

Notes of Savannah Conference and Other Discussions Relative to Registration
of the Bank's Bonds, Foreign Securities, and Subjects of Interest to the
Commission.

(1) Re Securities Act of 1933 Requirements. Several discussions lead to the general impression that representatives of foreign governments anticipate complete filing of information in connection with their own issues, whether guaranteed by the International Bank or not. In general, the principle upon which these foreign representatives proceed is that the U.S. investor should be given whatever information will help him to become familiar with the economy of the borrowing country, but that care should be taken to avoid the introduction of information which might be misleading or which is not prepared on a sound basis.

As an illustration, there was considerable question as to the desirability of including items such as the national income of the borrowing countries. It is felt that perhaps this item had been included in our memorandum because of its inclusion in Article VIII, Section 5 of the Agreement on the International Monetary Fund. It is pointed out, however, that the information filed by the Fund is not necessarily made public in that form and that at present national income figures of many countries would be misleading to U.S. investors. This is because of the disparity in the methods used in the calculation of national income. It was suggested that this item might be omitted, at least until the Fund had worked out a uniform procedure for calculation.

Another item in our memorandum of March first which was subject to question was the international investment position. It was felt that here also the information might be useful in the operation of the Fund, but could become very confusing to potential investors.

The item calling for indices of commodity prices also was questioned for the same reasons. It was suggested that instead of requiring a copy of the annual budget a synopsis would suffice.

Several items were suggested for addition to those contained in the March first memorandum. These items included a statement of the repatriation of outstanding bonds in detail as to bonds of good standing and as to bonds in default; in the expropriation or confiscation of foreign property measures which had been adopted; short term liabilities in terms of foreign exchange or gold.

In general it was felt that the schedule for registration for foreign national governments, either with or without the guarantee of the International Bank, was a reasonable and workable requirement. Considerable doubt however was expressed as to the advisability of trying to make the registration requirements parallel information requirements of the Fund. It was recognized that the interests of public investors and those of the management of the Fund are not the same or even parallel. On the other hand, the fact that the Fund already had certain types of information was admitted to be a sound basis for not omitting items which could be construed to have a public interest.

It was further pointed out that in the registration of foreign corporate issues without the guarantee of the Bank or of the Government, the current requirements of the Commission omit very important material. This material includes practically all of those items which enter into the registration of a foreign government issue.

It was pointed out that the balance of payments and other general financial and economic factors of a foreign country was very important in appraising the ability of a foreign private borrower to service and repay a loan. It was suggested that American investors were entitled to this complete information.

While most of the discussions on which the above were based took place at the Inaugural Meeting of the Bank and Fund at Savannah, there was no occasion at that time to take up that

portion of the March first memorandum which relates to registration by the Bank. This was due to the fact that no meeting of the board of directors of the Bank was held in Savannah and that no one felt in a position to initiate these discussions. The United States Executive Directors on the Bank and the Fund, however, have been advised of our readiness to undertake these discussions and have expressed the intention of initiating them sometime after the directors' meeting begins which is scheduled for the first of May.

Several countries represented at the Savannah Conference indicated programs of refunding or of financing independently of the Bank. The Danish Government has now outstanding an issue of bonds, repayment of which is overdue, but which continues to be serviced. It is the intention of this Government to undertake a refunding operation at the earliest possible moment. The Norwegian Government has also an outstanding issue of bonds which has been fully serviced. This Government proposes to refund these issues and perhaps to make an additional offering. The Netherlands Government has been negotiating with the Export-Import Bank and has recently received a loan of \$200 million for one year on the condition that it would make every effort to obtain private capital participation. The Export-Import Bank also has been urged to take more active steps than it has in the past to obtain private participation in its loans and it is understood that steps in this direction will shortly be taken by Mr. Martin, chairman of the board of directors.

There is also some indication that the Government of Belgium will, in a short time, come into the private U.S. markets for a loan. Belgium is not at present an applicant for credit through the Export-Import Bank.

In the course of the current discussions of a substantial loan from the United States Government to France, it is planned to raise the question as to the possibilities of France obtaining funds in the private capital markets of the United States.

(2) There were several discussions which related to the prospect of admitting securities of foreign currency denominations to dealings on national securities exchanges. This is a problem on which Mr. Haskell, Vice-president of the New York Stock Exchange has recently made a tour of Europe in order to explore. This matter was brought up first by Mr. Rowe Dutton, Assistant Secretary of the British Treasury at the Savannah meeting. Mr. Haskell had had a conversation with him in London on this subject, and Mr. Rowe Dutton stated unequivocally the opposition of the British Treasury to the program that was laid before them. He said that the Treasury did not wish to have British securities admitted to dealings on any national securities exchange in the United States because they felt that this would subject them to the speculative fluctuations which occur in these markets and that this would be

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to the efforts of the NAC Sub-Committee on Marketing the Bank's Bonds which discussed these problems with the insurance companies and savings banks sometime ago. No action, however, has been taken by the insurance companies, and therefore, assuming that the Governor signs the above-referred to bill, only savings banks, trustees and other institutions governed by the banking laws will be able to participate in the early offerings of the Bank's bonds. It is felt that the fact that these bonds will be registered under the Securities Act may have had some bearing on the favorable action taken by the New York State Legislature. This impression is borne out by a discussion which took place recently at the New York Federal Reserve Bank at which State Banking Commissioners from four or five other states attended. The question was raised by the Federal Reserve representatives as to the opinion of these commissioners towards the registration of the Bank's bonds. The Commissioners were unanimous in their opinion that they saw no reason for seeking exemption of these bonds, and that on the contrary, their registration seemed to be advantageous from the point of view of investors.

The discussions on the French loan application are bringing out the kind of information which foreign governments can readily make available in connection with these applications. Much of this information may be equally relevant to a public offering of bonds as to an application from the U.S. Government. These discussions, which take place daily, are therefore being followed very closely. The French Delegation at these meetings circulates confidentially considerable information which is being collected and which will be compared with the kind of data which the March first memorandum on registration, as well as Schedule B, will call for.

The presentation by the French of their industrial expansion program is an important feature of these discussions. In measuring the feasibility of this program of capital investment

our Plant and Equipment Expenditure reports were introduced and were found of considerable use. On the basis of these data it looks as though the French estimate may be excessively optimistic. This would, of course, materially affect the entire program including the amount of their foreign loan requirements.

(4) The Foreign Investment Policy Committee established under the Executive Committee on Economic Foreign Policy by the State Department has been delayed in giving consideration to the formulation of its policy on public and private investment. The delay has been caused not only by the activity preparatory to the Inaugural Meeting of the Fund and Bank, but also by the French negotiations and the consideration given by the NAC Staff Committee to other loan applications and the program of the Export-Import Bank. It is planned, however, to resume the discussions in the Foreign Investment Policy Committee this week.

A Sub-Committee on Private Foreign Investment has been named to consist of the Securities and Exchange Commission representative as chairman, a representative from the Department of Commerce and the Federal Reserve Board. The assignment of this group is to consider means of fostering and controlling private foreign investment. Work has already been done on "Joint Participation" and on "Control of American and Private Foreign Investment" and will be continued. The group will also consider material dealing with "Recommendations for International Agreements Designed to Improve the Basis of Trade and to Assure Just and Equitable Treatment for the Enterprise Skills and Capital Brought From one Country to Another, Including Agreements on the Treatment of Foreign Nationals and Enterprises" as set forth in the Proposals for Expansion of World Trade and Employment to be Implemented by the International Trade Organization. Also assigned to this group is consideration of treaties to safeguard American foreign investments and the problem of "tying restrictions" in private loan

contracts. In general, it will be the duties of this group to prepare a policy statement on private foreign investment for the Executive Committee on Economic Foreign Policy. A major aspect of this policy will include consideration of the extension of the Securities Act with respect to foreign loans and investments which has previously been discussed informally with representatives of the State and other Departments.

As a result of discussions the work of the Foreign Investment Policy Committee has been integrated with the activities of the NAC Staff Committee, and although they work as separate units, considerable interchange of information has been arranged between them.

(5) It is expected that in the early meetings of the board of directors of the Bank, there will be a selection of a president and other members of the Bank's staff. The organization of the Bank should follow, and thereafter discussions might be initiated relating to matters in which the Commission is primarily interested. These will include methods which the Bank will employ to market its securities and procedures which it will carry out under the Agreement to assure that loans which it might grant are not available in the private capital markets on reasonable conditions. At this time, also, further and more detailed conversations should take place between the staff of the Bank and the representatives of the Commission on the registration of the direct obligations of the Bank, as well as on the registration of foreign government bonds which the Bank might guarantee.

There are other questions which the Bank will have to consider in which the Commission is interested. For example, there is the matter of audit. In the course of the discussion of the Committee on By-Laws at the Inaugural Meeting of the Fund and Bank, the point was made that a requirement to have an independent audit made of the Fund would not be advisable. It was felt that auditors would not be capable of really appraising the foreign exchange assets primarily of

the Fund and also of the Bank. On the other hand, it was pointed out that with respect to the Bank, private investors, as well as the requirements of the Securities and Exchange Commission, might indicate an opposite conclusion. The matter was resolved by permitting the board of directors to determine the type of audit for each institution. Arrangements have been made to have this matter discussed with representatives of the Commission at the appropriate time.

Another question which will arise later in the Bank's operations is the kind and degree of stabilizing operation which it might undertake. The Articles of Agreement of the Bank permit the purchase and sale of its obligations which it has guaranteed or those in which it has participated. From informal conversations, it appears that it is contemplated that the Bank will undertake its own market stabilizing operations. The management of the Bank will wish to have the Commission's views and advice in connection with these transactions.

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