

The Old Lady

OF THREADNEEDLE STREET

September 1997



Nazi Gold

THE REAL STORY

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In September last year two bars of gold, stamped with the Nazi seal — a swastika and an eagle — found their way to the vaults of the Bank of England. They are the only gold bars in the Bank that have been marked with a swastika. *Nick Durey* and *Peter Rodgers* trace the history of these two gold bars

THE BANK AND NAZI GOLD

ON A COLD spring morning in 1945, a party of German soldiers and government officials, billeted at a military training school in Bavaria, decided to light the stove in the officer's mess for a little warmth. The wood was laid and the fire kindled, but instead of a nice warm glow, all that came out of the stove was choking blue woodsmoke which seeped from the cracks and joints of the flue-pipe and filled the room.

It was obvious that the flue was obstructed, and a quick search revealed a well smoked canvas bag, stencilled with the words

"Reichsbank Hauptkasse" and containing two gold bars, each stamped with a swastika and an eagle.

One of the Reichsbank officials was suspected of stealing and concealing the bars; a year later he committed suicide in Munich. The very same pair of Nazi gold bars found their way last September to the vaults of the Bank of England. They are the only bars in the Bank marked with a swastika.

The unusually well-documented story of the two bars, which were part of a consignment the Germans were attempting to hide as

the American army overran Bavaria, gives them a historical value beyond the £180,000 worth of gold they contain. Their origins can be traced to before the beginning of the Second World War and are best described in the book, *Nazi Gold*, by Ian Sayer and Douglas Botting, published in 1984 by Granada.

When the book first came out, the authors had no clue to the whereabouts of the two gold bars, whose history they had traced in such detail. The bars' existence was only publicly confirmed this spring, when the Bank of

The unloading was done under the cover of darkness and was no mean task. Each bar weighed about 26 pounds. The bars were packed, two to a bag, each bag tied and sealed with a lead seal. Three Reichsbank officials who had accompanied the convoy then counted the bags that were neatly laid out on the bowling alley floor. To their consternation and embarrassment they discovered one bag, containing two gold bars, was missing. A hurried search failed to find the missing bars

England released details of the gold it holds on behalf of the Tripartite Gold Commission, the inter-governmental body that holds monetary gold recovered after the war from the ruins of Hitler's regime.

Throughout the war, the Nazis had been stealing gold from the countries they occupied. Amongst this loot was a considerable quantity of gold taken after the fall of France, which included part of the Belgian national gold reserves which had been deposited with the Banque de France for safe-keeping. To disguise the background and true ownership of this gold, the Belgian bars were taken to the Reichsbank in Berlin and resmelted — that is melted and re-cast. Each bar was then stamped with the German eagle and swastika, and a retrospective date of 1938.

By February 1945, the speed of the allies' advance was clear evidence that Germany had lost the war. Reichsbank officials began to make hurried arrangements to move their reserves out of Berlin. About 90 per cent of the gold held, together with a considerable quantity of foreign currency notes, was transferred to the Kaiserode salt mine at Merkers, in Thuringia, some 200 miles south west of Berlin, where it was subsequently discovered by General Patton's army in late April 1945.

The balance of the gold, consisting entirely of bullion looted from Belgium, including the two gold bars now held in the Bank of England, remained in the vaults of various Reichsbanks in central and southern Germany. In early April, Hitler ordered this remaining gold to be sent to Bavaria. As many as 780 bars were collected at the Reichsbank in Berlin and preparations were made for 730 bars, worth over \$10m at 1945 prices, to be sent south in one delivery. (The fate of the 50 remaining bars remains a mystery to this day.)

The gold left Berlin by road on 14 April in a convoy of five or six Opel-Blitz trucks belonging to the Berlin police. Because of the worsening military situation, the convoy did not arrive in Munich until 19 April. The original intention had been for the gold to be hid-

den in a local lead mine. However, the mine was found to be flooded and so the decision was made to continue southward to the small town of Mittenwald in the Bavarian Alps where the Gebirgsjagerschule, the Mountain Infantry Training School, was located. It arrived on 22 April.

With the Americans fast approaching, the gold had to be hidden with some urgency. A space was cleared in an old bowling alley in the cellar of the training school's officer mess. The unloading was done under the cover of darkness and was no mean task, since gold is 70 per cent heavier than lead. Each bar weighed about 26 pounds. The bars were packed, two to a bag, each bag tied and sealed with a lead seal.

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A more permanent resting place now needed to be found. A site high on the Steinreigal mountain overlooking Mittenwald was selected, and over a period of two nights two holes large enough to accommodate the slightly depleted hoard of 728 gold bars were excavated from the rocky slopes. With the digging complete, attention turned to bringing the gold to its hiding place. The normal mode of transport for German mountain troops was the pack animal. Sure-footed on rough and precipitous terrain, mules were an obvious choice to move the gold up the mountainside. Late on the evening of 26 April, eight mules were each laden with three bags of gold weighing nearly one and a half hundred-weight. All

through the night the mule shuttle continued, as the bags were neatly laid to rest in their appointed caches. A second night was needed to complete the task, but by dawn on 28 April all the gold was back in its original geological location — below ground.

It was not until the party of troops returned from the mountain that, much to everyone's surprise, the two missing gold bars were discovered. But no-one wanted to go back up the mountain to bury them with the others. They were therefore simply popped into a briefcase and taken to the nearby home of Walther Funk, the Economics Minister and Reichsbank President.

It transpired that Funk was to be one of the first Nazi VIPs caught after the German surrender. He fled to Berchtesgaden, (the resort where Hitler built his Alpine retreat), on 1 May, taking with him the two bars of gold which had been found in the stove. On Funk's arrival in Berchtesgaden he handed the bars to Karl Jacob, the Landrat (or Prefect). Jacob in turn passed them on to the head of the Berchtesgaden Savings Bank.

The two bars were passed to the American military authorities when they took control of the area on 5 May. The bars were then sent on to the Munich Land Central Bank as Deposit No 10 on a list of valuables held by the Bavarian Military Government for transfer to the Foreign Exchange Depository in Frankfurt, to which all captured money and valuables were supposed to be forwarded. But the bars never reached the FED.

These were confusing times, with large amounts of looted assets recovered and processed in a country whose infrastructure had been ravaged by war. Just three weeks after the two bars were delivered to the Munich Land Bank, the Finance Division of the US Group Control Council issued a detailed and very thorough document, classified secret, and entitled Report on Recovery of Reichsbank Precious Metals. The report clearly established that the two bars were originally part of the shipment of 730 bars

from Berlin. It gave their precise weight, and even quoted their bar numbers.

Yet for all this thoroughness, the finance division of the US Group Control Council was unable to locate the two gold bars, even though they were held in official US custody in a bank vault run by the Finance Division of its own military government almost on its own doorstep in Munich. The report concluded that the two gold bars in question were actually missing.

By October 1948, the FED seemed to have accepted that they had gone for good. In a hand-written reply to a FED request for information about Reichsbank gold which had not been recovered, Albert Thoms, former head of the Reichsbank's Precious Metals Department, listed the two bars along with other bullion and coin lost when the Russians overran the Reichsbank vaults in Berlin.

The bag containing the two gold bars then began a lengthy sojourn in a forgotten corner of a dusty vault in the Munich Land Bank. They were still there in May 1949 when allied military government came to an end and West Germany became a sovereign state. In the meantime, the other 728 bars had been recovered on 7 June 1945 by US troops using metal detectors. These bars were transferred to the FED in Frankfurt.

There is a long gap in the story until July 1979, when the Munich Land Bank was approached with a request for information about the ultimate fate of various deposits which had originated from recovered Reichsbank treasure, including Deposit No 10, a bag containing two gold bars.

The enquiry was passed to the Deutsche Bundesbank in Frankfurt, which finally replied on 9 January 1980 to the effect that although records did exist covering the deposit, official secrecy regulations took precedence over historical or literary research. It went on to say that, broadly speaking, all deposited assets not claimed by the military government were returned to their original owners, where traceable, or were destroyed on general release in 1955.

Nothing then happened, and the trail went cold again for a number of years until in 1988 the Bank of England was approached by the Tripartite Gold Commission to arrange for insurance and transport of two gold bars from Frankfurt to London. The TGC, as the body that looked after gold stolen from governments by the Nazis, was interested in the bars because the original owner was the Belgian Central Bank.

Again, nothing happened. Although transport quotations were supplied by the Bank, the bars stayed in the Bundesbank. It appears that the TGC, the German central bank and the US government — in whose military zone the bars had first been found — could not agree on who would be liable for any rival claims to ownership.

Only in 1996, half a century after the war, when Albania reached a deal that allowed it to receive its entitlement of gold from the TGC, did the matter of the two bars come to the surface again. This time, there was swift agreement on the transfer, and in September 1996 the Bundesbank released the bars to the US government at a small ceremony in

Frankfurt. The US government returned them to the TGC in accordance with the 1946 Paris Agreement on reparations from Germany. Since the Bank is banker for the TGC, the bars came to their current resting place in the bullion area of the Bank that same month.

Early this year the Bank asked the TGC whether it could publish its full list of Nazi gold dealings with the commission since the war, including the fact that it held the two recently delivered bars. The Bank believes in full disclosure of its holdings of Nazi gold but is nevertheless acting for a customer, the TGC, and cannot disclose without permission. In early May the list was published.

There was little interest at the time in the disclosures, which were overshadowed by the publication the same week of detailed reports on the history of Nazi gold, by the Foreign & Commonwealth Office and by the US Commerce Department. There was also a growing controversy over Switzerland's dealings with Germany during the war and its failure to come clean over dormant accounts in Swiss banks belonging to victims of the Nazis.

All this was taking place against the background of a campaign by organisations representing Jewish victims of the holocaust to secure the remains of the gold held by the TGC.

In fact, the quantity of Nazi gold now left with the TGC is tiny compared with the original amounts of looted gold recovered from the Germans, which by July 1948 totalled more than 306 tonnes, held at either the Bank of England, the Federal Reserve Bank of New York or the Foreign Exchange Depository in Frankfurt by the military government. The final total rose to 337 tonnes by 1974.

In 1947, after the TGC had issued a questionnaire to potential claimant countries, claims came in for just over 735 tonnes from Albania, Austria, Belgium, Czechoslovakia, Greece, Italy, Luxembourg, the Netherlands, Poland and Yugoslavia. The TGC approved claims amounting to 514 tonnes, still considerably more than the total gold pool available. It was decided that each claimant government would receive approximately 64 per cent of their validated claim.

However, the process was never simple. Even in the late 1940s, there was a heated argument, a good deal of it reported publicly in newspapers, about the status of the gold recovered, about how it should be allocated and how much should go to individual victims of the Nazis rather than to the governments of countries they had overrun. It proved hard to find a definition of monetary gold fully acceptable to everybody.

The definition used by the TGC was: "All gold which, at the time of its looting or wrongful removal, was carried as part of the claimant country's monetary reserve, either in the accounts of the claimant government itself or in the accounts of the claimant country's central bank or other monetary authority at home or abroad."

An FCO report, published last year, said this definition was "deliberately narrow and



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aimed at excluding any private claims for restitution, partly because in some countries it had been illegal for private individuals to hold gold".

But another explanation the FCO gave for the narrowness of the definition was that the "total value of the possible private claims provable by documentary evidence was likely to be small in comparison with governmental claims for the restitution of looted national gold reserves". Furthermore the total number of "private claims" likely to be presented to the TGC, if allowed at all, might run into many thousands and make it impossible in practice for the Commission to handle the job of allocating the gold. These practical arguments appear to have won the day, but sowed the seeds of a bitter argument that has been revived half a century later.

There was in fact a separate procedure for handling non-monetary gold recovered after the war. Responsibility was originally vested in the Inter-Governmental Committee on Refugees, which later handed over this role to the International Refugee Organisation. Its remit was to ensure that non-monetary gold, and other amounts earmarked in a treaty on the subject signed in Paris in 1946, would be returned to refugees.

Many gold objects such as jewellery were clearly non-monetary, and metal of that kind found in Germany was placed at the disposal of the refugee committee. But once melted down into bars, the origin of any given piece of gold is virtually untraceable. So it was perfectly possible — indeed, highly likely — that some of the bullion in German reserves had originally been stolen from private individuals and turned into bars.

A second FCO report, published on 6 May 1997, concluded: "It would be wrong to assert that there was no possibility that some gold bars deposited in the (TGC) pool, smelted by the Nazis, contained gold items which had belonged to concentration camp victims. Two conclusions can, however, be drawn from the records on this point: gold which was known to be taken from concentration camp victims was kept separate and used for the purposes

intended; and any such gold included in bars of gold was regarded as monetary because its origin was considered untraceable."

It is not surprising, especially given the chaos at the time, that some of the decisions made in the 1940s about what was monetary gold and what came from victims appear questionable now. Quite apart from the problem of gold jewellery and other artifacts melted into bars, it may well be that small amounts of material that should have been classified as victim gold were melted down and wrongly put into the monetary gold reserves, though the precise circumstances in which decisions were made are hard to reconstruct, half a century later.

There is little evidence that gold objects belonging to holocaust victims were received in the Bank, other than a very small quantity described as "certain gold coins, medals and tokens" which arrived in 1948. Correspondence at the time suggested that there were about 10 bags.



A recent history of the Bank by Elizabeth Hennessy refers to one particular bag containing 26 different currencies, plus a number of coins and medals. The TGC referred these items to a curator at the British Museum who decided that none of the items had a numismatic or historical value within the meaning of the Paris agreement.

The commission therefore decided that these items should be melted into bars. This is described on pages 245-247 of *A Domestic History of the Bank of England* by Elizabeth Hennessy, published by Cambridge University Press, 1992.

The bags were also referred to in recently-published correspondence released from Foreign Office archives, which quotes the Bank of England's views on the matter. The correspondence, signed by a Foreign Office

official representing the Commission, said: "The Bank would propose to have all these melted down and turned into good delivery bars, but will not do this without the sanction of the Commission. There is no other means of telling their gold content."

A second letter by the same official says: "The Bank would wish to melt down these few indeterminate bags if we are going to consider them monetary gold. They will not do this unless they receive an order from the appropriate authority, so the situation is held." The Bank has not found references to this matter in its own archives.

The complications do not end there. It is quite wrong, for example, to assume that all coins found in the Nazi hoards are likely to have been victim gold. The coin, much of it US dollars and sovereigns, would have been regarded as monetary gold because of the number, quality and good state of preservation, a large part in mint condition. It is standard practice for national reserves to include gold coin, and this is still the case with the UK reserves. Indeed, all claimant countries have received a proportion of their gold in coin, and the last of the coin held in the Bank was distributed to Albania last year.

In fact, almost all the original hoard of 337 tonnes of bars and coin had in fact been distributed by 1982. Albania's allocation was first held up by a counter claim from Italy for most of the gold involved, and subsequently by separate claims against Albania by all three TGC governments. Of all the recovered gold, only 5.5 tonnes is now left for final distribution to claimant countries — 3.5 tonnes at the Bank and 2 tonnes in New York.

The three governments that control the TGC, Britain, the USA and France, are being pressed to hand this residual amount to the survivors of the Holocaust and their descendants. The decision is, however, entirely a matter for the governments concerned rather than for the Bank, which acts only as custodian for the gold. Meanwhile, the two swastika bars now in the vaults of the Bank are a grim reminder of a story that has still not quite come to an end.