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UNITED NATIONS CONCILIATION COMMISSION FOR PALESTINE

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Note on Palestine Assets

(Working Paper prepared by the Secretariat)

During the British Mandate, Palestine currency was backed by an equivalent amount of British securities and currency (expressed in sterling). The assets forming this sterling backing were held in London by the Palestine Currency Board, which controlled the currency of Palestine<sup>1)</sup>.

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On 22 February 1948 the British Government by a Treasury Order excluded Palestine from the sterling area and blocked its accumulated sterling balances.

The balances thus blocked by decision of the British Treasury comprised inter alia

- (1) the assets of the Palestine Currency Board,
- (2) the unspent balance of three issues of bonds made in Palestine by the Mandatory Power.

(1) The assets of the Palestine Currency Board<sup>2)</sup> represented over one-half of all Palestinian sterling balances. They formed an essential part of the national capital of Palestine, /i.e.,

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1) The Palestine Currency Board was the body which issued the currency of Palestine and Transjordan; the Palestine Pound was legal tender in both countries.

2) In its report to the General Assembly, the Palestine Commission stated that these assets exceeded 50 million pounds sterling (doc. A/532, 10 April 1948, p.31). According to the Report of the Palestine Currency Board, published shortly afterwards, they amounted to exactly 56 million pounds sterling, as compared with a currency circulation of £52,634,804 (Report of the Palestine Currency Board for the year ending 31 March 1948, p.6).

i.e., of its inhabitants, because they were built up by export surpluses in the past<sup>1)</sup>.

It would appear that the British Government had agreed that these funds should remain blocked until further notice since it stated in a letter sent on 5 April 1948 to the Palestine Commission:

"the disposal of Palestine Currency Board funds would be a matter on which the views of the successor currency authority should be obtained. Under the General Assembly's Partition Plan, this was envisaged to be the Joint Economic Board, and until the future currency authority is set up, the disposal of any such funds must rest in abeyance".

As this body has never been set up, these funds continue to be blocked in principle.

It would be of interest to the Conciliation Commission to obtain information from the British Treasury as to its intentions regarding the disposal of these funds. An event of cardinal importance has in fact recently taken place -- the establishment of an issuing board of the Anglo-Palestine Bank and the issue of Israeli currency by the State of Israel (Ordinance of 16 August 1948). Moreover it is announced in the press that during 1949 a Transjordan currency (the dinar) will be established. Two currency boards therefore will take the place of the Palestine Currency Board and will probably at a future date ask it to hand over its sterling reserves in exchange for the Palestine pound notes that they hold at present. The Conciliation Commission will perhaps feel that it would be of interest for it to be kept informed of any decisions taken in future by the British Treasury concerning the disposal of Palestine assets.

(2) The unspent balance of over three million Palestine /pounds

1) View taken by the Palestine Commission in its report to the General Assembly, p. 32.

pounds remaining from three issues of bonds made in Palestine since 1944 is also blocked<sup>1)</sup>. This balance is at present frozen and invested in British Government securities pending a general settlement of the question.

In conclusion, in view firstly of the amount of funds necessary for the repatriation and resettlement of the Arab refugees and secondly, of the existence of "Palestine assets" at present frozen by the British Treasury, it would perhaps be useful for the Commission:

- (a) to attempt to determine the amount of the liquid Palestine assets;
- (b) to learn forthwith the British Government's intentions in the matter;
- (c) to ask the British Government not to dispose of the assets before the final settlement of the future of Palestine in general, and of the refugees in particular.

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1) The British Treasury informed the Palestine Commission of the existence of this balance in a note dated 20 March 1948.