

STATEMENT OF DR. GEORG KRAYER  
CHAIRMAN, SWISS BANKERS ASSOCIATION  
before the  
COMMITTEE ON BANKING AND FINANCIAL SERVICES  
of the  
U.S. HOUSE OF REPRESENTATIVES  
December 11, 1996

Mr. Chairman, and members of the Committee:

My name is Georg Krayer. I am Chairman of the Swiss Bankers Association, a voluntary association of approximately 400 Swiss banks that functions both as a trade association and a self-regulatory organization. I am also Vice-Chairman of Bank Sarasin & Company, a private bank founded in 1841 and based in Basel. The SBA and its members appreciate the opportunity to testify concerning the steps we have taken, are taking and will be taking to resolve expeditiously and conclusively the important issues that concern all of us. As Chairman of the SBA, I have been personally involved in and committed to many of these efforts.

Seven months ago, the SBA, in testimony before the Senate Banking Committee on the dormant account question, stated its commitment to resolve "all outstanding questions about assets held in Swiss banks that may have belonged to victims of the Holocaust in a sensitive, equitable, open, accurate, and professional manner." At the hearing, the SBA pledged that "at the end of the day, not one penny that could have belonged to victims of the Holocaust will be held by Swiss banks" and that any such funds would be "distributed to the rightful heirs of the victims, or to worthy charitable organizations." We stand by that pledge, and have made progress in making good on it.

Well before last April's hearing took place, the SBA embarked on efforts to examine and resolve the questions concerning assets of Holocaust victims that might still be held in Swiss banks. Although we believed our efforts would succeed, we recognized that if we acted alone, we could not put to rest speculation concerning the dormant account issue. Accordingly, we proposed to the World Jewish Congress that we jointly establish a process that would provide for a thorough audit of dormant accounts opened before the end of World War II. We proposed that the process would be supervised by an "Independent Committee of Eminent Persons" (or "ICEP") -- a group of individuals of high standing appointed by each side -- who, based on the audit findings, would quantify the amount of dormant assets held by Swiss banks that could have belonged to Holocaust victims and would determine whether the Swiss banks had acted appropriately in handling accounts of those who were victimized by the Nazis. As Mr. Bronfman has repeatedly stated, the paramount goal of this process would be to establish truth, and, to be successful, it would have to embody principles of justice, trust and transparency.

Today, I am pleased to report that these objectives have been faithfully pursued, the processes are underway, and results are being realized. The dormant asset question is being addressed in two separate ways. First, the Independent Committee of Eminent Persons, under the able and thoughtful stewardship of Chairman Volcker, and with the cooperation of the SBA and the participation of the World Jewish Congress, has initiated the audit process that will conclusively resolve all outstanding questions concerning dormant assets held in Swiss banks that may have belonged to Holocaust victims. Second, the Banking Ombudsman, under delicate and difficult circumstances, is working hard to match the claims of survivors and their heirs to

dormant assets. Separately, as Ambassador Borer has described, the Swiss Government is taking the final steps to establish a historical commission that will investigate a broad range of questions involving the relationship of Switzerland and Germany before and during World War II, including investigation of the so-called "looted assets" issue and gold transactions with Germany. The ICEP will work cooperatively with the historical commission and, to the extent that it uncovers information concerning matters outside of its mandate, such as information concerning looted assets, the ICEP will provide it to the historical commission.

As you can see, we have accomplished a significant amount in the past several months. Please permit me to review our recent progress, the ongoing process, and our anticipated resolution of this matter.

#### A. The Independent Committee of Eminent Persons

On May 2, the World Jewish Restitution Organization, the World Jewish Congress, representing the Jewish Agency and allied organizations, and the SBA reached an agreement along the lines outlined in our proposal described above to resolve all outstanding questions relating to the dormant accounts issue. The agreement or "Memorandum of Understanding," of which I was a signatory, established the Independent Committee of Eminent Persons whose work Chairman Volcker has described. Less than one week after the MOU was signed, the Swiss Federal Council -- Switzerland's executive authority, after being informed by the SBA of the provision in the MOU which calls for government support -- issued a declaration

supporting the agreement and established a task force to address what measures could be taken to examine the question of looted assets.

In early summer, the parties to the MOU appointed the members and alternates of the ICEP. In July, Chairman Volcker accepted the position of ICEP Chairman and on August 14, the first ICEP meeting took place in New York. At that meeting, which I attended, the ICEP authorized a subcommittee to interview international accounting firms to formulate plans to carry out the ICEP's audit mandate. In mid-September, the subcommittee interviewed six firms. The full ICEP discussed the audit mandate at its second meeting held in Zurich on October 18. At the beginning of November, the ICEP received formal proposals from the six auditing firms. As a result of this process, on November 19, the ICEP issued its initial audit mandate and selected three firms to conduct the audit. The SBA and its members are underwriting the costs of the ICEP process.

After a brief planning period, the ICEP audit process will be underway. Chairman Volcker already has provided an excellent description of this unprecedented undertaking that I will not attempt to duplicate. However, I would like to emphasize several important aspects. First, the SBA, its members, and the Swiss bank supervisors are committed to providing their full support and cooperation to the audit and to abiding by its results. I fully expect that all of the parties to the MOU and the members of the ICEP share these commitments. Second, the auditors will have full access to all relevant information. Third, because of this access, the audit findings will represent the best attainable results and, therefore, must be

accepted as conclusive by all responsible parties. Fourth, as Chairman Volcker explained the process should be completed within the next 18 months. Do I personally wish the process could be finished tomorrow? Obviously, yes. However, considering the importance of the issues, Chairman Volcker's timetable represents an expeditious schedule for dealing with these complicated tasks.

#### B. The Ombudsman

While the ICEP was busy getting started, the Swiss Banking Ombudsman, an independent intermediary acting under the auspices of a private non-profit foundation, was continuing his efforts to act as a central clearinghouse between potential claimants and dormant assets held in all of the banks. On November 12, the Ombudsman held a press conference to announce the initial results of his process. 2,299 people have contacted the Ombudsman and 1055 (70% of whom were heirs of Holocaust victims) have returned completed questionnaires. 892 applications have been approved and sent to the banks. These relatively modest results may be due to various factors. First, the initial amount of assets transferred to Switzerland was probably not as large as has been suggested. Second, as Switzerland became more encircled by occupied countries, funds were transferred out of Switzerland to other countries, especially the United States. Third, the current effort is only the most recent opportunity for individuals to obtain dormant assets that rightfully belong to them.

Moreover, typically the information available to the claimants is extremely sparse and may not even include the name or location of the bank, or even the name of the

account holder. What would happen if someone from abroad whose family had been subjected to the worst form of barbarism came to this country looking for his or her family's money but could only provide the information that his or her parents deposited assets somewhere in the United States? Of course, any such claims should be treated with compassion and respect, but, we all must recognize that, no matter how compelling one's story, it is impossible to locate assets without information. It is equally difficult to prove the negative assertion that someone did not have assets in Swiss banks.

While the ICEP process moves forward, the Ombudsman will continue and intensify his efforts. I understand that the Ombudsman is considering visiting other countries to meet with groups of potential claimants. I also understand that the Ombudsman is investigating other steps, including expanding his staff, to make it easier for claimants to contact his office. We will continue to support the work of the Ombudsman as long as there is a possibility that there are claims that can be matched with assets.

#### C. The Swiss Historical Commission

As Ambassador Borer has explained, the Swiss Government has been active in putting in place a process that will address a broad range of issues that go beyond dormant accounts held by Swiss banks. The efforts of the Swiss Government have had and will continue to have the full support of the SBA and its members. No one wants it to take longer, but by the same token, no one wants a less-than-adequate work product that will not stand the test of time.

We hope that the commission can complete its mission within 2-3 years. We eagerly await the commission's findings with the conviction that the truth will be established.

**How will the process be concluded?**

At the conclusion of the ICEP process, a mechanism will be established to distribute all remaining unmatched dormant assets that could have belonged to victims of the Holocaust to charitable organizations. Once the details, mechanism, and distribution principles are worked out among the relevant parties, it is our expectation that actual distribution decisions should and will be governed principally by the input from representative Jewish organizations and without the involvement of the Swiss banks. As Ambassador Borer has explained, the historical commission will focus, among other things, on assets looted from Holocaust victims that are being wrongfully held in Switzerland. Any such assets identified by this process will, if possible, be returned to their rightful owners or distributed to appropriate charitable organizations.

Before I conclude, I would like to stress the continued crucial importance of constructive cooperation on the part of all parties. Without such cooperation, those who desire a genuine resolution to the issues we face will lose out and the few on the periphery who, for their own ends, prefer polemics, litigation, and factual distortion to cooperative efforts and constructive progress will gain. These unfortunate efforts threaten to interfere with the real progress we have achieved and make our work more difficult. Once the ongoing processes of

the ICEP and the Ombudsman are completed, we can all judge whether Swiss banks have behaved in a fair, accurate and professional manner. In the interim, we feel compelled again to caution against speculation about amounts and unfounded allegations of misconduct. Such conduct only creates headlines and false hopes, and makes any resolution of these difficult issues more painful for those who have already suffered too much.

I would like to close by commending the individual participants in the ICEP for their constructive and cooperative efforts in this important and difficult joint enterprise. In all human endeavors -- whether the affairs of state, the business world, or the social realm -- success is achieved through good personal relationships and mutual respect. It is my hope that, when the process is over, we will have learned much about ourselves and each other and we will part as colleagues and friends.

Thank you again, Mr. Chairman, members of the Committee, for giving me the opportunity to address you today. I will be pleased to respond to any questions you may have.