

STATEMENT OF PAUL A. VOLCKER
before the
COMMITTEE OF BANKING AND FINANCIAL SERVICES
of the
U.S. HOUSE OF REPRESENTATIVES

December 11, 1996

Mr. Chairman and Members of the Committee:

I particularly appreciate the opportunity to participate in this hearing for two reasons.

The first is that it enables me to place on the record in the United States with some care the role of the Independent Committee of Eminent Persons (hereinafter "the Committee") which I chair. The aim of that Committee is to seek final resolution of the question of dormant or heirless accounts of Nazi persecuted persons in Swiss banks. That is, in itself, an important responsibility. It is also complicated, difficult, and inevitably time consuming, necessarily a job for experts bringing to bear investigatory as well as accounting skills and experience.

I am, at the same time, fully aware that the work of the Committee is only a part of a much broader effort, extending beyond Switzerland and beyond dormant accounts. The objective is to reach a final understanding and settlement of financial matters still plaguing victims of Nazi aggression and persecution. Your invitation affords me the opportunity to record my personal sense of that larger context in which our work takes place.

We are meeting more than 50 years after the end of the Holocaust, certainly one of the most shameful and brutal episodes in human history. The number of survivors and those with personal experience and knowledge is fast diminishing. The time has surely come for a full accounting, to set the record as straight as humanly possible, to in effect draw a line under this terrible episode as we approach a new century.

What is at issue is not simply the size of a final financial settlement. I am neither Swiss nor Jewish. But in these recent months, I have been exposed to the continuing psychological and emotional trauma of the victims and their strong sense of facts unknown and justice undone. I have also learned of the determination of the Swiss to reexamine questions about the past

and clarify their record. It is those circumstances that both underscore the historic importance of the collective task before us and afford the opportunity for a definitive resolution.

The Role of the Committee

The role of the Committee I chair is to prepare to the best of our ability an accounting and financial record of accounts in Swiss banks originating with those fearing and facing Nazi persecution and which have lain dormant without identified claimants. Such accounts were mainly opened by, or on behalf of, those of Jewish ancestry in Germany or other countries facing German invasion. Switzerland's geographic proximity and the high reputation of its banks for prudence and discretion no doubt made it a place of choice for some of those seeking protection for personal assets, but I should note that Switzerland and Swiss banks were only one of the possible havens for such funds.

The Committee was established by means of a Memorandum of Understanding in May of this year signed by leaders of the Swiss Bankers Association and the World Jewish Restitution Organization, acting with the World Jewish Congress, the Jewish Agency and allied organizations, together broadly representative of the international Jewish community. The agreement to form the Committee followed months of discussion that had failed to provide mutually satisfactory results. A fresh survey of dormant accounts undertaken by the Swiss Bankers Association in early 1996 indicated a total of some \$32 million. However, that survey left doubts about its methods and result. A strengthened role for the Office of the Swiss Bank Ombudsman, together with an easing of procedures and costs for investigating individual inquiries about the existence of specific accounts, had not produced much satisfaction. Hence, the joint decision was taken to intensify the effort by appointing a new committee to direct and supervise the necessary work. (The Memorandum of Understanding and a list of the members of the Committee is attached as Appendix I to this Statement.)

The Swiss Bankers Association and the Jewish organizations each chose three members and two alternates to serve on the Committee. The individual members are prominent men of affairs drawn from a variety of professions and activities -- scholarship, accounting, diplomacy and political life, and business. They are also evenly divided between Swiss and Jewish organizations, so there was a perceived need for a neutral chairman. I was approached to fill that position in July.

In considering that approach, I was amply warned of the practical difficulties, the potential divisiveness, and the high emotional content by Jewish and Swiss friends alike. In the end, however, I was convinced of the importance of the effort, and became satisfied that responsible Swiss and Jewish leaders fully

supported the effort. No equally promising approach seemed available then, nor does it now. I was also made aware that the prospects were strong that by year-end the Swiss Parliament would under new legislation sponsor a complementary inquiry. That proposed Commission, among other things, would be provided explicit legal authority to investigate areas beyond the competence of the Committee that I chair. In all those circumstances, and counting on the continuing support of the Swiss and Jewish participants, I agreed in August to chair the group and convene our initial meeting.

As indicated earlier, the Committee is directing its efforts primarily toward identifying "dormant" or "heirless" accounts in Swiss banks deposited by those fearing Nazi persecution. Specifically, we will be examining records of unclaimed deposits of money and other valuables (such as gold coins, jewelry and art works) placed in Swiss banks between 1934 and 1946. Importantly, in the process we will develop a data base and other information that might point to illicit withdrawals of funds or other valuables from accounts that would otherwise be lying dormant.

"Looted Accounts"

In that connection, I want to clarify a point that has been the source of confusion in the press and elsewhere. The Committee may, indeed, find some evidence of gold coins and other valuables in Swiss banks that are properly the property of persecuted persons. However, the very sizable amounts of gold sold during World War II to Swiss institutions, and particularly to the Swiss National Bank, that have attracted so much press attention, is gold that came illicitly into the hands of the German Government. In other words, that gold was "looted" rather than voluntarily placed by legitimate owners in Swiss banks. To the best of my knowledge, the largest part of that looted gold was seized from the Belgian, Dutch and other central banks. Without doubt gold and other assets were also seized by the German authorities from Jews and other individuals from their homes or businesses, or even from their physical bodies. Some of that gold could have found its way to Switzerland as well.

Investigation of looted gold and other assets is, as I understand it, within the competence of Swiss authorities and the new official investigation. The Committee is prepared to cooperate with that inquiry, particularly by bringing to the attention of the Swiss Government and the proposed Commission evidence that we might uncover of looted assets in the banks we will audit. Our main focus, however, is on dormant accounts of persecuted persons.

The Audit Procedures

The Committee's investigative audit will be conducted by international accounting firms selected by the Committee from among those with offices and individuals licensed to audit Swiss banks. The use of these audit firms will permit the investigation to proceed within the framework of Swiss bank secrecy laws -- laws specifically designed to protect the identity of holders of individual bank accounts from disclosure. The Committee and its members will not themselves have access to names associated with particular dormant accounts, nor is that necessary. Public reporting of relevant data about the totals and distribution of the dormant accounts and their nature will not be impeded. Specific account data can be made available to appropriate Swiss authorities.

The important matter of matching individual accounts with the claimants is not within the Committee's present mandate. That work will presumably proceed under suitable arrangements developed by the relevant Swiss authorities in cooperation with the Jewish community and other interested parties. Potentially, the efforts of the Swiss Ombudsman should be greatly facilitated.

The Committee has been gratified by the constructive interest and cooperation extended by all of the "Big Six" international auditing firms authorized to do bank auditing work in Switzerland. They have freely discussed with us the nature of the work program and assisted in developing a specific mandate for the audit. (The Committee's Mandate for Audit Firms is at Appendix II.) Each made useful oral and written presentations indicating how they would wish to participate in the audits, describing the nature of their resources, and the availability of qualified personnel. In making our choices among those firms, the Committee placed considerable emphasis on their expertise and international experience in forensic auditing as well as familiarity with Swiss law and practice.

Given the extent of the work and the need to avoid even the appearance of conflicts of interest, three firms have been chosen to undertake the first phase of the work. These firms are listed in Appendix III. They are now working intensively to develop a detailed and cooperative work program.

Two phases are contemplated for the work. The first phase, now beginning, will be concerned with developing by various means essential background information and specific leads. Relevant historical data will be gathered and analyzed. Swiss law and banking practices of the 1930's and 1940's as well as now will be examined. Earlier official and bank efforts to identify dormant accounts will be reviewed. Interviews will be sought with present or retired bank employees and presumed depositors or their heirs in a position to cast light on the location and

treatment of the dormant accounts. This work will culminate in intensive pilot audits of four or five banks or banking offices, chosen as representative of those that might have been recipients of funds of persecuted persons. It is contemplated that these pilot audits will include a private bank, a cantonal bank, a regional bank, and two offices of the big three Swiss commercial banks.

The second phase, building on the lessons of the first, will involve audit of all the relevant offices of the 450 existing Swiss banks. Attention will naturally be concentrated on those areas or offices likely, on the basis of evidence, to have been recipients of significant funds in search of safety. This work will be arranged in a manner that avoids any of the accounting firms investigating institutions with which they have a continuing commercial auditing relationship. Moreover, in all cases, the oversight of the effort will be by a senior partner drawn from the international firm rather than from the Swiss affiliate.

This is obviously a large and complicated undertaking that will take time and money. We have set a target of mid-1997 for completing Phase I. The complete audit is likely to take one further year, that is until June 1998. I fully realize that, from the point of view of anxious (and aging) beneficiaries, the time involved may appear inordinately long. But the hard fact is that, if the job is to be done in a careful and comprehensive manner that once and for all may command confidence and represent a true "closing of the books" -- and there is no point in doing it otherwise -- the schedule adopted is ambitious rather than laggard. The saving grace is that the work in the First Phase may go a long ways toward narrowing the differences in judgment, so pronounced today, about both the amounts and the number of accounts involved.

Difficulties and Obstacles

Realistically, no matter how great the effort, we will end up with gaps in information and uncertainty about the disposition of many individual accounts. The practical difficulties revolve around the sheer length of time -- fifty to sixty years -- since the time the accounts originated.

Individual banks have merged and in some cases gone out of existence. Accounting systems have been significantly changed over the years, particularly in the switch to automation. In the process, some detailed account information will have been lost or discarded. Swiss law itself provides that information about closed accounts need be retained for no more than 10 years, although it has been indicated that individual banks typically will have kept least basic records for longer periods.

Recall, too, that we are dealing with a period when strong and comprehensive exchange controls were in place and there were specific prohibitions in Germany on travel and the transfer of Jewish wealth abroad, with harsh penalties to any found in violation. Those familiar with conditions before and during World War II emphasize that many of the deposits of fearful and persecuted persons -- perhaps the bulk -- were made clandestinely through third parties acting as agents. The names of the beneficial owners might have been deliberately withheld even from the banks receiving deposits. The agents could have been Swiss or non-Swiss -- lawyers or accountants, or simply friends or others.

In some cases, frightened people, with invasion imminent or underway, may have dealt with unscrupulous alleged agents, with the funds never reaching Swiss banks or other safe havens as promised. Legitimate agents may themselves have retired or died without adequate records, or even have succumbed to the temptation to divert funds illegally, in the conviction that true beneficiaries were, in any event, untraceable or dead.

As is well known, potential beneficiaries of dormant accounts are often able to provide only sketchy indications of either the bank in which the funds are deposited or the name of the deposit holder. It is those difficulties that have been one factor in the relative lack of success so far of the Swiss Ombudsman. In practice he has had to request searches through a large number of records from outside the banking system and with a weak description of accounts.

These obstacles will be dealt with by the use of forensic skills, well directed and intensive audits, and cooperation with the parallel official inquiry authorized by the legislation now almost completed by the Swiss Parliament. In effect, with the cooperation of Swiss banks and with adequate financing by the Swiss Bankers Association, we will be able to work inside the banking system, systematically reaching for information not about a few dormant accounts but for all such accounts wherever they may be.

The Swiss authorities -- including the official Swiss Banking Commission -- have repeatedly indicated to me their willingness to support the Committee efforts, and to provide the weight of their authority to facilitate our work. I am convinced of their determination after so many years to put to rest the questions, well founded or not, about past efforts to deal with these contentious issues.

Concluding Comments

Plainly, success in the Committee's work will require the full cooperation of the signatory parties and their constituencies -- the Swiss banks and the responsible Jewish organizations. Inevitably,

the arrangements agreed by those parties, and the parallel Government inquiry, may not be ideal from every particular point of view and the audit will take time. But, after working intensively within this framework over recent months, I feel the arrangements can be made to work effectively. Equally to the point, I cannot conceive of another approach that can offer better prospects for reaching a successful conclusion in a shorter period of time.

The fact is the process underway is supported by Jewish organizations that to my mind can legitimately represent the interest of those caught up in the Holocaust, the living survivors and the heirs. We have the cooperation of the Swiss banks that recognize strong self-interests in a fair and full inquiry in which they have a role.

I trust, Mr. Chairman and members of the Congress, that you will see fit to encourage our effort. I hope in these hearings and elsewhere that you are able to confirm my sense that the main parties at interest indeed wish to cooperate and are supportive. I believe it will be helpful for you to encourage the Administration in its current efforts to review the record of the U.S. Government itself with respect to the matters at issue, and to develop and release in an orderly manner what information it can bring to bear.

Surely, the public is entitled to transparency of the process and to periodic reports of the progress of our Committee's investigatory audit. We will make such reports, and we wish to cooperate with other legitimate inquiries. At the same time, it should be recognized that any judgments today and for months to come about our findings--and particularly the possible magnitudes involved--would be premature. In the same context of this plea for patience in anticipating the outcome of our work, I would make one further point. The necessary cooperative and deliberative process to achieve the constructive result that we are seeking, and better public understanding of this process, would be assisted by careful and restrained analysis of historical materials as they become available to assure their relevancy and accuracy.

In the end, my only interest, and I believe yours, is that the truth be told as nearly as that truth can be determined, that proper distribution of appropriate funds be made, and that, at long last, the last page of this chapter of the tragic history of the Holocaust can be written.