

DECLASSIFIED

Authority *NND 29548*By *JE* NARA Date *2-13-07**For. Investment*MEMORANDUM

April 25, 1949

To: Chairman Edmond M. Hanrahan

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

Subject: Letter from the Chairman of the National Advisory Council to the President of the Senate relative to legislative proposals on International Bank securities.

There is attached hereto National Advisory Council Document No. 816 to which is appended the letter of the Chairman of the National Advisory Council forwarding to the President of the Senate a draft of a proposed bill embodying amendments of the National Bank Act and the Bretton Woods Agreements Act. This bill would exempt from the National Bank Act securities issued by the International Bank, and from the Securities Acts securities issued or guaranteed by the Bank.

Attachment

*Foreign Investments, box #66**Chairman's Papers**NARA*

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Authority NND 29548By JE NARA Date 12-13-07

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National Advisory Council
Document No. 816
April 19, 1949

MEMORANDUM TO: National Advisory Council

FROM: Secretary of the Council

SUBJECT: Legislative Proposals Relating to International
Bank Securities

Attached for the information of Council members is a letter on the above subject from the Chairman of the National Advisory Council to the President of the Senate. A similar letter not reproduced was transmitted to the Speaker of the House. There is also attached the proposed legislation for submission to the Congress.

These letters were transmitted pursuant to Action No. 523 in which the Council agreed that appropriate steps should be taken to support legislation to amend the National Bank Act so as to permit dealing in securities issued by the International Bank by member banks of the Federal Reserve System and to exempt securities issued or guaranteed by the International Bank from the Securities Act of 1933 and the Securities Exchange Act of 1934 (see also MAC Document No. 809).

The attachments to this document are unclassified, but this cover sheet should be removed before any public use is made of the material.

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Authority NND 29548By E NARA Date 12-13-09

THE SECRETARY OF THE TREASURY

WASHINGTON

April 13, 1949

Sir:

Under the Bretton Woods Agreements Act, as amended, the National Advisory Council is called upon, among other things, to make recommendations to the Congress as to how the International Bank for Reconstruction and Development may be made more effective and on any necessary or desirable changes in the Act.

It is the view of the National Advisory Council that certain amendments to the Bretton Woods Agreements Act and the National Bank Act would be a desirable contribution to the effectiveness of the International Bank, particularly with respect to its financing operations.

The lending activities of the International Bank depend to a large extent on its ability to raise funds in the securities markets of the United States. Considering the character of the Bank as an international institution, the substantial official participation of the United States in its activities and direction, and the nature of its securities, it would appear desirable that the Bank have available to it avenues of distribution for its securities broader than those permitted for offerings of purely private securities. To accomplish this objective, existing Federal statutes need to be amended.

One of the principal problems arises from the fact that although national banks may invest in securities issued by the International Bank, the National Bank Act does not authorize national banks to deal in securities issued by the International Bank, as they presently may do in obligations of the United States and general obligations of any state or any political subdivision thereof. For this reason the market in the Bank's obligations is restricted, tending to interfere with the marketing operations required by the Bank if it is to engage in lending on a scale appropriate to its functions and responsibilities. Under the circumstances, the Council is of the opinion that the National Bank Act should be amended to permit national banks to deal in securities issued by the International Bank

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Even with such an amendment to the National Bank Act, however, one further restriction will have to be removed before national banks will deal actively in securities issued by the International Bank. National banks, in marketing federal, state and municipal securities, are dealing in exempt securities under the federal Securities Acts and their whole marketing system is adapted to dealing only in such exempt securities. For that reason, securities of the International Bank should be exempted from those Acts if they are to be dealt in by national banks. The Council recommends, therefore, that the Bretton Woods Agreements Act be amended to make securities issued or guaranteed by the Bank exempt securities under the Securities Acts and to provide for the regulation of such securities under standards which are appropriate to the marketing operations of the Bank.

I am enclosing a draft of a proposed bill embodying amendments to the National Bank Act and the Bretton Woods Agreements Act along the lines indicated above. It is respectfully requested that you lay the proposed bill before the Senate. A similar bill has been transmitted to the Speaker of the House of Representatives.

The Bureau of the Budget has advised me that the draft legislation is in accord with the program of the President.

Very truly yours

(Signed) JOHN W. SNYDER

Chairman,
National Advisory Council on
International Monetary and Financial Problems

The President
of the Senate

A BILL

To amend the National Bank Act and the Bretton Woods Agreements Act and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States in Congress assembled,

That paragraph Seventh of section 8 of the National Bank Act, as amended (U.S.C., title 12, sec. 24), is amended by adding to the end thereof the following new sentence: "The limitations and restrictions herein contained as to dealing in and underwriting investment securities shall not apply to obligations issued by the International Bank for Reconstruction and Development which are at the time eligible for purchase by a national bank for its own account; Provided, That no association shall hold obligations issued by said Bank as a result of underwriting, dealing, or purchasing for its own account (and for this purpose obligations as to which it is under commitment shall be deemed to be held by it) in a total amount exceeding at any one time 10 per centum of its capital stock actually paid in and unimpaired and 10 per centum of its unimpaired surplus fund".

Sec. 2. The Bretton Woods Agreements Act, as amended (U.S.C., title 22, secs. 285-286k), is amended by adding to the end thereof a new section to be numbered section 15 and to read as follows:

"Sec. 15.(a) Any securities issued by International Bank for Reconstruction and Development (including any guaranty by the Bank, whether or not limited in scope), and any securities guaranteed by the Bank as to both principal and interest, shall be deemed to be exempted securities within the meaning of paragraph (a)(2) of section 3 of the Act of May 27, 1933, as amended (U.S.C., title 15, sec. 77c), and paragraph (a)(12) of section 3 of the Act of June 6, 1934, as amended (U.S.C., title 15, sec. 78c). The Bank shall file with the Securities and Exchange Commission such annual and other reports with regard to such securities as the Commission shall determine to be appropriate in view of the special character of the Bank and its operations and necessary in the public interest or for the protection of investors.

"(b) The reports of the National Advisory Council provided for in section 4(a)(6) of the Bretton Woods Agreements Act shall also cover and include the effectiveness of the provisions of section 15(a) of this Act and the exemption for securities issued by the Bank provided by section 8 of the National Bank Act in facilitating the operations of the Bank and the extent to which the operations of the Bank may assist in financing European recovery and the reconstruction and development of the economic resources of member countries of the Bank and the recommendations of the Council as to any modifications it may deem desirable in the provisions of this Act."

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Sec. 3. The Securities and Exchange Commission acting in consultation with the National Advisory Council on International Monetary and Financial Problems is authorized to suspend the provisions of section 15(a) of the Bretton Woods Agreements Act at any time as to any or all securities issued or guaranteed by the Bank during the period of such suspension. The Commission shall include in its annual reports to Congress such information as it shall deem advisable with regard to the operations and effect of this Act and in connection therewith shall include any views submitted for such purpose by any association of dealers registered with the Commission.