

DECLASSIFIED
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AUTHORITY
BY: NARA DATE: 2/14

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REF 927/485-1
Date: 13 May 69

REVIEWED BY
JCS DECLASSIFICATION GROUP
DATE: 3 Dec 1970

Plans for Allied Military
Financial Agency

COAG 334 AMPA (8-7-73)

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UNCLASSIFIED
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 AUTHORITY
 BY NARA DATE 2/19

1.

CCAC 334 AMFA (8-4-43)

8-4-43		CCAC 10 (c) 132 123	md		
8-7-43		Letter 312.1 201 Hammond, T.W.	md		
8-9-43		Memo 201 Hilliard, Chas. C. 201 Hammond, T.W.	md		
8-22-43		Letter 201 Holmes, J.C.	md		
8-28-43		Memo 201 Royal, F.B. 095 Coleridge, R.D.	md		
8-4-43	H	Memo 201 Hammond, T.W.	md		
7-9-47		NAF 1346 (c) FX 76819 (c) 334 AFA	nv		

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AUTHORITY
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MEMORANDUM FOR THE FILES

4 September 1943.

Subject: Allied Military Financial Agency.

1. Attached is a memorandum from the Secretaries, CCS, to the Secretaries, CCAC, enclosing a copy of a memorandum for the Secretary, CCS, from the Chief, Military Government Section, Allied Force Headquarters, dated 22 August 1943, transmitting report on the Allied Military Financial Agency.

2. The copy of the memorandum from the Chief, Military Government Section, Allied Force Headquarters, was referred to the CCAC for appropriate action.

3. The memorandum referred to CCAC has not been made into a formal paper and is being placed in the files without committee action for the following reasons:

(a) Copies of the memorandum have been furnished to General Carter, Fiscal Director, ASF (Col. Gilchrist), the Navy, the U.S. Treasury, and a representative of the U.K. Treasury.

(b) The memorandum referred to CCAC is largely informational. The only two paragraphs which require any action are paragraphs 8 and 9. The matter referred to in paragraph 8 has been referred to ASF for action. The matter referred to in paragraph 9 has already been covered by a cable to AFHQ (CM-OUT 4855, 13 August).

[Handwritten Signature]
F. W. Hammond, Jr.
Colonel, U.S. Army.

v 8/22/43 this file

DECLASSIFIED
DOD Directive 5200.9
9/27/58

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CCAC 334 Com FA (8-4-43)

9-4-43

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BY NARA DATE 2/19

THE COMBINED CHIEFS OF STAFF
WASHINGTON

28 August 1943.

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DECLASSIFIED PURSUANT
TO JCS 927/495-1
Date: 3 DEC 1970

MEMORANDUM FOR THE SECRETARIES, COMBINED CIVIL AFFAIRS
COMMITTEE:

Subject: Allied Military Financial
Agency.

Enclosure: Copy of Memorandum for the
Secretary, Combined Chiefs of
Staff, from Chief, Military
Government Section, Allied
Force Headquarters, dated
28 August 1943, transmitting
report on the Allied Military
Financial Agency.

ccac 334 amfa

The enclosure is referred to the Combined Civil
Affairs Committee for appropriate action.

Forrest B. Royal
Forrest B. Royal,

R. D. Coleridge
R. D. Coleridge,
Combined Secretariat.

CVD OCc
IN



8/22/43 this file

Copy to Col. T. W. Hammond, Jr. ✓

4029 ✓

(8-4-43)

8-28-43



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AUTHORITY
BY NARA DATE 2/19

COPY

ALLIED FORCE HEADQUARTERS

Military Government Section

A.P.O. # 512 % Postmaster N. Y. N. Y.

~~SECRET~~

22 August, 1943

Secretary, Combined Chief of Staff,
Washington, D. C.

Sir,

Enclosed are:

- (1) Memorandum from AMGOT re AMFA of August 3, 1943;
- (2) Balance sheet of AMFA as of August 18, 1943.

Copies are being sent for information to General Kirby, D.C.A., War Office, London.

/s/ J. C. HOLMES,
Brigadier General, G.S.C.,
Chief, Military Government Section.

ccac 334 AMFA (8-4-43)

see memo, 9-4-43 in file

*Inclosure to letter
of 8/28/43 from
ccs to ccac.*

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Encl 1

8-22-43

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BY NARA DATE 2/19

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COPY

3rd August 1943

Subject:- AMFA

To:- Military Government Section, A.F.H.Q.
For Onward transmission to AGWAR for CCS and CARTER.

1. AMFA has now set up temporary office in Bank of Sicily building at Palermo.
2. Transactions since cable AMGOT - 16 of 28 July have been as follows in Allied Military Lire.
3. Delivered on 29 July against receipt further 500,032,000 making total of 1,000,384,000 to Captain O.C. Culbreth O-425830, Funding Officer 26th Finance Disbursing Section Symbol No/ 211-185 on instructions of Colonel Tillman, Chief Finance Officer, Seventh Army. Colonel Tillman estimates that he paid about 75 per cent of end July payrolls in Allied Military Lire and that he will now need no further A.M. Lire until end August when he will pay all payrolls in A.M. Lire.
4. AMFA has further delivered following amounts to Senior Civil Affairs Officers for immediate cash requirements of civil government in provinces.

Agrigento.	53,376,000
Palermo.	61,568,000
Trapani.	41,984,000
Ragusa.	44,032,000
Siracusa (for Siracusa, Messina, Catania & 8th British Army)	240,384,000
Caltanissetta (for Caltanissetta and Enna)	39,552,000
Messina.	1,600,000

5. AMFA has paid into new current account with Bank of Sicily Palermo 613,568,000 which Bank of Sicily will keep 100 per cent liquid in cash and pay out as and when ordered by AMFA.

6. Contents of boxes containing all above monies were found correct in so far as it was possible to check them at time of delivery, viz, by checking number of cartons and number of packages and counting one or two packages in each box.

7. Remaining 8 boxes containing notes 53,952,000 and 8 boxes of stamps all duly sealed are held by Bank of Sicily Palermo in safe custody on behalf of AMFA.

8. Total contents of 289 boxes of notes so far received appear to be 2,150,400,000. This agrees with list of boxes and contents which arrived Tunis by third plane, subject to minor clerical errors in boxes 73, 168 and 237, but does not agree with total of 2,168,800,000 mentioned in your cables 445 of 9 July and 415 of 3 July.

9. In view of fact that system of counting out notes described in para 6 has so far cost about 60 AMFA officer hours and 300 man hours excluding porters' time and in view of serious shortage of man-power would appreciate your authorising AMFA to make future payments where necessary in complete boxes unopened, subject to condition that payee must report any shortages or discrepancies over affidavit of two responsible officers together with label on carton and strap on package.

Frank J. McSherry.
Brigadier General, U.S. Army,
D.C.C.A.O.

CW 085
485F
8/13

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ALLIED MILITARY FINANCIAL AGENCY
Balance Sheet
18 August 43

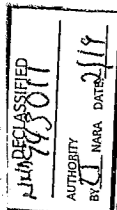
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COPY

ASSETS

Cash: Current:	Lire	382 016	
	Y.S. \$2266.51	226 651	
	BMA 149.10	59 800	
	Francs 36030	<u>72 160</u>	
	Total Current Cash		740 627
	Reserve		53 952 000
	Nostro Bank A/c		<u>372 732 904</u>
	Total Cash		427 425 531
Mutilated Currency			1 805
Expenditures on A/c of Occupation Costs			
	British Army	112 064 000	
	U. S. Army	1 141 184 000	
	U. S. Navy	10 530 000	
	Provincial SCAO's	470 096 000	
	Amgot Civilian Supply Section	4 000	
	Amgot Finance Section	6 000	
	Admin. Expend. AMFA	<u>47 368</u>	
	Total Exps. on A/c of Occupation Costs		1 733 931 368
Advances			
	Railroads of the State	<u>2 000 000</u>	
	Total Advances		<u>2 000 000</u>
<u>Total Assets</u>			<u><u>2 163 358 704</u></u>

LIABILITIES

New AM Lire Notes Received	2 163 200 000	
Deposits Amgot Civ. Sply Section	<u>158 704</u>	
Total Liabilities		<u><u>2 163 358 704</u></u>



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C. E. A. C. 10

DECLASSIFIED PURSUANT
TO E.O. 12958-1

Date: 3 Dec 1970 9 August 1943

MEMORANDUM FOR MAJOR CHARLES C. HILLIARD, CIVIL AFFAIRS DIVISION

Subject: Plan for Allied Military Financial Agency

Execution of
P 3 & of
minutes of 4/10
mtg.

1. The Combined Civil Affairs Committee, at their fourth meeting on 5 August, in discussing the above subject, agreed that the U. S. Treasury should be informed that the contents of the Plan for Allied Military Financial Agency conforms with the provisions of the Directive furnished to General Eisenhower.

2. It is requested that you transmit the above information, on behalf of the Combined Civil Affairs Committee, to the appropriate U. S. Treasury authorities.

For the Combined Civil Affairs Committee:

T. W. HAMMOND, JR.
Colonel, G. S. C.
U. S. Secretary.

rmh

AUG 9 1943



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(Date) 8/9/43
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CCAC 334 Com Pac

(4 Aug 43)

8-9-43

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AUTHORITY
BY NARA DATE 2/19

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WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
CIVIL AFFAIRS DIVISION
WASHINGTON

9 August 1943

MEMORANDUM FOR MAJOR CHARLES C. HILLIARD, CIVIL AFFAIRS DIVISION

Subject: Plan for Allied Military Financial Agency

1. The Combined Civil Affairs Committee, at their fourth meeting on 5 August, in discussing the above subject, agreed that the U. S. Treasury should be informed that the contents of the Plan for Allied Military Financial Agency conforms with the provisions of the Directive furnished to General Eisenhower.

2. It is requested that you transmit the above information, on behalf of the Combined Civil Affairs Committee, to the appropriate U. S. Treasury authorities.

For the Combined Civil Affairs Committee:

T. W. Hammond, Jr.
T. W. HAMMOND, JR.
Colonel, G. S. C.
U. S. Secretary.

Copy of Plan has been sent Mr. Taylor of U.S. Treasury, and discussed with him. Treasury verbally agrees that Plan for AMFA conforms to Directive.

AUG 9 1943

DECLASSIFIED PURSUANT TO ICS 927/495-1
Date: 3 Dec 1970

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(4 Aug 43)

8-9-43

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AUTHORITY
BY NARA DATE 2/19

CIVIL AFFAIRS DIVISION

TRANSMITTAL SLIP

TO	RESTRICTED	INITIALS
	MAJ. GEN. HILLDRING	
	COL. HASKELL	
	EXECUTIVE	
	SECRETARY	
①	ECONOMICS BR.	
	<i>attn Maj Hillier</i>	
	MILITARY GOV'T. BR.	
	CIVILIAN RELIEF BR.	
	PERS. AND TRNG. BR.	
	ADMINISTRATIVE BR.	
②	MAIL AND RECORDS SEG.	
	OOA - NAVY DEPT.	

FOR

- PERSONAL CONFERENCE
- ACTION
- INFORMATION
- PREPARATION OF STUDY
- REMARK OR RECOMMENDATION
- COMMENT OR CONCURRENCE
- PREPARATION OF REPLY
- NOTE AND RETURN TO SECRETARY
- FILE
- NOTE & SEND TO FILE
- DISPATCH

DECLASSIFIED PURSUANT
TO ACS 927/195-1
Date 3/26/97

MESSAGE CENTER

Originator

Date AUG 9 1943

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BY NARA DATE 2/19

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DECLASSIFIED PURSUANT TO ICS 927/295-1

Date: 3 Dec 1920

SUBJECT: Plan for Allied Military Financial Agency.

TO : Commanding General,
U. S. Army Forces,
China, Burma and India (Rear Echelon),
New Delhi, India.

The Combined Civil Affairs Committee in Washington considered the enclosure at their meeting on 5 August 1943. The Committee agreed that copies of the enclosure should be furnished Theater Commanders for their information.

For the Combined Civil Affairs Committee:

THOMAS W. HAMMOND, JR.,
Colonel, GSC,
U. S. Secretary.

Encl.-
C.C.A.C. 10, 8-4-43.

AUG 7 1943

Incl. in CCAC File.

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(Date, 8-7-43)

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copy of AMFA

(4 Aug 43)

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DECLASSIFIED
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AUTHORITY
BY NARA DATE 2/19

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7 August 1943.

SUBJECT: Plan for Allied Military Financial Agency.

TO : Commanding General,
U. S. Forces in the North African Theater of Operations,
Algiers, Algeria.

The Combined Civil Affairs Committee in Washington considered the enclosure at their meeting on 5 August 1943. The Committee agreed that copies of the enclosure should be furnished Theater Commanders for their information.

For the Combined Civil Affairs Committee:

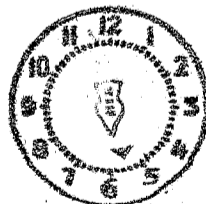
THOMAS W. HARRISON, JR.,
Colonel, GSC,
U. S. Secretary.

Encl.-
C.C.A.C. 10, 8-4-43.

Incl. in CCAC file.

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AUG 7 1943



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(7 Aug 43)

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AUTHORITY
BY NARA DATE 2/19

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WMC
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DECLASSIFIED PURSUANT
TO E.O. 13526
Date: 3 Dec 1978

7 August 1943.

SUBJECT: Plan for Allied Military Financial Agency.

TO : Commander-in-Chief,
Southwest Pacific Area,
Brisbane, Australia.

The Combined Civil Affairs Committee in Washington considered the enclosure at their meeting on 5 August 1943. The Committee agreed that copies of the enclosure should be furnished Theater Commanders for their information.

For the Combined Civil Affairs Committee:

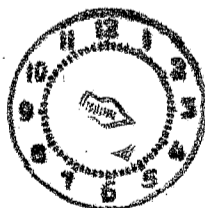
THOMAS W. HAMMOND, JR.,
Colonel, GSC,
U. S. Secretary.

Encl.-
C.C.A.C. 10, 8-4-43.

Incl. in CCAC File

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(4 Aug 43)

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AUTHORITY
BY: J NARA DATE: 2/19

~~CONFIDENTIAL~~

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7 August 1943.

SUBJECT: Plan for Allied Military Financial Agency.

TO : Commanding Officer,
U. S. Army Forces in South Pacific Area,
Moussa, New Caledonia.

The Combined Civil Affairs Committee in Washington considered the enclosure at their meeting on 5 August 1943. The Committee agreed that copies of the enclosure should be furnished Theater Commanders for their information.

For the Combined Civil Affairs Committee:

THOMAS W. HAMMOND, JR.,
Colonel, CSC,
U. S. Secretary.

Encl.-
C.C.A.C. 10, 8-4-43.

Incl. in CCAC File.

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TO JCS 927.1-1
Date: 3 Dec 1970



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(4 Aug 43)

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AUTHORITY
BY NARA DATE 2/19

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DECLASSIFIED PURSUANT
TO JCS 927/495-1
Date: 3/15/1970

7 August 1943.

CCAC 334 AMMFA

SUBJECT: Plan for Allied Military Financial Agency.

TO : Commanding General,
U. S. Army Forces in the Middle East,
Cairo, Egypt.

The Combined Civil Affairs Committee in Washington considered the enclosure at their meeting on 5 August 1943. The Committee agreed that copies of the enclosure should be furnished Theater Commanders for their information.

For the Combined Civil Affairs Committee:

THOMAS W. HAMMOND, JR.,
Colonel, GSC,
U. S. Secretary.

(4 Aug 43)

Incl.-
C.C.A.C. 10, 8-4-43.
no Incl. sent to file

Incl. in CCAC File
AUG 7 1943
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AUTHORITY
BY NARA DATE 2/19

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7 August 1943.

Space 334 OIM PA

SUBJECT: Plan for Allied Military Financial Agency.

TO : Commanding General,
U. S. Army Forces in the European Theater of Operations,
London, England.

The Combined Civil Affairs Committee in Washington considered the enclosure at their meeting on 5 August 1943. The Committee agreed that copies of the enclosure should be furnished Theater Commanders for their information.

For the Combined Civil Affairs Committee:

THOMAS W. HAMMOND, JR.,
Colonel, GSC,
U. S. Secretary.

(14 Aug 43)

Encl.-
C.C.A.C. 10, 8-4-43.

AUG 7 1943

Incl. in CCAC File.

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TO ICS 927/35-1

Date: 3 Dec 1970

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5 August 1943

3. PLAN FOR ALLIED MILITARY FINANCIAL AGENCY
(C.O.A.C. 10--already circulated)

This Paper was submitted by the Allied Military Government Headquarters through Allied Force Headquarters for the information of the Combined Chiefs of Staff. However, it is believed desirable for the Combined Civil Affairs Committee to examine the Paper first, to determine whether or not it is of direct interest to the Combined Chiefs of Staff.

Copies of the contents of this Paper have already been furnished to the U. S. and U. K. Treasury representatives, the Navy, ASF of the War Department, and the State Department.

Action Recommended.

(a) That the Committee request comments on the Paper from the State and Treasury Departments and appropriate British authorities.

OK (b) That the Paper not be referred to the Combined Chiefs of Staff.

DECLASSIFIED PURSUANT
TO JCS 927/495-1
Date: 3 Dec 1970

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8-5-43

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AUTHORITY
BY [] NARA DATE 2/19

3. PLAN FOR ALLIED MILITARY FINANCIAL AGENCY (C.C.A.C. 10)

CCAC 4th Mtg.
8-5-43

MR. McCLOY explained that this Paper had been submitted by AMG through AFHQ for the information of the Combined Chiefs of Staff. Mr. McCloy informed the Committee that the contents of the Paper had already been furnished to the U.S. and U.K. Treasury representatives, the U.S. Navy, ASF of the War Department, and the State Department.

THE COMMITTEE:-

Agreed:

- a. That the Paper was not a matter of direct interest to the Combined Chiefs of Staff and therefore need not be referred to them.
- b. That the Secretary inform the U.S. Treasury that the contents of the Paper conform with the provisions of the Directive furnished to General Eisenhower.
- c. Took note that Sir David Waley, on behalf of the U.K. Treasury, considered that the Paper conformed to General Eisenhower's Directive.

CCAC 334 AMFA (8-4-43)

8-5-43

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BY CL NARA DATE 2/19

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COPY NO. 8

598-1
(C.C.A.C. 10)

4 August 1943

DECLASSIFIED PURSUANT
TO JCS 927/435-1
Date: 3 Dec 1970

COMBINED CIVIL AFFAIRS COMMITTEE

PLAN FOR ALLIED MILITARY FINANCIAL AGENCY

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AUTHORITY
BY: G NARA DATE: 2/19

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COPY NO. 8

C.C.A.C. 10

4 August 1943

COMBINED CIVIL AFFAIRS COMMITTEE

PLAN FOR ALLIED MILITARY FINANCIAL AGENCY

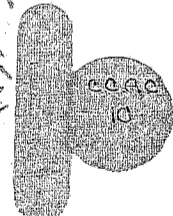
Note by the Secretaries

The enclosure was transmitted by Allied Military Government of Occupied Territories through AFHQ for the information of the Combined Chiefs of Staff.

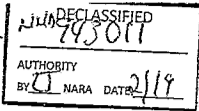
It is referred to the Combined Civil Affairs Committee for their information and recommendation whether or not the matter is of direct interest to the Combined Chiefs of Staff.

T. W. HAMMOND, JR.,
C. W. GARNETT,
Combined Secretariat.

ccac 334 AMFA (8-4-43)



8-4-43



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E N C L O S U R E

PLAN FOR ALLIED MILITARY FINANCIAL AGENCY (AMFA)

1. In accordance with the directive issued by the Combined Chiefs of Staff (Fortune 303 of 1 June 1943), an Allied Military Financial Agency has been established within the framework of the Financial Division of AMGOT. The procedure to be followed by AMFA may need to be revised considerably in the light of conditions found to be prevailing in Sicily. A proposed modus operandi has been formulated which it is considered should be submitted to the C.C.S. for their information, and which it is hoped represents a correct interpretation of their directive.

2. In conformity with the C.C.S. directive AMFA is being established for the following main purposes:-

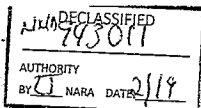
a. To provide a convenient depository, clearing house, and office of financial transactions for the convenience of the Allied military forces.

b. To provide a depository where necessary for enemy or other funds which may be impounded.

c. To facilitate control by AMGOT of financial and property transactions in the occupied territory.

d. To provide a source of funds from which to make loans to and through local banks, municipalities, public utilities, private businesses, and individual persons where AMGOT considers such loans will assist in the restoration of order and the rehabilitation of essential activities and are desirable from the point of view of the military effort, and where local banks are not in a position to provide such financial assistance.

It is recognized that AMFA is a flexible instrument that may be effectively used for other monetary and banking matters that may arise in the course of the occupation of Sicily.

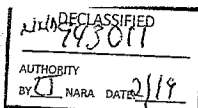


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3. AMFA is under the control of the Chief Financial Officer. Whether AMFA should be thought of as a distinct legal entity under AMGOT control, and what degree of separate identity AMFA will have, or will need to have, has not yet been finally determined. However, it is assumed that AMFA will, for example, make advances in its own name and will keep its own accounts and submit its own financial reports to the C.F.O. We are considering so handling AMFA's accounts, its advances and loans and the payment out of A.M. lire as to facilitate ultimately turning over to a recognized established Italian government the assets and liabilities of AMFA leaving AMGOT free from any claims on account of A.M. lire and from the necessity of thereafter collecting on loans and advances made during the course of the military government. The accounting concepts involved are discussed in more detail below.

4. The most conspicuous function of AMFA will be that of holding, paying out, and receiving currency, in particular the Allied Military Lire. In this connection, it has seemed desirable to avoid the use of the term or concept of "currency issue", because this term has had built up around it a doctrine of liability or responsibility for the currency put into circulation by an "issuing" institution, which it is desired to avoid. See further para. 8 below.

The position will be that AMGOT will be entering a territory which may be greatly deficient in currency circulation and stocks, and from which there will be no immediate access to the issue facilities of the Bank of Italy in Rome. It is therefore preferred to consider that AMFA, lacking the facility of receiving advances of ordinary lire (against "expenses of occupation") from the national bank of issue, is paying out A.M. lire notes for necessary purposes of Government as a supplement to such ordinary lire notes as are in fact available in the occupied territory.



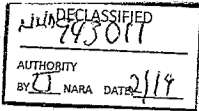
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It is conceived that the Italian Government will later take over the liability for such A.M. lira notes as may have been put into circulation, and will thereby discharge, pro tanto, part of its liability for the portion of occupation costs incurred in A.M. lire. The treatment of new notes in AMFA's balance sheet required to give effect to this conception is described in a subsequent paragraph.

Prior to the time when AMFA is supplied with A.M. lire, AMGOT Finance Officers will draw yellow seal dollars or BMA pounds from Army finance officers and paymasters and make advances to communes, provinces, etc., without reference to AMFA. Arrangements have been made for such drawings in both currencies. We envisage that AMFA will take over on to its books any loans or advances made by AMGOT Finance Officers during the first few weeks of the occupation before AMFA is in full operation. We are also considering that AMFA should refund to the Army finance officers and paymasters any yellow seal currency and BMA's drawn by AMGOT Finance Officers during this period.

In accordance with the C.C.S. directive, AMFA will subsequently be prepared, when sufficiently assured that sufficient supplies of A.M. lire are available in the area, to withdraw yellow seal dollars and BMA pounds and British and U.S. coinage from circulation. As soon as public announcement of such withdrawal is made, it is proposed that AMFA shall discontinue paying out yellow seal dollars for BMA pounds (or vice versa) in order to prevent hoarding - particularly of yellow seal dollars.

As A.M. Lire arrive from Washington in quantity, AMFA will receive them and assume the function assigned to it by the C.C.S. of putting appropriate sums to the credit of current accounts of the Armed Forces and of the various divisions of AMGOT. It is hoped that these operations can begin between 14 and 28 days after D day. Payments by AMFA to the British Armed Forces would be made



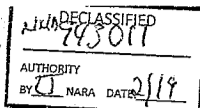
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on request of the Command Paymaster of the Force concerned against simple receipt of the officer or officers designated by him. This procedure would also be followed with the American Armed Forces if approved by the War and Navy Departments. The amounts so turned over to the Allied Military Forces would be charged to an account on AMFA's books relating to occupation costs (as more fully described below). Military Finance Officers and Paymasters would account to their respective departments, as under present procedure, for lire received by them from AMFA just as they account for monies received from any other source.

As to AMGOT drawings of cash from AMFA, it is intended that AMFA will be kept currently informed as to the general purposes for which the cash is needed, in order that AMFA may properly evaluate the current monetary situation in the area and be prepared to advise the C.F.O. on questions of monetary policy.

AMFA will also accept monies (in A.M. lire, ordinary lire, yellow seal dollars and BMA pounds) for deposit to the account of the Army or the AMGOT division which has received them in the course of its activities. Such monies might accrue, for example, to the Legal Division in the form of fines, or to the Civilian Supply Division as the proceeds of sales of food in local markets. It may also be possible to arrange for the deposit in AMFA or its principal agent of a portion of the idle cash which may accumulate in local banks. This will be a means of economizing the use of new notes.

5. Bullion, coin and currency, stocks of unissued notes, and securities, belonging to the National government or its agencies may come into the possession of the Army or of AMGOT officers. AMFA will be ready to receive such items for credit of appropriate accounts, or for safe custody.



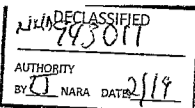
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6. In addition to performing depository and other fiscal and treasury functions for the Military Services and AMGOT, AMFA will be prepared, in varying conditions and circumstances, to make advances to banks (directly to or through the bank of Sicily or other suitable institution) to public utilities and private enterprises, to social insurance institutions or organizations, to provinces and communes, and possibly to other organizations such as the Postal Savings institution.

In the case of loans or advances to banks and commercial or industrial enterprises, and perhaps to the Governmental monopolies, documents have been drawn up including such points as a maturity provision and a provision for payment of interest. Some of the terms of such loans such as whether or not collateral or pledged security will be required and the order of priority of AMFA among creditors of the borrower, are questions which it is felt cannot be settled in advance by unvarying rule, but should remain flexible.

As to loans or advances primarily to meet the deficits of provinces and communes and of those social insurance funds which are necessarily dependent on state subsidies, AMFA will be guided by the financial policies of AMGOT, which will naturally take into account such factors as the capacity of the region to absorb; the resulting currency circulation without extreme inflation, and the military, economic, or social consequences of withholding such loans or advances.

It is recognized that a certain number of advances or loans may have to be made by AMFA on the military or public interest even though they would not be considered "good loans" from a commercial banking point of view. Nevertheless it is felt that it would be dangerous to allow any impression to grow up that AMFA was prepared to act as a free source of funds for all and sundry on the ground that "A.M. Lire cost us nothing except the printing". Active steps will be taken to combat any such impression, whether among the civil population, in the Armed Forces, or in AMGOT's staff itself.



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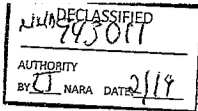
In keeping with the directive of the C.C.S., AMFA will be prepared to assist in the reopening of the banks by making advances to them for the purpose of strengthening their cash position. It is intended that the Bank of Sicily shall be designated as an agent of AMFA in this and in other relations with the other commercial banks, if this is found to be practicable and desirable. AMFA does not intend to compete with local banks in making advances. On the contrary, AMFA hopes to use the services and local knowledge of these banks by encouraging them to make necessary loans, while AMFA stands prepared to support the lending banks by credits, or possibly guarantees in so far as these may be desirable. Other sections of the Financial Division will exercise control directly over the banks and will take steps to eliminate undesirable personnel; they will also advise on the desirability of such credits and guarantees.

7. In general, AMFA does not anticipate that it will be required for the present to engage in foreign exchange transactions of the ordinary sort. However, certain services will or may be performed which will involve some form or other of exchange transactions.

a. As has been indicated above, AMFA will maintain the exchange rate between BMA pounds and yellow seal dollars as long as is appropriate, and will pay out A.M. lire for such dollars and pounds at the rates fixed by Proclamation.

b. If need arises, AMFA may endeavour to arrange for the opening of dollar accounts in its own books, or in those of its agent banks in Sicily for the handling of the company funds of the U.S. Army units.

c. At present the personal remittances of U.S. and British Army personnel in dollars and sterling are handled in a satisfactory manner by the Army finance and paymaster organizations. AMFA does not anticipate that it will be necessary to devise machinery to make such remittances.



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d. It is possible that a situation may arise where in order to give support and stability to the A.M. lira or the Italian lira some conversion by AMFA of such currencies into dollars or sterling, under a strict control, may be desirable. It is also possible that for psychological and other reasons, some very limited amounts of foreign exchange should be made available to pay for imports or to make certain remittances.

8. Careful consideration has been given to the accounts which might best serve AMFA's needs, and, in particular, to form of its balance sheet. It is fully recognized that AMFA is not an ordinary commercial bank. AMGOT has also in mind the ultimate necessity of transferring AMFA's accounts to the Italians, when the Military Government withdraws, and after all inter-AMGOT transactions have been closed in so far as they offset.

The details of the ledgers and journals kept by AMFA will not be gone into in this memorandum. The broad concept underlying the balance sheet, however, should be stated. With a view to the final liquidation of AMFA, preparatory to transferring its accounts to the Italian Government, it will be desirable to show as a cumulative total on the liability side of the balance sheet, the amount of new A.M. Lira notes received by AMFA. This total, less the amount of A.M. Lira notes in AMFA's cash reserve, may be regarded as the effective circulation of A.M. Lira notes. It will therefore have to be taken over by the Italian Government, or some institution (Central Bank) designated by it, as part of the note circulation.

The principal accounts contra to this item will be:

a. Expenditures on account of Occupation Costs. These also will be shown as a cumulative total, and will include A.M. Lire expenses of AMGOT as well as the A.M. Lire paid out to the Allied Military Services.

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- b. Outstanding loans, advances and grants-in-aid, and
- c. Cash in A.M. Lire and Italian lire on hand or in other banks. (It is assumed that by this time AMFA will no longer hold in its cash any yellow seal dollars or BMA pounds)

These accounts would be handed over to the Italian Government or its agent institution contemporaneously with its express assumption of the currency responsibility. The remaining accounts (e.g., current accounts or imprest funds of the Army and the various divisions of AMGOT) should be offset before the final handing-over to the Italian Government takes place.

9. It will be an important responsibility of AMFA to assist the C.F.O. in assessing the effects of AMGOT and Army financial activities on currency and credit in the occupied area, since its accounts will reflect, in broad categories, all lire expenditures and advances of both AMGOT and the Armed Forces.

A. P. GRAFFTEY SMITH
Colonel
Chief Financial Officer
AMGOT

15 July 1943.