERS
UNITED STATES FORCES, EUROPEAN THEATER
Office of Military Government (U. S. Zone)
Financial Branch

(Main), APO 757
14 November 1945

Ge-FIN 123

SUBJECT: Currency Sections.

TO : The General Board, United States Forces, European Theater
APO 408 (Attention: Col. Bryan).

1. The evaluation of the Currency Sections made by the Fiscal Director under date of 8 November emphasizes that their value to him would have been greatly enhanced had they operated on a basis permitting the direct "funding" of his various disbursing officers. We concur. However, the various Currency Sections were formed late in February 1944, and, on the basis of the earliest directives, the Fiscal Director was informed in March 1944 that this service would not be forthcoming. The Currency Sections were prepared to furnish currency to the Fiscal Director in bulk at specific points in England and on the Continent, but were not prepared to make distribution of currency to individual disbursing officers at scattered locations. Such distribution was determined to be a proper function

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of the Fiscal Director rather than of the Currency Sections.

2. The fact that the Fiscal Director encountered difficulties in making his currency distribution is not of primary pertinence in any evaluation of the Currency Sections. The Currency Sections must be considered in the light of agencies dealing not alone with the currency problems of the U. S. Army but also with the currency problems of the British, Canadian, French, Belgian, Dutch and Polish armed forces and the currency problems of civilian and governmental agencies of the liberated countries whose currencies they handled. Responsibilities such as these are believed to be beyond the proper scope of the Finance Department of any one army. On the contrary, they can be properly handled only at a combined command level by agencies specifically charged with such broad responsibilities. Owing to the large number of armies and agencies served by the Currency Sections it was obviously impracticable to require that they act as distributing agencies other than at specific points for the various entities concerned.

3. The Currency Section for France rendered material assistance to the French Government in the shipment from the U. S. and the U. K. and the distribution throughout France of the non-military French franc currency which was issued in exchange for allied military francs and metropolitan francs.

4. The Currency Section for France delivered to the French PTT authorities 275 boxes (weight, 19 tons) of French postage stamps to a total value of 213,702,000 francs. These postage stamps were printed in the U. S. and delivered to the French against receipt.

5. The services rendered by the Currency Section for France, as stated in paragraphs 3 and 4, were in addition to arranging for the printing in the U. S. and shipment to the U. K. and subsequently to France of 14,559 boxes (weight, 655 tons) of supplemental French franc currency of a total value of 82 billion francs which were made available to the various elements serving under the combined command and to the Bank of France.

6. The Currency Section for Belgium arranged with the Belgian authorities for the printing in the U. K. and placing at its disposal of 4,126,000,000 Belgian francs which were subsequently transported to Belgium and made available to the British and U. S. forces. In addition, due to the heavy currency requirements of the armed forces, which amounted to approximately [illegible] billion francs per month, the Currency Section arranged for large bank credits at the National Bank of Belgium which enabled the pay services of both armies to draw funds at conveniently located branches of the Bank, thus substantially reducing the use of army transport. The Currency Section rendered valuable assistance to the Belgian Government in connection with the printing of additional bank notes. Several trips were made by Currency Section personnel to escort convoys of bank notes under being printed in France.

7. The Currency Section for the Netherlands arranged for the printing in the U. S. of [illegible],800,000 guilders and its subsequent shipment to the U. K. and at a later date to the Continent. Requirements of the armed forces greatly exceeded initial estimates due to altered tactical operations. Civilian demands for currency from supplies held by the Government likewise exceeded requirements due to hoarding, war damage of bank premises, looting by Germans and other factors. As a result, a further order for 300 million guilders was placed with the American Bank Note Company in the U. S. Imminent demands from the Armed Forces for small denomination notes, which were in short supply, prompted the Netherlands Currency Section to request the highest priority for this new printing. Two air shipments to a value of 2,250,000 guilders of small denomination notes were delivered during February due to the efforts of the Currency Section. The balance of the deliveries were made by sea

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during the following few months. Thus, due to prompt efficient action on the part of Netherlands Currency Section and all others concerned, the use of BMA notes and Yellow Seal Dollars was not necessary and scheduled deliveries provided a safe margin against further demands of the Armed Forces for Netherlands currency.

8. The branch of the Currency Section located at Luxembourg greatly assisted in the necessary withdrawal of funds from banks located in the path of the Ardennes counter offensive. It was also of great assistance to the Luxembourg currency conversion.

9. Based on the remarks made above, it is apparent that the fundamental value of the "Liberated Country" Currency Sections should be judged in the light of their work as combined command agencies assisting in carrying out the will of the Supreme Commander to the end that currency policies adopted in the liberated countries should be of a nature avoiding unstable economic conditions which in turn might interfere with military operations.

10. The Currency Section for Germany carried out the enormous task of arranging for the printing of Allied Military Marks in the U. S. and their subsequent shipment to England and the Continent. This task was carried out so well that at all times adequate supplies of Allied Military Marks in appropriate denominations were available for the needs of the Allied Forces for pay, procurement and Military Government. In addition, a huge volume of German postage stamps were printed in the U. S. and delivered to authorized Reichpost officials in Germany.

11. The Germany Currency Section was also of assistance to UNRRA in establishing a practical method for payment of its personnel in Germany without requiring the use of dollar or sterling funds.

12. In discharging its various duties the Currency Section for Germany found it necessary to coordinate with a large number of agencies, both military and civilian. The following list includes those with whom contact was regularly maintained: COS; British War Office; SHAEF G-1; G-2; G-4; AG; G-5 Legal; G-5 Internal Affairs; G-5 Public Safety; U. S. Fiscal Director; British Paymaster in Chief; Communications Zone; Army Groups; the SHAEF Missions to the various liberated countries; as well as U. S. Group CC and British Element CC. It seems apparent that the varied needs for coordination of currency policies and functions as performed by the Currency Section for Germany would have been most difficult, if not impossible, for the Fiscal Director to perform at his echelon of command.

13. In conclusion, we are of the opinion that the Currency Sections performed a vital function efficiently and well and we know of no other agency in existence at that time which would have been capable of discharging the functions and responsibilities involved.

[illegible] DODGE
[illegible], Financial Branch

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