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## MEMORANDUM

March 24, 1950

To: The Commission

From: Walter C. Louchheim, Jr. *WCL*  
Foreign Economic Adviser

Subject: Japanese Dollar Bonds

The Japanese Government has forwarded through the Supreme Commander for Allied Powers documents prepared pursuant to communications sent to SCAP following our several conferences with the Departments of State and the Army. These documents were intended to provide a preview of the material which the Japanese Government proposes to transmit officially to fulfil our information requirements preliminary to the renewal of dealings in Japanese bonds in this country. These documents were forwarded to me by the Department of State, and I in turn transmitted them to Mr. Woodside, Assistant Director of the Division of Corporation Finance, for examination.

The documents and other problems relating to the resumption of transactions in the bonds were the subjects of a conference at the Pentagon, March 23, which was attended by the following:

Mr. E. M. Reed, Chief of the Public Finance Division of SCAP's headquarters;  
Maj. Paul Cullen, Department of the Army;  
Mr. Gardner Palmer, State Department;  
Messrs. Gilbert and Gross, Office of Alien Property, Justice Department;  
Messrs. Clifton and Zwerling, Commission's Division of Corporation Finance;  
Mr. Webb, Commission's General Counsel's Office; and  
Mr. Louchheim.

It was explained that Mr. Reed would shortly return to SCAP headquarters and would be glad to take with him the comments of the interested agencies on the documents and on the further problems.

The Commission representatives advised that, in general, the documents would seem to fulfil the reporting requirements of the Exchange Act. However, it was pointed out that several bond issues were covered which had not been previously admitted to the list of the New York Stock Exchange, while an issue of pound sterling bonds which had

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been so admitted was not included. It was further suggested by the Commission's representatives that Item 1, which relates to the default situation and the prospective renewal of service, should be considerably clarified. The Commission's representatives also referred to the understanding that SCAP would send with the statement from the Japanese Government a confirming statement relative to this matter.

The documents indicate that the Japanese Government considers the Taiwan Electric bonds and the Oriental Development bonds to be in a different category from the other outstanding issues, and casts doubt upon whether the Government intends to assume these obligations in full. The State Department representative urged the position that these bonds were unqualifiedly guaranteed by the Government and should not be separately treated.

There was discussion as to what would be required by the Office of Alien Property, as well as by the securities exchanges, in order to identify those bonds which the Japanese Government stated were held in this country by Japanese nationals and therefore had been converted into yen obligations. The Commission's representatives supported the Office of Alien Property in urging the importance of obtaining a list of the numbers of the bond certificates which were purportedly converted into yen and held in this country, so that this list could be advertised at the time of the resumption of trading, and these bonds would not become eligible for sale. The Office of Alien Property, in addition, asked for more specific identification of securities purported to be held by various agencies in this country. It was agreed that this problem would have to be resolved before resumption of trading could take place.

Mr. Reed was advised of the urgency of clearing up these questions in view of the pressure from the financial community for the renewal of trading in Japanese securities.