

APPENDIX:

BANK OF CANADA

**RECONSTRUCTION OF
GOLD SAFEKEEPING RECORDS 1935-1956**

**SUMMARY
OF THE
METHODOLOGY AND RESULTS**

Reconstruction of the Gold Safekeeping Records, 1935-1956

On July 28, 1997, the Bank of Canada released an interim report outlining the results of an initial search of the Bank's wartime gold records. The search was in direct response to questions raised by the Canadian Jewish Congress with respect to information contained in recently declassified U.S. government documents. These documents implied that a 1942 transfer of ownership of gold held in safekeeping at the Bank of Canada may have facilitated a separate, parallel transfer in Switzerland of looted Nazi gold between the central banks of Switzerland and Portugal.

The interim report outlined the results of the Bank's preliminary review of its gold records while recognizing that more extensive research of its records was needed to fully respond to concerns about the Bank's possible involvement in transactions related to looted Nazi gold. In mid-July, the Bank assembled a project team of current and retired officers and support staff to begin the arduous task of reconstructing the central bank's gold records for the period 1935-1956. The broad range of the reconstruction period was deemed necessary to identify and establish the proper context for gold transactions involving the Bank's 39 clients¹ in the prewar, wartime and postwar period.²

The principal focus of the group's research was the Bank's gold records, which include both correspondence and transaction files. The reconstruction process was possible because most of the necessary records and documents were available for retrieval from the Bank's archives and operations files. The major documents used in the reconstruction process were:

1. Accounting ledgers
2. Transaction files
3. Other supporting records (e.g., gold bar lists)
4. Correspondence files

The accounting ledgers were examined in detail. The relevant correspondence and transaction

¹ The Bank of Canada's clients in the 1935-1956 period included: 2 domestic clients; 19 foreign central banks; 6 foreign governments and other institutions; and 12 Bank of Canada internal suspense accounts.

² The usefulness of this reconstruction exercise is illustrated by our ability to analyse the transactions involving "Prussian gold bars" referred to in the January 12, 1956, memorandum of the Federal Reserve Bank of New York discovered in late November 1997. Our examination of reconstructed records shows that close to 90% of these bars were originally shipped to the Bank of Canada by the Bank of England in 1940 and therefore could not have been tainted by wartime activities. The reconstruction of these transactions continues.

files³ were linked back to each physical movement of gold bars received for a client's account or released from the account. A similar process was followed for book-entry (i.e., "paper") transfers of gold between two clients. Using the transaction and correspondence files as source documents, most of the 4,400 transactions processed by the Bank in the 1935-1956 period were captured in a database. However, one minor gap exists in the records for two clients⁴ in 1935. The following table summarizes the number of gold safekeeping transactions processed by the Bank.

Number of Gold Safekeeping Transactions - 1935-1956

Year	Domestic Clients	Foreign Central Banks	Governments & Other Institutions	Internal Suspense Accounts	Total
1935-38	378	65	3	2	448
1939-45	751	978	189	19	1937
1946-56	1017	569	158	286	2030
Total	2146	1612	350	307	4415

Perhaps the most ambitious and daunting task undertaken by the project group was the attempt to track the movement of every gold bar physically shipped in or out of the Bank during the 22-year span of the reconstruction period. The Bank processed approximately 565,000 bar transactions⁵ in the 1935-1956 period. Tracking some half-million bar transactions was further complicated because very few of the original bar lists that accompanied incoming gold shipments were still intact. The project team faced considerable challenges in trying to reestablish the integrity of the original bar lists. Nevertheless, by the end of the project, the Bank was successful in tracing more than 90% of all incoming and outgoing gold bars in the 1935-1956 time frame.

³ The Gold History Project Team reviewed more than 300 files containing in excess of 50,000 documents, and examined over 500 ledger pages.

⁴ Bank of Canada and Minister of Finance gold account records for the first six months of the Bank's operations (March 11 - September 11, 1935) have not been located despite searches in both Bank of Canada and the National Archives of Canada.

⁵ A "bar transaction" is generally defined as the *physical* movement of *one* gold bar "in" or "out" of a client's safekeeping account. "Book-entry" transfers of ownership between two clients did not involve gold bars being shipped in or out of the Bank and thus were not included. Given the project's focus on bars shipped from Europe, we also did not track some 63,000 bars purchased by the Minister of Finance from the Royal Canadian Mint in the 1950-56 period.

The Bank encountered another hurdle in trying to decipher the melter/assayer numerical codes on bar lists received from the Bank of England, our largest foreign safekeeping client. Despite extensive research, the Bank was unable to find a comprehensive list of melters/assayers and their associated Bank of England codes for this period. However, we have developed a list of melter/assayers who were accredited by the London Gold Market during this time frame. Further research into melter/assayer coding systems of this era may shed more light on this issue.

Two tables are attached. Table I illustrates the significant volumes of gold received from foreign clients in the immediate prewar period and during the war. Table II shows the year end position in total fine ounces for each gold safekeeping client during the project period 1935-1956. This table also shows the number of gold bars held at year-end by clients.

A more detailed report on the methodology and results is available in the Gold History Project file at the Bank.

November 1997