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# INTERNATIONAL MONETARY FUND

## Minutes of Executive Board Meeting 91/29

3:00 p.m., February 27, 1991

R. D. Erb, Acting Chairman

| Executive Directors | Alternate Executive Directors |
|---|---|
| | B. R. Fuleihan, Temporary |
| | S. Gurumurthi, Temporary |
| | D. Powell, Temporary |
| Dai Q. | |
| T. C. Dawson | J. M. Abbott, Temporary |
| | J. Prader |
| | G. H. Spencer |
| | C. Schioppa, Temporary |
| | A. F. Mohammed |
| M. Fogelholm | I. H. Thorláksson |
| B. Goos | B. Esdar |
| J. E. Ismael | |
| | F. A. Quirós, Temporary |
| | J.-L. Menda, Temporary |
| | M. J. Mojarrad, Temporary |
| | L. J. Mwananshiku |
| D. Peretz | P. Wright |
| | G. P. J. Hogeweg |
| | Y.-M. T. Koissy |
| A. Torres | R. Marino |
| A. Végh | |
| K. Yamazaki | N. Tabata |

L. Van Houtven, Secretary and Counsellor
T. S. Walter, Assistant

Also Present

Exchange and Trade Relations Department: E. Brau, Deputy Director; T. Leddy, Deputy Director; J. J. Clark, Jr., M. A. El-Erian, A. Leipold, P. Lenain, G. R. Kincaid, C. M. Watson. External Relations Department: J. C. Roushdy. Legal Department: W. E. Holder, Deputy General Counsel; P. L. Francotte, J. L. Hagan. Research Department: B. B. Aghevli, D. Folkerts-Landau, S. M. Fries, M. S. Khan, D. J. Mathieson, E. L. Rojas-Suarez, R. I. Vera-Bunge, K. S. Warwick, P. Wickham. Secretary's Department: C. Brachet, Deputy Secretary; J. W. Lang, Jr., Deputy Secretary; A. Tahari. Treasurer's Department: A. I. Rajasingham. Western Hemisphere Department: D. Dwor-Fecaut. Bureau of Statistics: R. G. Di Calogero. Advisors to Executive Directors: J. O. Aderibigbe, M. Galán, A. Napky, A. M. Tanase, N. Toé. Assistants to Executive Directors: A. Abdullah, B. A. Christiansen, S. B. Creane, S. K. Fayyad, M. A. Ghavam, K. Ichikawa, M. E. F. Jones, P. K. Kafle, V. Kural, W. Laux, L. Rodriguez, J.-P. Schoder, D. Sparkes, Tin Win, J. C. Westerweel.

1. INTERNATIONAL CAPITAL MARKETS - DEVELOPMENTS AND PROSPECTS, 1990

The Executive Directors continued from the previous meeting (EBM/91/28, 2/27/91) their consideration of a staff paper on developments and prospects in international capital markets (SM/91/24, 2/1/91). They also had before them background material (SM/91/32, 2/13/91; and Sup. 1, 2/20/91).

A staff representative from the Exchange and Trade Relations Department remarked that the Directors had made a number of suggestions about priorities for future work. One area that had been viewed as especially relevant was the re-entry of developing countries into capital markets, including both the operational aspects of the re-entry and specific funding techniques, such as collateralization. A second area--to be explored through either the international capital markets paper or other staff work--was the more systematic study of the linkages between financial market developments and structures, on the one hand, and developments in the real economy and macroeconomic policies, on the other. The third area for future work was the continued monitoring of regulatory developments, including the supervision and regulation of securities markets and the impact of banking regulations--provisioning requirements, in particular--on loan flows to developing countries.

The assessment in the staff papers indicated that there were two main pillars of stability in the financial markets, the staff representative noted. In order to maintain stable markets, sound macroeconomic policies should be implemented, and supervision should be extended and strengthened.

With respect to the latter source of stability--supervision--one could sympathize with Mr. Spencer's suggestion that an analogy to Goodhart's law might be at work in the field of banking supervision, the staff representative commented. The theory that any supervisory aggregate became operationally ineffective once it had been incorporated in a ratio was given credence by the movement of businesses toward off-balance-sheet operations. Indeed, the movement of transactions to unregulated markets was a current issue.

There were other serious limitations to supervision, the staff representative observed. It was very difficult to deal with fraud, which was a major source of bank failures. Moreover, it was quite difficult to supervise the allocation of a bank's assets in those sectors of an economy where positive covariance of risk could not easily be established. The problem of sector exposure should really be dealt with on a case-by-case basis; in that respect, the current effort to supervise large exposures was mainly concerned with loans to single borrowers.

Despite those limitations, there were three reasons for considering that strengthening the coordination of supervision was a useful--and quite effective--exercise, the staff representative suggested. First, as Mr. Spencer had noted, some of the current problems in financial systems--especially in the United States--had stemmed from overregulation zeal in the past; however, that kind of regulation--price and quantity restrictions and geographic limitations--did not conform to the current supervisory model. Although the removal of those restrictions had been beneficial in most countries, a counterbalance in the form of strong supervision was still needed.

The second reason was that the Basle accord--apart from providing important quantitative guidelines--was one that could shape a framework for supervising institutions, the staff representative commented. That framework amounted to taking the best banking and supervisory practices--such as the approach to consolidation that had first been advocated by the Netherlands--and extending them to other supervisors and other banks, thereby promulgating a "best market practice." In fact, it was notable that many sophisticated financial institutions, rather than taking the lead, had followed supervisors in the development of strategies for dealing with off-balance-sheet risk; moreover, those institutions had found discussions with the leading central banks to be helpful. The ongoing learning process also facilitated the exchange of information on mutual objectives among supervisors at both national and international levels. Nevertheless, as Mr. Peretz's comments had made clear, the process was quite labor intensive and expensive.

Third--and in answer to a point that Mr. Ismael had raised--the BIS-organized regional bank supervisors' committees, as well as the biannual international conferences of bank supervisors, served to promulgate the development of a supervisory framework and an understanding of capital market issues that extended well beyond the major industrial countries, the staff representative remarked. It was to be hoped that publications of the kind that the present staff papers would ultimately result in would also help to promulgate such knowledge. In addition, coordination had been developed in the securities markets through IOSCO and other bodies.

The principal pillar of financial market stability--the concept that sound macroeconomic policies would result in stable financial markets--had also been a topic of considerable discussion, the staff representative noted. Mr. Landau had turned that proposition around by wondering whether developments in the derivative product markets--including, inter alia, futures and options--might not result in instability in the real economy. However, the staff had affirmed--as it had on previous occasions--that macroeconomic policies were the core, and that capital accounts were driven largely by current account developments. Weak macroeconomic policies would cause frailty in financial markets, rather than vice versa.

Two qualifying comments should be added to that proposition, the staff representative stated. First, as Mr. Hogeweg had said, financial markets were interesting to study because they provided a mirror that reflected the real economy. Indeed, relevant suggestions were offered in the staff papers on the ways in which the derivative product markets could be used to chart more fully the evolution of private sector expectations, in light of shocks to the economy. Similarly, if credit flows progressively shifted into traded markets, those markets would reflect more explicitly--and more quickly--changes in economic policies. That kind of feedback process could be regarded as benign.

The second qualifying comment concerned the effect that the fragility of financial markets could have on the authorities' ability to conduct sound macroeconomic policy, the staff representative from the Exchange and Trade Relations Department concluded. However, with respect to the banks' risk exposures to developing countries in the 1980s, or the current fragility in the new sectors of the economy, one could make a reasonable case that, although loan concentrations could have been better regulated, those financial system problems had been at least partly caused by bad macroeconomic policies. Debt financing and slowness in making economic adjustments had generated the imbalances that had resulted in the weaknesses of the 1980s. Moreover, the current fragility might--in some countries, at least--reflect asset price inflation that flowed from monetary policy. Therefore, although those linkages should be studied more closely, the constraints that financial markets imposed on monetary policy could frequently be seen as the ghosts of earlier policy errors coming back to haunt the current authorities.

The staff representative from the Research Department said that, with respect to the possibility of the diversion of financial activity as a result of excessive prudential supervision, the financial regulations in effect in the major industrial countries in the 1960s and 1970s had stimulated a shift of financial activity from domestic to offshore markets, which had been recorded in past staff papers on international capital markets. However, it was unlikely that the current efforts to strengthen prudential supervision and capital adequacy would shift financial activities to offshore markets, primarily because those efforts were being coordinated on a cross-country basis and applied to financial institutions regardless of their geographical location.

Nevertheless, the staff representative continued, certain financial activities, especially those involving securities trading, seemed to be migrating away from organized exchanges and traditional financial intermediaries. Although it was difficult to get data in that area, the process seemed to be gathering some steam: many large borrowers and corporations currently dealt directly with large institutional investors and often functioned outside normal securities markets and traditional financial intermediaries. It was not clear to what degree that type of activity was being stimulated by higher capital requirements or enhanced prudential supervision; nonetheless, the authorities were quite aware that their supervisory and regulatory policies could potentially push activities outside the traditional areas of finance. If such a shift in activities were to occur, the authorities' supervisory regimes and reporting systems would be focused on financial markets and institutions accounting for an increasingly smaller share of all financial activities, while other areas of growing importance would lack effective reporting systems and supervision.

With regard to safety nets, the staff representative observed, Mr. Esdar had described what many regulators saw as the ideal supervisory system: one in which a private deposit insurance system dealt with single institutional failures while the authorities maintained the overall stability of the financial system by providing emergency liquidity assistance. However, in confronting a financial crisis, the authorities typically faced the threat of the destabilization of the overall system through the failure of even a single large financial institution--a problem that was compounded by the trend in North America, Europe, and Japan toward large financial institutions. The likelihood that a single institutional failure would be a systemic threat was linked to that institution's activities in national and international payments and settlement systems, the possibility of contagion to other similar types of institutions, and--if that institution was a bank--its role as a correspondent bank. The authorities had to take all those factors into account in assessing whether a large institution should be allowed to fail. In the United States, for example, Continental Illinois--but not Drexel Burnham Lambert--had been judged to be too large to fail.

As Mr. Abbott had noted, the cost of the official safety net had been higher in the United States than in other countries, the staff representative remarked. Two problems were usually associated with institutional failures in the major industrial countries, and some aspects of the U.S. system might have increased the likelihood that those problems would occur in that system. One factor that seemed to hold in all cases was the highly concentrated portfolios of the failing institutions. That problem might have been even greater in the United States because of the restrictions imposed by the Glass-Steagall Act, which limited bank activities, and--possibly even more important--by the McFadden Act, which limited the ability of banks to achieve a broad geographic diversification of activities. Those restrictions had tended to make institutions in the United States more vulnerable to regional or industry-specific downturns. However, portfolio concentration was not unique to the United States: as Ms. Powell had pointed out, the Canadian regional banks that had failed in the 1980s had had highly undiversified portfolios concentrated in the agriculture and energy sectors.

The other element that seemed to be present in many institutional failures was harder to deal with, the staff representative commented: fraud and gaps in prudential supervision. Until very recently, the largest single cause of bank failure in the United States had been fraud. That might have reflected gaps in supervision, as it had been difficult to distribute the limited supervisory staff efficiently among the large number of institutions. Moreover, although a great deal of importance was currently attached to the goal of strengthening supervision, that had not been an important budgetary objective in many countries, including the United States, four or five years earlier.

The staff would continue to examine the implications that European integration might have for official safety nets in Europe, the staff representative stated. As had been discussed in the background paper, there were two components of an official safety net: the provision of emergency liquidity or other assistance to troubled institutions; and the exercise of prudential supervision, disclosure requirements, and accounting standards. Most of the discussions on European harmonization thus far had focused on prudential supervision and capital requirements, while public discussion on the provision of emergency liquidity assistance had been limited. However, that issue might arise in the course of the discussion on the charter of the proposed European central bank.

In preparing the published version of the staff papers, the staff representative from the Research Department concluded, the material on the Middle East crisis in Chapter 2 of the background material would be used as an example of the response of markets to a large unanticipated shock, and of the information that could be derived about changes in expectations with respect to future interest rates, exchange rates, and implied asset price volatility from asset price movements in the derivative product market for options and futures. As a number of Directors had indicated, the market response of January 1991 had differed greatly from that of August 1990, reflecting the fact that the possibility of hostilities in January 1991 had been more widely anticipated than the invasion in August 1990; as a result, market participants had been much better prepared to deal with that uncertainty. The staff would include a description of the similarities and differences between those two responses in the published study.

Another staff representative from the Exchange and Trade Department said that, as in the past, the discussion on the shortage of global savings had given rise to a variety of views from speakers. The issue had been discussed in several previous world economic outlook reports and would also be addressed in the upcoming one through a section devoted to the adequacy of global savings.

In pointing to savings shortages, the staff was not implying that something was intrinsically wrong with a high level of investment demand, the staff representative remarked. However, there definitely was a problem in trying to resolve the trade-off--which was intertemporal and intergenerational in nature--between higher savings and investment at the expense of consumption in the present, on the one hand, and higher levels of consumption and output in the future, on the other. Undoubtedly, as Mr. Arora and other speakers had noted, there was a concern that industrial countries in the 1980s had increasingly become net users of foreign savings, as reflected in their growing current account deficit.

With respect to the outlook for private savings in the major industrial countries, the staff representative noted, the indications were that the overall trend decline would continue. As compared to the previous decade, the average private savings rate for 1980-1990 fell in all industrial countries, with the exception of Germany and Canada.

The point made by Ms. Powell regarding the use of the term "credit crunch" was well taken, the staff representative considered. The staff had succumbed to the temptation of using the term, as it was in currency among the media and market participants; however, the effect was confusing because the term meant different things to different people. The staff would therefore exercise caution in using the phrase "credit crunch" in the published version of the papers.

The accepted definition in the economic literature of a typical credit crunch involved some blockage in the supply of credit or, more specifically, a sudden intensification in the nonprice rationing of credit, the staff representative continued. U.S. Federal Reserve Bank Chairman Greenspan had defined it in testimony before the U.S. Congress as "a contraction of lending on a major scale, with many borrowers effectively shut out of credit markets." It was difficult to assess whether that was taking place or not, and one needed to rely on a variety of indicators, including anecdotal and survey evidence, monetary and credit growth rates, lending spreads, fees, and other credit terms. On the global scale, anecdotal evidence pointed to a greater emphasis by lenders on credit quality and profitability. The cost of funds had reflected that emphasis in 1990, as the spreads on international syndicated credits had widened and fees had increased. As an example, margins over the London interbank offered rate for well-rated borrowers had widened by 20-30 basis points between September and December 1990. A number of loans had also been repriced during the syndication phase. Furthermore, in the Eurobond sector, spreads on corporate bonds over U.S. Treasury bonds had widened by 40-60 basis points between September and December 1990, and the Eurocommercial paper and other markets had given clear indications of an increased focus on the issuers' credit standing.

The most useful source for gauging the degree of stringency of bank lending in the United States was the Federal Reserve Bank's quarterly survey of lending practices, the staff representative observed. The most recent survey, released in early February 1991, seemed to indicate clearly that a pervasive tightening of credit standards was taking place, as a sizable portion of the banks had reported that they had tightened pricing and other lending terms across a wide spectrum of business and consumer loans. The banks had also reduced ceilings and credit lines and had tightened collateral requirements. Interestingly, the causes most often cited by the banks for tightening their credit posture were the deterioration in the economic outlook and industry-specific problems, rather than concerns about capital positions or regulatory pressures. Consequently, the tightening had not been uniform throughout the country; the intensity of the tightening had exhibited a wide geographic variation, with borrowers in the northeastern part of the country, in particular, experiencing forms of nonprice rationing.

In their assessment of the evidence, the staff leaned toward agreement with those Directors who had suggested that media and market concerns regarding a possible credit crunch had been overstated, the staff representative considered. It would appear that what was being observed was merely the normal reaction of banks to a recession: the banks were exercising caution in the face of a shortage in the markets of sufficiently creditworthy borrowers. As Mr. Peretz had said, that was a desirable reaction: it was appropriate that past excesses should lead to some retrenchment. It was also natural that the move from a posture of excessive credit creation to a more normal stance would be experienced as a tightening of credit by a number of market participants and onlookers; nevertheless, the staff agreed with those Directors who had warned against dealing with the problem through regulatory leniency.

With respect to the prospects for nonbank flows to developing countries, the discussion in the staff paper had highlighted that the re-entry process for countries with recent debt-servicing difficulties had been mainly through the bond and equity markets, the staff representative commented. In addition, as Mr. Yamazaki had noted, one should also emphasize the importance of foreign direct investment, which, because it was technically not a capital market phenomenon, had not been covered in the paper. As Mr. Dai and others had observed, the prospects for flows to developing countries were limited by concerns regarding creditworthiness and the sustained implementation of adjustment policies, the slow pace of structural reforms, and the lack of investment opportunities. With regard to Eastern Europe, those concerns were illustrated by the fact that many country funds for the area had not been deployed because of the lack of adequate opportunities.

Several Directors had intervened on the issue of collateralization, the staff representative noted. The staff shared the mixed feelings that had generally been expressed and agreed with Mr. Torres that, although collateralization was a technique that might be of some help to indebted countries in regaining access to markets, it should be used only on a transitory and limited basis. The staff had, in fact, employed that same formulation when, in the background material, it had described collateralization as a technique that could be used by entrants to markets during the transitional phase.

The fact that countries needed recourse to collateralization had led Mr. Torres to wonder whether the catalytic role of the Fund had not been somewhat diminished, the staff representative observed. Objectively, it had to be acknowledged that countries that had experienced debt-servicing difficulties faced formidable obstacles in regaining access to credit. Even with Fund support for adjustment programs, it would take some time to overcome negative market perceptions. Based on Mexico's experience, it would appear that shorter-term reflows, including the return of flight capital, could be the first positive reaction to the implementation of adjustment programs. However, for longer-term borrowing, sustained good policies continued to be more important than collateralization.

With respect to the effect of negative pledge clauses in loans from multilateral institutions, the staff representative commented, it should first be noted that collateralization had been used mainly by private sector borrowers. To that extent, the negative pledge clauses in loan agreements with multilaterals had not posed a problem. However, the need had on occasion arisen for the World Bank, in particular, to grant waivers to its negative pledge clauses--in accordance with its own guidelines--for collateralized debt exchanges involving sovereign borrowers. Among the criteria used by the World Bank in making those decisions was the ability of the collateralization operation under consideration to contribute significantly to the country's creditworthiness. Therefore, the World Bank felt that the policy concerning waivers for its negative pledge clause had not caused any constraint in the implementation of debt restructuring packages. The staff did not have at hand information on any specific policy that the IFC might have on negative pledge clauses and their effects.

In the area of provisioning requirements, Mr. Peretz and other speakers were correct to stress that it was important to maintain sound banking practices, the staff representative from the Exchange and Trade Relations Department considered. Moreover, as Mr. Schioppa and other speakers had suggested, any change in mandatory provisioning borrowing requirements would likely have only a limited impact on bank lending to developing countries. The staff was not advocating an undue relaxation of standards; it merely wished to ensure adequate provisioning while allowing sufficient flexibility to reflect the underlying value of the assets. There was some concern that, in a number of creditor countries, explicit provisions did not exist for removing a debtor country from a provisioning basket once its performance had registered a sustained improvement; another concern was that, in many cases, a framework was lacking for examining a country's performance on an ongoing basis in order to decide whether it should be "graduated." Finally, with respect to Mr. Hogeweg's comment about provisioning requirements for short-term and other credits that were being serviced on a regular basis, the staff would, as several Directors had requested, keep the matter under review.

Mr. Esdar said that he was somewhat surprised by the characterization of the German authorities' attempt to distinguish clearly between private savings and official intervention as "ideal." His point had been that the provision of an effective supervisory system was the main responsibility of the public sector; recourse to safety nets almost always reflected a failure in that system.

Mr. Abbott remarked that he supported the suggestion of Mr. Torres to develop and incorporate the material provided by the staff on new financing techniques for debt-ridden countries into the Board's discussion on the debt situation. It would also be useful if the staff could elaborate on the techniques that had been used by countries in repatriating flight capital. Some mention had been made of that subject in the staff paper, but it had been treated more as a statistical phenomenon associated with improved policy performance. The more knowledge that could be gained about that process, the better situated the Fund would be to utilize it in its discussions with other countries that were emerging from debt. Tapping the pool of offshore flight capital could be linked productively with privatization, for example, or amnesties from foreign exchange legislation.

The Morgan Guaranty Trust Company--the banking subsidiary of the Morgan Guaranty Company--was rated triple-A by all three of the credit rating agencies listed in the footnote on page 13 of the staff paper, Mr. Abbott added.

A staff representative from the Exchange and Trade Relations Department noted that Barclays Bank had recently fallen off the list of banks with a triple-A rating from the three major credit rating agencies.

Mr. Spencer said that, first, he wished to clarify the concern that he had expressed with respect to the regulation of capital markets. He fully supported the Basle accord as an appropriate response to the liberalization and globalization trends of recent years. However, the prospect of the distortions that could develop in the course of rapid growth in the intensity of supervision was a cause for concern. In particular, the staff had referred to the growing trend toward what might be called private placement markets, which, although relatively insignificant at present, were one potential source of growing disintermediation if supervisory standards became too onerous.

Second, the uncertain relationship between safety nets and deposit insurance had obviously been a major cause of the moral hazard problems that the United States, in particular, had encountered, Mr. Spencer observed. The U.S. Treasury proposals pointed toward risk-adjusted insurance premiums as a possible solution to those problems; however, there also seemed to be a hint of a possible move toward the private provision of deposit insurance. The latter seemed to him to be the preferred option, if feasible, as it would seem to reduce even more the possibility of implicit government guarantees. However, it was not clear to him whether any such private deposit insurance plans were currently operational. The staff could perhaps comment on policy measures that might be used to encourage a greater reliance on private deposit insurance.

The staff representative from the Research Department noted that a number of the bank deposit insurance systems in Europe were privately based. The German system was a privately based arrangement organized by the banks. In that context, the U.S. Treasury proposals could be seen almost as a reinsurance of some of the risks inherent in the provision of deposit insurance; rather than going completely toward privately based insurance, the proposals were an attempt to sell a portion of the inherent risk to the market, in order to develop an effective mechanism for pricing the cost of the insurance. Those proposals would be implemented as a trial system, which, if successful, would lead to further legislative action.

Mr. Schioppa said that he doubted whether the shrinkage of the banking sector in international financial markets that many speakers had referred to was actually taking place. First, banks were expanding the size of the capital markets by using them to fund their own operations. Banks issued bonds; in fact, the expansion of the floating rate note market that had occurred before the collapse of the stock market had been sponsored by the banks. Second, banks helped the growth of direct financing by holding bonds in their portfolios. Furthermore, the fact that the bond market was expanding did not necessarily mean that indirect methods of bank financing were diminishing; it was very difficult to speak with any certainty of trends in that area because of the lack of data on banks' bond holdings and net issues made on the markets by banks.

During the discussion, many speakers had referred to the idea that the growth in bank assets had been for its own sake, Mr. Schioppa commented. However, that was not a particularly useful way of looking at the process. Banking activities could more rationally be seen as attempts to increase market shares, rather than as maneuvers designed solely to increase the size of operations.

In his opinion, the newly introduced techniques for supervising the markets did not lead to excessive supervision, Mr. Schioppa considered. In his own country, for example, new types of intermediaries and financial products had appeared, necessitating--and justifying--the adoption of innovative approaches to supervision.

A staff representative from the Exchange and Trade Relations Department said that, with respect to Mr. Schioppa's first point, it was necessary to distinguish between two distinct phenomena. The first was the securitization of banking assets that subsequently stayed on the bank's balance sheets. The second was the relative share of intermediation that took place through commercial paper, as opposed to short-term bank lending. In that latter respect, the data indicated that, in fact, the share of bank lending in intermediation seemed to be declining secularly.

As Mr. Schioppa had noted, banks were indeed expanding their operations in order to increase their market shares, the staff representative from the Exchange and Trade Relations Department considered. However, as private market institutions, they probably should have been trying to maximize their net worth by increasing their profits and building capital, rather than by expanding their balance sheets. By pursuing asset growth for its own sake, they were actually undermining their long-term ability to compete for their share of the redefined financial services market.

The Acting Chairman made the following summing up:

Executive Directors welcomed the opportunity to review international capital market developments and prospects at a time of shifts in the pattern of international capital flows, political and economic shocks to the markets, and longer-term changes in the structure of major financial systems. In the present circumstances, as in the past, the pursuit of sound macroeconomic policies was seen to be of critical importance to promote financial market stability and confidence.

Directors observed that international capital market conditions had changed markedly over the past year, from a situation of buoyant activity against a relatively stable macroeconomic background in 1989, to one of unsettled market conditions in the course of 1990. Directors were encouraged by the fact that, even in these more difficult circumstances, international financial markets had again demonstrated an overall resilience. This was highlighted in particular by developments following the outbreak of the Middle East crisis. Despite a worsening in the balance of risks in the major economies and a sharp increase in uncertainty, the shock had been absorbed without significant market disruptions.

Directors noted that the recent economic slowdown in a number of countries had brought to the forefront concerns about the deterioration in the quality of some bank loan portfolios and the possible fragility of financial institutions and markets in some major systems. Such concerns would be heightened if the slowdown in economic activity were to be deep and prolonged, and could limit the degree of freedom of economic policies. With reference to the strains on the system in the United States, Directors welcomed the proposals for a safer and sounder banking system contained in the recently released U.S. Treasury Department report. A number of Directors noted the existence of financial fragility concerns also with regard to other countries, albeit to varying degrees. It was also felt, however, that such concerns might be overstated; this judgment reflected the view that many major banks were now more adequately capitalized, were engaging in more careful risk-based pricing, and, in many cases, had undertaken significant restructuring programs in order to reduce costs.

Directors generally agreed that the policy response in major industrial countries to such market strains--in terms of a strengthening of the supervisory and regulatory stance--had been appropriate, and that movement toward financial liberalization and deregulation needed to be accompanied by more effective supervision. They noted that, increasingly, national boundaries were disappearing and welcomed the progress and continuing efforts of the Basle Committee and other fora in fostering international harmonization and cooperation in the supervisory area. A number of Directors noted the importance of effective supervision over financial conglomerates. At the same time, the limitations of regulation needed to be recognized, and the overextension of official safety nets avoided; it was important to enhance market discipline and contain potential calls on official resources.

Directors discussed possible concerns regarding the level and allocation of global savings and the emergence of global credit pressures. A number of Directors considered that such concerns might be exaggerated, particularly in light of the slowdown in some major economies, but others referred to the potential demand for savings in the developing world and the requirements of postwar reconstruction in the Middle East. There was broad agreement on the importance and urgency of increasing world savings, both through measures to encourage--or, in some cases, to remove disincentives to--greater private savings and through the process of fiscal consolidation.

For developing countries, the environment of tougher international competition for investment capital, together with the recent investor "flight to quality," underscored the crucial importance of sound policies in maintaining or restoring creditworthiness. Directors generally felt that a relaxation of capital adequacy standards in response to so-called credit crunch concerns would be inappropriate. At the same time, it was important to ensure that banks' emphasis on curtailing asset growth was not pushed to the point of underfinancing otherwise creditworthy undertakings, and a careful balance needed to be struck in the pursuit of sound lending standards.

Directors noted that developing countries' access to spontaneous credits in international capital markets continued to be limited in 1989-90, with few exceptions. Against this background, the fact that some developing countries with recent debt-servicing problems had succeeded in gradually restoring a degree of access to spontaneous capital flows was seen as a positive development, although the amounts involved to date had been modest and the process limited to a narrow range of countries. The staff was encouraged to continue its monitoring and analysis of developments in this area.

Recent developments confirmed that a precondition for restoring market access would be the sustained implementation of appropriate macroeconomic and structural policies, including capital market liberalization. Those actions would reverse investor sentiment, thereby fostering capital inflows, including repatriation of flight capital. Directors noted that new developing country borrowings might be facilitated by certain financing techniques, but, at the same time, stressed that some techniques entailed limitations of their own. Several Directors cautioned against the widespread use of collateralization beyond a transitional phase when it could help in re-establishing access to markets. They noted the risks for creditors with unsecured claims and the possibility of impairing, rather than improving, the borrower's prospects for future market access on an unsecured basis. While clearly less important than debtors' policies, Directors noted that banking regulations in creditor countries might play a role in debtors' return to market access and requested the staff to keep this issue under review; at the same time, a number of Directors emphasized that it was important that regulators maintain sound supervisory standards. Finally, emphasis was laid on the importance of achieving a greater flow of direct investment and other non-debt-creating flows to the developing countries.

2. SCHEDULE OF MEETINGS

The Executive Directors considered a proposal that requests by Romania for a stand-by arrangement and external contingency mechanism, and for a purchase under the oil import element of the compensatory and contingency financing facility (CCFF) (EBS/91/29, 3/1/91) be separated, so that the request for a purchase under the CCFF could be placed on the agenda for March 15, 1991, and the request for a stand-by arrangement and external contingency mechanism on April 5, 1991.

The Acting Chairman said that the staff and the Romanian authorities had reached agreement on policies that would be implemented in support of a stand-by arrangement and a request for a purchase under the oil element of the CCFF of up to 47 percent of quota. The original plan had been to bring the requests for both the CCFF purchase and the stand-by arrangement to the Board in early April 1991--when all of the proposed measures would have been taken by the authorities.

Romania had implemented most of the required measures, the Acting Chairman continued. Furthermore, the budget, which included the general policies that would form the basis of the stand-by arrangement, had been approved by Parliament in the preceding week. However, Romania was very short of reserves and was in the process of arranging bridge financing with the Bank for International Settlements (BIS). In light of the tight reserve position, therefore, management wished to bring the request for a purchase under the oil element of the CCFF of up to 40 percent of quota to the Board for consideration on March 15, 1991. The request for the remainder of the CCFF purchase could then be taken up at the same time as the discussion on the proposed stand-by arrangement in early April 1991.

The actions that the authorities had taken to date and the commitments that they had made in the letter of intent were more than sufficient to meet the basic requirements for drawing 40 percent of quota under the oil element of the CCFF, the Acting Chairman considered. All the documentation necessary for a thorough discussion of the two requests would be in the hands of Directors within the coming two days, which should provide sufficient time for their consideration.

Mr. Yamazaki said that, given the concern expressed by some countries about financing assurances with respect to Romania, the proposal to move forward the discussion on the CCFF request was appropriate. Although his chair had some reservations about separating the two issues, the exceptional circumstances warranted support for the proposal.

Mr. Peretz commented that the method proposed for dealing with Romania's requests was acceptable, as there were good reasons for accelerating the Board's consideration of the CCFF request. However, the result was a comparatively short period for circulating and discussing the papers. Unfortunately, that practice had become more and more common recently. In each case, there had been good reasons for shortening the circulation period, but it would be very helpful if the staff could--if at all possible--avoid such short periods.

Mr. Goos remarked that the request to discuss Romania's proposed CCFF purchase before the discussion on its proposed stand-by arrangement was too important to be decided in an offhand fashion. The procedure that was being recommended--unlinking the consideration of a country's CCFF and stand-by arrangement requests--seemed to fly in the face of the strong sentiment that the Board had previously displayed in favor of discussing those requests simultaneously. However, if the recent similar handling of Bulgaria's requests were any indication, the procedure recommended for Romania was fast becoming the rule rather than the exception.

The staff was proposing immediate approval of access to 40 percent of quota under the CCFF, Mr. Goos noted. That seemed surprising, considering that previous Board discussions had seemed to generate a consensus that access should be restricted to about 20 percent of quota--corresponding to the first tranche envisaged under the CCFF decision--in exceptional cases such as Romania's.

His concerns were in no way directed toward Romania in particular, Mr. Goos continued. Nevertheless, he wondered why, if the new proposal were indeed consistent with the requirements for access under the CCFF, the BIS central banks had not been able to agree on a bridge loan. Apparently, some of the banks had been concerned that, if the CCFF agreement had been approved by the Board at a later date than currently envisaged, the BIS would have had no assurance that the Fund would have been able to disburse the CCFF money. Given that situation, it was debatable whether any of the resources available under the CCFF should be disbursed at present; with countries that had not yet established track records, such as Romania and Bulgaria, it was not appropriate to consider requests for CCFF purchases in isolation from requests for other Fund arrangements.

It was also surprising that management had apparently given the staff instructions to prepare the documentation for Board presentation before consulting with the Board, Mr. Goos added. Before giving such instructions, another exchange of views with Executive Directors would have been appropriate, as many of them attached great importance to the handling of those issues. The current situation highlighted the need to discuss that issue on a more general level--perhaps in the context of the review of the CCFF decision.

The Acting Chairman said that negotiations between the Romanian authorities and the BIS on a bridge loan had already been under way when the Fund had informed the BIS a few weeks previously of the support that it could provide. The original focus of the Fund's discussions had been on linking the bridge loan to the CCFF purchase; however, an exact amount of money had not been discussed at that point. It had subsequently been anticipated that the bridge loan would be for an amount equivalent to the full 47 percent of quota allowable under the oil element of the CCFF. However, because of the conditions attached to a request for access to the full 47 percent of quota--prior actions, and approval of a stand-by arrangement--management would not have been able to inform the BIS that it was recommending approval of the CCFF request until April 5, 1991. In those circumstances, management could have informed the BIS only that it expected to be able to recommend the CCFF purchase of 47 percent of quota, under the assumption that Romania would take the necessary prior actions. Unfortunately, that weaker form of support would not have provided the BIS with a foundation sufficient to put together a bridge loan, and the effect on Romania's tight reserve situation would have been devastating.

At that point, Mr. Posthumus had suggested that management could recommend access to a lower percentage of quota under the CCFF, the Acting Chairman recalled. An evaluation of Romania's situation--which the staff would explain in detail--led management to make the decision to recommend to the Board that, on the basis of the authorities' prior actions, urgent consideration should be given to the country's request for a purchase under the oil element of the CCFF of up to 40 percent of quota, or approximately $300 million. In making that recommendation, the staff and management had not extended any exceptional treatment to the Romanian authorities; given that the conditions governing access under the CCFF had been met, there were no legal grounds for preventing the authorities from presenting their request to the Board for a purchase of up to 40 percent of quota under the oil element of the CCFF.

Management had asked the staff to prepare the documentation on the Romanian requests for a CCFF purchase and stand-by arrangement, the Acting Chairman noted, in order to present a complete picture of the authorities' activities. He was confident that, once that documentation was in the hands of Directors, it would provide the basis for a decision to allow Romania access to 40 percent of quota.

The Deputy Director of the Exchange and Trade Relations Department said that, according to the relevant paragraph in the CCFF decision concerning the financing of excesses in oil imports, if a member's record of cooperation was judged to be satisfactory, and if the Board was satisfied that the member would cooperate to find a solution to its balance of payments problems, that member could expect that financing of up to 40 percent of quota would be made available. In addition, the member would be required to submit a letter to the Board describing the policies that it would undertake in order to address its balance of payments problems.

In the case of Romania, a letter of intent for a stand-by arrangement had been accepted by management also to serve as the basis for the forthcoming CCFF purchase request, the Deputy Director continued. As the Acting Chairman had pointed out, the staff and management believed that that letter fully satisfied the conditions stipulated for access to the oil element of up to 40 percent of quota.

If the Board were to agree with that judgment, the CCFF guidelines were quite clear: assuming that the oil import excess was large enough, a member fully cooperating with the Fund was entitled to access to

40 percent of quota, the Deputy Director of the Exchange and Trade Relations Department concluded. The decision did not provide grounds for restraining the access to below 40 percent.

Mr. Goos said that the fact that management would not be able to report to the BIS the Board's approval of the stand-by agreement until April 5, 1991 was an indication that a considerable degree of uncertainty surrounded the program; it was still not clear whether the prior actions required of the authorities would be in place for Board approval. In those circumstances, he wondered whether the approval of the CCFF purchase could be justified at present.

With respect to the proposed access of 40 percent of quota, at least one of the two conditions of the CCFF decision--a record of satisfactory cooperation--was missing, Mr. Goos considered. It was difficult to speak of a good track record in the case of a country that had not cooperated with the Fund for many years.

The Deputy Director of the Exchange and Trade Relations Department remarked that the record of cooperation that had been compiled in Romania over the past few years was only one part of the picture; another very significant part was that important changes had recently taken place in Romania in the political and economic spheres. For example, the first Article IV consultation with the new Government had been held in the fall of 1990; at that time, the Board had encouraged the authorities to stay on the ambitious path that they had embarked on. Certainly, very significant steps had been taken, and important measures were in place. The documentation that the Board would receive would illustrate the breadth of those measures and would allow the Board to contemplate future actions in the context of what had already been accomplished. In his opinion, therefore, it could be said unequivocally that Romania's cooperation with the Fund had been satisfactory.

Mr. Goos said that, based on the staff's remarks, it seemed to be sufficient for a member to negotiate a Fund-supported program and take prior actions, in order to establish a track record in keeping with the spirit of the CCFF decision. That time frame, however, seemed very short. In fact, the staff's interpretation would make it difficult to distinguish between the members that were entitled to draw only 20 percent of quota and those that were entitled to access of 40 percent. According to his understanding of the CCFF decision, prior actions by a member could ensure access to the first 20 percent of quota; however, they were not sufficient in themselves to establish a satisfactory track record and thus win access to an additional 20 percent of quota. In that sense, prior actions should be seen merely as an indication of a country's willingness to improve its policies in the future. However, in the case of Romania, the staff seemed to be arguing that a satisfactory track record could be established solely on the basis of prior actions. In order to eliminate those misunderstandings and to interpret the CCFF decision consistently, a general discussion on those issues was urgently needed.

The Deputy General Counsel commented that paragraph 49 of the CCFF decision (Decision No. 8955-(88/126), as amended, adopted 12/5/90) set out the conditions that governed the different levels of access--20 percent, 40 percent, and over 40 percent. Specifically, paragraph 49(c) of the CCFF decision made clear that the general rule was that members could have access of up to 40 percent of quota, based on the test of cooperation with the Fund. Obviously, the meaning of that condition was not as straightforward as the words themselves might imply. Nonetheless, a judgment had to be made by management--and eventually by the Executive Board--based on that criterion. Moreover, and in partial response to the doubt expressed by Mr. Yamazaki, it was clear that access under paragraph 49(c) was not "exceptional"; it was a rule of access that was not directly tied to the approval of a stand-by or other arrangement.

Paragraph 49(d) of the CCFF decision described the conditions under which a member would not be entitled to access of up to 40 percent of quota, the Deputy General Counsel continued. In order for a member's access to be downgraded from 40 percent of quota to 20 percent, there must be some manifestation of a lack of cooperation with the Fund--admittedly, an area open to interpretation, which could include such factors as, inter alia, the length of time of the member's lack of cooperation.

Access to Fund resources could be gained through the CCFF--including its oil element--or through stand-by or extended arrangements, the Deputy General Counsel concluded. Those two modalities could be combined for certain purposes, including conditionality.

Mr. Goos said that he did not agree with the staff's interpretation. During the Board discussions on the CCFF, access to 40 percent of quota had not been established as the norm.

It was important that his comments should be viewed as general in nature and not directed toward Romania in particular, Mr. Goos stated. In that vein, he wondered whether a country that had established a poor track record by accumulating arrears to the Fund could, by virtue of opening negotiations for a Fund-supported program and implementing prior actions, become eligible for access of 40 percent under the CCFF.

The Acting Chairman remarked that a country's arrears to the Fund, along with other relevant information, would be taken into account in making a judgment on the level of access. A heavy accumulation of arrears in the recent past would probably limit a member's access to 20 percent of quota. In determining whether the country's record of cooperation was satisfactory or not, the Fund would be guided by paragraphs 12(a) and 12(b) of the CCFF decision.

The Deputy Director of the Exchange and Trade Relations Department noted that, in making a judgment on the level of access, many factors would come into play. Evidence would be sought that the current government had cooperated fully with the Fund during its administration, including through efforts to find a solution to the country's balance of payments problems. It was also important to remember that the CCFF decision made no specific reference to the time frame over which a country's record of cooperation was to be assessed. Nevertheless, if arrears had developed, or if other evidence of noncooperation had recently occurred, it was highly doubtful that the Fund would approve initial access of 40 percent of quota.

The Deputy General Counsel observed that, once a judgment had been made--either initially by management in its recommendation, or by the Board--that a member had not performed satisfactorily in terms of its cooperation with the Fund, paragraph 49(d) of the CCFF decision would come into play. In those circumstances, certain other conditions would apply; prior actions, in particular, would be taken into account.

Mr. Goos noted that, in the case of Romania, management had decided originally to have a joint consideration of both requests, knowing at the time that a program had been agreed, and that prior actions would have to be taken. Subsequently, a change in procedure had been adopted; it was currently proposed that the discussion on the request for a CCFF purchase should be conducted separately from the discussion on the stand-by arrangement. Management was arguing that the proposed change in the schedule of meetings was occurring because of the downgrading in the level of the requested access to resources under the CCFF from 47 percent to 40 percent; however, that argument was not convincing. Conceivably, the BIS could have been informed that the CCFF request was expected to be approved on April 5, 1991, thereby enabling it to negotiate a bridge loan to Romania in two tranches. In order to avoid such surprises in the future, it would be appropriate if Directors were given the opportunity to be consulted on such changes prior to the issuance of the staff papers.

Mr. Wright said that, although he was reassured by the staff's explanation of its recommendations for Romania, he sympathized to a certain extent with the more general points made by Mr. Goos. The implications, as he understood them, of the staff's interpretation of the test of cooperation for the use of CCFF resources were particularly troubling, as it seemed that, if a country were not a noncooperating member, it must by definition be cooperating.

It was fairly clear that a country could be defined as noncooperative if it was building up arrears and not implementing appropriate policy measures, Mr. Wright considered. However, it was conceivable that a country that had either recently joined the Fund or had been a dormant member for some time could apply for a purchase under the CCFF independently of a request for a stand-by or extended arrangement. In that situation, the lack of evidence in the form of prior actions or other policy measures would make it very difficult to say categorically that that country had not been cooperating with the Fund. Nevertheless, it would be a cause for concern if the assumption were made that a country in that position was automatically eligible for access of up to 40 percent of quota under the CCFF.

The answer to the riddle, if there were one, probably lay in paragraphs 12(a) and 12(b) of the CCFF decision, Mr. Wright suggested. Nevertheless, the weakness in the system stemmed from the fact that a clear-cut definition of cooperation did not exist. Although the meaning of the phrase "noncooperation with the Fund" was probably clear to all participants, the meaning of its opposite--cooperation with the Fund--was much more elusive.

The Deputy Director of the Exchange and Trade Relations Department said that, in general, in applying the test of cooperation for a new member that was not simultaneously requesting a Fund-supported arrangement, the Fund could utilize the background material obtained during the processing of the country's membership application, as well as the judgments made by the Board in establishing its quota--a process that demanded extensive cooperation from the member. Evidence gleaned from those contacts with the new member could certainly provide positive indicators of its cooperation with the Fund. On the other hand, if the problem of arrears to other creditors were not being addressed, for example, it would be very difficult to assert that the member was cooperating to find solutions to its problems. By evaluating that kind of evidence, therefore, it was possible to derive standards that could be used in testing the cooperation of new Fund members.

It should be noted that the situation described by Mr. Wright occurred infrequently, the Deputy Director of the Exchange and Trade Relations Department added. Moreover, it was quite difficult to discuss hypothetical cases rather than actual ones, as the concrete facts provided by the latter were helpful in making judgments.

Mr. Dawson commented that Mr. Wright was on target in implying that the current discussion was, in some sense, the sequel to the earlier battle over paragraphs 12(a) and 12(b) in the CCFF decision. The staff's comments had underscored his understanding--which perhaps differed from that of Mr. Goos--that the earlier discussions had resulted in the creation of ground rules for determining whether members qualified for access up to 47 percent, 40 percent, or 20 percent of quota under the CCFF.

As other chairs had emphasized, it would be preferable to discuss requests for purchases under the CCFF in conjunction with requests for first or upper credit tranche arrangements, Mr. Dawson continued. However, in light of the extenuating circumstances that frequently arose, it was better, as Mr. Wright and Mr. Goos had suggested, to have a broad discussion on that topic, with a view to formulating guidelines that could be applied to specific cases, rather than continue to rehash the same underlying issues in the discussions on specific requests.

In Romania's case, the moving forward of the discussion on the CCFF request and the proposed reduction in the access to quota arose partly in response to the country's urgent need for funds, Mr. Dawson recalled. Moreover, the provision of immediate funds to a country in dire balance of payments difficulties was not at all unusual; for example, the United States had worked to provide a CFF-backed bridge loan in 1982 that had not involved upper credit tranche conditionality.

In addition, as the staff had implied, management had the prerogative not only to circulate the documents relating to Romania's CCFF request, but also to propose a separate Board discussion on that request, Mr. Dawson considered. The change in scheduling was justified by the severity of Romania's external situation. In fact, bringing the proposed handling of the two items to the Board's attention could almost be viewed as a matter of courtesy on the part of management, given that the battle over the test of cooperation with respect to access to the CCFF had already been decided.

In his view, Romania was entitled to the CCFF drawing, Mr. Dawson remarked. As the staff had made clear, the letter of intent prepared by the authorities was the equivalent of a policy statement; presumably, the documentation for the stand-by arrangement would provide additional corroborative testimony. In that regard, it could be argued that the evidence of cooperation exhibited by the Romanian authorities in resolving their balance of payments difficulties had well exceeded the standard set by the Fund. Finally, it was his understanding that the bridge loan from the BIS, as originally envisaged, would have amounted to more than the equivalent of 47 percent of quota.

Mr. Fogelholm said that it was obvious that a more general discussion was urgently needed on the principles underlying the current debate, even though it was doubtful that further discussion would produce a consensus. However, some benefit might be derived from re-evaluating the rules governing the oil element of the CCFF, as they did not provide sufficient guidance for decision making. In that vein, Mr. Wright and Mr. Goos were correct to point out the anomalies involved in categorizing countries' track records. It was true that that kind of situation was covered in the CCFF decision; however, it was not clear that the Board as a whole was satisfied with the solution of approving access of up to 40 percent of quota in such cases.

The Acting Chairman considered that the problem under discussion was not the need to provide proper guidance to staff and management on the principles to be followed. The current CCFF decision provided the guidelines that were being followed by the staff and management. It was up to the Board to determine whether that decision should be changed.

Mr. Fogelholm said that he agreed that management was merely following the rules laid down in the CCFF decision. However, the decision did not really make much sense to him. He wondered, for instance, why access to 40 percent of quota was being requested for Romania while access to only 20 percent of quota had been approved for Bulgaria. Presumably, the two countries were experiencing equally serious financial difficulties.

The Deputy Director of the Exchange and Trade Relations Department remarked that the Board decision to allow Bulgaria access to 19.5 percent of quota under the oil element of the CCFF had been made for purely technical reasons. The total oil import excess estimated for the calendar year 1991 had amounted to about 30 percent of quota. However, the data used in that calculation had been entirely estimated; therefore, according to the approved formula, no more than 65 percent of that total oil import excess--or 19.5 percent of quota--was made available to Bulgaria.

Mr. Hogeweg said that he took seriously the point made by speakers that the concerns that had been raised had not been specifically directed toward Romania. In that sense, the exchange of views should thus be seen as a general discussion on the CCFF, prompted by the concerns of some Directors.

The staff had convincingly justified the decision taken by management, Mr. Hogeweg considered. He fully agreed with that decision and trusted that an examination of the staff papers by the Board would show convincingly that the record of cooperation of the present Romanian authorities was beyond doubt, and that they had indeed more than fulfilled the requirements for a 40 percent drawing under the oil element of the CCFF.

He did not agree with one remark by Mr. Goos, Mr. Hogeweg commented. Mr. Goos had seemed to imply that, in its recent discussion on Bulgaria, the Board had more or less concluded that requests for purchases under the CCFF should in the future be considered in conjunction with requests for stand-by arrangements. However, the Board had concluded that that issue would be reviewed in a general discussion; meanwhile, the Board could not be said to have made a definitive judgment on the subject. His chair had stressed on many previous occasions that, given the wording of the CCFF decision as approved by the Board, that instrument was clearly available to provide countries experiencing acute financing needs--such as Bulgaria and Romania--with quick-disbursing funds. One could, of course, disagree with the decision as it stood, but that was a different matter; the decision had to be applied as written.

His Romanian authorities wished to thank the Board for its willingness to schedule the CCFF request on March 15, 1991--a significant shortening of the normal circulation period, Mr. Hogeweg stated. Thanks were also due to all those, including the Fund management, who had worked hard to find solutions to the very acute problems facing Romania. The decision on the scheduling was consonant not only with those efforts, but also with the nature of the CCFF decision.

Mr. Goos said that he had not referred to a conclusion by the Board, but to a sentiment that had been expressed in the Board that requests for CCFF purchases and stand-by arrangements should be considered jointly.

The Executive Directors accepted the proposal by the Acting Chairman to discuss the request by Romania for a purchase under the CCFF on March 15, 1991, and its request for a stand-by arrangement and external contingency mechanism on April 5, 1991.

DECISIONS TAKEN SINCE PREVIOUS BOARD MEETING

The following decisions were adopted by the Executive Board without meeting in the period between EBM/91/28 (2/27/91) and EBM/91/29 (2/27/91).

3. EXTERNAL ASSIGNMENTS PROGRAM

The Executive Board approves the recommendation relating to the ceiling on the maximum number of staff members who may participate at any one time in the External Assignments Program for Professional and Career Development. (EBAP/91/28, 2/20/91)

Adopted February 27, 1991

4. EXECUTIVE BOARD TRAVEL

Travel by an Assistant to Executive Director as set forth in EBAP/91/35 (2/22/91) is approved.

APPROVED: October 28, 1991

LEO VAN HOUTVEN
Secretary