

Benes Responsible for Loss of pre-WWII Czech Gold in London

Gold not stolen but used by Benes for the Czechoslovak Resistance Army

It looks to me from the two documents below that president Benes used the Czech Gold as collateral for a loan from Great Britain for Czechoslovak military operations in the U.K.

The article from the U.K. is exactly the opposite to what Jan Kuklik writes in his chapter on p. 188 below.

Would make an interesting story !!!

Recognition of the Czechoslovak Government in Exile 1939-1942 and its international status

Jan Kuklik

p. 188

in Prague Papers on History of International Relations, Vol. 1 (1997), pp.173-205

Complete file at:

<http://usd.ff.cuni.cz/?q=system/files/kuklik.pdf>

The Czechoslovak army in Great Britain was organized according to the Czechoslovak law, but it was also necessary to enact corresponding British Acts especially the War Service Act. It was up to the Czechoslovak state citizens in exile, whether they would join the Czechoslovak or British army. Especially Czechoslovak Germans did not want to join the Czechoslovak army voluntarily.

Financial matters represented another important issue of the Czechoslovak Provisional State Apparatus with international political consequences. As was already mentioned, Beneš asked the Foreign Office for a credit based on Czechoslovak gold deposited during the war in the Bank of England. The question was not easy to resolve, because gold was administered as a property from the enemy occupied territory. The solution was found during the negotiations between Czechoslovak Minister of Finance Dr. Eduard Ouzrta and the Treasury. On December 12th, 1940 special Czechoslovak - British financial agreement was signed and Czechoslovak Government in exile was given a credit of 7 500 000 British pounds for its civilian and military budgets under British financial supervision.⁵⁶⁾

On September 20th, 1940 the British Government had agreed to provide...

- ¹¹ Verm. Makins, Strang, Cadogan u. a. v. 24. 6. ff.; Memo Halifax v. 1. 7., War Cabinet Conclusions v. 3. 7. 40 — FO 371/24290, C7646/2/12; Roberts an Min. of Information v. 8. 10. 40 — FO 371/24292, 315.
- ¹² Financial Agreement u. Korrespondenz Kingsley Wood m. Outrata v. 10. 12. 40 — FO 417/41, C13060/8893/12; Korrespondenz Treasury (S. D. Waley) m. FO (Makins) v. 20. 6. — 31. 7. 40 —

Note: Also check FO 417/41 ← I think that this document is the agreement between Czechoslovak Govt-in-Exile and Great Britain over the Czech Gold.

Great Britain and its Eastern European allies 1939-1943: the governments of Poland, Czechoslovakia and Yugoslavia in exile in London from the beginning of the war up to the Tehran Conference

Grossbritannien und seine osteuropäischen Alliierten 1939-1943: die Regierungen Polens, der Tschechoslowakei und Jugoslawiens im Londoner Exil vom Kriegsausbruch bis zur Konferenz von Teheran

p. 86

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40 - FO 371/24290, C7646/2/12; Roberts an Min. of Information v. 8. 10. 40 - FO 371/24292, 315. Financial Agreement u. Korrespondenz Kingsley Wood m. Outrata v. 10. 12. 40 — FO 417/41, C13060/8893/12; Korrespondenz Treasury (S. D. ...

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Article on the Czech Gold in a publication called Telegraph...

<http://www.telegraph.co.uk/finance/bank-of-england/10213988/Never-mind-the-Czech-gold-the-Nazis-stole....html>

Never mind the Czech gold the Nazis stole...

The Bank for International Settlements actually financed Hitler's war machine



Hjalmar Schacht (left), Hitler's finance minister, with his close friend Montagu Norman, Governor of the Bank of England from 1920 to 1944 Photo: GETTY

By Adam Lebor

8:21PM BST 31 Jul 2013

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The documents reveal a shocking story: just six months before Britain went to war with Nazi Germany, the Bank of England willingly handed over £5.6 million worth of gold to Hitler – and it belonged to another country.

The official history of the bank, written in 1950 but posted online for the first time on Tuesday, reveals how we betrayed Czechoslovakia – not just with the infamous Munich agreement of September 1938, which allowed the Nazis to annex the Sudetenland, but also in London, where Montagu Norman, the eccentric but ruthless governor of the Bank of England agreed to surrender gold owned by the National Bank of Czechoslovakia.

The Czechoslovak gold was held in London in a sub-account in the name of the Bank for International Settlements, the Basel-based bank for central banks. When the Nazis marched into Prague in March 1939 they immediately sent armed soldiers to the offices of the National Bank. The Czech directors were ordered, on pain of death, to send two transfer requests.

The first instructed the BIS to transfer 23.1 metric tons of gold from the Czechoslovak BIS account, held at the Bank of England, to the Reichsbank BIS account, also held at Threadneedle Street.

The second order instructed the Bank of England to transfer almost 27 metric tons of gold held in the National Bank of Czechoslovakia's own name to the BIS's gold account at the Bank of England.

To outsiders, the distinction between the accounts seems obscure. Yet it proved crucial – and allowed Norman to ensure that the first order was carried out. The Czechoslovak bank officials believed that as the orders had obviously been carried out under duress neither would be allowed to go through. But they had not reckoned on the bureaucrats running the BIS and the determination of Montagu Norman to see that procedures were followed, even as his country prepared for war with Nazi Germany.

His decision caused uproar, both in the press and in Parliament. George Strauss, a Labour MP, spoke for many when he thundered in Parliament: “The Bank for International Settlements is the bank which sanctions the most notorious outrage of this generation – the rape of Czechoslovakia.” Winston Churchill demanded to know how the government could ask its citizens to enlist in the military when it was “so butter-fingered that £6 million worth of gold can be transferred to the Nazi government”.

It was a good question. Thanks to Norman and the BIS, Nazi Germany had just looted 23.1 tons of gold without a shot being fired. The second transfer order, for the gold held in the National Bank of Czechoslovakia's own name, did not go through. Sir John Simon, the Chancellor of the Exchequer, had instructed banks to block all Czechoslovak assets.

The documents released by the Bank of England are revealing, both for what they show and what they omit. They are a window into a world of fearful deference to authority, the primacy of procedure over morality, a world where, for the bankers, the most important thing is to keep the channels of international finance open, no matter what the human cost. A world, in other words, not entirely different to today.

The BIS was founded in 1930, in effect by Montagu Norman and his close friend Hjalmar Schacht, the former president of the Reichsbank, known as the father of the Nazi economic miracle. Schacht even referred to the BIS as “my” bank. The BIS is a unique hybrid: a commercial bank protected by international treaty. Its assets can never be seized, even in times of war. It pays no taxes on profits. The Czechoslovaks believed that the BIS's legal immunities would protect them. But they were wrong.

The Bank of England's historian argued that to refuse the transfer order would have been a breach of Britain's treaty obligations with regard to the BIS. In fact there was a powerful counter-argument that the Nazi invasion of Czechoslovakia had rendered any such obligations null and void as the country no longer existed.

A key sentence in the Bank of England documents is found on page 1,295. It reads: “The general attitude of the Bank of England directors of the BIS during the war was governed by their anxiety to keep the BIS to play its part in the solution of post-war problems”. And here the secret history of the BIS and its strong relationship with the Bank of England becomes ever more murky.

During the war the BIS proclaimed that it was neutral, a view supported by the Bank of England. In fact the BIS was so entwined with the Nazi economy that it helped keep the Third Reich in business. It carried out foreign exchange deals for the Reichsbank; it accepted looted Nazi gold; it recognised the puppet regimes installed in occupied countries, which, together with the Third Reich, soon controlled the majority of the bank’s shares.

Indeed, the BIS was so useful for the Nazis that Emil Puhl, the vice-president of the Reichsbank and BIS director, referred to the BIS as the Reichsbank’s only “foreign branch”.

The BIS’s reach and connections were vital for Germany. So much so, that all through the war, the Reichsbank continued paying interest on the monies lent by the BIS. This interest was used by the BIS to pay dividends to shareholders – which included the Bank of England. Thus, through the BIS, the Reichsbank was funding the British war economy. After the war, five BIS directors were tried for war crimes, including Schacht. “They don’t hang bankers,” Schacht supposedly said, and he was right – he was acquitted.

Buried among the typewritten pages of the Bank of England’s history is a name of whom few have ever heard, a man for whom, like Montagu Norman, the primacy of international finance reigned over mere national considerations.

Thomas McKittrick, an American banker, was president of the BIS. When the United States entered the war in December 1941, McKittrick’s position, the history notes, “became difficult”. But McKittrick managed to keep the bank in business, thanks in part to his friend Allen Dulles, the US spymaster based in Berne. McKittrick was an asset of Dulles, known as Codename 644, and frequently passed him information that he had garnered from Emil Puhl, who was a frequent visitor to Basel and often met McKittrick.

Declassified documents in the American intelligence archives reveal an even more disturbing story. Under an intelligence operation known as the “Harvard Plan”, McKittrick was in contact with Nazi industrialists, working towards what the US documents, dated February 1945, describe as a “close cooperation between the Allied and German business world”.

Thus while Allied soldiers were fighting through Europe, McKittrick was cutting deals to keep the Germany economy strong. This was happening with what the US documents describe as “the full assistance” of the State Department.

The Bank of England history also makes disparaging reference to Harry Dexter White, an official in the Treasury Department, who was a close ally of Henry Morgenthau, the Treasury Secretary. Morgenthau and White were the BIS's most powerful enemies and lobbied hard at Bretton Woods in July 1944, where the Allies met to plan the post-war financial system, for the BIS to be closed. White, the Bank history notes rather sneeringly, had said of the BIS: "There is an American president doing business with the Germans while our boys are fighting the Germans."

Aided by its powerful friends, such as Montagu Norman, Allen Dulles and much of Wall Street, the BIS survived the attempts by Morgenthau and White to close it down. The bank's allies used precisely the argument detailed on page 1,295 of the Bank of England's history: the BIS was needed to plan the post-war European economy.

From the 1950s to the 1990s the BIS hosted much of the planning and technical preparation for the introduction of the euro. Without the BIS the euro would probably not exist. In 1994, Alexander Lamfalussy, the former BIS manager, set up the European Monetary Institute, now known as the European Central Bank.

The BIS remains very profitable. It has only about 140 customers (it refuses to say how many) but made a tax-free profit of about £900 million last year. Every other month it hosts the Global Economy Meetings, where 60 of the most powerful central bankers, including Mark Carney, Governor of the Bank of England, meet. No details of meetings are released, even though the attendees are public servants, charged with managing national economies.

The BIS also hosts the Basel Committee on Banking Supervision, which regulates commercial banks, and the new Financial Stability Board, which coordinates national regulatory authorities. The BIS has made itself the central pillar of the global financial system.

Montagu Norman and Hjalmar Schacht would be very proud indeed.

Adam LeBor is the author of 'Tower of Basel: The Shadowy History of the Secret Bank That Runs the World', published by PublicAffairs

<http://www.telegraph.co.uk/finance/bank-of-england/10213988/Never-mind-the-Czech-gold-the-Nazis-stole....html>