

April 12, 1946

MEMORANDUM To: National Advisory Council  
From: Mr. White (Chairman, Technical Committee)  
Subject: Final Report of the Sub-Committee on Marketing  
of International Bank Securities to the  
Technical Committee of the National Advisory  
Council

The attached report is submitted to the Council  
for its information.

April 10, 1946

MEMORANDUM To: Technical Committee of National Advisory Council  
From: Sub-Committee on Marketing of International Bank Securities  
Subject: Final Report and Recommendations

This Sub-Committee was one of two sub-committees established by the Technical Committee at its meeting of January 3, 1946 to study the problems involved in marketing the bonds of the International Bank.

Members

The active members of the Sub-Committee were:

Elting Arnold	- Treasury Department
Louis N. Dembitz	- Federal Reserve Board
Morris J. Fields	- Department of Commerce
Walter C. Louchheim, Jr. (Chairman)	- Securities and Exchange Commission
George Luthringer	- State Department

Studies and Reports

The Sub-Committee has studied, discussed and presented its conclusions on: the status of the direct and guaranteed obligations of the Bank under the Securities Act, the Securities Exchange Act and the Investment Company Act; the possible effect of State Blue Sky Laws upon the marketing of the Bank's bonds; State laws regarding investment by insurance companies, trustees, savings banks, charitable institutions and general corporations; and several problems involving the investment banking industry.

Based upon these studies and discussions, the following reports have been submitted to the Technical Committee by this Sub-Committee:

- (1) Initial Conclusions and Recommendations (NAC Technical Committee Document No. 16, January 22, 1946).
- (2) Recent Developments in Marketing of International Bank Securities (NAC Technical Committee Document No. 21, February 26, 1946).
- (3) Action of N. Y. State Legislature (March 25, 1946).

In addition, the Report of the Technical Committee to the National Advisory Council on Marketing of International Bank Securities (NAC Document No. 69, February 12, 1946) covered the activities of this Sub-Committee.

#### Discussions and Results

The major efforts of this Sub-Committee were devoted to the problems arising from the ineligibility of the Bank's bonds under most state laws for investment by insurance companies, savings banks and trustees. The substance of the discussions which were held with state banking authorities and representatives of insurance companies and savings banks was contained in NAC Document No. 69. The further developments on this matter were presented to the Technical Committee in NAC Technical Committee Document No. 21 and in the report of March 25th on the action of the New York State Legislature.

The banking laws of the State of New York have now been amended to permit investment by savings banks in the direct and guaranteed obligations of the International Bank. The passage of this amendment may be largely attributed to the Committee on Savings Banks Investments for New York State, with which this Sub-Committee originally took up the problem. The effect of this amendment is to make the Bank's bonds legal investments not only for savings banks but also for trust funds in New York and some other states.

No action was taken, however, either by the insurance company representatives or by the Superintendent of Insurance toward the introduction to the New York Legislature of a bill to permit investment in the Bank's bonds by these institutions. As the New York Legislature has now adjourned, any such amendment to the insurance laws will need to be postponed until the 1947 session. Similar delays in legalizing institutional investment in the Bank's bonds by legislatures of other leading states which met in 1946 (Massachusetts and New Jersey) result from the fact that they were not presented with the enabling amendments prior to adjournment. It may well be, however, that the action taken by New York State, and the position of its Banking Commissioner, will have an important influence upon other state authorities to support similar measures in the near future.

Members of the Sub-Committee have discussed the problems involved in the marketing of the Bank's bonds with representative investment bankers and with officials of the Investment Bankers Association, of the National Association of Securities Dealers, and of the New York Stock Exchange.

As a result of these discussions, it is felt that an active interest in the marketing program of the Bank has been generated in the investment community, which previous to these discussions had given but little attention to the subject. The Investment Bankers Association has

- 3 -

established two committees to consider problems dealing with the International Bank; the National Association of Securities Dealers will consider in detail its cooperation with the Bank at its forthcoming board of governors meeting; and the New York Stock Exchange has informally indicated its interest in admitting the Bank's bonds to trading privileges. A discussion with investment men in large commercial banks was also initiated by this Sub-Committee, and subsequently resumed by the Sub-Committee on Investment by Banks.

#### Recommendations

The placing of a large volume of new and unfamiliar securities such as the Bank will issue is a substantial undertaking. A widespread distribution of the bonds among individual as well as institutional investors will be most desirable. The distribution of the initial issues of the Bank will probably be affected by the prospect that many institutional investors will be precluded from purchasing them. The Sub-Committee renews its recommendations as to the following course of action:

(1) To continue discussions with representatives of investment bankers, of securities brokers and dealers, and of national securities exchanges with a view to preparing for the widest possible distribution of the Bank's bonds among investors.

(2) To initiate an educational program to acquaint the public with the purposes and operations of the International Bank and with the types of securities that it will offer. This step seems particularly important and timely in view of the relative unfamiliarity with the Bank shown by so many of the investment experts in discussions with them.

(3) To continue activities toward the relaxation of state laws to make the Bank's bonds eligible for investment by insurance companies and savings banks at the earliest feasible date.