THE SECRETARY OF THE TREASURY
WASHINGTON

December 29, 1967

[This letter was individually typed and sent to the governors of various states, most of which have legislative sessions in 1968.]

Dear Governor :

The purpose of this letter is to enlist your cooperation in initiating steps to qualify bonds of the Asian Development Bank for investment by institutional and fiduciary investors in the State of . Similar steps have previously been taken by many states with respect to securities of the International Bank for Reconstruction and Development (World Bank) and the Inter-American Development Bank.

The Asian Development Bank is an international financial institution established pursuant to an agreement between the United States and thirty* other countries in North America, Europe and Asia. It is patterned on the World Bank and the Inter-American Development Bank and serves the same regional development role in Asia that the Inter-American Development Bank does in the Western Hemisphere. While the Bank has no present plans to issue its securities in the United States, it would be highly desirable to initiate the necessary State action now because of the time usually required to take the statutory or administrative action necessary to qualify the Bank's bonds for investment by institutional and fiduciary investors. Each sale of the Bank's obligations in the United States will be preceded by the specific approval of the United States Government.

The authorized capital stock of the Bank is $1,100 million. Of the $965 million subscribed to date,* half is to be paid in and half is callable to meet obligations on borrowings or guarantees made by the Bank chargeable to its ordinary capital resources. The arrangements with respect to the capital stock of the Bank are similar to those of the World Bank and the Inter-American Development Bank. In effect, the callable capital serves as a guarantee backing securities sold by the Bank in private capital markets. The callable capital of the developed member countries, which are the United States, Japan, Canada, Australia, New Zealand, and ten European countries, amounts to over $325 million.*

The United States and Japan are the two largest subscribers—each having subscribed $200 million of capital stock. The United States has a full time Director and Alternate Director participating in the direction of the Bank's affairs, and I serve as the U. S. Governor of the Bank.

The Asian Development Bank Act (22 U.S.C. 285 *et seq.*), authorizing United States membership in the Bank, also authorizes national banks to deal in and underwrite securities issued by the Bank and places these securities in the same category as United States Government, Municipal and State securities for purposes of the Securities Exchange Act.

The Asian Development Bank is an important forward step toward economic development and regional cooperation in Asia. Because the activities the Bank was designed to perform coincide with the national interests of the United States in this area, the United States has become a member of the Bank and strongly supports the Bank's performance of this mission. The degree to which other industrialized countries of Europe, North America and Asia are also supporting the Bank and particularly the substantial participation of Japan represent a highly desirable sharing of efforts for peaceful progress in Asia.

I urge you to take appropriate steps so that institutional and fiduciary investors in your State have authority to purchase Asian Development Bank securities when it is decided to issue them.

Sincerely yours,

HENRY H. FOWLER

* On December 31, 1967, after this letter was sent, Switzerland became a member of the Bank, whereby the subscribed capital of members was raised to $970 million and the callable capital of the developed member countries was raised to $331.28 million.