



# **CURRENCY**

## **Committee on Banking and Financial Services**

**James A. Leach, Chairman**

**For Immediate Release:  
Wednesday, February 9, 2000**

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**Opening Statement  
Of Rep. James A. Leach  
Chairman, House Banking and Financial Services Committee  
Holocaust Assets Hearing**

This hearing, and tomorrow's hearing, are a continuation of the Committee's review of efforts in the U.S. and abroad to establish greater accounting and accountability for economic aspects of history's most heinous crime and, belatedly, provide a measure of comfort to its victims and their families.

We began a little over three years ago with a historical look into the role of Swiss banks, including the central bank, in the Nazi war effort. Soon the investigation, propelled by self-generated moral imperatives, was expanded to include the role of other neutral countries, then allies and, not least, the U.S. itself.

Historical inquiries such as these into the nature of evil and how to behave in the face of evil are not normally the subject of congressional hearings. In this case, however, these questions were central to our own moral duties as legislators and public officials to learn from the past so that such unspeakable horrors never happen again. As a Princeton theologian told this Committee, "the map with the help of which we try to orient ourselves as human beings trying to live good and decent lives is a map with Auschwitz on it."

It had been the goal of this Committee and the Executive Branch to conclude these proceedings by the end of the 20<sup>th</sup> century. This deadline has not been met precisely, but the framework for resolution of most of the important economic issues appears to be close at hand.

As I look back through the hearings of this Committee on this subject, at the more than 100 witnesses from more than a dozen countries who have appeared here over the past three years, I am struck by the magnitude of the undertaking. After an unconscionable, stumbling start, Switzerland, where this inquiry began, has reacted by submitting itself to the most profound - and perhaps brutal - act of national introspection in its history. The Volcker and Bergier commissions, which studied the country's behavior in World War II - deserve praise for the rigor of their work.

More than a dozen other countries, including the United States, have formed similar commissions, and two large international conferences, in London and Washington, were devoted to wartime gold transfers and restitution of Holocaust-era assets, respectively. After a hiatus of 50 years, the mass theft aspects of

Mr. **EIZENSTAT**. And with respect to slave and forced labor, they have indicated that they will create a fund there as well.

Chairman **LEACH**. But I would only like to stress that the world community will be looking to ensure that these commitments are kept, and the insurance one is of particular interest to me because I believe that the commission that is established should be considered an international commission and referred to in the terms that you did in your opening statement. And ironically it may be the Austrian model is something that—if they fulfill their commitments—other countries in Europe may want to look at as well.

In any regard, let me thank both of you. This is a very difficult time for all of us in dealing with these questions, and I particularly want to thank Dr. Lambsdorff for his willingness to come from Germany and the continuing extraordinary—and I want to use a word, Mr. Secretary—scholarly approach that is unique to public service that you have brought to the issue. This committee is very appreciative. So I thank the two of you and look forward to the second panel.

Mr. **EIZENSTAT**. Thank you, Mr. Chairman.

Mr. **LAMBSDORFF**. Thank you.

Chairman **LEACH**. Our second panel is Paul Volcker, Chairman, Independent Commission of Eminent Persons. Paul, would you like to proceed.

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#### STATEMENT OF HON. PAUL A. VOLCKER, CHAIRMAN, INDEPENDENT COMMISSION OF EMINENT PERSONS

Mr. **VOLCKER**. Thank you, Mr. Chairman. I am conscious of the fact that time may be of some consideration here, but let me first, given this particular setting, congratulate you on quite a different matter of getting banking legislation through the Congress after a period of some twenty years, of which I was intimately involved for ten years and have interest for the following ten years, and it is finally done. It took a long time, and it wouldn't have been done without your efforts. I think that is a very clear, and I want to take this opportunity to say that publicly.

I have a statement here, and I appreciate the interest you and the committee have had in this matter, which has been amply demonstrated in the earlier testimony. My statement is fairly short, but I thought in view of the time, I would just read the last few pages that refer to matters that have yet to be done.

Chairman **LEACH**. Without objection, your full statement will be placed in the record.

Mr. **VOLCKER**. And I hope that you will place in the record these tables and charts which we have prepared. These are the tables and charts that reflect quite fully, I think, the work that the Independent Committee of Eminent Persons that I had the honor of chairing, it is the material that we used in presenting our report.

I will not ask you to put in the record the whole 217 pages of our final report, but copies are available, and I am sure have been made available to Members of the committee.

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I also want to mention that here with us today is Rabbi Israel Singer, who is the Secretary General of the World Jewish Congress, who is going to testify himself; and Zvi Barak, who is another member of the Committee of Eminent Persons, who has come over here from Israel, and he has obviously been one of the most active members of the committee and has taken a continuing and strong interest.

But if I may, let me just emphasize what remains to be done in connection with our own investigation and particularly in order to satisfy the claims to dormant accounts in Swiss banks.

We had earlier established in connection with the publication of names that was already made—about 5,000—established a Claims Resolution Tribunal supervised by a board of trustees composed of some of the members of the Independent Committee of Eminent Persons, including myself as Chairman. That tribunal has attracted seventeen distinguished arbitrators to examine claims of those previous 5,570 dormant accounts that Swiss banks themselves identified, and that work is now pretty much completed of that earlier publication.

Now we have the work of resolving claims of the 54,000 accounts identified in our investigation, and, in fact, investigating claims of victims of Nazi persecution to any account in Swiss banks, and certainly we hope that that can go forward promptly.

In our work we have proceeded under the assumption that the accounts identified in our investigation would be adjudicated by an independent impartial forum, and we unanimously proposed that the established Claims Resolution Tribunal provide that forum. We have made a series of recommendations in our report, and let me just establish what they are.

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It is important, too, that the Swiss Federal Banking Commission, which has extended us very considerable and helpful cooperation in the past, should promptly authorize consolidation of the existing, but scattered, audited work papers and databases relating to all of the 4.1 million accounts opened from the 1933 to 1935 period in Swiss banks, and to arrange to put all of those databases in a central archive so that they can be used conveniently in a claims resolution process.

Second, and this also takes action by the Swiss Federal Banking Commission, authorization of publication of the names of holders of approximately 25,000 of the accounts that we have identified. These would be the accounts that we judge have the highest probability of a relationship to victims of Nazi persecution. There isn't any doubt that some of the others accounts that we have identified, and indeed some accounts we have not identified, also have a relationship, but there are varying degrees of probability attached to our investigation. What we are recommending is that these 25,000 accounts with the highest degree of probability be publicized so that victims with a claim to those accounts can more readily recognize the possibility of making such a claim.

Third, we do recommend that any person with a claim to a dormant account of a victim, whether or not the name is published, should be provided facilities for resolving such claims through the CRT. And that would certainly include existing claims already compiled by the New York State Holocaust Claims Processing Office and other claims that have been made through other channels, and they should all be matched against a centralized database of accounts and resolved.

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And then finally, we recommend and as members of the Claims Resolution Tribunal so instruct the arbitrators to provide a fair return to victims or their heirs whose accounts were as a matter de facto liquidated; that the individual account values should be adjusted on the basis of long-term Swiss rates of interest. And what that means if we do that from 1945 to the present, you would multiply the 1945 value by 10 times.

Now, these decisions on the centralized archives and publication of account names need to be taken promptly so that the claims resolution process can indeed begin. Those who have waited so long for accounts to be identified should not have to endure a long further wait for the commencement of claims adjudication, the point that was just made in the earlier testimony.

These decisions on archives centralization and account publication are, I would emphasize, now in the hands of the Swiss government, particularly the Swiss Banking Commission. We understand they have undertaken a consultation process, and they have scheduled a decision for next month. From my point of view, the earlier that decision comes, the better.

Now the precise role of the Claims Resolution Tribunal and the resolution process has been a matter necessarily of discussion with the U.S. district court that is overseeing the settlement of the class action suit against the Swiss banks brought in the United States. And it is my sense from these conversations that these recommendations should be implemented with the concordance of the court, and plans are being made by the CRT for the mechanics of the publication of account names, presumably on the Internet, preparation of claim forms and a development of systems for processing the claims.

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One further thing which does remain is a decision on the funding of the Claims Resolution Tribunal. That was not specified in the original memorandum establishing the ICEP investigation itself, but it is my belief that the thrust and spirit of the effort strongly suggests substantial Swiss bank participation in this funding. Clearly the bottom line cannot finally be drawn under this entire problem until the claims resolution process is successfully completed, and it seems to me that is a matter that is at least as important to Switzerland and the Swiss banking community in particular as to any other interested party.

Finally, I would like to note the close relationship between the work that needs to be done to adjudicate claims to individual accounts of victims of Nazi persecution in Swiss banks and the class action settlement of Holocaust victims claims now being administered by Judge Korman in the district court in New York.

The class action settlement sets the upper limit of \$1.25 billion on the liability of Swiss banks to Holocaust victims. Under the settlement, claimants through deposit accounts have a priority among the various classes of eligible beneficiaries of the settlement. Awards made by the CRT to claimants for deposits in Swiss banks will be deducted from the payments made by the defendant Swiss banks toward fulfilling the entire \$1.25 billion obligation. Now, in the judgment of ICEP, claims of victims or their heirs entitled to awards we believe can be satisfied within the settlement amount agreed in the court proceeding. However, it is also clear that the work of the CRT needs to be closely coordinated with the other elements of the administration of the settlement. To this end we are working closely with Judge Korman and with the special master, Mr. Judah Gribetz, appointed by Judge Korman to develop a plan of distribution of the settlement and also working with the parties to the settlement.

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Those are the main points that remain open, Mr. Chairman. I hope that they will not remain open for

very long.

Chairman **LEACH**. Well, I thank you very much. I, frankly, believe the world owes you a great debt of gratitude for your work in this area.

One of the rather singular issues that seems self-apparent is: How does the math work? And that is if with relative precision you can identify 25,000 names that are highly probable to be related to Holocaust issues, and the sum of money that is presented is \$1.25 billion, that on an average would be approximately \$50,000 each, which would mean the average account at the end of 1945 was \$5,000.

Do you have any sense what the average size of these 25,000 accounts was in 1945?

Mr. **VOLCKER**. We have analyzed all of the 54,000 that we have identified and others, and insofar as possible found account values. Now, many of them do not have account values that we could identify. We had a name for all of those accounts.

Chairman **LEACH**. Does that include safety deposit boxes?

Mr. **VOLCKER**. It includes safety deposit boxes, but safety deposit boxes were opened in an earlier stage, and there are so relatively few that were involved here, and they have a problem. Gold, jewelry—you would get the gold—presumably you had the physical property, and that doesn't involve a difficult analysis. The difficulty is how do you value financial assets.

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Most of them were bank deposits or deposited securities. We have a lot of information, but it is not complete, about account values. This is all reported in the full report of our work. And for various categories we have some information, just glancing at this table, at the low point 50 percent of the values are known, for certain types of accounts; up to 100 percent for some other accounts. And it varies depending upon whether it was a deposit account, demand deposit account, they tended to be fairly low. If it was a savings account, they tended to be very small. If they were so-called depot accounts where people put securities into it, they tended to be higher.

So we can break all of this down, and we debated this endlessly in the Commission. We decided we could not make a reliable estimate. There were too many uncertainties how much of this money would be claimed, how much we could determine a value for and then translate it into current dollars.

We felt reasonably confident that when all was said and done, and we took the 25,000 accounts plus some other claims in other accounts, not all of those 25,000 accounts will have a plausible claimant, and we had the experience of the Claims Resolution Tribunal for the earlier accounts that we felt safe that it is going to add up to less than a billion-and-a-quarter.

Now, maybe we can be proven wrong, but I don't think so. If you just took all of these accounts and made a kind of mechanical projection where we didn't know account values and estimated account values, you could get a bigger number. But I think that that is unreasonable as a fair expectation of what is going to happen because not all of these accounts are going to be claimed, they are not all going to be Holocaust victims, and we felt, as I say, comfortable that it would fall within the billion-and-a-quarter.

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Chairman **LEACH**. One of the aspects of all of this as we look at Switzerland, is that the country has made certain very forthcoming steps. On the other hand, there has been some public reaction that has been imperfect. What is your sense for the Swiss public attitudes at this point in time on these issues?

Mr. **VOLCKER**. Mixed. I think in general my sense is that there has been an acceptance of our report. There is irritation in some quarters, a feeling that they were unfairly put upon and that they were no more guilty, if that is the right word, than other countries. This is only part, of course, of a larger investigation, including, for instance, refugee treatment, which had a report by another commission in Switzerland.

We had generally what we have characterized as good cooperation by the banks, but we certainly had resistance by some individual banks who had to be rather persuaded and convinced to cooperate. In the end virtually all of them did to enough of a degree so we felt that we could make a report. But I think in the end I would like to believe that the results have been constructive, but there is still some irritation. There is no doubt about it.

Chairman **LEACH**. Well, as we look at this from afar, this is not the first Swiss government effort in this endeavor, nor Swiss banking community effort in this area. It does appear that your commission and the Bergier Commission have really gone a long ways toward reaching resolution, and that relative to other approaches, it has been very impressive.

Mr. **VOLCKER**. Let me be clear in responding to your question. So far as the Swiss government is concerned, we have had full cooperation. My feeling is that they welcomed the report. I talked to the President of Switzerland at the time that we issued the report, and she certainly welcomed that the investigation at least was over and that we had done a satisfactory job.

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We have had good cooperation by the Swiss Banking Commission all through this. They have in some instances been rather heroic. They have a couple of crucial decisions that have to be made now, and so far as the banks are concerned, I obviously think that it is in their interest that they cooperate in the financing of this final resolution process.

And if there was failure in these areas, it would obviously leave something of a stain on the whole process, but I hope and believe that that will not be the case. We have had good cooperation from the Swiss government right through.

Chairman **LEACH**. That is my impression as well, and I think that there is a sense in Switzerland that the 20th Century issues of an economic nature should be resolved soon.

Mr. **VOLCKER**. As was mentioned, if I may interject on some of the earlier testimony, our investigation has been very expensive, and there has been a lot of restlessness in the banking community about that. We have always said it is justified because this is not simply a matter of money, it is a matter of establishing the facts and clearing the record, and I think that has been generally accepted by the Swiss government. But it would seem ironic if, after spending all of that money, the job isn't completed with an expeditious claims resolution process.

Chairman **LEACH**. I fully concur.

Ms. Schakowsky.

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Ms. **SCHAKOWSKY**. Thank you.

Chairman Volcker, it is an honor to meet you and to express my appreciation for your work. Despite all of that work, a year-and-a-half after settlement what I hear from people in my district, where is the money? There is still not a penny, not a nickel has been distributed, and in some ways I have to tell you that all of this discussion and seeming progress has added to the frustration rather than having alleviated it, because expectations keep rising, and yet there is still not any money. So if you could just tell me what are the major things that are holding up the distribution of the funds?

Mr. **VOLCKER**. Well, at this point, first of all, some money has been distributed from an early publication of names. It is a relatively small amount, and even that has not been brought up to current values because we have not completed that part of the process. And it has taken a long time, and I don't know if I can be as frustrated as many of the victims, but I am plenty frustrated.

Ms. **SCHAKOWSKY**. I know you are.

Mr. **VOLCKER**. What is holding it up now is we have to get a publication of the names, we have to get agreement on the procedures, and we have to get it financed. All of those are decisions that I hope and wish they were made last month. But it is terribly important that they be made this month or no later than March, which is the current schedule for the Swiss Banking Commission decision. Then we will publish names.

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Then we can begin handing out claim forms and getting actual claims. A lot of claims we already have. We are just ready to go when we get the material consolidated and can get the necessary releases. New York State has done a lot of work in getting some claims together. We have been able to process those claims because we don't have access to our own files until they get released, in effect, for this kind of work.

So as soon as that is done, we will go to work, and just as in other investigations, we are going to have to allow six months to put in claims. We will try to have and we plan to have as expedited reconciliation procedures as we can have. People can't come in and say, my grandmother's name is X, and I see the name, and they have no other indication of the legitimacy of the claim. But they are not going to have to come up with very much. We want to make this as easy as we can, but they have to have some plausible grounds for making a claim.

Ms. **SCHAKOWSKY**. What is your best guess?

Mr. **VOLCKER**. I will be extremely disappointed if money is not flowing during the course of this year, and I would hope that it could be completed by the end of next year, but we have lots of names, and we don't have—just 25,000 are published, we have a database of four million names, and there are a lot of potential claimants.

Ms. **SCHAKOWSKY**. You have a database of four million names, though. There is an estimated total you have here of 6.8 million accounts that existed at the time.

Mr. **VOLCKER**. Right.

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Ms. **SCHAKOWSKY**. The 4.1 is fully 40 percent lower than that. Are there names within those?

Mr. **VOLCKER**. There undoubtedly are. We had a big, expensive effort involving hundreds and hundreds of accountants, but all we could get to was the four million names out of the 6.8 which they estimate existed during that period, which means there are names that we will never know about. There will be claimants who will be unable to make a claim because we can't find the account. And we think the names that we have tend to be from the banks that were most likely to have foreign accounts and refugee accounts, but there are undoubtedly refugee accounts, persecuted person accounts that are among the 1.7 million that we don't have.

Ms. **SCHAKOWSKY**. Have the banks begun to pay in? Do we have any of the money? Have they paid in?

Mr. **VOLCKER**. Well, they have paid in for some of the names that have already been cleared from the earlier list, but there is no money paid—have they made a payment?

I am told that the court does have some in escrow in effect, \$500 million already.

Ms. **SCHAKOWSKY**. Is that earning interest, and does that interest attribute to——

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Mr. **VOLCKER**. I hope so.

Ms. **SCHAKOWSKY**. Is that for administrative costs?

Mr. **VOLCKER**. They have a complicated formula, and at some point it gets interest. That is under the supervision of the judge.

Ms. **SCHAKOWSKY**. I know it is different for the slave and forced labor. We heard some estimates today of how much a claimant might—I suppose depending on the different kinds of accounts, is there any way to estimate the kinds of money——

Mr. **VOLCKER**. When we have information about the size of an account, that will determine the size of the payment. We have various formulas for adapting whatever account value we have to present value.

Ms. **SCHAKOWSKY**. Is that the 10 times?

Mr. **VOLCKER**. It is 10 times the value that it should have been in 1945, but sometimes we needed rather elaborate estimates to estimate the 1945 value because we may only know the value in 1972, let's say.

So we want to put back all of the fees that have been taken out of that account and subtract the interest that has been paid so that we get a 1945 figure, and then we will multiply that by 10 for an ordinary



deposit account. And that is the compounded rate of interest on long-term Swiss government securities over that fifty-year period. Now, if we don't have an account value, obviously it is a more difficult thing, and if somebody can establish plausibly that the account belongs to them or their progenitors, we will make an estimate of an account value presumably based on an average of account values that we know.

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Ms. **SCHAKOWSKY**. Is there anything that we can do, the "we" being the United States Congress, individual Members who have a particular concern of their district to facilitate this process?

Mr. **VOLCKER**. I don't think so. I don't think that I am going to ask the United States Congress to finance the process. That would be helpful, but I think that is up to the Swiss. I think your interest is welcomed and important in keeping this process going as expeditiously as possible, and I wish it could go faster. I have a personal interest in having it go faster, so you don't have to impress me with the importance of that. It may not match the recipients' interests, but I have—our interests are aligned.

Ms. **SCHAKOWSKY**. Thank you.

Mr. **VOLCKER**. Thank you.

Chairman **LEACH**. One last question, Paul.

Ms. **SCHAKOWSKY**. Mr. Chairman, when you are done, I forgot a question.

Chairman **LEACH**. Why don't you go right ahead.

Ms. **SCHAKOWSKY**. I apologize.

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Chairman **LEACH**. I yield back to the gentlelady.

Ms. **SCHAKOWSKY**. Apparently some dormant accounts have been charged excessive fees by the Swiss banks.

Mr. **VOLCKER**. Yes.

Ms. **SCHAKOWSKY**. I am wondering what efforts are underway to repay those?

Mr. **VOLCKER**. A lot of these accounts have been closed. They are not any longer on the books of the banks, and a lot of them are indicated closed to fees. What the banks did in some cases, many cases, they charged fees, and those fees over a period of years became large relative to the size of the account. When the account got to a certain point, they charged a closing fee. That was the official excuse for closing the account.

We have attempted and will attempt under best—we have a lot of information on this. When we go back and try to estimate the 1945 values, we will reverse all of those fees as best we can do it, and I think we have a basis for pretty good estimates because the auditors found a lot of information on fees. So the process necessarily relies on estimates, but I don't think that they are estimates picked out of the air. There is some basis for them, and the fees could have been sizable, yes.

Ms. **SCHAKOWSKY**. I apologize, and I thank the Chairman.

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Chairman **LEACH**. There has been anecdotal evidence of a fair number of accounts that might have been held by intermediaries. What kind of a process is under way to review that, and are you confident in that system?

Mr. **VOLCKER**. This is a question that you raised in both of the earlier hearings that we had, and it is the least satisfactory part of the investigation. To the extent that the intermediaries were Swiss, and probably most of them were Swiss, and the deposits were in their name, and this all happened fifty years ago, and the accounts have been closed, it is extremely hard to identify.

Now, what we did was get a list of all so-called official intermediaries, notary publics, and so forth, in Switzerland that existed in 1945, and we—there were thousands of them. We ran all of those against the list of names to see whether they had accounts or repetitive accounts, and we found several thousand accounts in that category.

The auditors were alerted to report any evidence that they found that looked like it might have been an intermediary; some name that held a lot of different accounts, for instance. But some of the intermediary accounts may have been combined into one account, and so that is not perfect either. But where they had some information, they reported that. These matches or suspicious names, so to speak, have been turned over to the Bergier Commission, which has investigative authority over Swiss and outside the banking system which we did not have.

So they are alerted to this problem and are certainly aware of it and interested in it, and I am told that they have not yet gotten those lists because they have to be released by the Swiss Federal Banking Commission, and so that is another decision that the banking commission has to make.

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But there will be a follow-up by the Bergier Commission, but I am sure this is one area where our combined efforts will leave holes because it has been an area of investigation that I don't feel satisfied we have been able to fully develop.

Chairman **LEACH**. Well, thank you very much, and we appreciate your testimony, but, more importantly, the work that you have dedicated so much time to.

Mr. **VOLCKER**. I am sure that I speak for all of the members of the group that we have appreciated your interest in this, and that interest has helped us do the job.

Chairman **LEACH**. Thank you, Paul.

Our third panel is composed of the Rabbi Israel Singer, who is the Secretary General of the World Jewish Congress; Mr. Gideon Taylor, Executive Vice President, Conference on Jewish Material Claims Against Germany; Avraham Hirschson, Chairman, Knesset Committee for the Return of Jewish Property; Mr. Roman Kent, Chairman of the American Gathering of Jewish Holocaust Survivors; and Miles Lerman, Chairman, U.S. Holocaust Memorial Council; and Rabbi Andrew Baker, who is Director of European Affairs for the American Jewish Committee. If I can ask you to come forward.