

BW

National Advisory Council
Technical Committee
Document No. 16

January 22, 1946

To: Technical Committee of National Advisory Council
From: Sub-Committee on Marketing of International Bank Securities
Subject: Initial Conclusions and Recommendations

1. State laws regarding investment by insurance companies, trustees, savings banks, charitable institutions and general corporations

Examination by the Treasury of the laws of twelve of the most important states shows that, with minor exceptions, bonds issued or guaranteed by the bank will not, under existing statutes, be eligible investments for insurance companies, trustees or savings banks. Such bonds probably could be purchased by charitable and educational institutions and general corporations, except as limited by charter provisions of particular institutions. Based upon this study, the Sub-Committee recommends that prompt steps be taken to secure state legislation permitting the purchase of bonds issued and guaranteed by the Bank.

The Sub-Committee believes that the best and most expeditious procedure would be through organizations or associations of insurance and trust companies and savings banks rather than through direct approach to state authorities or legislatures, the Federal Government standing by to aid the efforts of these organizations if necessary. Attention should first be focused on the State of New York and then on Massachusetts and New Jersey, the legislatures of which are now in session, with the expectation that success there would cause the legislatures of other states to follow. It is therefore proposed that the Technical Committee authorize this Sub-Committee to proceed with discussions with the appropriate associations and institutions.

2. State Blue-Sky laws

The Sub-Committee also considered whether it would be necessary to secure amendments of State Blue-Sky laws, i.e. existing state laws regulating the sale of securities, to make the sale of the Bank's bonds legal within particular state boundaries. A memorandum prepared by the Securities and Exchange Commission indicates that, except for administrative actions by the securities commissioners of a few states, it will be unnecessary to undertake a program to secure changes in these Blue-Sky laws.

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3. Status of direct and guaranteed obligations of the Bank under the Securities Act of 1933 and the Securities Exchange Act of 1934

A memorandum prepared by the Securities and Exchange Commission indicates that registration under the Securities Act of bonds issued or guaranteed by the Bank, when publicly offered, would be required by the present terms of that Act, and relevant portions of the Senate debate on the Bretton Woods Agreement Act seem to confirm that such registration was contemplated. Exemption for the Bank's securities would, therefore, require an amendment of the Securities Act. The Sub-Committee recommends that at this time no attempt be made to obtain such an amendment of this statute.

In order for direct and guaranteed bonds of the Bank to be admitted to dealings on a national securities exchange, registration under the Securities Exchange Act of 1934 will be required. While the Secretary of the Treasury and SEC have broad powers of exemption under this Act, the Sub-Committee believes that it would be inadvisable to employ them in favor of the bonds of the Bank.

The above recommendations are based in part on the opinion that the registration requirements in themselves would not impose an undue burden upon the Bank and that any specific problems can be satisfactorily worked out by cooperation of the SEC and the Bank.

The Investment Company Act does not measurably affect the marketing of the Bank's bonds, although some registered investment companies may have to amend their statements on file with SEC in order to make such investments.

The documents on which these initial conclusions and recommendations are based will be available at the meeting of the Technical Committee.

January 18, 1946

Procedure at the First Meeting of the Board of Governors
of the International Monetary Fund and the International
Bank for Reconstruction and Development

1. The Governor who represents the United States should act as temporary Chairman. His first action should be to appoint a committee on credentials and a nominating committee.
2. On the basis of the nominating committee's report, a Chairman, one or more Vice Chairmen and a temporary Secretary should be selected.
3. The Chairman should appoint an agenda committee.

The agenda committee should meet as soon as possible and should promptly report a proposed agenda to the Board of Governors. The following agenda is suggested:

1. The Chairman should appoint the following committees:
 - (a) a committee on membership;
 - (b) a committee on the selection of a site for the principal office;
 - (c) a committee on the remuneration of the Executive Directors and the salary and contract of service of the Managing Director; and
 - (d) a committee on By-laws.

[In the case of the Bank there should also be a committee to report on the procedure for selection of the Advisory Council. In all other respects the agenda for the Bank should be identical with that of the Fund.]

2. The first committee report for the Board to take up should be that of the committee on membership.

The two functions of this committee should be to propose a quota for Denmark and to propose a resolution for the admission of those countries who participated in the Bretton Woods Conference but who have not accepted membership in the Fund and Bank. The committee on membership should act quickly and report its conclusions to the Board at as early a point as possible in order that those countries which are prepared to accept membership may be in a position to do so and thus participate in the first meeting and in the first election of Executive Directors.

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3. The Board should take up the report of the committee on the selection of the site of the principal office.
4. The Board should take up the report of the committee on the remuneration of the Executive Directors and the salary and contract of service of the Managing Director.
5. The Board should take up the report of the committee on the By-laws.
6. Election of Executive Directors.
7. A resolution should be adopted fixing the date on which the Executive Directors should begin to function, and authorizing the temporary Secretary to make all arrangements necessary for the first meeting of the Directors.
8. A resolution should be adopted authorizing the temporary Secretary to use a limited amount of money for the purpose of meeting necessary expenses incurred before permanent procedures have been worked out by the Executive Directors.
9. Any other matters which may be brought before the Board.
10. The Board should set a date for its second meeting.