

MEMORANDUM

October 15, 1947

TO: Walter C. Louchheim, Jr., Adviser on Foreign Investments
FROM: Kurt A. Solmesen, Assistant Adviser on Foreign Investments
RE: Mobilization of Dollar Securities Held in Western European Countries

In reply to your question: What steps have the Western European countries taken to mobilize American securities owned by their nationals?, I give you below the information which I have available.

Belgium and Luxembourg

A census of dollar securities was taken soon after the liberation but the Government has not so far obtained legal authority to take over such securities.

France

In January 1945 the French Government passed a number of ordinances and regulations authorizing a census of foreign assets and the taking over by the Government of such assets. The census was held, but as far as dollar securities are concerned no use of the authority to take them over was made until July 1947 when the Government published a list of the dollar securities which it was taking over, together with the prices at which they were purchased. This list contains practically all the names on the New York Stock Exchange list and the New York Curb Exchange list plus quite a number of over-the-counter securities. However, it is not anticipated that this order will lead to the acquisition by the French Government of all French-owned dollar securities as it is known that the census was very incomplete. Detection of French assets in this country is further complicated by the fact that a large part of such assets is held in Dutch, Swiss and other non-French names.

Italy

To the best of my knowledge the Italian Government during the war took steps to prevent liquidation of dollar assets held by its nationals other than by sale to the Government but did not actually sequester such assets. However, I have not been able to confirm this so far.

Netherlands

Under the Foreign Exchange Control Decree of 1945 and the Netherlands Bank Regulations of July 8, 1946, the Netherlands Government has authority to take over foreign exchange and foreign securities held by its nationals. However, so far the Netherlands Bank has called up only gold and foreign currency. The Government is trying to have its citizens liquidate voluntarily their dollar securities. It has attempted to stimulate such selling by offering a 3% 40-year loan, callable in 1957, issued in dollar denominations but payable in guilders at the rate of exchange at the due date, which can be purchased only with the proceeds of sales of dollar securities. Nothing is known about the success of this loan. There has been a steady stream of selling for Dutch account in recent months but from statements made by Dutch authorities to the effect that forward selling may have to be resorted to unless voluntary liquidation proceeds at a more satisfactory rate, it must be concluded that only a relatively small part of the total Netherlands holdings of American securities has been mobilized so far.

Detection of Netherlands holdings is relatively simple since there is one very large block of Shell Union Oil Company stock, and because the majority of individual holdings is in the form of depositary receipts issued by Amsterdam depositaries. Comparatively little Dutch-owned securities are held in other than Dutch names.

United Kingdom

In 1941 the British Government mobilized the majority of the American securities held by its nationals. It published a list of most of the better known securities which were taken over by the Government. Other securities which do not lend themselves to marketing as well as those comprised in the first list were lent to the Government, and the income thereon was assigned to the Government.

The only substantial sale of such securities by the British Government which has come to my attention was that of 448,000 shares of the old common stock of American Viscose Corporation. The bulk of other securities was pledged as collateral for a loan from the RFC, originally authorized in the sum of \$425 million, of which now less than \$200 million are outstanding. Under the Foreign Exchange Control Act, which went into force on October 1, 1947, the holdings of American securities are required to be deposited with certain prescribed depositaries, but holders are no longer required to sell such securities to the British Government upon request. They are now permitted to sell such securities and reinvest the proceeds in other American securities, and they may sell their American securities to other residents of the United Kingdom against payment in sterling. The status of American securities previously taken over by, or lent to the British Government is not affected by this new law. Under these conditions the present status of the mobilization of British-held American securities appears to be as follows: The great majority of such securities is in the form of excess collateral for the RFC Loan, but the British Government does not seem to have any authority to take over the remaining American securities now owned by its nationals. It may be worth investigating whether the British offered the RFC as collateral all of the securities then acquired by them.