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FROM WASHINGTON TO FOREIGN OFFICE

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Viscount Halifax
No. 22 Regent.
22nd May, 1945.D. 5.30 a.m. 23rd May, 1945.
R. 10.10 p.m. 23rd May, 1945.IMPORTANT.SECRET.NOT SECRET.

Camer No. 26.

I have agreed section 2 of directive with McCloy putting the rate at 400, and subject to various changes in drafting, substantially in form approved. As regards clause 6 Americans [gr. undec. ?accepted] proposal to operate through the Bank of Sicily if [gr. undec. ?at any time] desirable. I agreed to add that if other banking facilities were not available the Financial Agency should be empowered to make loans. It would still be possible to eliminate this as I said I might communicate with them further on this point, but it seems to me perfectly reasonable. The word "Anglo" was objected to in high quarters as Teutonic and has been amended to A.M. Financial Agency. In clause 3 they accepted our words in place of the two opening sentences.

(5) Revised Article 6 now reads as follows.

(Begins). Under military government, there shall be established within the area a subsidiary [sic. ?] A.M. Financial Agency. It may establish sub-offices where deemed desirable. In so far as its operations relate to provision of currency for pay and other cash requirements of military formations of either army, it shall draw the necessary resources from the military government currency reserve and will record debit against the army concerned in currency issue. It is authorised to accept deposits from Finance Officer and from the military personnel of the Allied armies. In so far as its operations relate to civil administration it shall draw on currency reserve and debit against A.M. civil administration.

If found practicable and desirable, the Bank of Sicily under direct control of military governor will be designated as agent for A.M. Financial Agency. Military governor and other Allied military authorities, when satisfied that Bank of Sicily is under adequate control, may use that bank for official business; and by making credits available to it by providing it with A.M. lire notes, place that bank in a position to finance other banks and branches for the conducting of their business if and when approached by military government.

When other effective banking facilities are not [gr. undec. available], the A.M. Financial Agency shall be empowered to make loans. These shall be restricted to lire loans except in very special circumstances.

The military government will control and direct all receipts and disbursements for civil administration purposes with the Americans on British Civil Affairs officers, and through the A.M. Financial Agency will provide all funds of whatever currency and

receive . . .

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receive all revenues and cash receipts. Thus all civil administration officers will draw funds only from A.M. Financial Agency. Records of A.M. Financial Agency shall indicate in all cases in what currency receipts were obtained or disbursements made. [ENDS].

(8) Other changes, consequential or drafting will be sent [gr. under, Monday].

(4) As regards sub-section 4.B. of Caxier No. 28 see paragraph 4 of telegram No. 2852 from Ambassador to Secretary of State for War.

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(Copies sent to Chancellor of Exchequer
and Sir B. Waller).

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