Global Banking:

The Bank for International Settlements

Unveiling the World's most Powerful Bank

A Joint Report by *The August Review* and *Forcing Change*.

2005/2007

NOTE: This report is comprised of two parts; the editor of *The August Review*, Pat Wood, originally penned the first section. This first part was posted on *The August Review* website and received a wide readership.

The second part of this report is the research notes compiled by Carl Teichrib, Senior Fellow at the World Research Library/August Review and Chief Editor of *Forcing Change*. These notes formed the basis for much of the information in the first section, and contain important details and background data on the Bank for International Settlements.

Global Banking is an essential document for anyone wanting a better grasp of how international banking engages in world change, what operating parameters the BIS works under, and how this global juggernaut operates as the key world money manager.

***Forcing Change*: www.forcingchange.org**

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Global Banking:
The Bank for International Settlements

– Pat Wood, Editor of *The August Review*.

Who controls global monetary affairs? The BIS! Based in Basle, Switzerland, the BIS is central bank to central banks. The BIS has greater immunity than a sovereign nation, is accountable to no one, runs global monetary affairs and is privately owned. This is a must-read report to understand the globalization process.

Preface

When David Rockefeller and Zbigniew Brzezinski founded the Trilateral Commission in 1973, the intent was to create a "New International Economic Order" (NIEO). To this end, they brought together 300 elite corporate, political and academic leaders from North America, Japan and Europe.

Few people believed us when we wrote about their nefarious plans back then. Now, we look back and clearly see that they did what they said they were going to do...globalism is upon us like an 8.6 magnitude earthquake.

The question is, "How did they do it?" Keep in mind, they had no public mandate from any country in the world. They didn't have the raw political muscle, especially in democratic countries where voting is allowed. They didn't have global dictatorial powers.

Indeed, how did they do it?

The answer is the Bank for International Settlements (BIS), self-described as the "central bank for central bankers," that controls the vast global banking system with the precision of a Swiss watch.

This report offers a concise summation of BIS history, structure and current activities.

BANK FOR INTERNATIONAL SETTLEMENTS

Introduction

The famous currency expert Dr. Franz Pick once stated, "The destiny of the currency is, and always will be, the destiny of a nation."

With the advent of rampant globalization, this concept can certainly be given a global context as well: "The destiny of currencies are, and always will be, the destiny of the world."

Even though the BIS is the oldest international banking operation in the world, it is a low profile organization, shunning all publicity and notoriety. As a result, there is very little critical analysis written about this important financial organization. Further, much of what has been written about it is tainted by its own self-effacing literature.

The BIS can be compared to a stealth bomber. It flies high and fast, is undetected, has a small crew and carries a huge payload. By contrast, however, the bomber answers to a chain of command and must be refuelled by outside sources. The BIS, as we shall see, is not accountable to any public authority and operates with complete autonomy and self-sufficiency.

Leading up to Founding

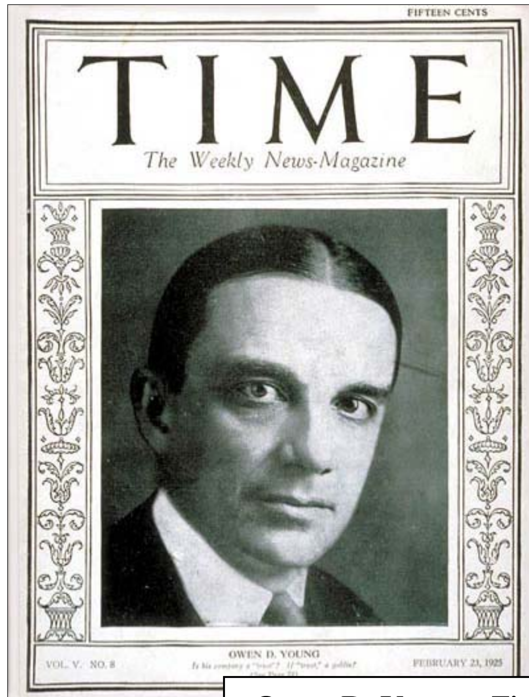
As we will see, the BIS was founded in 1930 during a very troubled time in history. Some knowledge of that history is critical to understanding why the BIS was created, and for whose benefit.

There are three figures that play prominently in the founding of the BIS: Charles G. Dawes, Owen D. Young and Hjalmar Schacht of Germany.

Charles G. Dawes was director of the U.S. Bureau of the Budget in 1921, and served on the Allied Reparations Commission starting in 1923. His latter work on "stabilizing Germany's economy" earned him the Nobel Peace Prize in 1925. After being elected Vice President under President Calvin Coolidge from 1925-1929, and appointed Ambassador to England in 1931, he resumed his personal banking career in 1932 as chairman of the board of the City National Bank and Trust in Chicago, where he remained until his death in 1951.

Charles G. Dawes

Owen D Young was an American industrialist. He founded RCA (Radio Corporation of America) in1919 and was its chairman until 1933. He also served as the chairman of General Electric from 1922 until 1939. In 1932, Young sought the democratic presidential nomination, but lost to Franklin Delano Roosevelt.



Owen D. Young, *Time* Man of the Year, 1929

More on Hjalmar Schacht later.

In the aftermath of World War I and the impending collapse of the German economy and political structure, a plan was needed to rescue and restore Germany, which would also insulate other economies in Europe from being affected adversely.

The Versailles Treaty of 1919 (which officially ended WWI) had imposed a very heavy reparations burden on Germany, which required a repayment schedule of 132 billion gold marks per year. Most historians agree that the economic upheaval caused in Germany by the Versailles Treaty eventually led to Adolph Hitler's rise to power.

In 1924 the Allies appointed a committee of international bankers, led by Charles G. Dawes (and accompanied by J.P. Morgan agent, Owen Young), to develop a plan to get reparations payments back on track. Historian Carroll Quigley noted that the Dawes Plan was "largely a J.P. Morgan production"[1] The plan called for $800 million in foreign loans to be arranged for Germany in order to rebuild its economy.

In 1924, Dawes was chairman of the Allied Committee of Experts, hence, the "Dawes Plan." He was replaced as chairman by Owen Young in 1929, with direct support by J.P. Morgan. The "Young Plan" of 1928 put more teeth into the Dawes Plan, which many viewed as a strategy to subvert virtually all German assets to back a huge mortgage held by the United States bankers.

Neither Dawes nor Young represented anything more than banking interests. After all, WWI was fought by governments using borrowed money made possible by the international banking community. The banks had a vested interest in having those loans repaid!

In 1924, the president of Reichsbank (Germany's central bank at that time) was Hjalmar Schacht. He had already had a prominent role in creating the Dawes Plan, along with German industrialist Fritz Thyssen and other prominent German bankers and industrialists.

Adolf Hitler and Hjalmar Schacht

The Young Plan was so odious to the Germans that many credit it as a precondition to Hitler's rise to power. Fritz Thyssen, a leading Nazi Industrialist, stated

> "I turned to the National socialist party only after I became convinced that the fight against the Young Plan was unavoidable if complete collapse of Germany was to be prevented." [2]

Some historians too quickly credit Owen Young as the idea-man for the Bank for International Settlements. It was actually Hjalmar Schacht who first proposed the idea[3], which was then carried forward by the same group of international bankers who brought us the Dawes and Young Plans.

It is not necessary to jump to conclusions as to the intent of these elite bankers, so we will instead defer to the insight of renowned Georgetown historian, Carroll Quigley:

> "The Power of financial capitalism had another far reaching plan, nothing less than to create a world system of financial control in private hands able to dominate the political system of each country and the economy of the world as a whole. This system was to be controlled in a feudalistic fashion by the central banks of the world acting in concert, by secret agreements arrived at in frequent meetings and conferences.

The apex of the system was to be the Bank for International Settlements in Basle, Switzerland, a private bank owned and controlled by the world's central banks, which were themselves private corporations. Each central bank, in the hands of men like Montagu Norman of the Bank of England, Benjamin Strong of the New York Federal Reserve Bank, Charles Rist of the Bank of France, and Hjalmar Schacht of the Reichsbank, sought to dominate its government by its ability to control treasury loans, to manipulate foreign exchanges, to influence the level of economic activity in the country, and to influence co-operative politicians by subsequent rewards in the business world."[4] [Bold emphasis added]

So here we have a brief sketch of what led up to the founding of the BIS. Now we can examine the nuts and bolts of how the BIS was actually put together.

The Hague Agreement of 1930

The formation of the BIS was agreed upon by its constituent central banks in the so-called Hague Agreement on January 20, 1930, and was in operation shortly thereafter. According to the Agreement,

"The duly authorised representatives of the Governments of Germany, of Belgium, of France, of the United Kingdom of Great Britain and Northern Ireland, of Italy and of Japan of the one part; And the duly authorised representatives of the Government of the Swiss Confederation of the other part Assembled at the Hague Conference in the month of January, 1930, have agreed on the following:

Article 1. Switzerland undertakes to grant to the Bank for International Settlements, without delay, the following Constituent Charter having force of law: not to abrogate this Charter, not to amend or add to it, and not to sanction amendments to the Statutes of the Bank referred to in Paragraph 4 of the Charter otherwise than in agreement with the other signatory Governments."[5]

As we will see, German reparation payments (or lack thereof) had little to do with the founding of the BIS, although this is the weak explanation given since it's founding. Of course, Germany would make a single payment to the BIS, which in turn would deposit the funds into the respective central bank accounts of the nations to whom payments were due. (It would be the subject of another paper to show the shallowness of this operation: Money and gold were shuffled around, but the net amount that Germany actually paid was very small.)

The original founding documents of the BIS have little to say about Germany, however, and we can look directly to the BIS itself to see its original purpose:

> "The objects of the Bank are: to promote the co-operation of central banks and to provide additional facilities for international operations; and to act as trustees or agent in regard to international financial settlements entrusted to it under agreements with the parties concerned."[6]

Virtually every in-print reference to the BIS, including their own documents, consistently refer to it as "the central banker's central bank."

So, the BIS was established by an international charter and was headquartered in Basle, Switzerland.

BIS Ownership

According to James C. Baker, pro-BIS author of *The Bank for International Settlements: Evolution and Evaluation*,

> "The BIS was formed with funding by the central banks of six nations, Belgium, France, Germany, Italy, Japan, and the United Kingdom. In addition, three private international banks from the United States also assisted in financing the establishment of the BIS."[7]

Each nation's central bank subscribed to 16,000 shares. The U.S. central bank, the Federal Reserve, did not join the BIS, but the three U.S. banks that participated got 16,000 shares each. Thus, U.S. representation at the BIS was three times that of any other nation. Who were these private banks? Not surprisingly, they were J.P. Morgan & Company, First National Bank of New York and First National Bank of Chicago.

On January 8, 2001, an Extraordinary General Meeting of the BIS approved a proposal that restricted ownership of BIS shares to central banks. Some 13.7% of all shares were in private hands at that time, and the repurchase was accomplished with a cash outlay of $724,956,050. The price of $10,000 per share was over twice the book value of $4,850.

It is not certain what the repurchase accomplished. The BIS claimed that it was to correct a conflict of interest between private shareholders and BIS goals, but it offered no specifics. It was not a voting issue, however, because private owners were not allowed to vote their shares.[8]

Sovereignty and Secrecy

It is not surprising that the BIS, its offices, employees, directors and members share an incredible immunity from virtually all regulation, scrutiny and accountability.

In 1931, central bankers and their constituents were fed up with government meddling in world financial affairs. Politicians were viewed mostly with contempt, unless it was one of their own who was the politician. Thus, the BIS offered them a once-and-for-all opportunity to set up the "apex" the way they really wanted it – private. They demanded these conditions and got what they demanded.

A quick summary of their immunity, explained further below, includes;

- diplomatic immunity for persons and what they carry with them (i.e., diplomatic pouches)
- no taxation on any transactions, including salaries paid to employees
- embassy-type immunity for all buildings and/or offices operated by the BIS
- no oversight or knowledge of operations by any government authority
- freedom from immigration restrictions
- freedom to encrypt any and all communications of any sort
- freedom from any legal jurisdiction[9]

Further, members of the BIS board of directors (for instance, Alan Greenspan) are individually granted special benefits:

- "immunity from arrest or imprisonment and immunity from seizure of their personal baggage, save in flagrant cases of criminal offence;"

- "inviolability of all papers and documents;"
- "immunity from jurisdiction, even after their mission has been accomplished, for acts carried out in the discharge of their duties, including words spoken and writings;"
- "exemption for themselves, their spouses and children from any immigration restrictions, from any formalities concerning the registration of aliens and from any obligations relating to national service in Switzerland;"
- "the right to use codes in official communications or to receive or send documents or correspondence by means of couriers or diplomatic bags."[10]

Lastly, all remaining officials and employees of the BIS have the following immunities:

- "immunity from jurisdiction for acts accomplished in the discharge of their duties, including words spoken and writings, **even after such persons have ceased to be Officials of the Bank**;" [bold emphasis added]
- "exemption from all Federal, cantonal and communal taxes on salaries, fees and allowances paid to them by the Bank…"
- "exempt from Swiss national obligations, freedom for spouses and family members from immigration restrictions, transfer assets and properties – including internationally – with the same degree of benefit as Officials of other international organizations."[11]

Of course, a corporate charter can say anything it wants to say and still be subject to outside authorities. Nevertheless, these were the immunities practiced and enjoyed from 1930 onward. On February 10, 1987, a more formal acknowledgement called the "Headquarters Agreement" was executed between the BIS and the Swiss Federal Council and basically clarified and reiterated what we already knew:

Article 2
Inviolability

- **The buildings or parts of buildings and surrounding land which, whoever may be the owner thereof, are used for the purposes of the Bank shall be inviolable. No agent of the Swiss public authorities may enter**

therein without the express consent of the Bank. Only the President, the General Manager of the Bank, or their duly authorised representative shall be competent to waive such inviolability.

- **The archives of the Bank and, in general, all documents and any data media belonging to the Bank or in its possession, shall be inviolable at all times and in all places.**
- **The Bank shall exercise supervision of and police power over its premises.**

Article 4
Immunity from jurisdiction and execution

- **The Bank shall enjoy immunity from criminal and administrative jurisdiction**, save to the extent that such immunity is formally waived in individual cases by the President, the General Manager of the Bank, or their duly authorised representative.
- The assets of the Bank may be subject to measures of compulsory execution for enforcing monetary claims. On the other hand, **all deposits entrusted to the Bank, all claims against the Bank and the shares issued by the Bank shall, without the prior agreement of the Bank, be immune from seizure or other measures of compulsory execution and sequestration, particularly of attachment within the meaning of Swiss law.**[12] [bold emphasis added]

BIS headquarters

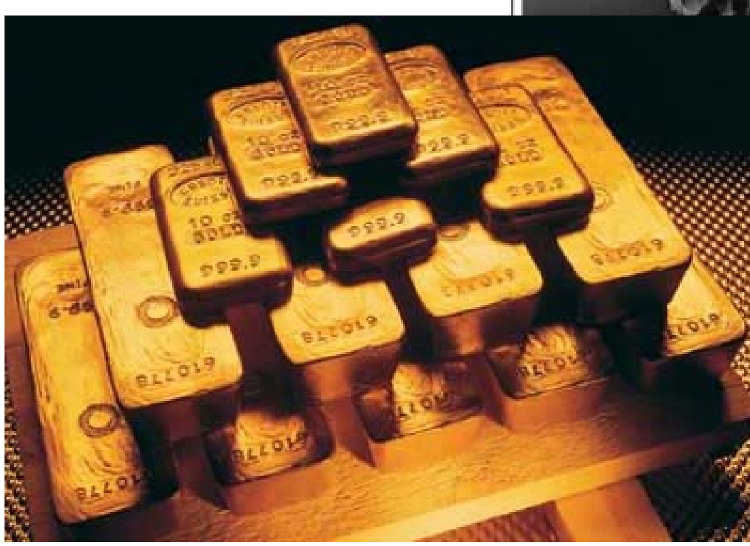
As you can see, the BIS, its directors and employees (past and present) can do virtually anything and everything they want, with complete secrecy, immunity and with no one looking over their shoulders. It was truly a banker's dream come true, and it paved the international freeway for the rampant financial globalism that we see manifest today.

Day-to-Day Operations

Acting as a central bank, the BIS has sweeping powers to do anything for its own account or for the account of its member central banks. It is like a two-way power-of-attorney – any party can act as agent for any other party.

Article 21 of the original BIS statutes define day-to-day operations:

1. "buying and selling of gold coin or bullion for its own account or for the account of central banks;"
2. "holding gold for its own account under reserve in central banks;"
3. "accepting the supervision of gold for the account of central banks;"
4. "making advances to or borrowing from central banks against gold, bills of exchange, and other short-term obligations of prime liquidity or other approved securities;"
5. "discounting, rediscounting, purchasing, or selling with or without its endorsement bills of exchange, checks, and other short-term obligations of prime liquidity;"
6. "buying and selling foreign exchange for its own account or for the account of central banks;"
7. "buying and selling negotiable securities other than shares for its own account or for the account of central banks;"
8. "discounting for central banks bills taken from their portfolio and rediscounting with central banks bills taken from its own portfolio;"



9. “opening and maintaining current or deposit accounts with central banks;”
10. “accepting deposits from central banks on current or deposit account;”
11. “accepting deposits in connection with trustee agreements that may be made between the BIS and governments in connection with international settlements.;”
12. “accepting such other deposits that, as in the opinion of the Board of the BIS, come within the scope of the BIS’ functions.”[13]

The BIS also may,

1. “act as agent or correspondent for any central bank;”
2. “arrange with any central bank for the latter to act as its agent or correspondent;”
3. “enter into agreements to act as trustee or agent in connection with international settlements, provided that such agreements will not encroach on the obligations of the BIS toward any third parties.”[14]

Why is “agency” an important issue? Because any member of the network can obscure transactions from onlookers. For instance, if Brown Brothers, Harriman wanted to transfer money to a company in Nazi Germany during WWII (which was not “politically correct” at that time), they would first transfer the funds to the BIS thus putting the transaction under the cloak of secrecy and immunity that is enjoyed by the BIS but not by Brown Brothers, Harriman. (Such laundering of Wall Street money was painstakingly noted in *Wall Street and the Rise of Hitler*, by Antony C. Sutton.)

There are a few things that the BIS cannot do. For instance, it does not accept deposits from, or provide financial services to, private individuals or corporate entities. It is also not permitted to make advances to governments or open current accounts in their name.[15] These restrictions are easily understood when one considers that each central bank has an exclusive franchise to loan money to their respective government. For instance, the U.S. Federal Reserve does not loan money to the government of Canada. In like manner, central banks do not loan money directly to the private or corporate clients of their member banks.

How Decisions are Made

The board of directors consist of the heads of certain member central banks. Currently, these are:

- Nout H E M Wellink, Amsterdam (Chairman of the Board of Directors)
- Hans Tietmeyer, Frankfurt am Main (Vice-Chairman)
- Axel Weber, Frankfurt am Main
- Vincenzo Desario, Rome
- Antonio Fazio, Rome
- David Dodge, Ottawa
- Toshihiko Fukui, Tokyo
- Timothy F Geithner, New York
- Alan Greenspan, Washington
- Lord George, London
- Hervé Hannoun, Paris
- Christian Noyer, Paris
- Lars Heikensten, Stockholm
- Mervyn King, London
- Guy Quaden, Brussels
- Jean-Pierre Roth, Zürich
- Alfons Vicomte Verplaetse, Brussels[16]

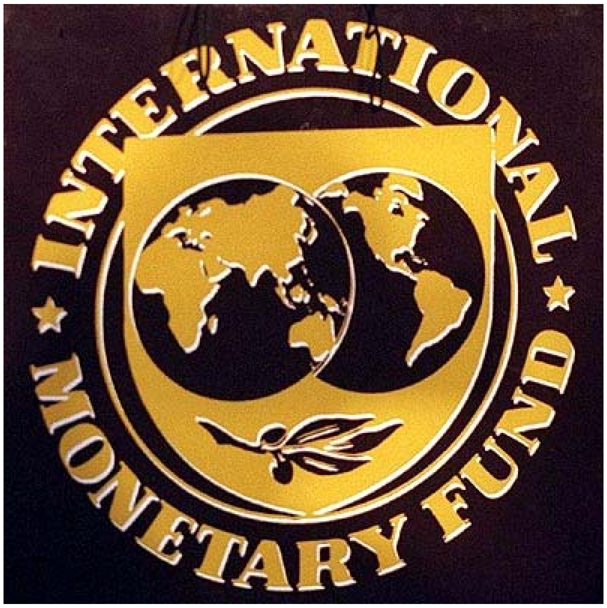
Of these, five members (Canada, Japan, the Netherlands, Sweden and Switzerland) are currently elected by the shareholders. The majority of directors are "ex officio," meaning they are permanent and are automatically a part of any sub-committee.

The combined board meets at least six times per year, in secret, and is briefed by BIS management on financial operations of the bank. Global monetary policy is discussed and set at these meetings.

It was reported in 1983 that there is an inner club of the half dozen central bankers who are more or less in the same monetary boat: Germany, U.S., Switzerland, Italy, Japan and England.[17] The existence of an inner club is neither surprising nor substantive: the whole BIS operation is 100% secret anyway. It is not likely that members of the inner club have significantly different beliefs or agendas apart from the BIS as a whole.

How the BIS works with the IMF and the World Bank

The interoperation between the three entities is understandably confusing to most people, so a little clarification will help.



The International Monetary Fund (IMF) interacts with governments whereas the BIS interacts only with other central banks. The IMF loans money to national governments, and often these countries are in some kind of fiscal or monetary crisis. Furthermore, the IMF raises money by receiving "quota" contributions from its 184 member countries. Even though the member countries may borrow money to make their quota contributions, it is, in reality, all tax-payer money.[18]

The World Bank also lends money and has 184 member countries. Within the World Bank are two separate entities, the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). The IBRD focuses on middle income and credit-worthy poor countries, while the IDA focuses on the poorest of nations. In funding itself, the World Bank borrows money by direct lending from banks and by floating bond issues, and then loans this money through IBRD and IDA to troubled countries.[19]

World Bank logo

The BIS, as central bank to the other central banks, facilitates the movement of money. They are well-known for issuing "bridge loans" to central banks in countries where IMF or World Bank money is pledged but has not yet been delivered. These bridge loans are then repaid by the respective governments when they receive the funds that had been promised by the IMF or World Bank.[20]

The IMF is the BIS' "ace in the hole" when monetary crisis hits. The 1998 Brazil currency crisis was caused by that country's inability to pay inordinate accumulated interest on loans made over a protracted period of time. These loans were extended by banks like Citigroup, J.P. Morgan Chase and FleetBoston, and they stood to lose a huge amount of money.

The IMF, along with the World Bank and the U.S., bailed out Brazil with a $41.5 billion package that saved Brazil, its currency and, not incidentally, certain private banks.

Congressman Bernard Sanders (I-VT), ranking member of the International Monetary Policy and Trade Subcommittee, blew the whistle on this money laundry operation. Sander's entire congressional press release is worth reading:

IMF Bailout for Brazil is Windfall to Banks, Disaster for US Taxpayers Says Sanders

> BURLINGTON, VERMONT - August 15 - Congressman Bernard Sanders (I-VT), the Ranking Member of the International Monetary Policy and Trade Subcommittee, today called for an immediate Congressional investigation of the recent $30 billion International Monetary Fund (IMF) bailout of Brazil.
>
> Sanders, who is strongly opposed to the bailout and considers it corporate welfare, wants Congress to find out why U.S. taxpayers are being asked to provide billions of dollars to Brazil and how **much of this money will be funnelled to U.S. banks such as Citigroup, FleetBoston and J.P. Morgan Chase.** These banks have about **$25.6 billion in outstanding loans** to Brazilian borrowers. **U.S. taxpayers currently fund the IMF through a $37 billion line of credit.**

Sanders said, “At a time when we have a $6 trillion national debt, a growing federal deficit, and an increasing number of unmet social needs for our veterans, seniors, and children, it is unacceptable that billions of U.S. taxpayer dollars are being sent to the IMF to bailout Brazil.”

“This money is not going to significantly help the poor people of that country. **The real winners in this situation are the large, profitable U.S. banks such as Citigroup that have made billions of dollars in risky investments in Brazil and now want to make sure their investments are repaid.** This bailout represents an egregious form of corporate welfare that must be put to an end. Interestingly, these banks have made substantial campaign contributions to both political parties,” the Congressman added.

Sanders noted that the neo-liberal policies of the IMF developed in the 1980’s pushing countries towards unfettered free trade, privatization, and slashing social safety nets has been a disaster for Latin America and has contributed to increased global poverty throughout the world. At the same time that Latin America countries such as Brazil and Argentina followed these neo-liberal dictates imposed by the IMF, from 1980-2000, per capita income in Latin America grew at only one-tenth the rate of the previous two decades.

Sanders continued, **“The policies of the IMF over the past 20 years advocating unfettered free trade, privatizing industry, deregulation and slashing government investments in health, education, and pensions has been a complete failure for low income and middle class families in the developing world and in the United States.** Clearly, these policies have only helped corporations in their constant search for the

> cheapest labor and weakest environmental regulations. Congress must work on a new global policy that protects workers, increases living standards and improves the environment."

One can surmise that a financial circle exists where the World Bank helps nations get into debt, then when these countries can't pay their massive loans, the IMF bails them out with taxpayer money – and in the middle stands the BIS, collecting fees as the money travels back and forth like the ocean tide, while assuring everyone that all is well.

BIS dumps gold-backed Swiss Francs for SDR's

On March 10, 2003, the BIS abandoned the Swiss gold franc as the bank's unit of account since 1930, and replaced it with the SDR.

SDR stands for Special Drawing Rights and is a unit of currency originally created by the IMF. According to Baker,

> "The SDR is an international reserve asset, created by the IMF in 1969 to supplement the existing official reserves of member countries. SDR's are allocated to member countries in proportion to their IMF quotas. The SDR also serves as the unit of account of the IMF and some other international organizations. Its value is based on a basket of key international currencies."[21]

This "basket" currently consists of the euro, Japanese yen, pound sterling and the U.S. dollar.

The BIS abandonment of the 1930 gold Swiss franc removed all restraint from the creation of paper money in the world. In other words, gold backs no national currency, leaving the central banks a wide-open field to create money as they alone see fit. Remember, that almost all the central banks in the world are privately-held entities, with an exclusive franchise to arrange loans for their respective host countries.

BANK FOR INTERNATIONAL SETTLEMENTS

Regional and Global Currencies: SDR's, Euros and Ameros

There is no doubt that the BIS is moving the world toward regional currencies and ultimately, a global currency. The global currency could well be an evolution of the SDR, and may explain why the BIS recently adopted the SDR as its primary reserve currency.

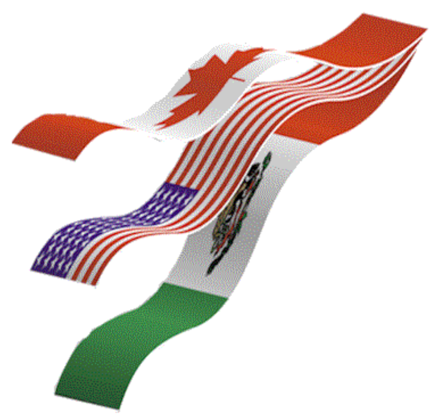
The Brandt Equation, 21st Century Blueprint for the New Global Economy notes, for instance, that

> "Since the SDR is the world's only means of meeting international payments that has been authorized through international contract, '**The SDR therefore represents a clear first step towards a stable and permanent international currency'.**"[22] [bold emphasis added]

As to regional currencies, the BIS has already been hugely successful in launching the euro in Europe. Armed with new technical and social know-how, the BIS' next logical step is to focus on America and Asia.

For instance, according to BIS Papers No. 17, *Regional Currency Areas and the Use of Foreign Currencies*,

> "Canada, Mexico and the United States are members of the trade group NAFTA. Given the high proportion of Canada and Mexico's trade with the United States, a NAFTA dollar or "Amero" has been proposed by some Canadian academics such as Grubel (1999). See also Beine and Coulombe (2002) and Robson and Laidler (2002)."[23]



Assuming that NAFTA permanently identifies Canada, the U.S. and Mexico as one trading block, then North America will look like the European Union and the Amero will function like the Euro. All of the work put into the SDR would be perfectly preserved by simply substituting the Amero for the U.S. dollar when they choose to bring the Amero to ascendancy over the dollar.

For those American readers who do not grasp the significance of the adoption of the euro by European Union countries, consider how one American globalist describes it.

C. Fred Bergsten is a prominent and core Trilateral Commission member and head of the Institute for International Economics. On January 3, 1999, Bergsten wrote in the *Washington Post*,


C. Fred Bergsten

"The adoption of a common currency is by far the boldest chapter of European integration. **Money traditionally has been an integral element of national sovereignty...and the decision by Germany and France to give up their mark and franc...represents the most dramatic voluntary surrender of sovereignty in recorded history.** The European Central Bank that will manage the euro is a truly supranational institution."[24] [bold emphasis added]

Bergsten will have to rephrase this when the U.S. gives up the dollar for the amero – that will become the most dramatic voluntary surrender of sovereignty in recorded history!

Conclusions

Our credo is "Follow the money, follow the power." This report has endeavored to follow the money. We find that:

- The BIS is central bank to all major central banks in the world.
- It is privately owned by central banks themselves, most of whom are also private.
- It was founded under questionable circumstances by questionable people.
- It is accountable to no one, especially government bodies.
- It operates in complete secrecy and is inviolable.
- Movement of money is obscured and hidden when routed through the Bank for International Settlements.
- The BIS is targeting regional currency blocks and ultimately, a global currency.
- It has been hugely successful at building the New International Economic Order, along with its attendant initiatives on global governance.

As to “follow the power,” another paper will more fully explore the influence of power that the BIS exerts over other banks, nations and governments. For your own consideration in the meantime, Proverbs 22:7 provides a useful compass: “The rich rule over the poor, and the borrower is servant to the lender”. ■

NOTE: Carl Teichrib, World Research Library Senior Fellow, contributed to this report.

Footnotes

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21. IMF web site, www.imf.org/external/np/exr/facts/sdr.htm.
22. *The Brandt Equation: 21st Century Blueprint for the New Global Economy. The Brandt Proposals – A Report Card: Money and Finances*. See www.brandt21forum.info/1ckMoney.htm.
23. BIS, *Regional currency areas and the use of foreign currencies*, BIS Papers No. 17, September, 2003
24. *Washington Post*, "The Euro Could Be Good for Trans-Atlantic Relations," C. Fred Bergsten, January 3, 1999

Bank for International Settlements: Research Fact Sheet

By Carl Teichrib, Senior Fellow, WSL.

- All personal notes are accented in italics as: *Research Note*.
- All source quotes and relevant Research Note material contains endnotes.
- This research fact sheet is comprised of first and secondary materials. Distinctions can be noted by referencing the bibliographical listings in the endnotes.
- Any bold in quotable text is added to emphasize a particular issue.

<u>On the founding of the Bank:</u>

> "Whereas the Powers signatory to the Hague Agreement of January, 1930, have adopted a Plan which contemplates the founding by the central banks of Belgium, France, Germany, Great Britain, Italy and Japan and by a financial institution of the United States of America of an International Bank to be called the Bank for International Settlements;
>
> And whereas the said central banks and a banking group including Messrs. J.P. Morgan & Company of New York, the First National Bank of New York, New York, and the First National Bank of Chicago, Chicago, have undertaken to found the said Bank and have

guaranteed or arranged for the guarantee of the subscription of its authorised capital amounting to five hundred million Swiss francs equal to 145,161,290.32 grammes fine gold, divided into 200,000 shares…." — BIS, Basic Texts.[1]

On BIS non-central bank member involvement:

"The reason there are private shares is that, when the BIS was being set up, the U.S. Federal Reserve would not buy stock, because of the isolationist mood of the country, so the corporate charter was amended to allow the central banks that were members either to buy shares in their own names or place them with other buyers, and the Americans placed them with a syndicate of U.S. banks."
— Walter Stewart, Bank Heist.[2]

Research Note: the above assertion by Stewart is collaborated by the BIS Statutes [**bold** has been added to emphasis the aforementioned point],

"In the event of an increase in the authorized capital of the Bank and of a further issue of shares, the distribution among countries shall be decided by a two-third majority of the Board. The central banks of Belgium, England, France, Germany, Italy and the United States of America, **or some other financial institution of the last-named country** acceptable to the foregoing central banks, shall be entitled to subscribe or arrange for the subscription in equal proportions of at least fifty-five per cent. of such additional shares." — BIS, Basic Texts.[3]

"The ownership of shares of the Bank carries no right of voting or representation at the General Meeting. The right of representation and of voting, in proportion to the number of shares subscribed in each country, may be exercised by the central bank of that country or by its nominee. Should the central bank of any country not desire to exercise these rights, **they may be exercised by a financial institution of widely recognized standing and of the same nationality**, appointed by the Board, and not objected to by the central bank of the country in question. **In cases where there is no central bank, these rights may be exercised, if the Board thinks fit, by an appropriate financial**

institution of the country in question appointed by the Board." — BIS, Basic Texts.[4]

"Shares may be subscribed or acquired only by central banks, or by financial institutions appointed by the Board in accordance with the terms and conditions laid down in Article 14." — BIS, Basic Texts.[5]

On the purpose of the Bank:

"The Bank for International Settlements (BIS) was a Swiss-based legacy of World War I. It had been established in 1931 in Basle to oversee the reparation payments agreed to by Germany after the war." — McDowall, Due Diligence (report for Bank of Canada).[6]

Research Note: However, the BIS Statutes only vaguely bring World War I reparations into the mix regarding BIS Objectives. Canadian investigative journalist Walter Stewart notes that while World War I reparation exchanges were supposed to be the primary task of the BIS, its charter says nothing about this.[7] The only place in the Charter that could be construed as a reparations aspect is found at the end of the Objectives sections. Consider the Objectives,

"The objects of the Bank are: to promote the co-operation of central banks and to provide additional facilities for international operations; and to act as trustees or agent in regard to international financial settlements entrusted to it under agreements with the parties concerned." — BIS, Basic Texts.[8]

Research Note: Steven Solomon, a former staff member of Forbes, gives another clue as to the objectives of the BIS,

"Over the years the BIS had come to perform four main functions with a political anonymity prized by central bankers. It managed one-tenth of the world's foreign exchange reserves on behalf of eighty central banks and multilateral institutions like the IMF. Second, it served as financial agent for several international agreements. Third, it collected and analyzed international economic and monetary data that helped central bankers stay abreast of the swiftly changing trends in global finance. But by far its most important function was the fourth:

providing an international forum for central bankers to confidently discuss and sometimes coordinate policies." — Steven Solomon, The Confidence Game (1995).[9]

Research Note: the BIS Statutes, in Chapter III, "Powers of the Bank," lists a number of areas of operation for the Bank, including the following,

> "The Board shall determine the nature of the operations to be undertaken by the Bank.
> The Bank may in particular:

(a) buy and selling gold coin or bullion for its own account or the account of central banks;

(b) hold gold for its own account under earmark in central banks;

(c) accept the custody of gold for the account of central banks;

(d) make advances to or borrow from central banks against gold, bills of exchange and other short-term obligations of prime liquidity or other approved securities;

(e) discount, rediscount, purchase or sell with or without its endorsement bills of exchange, cheques and other short-term obligations of prime liquidity, including Treasury bills and other such government short-term securities as are currently marketable;

(f) buy and sell exchange for its own account or for the account of central banks;

(g) buy and sell negotiable securities other than shares for its own account or for the account of central banks;

(h) discount for central banks bills taken from their portfolio and discount with central banks bills taken from its own portfolio;

(i) open and maintain current or deposit accounts with central banks…"
— BIS, Basic Texts.[10]

Researcher Note: Article 21 of the Statute also states that the Bank may also "act as agent or correspondent of any central bank."[11] And, "enter into agreement to act as trustee or agent in connection with international settlements, provided that such agreements shall not encroach on the obligations of the Bank towards third parties…"[12]

On describing the Bank:

> "In effect, the BIS became the central bankers' central bank."
> — McDowall, Due Diligence.[13]

Research Note: Steven Solomon describes the BIS as the international freemasonry of the banking world,

> "The international freemasonry that flourished in Basil for over half a century reinforced central bankers' sense of unique supranational identity."
> — Steven Solomon, The Confidence Game.[14]

Research Note: the following three quotes demonstrate the physical component of the BIS facility in Basel.

> "Today, it [the BIS] is housed, with a staff of 460, in a black tower that soars more than 200 feet above the provincial town of Basel, 53 miles north-west of Zurich, Switzerland. To get inside, you open one glass door and step in; there is another glass door, still closed, in front of you. When you are suspended in amber, as it were, a voice asks you what you want, and unless you have an appointment with someone willing to vouch for you, that is as far as you get. The door behind you opens, and you slink back out onto Centralbahnplatz, defeated. If you have an appointment, you won't get much out of it. The BIS talkers, even more than other bankers, and bureaucrats, are masters of the lifted shoulder, the raised eyebrow, and the repeated suggestion that these matters must, of course, be put to my superiors, who do not happen to be here, or even on earth, for that matter, and why don't you call again?" — Walter Stewart, Bank Heist.[15]

> "Until May 1977 BIS headquarters was an anonymous, converted six-story hotel across from the Basel train station. The address was so obscure that visitors were told to look for Frey's chocolate shop next door. Only a small plaque indicated the entrance. To the chagrin of many central bankers, their increased world prominence with the rise of stateless capital then became visible in a new eighteen-story office tower." — Steven Solomon, The Confidence Game.[16]

"Just behind the Schweizerhof was an eighteen-story, dark glass, nuclear reactor-shaped tower that was their collective home – the Bank for International Settlements (BIS). At the top of the tower was an exclusive dining room with a panoramic view of the Rhine River intersecting three countries – Switzerland, France, and Germany. There were also four floors of fully archived, technologically ultramodern private offices that stood empty except for the central bankers' monthly visits, several simultaneous translation conference rooms, twenty miles of underground archives, and a nuclear bomb shelter; outside of town was the BIS's health club." — Steven Solomon, <u>The Confidence Game</u>.[17]

BANK FOR INTERNATIONAL SETTLEMENTS

<u>On BIS immunities:</u>

Research Note: The BIS has numerous special immunities [the following list is not exhaustive by any means]. This includes exemption and immunity from "all taxation," including "all taxes on the Bank's capital, reserves or profits, whether distributed or not…"[18]

"7. All funds deposited with the Bank by any Government in pursuance of the Plan adopted by the Hague Agreement of January, 1930, shall be exempt and immune from taxation whether by way of deduction by the Bank on behalf of the authority imposing the same or otherwise.
8. The foregoing exemptions and immunities shall apply to present and future taxation by whatsoever name it may be described, and whether imposed by the Confederation, or by the cantonal, communal or other public authorities.
…10. The Bank, its property and assets and all deposits and other funds entrusted to it shall be immune in time of peace and in time of war from any measure such as expropriation, requisition, seizure, confiscation, prohibition or restriction of gold or currency export or import, and any other similar measures."
— BIS, <u>Basic Texts</u>.[19]

"(3) All deposits entrusted to the Bank, all claims against the Bank and all shares issued by the Bank shall, without the express prior agreement of the Bank, wherever located and by whomsoever held, be immune from any measure of execution (including seizure, attachment, freeze or any other measure of execution, enforcement or sequestration)." — BIS, Basic Texts.[20]

Research Note: all property and assets, held by a third party – be it an institution or person – on the instructions of, or in the name of, or in the account of the BIS, "shall be considered as entrusted to the Bank for International Settlements and as enjoying the immunities…"[21] Other immunities and special freedom of action includes,

- Complete Swiss freedom and autonomy as entitled to "an international organization."[22]
- That all buildings, parts of buildings, and surrounding land which is owned or used for the purposes of the Bank is inviolable. "No agent of the Swiss public authorities may enter therein without the express consent of the Bank. Only the President, the General Manager of the Bank, or their duly authorized representative shall be competent to waive such inviolability ."[23]
- The archives of the Bank, all documents, and all media data belonging to the Bank or in its possession is inviolable "at all times and in all places."[24]
- "The Bank shall exercise supervision of and police power over its premises."[25]
- The BIS has the right to use special codes for its communications, and has the rights and immunity uses of employing official diplomatic couriers or bags.[26]
- No official BIS correspondence or communications are to be subject to censorship.[27]

Research Note: BIS Directors are granted these special benefits,

- "immunity from arrest or imprisonment and immunity from seizure of their personal baggage, save in flagrant cases of criminal offence;"[28]
- "inviolability of all papers and documents;"[29]

- "immunity from jurisdiction, even after their mission has been accomplished, for acts carried out in the discharge of their duties, including words spoken and writings;"[30]
- "exemption for themselves, their spouses and children from any immigration restrictions, from any formalities concerning the registration of aliens and from any obligations relating to national service in Switzerland;"[31]
- "the right to use codes in official communications or to receive or send documents or correspondence by means of couriers or diplomatic bags."[32]

Research Note: the following immunities are granted to all Officials of the BIS.

- "enjoy immunity from jurisdiction for acts accomplished in the discharge of their duties, including words spoken and writings, **even after such persons have ceased to be Officials of the Bank**;"[33] [bold added]
- "exemption from all Federal, cantonal and communal taxes on salaries, fees and allowances paid to them by the Bank…"[34]
- exempt from Swiss national obligations, freedom for spouses and family members from immigration restrictions, transfer assets and properties – including internationally – with the same degree of benefit as Officials of other international organizations.[35]

Research Note: the BIS Representative Office in the Hong Kong Special Administrative Region of the People's Republic of China, are granted these special benefits,

- "The Government shall guarantee to the Bank the autonomy and freedom of action to which it is entitled as an international organization of central banks and monetary authorities based on international treaties between States."[36]
- "The Government shall facilitate access to the Representative Office for any person, irrespective of nationality, who fulfils any function for the Bank or who is invited by the Bank in connection with any official Bank activities."[37]

- "**The Bank shall not be subject to any form of financial or banking supervision or obligated to implement any form of accounting standard, or to comply with any form of licensing or registration requirement**."[38] [bold added]
- All property of the BIS, "regardless of ownership," is considered inviolable and cannot be entered by any representative of the Government of the People's Republic of China.[39]
- BIS communication and correspondence is immune from all forms of censorship, interception, or interference.[40]
- The BIS is given the right and benefit of using codes and encryption for its communications, and the use and benefits of diplomatic pouches and couriers.[41]
- "The Bank may receive, hold, convert and transfer all funds, gold, currency, cash and other transferable securities, and dispose freely thereof, and generally carry out without any restrictions all operations permitted by its Statutes within the HKSAR and in the Bank's relations with other financial markets…"[42]

Current BIS Member Central Banks:

Research Note: This list is taken from the 2005 issue of the BIS Annual Report.[43]

Bank of Algeria	Bank of Japan
Central Bank of Argentina	Bank of Korea
Reserve Bank of Australia	Bank of Latvia
Austrian National Bank	Bank of Lithuania
National Bank of Belgium	National Bank of the Republic of Macedonia
Central Bank of Bosnia and Herzegovina	Central Bank of Malaysia
Central Bank of Brazil	Bank of Mexico
Bulgarian National Bank	Netherlands Bank
Bank of Canada	Reserve Bank of New Zealand

Central Bank of Chile

People's Bank of China

Croatian National Bank

Czech National Bank

National Bank of Denmark

Bank of Estonia

European Central Bank

Bank of Finland

Bank of France

Deutsche Bundesbank

Bank of Greece

Hong Kong Monetary Authority

Central Bank of Hungary

Central Bank of Iceland

Reserve Bank of India

Bank Indonesia

Central Bank & Financial Services Authority of Ireland

Bank of Israel

Bank of Italy

Central Bank of Norway

Bangko Sentral ng Philipinas

National Bank of Poland

Bank of Portugal

National Bank of Romania

Central Bank of the Russian Federation

Saudi Arabian Monetary Agency

Monetary Authority of Singapore

National Bank of Slovakia

Bank of Slovenia

South African Reserve Bank

Bank of Spain

Sveriges Riksbank

Swiss National Bank

Bank of Thailand

Central Bank of the Republic of Turkey

Bank of England

Board of Governors of the Federal Reserve System

Current BIS permanent committees:

- Basel Committee on Banking Supervision.
- Committee on the Global Financial System.
- Committee on Payment and Settlement Systems.
- Markets Committee.
- Central Bank Counterfeit Deterrence Group.[44]

BIS Contributions to International Financial Cooperation:

- Group of Ten
  - "The Bank contributes actively to the work of the G10 Financial Ministers and central bank Governors, their Deputies and the activities taking place under their auspices both by participating in meetings as observers and by providing secretariat support with the IMF and OECD."[45]

- Financial Stability Forum
  - Promotes global financial stability through information exchanges, financial supervision and surveillance.[46]

- International Association of Deposit Insurers
  - Provide common guidelines for deposit insurance systems.[47]

Current Board of Directors:

Research Note: this list does not include Alternatives.

Nout H.E.M. Wellink (Amsterdam) — Chairman of the Board of Directors, President of the Bank.

Hans Tietmeyer (Frankfurt am Main) — Vice-Chairman.

Vincenzo Desario, Rome.

David Doge, Canada.

Antonia Fazio, Rome.

Toshihiko Fukui, Tokyo.

Timothy F. Geithner, New York.

Lord George, London.

Alan Greenspan, Washington.

Herve Hannoun, Paris.

Lars Heikensten, Stockholm.

Mervyn King, London.

Christian Noyer, Paris.

Guy Quaden, Brussels.

Jean-Pierre Roth, Zurich.

Alfons Vicomte Verplaetse, Brussels.

Axel A. Weber, Frankfurt am Main.[48]

<u>Current Senior Officials:</u>

Malcolm D. Knight	General Manager
Andre Icard	Deputy General Manager
Peter Dittus	Secretary General, Head of Department
William R. White	Economic Advisor, Head of Monetary and Economic Department
Gunter Pleines	Head of Banking Department
Mario Giovanoli	General Council
Mar Gudmundsson	Deputy Head of Monetary and Economic Department
Jim Etherington	Deputy Secretary General
Louis de Montpellier	Deputy Head of Banking Department
Josef Tosovsky	Chairman, Financial Stability Institute[49]

Bank for International Settlements and Regional Currency Blocks:

Research Note: Without question there is a strong move towards the creation of regional currency blocks. While regional currency blocks or currency areas are not new (a Scandinavian Currency Union existed in 1870 and a Swiss/Grecian union was tried in 1913[50]), the relative success of the Euro has re-opened the possibilities of creating numerous monetary blocks around the globe. Consider what constitutes a "central bank" and "country" according to Article 56, sections (a) and (d), of the BIS Statutes,

> "For the purposes of these Statutes:
>
> (a) central bank means the bank or banking system in any country to which has been entrusted the duty of regulating the volume of currency and credit in that country; or, in a cross-border central banking system, the national central banks and the common central banking institution which are entrusted with such duty…
>
> (d) country means a sovereign state, a monetary zone within a sovereign state or **a monetary zone extending over more than one sovereign state**." — BIS, Basic Texts.[51] [bold added]

Research Note: Monetary zones extending over more than one sovereign nation is a concept that the BIS has looked at, and is currently reviewing. This idea of a creating regional currency blocks has been a major issue of discussion within the BIS since the introduction of the Euro, and has gained momentum since 2002.

> "In September 2002, both the economic and legal aspects of regional currency areas and the use of foreign currencies were discussed among a group of central banks that are either already working under such a regime **or aim to establish one**." — BIS, 73rd Annual Report[52] [bold added].

Research Note: The following year, 2003, the BIS released the discussion papers prepared for the September 2002 meeting. The document, put forward by the Monetary and Economic Department of the BIS, was titled Regional Currency Areas and the Use of Foreign Currencies, and was No.17 in the BIS Papers series. Throughout this document, a large number of regional currency area (RCA) possibilities are reviewed. On page 13, a chart is listed which shows real integrated currency areas, such as the Euro zone and the Eastern Caribbean area, and a number of hypothetical RCAs. In Annex A of the first paper (see pages 26-32), there is a more detailed review of currency area proposals, some of which are more than just "purely hypothetical." The following are some of the RCA possibilities as presented in the Annex.[53]

- An expanded euro area, including Turkey: This expansion became a reality, with the exception of Turkey, when a number of Eastern European countries united under the European Union in 2004.
- A North American currency: Some have already suggested that this could take the form of a NAFTA dollar or "Amero."[54]
- Africa: a series of proposed RCAs were listed – some of which were already in the planning stages, other are more theoretical in nature. Included is the Economic Community of West African States and the West African Monetary Institute (a "precursor to a regional central bank"), the Southern African Development Community's proposed monetary union centered on the Rand, and the African Union's long term currency plan.
- Latin America:[55] a Mercosur monetary unification around Argentina, Brazil, Paraguay, Uruguay, and Bolivia and Chile as "associate members." Another idea was the furtherance of the Andean Community's monetary integration plan, and the possibility of currency union around the Central American Common Market idea.[56]
- Caribbean: the national expansion of the Eastern Caribbean Central Bank to include the CARICOM member countries, and to form a "Caribbean-wide single currency."
- Asia: the long-term goal of producing an ASEAN (Association of South East Asian Nations) currency zone.
- South Pacific/Oceania: the idea of creating the "Anzac" dollar linking Australia and New Zealand. Another suggestion was the wide-spread adoption of the Australian dollar, which has already occurred to a remarkable degree throughout the smaller island nations of the Oceania region.
- Arabian Gulf: Of all the regions in the world – beyond the immediate Euro zone – this is the one closest to seeing an authenticated currency union come into play. The Gulf Cooperation Council (GCC), in

witnessing the success of the Euro, plan to introduce their regional currency by 2010. The GCC is comprised of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.[57]

Research Note: Tight monetary, currency, and market integration between nations inevitably leads to political regionalism. This was noted in the BIS report.

> "The move to form currency areas has accomplished initiatives (or been seen as a means) to strengthen regional integration, and has thus had an important political as well as economic component."[58] — BIS Paper #17.

> "Often the decision to forgo an independent currency has political economy aspects…The move from a national to a regional currency can help to cement closer political collaboration. This is especially evident in Europe, where the creation of the euro area culminated a 50-year period of policy coordination and the creation of supranational institutions. The creation of a regional currency is also viewed as an important symbol of increasing regional cooperation in Africa, the Middle East and Asia."[59] — BIS Paper #17.

Research Note: Regional currency areas have an empowerment effect on banking, primarily central banking, which is quite possibly one of the main motivational factors for the BIS to pursue this economic direction (the typical benefit used in promoting RCAs is national and regional "price stability"). Consider the following from BIS Paper #17,

> "Handing over control of monetary policy to a regional or foreign central bank not under the sway of (or at least less influenced by) any individual government may be **an indirect way of gaining the benefits of central bank independence**. A lack of such independence is often regarded as a prime reason for the poor performance of monetary policies in many emerging economies. Furthermore, the criteria set for joining or remaining in an RCA **may prompt more or faster economic reforms**. Regional surveillance procedures **may apply "peer pressure" on governments to undertake needed structural reforms, in areas where interest groups make change difficult**."[60]
> — BIS Paper #17 [bold added].

Research Note: participants in the September 2002 BIS meeting on regional currency areas included senior officials from the following central banks and institutions,

- Bahrain Monetary Agency
- Central Bank of Bosnia and Herzegovina
- Bank of Botswana
- Bulgarian National Bank
- Bank of the States of Central Africa
- Croatian National Bank
- European Central Bank
- Bank of France
- Bank of Ghana
- West African Monetary Institute
- Central Bank of Lesotho
- Bank Negara Malaysia
- Central Bank of Malta
- Qatar Central Bank
- Saudi Arabian Monetary Agency
- South African Reserve Bank
- Central Bank of the United Arab Emirates
- Board of Governors of the Federal Reserve System
- Brookings Institute
- BIS[61]

BANK FOR INTERNATIONAL SETTLEMENTS

Research Note: The BIS – and its primary players – have more recently shifted focus to the creation of RCAs, and even a global currency structure. In its current Annual Report the BIS reviewed possible options for dealing with international financial imbalances, including RCAs and/or a new global framework designed around a beefed-up International Monetary Fund (a third option is also given which centers on informal cooperative solutions around "interdependencies" – yet even this option as outlined was recognized as constraining national aspects[62]).

> "First, one might contemplate going back to a more rule-based system. Several academics have suggested the establishment of a single international currency. In the context of the impossible trinity, this would imply national authorities relinquishing domestic monetary control and moving away from still existing capital controls. A more realistic recommendation might be to have a small number of more formal currency blocks (say, based on the dollar, euro and renminbi/yen), but clearly they would need to float more freely against each other…
>
> A second possibility could be to revert to a system more like that of Bretton Woods. History teaches that this would only work smoothly if there were more controls on capital flows than is currently the case, which would entail its own costs. Moreover, the IMF would have to be given substantially more power to force both creditors and debtors to play their role in the international adjustment process…Needless to say, persuading countries, particularly large ones, to voluntarily give up sovereignty in this fashion would not be easy."[63]
>
> — BIS 75th Annual Report.

Research Note: Toshihiko Fukui, Governor of the Bank of Japan and BIS Director, stated before the 13th International Monetary Symposium that,

> "…Asian integration would probably be soft-structured. Each Asian economy should endeavor to increase the attractiveness of their economy and currency for the time being. Initially, this would mean additional flexibility. We can then share our experiences. At the same time, we should ensure that cultural diversities in the region would be translated into creative energy, and not clashes of culture. Only then would we realize stable regional currencies, and the dream of a single currency would become a vision."[64]
>
> — Toshihiko Fukui, Governor Bank of Japan, speech.

Bank for International Settlements, the ECB, and the euro:

Research Note: As the most successful and most powerful regional currency block, the Euro has become the recognized standard in RCA development. Understanding this, it makes sense to see a tight linkage between the BIS and the primary euro-holder, the European Central Bank (ECB).

First off, like the BIS, the ECB is an autonomous, independent international banking agency. Consider the following regarding the ECB, its Euro role, and its NCB (national central banks) component,

> "The ECB has the exclusive right to authorise the issuance of banknotes within the euro area."[65] — ECB, The Monetary Policy of the ECB.

> "The institutional framework for the single monetary policy establishes a central bank that is independent from political influence…
>
> …When exercising the powers and carrying our the tasks and duties conferred upon them, neither the ECB nor the NCBs, nor any member of their decision-making bodies, are allowed to seek or take instructions from [European] Community institutions and bodies and the governments of the Member States also have to respect this principle and must not seek to influence the members of the decision-making bodies of the ECB."[66]
>
> — ECB, The Monetary Policy of the ECB.

Research Note: Edward Luttwak, a Senior Fellow at the Center for Strategic and International Studies in Washington, DC. explains the ECB's independence in his book, Turbo Capitalism,

> "No independence, however, can be as magnificently absolute as that of the European Central Bank itself: it is to receive no instructions from either member countries or any institution of the European Union…This is truly a sovereign power, given irrevocably to an institution headed by a central banker, selected and advised by other central bankers, who are themselves recruited and trained by their predecessors in their respective central banks."[67]
>
> — Edward Luttwak, Turbo Capitalism.

Research Note: The importance of knowing this is that it gives us a picture of the working power of the BIS. In fact, when the European Commission mandated a committee to examine the stages of an economic union – including an upcoming European currency system – the committee was composed of the European Community national central banks and Alexandre Lamfalussy, the then General Manager of the Bank for International Settlements.[68]

This also gives us an idea of the power pyramid currently under the BIS, as the ECB is a voting member and shareholder of the Bank for International Settlements. Moreover, eleven of the twelve European central banks that are full participants in the euro currency zone – and automatically part of the ECB – are voting members and shareholders in the BIS. Other ECB connected European central banks, such as the Bank of Lithuania and the Bank of Latvia, are also BIC members.

Now consider BIS comments regarding RCA development and the role of the Euro.

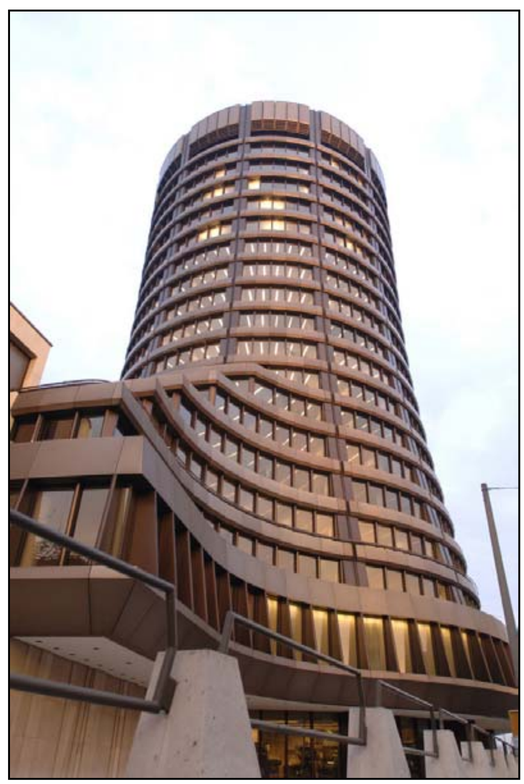
> "In the future, the international role of the euro will eventually hinge on the validity of the fundamental idea underlying its creation, namely the idea that important components of sovereignty can be pooled and shared among nations in the pursuit of common economic and political objectives."[69]
> — Christian Noyer, Vice-President of the European Central Bank [currently Governor of the Bank of France and Director of the BIS], speech.

> "Today, we can discuss the euro's potential to bring a sea of change to the global financial architecture, without being criticized for fantasizing. I should congratulate my colleagues at the European Central Bank for this significant achievement.
>
> …In the past five years, the importance of the euro has increased considerably. I will let some numbers speak for themselves. We can count more than 50 countries that link their currencies to the euro. More foreign exchange reserves are held in euro: between end-1999 and end-2003, the share of the euro increased from 14% to 20%. Furthermore, during the same period, the share of outstanding euro-denominated bonds has increased to 30% from 20% in cross-border issues.
>
> How would this emergence of the euro impact the global economy?

Looking at a currency's function as the vehicle of international transactions, it would be most rational and economical if there were [a] single global currency."[70]
— Toshihiko Fukui, Governor Bank of Japan, speech

Research Note: A side-bar link between the euro and the BIS occurs with Robert Mundell, the Canadian economist and Nobel winner. Mundell was the first who introduced the "optimal currency area" concept in such a way that it opened the regional currency debate in a significant fashion. As such, he became known as the "Father of optimum currency areas." Mundell was also one of the first to draft a viable plan for Europe's monetary integration, and has been recognized as the Father of the Euro. Not surprisingly, a search through the BIS literature finds Mundell's name mentioned many times. This is understandable; Mundell has done arguably more to spur on the creation of global currency blocks than any other individual, and thus has had a considerable intellectual influence on the BIS and its members.

The BIS and its involvement in the formation of a European currency and political union, however, have deeper roots yet. Back in 1930, Edouard Herriot wrote, "An almost unlimited field of labour is open to the Bank for International Settlements…We regard it as one of the essential organs of the future European federation."[71]



On the BIS and SDRs:

Research Note: The SDR, or Special Drawing Right, is a monetary unit based on a basket of currencies as laid out by the International Monetary Fund [the IMF first conceived of the SDR in 1968/69]. Today, SDRs consist of the shared values in the Euro, Japanese Yen, the Pound Sterling, and the US dollar. In 2003, the BIS removed its foundational currency base from the gold Swiss Franc to the SDR. According to the 74th Annual Report of the BIS, this was done for a number of reasons, including greater transparency.

SDRs, however, are more than just a monetary accounting unit. According to the Brandt 21 Forum, a department at the Centre for Global Negotiations – an organization linked into the earlier Brandt Commission [an international body charged with creating a blueprint for the "new international economic order" during the late 1970s] – SDRs play an important role in the development of a global currency system.

> "The Special Drawing Right, created by the IMF in 1968, is a line of permanent credit through which national central banks, treasuries, and the Bank for International Settlements obtain foreign currencies to clear and settle outstanding balances. Since the SDR is the world's only means of meeting international payments that has been authorized through international contract, 'The SDR therefore represents a clear first step towards a stable and permanent international currency'."[72] — The Brandt Equation: 21st Century Blueprint for the New Global Economy.

Endnotes:

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[1] BIS, "Constituent Charter of the Bank for International Settlements" [of 20 January 1930/10 December 1969], Basic Texts (Basil, August 2003), p.3.

[2] Walter Stewart, Bank Heist: How Our Financial Giants are Costing You Money (HarperCollins, 1997), p.111. Stewart is a Canadian investigative journalist with books on the banking and financial sector.

[3] BIS, "Statutes of the Bank for International Settlements," Article 8.2 [of 20 January 1930; text as amended on 10 March 2003], Basic Texts (Basil, August 2003), p.9.

[4] Ibid, Article 14, p.11.

[5] Ibid, Article 15, p.11

[6] Duncan McDowall, Due Diligence: A Report on the Bank of Canada's Handling of Foreign Gold During World War II (Ottawa, Bank of Canada report, November 1997), chapter "Earmarked Gold in Canada, 1935-56," p.9.

[7] Walter Stewart, Bank Heist (HarperCollins, 1997), p.109.

[8] BIS, "Statutes of the Bank for International Settlements" Article 3 [of January 1930, test as amended on 10 March 2003], Basic Texts (Basil, August 2003), p.7-8.

[9] Steven Solomon, The Confidence Game (Simon & Schuster, 1995), p.112. Solomon was a former staff reporter at Forbes.
[10] BIS, "Statutes of the Bank for International Settlements" Article 21 [of January 1930, test as amended on 10 March 2003], Basic Texts (Basil, August 2003), p.15.
[11] Ibid, Article 21, subsection k, p.16.
[12] Ibid, Article 21, subsection m, p.16.
[13] Duncan McDowall, Due Diligence, chapter "Earmarked Gold in Canada, 1935-56," p.9.
[14] Steven Solomon, The Confidence Game, p.112.
[15] Walter Stewart, Bank Heist, p.110.
[16] Steven Solomon, The Confidence Game, p.112.
[17] Ibid, p.110.
[18] See endnote #19, point 6, pp.4-5.
[19] BIS, "Constituent Charter of the Bank for International Settlements" points 6,7,8,10, [of 20 January 1930/10 December 1969], Basic Texts (Basil, August 2003), pp.4-5.
[20] BIS, "Statutes of the Bank for International Settlements" Article 55, points 3, [of January 1930, test as amended on 10 March 2003], Basic Texts (Basil, August 2003), p.29.
[21] BIS, "Protocol Regarding the Immunities of the Bank for International Settlements, Article 1 [of 30 July 1936], Basic Texts (Basel, August 2003), p.33.
[22] BIS, "Agreement between the Swiss Federal Council and the Bank for International Settlements to Determine the Bank's Legal status in Switzerland," Article 2, section 1 [10 February 1987/13 January 2003], Basic Texts (Basel, August 2003), p.36.
[23] Ibid, Article 3, section 1, p.36.
[24] Ibid, Article 3, section 2, p.37.
[25] Ibid, Article 3, section 3, p.37.
[26] Ibid, Article 5, section 2, p.38.
[27] Ibid, Article 5, section 3, p.39.
[28] Ibid, Article 12, section a, p.42.
[29] Ibid, Article 12, section b, p.42.
[30] Ibid, Article 12, section c, p.42.
[31] Ibid, Article 12, section e, p.43.
[32] Ibid, Article 12, section g, p.43.
[33] Ibid, Article 14, section a, p.43.
[34] Ibid, Article 14, section b, p.44.
[35] Ibid, Article 15, see sections a-c, p.44.
[36] BIS, "Host Country Agreement Between the Bank for International Settlements and the Government of the People's Republic of China Relating to the Establishment and Status of a Representative Office of the Bank for International Settlements in the Hong Kong Special Administrative Region of the People's Republic of China," Article 3, section 1 [11 Many 1998], Basic Texts (Basel, August 2003), p.55.
[37] Ibid, Article 3, section 3, p.55.
[38] Ibid, Article 3, section 5, p.55.
[39] Ibid, Article 4, section 1, pp.55-56.
[40] Ibid, Article 6, section 1, pp.57-58.
[41] Ibid, Article 6, section 2, p.58.
[42] Ibid, Article 10, section 1, p.60.
[43] BIS, 75th Annual Report, 1 April 2004 – 31 March 2005 (Basil, 27 June 2005), p.185.
[44] Ibid, pp.165-169.
[45] Ibid, p.170.
[46] Ibid, p.170.
[47] Ibid, p.170.
[48] Ibid, p.182.
[49] Ibid, p.183.
[50] John Hawkins and Paul Masson, "Economic aspects of regional currency areas and the use of foreign currencies," Bank for International Settlements, Regional Currency Areas and the Use of Foreign Currencies, BIS Paper No.17, (Basel, BIS Monetary and Economic Department, September 2003), p.13.

[51] BIS, "Statutes of the Bank for International Settlements," Article 56, sections 'a' and 'd,' [of 20 January 1930; text as amended on 10 March 2003], Basic Texts (Basil, August 2003), p.29.
[52] BIS, 73rd Annual Report, 1 April 2002 – 31 March 2003 (Basel: 30 June 2003), p.156.
[53] See BIS Paper 17, Regional Currency Areas and the Use of Foreign Currencies, Monetary and Economic Department, Bank for International Settlements, September 2003.
[54] The "Amero" idea was formulated by Herbert G. Grubel, as part of the Fraser Institute's Critical Issues series. See Grubel, The Case for the Amero: The Economics and Politics of a North American Monetary Union (Vancouver, BC: The Fraser Institute, 1999).
[55] There already exists a very powerful Latin American movement to create a single South American zone as a counter to the US proposed Free Trade Area of the Americas. This counter-plan SA market has been a hallmark platform of the current Venezuelan administration.
[56] CAFTA, as a stepping-stone to the US-backed FTAA, may have acted as a successful blocking device against an independent Central American monetary union.
[57] See footnote #4.
[58] John Hawkins and Paul Masson, "Economic Aspects of Regional Currency Areas and the Use of Foreign Currencies," BIS Paper 17, Regional Currency Areas and the Use of Foreign Currencies, p.4. Hawkings is a Senior Economist at the BIS, Masson is a Senior Advisor and Visiting Fellow at the Brookings Institute.
[59] Ibid, p.5.
[60] Ibid, p.5.
[61] See BIS Paper #17, Regional Currency Areas and the Use of Foreign Currencies, pp.iii-iv.
[62] BIS, 75rd Annual Report, 1 April 2004 – 31 March 2005 (Basel: 27 June 2005), pp.151-152.
[63] Ibid., p.151.
[64] Toshihiko Fukui, speech before the 13th International Monetary Symposium, 12 November 2004. Speech on file. The full text can also be accessed through the BIS website.
[65] ECB, The Monetary Policy of the ECB (Frankfurt am Main, 2004), p.10.
[66] Ibid., p.12.
[67] Edward Luttwak, Turbo Capitalism: Winners and Losers in the Global Economy (HarperCollins, 1999), p.200.
[68] European Central Bank, "Economic and Monetary Union," historical article on the ECB website. See http://www.ecb.int/ecb/history/html/index.en.html.
[69] "The international impact of the euro," Speech delivered by Christian Noyer, Vice-President of the European Central Bank, on the occasion of his visit to the United States, January 2000. Noyer is presently the Governor of the Bank of France and a Director at the BIS.
[70] Toshihiko Fukui, speech before the 13th International Monetary Symposium, 12 November 2004.
[71] Edouard Herriot, The United States of Europe (The Viking Press, 1930), p.212.
[72] The Brandt Equation: 21st Century Blueprint for the New Global Economy. The Brandt Proposals – A Report Card: Money and Finances. See http://www.brandt21forum.info/1ckMoney.htm.