

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON 6, D. C.

OFFICE OF THE PRESIDENT

July 9, 1947

CHAIRMAN'S OFFICE:
RECEIVED

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TIME 2:00 pm

SEC & EXCH COM

Honorable James J. Caffrey,
Chairman, Securities and Exchange Commission,
18th and Locust Streets,
Philadelphia 3, Pennsylvania.

My dear Mr. Caffrey:

Referring to my conference on July 2, 1947, with you and your associates on the Securities and Exchange Commission, I am writing to confirm certain statements which I made at that conference.

As was stated in the Bank's letter of June 18, 1947, to the Commission with regard to the Securities Act of 1933, when that Act was adopted neither the Bank nor any similar international institution was in existence and it seems obvious that the provisions of the Act are not, therefore, properly adapted for application to the Bank. Accordingly, while the Bank is not opposed to registering its securities under the Securities Act of 1933 and giving to the public all the information called for by that Act, the Bank has felt and continues to feel that in the application of the provisions of the Act to the Bank, due consideration should be given to the special problems which confront the Bank in the marketing of its securities.

In particular it is the desire of the Bank and, I believe, of the National Advisory Council on International Monetary and Financial Problems that the securities issued by the Bank in the United States shall have as wide a distribution as possible. Furthermore, as I explained to the Commission, it would not be practicable for the Bank to have its securities underwritten or to distribute them through a relatively small group of securities dealers. It was, therefore, necessary that the Bank, in preparing to make its first offering of securities in the United States, should give securities dealers throughout the country an opportunity to participate in the distribution of the securities. Before doing that the Bank felt that it was necessary to clarify the position of such dealers under the Securities Act of 1933.

Accordingly, in its above-mentioned letter of June 18, 1947, to the Commission, the Bank requested that the Commission "by rule or regulation made pursuant to Section 19 of the Securities Act of 1933, determine that, for the purposes of Section 11 of that Act, the term 'underwriter' shall not be deemed to include dealers who participate in the distribution of securities issued by the Bank either by solicitating orders for such securities or by purchasing them for resale on a commission basis."

July 9, 1947

As was stated in that letter, at the time when it was written, the details of the plan for the marketing of the Bank's securities had not been definitely determined, but it was contemplated that the securities would be sold through a large number of securities dealers.

In the press release by which the Commission announced the adoption of Rule 144 under the Securities Act of 1933, it was stated that the effect of the Rule "is to exempt from underwriters' liabilities under Section 11 of that Act any broker or dealer whose interest in the distribution of the Bank's securities is limited to the usual and customary distributors' or sellers' commission or concession." It was further pointed out that one of the principal reasons for the adoption of the Rule was the fact that, under the Articles of Agreement of the Bank, the officers and directors of the Bank are exempt from civil liability under Section 11 of the Securities Act.

Since the Bank did not have an established list of dealers through whom it could offer its securities, it was necessary for the Bank before making a public offering of its securities to ascertain what securities dealers would participate in the offering. The Bank could, of course, have selected a small group of dealers to participate in the offering, but, as I have indicated above that would not have been consistent with the desire for a wide-spread distribution of the Bank's securities and it would necessarily have involved discrimination among securities dealers. Those who had the matter in hand, therefore, determined to canvas a very broad list of securities dealers, including all members of the National Association of Securities Dealers, Inc. and others. That was done by the telegram which was the subject of discussion at our above-mentioned conference.

I can assure you that in sending that telegram the Bank acted in entire good faith and without any intention of disregarding any of the provisions of the Securities Act or any of the regulations of the Commission thereunder. I can further assure you that, in connection with any further issues of securities by the Bank in the United States, it is the intention of the Bank to consult with the Commission and to make every effort to see that such securities shall be distributed in conformity with the applicable laws of the United States.

May I take this opportunity of expressing to you and your associates my sincere appreciation of the cooperation which you have given to the Bank in connection with the first offering of its securities in the United States.

Sincerely yours,


John J. McCloy,
President.