

UNITED NATIONS CONCILIATION COMMISSION FOR PALESTINE

MIXED COMMITTEE OF EXPERTS ON BLOCKED ACCOUNTS

RESTRICTED
MCA/SR/4
30 August 1949
ORIGINAL : ENGLISH

SUMMARY RECORD OF THE FOURTH MEETING

hold in Lausanne, on Tuesday,
30 August 1949, at 4 p.m.

Present:	Dr. Azcárate	- Chairman
	Mr. Labbane	- Arab member
	Mr. Beidas	- Adviser
	Mr. Sassen	- Israeli member
	Dr. Servoise	- Economic Adviser

Consideration of procedure for unfreezing of blocked accounts

The CHAIRMAN requested Dr. Servoise to explain to the Committee in detail the proposals he had elaborated for a procedure for unfreezing of accounts. He emphasized the fact that those proposals were in the nature of provisional suggestions - as the essential data were not yet available - which the Committee could work on, and that any suggestions from the Israeli and Arab members would be welcomed.

Dr. SERVOISE (Secretariat) began by summing up the existing situation. -The Arab delegations had asked for the unfreezing of Arab assets both in banks and companies and in the possession of the Israeli authorities. The Israeli delegation had accepted the principle of unfreezing and had proposed a procedure according to which unfreezing would take place on a reciprocal basis, pound for pound. That procedure had been accepted by the other party. The Mixed Committee of Experts had been called upon to submit the basis for such a procedure to the General Committee in order that such unfreezing could be effected.

In order to put its terms of reference into application, the Committee would first of all have to collect the exact facts and figures necessary for the solution of the problem. The following information would therefore be necessary for the Committee's work:

First, total- amounts of assets and their breakdown; sum total of Arab assets belonging to former.. inhabitants of Palestine and blocked in Israeli-controlled territory, as well as the sumtotal of Arabassets in banks which had transferred their funds outside Israel and which, as a result of the war, were blocked by law, or In point of fact; it would moreover be essential. to know the formof thoseassets in order to determine their degree of liquidity, i.e. the possibility of their being transferred as compensation. It was understood that the Committee of Experts would for the present, study the unfreezing of assets in the form of currency, but the need nevertheless existed to obtain as quickly as possible information on the breakdown of accounts, securities, shares, debentures , Treasury bands, mortgage rights, etc;

Secondly, texts of legislation and various regulations prohibiting commercial relations and transactions with the enemy, etc., and concerning control of exchange in the countries concerned;

Thirdly, a list of banks and their branches?, or of any other financial body, operating both in Israeli-controlled territory and in Arab territories, and holding blocked Palestinian funds, as well as the total in each of them of -assets belonging i) to Arabs outside Israel, and ii) to Arabs living under the Israeli authorities; and

Finally, any information which could be given by holders of . . accounts as to the difficulties with which they had met in endeavouring to dispose of their funds. ,

The procedure enabling owners ta dispose of their funds could theoretically be divided into two series of operations:

- (1) actual unfreezing which would be carried out at the government level, and**
- (2) operations for compensation which would be put into effect principally by the banks.**

(1) Since, branches of banks were subject to the lex loci and were not therefore able to transfer funds, it would. be necessary to lift certain laws or any other measures in order to. put unfreezing measures into effect. Therefore it is suggested that each party. could, taking into: account the

legislation in force in its own country, suggest the necessary measures for the unfreezing steps from which the other party would benefit. The sum total of the assets would enable the total amount to be unfrozen, from which both sides would benefit, to be decided. Two alternatives could be envisaged: either that a lump sum would be given to each one of them, the amount to be decided by taking the total amount of the assets and dividing that amount by the number of persons who made applications, or that a minimum lump sum could be established, to which would be added later a residual percentage,

Once the main lines of the procedure had been established, the Committee of Experts would communicate its suggestions to the General Committee, who would ask the Governments concerned to lift any legislative or administrative obstacles to the operations for compensation which would be put into application by virtue of the procedure adopted,

(2) In order to put into operation a plan for compensation between the two sum totals of assets, it would appear desirable to have recourse, as far as possible, to the private banks functioning in the Middle East. The indications following would be made purely as suggestions since they could only be studied in practice if the banks concerned accepted the principle.

Once the Governments concerned had unfrozen a corresponding sum in each of the countries and taken measures to enable the banks to operate within the framework of the agreement, the applications made by the individuals concerned on specific forms could be transmitted through the appropriate channels to the establishment where their assets were held. A governmental body for each country concerned could possibly be set up to distribute applications through the banks, to receive demands which could serve as conditional unfreezing certificates to be presented to the banks. This centralization would enable each government to know the exact amount of releases asked by owners and to keep records, of, the operation at the government level.

Two cases could then be envisaged: in the first place, that the bank in which the owner of the account had his assets, had a branch where the owner lived at present and another where his funds were deposited. An example of this would be a

Palestinian Arab who had his account blocked in Barclays Or any other bank in Jaffa, and who was living as a 'refugee in Cairo or somewhere in an Arab capital where there was also a branch of Barclay% That Arab's application, which would be made on a special type of form to be distributed by the banks according to indications given by the Mix&Committee of Experts, would be transmitted after having been registered by the, Egyptian body by the branch of Barclays in Cairo to the branch in Jaffa, The latter would then examine the application made by the person in question, and, if the amount requested could be subtracted from his account, it would then debit his account in Jaffa and credit his account in Cairo with the corresponding amount, That amount would then be paid to 'the refugee in Cairo. The Israeli body, would be informed by Barclay's in Jaffa. In the second instance, the owner of the account might have his assets blocked in a branch which was not functioning any longer in view of the existing circumstances, or might have an account in a bank which was not represented in the territory of the other party, Two possible examples of that might be taken: a) the case of an Arab living in Israel, whose funds were at present in Egypt, in the Al-Umma Bank. The branch of Barclay's in Israel could possibly receive the application of the person concerned and transmit it through his branch in Cairo to the Al-Umma Bank in Egypt, which, after examining the application, would credit Barclay's with the corresponding amount; b) the case of an Arab resident in Egypt who had an account with the branch of the Arab Bank in Jaffa, which was not functioning for the present. The bank or company in charge of managing the accounts of that branch of the Arab bank in Israeli territory, could receive, through Barclay's in Cairo, the application of the person concerned and could debit his account to the corresponding amount, to be credited to Barclay's in Cairo, which would pay the owner and inform the Egyptian body. As the data - financial and legal - were not at the present in the hands of the Committee, Dr. Servoise, concluded that this procedure was purely tentative;

Mr. LABBANE pointed out that the suggestions, which would be applicable to the first stages of the Committee's work, were acceptable in the case of Egypt where reciprocity would be a workable system since the Egyptian Government, as

well as the Israeli Government, had blocked accounts. He asked the Israeli member, however, what procedure his Government envisaged with regard to the other Arab countries whose Governments had not taken any freezing measures.

He also enquired whether Mr. Sasson was as yet able to make the breakdown of the sums blocked by Israel, specifying the amounts to be released for the various Arab countries.

Mr. SASSON stated that he was unable to indicate in which countries the Palestinian Arab refugees who would benefit from the unfreezing operation were at present. Only the sum total of the amounts blocked was available*

He wished to point out to the Arab representative that if an agreement were reached between the Israeli and Egyptian Governments for mutual unfreezing, not only refugees at present on Egyptian territory or under Egyptian control, but also those who were at present in the other Arab States, would benefit since the accounts at present blocked in Egypt were those of the Arab banks formerly in Palestine which with the war, had transferred their assets to Egypt,

Mr. LABBANE agreed that this was in fact the case,

Mr. SASSON emphasized the fact that it was essential to ascertain which of the refugees desired to apply for the release of their accounts. He suggested therefore that special committees should be set up in the Arab States and in Israel to receive applications.

Referring to the question of existing legislation with regard to currency in the various countries affected, which was raised in Dr. Servoise's exposé, he pointed out that, in the case of Israel and Egypt, there would be no call to make any modification of the regulations since the transaction would be effected on the basis of reciprocity and would not involve any actual exchange of funds.

Mr. LABBANE informed the Committee that he would be receiving the necessary statistics and documentation in a few days and, that the Arab expert was expected at the beginning of the following week.

The Committee agreed therefore to await the arrival of the Arab expert 'before discussing the question further.

Following a request' for information from Mr. SASSON, the CHAIRMAN assured members that, in the event of A 'recess of the plenary meetings, of the Commission, the Committee would proceed with its work in view of the urgent humanitarian considerations involved.