

In reply refer to Initials
and No.

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Op-16-B-7(G)
A8-2/L12-2(2)
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NAVY DEPARTMENT
OFFICE OF THE CHIEF OF NAVAL OPERATIONS
WASHINGTON

Serial No. 02946616

December 14, 1942

From: Director of Naval Intelligence.
To : Addressees listed below.
Subject: Financial Transactions of Enemy Aliens,
Information Concerning.
Enclosure: (A) Copy of letter from the Acting Secretary
of the Treasury to the Secretary of the
Navy dated Dec. 7, 1942 concerning same
subject.
(B) Copy of letter from Mr. Allan Sproul,
President of the Federal Reserve Bank of
New York, to Secretary of the Treasury
dated Oct. 27, 1942, concerning same
subject.

1. In connection with the advantages to be gained from a more thorough and accurate knowledge of the financial transactions of nationals and/or organizations of the 33 countries now subject to "freezing order" of the United States Government, enclosures (A) and (B) are forwarded for your information.

2. In order to avoid unnecessary duplication, it is requested that Mr. Sproul's suggestion be given due consideration with regard for inquiries concerning the financial dealings of suspect individuals or organizations. In this respect, it would seem that an extremely valuable field of information is thus opened up to the Investigative Agencies for further inquiry into the financial dealings of possible enemy subversive or espionage agents with the thought in mind that no espionage system can function efficiently without transmission to the effective theatre of espionage and/or propaganda operations of adequate monetary funds.

3. Requests for such information as may be desired should be addressed to DIO, ND-3, who will obtain the data from the Federal Reserve Bank of New York.

/s/ Wallace S. Wharton
Wallace S. Wharton,
By direction.

Distribution:
List 10r
Comdt., U.S.M.C. - 5cc
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OFFICE OF
THE SECRETARY

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TREASURY DEPARTMENT
WASHINGTON

December 7, 1942

My dear Mr. Secretary:

As you may know, the Federal Reserve Banks are acting as fiscal agents of the Treasury Department in the administration and enforcement of the Foreign Funds Control. The Federal Reserve Bank of New York has organized a Foreign Property Control Department for this specific purpose.

Recently I received from Allan Sproul, president of the Federal Reserve Bank of New York, a letter describing in some detail the manner in which the Foreign Property Control Department is proceeding to assemble and organize **significant information** with respect to a great number of persons, both here and abroad, and transactions in which they have participated. I am forwarding a copy of this letter to you so that the investigative agencies of your Department may take full advantage of the facilities available at the Federal Reserve Bank of New York.

You will note from this letter that Norman P. Davis of the Federal Reserve Bank of New York will be glad to explain in detail to representatives of your Department the nature of the information available and to work out arrangements for making it readily accessible to you.

Very truly yours,

/s/ Randolph Paul

Acting Secretary of the Treasury

The Honorable

The Secretary of the Navy

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Enclosure (1) to Serial No. 02946616

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FEDERAL RESERVE BANK

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OF NEW YORK

October 27, 1942

Dear Mr. Secretary:

As you know, the Foreign Property Control Department of the Federal Reserve Bank of New York has for the past two and one-half years actively assisted the Treasury Department in the administration of its control of foreign funds. As part of this activity, we have assembled a great amount of detailed information with respect to transactions in the accounts of persons who were nationals of any of the 33 countries presently subject to the freezing order, as well as with respect to the activities of such blocked persons and of others with whom they have dealt. I would like to emphasize the fact that the information which we have obtained in this connection is not limited to persons whose accounts have been frozen, since we have acquired a substantial amount of information with respect to all persons participating in a transaction which required a license.

Some months ago we put into effect a plan for increasing our knowledge of transactions with respect to foreign accounts by bringing together and coordinating the information available in certain New York City banks regarding financial transactions passing through accounts on their books belonging to persons in non-frozen countries. In initiating and developing this program, we have had the assistance and guidance of Mr. John W. Pehle and his staff. We have enlisted the active cooperation of the New York banks which handle the great bulk of transactions for foreign account. Each of these banks has designated one of its officers to devote the major portion of his time to a continuous review of transactions in foreign accounts and to work with the Compliance Division of our Foreign Property Control Department which was organized for this purpose. In order to establish a mechanism for systematic review of such transactions, each of the banks maintains a record of recipients, wherever located, of remittances from foreign sources, particularly Latin America, and including intermediate endorsers of dollar checks drawn abroad. The banks' records are correlated in our Compliance Division with a vast amount of information assembled from other sources, including much of the information in the files of the Foreign Funds Control at the Treasury.

We believe we are accumulating much significant information regarding the financial, and possibly other, activities of a great number of persons, which should be useful in the administration of Foreign Funds Control. It could also be of great help to other investigative agencies of the Government if used, and

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FEDERAL RESERVE BANK OF NEW YORK - 2 -

could save them and the banks concerned a good deal of time and effort. Most of the investigative agencies do not appear to be aware of the work done by our Compliance Division and the service which it is in a position to render, however, and I understand that they continue to make numerous calls upon the banks for information. As you know, the commercial banks have been most cooperative and they are anxious to be of every assistance to the Government but frequent, and often duplicating, requests of investigative agencies are a severe burden to them, particularly in view of their constantly declining clerical and official staffs.

I am, therefore, writing to suggest that you consider the advisability of bringing this service, which we carry on as fiscal agent of the Government, to the attention of the Governmental investigative agencies, including the Federal Bureau of Investigation, Office of Naval Intelligence, and Military Intelligence Division of the Army. If this is done, Mr. Norman P. Davis, one of the Managers of our Foreign Property Control Department, will gladly furnish to representatives of Governmental investigative agencies a detailed explanation of the work of our Compliance Division and of the services which it can render.

Yours faithfully,

/s/ Allan Sproul

Allan Sproul,
President.

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

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