

ment Bank, any raising of funds by the Bank in the United States can only take place after express authorization has been obtained from the Secretary of the Treasury of the United States.

Limitation on Borrowing

The Board of Directors of the Bank, on January 11, 1968, adopted a policy according to which the Bank will not enter into any new borrowing or guarantee chargeable to its ordinary capital resources if such borrowing or such guarantee, when added to the aggregate amount outstanding of borrowings and guarantees, would exceed the amount of the callable capital stock of the member countries whose currencies are convertible. The convertible currency countries will be determined by the Bank after consultation with the International Monetary Fund. At the present time these countries are Austria, Australia, Belgium, Canada, Denmark, Federal Republic of Germany, Italy, Japan, Netherlands, Norway, Sweden, Switzerland, United Kingdom and the United States. The callable portion of the capital subscription of these countries now amounts to \$317.5 million. This policy will be incorporated in an appropriate covenant with bondholders in any borrowing undertaken by the Bank.

Borrowing in the United States

In anticipation of bond issues which may be offered in the United States in the future, the Bank has appointed Kuhn, Loeb & Co. and The First Boston Corporation as joint managing underwriters for U. S. dollar bond issues in the United States. These firms will alternate in taking the lead in the issues to be offered. Both of these underwriters have great experience in placing obligations of international institutions as well as obligations of foreign governments and foreign corporations.

In order to assure its obligations an appropriate market in the United States, the Bank with the cooperation of the United States Treasury Department is seeking to obtain for its obligations a status similar to that enjoyed by those of the World Bank and the Inter-American Development Bank. Following the pattern set by these two institutions, the Bank expects to obtain the necessary legislative and administrative authorizations in the various states so that its obligations can qualify as legal investments for institutional and fiduciary investors.

To make known the support of the United States Government, Secretary of the Treasury Henry H. Fowler has addressed letters to the governors of various states (most of which have legislative sessions in 1968). In his letters, Secretary Fowler points out that the activities of the Bank coincide with the national interest of the United States and urges that appropriate steps be taken so that institutional and fiduciary investors will have the same authority to purchase the Bank's obligations as they now have to acquire obligations of the World Bank and Inter-American Development Bank. A copy of the text of Secretary Fowler's letter appears on page 2.

Status with Respect to U.S. Interest Equalization Tax and Balance of Payments Measures

The obligations of the Bank come within the exemption provisions of the Interest Equalization Tax for obligations of international institutions of which the United States is a member.

The 1968 "Guidelines for Nonbank Financial Institutions", issued by the Board of Governors of the Federal Reserve System under the President's Balance of Payments Program, specifically exclude bonds and notes of international institutions of which the United States is a member. The President's Executive Order governing certain capital transfers abroad, issued January 1, 1968, and the regulations thereunder, have no application to the purchase of the Bank's obligations.

SEC Reports

By Regulation AD of December 18, 1967 (the text of which appears as Appendix 3), the Securities and Exchange Commission has made the Bank subject to reporting and notice requirements with respect to its financial statements, annual reports and prospectuses, similar to those applicable to the World Bank and the Inter-American Development Bank.