

THE WORLD BANK GROUP ARCHIVES

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Dates: 05/27/1970 – 12/31/1970

Fonds: Personal Papers of Eugene H. Rotberg

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THE WORLD BANK

Washington, D.C.

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The World Bank

1818 H Street NW

Washington DC 20433

Telephone: 202-473-1000

Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

Eugene H. Rotberg chronological files
Vol. 4. July-December 1970

 **Archives**
1858107
R2004-194 Other #: 1 215302B
Eugene H. Rotberg - Chronological file Volume 04

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1858107
R2004-194 Other #: 1 215302B
Eugene H. Rotberg - Chronological Records - Volume 4 - May - December 1970

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Chron.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

December 31, 1970

Mr. Jerome H. Grossman
Executive Vice President
Jefferies & Company, Inc.
Union Bank Square
Suite 3300
Fifth & Figueroa Streets
Los Angeles, California 90017

Dear Jerry:

Attached are my editing comments on the Hawaii Seminar. I have had retyped pages 1-23 - my opening remarks. I have made other penciled notations throughout the text. The gap between my draft which ends on page 15 and yours which starts on page 24 does not represent an omission but a shortening of my long-windedness. I did the editing job quickly so if you spot grammatical errors or dropped sentences, etc. please feel free to make corrections.

Keep in touch. Give my regards to Boyd and my love to your family and Ronnie.

Sincerely,

A handwritten signature in dark ink, appearing to read "Eugene H. Rotberg", is written over a large, stylized flourish.

Eugene H. Rotberg
Treasurer

OFFICE MEMORANDUM

TO: Mrs. Muriel Lee

FROM: Edith M. Kesterton *EMK*

SUBJECT: Future Travel - Treasurer's Department

DATE: December 31, 1970

This is to advise that:

- (a) Mr. Rotberg (Treasurer) will moderate a symposium and attend a capital markets seminar in London on March 2 and 3, 1971;
 - (b) He will moderate a panel on Capital Markets and speak on the Bank's activities at the 1971 Conference on Mutual Funds to be held in Newport-Beach, California, March 10 through 13.
- . . .
- (c) Mr. Hittmair (Deputy Treasurer) will be on vacation March 15 through March 19.

EMK/

Chow.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

DATE: December 31, 1970

FROM: Eugene H. Rotberg SUBJECT: Portfolio Yields: December 17, 1970

Attached is a statement of our portfolio yields for the period ending December 17, 1970. The primary reason for the reduction in our average investment rate is the sharp decline in the interest rates in our Certificates of Deposit which fell some 30 basis points from the previous period. These deposits remain, however, the best available investment for the Bank among competing securities of the same maturity and even longer maturities. As a result, our holdings of Time Deposits increased by about \$25 million during the period.

The current rate for 6 month Time Deposits is not more than 5-1/2%; Government agencies of a two-year maturity now yield about 5-3/4%. Thus, the negative spread between the cost of borrowing and the interest rate on new or maturing funds is quite wide and exceeds the positive spread which existed for some time in recent years. The last time our short term investments were made at or about the current level was in August 1967 at which time we were able to make long-term borrowings in the United States at or about a 6% cost to us -- i.e. at a much lower cost of carrying the borrowed funds. This investment rate will be particularly significant in the coming months as we will have to invest about \$1 billion over the next six months in new and maturing funds which will considerably shape our investment income and our overall income for the future. The bulk of what is now maturing represents the 9 to 10-1/2% Time Deposits which were placed a year or 15 months ago. I estimate we shifted \$500 or 600 million of shorter term investments into longer maturities some 6 to 9 months ago and also invested considerable amounts of maturing funds in the 4 to 5 year maturities, which has tempered the effect of the decline in rates somewhat.

Our U.K. securities of 1980/82 and 1984/86 now yield, in the market, 9.47 and 9.64 respectively. (See attachment p.7). I have attached for your information a statement showing the "break-even" point if we were to liquidate these holdings at various time periods -- assuming an alternative investment at 7-1/4% for intermediate term investments.

Attachments

OUTGOING WIRE

TO: NIPPONGINK
TOKYO

DATE: DECEMBER 29, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (JAPAN)

TEXT:
Cable No.:

FOR MR. FUJIMOTO. JAPANESE VERSION OF DOCUMENTS THIRD LOAN
RECEIVED. THANK YOU FOR YOUR COURTESY REGARDS TEST 605

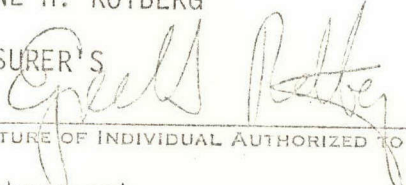
ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE EHRotberg:emk

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Hattori
Mr. Clyde
Mr. Hittmair
Mr. Deely
Mr. Prins

For Use By Communications Section

Checked for Dispatch: _____

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Chrow.
INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: NIPPONGINK
TOKYO

DATE: DECEMBER 29, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (JAPAN)

TEXT:
Cable No.:

FOR MR. FUJIMOTO. JAPANESE VERSION OF DOCUMENTS THIRD LOAN
RECEIVED. THANK YOU FOR YOUR COURTESY REGARDS TEST 605

ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE *Eugene H. Rotberg*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE EHRotberg:emk

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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cc: Mr. Hattori
Mr. Clyde
Mr. Hittmair
Mr. Deely
Mr. Prins

For Use By Communications Section

Checked for Dispatch: _____



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

File
Chen.

December 29, 1970

Mr. Fumio Kumura
Deputy Representative
The Bank of Japan
One Chase Manhattan Plaza
New York, N.Y. 10005

Dear Mr. Kumura:

I am enclosing, pursuant to your request, some examples of a proposed format of the disbursement procedures for our forthcoming borrowing from The Bank of Japan. Example A reflects the procedure for a yen disbursement. Example B reflects the procedure for the purchase of U.S. dollars with yen. Example C shows the purchase of non-dollar currencies with yen. We assume that telexes dispatched by us during working hours will be received by The Bank of Japan on the following day, Tokyo time, during working hours.

Do not send

You will observe that we have suggested the transfer of funds in Example A and B on the day of arrival of our telex provided it is a working day in both Japan and the United States. It may be that this procedure is practical inasmuch as there is no swap transaction and it may be possible to facilitate the transfer of funds on the day of arrival of our telex in Tokyo. Example C suggests that if the purchase of non-dollar currencies is made through the Federal Reserve Bank of New York that such transfer take place two days after arrival of our telex; otherwise, for non-dollar purchases, possibly the transfer of funds might be made one day after your receipt of our telex.

If the format of these transactions and the suggested value dates raise any problems for you, please do not hesitate to let us know. In making our proposal we endeavor to establish a procedure which is both practical and convenient for you.

This letter will also serve to confirm our understanding that the proceeds of the borrowing will be invested in Treasury Bills and sold automatically according to our regular arrangements to replenish the "B" Account.

Sincerely yours,

Eugene H. Rotberg
Treasurer

Enclosures

Copies sent to Messrs. Hittman & Puno.

(A)

YEN DISBURSEMENT - TRANSFER FROM B MADE ON
DAY OF ARRIVAL OF TELEX (IF WORKING DAY)

BANK OF JAPAN

JANUARY , 1971

TOKYO

TELEX

JAPAN

ATTENTION GENSO FUJIMOTO CHIEF FOREIGN DEPARTMENT

CHARGING B PAY

- (A) SUMITGINKO OSAKA 000,000,000 ACCOUNT CHAMANBANK NEWYORK L/C 76543
ORDER INMIDEL TEHERAN
- (B) KOGIN TOKYO 00,000,000 ACCOUNT THEMSELVES L/C 23456 ORDER
KODEFINCO SEOUL
- (C) FIRSTBANK TOKYO 00,000,000 ACCOUNT FUJI ELECTRIC CO. LTD. REFERENCE
INVOICES 67899 DATED k2/20.70 ORDER UTILITIES KARACHI
- (D) =CHUNGKUO TOKYO 00,000,000 ACCOUNT THEMSELVES L/C 67893 ORDER
CHINA (TEST)

PRINS
INTBAFRAD

B. L. PRINS

TREASURER'S

(B)

PURCHASE OF U.S. DOLLARS WITH YEN - DEBIT B DAY OF
ARRIVAL INSTRUCT FEDRESERVE TO CREDIT DOLLARS SAME DAY

BANK OF JAPAN

TOKYO

JANUARY , 1971

TELEX

ATTENTION GENSO FUJIMOTO CHIEF FOREIGN DEPARTMENT

CHARGING B SELL US US\$00,000,000 AND CABLE RATE; CREDIT THESE DOLLARS

OUR ACCOUNT A-GENERAL FEDRESERVE NEWYORK (TEST)

PRINS
INTBAFRAD

B. L. PRINS

TREASURER'S

(C)

PURCHASE OF NON-DOLLAR CURRENCIES - DEBIT B FOR COST AND ARRANGE
FOR CREDIT TO OUR ACCOUNT AS INDICATED ONE DAY AFTER ARRIVAL OF
OUR TELEX, OR, TWO DAYS THEREAFTER IF YOUR OPERATION GOES THROUGH
FEDERAL RESERVE OF NEW YORK.

BANK OF JAPAN

JANUARY , 1971

TOKYO

TELEX

JAPAN

ATTENTION GENSO FUJIMOTO CHIEF FOREIGN DEPARTMENT

(ONE) CHARGING B SELL US

(A) DEUTSCHMARKS 000,000

(B) ITALIAN LIRE 000,000

(C) STERLING 000,000

(TWO) HAVE SUCH CURRENCIES CREDITED TO OUR ACCOUNT B WITH

(A) NOTENBANK FRANKFURTMAIN

(B) BANKITALIA ROME

(C) INGOTISM LONDON

STOP CABLE RATES (TEST)

PRINS
INTBAFRAD

B. L. PRINS

TREASURER'S



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

Chron

December 29, 1970

Mr. Fumio Kumura
Deputy Representative
The Bank of Japan
One Chase Manhattan Plaza
New York, N.Y. 10005

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Sincerely yours,

Eugene H. Rotberg
Treasurer

Enclosures

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DAY OF ARRIVAL OF TELEX (IF WORKING DAY)

BANK OF JAPAN

JANUARY , 1971

TOKYO

TELEX

JAPAN

ATTENTION GENSO FUJIMOTO CHIEF FOREIGN DEPARTMENT

CHARGING B PAY

- (A) SUMITGINKO OSAKA 000,000,000 ACCOUNT CHAMANBANK NEWYORK L/C 76543
ORDER INMIDEL TEHERAN
- (B) KOGIN TOKYO 00,000,000 ACCOUNT THEMSELVES L/C 23456 ORDER
KODEFINCO SEOUL
- (C) FIRSTBANK TOKYO 00,000,000 ACCOUNT FUJI ELECTRIC CO. LTD. REFERENCE
INVOICES 67899 DATED k2/20.70 ORDER UTILITIES KARACHI
- (D) =CHUNGKUO TOKYO 00,000,000 ACCOUNT THEMSELVES L/C 67893 ORDER
CHINA (TEST)

PRINS
INTBAFRAD

B. L. PRINS

TREASURER'S

(B)

PURCHASE OF U.S. DOLLARS WITH YEN - DEBIT B DAY OF
ARRIVAL INSTRUCT FEDRESERVE TO CREDIT DOLLARS SAME DAY

BANK OF JAPAN

JANUARY , 1971

TOKYO

TELEX

ATTENTION GENSO FUJIMOTO CHIEF FOREIGN DEPARTMENT

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PRINS
INTBAFRAD

B. L. PRINS

TREASURER'S

(C)

PURCHASE OF NON-DOLLAR CURRENCIES - DEBIT B FOR COST AND ARRANGE
FOR CREDIT TO OUR ACCOUNT AS INDICATED ONE DAY AFTER ARRIVAL OF
OUR TELEX, OR, TWO DAYS THEREAFTER IF YOUR OPERATION GOES THROUGH
FEDERAL RESERVE OF NEW YORK.

BANK OF JAPAN

JANUARY , 1971

TOKYO

TELEX

JAPAN

ATTENTION GENSO FUJIMOTO CHIEF FOREIGN DEPARTMENT

(ONE) CHARGING B SELL US

(A) DEUTSCHMARKS 000,000

(B) ITALIAN LIRE 000,000

(C) STERLING 000,000

(TWO) HAVE SUCH CURRENCIES CREDITED TO OUR ACCOUNT B WITH

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(B) BANKITALIA ROME

(C) INGOTISM LONDON

STOP CABLE RATES (TEST)

PRINS
INTBAFRAD

B. L. PRINS

TREASURER'S

OUTGOING WIRE

*Chron*TO: INTERBANK
BASLE

DATE: DECEMBER 28, 1970

CLASS OF
SERVICE: NLT

COUNTRY: (SWITZERLAND)

TEXT:
Cable No.:

ATTENTION MR. DONALD MACDONALD
PLEASE ACCEPT MY SYMPATHY AT THE LOSS OF YOUR COLLEAGUE AND
FRIEND MR. GABRIEL FERRAS STOP HIS UNTIMELY DEATH WILL BE
FELT BY ALL OF US

EUGENE ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

CLEARANCES AND COPY DISTRIBUTION:

NAME ~~KMMEX~~ EUGENE H. ROTBERGDEPT. *Eugene H. Rotberg* TREASURER'SSIGNATURE *Eugene H. Rotberg*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE

EHRotberg:emk ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

For Use By Communication Section

Checked for Dispatch: _____

D R A F T
EHRotberg:emk
December 23, 1970

As of January 1, 1971, the Bank's total cash and securities position will be approximately \$2.2 billion of which about \$1.87 billion will be denominated in U.S. dollars. \$1.592 billion of these dollars are invested in instruments with an original maturity in excess of one year.

In our latest cash projection assuming a \$200 million U.S. issue in January and \$200 million equivalent from The Bank of Japan, we project an overall cash position for June 30, 1971 of about \$2,438,000 or \$238 million in excess of the January 1 position. Assuming that we disburse on loans the proceeds of the yen, guilder, deutsche mark, Swiss franc borrowings, maximize our loan repayments in dollars to the extent practicable and conserve dollars - using them when necessary to meet administrative expenses, debt servicing requirements and interest, and disburse only \$10 million per month (in dollars) - we estimate a total dollar position at June 30, 1971 of \$2,170,000 or \$100 million over a commitment to "lock" up the proceeds of the intermediate term bond issue.

For fiscal 1972 we contemplate a net borrowing of \$747 million which according to the most recent P&B projection will increase our cash position by \$113 million over the June 30, 1971 position to \$2,551 million. The FY1972 borrowing program includes \$140 million in Germany, \$25 million in Canada, \$100 million from The Bank of Japan, \$50 million public

offering in Japan, \$40 million Kuwait, \$50 million two year Central Bank issue and \$17 million in Switzerland for a total of \$422 million outside the U.S. It also assumes \$450 million borrowing in the U.S. market, the access to which would necessarily be a "condition" of any balance of payment commitment we might make to the Federal Reserve Board after June 1971. Further, any commitment over time, say 18 months, would involve a commitment to renew our maturing dollar investments in instruments with a maturity in excess of one year which would considerably limit our flexibility in the management of our investments.

In view of the margin of dollar "excess" for FY1971 (\$100 million), the problems involved in conditioning any balance of payment commitment on future U.S. borrowing, the uncertainty of our non-U.S. borrowing, the limitations on our investment management, and the virtual forgoing of disbursements in dollars, I suggest a broad statement of policy, attached, rather than a commitment to hold a specified number of dollars.

Chross.

D R A F T
EHRotberg:emk
December 23, 1970

It is our intention to invest the proceeds of this issue in the United States and to continue to maintain financial policies which minimize, to the extent practicable, adverse balance of payments effects in the United States. To this end we have invested substantial resources of our liquid assets in U.S. dollars. As of January 1, \$1.87 million of our total holdings of cash and securities of \$2.20 billion are invested in U.S. dollars. In recent years we have maximized, to the extent practicable, the repayment of outstanding loans denominated in dollars and expect to continue to do so in the foreseeable future. We have engaged in a borrowing program which has permitted the Bank to borrow substantial funds outside the United States which is reflected in the fact that in the last three fiscal years, FY1969 through FY1971, the Bank has borrowed or is negotiating the borrowing of \$2,618 billion outside the United States and \$650 million in the United States on a gross basis (including the proposed \$200 million issue). On a net basis, after loan repayments and sinking fund payments for the same period, the Bank has borrowed \$1,292 million outside the United States and \$514 million in the United States (inclusive of the proposed issue). Further, our borrowing projections after FY1972 contemplate further substantial net and gross borrowings by the Bank outside the United States in an effort to diversify the sources of our resources.

Finally, we note that the outstanding World Bank bonds sold in the United States net of redemptions, the loan sales from our portfolio in

the United States and the payment of capital subscriptions by the United States from the inception of the Bank through FY1970 totalled \$3.2 billion. The net funds paid by the Bank to the United States, which includes in U.S. currency interest paid on portfolio sales, outstanding bonds and administrative expenses and Bank-financed goods purchased in the United States, for the same period is approximately \$4.6 billion. Thus, even excluding the \$1-1/2 billion in investments over one year maturity held in the United States by the World Bank as of July 1, 1970, the Bank has been a significant and beneficial factor to the U.S. balance of payments. We would expect that our financial policies as outlined above would be consistent with the maintenance of a favorable effect on the U.S. balance of payments.

OUTGOING WIRE

*Chron Sale*TO: DEUTSCHBANK
FRANKFURT

DATE: DECEMBER 22, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (GERMANY)

TEXT:
Cable No.: FIVE

ATTENTION: MESSRS. SEIPP/DELESSEPS/VAN SAAGSVELT

RE 8% DM BONDS OF 1970 STOP

THIS IS TO CONFIRM FOLLOWING CONDITIONS OF ABOVE ISSUE

AAA PRICE TO PUBLIC: 98-3/4 PER CENT REPEAT 98-3/4 PER CENT STOP

BBB ANNUAL COUPON OF 8% PER ANNUM STOP

SIGNING OF PURCHASE AGREEMENT IS AUTHORIZED BY BOARD RESOLUTION

AND CONSENT OF GERMAN GOVERNMENT REGARDS TEST 667

ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE HCHittmair/PEigen:emk

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Eigen
Mr. Deely
Mr. Prins

For Use By Communications Section

Checked for Dispatch: _____

DEUTSCHE BANK

GERMANY

NO. *5*

ATTENTION: MESSRS! SEIPP/DE LESSEPS/VAN SAAGSVELT

RE 8% DM BONDS OF 1970 STOP

THIS IS TO CONFIRM FOLLOWING CONDITIONS OF ABOVE ISSUE

AAA PRICE TO PUBLIC: 98-3/4 PER CENT REPEAT 98-3/4 PER CENT STOP

BBB ANNUAL COUPON OF 8% PER ANNUM STOP

SIGNING OF PURCHASE AGREEMENT IS AUTHORIZED BY BOARD RESOLUTION ~~NO.~~

and E. for
REGARDS

ROTBERG

Chron file

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: NIPPONGINK
TOKYO

DATE: DECEMBER 22, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (JAPAN)

TEXT:
Cable No.:

FOR MR. FUJIMOTO. THANK YOU FOR YOUR TELEX OF DECEMBER 22.
WE ARE IN AGREEMENT WITH YOUR PROPOSED TERMS AND CONDITIONS FOR THE
THIRD LOAN BY THE BANK OF JAPAN TO THE WORLD BANK, SUBJECT OF COURSE
TO THE FORMAL APPROVAL OF THE BOARD OF EXECUTIVE DIRECTORS OF THE
WORLD BANK WHICH WE EXPECT TO OBTAIN JANUARY 5.

WE UNDERSTAND THAT YOU FIND THE DECEMBER 14 ENGLISH VERSIONS OF
THE DRAFT DOCUMENTS TO BE IN ORDER, AND WE ARE PROCEEDING ON THAT
BASIS. WE ARE LOOKING FORWARD TO RECEIVING COPIES OF THE DRAFT
JAPANESE VERSIONS, HOPEFULLY SOMETIME NEXT WEEK. PLEASE ALSO SEND
COPIES OF THE DRAFT JAPANESE VERSIONS TO THE WORLD BANK'S TOKYO OFFICE.

THANK YOU AND REGARDS.

TEST 680

ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE TMClyde/hb/emk

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Clyde
Mr. Hittmair
Mr. Deely
Mr. Prins

For Use By Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

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TOKYO

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COUNTRY: (JAPAN)

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THANK YOU AND REGARDS.

TEST 680

ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)REFERENCE  Clyde/hb/emk

ORIGINAL (File Copy)

(IMPORTANT! See Secretariat Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Clyde
Mr. Hittmair
Mr. Deely
Mr. Prins

For Use By Communications Section

Checked for Dispatch

Chiron

DRAFT
TM Clyde/hb

TELEX

December 22, 1970

NIPPONGINK

TOKYO

JAPAN

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THANKS AND REGARDS.

ROTBURG

INTBAFRAD



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

December 22, 1970

Dear Bob:

My 'plane was two hours late coming
to New York on Monday so I didn't have a
chance to stop in and say "hello".

Best wishes to you, Cathy and your
family for a happy year. I will see you
soon.

Kindest regards,


Gene Rotberg

Mr. Robert W. Haack
President
New York Stock Exchange
Eleven Wall Street
New York, N.Y. 10005

OUTGOING WIRE

*Chen*TO: DEUTSCHBANK
FRANKFURT

DATE: DECEMBER 22, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (GERMANY)

TEXT:
Cable No.: FIVE

ATTENTION: MESSRS. SEIPP/DELESSEPS/VAN SAAGSVELT

RE 8% DM BONDS OF 1970 STOP

THIS IS TO CONFIRM FOLLOWING CONDITIONS OF ABOVE ISSUE

AAA PRICE TO PUBLIC: 98-3/4 PER CENT REPEAT 98-3/4 PER CENT STOP

BBB ANNUAL COUPON OF 8% PER ANNUM STOP

SIGNING OF PURCHASE AGREEMENT IS AUTHORIZED BY BOARD RESOLUTION

AND CONSENT OF GERMAN GOVERNMENT REGARDS TEST 667

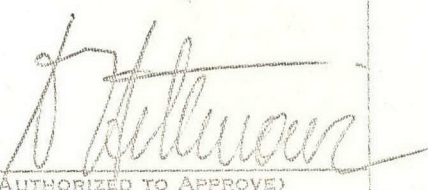
ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE HCHittmair/PEigen:emk

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Eigen
Mr. Deely

For Use By Communications Section

Checked for Dispatch: _____



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

December 21, 1970

Dear Klaus:

Thank you very much for your kind letter. I am most sorry to have missed you when you left but as you know I had an unexpected trip which required me to be out of the office. Little has changed here. The Bank continues to commit substantial funds and it has been most successful, as you know, in tapping capital markets throughout the world. We are in the process of again arranging for a private placement with The Bank of Japan for \$200 million equivalent.

Hans Hittmair, the new Deputy Treasurer, is extremely helpful and has assisted me a great deal. I have not been to Germany for some time but I will call on you when I come over.

Please give my best regards to your family and have a good year.

Best wishes,

A handwritten signature in dark ink, appearing to read "Gene Rotberg", is written over a light-colored background.

Gene Rotberg

Mr. Klaus Flachmann
Verband öffentl.-rechtl.
Kreditanstalten e.V.
Hausdorffstrasse 80
D 5300 Bonn, Germany

10822 Childs Court
Silver Spring, Md. 20901

December 21, 1970

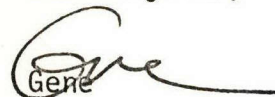
Dear Mike:

I am enclosing some complimentary letters about my Dad which you might want to use. Dad says that he can get similar recommendations of much more recent vintage. The facts are as follows:

My Father served as Hearing Examiner for the Pennsylvania Labor Relations Board from April 1957 to October 1963. The appointment was a political one and he was separated when the Scranton administration came into office. He remained out of office until January 1966 when he was appointed by the Republicans as a Hearing Examiner for the Sales Tax Board. He was able to retain his Democratic registration, however, until April 1967 at which time the Republicans required him to change his registration in order to avoid embarrassment for local political leaders.

Dad tells me that a Pittsburgh Labor leader by the name of Begler has been appointed by Shapp to take care of "patronage" and Labor matters in the new Administration. If this is too embarrassing to you or to the other Pittsburgh people, don't pursue it, Mike.

Best regards,


Gene

Michael H. Gottesman, Esq.
Bredhoff, Barr, Gottesman, Cohen & Peer
1000 Connecticut Avenue, N.W.
Washington, D.C. 20036

Chron

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. McNamara:

Attached is (a) a list of issuers in the intermediate-term market in the last six months; (b) a list of U.S. agency issues since July including size and final maturity; and (c) a schedule showing the underwriters for underwritten U.S. agency issues.

It is important to note that many of the agency issues are roll over of outstanding debt and do not represent new funds.

Gene Rotberg
December 18, 1970

Chron

OFFICE MEMORANDUM

TO: Mr. S. Aldewereld

FROM: Eugene H. Rotberg *ER*

SUBJECT: Analysis of \$21,250,000 Investment Switch

DATE: December 16, 1970

You may be interested in the following "investment switch" which was made for settlement on December 14, 1970:

SECURITY SOLD - 7-3/4% U.S. Treasury Notes maturing May 15, 1973
\$21,250,000 face value
\$21,147,279 book value
Market price: 105
Market yield: 5.50%

SECURITIES PURCHASED - No. 1 - 6% FNMA Debentures maturing Oct. 1, 1973
\$10,400,000 face value
Market price: 100.25
Market yield: 5.90%

No. 2 - 6.15% EXIM BANK Debentures maturing April 30, 1973
\$11,735,000 face value
Market price: 100.50
Market yield: 5.91%

The investment switch was made on the basis of a 40 basis point spread between the securities sold and the securities purchased with approximately the same maturity. The switch was financially favorable because the terminal value of the securities purchased is \$220,000 higher than if we had held the U.S. Treasury Notes (See Appendix A). The terminal values are summarized below:

	<u>A. HOLD</u>	<u>B. SWITCH</u>	<u>DIFFERENCE</u> (B - A)
Terminal Values	\$25,621,000	\$25,841,000	\$220,000

You may also be interested in the effect upon fiscal year income of the switch:

	<u>A. HOLD INCOME</u>	<u>B. SWITCH INCOME</u>	<u>DIFFERENCE</u> (B - A)
Fiscal Year 1971	\$ 915,000	\$1,876,000	\$ 961,000
Fiscal Year 1972	1,689,000	1,311,000	(378,000)
Fiscal Year 1973	1,478,000	1,148,000	(330,000)
	<u>\$4,082,000</u>	<u>\$4,335,000</u>	<u>\$ 253,000</u>

December 16, 1970

The total "loss" of income for fiscal 1972 and 1973 is less than the gain taken in fiscal year 1971. (This will not necessarily always be the case for all "financially favorable" switches). I want to emphasize and agree that switches of this sort which are financially favorable should be the only basis for doing the switch. However, I have doubts that the corollary is true, i.e. that all switches which are financially favorable should be done without regard to income considerations since to do so could result in relatively minor favorable financial flows but exaggerated and erratic net income year to year. For example, we probably easily could make financial switches which are financially favorable in terms of net financial flows of, say, \$1 million based on technical market conditions. However, to do so could result in an increase of our net profits this year by as much as \$15 million and a reduction of perhaps \$6 million or \$7 million in each of the succeeding two fiscal years.

Attachment

cc: Mr. McNamara

FINANCIAL ANALYSIS OF INVESTMENT SWITCH

Appendix A

Assumptions: Reinvestment Yield to terminal date: 6%
 Yield for sale at terminal date: 6%

Terminal Date: May 15, 1973 (Maturity of OLD SECURITY)

Value Date	CASH FLOW Description	Nominal Values \$	Terminal Values \$
<u>A. HOLD OLD SECURITY</u>			
5-15-71	Interest for 1/2 year	823,438	926,786
11-15-71	" " " "	823,437	899,792
5-15-72	" " " "	823,438	873,585
11-15-72	" " " "	823,437	848,141
5-15-73	" " " "	823,438	823,438
"	Principal matured	21,250,000	<u>21,250,000</u>
TOTAL TERMINAL VALUE OF HOLD			<u><u>25,621,742</u></u>
<u>B. SWITCH TO NEW SECURITIES</u>			
Proceeds from sale of OLD SECURITY:			
	Principal: \$21,250,000 x 105	22,312,500	
	Interest for 29 days	<u>131,932</u>	
12-14-70	Total proceeds	<u><u>22,444,432</u></u>	
Outlays for purchase of NEW SECURITIES:			
No.1	Principal: \$10,400,000 x 100.25	10,426,000	
	Interest for 73 days	<u>126,533</u>	10,552,533
No.2	Principal: \$11,735,000 x 100.50	11,793,675	
	Interest for 44 days	<u>88,208</u>	<u>11,881,883</u>
12-14-70	Total outlays	<u><u>22,434,416</u></u>	

Issue Date	CASH FLOW Description	Nominal Values \$	Terminal Values \$
12-14-70	Cash surplus (Proceeds - Outlays)	<u>10,016</u>	<u>11,557</u>
	RECEIPTS NEW SECURITY NO. 1:		
4- 1-71	Interest for 1/2 year	312,000	353,734
10- 1-71	" " " "	312,000	343,431
4- 1-72	" " " "	312,000	333,428
10- 1-72	" " " "	312,000	323,717
4- 1-73	" " " "	312,000	314,288
5-15-73	Principal sold to yield 6%	10,400,000	10,400,000
"	Interest for 44 days sold	76,267	<u>76,267</u>
	Total receipts NEW SECURITY No. 1		<u>12,144,865</u>
	RECEIPTS NEW SECURITY NO. 2:		
4-30-71	Interest for 1/2 year	360,851	407,156
10-31-71	" " " "	360,851	395,297
4-30-72	" " " "	360,851	383,784
10-31-72	" " " "	360,851	372,606
4-30-73	" " " "	360,851	361,753
"	Principal reinvested for 15 days @ 6%	11,735,000	<u>11,764,338</u>
	Total receipts NEW SECURITY No. 2		<u>13,684,934</u>
	TOTAL TERMINAL VALUE OF SWITCH		<u>25,841,356</u>
	DIFFERENCE BETWEEN TERMINAL VALUES OF SWITCH AND HOLD		<u>+ 219,614</u>

Controller's Department
Accounting Division
December 15, 1970

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Eugene H. Rotberg 

SUBJECT: Proposed Japanese Issue

DATE: December 14, 1970

We met with the representatives of The Bank of Japan on Thursday, December 10, concerning the details of a proposed loan from The Bank of Japan. The terms are as follows:

Amount: 36 billion yen.

Term of Loan: Final maturity five years, repayable in equal installments at the end of 4, 4-1/2 and 5 years (average life 4-1/2 years).

Interest Rate: 7.43% payable semiannually.

No swap arrangement.

Japanese representatives would prefer a signing in the afternoon of January 12 in Washington and would like the exchange of documents and agreement in principle reached before the end of this calendar year -- preferably before December 25 (I think this may be because of holidays in Japan starting at the end of December through January 5).

We have prepared all of the necessary documents in English for this transaction and, subject to your agreement, propose the following time schedule:

<u>Monday</u> <u>December 14</u>	Mailing of letter agreement, form of obligation, form of interim certificate, escrow agreements, etc. to The Bank of Japan (Tokyo and New York).
<u>Tuesday</u> <u>December 22</u>	Telex by The Bank of Japan to the World Bank of comments on and approval of English version of foregoing draft documents (this date may be extended a few days).
<u>Friday</u> <u>December 25</u>	Mailing by The Bank of Japan to the World Bank of Japanese version of documents.
<u>Tuesday</u> <u>December 29</u>	Circulation of covering memorandum, draft resolution and draft documents (in English) to the Executive Directors of the Bank.

Mr. Robert S. McNamara

- 2 -

December 14, 1970

Tuesday
January 5

Executive Directors' approval of issue.

Tuesday
January 12

Signing.

The foregoing schedule contemplates staff agreement in principle with the terms and conditions, today, December 14, the date of mailing of draft documents.

cc: Mr. Aldewereld
Mr. Broches

Chron.

1. Describe Conditions in Germany

- (a) Discount rate
- (b) KFW
- (c) Rumors about new coupon
- (d) Recent Issues in Germany

2. Conditions in Holland

- (a) Recent secondary market improvement
- (b) Improvement in our Government Price
- (c) Improvement in final pricing of our issue.
What is it selling at?

3. U.S. Market -- Drop in long term; not as much as short
term
Comment AAA long term

4. Eurobond Market

Long Term [Siemens 9% - Par successful
[Kingdom of Denmark
[Recent coupons - 9-1/2 to 9

Short Term [5 Year dollar Issue - 8-3/4
[How many have come out?

5. Swiss Market -- Our Bonds



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

December 14, 1970

Mr. John Heinrich
1915 Kennedy Drive
McLean, Virginia 22101

Dear Mr. Heinrich:

Enclosed is Mr. Rotberg's biographical sketch and resume that you had requested. Mr. Rotberg will be speaking on the international capital market and the financing of development aid.

Sincerely,

B. Bartolome
Secretary to Mr. Rotberg

Enclosures (2)

OUTGOING WIRE

*Chow*TO: THE BANK OF JAPAN
1 CHASE MANHATTAN PLAZA
NEW YORK, N.Y.

DATE: DECEMBER 14, 1970

CLASS OF SERVICE: TELEX

COUNTRY: (U.S.A.)

TEXT:
Cable No.:

ATTENTION MR. KIMURA

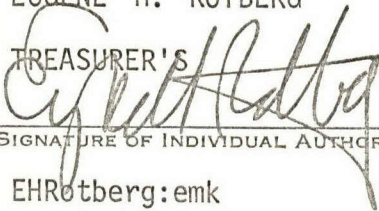
THIS WILL CONFIRM DATE OF SETTLEMENT OF PROPOSED YEN
TRANSACTION ON THURSDAY JANUARY 14 IS SATISFACTORYROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE EHRotberg:emk

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OFFICE MEMORANDUM

Chen

TO:

Mr. Robert S. McNamara
Mr. S. Aldewereld

DATE: December 14, 1970

FROM:

Eugene H. Rotberg

SUBJECT:

Interest Rates in the United StatesFor your information:

3-month Certificates of Deposit	--	5-3/8 - 5-1/2%
3-month Treasury Bills	--	4.80%
6-month Treasury Bills	--	4.80%
6-month Certificates of Deposit	--	5-5/8%
1-year Treasury Notes	--	4.90/5%
1-year U.S. Govt. Agencies	--	5%/5-1/4%
2-year U.S. Treasury Notes	--	5-1/4%
2-year U.S. Govt. Agencies	--	5.50/5.60%
3-year U.S. Govt. Agencies	--	5.80/5.90%
5-year U.S. Govt. Agencies	--	6.30%
5/6-year Corporate Bonds	--	6.60/6.75%
10-year U.S. Govt. Agencies	--	6.80/7%
Over 25-year Corporate Bonds	--	7-5/8%-7-3/4%

Chrou

10822 Childs Court
Silver Spring, Md.
20901

December 11, 1970

OMNICRAFT
Station Plaza East
Great Neck, N.Y. 11021

Dear Sirs:

As per your advertisement, would you
please furnish me with information on where
I can see your new line of HI-FI modular
furniture now being displayed at a store
near me. Thank you.

Sincerely,


Eugene H. Rotberg

P.S. Also please send catalogue.

OUTGOING WIRE

Chron

TO: THE BANK OF JAPAN
1 CHASE MANHATTAN PLAZA
NEW YORK, N.Y.

DATE: DECEMBER 14, 1970

CLASS OF SERVICE: ~~TELEX~~ *F.R.*

COUNTRY: (U.S.A.)

TEXT:
Cable No.:

ATTENTION MR. KIMURA

THIS WILL CONFIRM DATE OF SETTLEMENT OF PROPOSED YEN
TRANSACTION ON THURSDAY JANUARY 14 IS SATISFACTORY

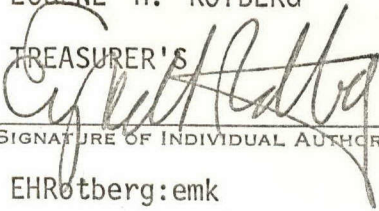
·ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE EHRotberg:emk

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INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg

SUBJECT: Portfolio Yields: November 30, 1970

DATE: December 10, 1970

Attached is the statement of our portfolio yields as of
November 30, 1970.

Attachment

Chron

INTERNATIONAL FINANCE
CORPORATION

ASSOCIATION

RECONSTRUCTION AND DEVELOPMENT

OUTGOING WIRE

TO: GENBANK
AMSTERDAM

DATE: DECEMBER 10, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (THE NETHERLANDS)

TEXT:
Cable No.:

35

REURTELEX DECEMBER 10 OUR 88 OF DECEMBER 9 TEST SHOULD READ 515

REPEAT 515

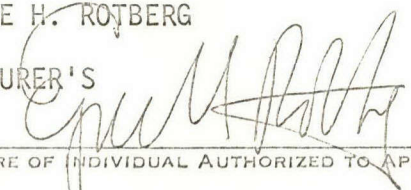
ROTBURG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: EHRotberg:emk

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Checked for Dispatch

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Eugene H. Rotberg 

SUBJECT: Proposed Belgian and German Issues

DATE: December 10, 1970

Belgium

Our representatives in Belgium advised me today that our issue has been postponed at the request of the Belgian authorities. The Government has decided that they wish to market a bond issue before ours, which we were aware was a possibility, during the second week of January. They prefer, therefore, that we wait for our issue until the end of February.

Inasmuch as the rate that we would have to pay would have been uncertain in early January (the most recent 13-year bond issue by the Government carrying an 8-1/2% coupon was trading about par), I think it is to our benefit that the issue is now postponed temporarily. It is possible that the Government issue planned for January 14 will be at a lower rate than we could have commanded and will be a precursor for lower rates for high-grade issues which follow.

. . .

Germany

Messrs. Eigen and Hittmair, our representatives in Germany, advised me today that the Deutsche Bank now contemplates that our issue could be issued with an 8% coupon at 98 - a 10-1/2 year average life. This would result in a yield to the public of 8.12 and a cost to the Bank of 8.37. This will be confirmed more definitely on December 14. On December 15 we would discuss the proposed pricing with the Economics Ministry. On December 16 the Deutsche Bank wishes to send out telexes to the Underwriters asking for indications of interest "at or about" the rate and price set forth above. The final and definitive price would not be set until Monday, December 21, for Board approval on Tuesday, December 22.

In view of the foregoing time schedule, we should indicate our willingness to go forward at the rates stated above by Tuesday, December 15 before the telex invitations to underwriters are sent out.

A cost to the Bank of 8.37 compares to our long-term Dutch issue of 8.46 and is a better rate than that received last week by Kreditanstalt fuer Wiederaufbau (KfW) - the German development bank.

cc: Mr. Aldewereld
Mr. Broches

Chen

OUTGOING WIRE

TO: GENBANK
AMSTERDAM

DATE: DECEMBER 9, 1970

CLASS OF SERVICE: TELEX

COUNTRY: (THE NETHERLANDS)

TEXT:
Cable No.:

327 FOR MR. KROL

REURTELEX TO BROCHES CONCERNING PRESS RELEASE WE SUGGEST SOME MINOR LANGUAGE CHANGES AS FOLLOWS: QUOTE THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT TODAY ANNOUNCED THAT A PRIVATE PLACEMENT OF DFLS 60,000,000 7-3/4% FIVE-YEAR NOTES, OFFERED ON DECEMBER 7 AT A PRICE OF 99-1/4%, HAS BEEN FULLY SUBSCRIBED. CONSEQUENTLY THE SUBSCRIPTION WAS CLOSED TODAY. THESE NOTES WERE PLACED WITH NON-RESIDENTS OF THE NETHERLANDS AND THE UNITED STATES OF AMERICA BY A SYNDICATE OF DUTCH BANKS HEADED BY ALGEMENE BANK NEDERLAND N.V. OTHER MEMBERS OF THE SYNDICATE ARE AMSTERDAM-ROTTERDAM BANK N.V., BANK MEES EN HOPE N.V. AND PIERSON, HELDRING EN PIERSON UNQUOTE.

2. WE INTEND TO ISSUE THIS SAME PRESS RELEASE IN WASHINGTON FOR RELEASE IN THE UNITED STATES TOMORROW DECEMBER 10 WITH FOLLOWING MODIFICATIONS:

WE WILL OMIT REFERENCE TO QUOTE PRIVATE UNQUOTE INASMUCH AS SUCH EXPRESSION HAS SPECIAL AND DIFFERENT MEANING IN UNITED STATES STOP WE ALSO MAY MAKE REFERENCE THAT THIS IS THE SECOND OBLIGATION DENOMINATED IN GUILDERS IN RECENT WEEKS BY THE WORLD BANK STOP REGARDS ROTBERG INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE *Eugene H. Rotberg*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: EHRotberg:emk

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cc: Mr. Broches
Miss Maher
Mr. Deely

For Use By Communications Section

Checked for Dispatch: _____

Chrom

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg *EHR*

SUBJECT: U.S. Five Year Market

DATE: December 8, 1970

In presenting the arguments to the Board for the Bank entering the five year market in the United States or in response to questions, the following points might be made:

(1) The Bank needs long term resources in substantial amounts to maintain and expand its lending program. This is due to the gap between its net cash flow from its operations and its anticipated disbursements - which in turn derives from our commitment program.

(2) The intermediate term market in the United States is the deepest capital market in terms of its absorptive capacity for single issues and its overall size. It is the market in which U.S. Treasury financing and U.S. Government agency financing typically takes place.

(3) That market has a high potential for a repeated roll over of funds, i.e. long term funds, as diverse investors look to it as a market with a short enough maturity so as to withstand the pressures of inflation while being long enough to assure a stable flow of income over a reasonable time span as compared to, say, the short commercial paper which has rapid and unpredictable fluctuations in yield to investors. We would not have brought the matter to the Board's attention if we were not reasonably assured of the possibility of roll over of these funds at maturity into at least the same maturity or possibly longer. In this connection, the U.S. Agencies often market blocks of 300 - 500 million dollars in the intermediate term market and look to it as a permanent source of roll over funds to finance long term mortgages in the United States.

(4) The intermediate term market will open up a new source of funds by permitting the Bank to tap pools of savings and resources in the hands of individuals, corporations, dealers and banks who do not generally buy or hold our long term bonds.

(5) The purchase of intermediate term bonds by new classes of investors will, in turn, offer them familiarity with Bank obligations and thereby increase the possibility that they will become buyers of our long term issues if, at the maturity of an intermediate term bond, some, in anticipation of a lower rate of inflation, may wish to purchase long term bonds.

(6) It also will tap the savings of those institutions who have already purchased substantial amounts of our long term bonds and who may have reached a maximum holding of long term fixed interest paper (ours or others) which they wish to hold, or can legally hold, in their portfolio. The intermediate term market also offers investors a fixed interest investment media pending a more definite or permanent commitment of their funds. The diversity of decision making as to when to make "permanent" commitments has tended to increase the overall pool of resources committed to the intermediate term market.

(7) The liquid secondary market (it is estimated intermediate term bonds in the Government agency market alone trade about \$400 million a day) creates confidence in investors that they can liquidate their holdings quickly at quoted prices. This is important to investors such as banks, corporations, endowments, etc. with a wide range of cash requirements and market evaluations who may require substantial liquidity on large blocks at relatively short notice. The efficiency of the secondary market, in turn, permits substantial distributions of new or roll over funds at favorable yields. (Dealers most familiar with the intermediate term market have advised us that individual purchasers have tended to hold rather than trade securities. They, too, for different reasons are, therefore, excellent candidates for a roll over at maturity.)

(8) The use of intermediate term bonds offers the Bank flexibility if it wishes to refund the obligation at maturity into a longer term bond - if such obligations are sought by investors. Thus, the issuance in the intermediate term market is not irreversible and, in any event, would only be considered as a supplement, not a substitute for long term issues.

(9) Historically, the yield spreads between the intermediate and long term market have been favorable to the intermediate term market and, although this positive differential is not the primary reason for entering that market, it offers the Bank a useful supplement to entering the long term market which, historically, has been the most expensive market in over two year maturities. Thus, the cost of maintaining the increased cash position is probably less than the cost of maintaining a cash position derived from the issuing of long term bonds.

(10) The Bank should enter this market now and build up its resources during a period when it is making commitments rather than taking the risk of entering this market when it must borrow even greater amounts and when its resource needs will be at their greatest peak - 1975-1980. To wait until that time to introduce a new instrument, when domestic priorities are unknown and new capital possibly hard to come by, would be less prudent than entering the market now (and over the next five years) and having to

roll over such obligations in the future rather than seeking new funds at that time - to finance what has already been committed.

(11) We should not consider this a "short term borrowing" which, often has been subject to higher interest rates than long term funds. Thus, the reason for not borrowing short while you are "lending long" we do not think applies where (a) the instrument historically has shown to result in lower costs; and (b) has a volume of trading which reasonably assures the availability of a roll over of funds. In this connection, the U.S. Government debt, the typical-term bank loan, as well as the \$50 billion of U.S. Agency paper, all tap intermediate term funds in the U.S. Thus, for that market to "disappear" because of extraordinarily high interest rates would involve a breakdown of the system of Government financing, business loans, much municipal financing, etc. It would mean that we are in a society in which inflation had reached such proportions that long term money was not available at any price and that all financing had to be done in the day-to-day short term market. We do not think that that situation will come about and, if it does, our stability will be more related to the priorities of our goals as compared to other competing users of resources. And, under such adversity, even total long term borrowing would not provide us with financial protection.

(12) Finally, even under such adverse conditions, the Bank does have and will have a considerable inflow of resources which will enable us to repay the rather minimal intermediate term debt we might acquire - minimal in the context of our continuing expectation to borrow substantial amounts in the long term market.

Chron

OFFICE MEMORANDUM

TO: Mr. Chinh T. Vu

DATE: December 7, 1970

FROM: E. H. Rotberg

SUBJECT: Daily Quotations by First Boston

I spoke to Mr. Baker of First Boston today who advised me that First Boston was prepared to supply to us daily by telex the bid and offer prices and yields on both bid and offer of our holdings. The quotations supplied to us will be prepared by First Boston around 2:30 in the afternoon. He suggested that we rank them by number and they would simply submit the appropriate prices and yields for each number. My initial thought was that we would rank them chronologically but this would create problems as securities are bought and sold, mature and are replaced by new ones which would require a reranking of each security. It may be best, therefore, for us to simply rank them by number according to type of security and then instruct them to add and subtract various numbers as changes take place in the portfolio. I would like to have your comments and suggestions of the most efficient way to handle this.

Chron.

Mr. McNamara

In your comment on the Bank investment policy you observe that "switches" should be based solely on the belief that the switch will yield a more favorable "total income". I agree. The problem is that there are many switches which are now known to be ^{financially} favorable, i.e. will produce more total income. However, a side effect is that they will substantially distort our income this year and in subsequent years by creating very substantial capital gains this year at the expense of subsequent years' income, even though they are financially favorable. The problem, therefore, remains: do we make switches which are financially favorable in terms of total income irrespective of its impact on this and subsequent P & L statements. Aside from tax considerations, as private individuals the answer would be "yes". I do not think we should make these "favorable switches where it would result in substantial and erratic changes in our income patterns, e.g. increase ^{this} the year's income to, say \$220 million and lower subsequent years by an almost corresponding amount.

gene Rotberg
December 7, 1970

DEVELOPMENT
SECTION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Chen
INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: ALDEWERELD
THREE KINGS HOTEL
BASLE

DATE: DECEMBER 7, 1970

CLASS OF SERVICE: TELEX

COUNTRY: (SWITZERLAND)

TEXT:
Cable No.:

BOARD APPROVED GUILDER ISSUE STOP NO PROBLEMS

ROTBERG

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: EHRotberg:mk

CLEARANCES AND COPY DISTRIBUTION:

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ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: _____

Chron

OFFICE MEMORANDUM

TO: Mr. Chinh T. Vu

DATE: December 7, 1970

FROM: E. H. Rotberg

SUBJECT: Daily Quotations by First Boston

I spoke to Mr. Baker of First Boston today who advised me that First Boston was prepared to supply to us daily by telex the bid and offer prices and yields on both bid and offer of our holdings. The quotations supplied to us will be prepared by First Boston around 2:30 in the afternoon. He suggested that we rank them by number and they would simply submit the appropriate prices and yields for each number. My initial thought was that we would rank them chronologically but this would create problems as securities are bought and sold, mature and are replaced by new ones which would require a reranking of each security. It may be best, therefore, for us to simply rank them by number according to type of security and then instruct them to add and subtract various numbers as changes take place in the portfolio. I would like to have your comments and suggestions of the most efficient way to handle this.

Chron

OFFICE MEMORANDUM

TO: Files

DATE: December 4, 1970

FROM: Eugene H. Rotberg

SUBJECT: Netherlands - Five-Year Guilder Issue

The following reflects the telephone conversations between Dr. van der Slikke of the A.B.N. and Messrs. Aldewereld, Broches and Rotberg in connection with the pricing of our Five-Year Guilder issue. Dr. van der Slikke advised us the following quotations on five-year non-resident Guilder issues, all of which were issued with an 8% coupon:

International Harvester -- A Rating -- 100 - 100-3/4
Mees & Hope (Dutch bank) -- 100 - 100-3/4
A.B.N. (Dutch bank) -- 101-1/2 - 102-1/2
I.B.M. -- 101-1/2 - 102-1/2

He told us that (a) our long-term guilder issue was oversubscribed; (b) that the capital markets have improved considerably in recent weeks; and (c) that the recent 8% Dutch Government Guilder issue (long term) had risen from a price of 99-1/2 to over par. (It traded today at 100.40). However, he said with respect to the pricing of our five-year issue that, although we were a better-rated company than International Harvester or Mees & Hope, we could not expect our bonds to be priced the same way as A.B.N., the largest Dutch bank, since their notes could be treated as bank Certificates of Deposit (which carried lower reserve requirements than industrial bonds). This would make the World Bank issue less attractive to banking institutions in Switzerland who were significant buyers of the five-year guilder notes. Nor were we comparable ourselves to industrial issues, like IBM, because these were in "short supply". He confirmed that the Euro-dollar short and intermediate rate had shown improvement but that long-term rates in Europe, while stronger, were not substantially reduced. He said, all things considered, he would prefer not to break the psychological barrier of 8%, but would recommend an 8% coupon at par. This would be the lowest yield offered on the five-year non-resident guilder notes - the most recent offerings in October and November being 8% at 99-3/4. (An 8% coupon at par would yield investors 7.85 and would result in a total cost to us of about 8.21).

We advised him that, while we were not concerned with the pricing in the context of bargaining a few basis points with him, it did appear

that the price he suggested could down-grade the Bank's quality in terms of other issuers in the same market, particularly in terms of recent trends of interest rates. We pointed out that our bonds were generally offered at rates highly competitive with Government obligations in Germany and with AAA issuers in the United States and that the pricing he suggested seemed not to meet that standard. Dr. van der Slikke said he appreciated this problem and was concerned about it himself, particularly since the most recent five-year guilder issue (three weeks ago) of Cities Service Company at 99-3/4 (8% coupon) for 60 million guilders had obtained subscriptions of over 400 million guilders, and further, it was not improbable that a week after our issue came out another issue, possibly with an A quality, might come with a 7-3/4 coupon. We asked him to consider the most recent market conditions and call us back. He did so and advised us that he thought the Bank might do a 7-3/4 coupon at a price of 99. We pointed out that produced the same yield as an 8% coupon at par and that it was, therefore window-dressing and cosmetics. He said, however, he would be the first to break the 8% coupon. We advised him that we were not interested in taking the risk of breaking that barrier without any gain to the Bank or any gain in the view of investors. We pointed out to Dr. van der Slikke that a 7-3/4 coupon at 99-3/4 was about 18 basis points better than an 8% coupon at 99-3/4 - the price of the Cities Service issue which, as noted above, was many times oversubscribed. In view of the fact that all markets had improved in the last few weeks, some considerably - would he not consider the matter further. He advised us that he would be going back to Holland from New York (where he had made a brief visit) and would discuss the matter further and send us a telex Monday morning as per our prior arrangements. We left him with the general impression that we were not satisfied that his initial pricing fully reflected the market conditions and our general creditstanding.

. . .

It is my view that one of the relevant factors in the pricing of this issue is the current five-year rate on Euro-dollars which as of today still remains around 8.75 yield to the public for medium-grade issues. Investors will evaluate the possibility of revaluation of the guilder where they could get 7.85 for five years as against the dollar where they can obtain 8.75. If we press the guilder issue down too far we run the risk of losing investors to dollar instruments. Further, the Euro-dollar bond long-term rate remains high. The recent Siemens issue was successful but it carried a 9% coupon at par and, although there are rumors today of a lower coupon for straight long-term dollar

bonds, none have yet appeared in the market. The long-term Euro-Deutsche mark rate also carries an 8-1/2% coupon although today for the first time since the beginning of the year a domestic DM issue (KFW) carried an 8% coupon - at 98 - to yield the public 8.31.

The difficulty of the subject pricing is the fact that we would be the first issue to come out at 7-3/4 in the Euro-guilder market during a time when the dollar issues in the same maturity are still 8-3/4.

cc: Mr. McNamara
Mr. Aldewereld
Mr. Broches

Chron

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

DATE: December 4, 1970

FROM: Eugene H. Rotberg *E. Rotberg*

SUBJECT:

Attached is a paper on the managing of our portfolio investments and its impact on the Bank's net income. The Examples set forth in the paper were prepared by Mr. Schielke of the Controller's Department.

Attachment



Record Removal Notice

File Title Eugene H. Rotberg - Chronological Records - Volume 4 - May - December 1970		Barcode No. 1858107
Document Date 03 December, 1970	Document Type Memorandum	
Correspondents / Participants To: Personnel From: Eugene Rotberg		
Subject / Title Graham J. Sharman (applicant)		
Exception(s) Personal Information		
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.
		<table border="1"><tr><td>Withdrawn by Tarsica Morgan-Taylor</td><td>Date July 17, 2024</td></tr></table>
Withdrawn by Tarsica Morgan-Taylor	Date July 17, 2024	



Record Removal Notice

File Title Eugene H. Rotberg - Chronological Records - Volume 4 - May - December 1970		Barcode No. 1858107
Document Date 03 December, 1970	Document Type Letter	
Correspondents / Participants To: Janet Cordery From: Eugene Rotberg		
Subject / Title FCAVE purchase		
Exception(s) Personal Information Financial Information iv		
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group.
		<table border="1"><tr><td>Withdrawn by Tarsica Morgan-Taylor</td><td>Date July 17, 2024</td></tr></table>
Withdrawn by Tarsica Morgan-Taylor	Date July 17, 2024	

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

DATE: December 3, 1970

FROM: Eugene H. Rotberg

SUBJECT:

Attached is a paper on the managing of our portfolio investments and its impact on the Bank's net income. The Examples set forth in the paper were prepared by Mr. Schielke of the Controller's Department.

Attachment

Chron.

OFFICE MEMORANDUM

TO: Mrs. Muriel Lee

FROM: Edith M. Kesterton *EMK.*

SUBJECT: Future Travel - Treasurer's Department

DATE: December 1, 1970

This is to advise:

- (a) that Mr. Rotberg (Treasurer) will attend a capital markets seminar in London on March 2 and 3, 1971; and
- (b) Mr. Hittmair (Deputy Treasurer) will leave for Germany on December 7 for financial discussions and is expected to return to the Bank on December 18.

EMK/

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg *EHR*

SUBJECT: Portfolio Yields: November 16, 1970

DATE: November 30, 1970

There is attached the statement of portfolio yields for the period ended November 16, 1970. In accordance with our usual practice, the summary sheet reflects the amortized book yield of our portfolio. The original yield to maturity, the current market yield and the amortized book yields as of November 16 for our U.S. Agency holdings are also included. I have also included a more up-to-date statement showing the current market value of our Agency holdings through November 23, 1970. You may observe that the market value between November 16 and November 23 showed an increase of unrealized book profits from about \$28.2 million to \$45.3 million. This excludes the market increase of our time deposit holdings which is approximately \$10 million.

I would emphasize that the liquidation of certain of these holdings at the current market and the purchasing of other securities with the same maturity permits us to take a capital gain, and because of technical market factors, without a full compensating reduction of the same amount of income over the next two or three years. Stated another way, we can sell securities with a market yield of, say, 5.50 and use the proceeds to purchase securities with the same maturity with a current market yield of 5.80. (From a financial point of view this should be done irrespective of the impact on the Profit and Loss statements). In the next day or two I will send you a more detailed memorandum outlining how this can be done, by way of specific examples, and why it can be justified, also, in limited amounts, in order to produce a stable net income pattern.

Attachment

(3-70)

INTERNATIONAL DEVELOPMENT
ASSOCIATIONINTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENTINTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

*Chase*TO: INTERBANK
BASLE

DATE: NOVEMBER 30, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (SWITZERLAND)

TEXT:
Cable No.:

URGENT FOR DONALD MACDONALD

AFTER FURTHER DISCUSSION WITH MANAGEMENT OF BANK REGRET WE CANNOT
NOW GO FORWARD WITH TWO YEAR BOND ISSUE STOP INTEREST RATE NOT
REPEAT NOT A FACTOR STOP DIFFICULTIES ARE INVOLVED IN OUR NOT
BEING ABLE TO PREDICT ROLLOVER OF BONDS TWO YEARS HENCE STOP
MANAGEMENT OF BANK WISHES TO EXPRESS APPRECIATION AND REGRETS
DECISION STOP ALDEWERELD WILL EXPLAIN IN FURTHER DETAIL WHEN HE
VISITS WITH YOU IN BASLE

REGARDS

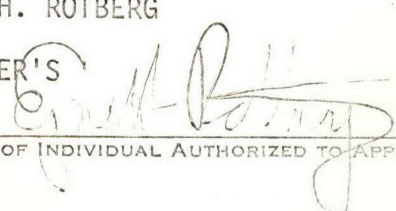
ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

EHRotberg:emk
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Checked for Dispatch:

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg *ER*

SUBJECT: Portfolio Yields: November 16, 1970

DATE: November 30, 1970

There is attached the statement of portfolio yields for the period ended November 16, 1970. In accordance with our usual practice, the summary sheet reflects the amortized book yield of our portfolio. The original yield to maturity, the current market yield and the amortized book yields as of November 16 for our U.S. Agency holdings are also included. I have also included a more up-to-date statement showing the current market value of our Agency holdings through November 23, 1970. You may observe that the market value between November 16 and November 23 showed an increase of unrealized book profits from about \$28.2 million to \$45.3 million. This excludes the market increase of our time deposit holdings which is approximately \$10 million.

I would emphasize that the liquidation of certain of these holdings at the current market and the purchasing of other securities with the same maturity permits us to take a capital gain, and because of technical market factors, without a full compensating reduction of the same amount of income over the next two or three years. Stated another way, we can sell securities with a market yield of, say, 5.50 and use the proceeds to purchase securities with the same maturity with a current market yield of 5.80. (From a financial point of view this should be done irrespective of the impact on the Profit and Loss statements). In the next day or two I will send you a more detailed memorandum outlining how this can be done, by way of specific examples, and why it can be justified, also, in limited amounts, in order to produce a stable net income pattern.

Attachment



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

November 30, 1970

Mr. Charles W. Bryson
Assistant Chief Economist
Office of Policy Research
Securities and Exchange Commission
Washington, D.C. 20549

Dear Charlie:

Many thanks for your letter of
November 19 with which you sent me various
charts and tables on market value and volume
representing a compilation of data on the
New York and American Stock Exchanges.

Sincerely,


Eugene H. Rotberg
Treasurer

OUTGOING WIRE

TO: INTBAFRAD

DATE: NOVEMBER 30, 1970

TOKYO

CLASS OF
SERVICE: LT

(JAPAN)

COUNTRY:

TEXT:
Cable No.:

No. 34

ATTENTION: MR. SOEJIMA

RE YOUR CABLE EISENBERG NOW IN KOREA STOP WOULD APPRECIATE YOUR CONTACTING
HIM IN SEOUL AT HOTEL NEW CHOSUN STOP THANK YOU FOR YOUR COURTESY

ROTBURG.

INTBAFRAD

*Called Mr. Dureshi's office re Mr. Eisenberg's itinerary 11/30/70.
leaving Seoul 6th or 7th for Tokyo. LV. Tokyo on 9th -
ARR Balt. 10th of Dec.*

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE *Eugene H. Rotberg*
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: EHRotberg:bb

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Checked for Dispatch

Mr. S. Aldewereld

November 25, 1970

Eugene H. Rotberg

Two Year Market

There is attached a schedule of yields for November 19 and 24 as quoted in the N.Y. Times and Wall Street Journal. The reason for the substantial difference in yield and prices is because the market quotations are derived from different sources at different times in the day.

I called the Federal Reserve today, November 25, to obtain the latest quotations for the 2-year market. They advised me that the 8% FNMA's maturing 12/72 are quoted at 5.35 to 5.40; the 7.20 FNMA's of 12/72 are quoted at 5.45 to 5.50; the 4% U.S. Treasury of August '72 is quoted to yield about 5.30. Their trading desk also advised me that yesterday's three year 5-3/4 FNMA is now quoted to yield 5.81 and that 3-year governments are quoted at 5.66. The Federal Reserve said, however, that the market is not strong and that we could expect that any order in size would trade at price to yield about 10 basis points higher than these quotations.

I called First Boston to obtain their prices and yields at which they are willing to buy and sell. They advised me that the 8% FNMA was quoted to yield 5.50 and the 7.20 FNMA was being quoted to yield 5.70.

Three-month Treasury bills yield about 5%. Y.L. Chang received quotations of 5-3/4 for 1-year Certificates of Deposit this morning.

EHRotberg:mb

OFFICE MEMORANDUM

TO: Messrs. E. H. Rotberg, H. C. Hittmair &
R. E. Deely

DATE: November 20, 1970

FROM: C. T. Vu *CTVu*

SUBJECT: U.S. & Agency Bonds, Thursday, November 19, 1970, Maturing in the 1 to 2½ Year Range

In reply to your request I hereby submit quotations of the above items in the Wall Street Journal and New York Times of today.

DESCRIPTIVES: U.S. GOVERNMENT'S

Types	Rates	Mat.	Wall Street Journal				New York Times			
			Bid	Asked	(Bid Chge)	Yield	Bid	Asked	(Bid Chge)	Yield
Tr Bds	3-7/8s	11/71	98.22	98.26	+.3	5.14	98.22	98.26	+.3	5.14 ^{1/}
Notes	5-3/8	-	100.2	100.6		5.18	100.2	100.6	+.1	5.18
Notes	7-3/4	-	102.12	102.16		5.10	102.12	102.16	+.1	5.10
Tr Bds	4s	2/72	98.6	98.14	+.4	5.33	98.6	98.14	+.4	5.33
Notes	4-3/4	-	99.4	99.12		5.29	99.4	99.12	+.5	5.29
Notes	7-1/2	-	102.14	102.18		5.32	102.14	102.18	+.2	5.32
Notes	1-1/2	4/72	93.12	94.12		5.88	N.A.	-	-	-
Notes	4-3/4	5/72	98.30	99.6		5.33	98.30	99.6	+.6	5.36
Notes	6-3/4	-	101.23	101.26		5.46	101.23	101.26	+.6	5.46
Tr Bds	2-1/2s	6/67-72	95.24	96.0	+.3	5.18	95.24	96.1	+.3	5.18
Tr Bds	4s	8/72	97.14	97.22	+.4	5.42	97.14	97.22	+.4	5.42
Tr Bds	2-1/2s	9/67-72	94.30	95.6	+.4	5.32	94.30	95.6	+.4	5.32
Notes	1-1/2	10/72	91.16	92.16		5.82	N.A.	-	-	-
Tr Bds	2-1/2s	12/67-72	94.2	94.10	+.4	5.64	94.2	94.10	+.4	5.46
Notes	1-1/2	4/73	89.4	90.4		6.06	N.A.	-	-	-
Notes	7-3/4	5/73	104.12	104.20		5.72	104.12	104.20	+.9	5.72
Tr Bds	4s	8/73	95.6	95.14	+.14	5.83	95.6	95.14	+.14	5.83
Notes	8-1/8	-	105.14	105.22		5.85	105.14	105.22	+.10	5.85

Inconsistencies:

1/ NYT quotes rate 3-3/4s vs. WSJ 3-7/8s

DESCRIPTIVES: U.S. AGENCIES'

Types	Rates	Mat.	Wall Street Journal			New York Times		
			Bid	Asked	Yield	Bid	Asked	Yield
Fed Ld Bk	6.00	10/71	100.0	100.24	5.13	99.24	100.16	5.41
FNMA N&Deb	8.45	-	102.0	102.16	5.51	101.28	102.12	5.67
Fed H L Bk	8.20	11/71	102.8	102.20	5.47	102.8	102.20	5.51
FNMA N&Deb	6.85	-	100.24	101.8	5.52	100.8	101.8	5.50
FNMA N&Deb	8-1/8	12/71	102.10	102.18	5.56	102.0	102.12	5.78
Fed Ld Bk	4-1/8	2/67-72	97.16	98.8	5.61	97.8	98.0	5.81
Fed Ld Bk	5.70	2/72	99.0	100.0	5.69	98.24	99.24	5.90
Fed H L Bk	8.20	-	102.8	102.24	5.87	102.8	102.24	5.90
Fed H L Bk	8.20	-	102.8	102.24	5.87	102.8	102.24	5.90
FNMA N&Deb	5-1/8	-	98.24	99.16	5.54	98.0	99.0	5.98
FNMA N&Deb	6.75	3/72	100.24	101.8	5.73	100.0	101.0	5.93
FNMA N&Deb	8.70	-	103.0	103.24	5.66	102.8	103.8	6.07
Fed H L Bk	8.15	5/72	102.24	103.4	6.94	102.18	102.30	6.09
FNMA N&Deb	4-3/8	6/72	97.0	98.0	5.73	96.16	97.16	6.08
FNMA N&Deb	8.70	-	103.16	104.16	5.61	103.0	104.0	5.97
Fed Ld Bk	8.20	7/72	103.8	103.24	5.78	102.24	103.8	6.11
Fed Ld Bk	3-7/8	9/72	95.16	96.15	5.93	95.8	96.8	6.07
Fed Ld Bk	8.35	-	103.0	104.0	5.97	102.24	103.24	6.13
FNMA N&Deb	7.40	-	101.24	102.24	5.76	101.8	102.8	6.06
FNMA N&Deb	8.40	-	103.16	104.16	5.72	103.16	104.16	5.73
Fed Ld Bk	5-7/8	10/72	98.24	99.24	6.01	96.16	99.16	6.15
Fed H L Bk	7-3/8	11/72	102.4	102.16	6.02	102.0	102.12	6.09
FNMA N&Deb	8.00	12/72	103.0	103.24	6.03	102.28	103.12	6.23
FNMA N&Deb	7.20	-	101.24	102.8	6.01	101.20	102.0	6.13
Fed Ld Bk	7.95	1/73	103.8	103.20	6.12	103.0	103.12	6.26
Fed H L Bk	8.35	2/73	104.8	104.16	6.16	103.28	104.8	6.29
FIC Bk Deb	8.15	3/73	103.16	104.0	6.23	103.8	103.20	6.40
FNMA N&Deb	8.30	-	104.0	105.0	5.93	103.16	104.16	6.17 ^{2/}
FNMA N&Deb	7.30	-	102.16	102.24	6.07	101.30	102.6	6.26
FNMA N&Deb	4-1/4	6/73	94.24	95.24	6.09	94.16	95.16	6.17 ^{3/}
FNMA N&Deb	8.35	-	104.16	105.0	6.22	104.8	104.24	6.30
Fed Ld Bk	8.45	7/73	104.16	105.16	6.16	104.0	105.0	6.38
Fed Ld Bk	7.95	-	103.16	104.0	6.28	103.8	103.24	6.40 ^{4/}
FIC Bk Deb	7.75	-	103.4	103.28	6.11	102.20	103.0	6.48
Fed H L Bk	7.20	8/73	102.0	102.12	6.24	101.28	102.8	6.29

Inconsistencies:

- 2/ NYT quotes rate 8.20 vs. WSJ 8.30
- 3/ NYT quotes rate 5-1/4 vs. WSJ 4-1/4
- 4/ NYT quotes rate 6.95 vs. WSJ 7.95

OFFICE MEMORANDUM

TO: Messrs. E. H. Rotberg, H. C. Hittnair &
R. E. Deely

DATE: November 25, 1970

FROM: C. T. Vu *CTV*

SUBJECT: U.S. & Agency Bonds, Tuesday, November 24, 1970, Maturing in the 1 to 2 1/2 Year Range

In reply to your request I hereby submit quotations of the above items in the Wall Street Journal and New York Times of today.

DESCRIPTIVES: U.S. GOVERNMENT'S

Types	Rates	Mat.	Wall Street Journal				New York Times			
			Bid	Asked	(Bid Chge)	Yield	Bid	Asked	(Bid Chge)	Yield
Tr Bds	3-7/8s	11/71	98.30	99.2	-.2	4.88	98.30	99.2	-.2	4.88
Notes	5-3/8	-	100.9	100.13		4.94	100.9	100.13	-.1	4.94
Notes	7-3/4	-	102.16	102.20		4.94	102.16	102.20	-.2	4.94
Tr Bds	4s	2/72	98.16	98.24	-.4	5.07	98.16	98.24	-.4	5.07
Notes	4-3/4	-	99.10	99.14		5.23	99.10	99.14	-.6	5.23
Notes	7-1/2	-	102.19	102.23		5.17	102.19	102.23	-.6	5.17
Notes	1-1/2	4/72	93.30	94.30		5.46	N.A.			
Notes	4-3/4	5/72	99.8	99.16		5.11	99.8	99.16	-.6	5.11
Notes	6-3/4	-	101.31	102.3		5.25	101.31	102.3	-.7	5.25
Tr Bds	2-1/2s	6/67-72	96.2	96.10	-.8	5.00	96.2	96.10	-.8	5.00
Tr Bds	4s	8/72	97.28	98.4	-.6	5.15	97.28	98.4	-.6	5.15
Tr Bds	2-1/2s	9/67-72	95.7	95.15	-.3	5.17	95.7	95.15	-.3	5.17
Notes	1-1/2	10/72	92.10	93.10		5.36	N.A.			
Tr Bds	2-1/2s	12/67-72	94.10	94.18	-.6	5.34	94.10	94.18	-.6	5.34
Notes	1-1/2	4/73	90.0	91.0		5.65	N.A.			
Notes	7-3/4	5/73	104.24	105.0		5.56	104.24	105.0	-.11	5.56
Tr Bds	4s	8/73	95.26	96.2	-.12	5.59	95.26	96.2	-.12	5.59
Notes	8-1/3	-	105.30	106.6		5.65	105.30	106.6	-.8	5.65

Inconsistencies:

1/ NYT quotes rate 3-3/4s

DESCRIPTIVES: U.S. AGENCIES'

Types	Rates	Mat.	Wall Street Journal			New York Times		
			Bid	Asked	Yield	Bid	Asked	Yield
Fed Ld Bk	6.00	10/71	100.8	101.0	4.84	100.8	101.0	4.84
FNMA N&Deb	8.45	-	102.8	102.24	5.20	102.12	102.28	5.04
Fed H L Bk	8.20	11/71	102.16	103.3	5.08	102.16	103.3	5.05
FNMA N&Deb	6.85	-	101.4	101.12	5.35	100.20	101.20	5.08
FNMA N&Deb	8-1/8	12/71	102.14	102.22	5.42	102.20	103.0	5.12
Fed Ld Bk	4-1/8	2/67-72	98.0	98.24	5.19	98.0	98.24	5.17
Fed Ld Bk	5.70	2/72	99.6	100.16	5.26	99.16	100.16	5.26
Fed H L Bk	8.20	-	102.24	103.8	5.45	102.24	103.8	5.46
Fed H L Bk	8.20	-	102.24	103.8	5.45	102.24	103.8	5.46
FNMA N&Deb	5-1/8	-	99.0	99.24	5.34	98.28	99.28	5.22
FNMA N&Deb	6.75	3/72	101.0	101.24	5.32	100.24	101.24	5.31
FNMA N&Deb	8.70	-	103.8	104.8	5.23	103.8	104.8	5.24
Fed H L Bk	8.15	5/72	103.12	103.24	5.50	103.8	103.20	5.57
FNMA N&Deb	4-3/8	6/72	97.24	98.24	5.22	97.8	98.8	5.56
FNMA N&Deb	8.70	-	104.0	105.0	5.29	104.8	105.8	5.12
Fed Ld Bk	8.20	7/72	103.24	104.8	5.46	103.24	104.8	5.45
Fed Ld Bk	3-7/8	9/72	96.16	97.16	6.34	96.8	97.8	5.47
Fed Ld Bk	8.35	-	104.0	105.0	5.38	103.24	104.24	5.54
FNMA N&Deb	7.40	-	102.8	104.8	5.44	102.16	103.16	5.31
FNMA N&Deb	8.40	-	104.0	105.0	5.44	104.16	105.16	5.11
Fed Ld Bk	5-7/8	10/72	99.24	100.24	5.44	99.16	100.16	5.58
Fed H L Bk	7-3/8	11/72	102.28	103.8	5.63	102.28	103.8	5.62
FNMA N&Deb	8.00	12/72	103.16	104.16	5.64	104.16	105.0	5.36
FNMA N&Deb	7.20	-	102.0	102.24	5.76	103.0	103.16	5.32
Fed Ld Bk	7.95	1/73	104.8	105.0	5.45	104.4	104.24	5.57
Fed H L Bk	8.35	2/73	105.4	105.16	5.69	105.4	105.16	5.65
FIC Bk Deb	8.15	3/73	100.19	100.23	5.15	104.0	105.0	5.72
FNMA N&Deb	8.30	-	104.16	105.16	5.70	105.0	106.0	5.49
FNMA N&Deb	7.30	-	103.0	103.16	5.40	103.24	104.8	5.23
FNMA N&Deb	4-1/4	6/73	95.8	96.8	5.86	96.8	97.8	5.38
FNMA N&Deb	8.35	-	105.16	106.0	5.77	105.24	106.24	5.35
Fed Ld Bk	8.45	7/73	106.8	107.8	5.45	106.0	107.0	5.55
Fed Ld Bk	7.95	-	104.24	105.24	5.57	105.0	106.0	5.46
FIC Bk Deb	7.75	-	103.28	104.16	5.85	103.16	104.16	5.83
Fed H L Bk	7.20	8/73	103.12	103.28	5.65	103.26	104.4	5.53

Inconsistencies:

- 2/ NYT quotes rate 8.20 vs. WSJ 8.30
- 3/ NYT quotes rate 5-1/4 vs. WSJ 4-1/4
- 4/ NYT quotes rate 6.95 vs. WSJ 7.95

Mr. McNamara

Attached is a calculation showing the difference in cost (commissions) for four 5 year issues as compared to one long term issue with an average life of 20 years and some calculations showing the overall advantage of a 5 year issue at 50 basis point and 100 basis point advantage over a long term issue.

We also developed some time ago "break-even" calculations which would show what interest rate in the 5 year market at the time of roll-over would be required to equalise the advantage of the initial 5 year offering over a long term issue.

Gene Rotberg
November 25, 1970

Mr. McNamara

In calculating the cost of a five-year issue versus a long-term issue you added the cost of a long-term issue $7/8$ of one point to 54 basis points (the spread between the long-term issue and the intermediate-term issue). The 54 basis points does not mean .54 of one point but rather refers to 54 basis points in yield. On an issue with a 21 year average life, 54 basis points represents about 5 points in the price, i.e. the difference between par and 95 - many times in excess of the repeated cost of flotation of intermediate-term issues.

Secondly, the present value of $4/10$ of a per cent paid four times over a 20-year period is 1.033 or only .15 of a point, i.e. $1/7$ of a point more than the cost of an immediate long-term issue. That $1/7$ of a point represents only 2 basis points savings.

Gene Rotberg
November 24, 1970

Assume interest payments (a) 7% (intermediate term)

(b) 8% (long term)

For the same period and the same discount rate the advantage of (a) over (b) will remain 14.3%.

In absolute terms:

Interest on \$100,000,000 20 years at discount rates of 6, 7, 8%:

<u>Net savings:</u> present worth at	<u>6%</u>	<u>7%</u>	<u>8%</u>
(in \$ millions)	11.47	10.59	9.82

From this deduct the present worth of the difference between the higher commission cost on the lower coupon (4 times \$400,000 in 5 yearly intervals) and the one-time commission of \$875,000 on the higher coupon:

present worth of commission difference at	<u>6%</u>	<u>7%</u>	<u>8%</u>
(in \$ millions)	.21	.16	.11
Net advantage	<u>11.26</u>	<u>10.43</u>	<u>9.71</u>
(present worth in \$ millions)			

Assume interest payments (a) 8% (intermediate term)

(b) 8.5% (long term)

For the same period and the same discount rate the advantage of (a) over (b) will remain 6.25%.

In absolute terms:

Interest on \$100,000,000 20 years at discount rates of 6, 7, 8%:

<u>Net savings:</u> present worth at	<u>6%</u>	<u>7%</u>	<u>8%</u>
(in \$ millions)	5.73	5.30	4.41

From this deduct the present worth of the difference between the higher commission cost on the lower coupon (4 times \$400,000 in 5 yearly intervals) and the one-time commission of \$875,000 on the higher coupon:

present worth of commission difference at	<u>6%</u>	<u>7%</u>	<u>8%</u>
(in \$ millions)	.21	.16	.11

Net advantage	<u>5.52</u>	<u>5.14</u>	<u>4.30</u>
(present worth in \$ millions)			

Assume interest payments (a) 7% (intermediate term)

(b) 8% (long term)

For the same period and the same discount rate the advantage of (a) over (b) will remain 14.3%.

In absolute terms:

Interest on \$100,000,000 20 years at discount rates of 6, 7, 8%:

<u>Net savings:</u> present worth at	<u>6%</u>	<u>7%</u>	<u>8%</u>
(in \$ millions)	11.47	10.59	9.82

From this deduct the present worth of the difference between the higher commission cost on the lower coupon (4 times \$400,000 in 5 yearly intervals) and the one-time commission of \$875,000 on the higher coupon:

present worth of commission difference at	<u>6%</u>	<u>7%</u>	<u>8%</u>
(in \$ millions)	.21	.16	.11

Net advantage	<u>11.26</u>	<u>10.43</u>	<u>9.71</u>
(present worth in \$ millions)			

<u>Years</u>		<u>Discount factor at 7%</u>
0	.400	1.0000
5	.400	.7130
10	.400	.5083
15	.400	<u>.3624</u>
		2.5837

$$2.5837 \times .400 = 1.033$$

Present value of 4 payments of .4 at 5 year intervals.

Less .875 cost of long-term issue, equals .158 (\$158,000 on \$100,000,000)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. Schielke:

Hugo:

I would like your comments
on the attached draft and I would
like to use some examples to prove
the various points made in this
paper.

Gene Rotberg
Nov. 24, 1970

D R A F T
EH Rotberg:emk
November 23, 1970

The Bank, therefore, has some interesting options. It can sell Security A and purchase Security B with an essentially identical maturity without disturbing its net return over the life of the maturity. At maturity it would have received an identical flow of funds in terms of the interest payments made to the Bank plus the face value of the bonds that mature. However, the sale would create an immediate book gain to be taken into this year's income. This affords the Bank an opportunity to substantially increase its profit this year (or to take only enough profit which will show a modest increase over last year's income). However, if we take such profit and the funds are invested in a security with an identical yield to maturity, we will be paying a premium. This premium is amortized monthly over the life of the investment. Accordingly, our profits for the remainder of the maturity will be reflected on our books in lower aggregate amounts than would have been reflected had we not sold the security. Stated another way, the taking of a capital gain in fiscal 1971 will be theoretically exactly offset by the lowered profits for fiscal 1972 and fiscal 1973. Nonetheless, during a period when the Bank has a potential for considerable capital gains it may be appropriate to take those profits now because we wish to avoid showing a decrease in our profits for the current fiscal year. That decrease is likely because of the volume of our borrowing new funds during a period of relatively flat disbursements and falling

yields on new investment in the short term market. We could, of course, wait until the next fiscal year, say fiscal 1972, to take such profits when our net income would be under even more pressure. This would, of course, involve speculation that the current price level would continue into fiscal 1972. If prices fall by fiscal 1972 our investment profits would be determined by the flow of new money into the Bank during the present period of low yields as compared to the flow of new money into the Bank in fiscal 1972 when, hypothetically, there might not be any capital gains but new funds would be invested at higher yields.

There is a different approach. We could completely ignore the impact on our profit and loss statement of purchases and sales and instead make no switches in our portfolio unless the market yield for the security purchased exceeds the market yield on the security sold irrespective of the impact now or in the future on our Profit and Loss statement. This too, however, will result in the Bank taking substantial immediate profits as there are a number of situations now in which the Bank can sell securities at a substantial "profit" and purchase with the proceeds, securities with a higher yield of the identical maturity. For example, we can sell U.S. Treasury Notes maturing May 15, 1973 at a price which will result in our being able to purchase with the proceeds U.S. Agencies with a 20 or 30 basis point higher yield to maturity. Under these circumstances, we can take our profit this year and hold an instrument which through maturity will yield us more in terms of total return than the instrument we had sold.

Chron

OFFICE MEMORANDUM

TO: Personnel
FROM: Eugene H. Rotberg
SUBJECT: Mr. Henry W. Farnum

DATE: November 25, 1970

Would you kindly send an application form to Mr. Henry W. Farnum, 83 Livingston St., Brooklyn, N.Y. 11201. Mr. Farnum is a CPA who has worked extensively for Lybrand & Ross in the International Division. He was recommended to me by the Bankers Trust Co. He expects to be here in the Bank on Friday, December 11 and I suggested to him, if he was interested, he should fill out an application form so that we could receive it before he came.

Also in our Personnel File



Record Removal Notice



File Title Eugene H. Rotberg - Chronological Records - Volume 04 - May - December 1970		Barcode No. 1858107		
Document Date Dec. 3, 1970	Document Type Memorandum			
Correspondents / Participants Eugene Rotberg to Personnel				
Subject / Title Graham J. Sharman (applicant)				
Exception(s) Personal Information				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Sherrine M. Thompson</td><td>Date 10/19/2010</td></tr></table>	Withdrawn by Sherrine M. Thompson	Date 10/19/2010
Withdrawn by Sherrine M. Thompson	Date 10/19/2010			

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT
ASSOCIATION
INTERNATIONAL FINANCE
CORPORATION

Mr. Schielke

Hugo:

Mr. Rotberg would like to have a
computer runout on our U.S. agency
securities, i.e. market price and market
value as of close of business Monday,
November 23 and total book profit. He
needs this information by tomorrow
(Wednesday, November 25).

Thank you.

Kessie

OUTGOING TELETYPE

Time:

Chow

Federal Reserve Bank of New York, New York
Attention: Foreign Department ~~XXXXXX~~

Date:

NOVEMBER 24, 1970

File

No. 1229

ATTENTION: MR. J. COYLE

PLEASE CANCEL INSTRUCTIONS CONTAINED OUR TELETYPE NUMBER 1209
FOR SWITCH OF 7-3/4 PERCENT U.S. TREASURY NOTES MATURING MAY 15,
1973 INTO U.S. GOVERNMENT AGENCIES TEST 669

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

EHRotberg:emk

cc: Mr. Rotberg
Mr. Hittmair
Mr. Prins
Mr. Rutland
Mr. Schielke
Miss Johnston

TEST

DESPATCHED

AM/PM

BY

Eugene H. Rotberg

AUTHORIZED BY:

EUGENE H. ROTBERG

, TREASURER'S DEPARTMENT



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

Chron

November 20, 1970

Mr. Jerome H. Grossman
Executive Vice President
Jefferies & Company, Inc.
Union Bank Square
Suite 3300
Fifth & Figueroa Streets
Los Angeles, California 90017

Dear Jerry:

I am enclosing a xerox copy of an air-
line ticket from Kona, Hawaii, to Washington,
D.C., which represents the return fare of my
recent trip. Will you please reimburse me
direct in the amount of \$372.53, which amount
covers the following fares:

Kona to Honolulu \$ 21.30

Honolulu to D.C. 334.00

plus taxes:

[\$3.00 + \$14.23] 17.23

\$372.53

Upon receipt of your check I will reimburse
the Bank directly for this amount.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eugene H. Rotberg", is written over a horizontal line.

Eugene H. Rotberg
Treasurer

D R A F T

In view of the recent changes in interest rates, we are bringing to your attention our program for the sale of our loan maturities held in the World Bank's portfolio. We are now offering these loans to yield 7-1/4%. As you may know, these loans are denominated in many currencies, e.g. Japanese yen, Swiss francs, U.S. dollars, Canadian dollars, Deutsche mark, Dutch guilders, Kuwaiti dinars, etc. - although, of course, not each currency is available on each loan. You may wish to examine this matter and perhaps bring it to the attention of your international and domestic affiliates.

11/20/70.

Above dictated by EHR at meeting with Messrs. Hittmair and Deely and Mrs. Seguin. 11/20/70

Problem

What rate of return on new investments is required to cover the cost of borrowing?

Definition of the cost of borrowing and rate of return

The cost of borrowing is traditionally measured in terms of yield. The return on an investment is also measured in terms of yield. Therefore when we want to know a required return to cover costs we are looking for the required yield to cover borrowing costs. If the period of time of the borrowing is longer than the intended reinvestment period, then in addition to knowing our initial reinvestment yield, we must also know the "reinvestment yield" or roll over rate required to recover the total cost of borrowing. This is termed the required expected yield (rey).

In this analysis, the required expected yield can be derived in a number of ways, all involving rather complex calculations. It can be accurately determined only with recourse to an accurate "bond pricing" or "yield determining" algorithm. However it can be approximated to within several basis points with recourse to only to manual calculations.

The procedure used is as follows:

- 1) The cost of borrowing is known and is a set of financial flows which consist of coupon payments and a redemption payment. The timing of these payments is known. The flows should be developed.
(See exhibit I)
- 2) The money to be received is known and it is to be reinvested for a specific period m_2 at a specific rate. The income from this investment should be developed.

looks easier than that and more accurate

- 3) The invested funds, when they mature are reinvested at a rate r which is the required equating yield(r_y). r must be derived by a calculating process.
- 4) By establishing the net cost per time period of borrowing the r which makes total net cost zero, $\sum nc_t = 0$ is the desired r. The only assumption which needs to be made in order to derive r is the reinvestment rate on coupon income. This latter rate can be given as a rate for all time periods or explicately given for each period. In exhibit I a 6% reinvestment rate was assumed..
- 5) The impact of variations of the reinvestment rate are relatively minor vis a vis the impact of assumed r's.

RIN

Chron.

Mr. Raymond Norton

Ray: Problem - URGENT

Assume we sell a bond issue (2 year maturity) at following
alternative rates:

6

6.25

6.50

6.75

7.00

For each of foregoing rates:

(1) What is breakeven point for us, i.e. cover our costs if we
invest proceeds for one year at:

6%

6.50%

7.00%

(2) What is breakeven point if we invest proceeds for 6 months at:

6%

6.50%

7.00%

Gene Rotberg
November 19, 1970

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Assume we sell a bond ^{issue} (2 yr
maturity) at \$ following alternative
rates:

6

6.25

6.50

6.75

7.00

For each of foregoing rates:

① What is break even point for us
i.e. cover our costs
if we invest proceeds ~~at~~ for one
year at

6%

6.50%

7.00%

② What is break even point if we invest
proceeds for 6 months at
= $\frac{6\%}{2} = 3\%$
 $\frac{6.50\%}{2} = 3.25\%$
 $\frac{7.00\%}{2} = 3.50\%$



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

Chron
November 16, 1970

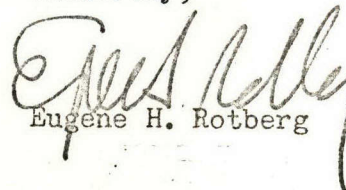
Mr. White
Caves Company
5 Bridge Street
Richmond, Surrey
England

Dear Mr. White:

I am writing to you as a follow up to the enquiry made by my secretary who was in London recently concerning my purchase of 4-Tannoy 15 inch Monitor Gold Dual Concentric speakers. I have seen your advertisements in various high-fidelity magazines and I understand that the export price is £ 37-17, including crossover and energy control. I would like very much to purchase these speakers and bring them back to the U.S. as I visit London 2-3 times a year. I have an office in London (International Bank for Reconstruction and Development, New Zealand House, 15th Floor, Haymarket, London S.W.1, England). Please advise me if I can have that office transmit to you the payment in sterling for the 4 speakers at the export price. The speakers could then be delivered (or picked up) by my office in London. I confirm of course to you that the speakers are for export for my personal use and will be brought to the U.S. either by me or one of my colleagues who is visiting London from time to time in the next several months.

Please advise me if this kind of arrangement is satisfactory, or if you have an alternative suggestion. I am somewhat reluctant to have the speakers shipped direct by ship because of (a) the additional expense, and (b) the possibility of damage in transit.

Sincerely,


Eugene H. Rotberg

Respond to: 10822 Childs Court
Silver Spring, Md.
20901



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

November 12, 1970

Dear Abe,

I was delighted to see that Dick Meyer has become a Partner in your firm. A fine compliment to your judgment and his abilities.

As Dick will attest, The Honorable Wyzanski has made a number of grievous errors of fact in his recent well-publicized opinion -- not the least of which was to call me a "subordinate employee" - "insubordinate" yes but "subordinate" never!

Sincerely,

A handwritten signature in cursive script, which appears to read "Eugene", followed by a horizontal line.

Eugene H. Rotberg
Treasurer

Mr. A. Pomerantz
Pomerantz, Levy, Haudek & Block
295 Madison Avenue
New York, N.Y. 10017



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

November 12, 1970

Dear Dick,

On my return from an out of the country trip I was delighted to see that you have made it and officially have become a part of the anti-establishment. Congratulations and keep fighting.

Kindest regards,

A handwritten signature in cursive script, appearing to read "E. Rotberg", is positioned above the printed name.

Eugene H. Rotberg
Treasurer

Mr. Richard M. Meyer
Pomerantz, Levy, Haudek & Block
295 Madison Avenue
New York, N.Y. 10017



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

November 12, 1970

Mr. Hans L. Guldemon
Managing Director
Bank Mees & Hope N.V.
Amsterdam, The Netherlands

Dear Hans:

Please excuse the delay in sending you
this report on the conditions, causes and
alternative strategies in coping with poverty
in the United States.

Iris sends her kindest regards and we
both look forward to seeing you soon.

Sincerely,

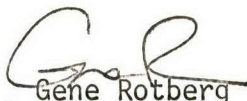
Eugene H. Rotberg
Treasurer

Mr. Aldewereld

Siem:

I will be in Hanover, New Hampshire, tomorrow to speak to the faculty of Dartmouth College about the Bank on a long-standing invitation and, more important, to review a special computer program which analyzes alternative strategies in making bond switch decisions for investment portfolios. Hans will be here and can take care of any emergencies. I will be in the office Saturday morning if you need anything or wish to discuss the short-term Dutch issue further. Mr. McNamara has not yet made up his mind and wants to discuss it with you.

You will see from the attached memorandum that the rate in Holland may be too high. Renooij will call you tomorrow. I think it might be very useful if you could speak to either van den Bosch or preferably the Ministry of Finance to obtain their views on market conditions before we commit ourselves to the 8-1/2% coupon. There is a substantial yield difference between the Dutch Government issue now being successfully placed and our issue (approximately 44 basis points).


Gene Rotberg
Nov. 12, 1970

ASSOCIATION RECORDS CORPORATION

OFFICE MEMORANDUM

TO: Mr. S. Aldewereld

FROM: Eugene H. Rotberg 

SUBJECT: Proposed Dutch Issue

DATE: November 12, 1970

Mr. van Saagsvelt (Treasurer's Department) and Mr. Asser (Legal Department) called this morning to advise me of the latest negotiations on our Dutch issue. Van Saagsvelt said that the underwriting syndicate has met and he was advised that the coupon was set at 8-1/2%. The bond market was strong and there was considerable demand for Dutch Guilder denominated bonds outside of Holland. He expressed the view that the 8-1/2% coupon (issue price probably at par) seemed high in view of the current market conditions. See attached telex of market prices for November 11. Mr. Asser advised me that he had been to the Ministry of Finance to deliver the letter requesting authorization for the issue and had been asked by them of the terms and conditions. At the time of his visit he did not know officially of the 8-1/2% coupon but advised them that he had been advised that "it probably would be an 8-1/2% coupon at par". The representatives of the Ministry, Miss Verhoeven and Mr. Nierstrasz, expressed surprise at the 8-1/2% coupon. They said that the Dutch Government was now offering a bond with an 8% coupon at 99-1/2 with a 13 year average life and the same sinking fund conditions as our proposed bond. The Dutch Government bond, further, was callable after 10 years and thus was less advantageous to investors with respect to the latter feature. They said their bond issue was going quite well and they thought that our bonds should be offered at about the same rate as the Dutch Government issue (the yield of 8% at 99-1/2 vs. 7.907; at 8-1/2% at par the yield is 8.34). Further, they advised Mr. Asser that the offering of the Bank for Dutch Municipalities, which was issued earlier this year with an 8-1/2 coupon, is now trading at 101.1. I cannot determine whether the expression of the representatives of the Ministry of Finance was merely an indication that they thought the rate could be lower or that they would prefer, perhaps insist, on a lower rate.

I advised Mr. Asser that Dr. Renooij of the ABN should call you tomorrow morning to discuss this matter further in order to advise us officially of the coupon and, more important, his evaluation of market conditions.

Attachment

cc: Mr. McNamara
Mr. Broches

INCOMING CABLE

AND TIME
OF CABLE: NOVEMBER 12, 1970

LOG NO.: ITT TELEX / 12

TO: INTRAFRAD

FROM: AMSTERDAM

TEXT:

ROUTING

ACTION COPY:	MR. ROTBERG
INFORMATION COPY:	TREAS - MR. DEELY MR. SELLA
DECODED BY:	MR. ALDEWERELD

2 FOR ROTBERG DEELY SELLA

FOLLOWING ARE QUOTATIONS NOVEMBER 11

AAA 86.70

BBB 101.50

CCC 104.50

DDD 101.20

EEE 100.50

FFF 102.50

*See attached
memo for identifying
bonds.*

THIS IS TO CONFIRM PART OF OUR TELEPHONE CONVERSATION OF YESTERDAY:

COMMISSION ONE AND ONE-QUARTER PERCENT INSTEAD OF ONE PERCENT MAKING TOTAL
OF COMMISSION AND BROKERAGE COMMISSION 1.828 PERCENT. BONDS WILL NOT BE

CALLABLE DURING ENTIRE LIFE OF ISSUE. NO PURCHASES FOR SINKING FUND WILL
BE ALLOWED. INFORMATION GIVEN TO DEELY RE OTHER ISSUE IS CONFIDENTIAL. WE

ASSUME LESSEES WILL SIGN PURCHASE AGREEMENT PLEASE CONFIRM AND SHALL WE CONTACT
LESSEES IN PARIS. TO

FOR UHRIG FROM SEBERT

II 104 BOTH TUESDAY AND WEDNESDAY

JJ TUESDAY 102.50 BID 103 ASKED WEDNESDAY 102.75

INCOMING CABLE

TIME
OF CABLE: NOVEMBER 12, 1970

LOG NO.: ITT TELEX / 12

TO: INTBAFRAD

FROM: AMSTERDAM

ROUTING	
ACTION COPY:	MR. ROTBERG
INFORMATION COPY:	TREAS - MR. DEELY MR. SELLA
DECODED BY:	MR. ALDEWERELD

PAGE TWO

TEXT:

KK TUESDAY 99.75 BID 100.25 ASKED WEDNESDAY OPENED AT 100.25
CLOSED AT 101.

VAN SAAGSVELT

ASSER

GENBANK

JAO

RECEIVED
COMMUNICATIONS SECTION
NOV 15 10 30 AM 1970

Mrs. Therese R. Seguin

November 6, 1970

W.M. van Saagsvelt

Quotations of Bonds in The Netherlands

While in The Netherlands I will cable you daily the prices of bonds of the following quotations:

- (AAA) 6-3/4% 20-year bonds of 1968, due 1988, issued by IERD;
- (BBB) 8-1/4% 15-year bonds of 1970, due 1985, issued by Bank of Netherlands Municipalities on August 28, 1970 at 98-1/2 (average lifetime at time of issue was 13 years);
- (CCC) 8-3/4% 20-year bonds of 1970, due 1990, issued by Bank of Netherlands Municipalities on June 25, 1970 at par (average lifetime at time of issue 15-1/2 years);
- (DDD) 8-1/2% 25-year bonds of 1970, due 1995, issued by Bank of Netherlands Municipalities on April 2, 1970 at par. (average lifetime at time of issue 18 years);
- (EEE) 8% 15-year bonds of 1970, due 1985, issued by the Dutch Government on August 12, 1970 at 98 (average lifetime at time of issue 13 years);
- (FFF) 8-3/4% 15-year bonds of 1970, due 1985, issued by Netherlands Investment Bank for Development on July 31, 1970 at par (average lifetime at time of issue 10-1/2 years).

All of the above bonds have annual coupons.

The quotations for November 3 of the above bonds were as follows:

(AAA)	86.20
(BBB)	100.50
(CCC)	104.35
(DDD)	101.40
(EEE)	100.10
(FFF)	102.50

cc: Messrs. Rotberg
Hittmair ✓
Deely/SecDivFiles



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

November 10, 1970

Mr. Michael A. Hertzberg
4511 Southland Avenue
Alexandria, Virginia

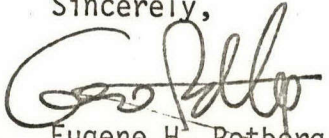
Dear Mr. Hertzberg:

Thank you for your letter. I have forwarded it to our Personnel Office but I cannot be too optimistic. The Bank has little turnover in its legal staff and usually seeks lawyers with international financial experience, and particularly in securities or financial matters outside the United States.

You also may be interested in other agencies involved in development assistance, e.g.:

- (1) Inter-American Development Bank
808 - 17th Street, N.W.
Washington, D.C. 20577
- (2) Export-Import Bank of the
United States
811 Vermont Avenue, N.W.
Washington, D.C. 20571
- (3) Agency for International Development
Office of Personnel and Manpower
Room 106, SA-18
Washington, D.C. 20523

Sincerely,


Eugene H. Rotberg
Treasurer

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: Eugene H. Rotberg
SUBJECT: Five Year Market

DATE: November 10, 1970

DECLASSIFIED

Date: 10/19/2001 SMT

CONFIDENTIAL

I am attaching for your information a recent analysis by Salomon Brothers on the yield spreads among different issuers in the five year market. You may note that the U.S. Government agencies have consistently been able to market their securities at lower yields than corporate issuers.

Prior to March 1969 there were few, if any, five year corporate or utility bonds. The high cost of long term borrowing was the primary cause of corporate and utility financing in the intermediate term market during the last 18 months. However, these corporations, as might be expected, entered the intermediate market through their traditional underwriters and, while the securities were well-placed, the secondary markets were and continue to be mediocre and indistinguishable in terms of depth from the long term secondary market. This is because most U.S. securities dealers are maintained with little capital and after underwriting billions of dollars worth of issues have little inclination or incentive to make a secondary market. Institutional investors and individuals have come to recognize the lack of ready marketability at or about current interest rate levels, particularly if a block of substantial size has to be sold.

The U.S. Government agencies, on the other hand, many years ago began to finance their operations through those U.S. brokerage firms who were authorized U.S. Government dealers, i.e. First Boston, Morgan Guaranty Bank, Merrill Lynch (A.J. Devine) and Salomon Brothers. ^{1/} These dealers are also, of course, traditional corporate underwriters but their Government bond business permits them to switch investors between the long or intermediate term Governments and the agencies. As a result they have a wide base of support for the secondary market. The depth of the secondary market, in turn, reflected favorably on the yields offered in the initial distribution despite the huge volume of financing - particularly in the last two years when issues of over \$500 - 700 million were not rare. On several occasions during the last year Salomon Brothers and Merrill Lynch, both of whom are major corporate underwriters, have suggested to me that if the Bank were to enter into

^{1/} Recently, the U.S. Government has sought to broaden the list of underwriters for U.S. Agencies so that the primary 4 firms would not have a monopoly in the marketing of the agency obligations. As a result, A.G. Becker, Goldman Sachs and Morgan Stanley have on occasion been made part of, or are being considered as part of, distributing syndicates.

November 10, 1970

intermediate term financing it should not do so through the traditional corporate syndicate. Rather it should seek to have its bonds accepted in the market as a Government agency through underwriters familiar with that market who will commit themselves to making a secondary market. (See the attached memorandum reflecting our discussions with Merrill Lynch). Salomon Brothers has advised me that their trading in our corporate bonds approximates \$1 billion a year (approximately 10 times the volume of any other dealer) and that no other dealer makes a market in our bonds in any reasonable size. They have advised me (as have several institutional investors) that despite that volume many institutional investors have considerable difficulty in liquidating our bonds because of the failure of dealers to make a market. They argue further that this situation, while perhaps not unexpected in the long term market, would be most unfortunate in the intermediate term market; they too urge, therefore, that we carefully choose a managing syndicate which will commit themselves in the after-market.

The proper syndicate of course is not the only factor affecting the secondary market, since the willingness to make a secondary market is directly related to the favorable characteristics of the bonds (eligible as collateral for borrowing by commercial banks, purchase by Federal Reserve in open market operations, purchase by federal credit unions, or by U.S. trust or fiduciary accounts, etc.) which broaden the group of potential buyers. I expect to discuss these characteristics with First Boston and determine which are indispensable, if any, to a good secondary market. The main point is to attract banks as potential buyers.

I would urge that before we take any steps towards an underwriting in the five year market that we consider expanding the managing underwriters. I would suggest that we have a joint syndicate of six firms -- First Boston, Morgan Stanley, Morgan Guaranty Bank, Merrill Lynch (which has the advantage of being both a major Government dealer - possibly the largest - as well as the largest number of individual accounts), Salomon Brothers and Goldman Sachs. I have added the latter because Goldman Sachs is the single most important "institutional firm" in the United States and also represents one of the strongest money market firms with a clientele of investors who require intermediate and short term obligations. While the syndicate seems large (most agencies use a syndicate of four firms), it should assure us a mix of considerable placing power, financial expertise and capital commitment in the secondary market. I am aware, of course, that the recent AT&T offering was managed solely by Morgan Stanley. These seven year notes are priced to yield 7.68% -- 102 basis points below the long term issue which is being simultaneously offered. We should distinguish ourselves, however, from AT&T, a substantial portion of whose bonds are purchased in small denominations by individual investors who are familiar with their telephone systems and whose general awareness of that

Mr. Robert S. McNamara

- 3 -

November 10, 1970

issuer makes for a liquid secondary market. The market is essentially made between individual investors in which securities dealers act primarily as agents or intermediaries. This is not the case with issuers like the Bank whose customers are almost exclusively institutional and who purchase substantial amounts in large blocks. For these markets either dealer participation for its own account is required in order to provide liquidity or, the maintenance of a trading and institutional sales department which can switch large blocks of bonds between institutional customers in order to facilitate liquidation. To that end we should seek to make the instrument as attractive as possible.

cc: Mr. Aldewereld

Attachments

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Eugene H. Rotberg

SUBJECT: Five Year Market

DATE: November 10, 1970

DECLASSIFIED

Date: 10/19/2001 SMT

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November 10, 1970

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November 10, 1970

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cc: Mr. Aldewereld

Attachments

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg *EHR*

SUBJECT: Portfolio Yields: October 31, 1970

DATE: November 10, 1970

There is attached a statement of our portfolio yields for the period ending October 31, 1970. There is also included appendices setting forth in further detail certain information concerning the yields and market value at the time of purchase and current market yields, and amortized book yields for our holdings in the United States and in the United Kingdom. I want to emphasize that the yields reflected on the summary statement represent the amortized book yield, i.e. the yield and book value at which the securities are maintained on our books on the date of the statement. Conceptually, for example, if we were to hold for one year the exact book value reflected on the October 31st statement and multiply such value by 8.13 (the current amortized book yield) it would reflect our net investment income for the coming year. The amortized book value and yield is derived by amortizing monthly the coupon and the difference between the purchase price and par, over the maturity of the obligation. If, however, portfolio purchases and sales are made in the market prior to maturity or if there is a change in our net cash and liquid securities position during the year, the "book yield" will not accurately predict our investment income. Further, the amortized book yield is, in a sense, an accounting fiction and it is not a useful tool to determine whether the Bank should sell Security A to purchase Security B.

Nor is the yield at the time of original purchase a meaningful investment tool. That yield is only useful to determine whether or not we made a wise decision at the time of purchase.

The significant figure is the current market yield for competing instruments. The book gain or loss from a purchase or sale before maturity is, for the most part, an irrelevancy. Thus, we have developed a program which enables us to determine whether we should buy Security A and sell Security B of the same maturity or of a different maturity based on market yield considerations. The program also enables us to determine the break-even point for the sale of one security, the proceeds of which are to be used to purchase another security of a shorter or longer yield. Thus we can determine when we sell a security with a remaining maturity of one year, the proceeds of which are to be used for the purchase of a security with a two-year maturity, exactly what the "break-even" yield would be in terms of the presently projected interest rates one year from now. Further, we can determine through a sensitivity analysis what the potential gain or loss would be from an investment

Mr. Robert S. McNamara
Mr. S. Aldewereld

- 2 -

November 10, 1970

error in our decision to, say, sell a security with a maturity of one year and purchase simultaneously with the proceeds a security with a two-year maturity.

It might also be observed that our time deposits now yield approximately 8.70. The market value is of course considerably higher since yields for time deposits maturing on the average of 6 months are now about 6%. Although our swap program applies to these time deposits and will be used to determine if we should liquidate time deposits before maturity or withdraw funds from time deposits in order to purchase, say, 7% U.S. agencies maturing in two years, we have not reflected the current market value and potential book gain for such time deposits in the attached appendices.

The management of the Bank's liquid resources will be a bit complicated in the next three months. This is because the proceeds of our Swiss issue, Libyan issue, Dutch issue, German issue and the first tranche of the Japanese issue will be made available to the Bank. These funds will be disbursed as quickly as possible, both on the basis of yield considerations and because the Dutch, the Japanese and probably the Germans wish us to disburse the borrowed funds as quickly as possible. Thus, the Bank will accumulate and retain during this period a considerable amount of dollars through the normal repayment of loans and inflow of interest payments. Inasmuch as the Bank will receive and disburse over \$200 million in new borrowed funds in the next several months and must also disburse at the same time loan repayments and interest payments on capital funds which cannot be invested, the amount of new dollars accumulated and invested by the Bank can easily rise by \$200 million. And this will occur during a period in which the Bank will have maturing another \$200 million of certificates of deposits now carrying interest rates as high as 10-1/2%. I expect that there will be a discount rate reduction and a reduction of prime rate during this period which could further lower the interest rates on short term investments.^{1/} Our investment decisions in the last several months have been geared to the hypothesis that interest rates will fall in the short term market - until perhaps January - and thereafter possibly in the spring will go up again in the face of substantial heavy agency financing and tighter monetary policy.

If there is a prime rate cut and a reduction in the discount rate it would be a most propitious time for the Bank to enter the intermediate market in the United States. As you know, the long term rates in Europe and the United States have remained relatively immune from the increased supply of funds available in the short term markets. I would expect them to fall, however, perhaps 50 - 75 basis points, i.e. to 8%, if the short term rates continue to fall to about the 5% level for 3 month money market instruments.

Attachment

^{1/} The U.S. discount rate was reduced since the preparation of this memorandum.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Eugene H. Rotberg

SUBJECT: Bond Issues: Belgium/Holland

DATE: November 9, 1970

(1) I received a call this morning from Siem Aldewereld who has been advised by the Swiss National Bank authorities and those of the Belgian National Bank that the placement of a short-term guilder note issue gives them no problems and no formal approval is necessary though they understand that a considerable portion of these notes would be placed with residents of their respective countries.

(2) During the Annual Meeting in Copenhagen, I had discussions with the Societe Generale de Banque who suggested that we might market a public issue in Belgium. Mr. de Lesseps has also received a positive response from the Association of Private Savings Banks of Belgium for a private placement. Mr. Aldewereld advised me this morning that, while the private placement may be too expensive (slightly over 9%), the Belgians are prepared to permit us access to their markets in January. The rate for a long-term issue should be approximately the same cost to us as our issue in The Netherlands (about 8.60 - 8.70).

. . .

(3) The Dutch Bankers advised me that the secondary market for five-year guilder issues is quite liquid and financial commentators have commented on the quality of the secondary market maintained by the Dutch managing banks. The ABN officials also pointed out that the telex invitation to participate in the five-year note issues to the selling dealer banks refers to the fact that they will stand by to make a secondary market. They pointed out that this commitment is usually not made by underwriters for long-term issues and that it puts them "on the line" to at least as great an extent as long-term issues which are listed. (Although I did not discuss this point extensively with the Dutch bankers, the shortness of the term of the issue will also tend to reduce market fluctuations, particularly in view of the relatively high coupon and the quality of the obligation. Further, the lack of listing and advertised quotation, while superficially appearing to limit liquidity, can probably be considered an advantage for a short term issue as it will tend to remove short-term speculation, short selling, etc., based on published and advertised "prints".

OUTGOING WIRE

TO: GENBANK
AMSTERDAM

DATE: NOVEMBER 2, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (THE NETHERLANDS)

TEXT:
Cable No.:

ATTENTION BATENBURG

REURTELEX HAVE MADE ARRANGEMENTS TO STAY OVER NIGHT IN PARIS

EVENING OF NOVEMBER 4 STOP NO ACCOMMODATION ARRANGEMENTS

THEREFORE NECESSARY STOP THANK YOU FOR YOUR COURTESY REGARDS

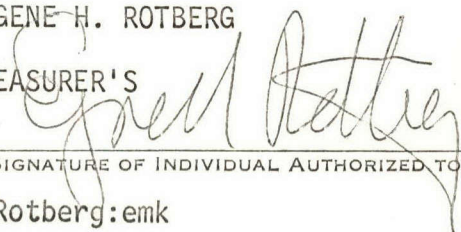
ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

EHRotberg:emk

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section

Checked for Dispatch: _____

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT
ASSOCIATION
INTERNATIONAL FINANCE
CORPORATION

Mr. Broches

Ronnie:

Attached are copies of recent offering letters for Guilder note issues not offered or sold to residents of The Netherlands. You may note that some of these issues have only Dutch underwriters while others also have French or German underwriters. I am not certain of the significance of this except that it is possible that the issues with Dutch underwriters only may contemplate that the securities will only be sold in Holland through the Dutch underwriters for the account of non-residents who maintain funds with said Dutch banks. I am not certain of this, however, and it may be that even issues with only Dutch underwriters simply reflect the control of the managers over the underwriting and that the notes are in fact sold through other banks in Germany, Switzerland, etc. who are not part of the top syndicate. Also, suppose all the underwriters are Dutch but the selling group members include non-Dutch banks?

Gene Rotberg
November 2, 1970

OFFICE MEMORANDUM

TO: Mrs. Muriel Lee

FROM: Edith M. Kesterton *EMK/*

SUBJECT: Future Travel - Treasurer's Department

DATE: October 30, 1970

This is to advise that Mr. Rotberg's tentative travel plans are as follows:

(1) He will leave for Amsterdam the evening of November 3 for financial discussions.

(2) He will attend the OECD Capital Markets Committee meetings in Paris November 5 and 6. He will return to the Bank on November 9.

(3) He will go to Dartmouth College on November 13 where he will review their computer program for investment analysis and will also address the faculty and students on the Bank's activities.

Mr. Hittmair, the Deputy Treasurer, has no plans to be away from the Bank during the next four months.

EMK/

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. Ray Norton
Mr. Hugo Schielke
Miss Rhona Johnston

Attached is a list of our maturing CD's from December 15, 1970 through March 9, 1971 and a formula developed by Salomon Brothers to calculate the appropriate price prior to maturity. Would you (a) advise me whether this formula is the "correct" one; and (b) what the price should be for each of our maturing CD's as of November 15, 1970 and assuming a 6-3/4% yield to maturity at that time.

The resulting figure should give us our "book" gain. The more difficult decision, of course, would be to find other investments which yield more than 6-3/4% at or about November 15.


Gene Rotberg
October 29, 1970

MATURING CERTIFICATES OF DEPOSIT

<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>(In Millions of \$s)</u>
12/15/70	10-1/8	32
12/ ¹⁵ 12 /70	10-1/8	7
12/17/70	8-7/8	2
1/8/71	10	21
1/12/71	10-1/8	8.5
1/18/71	9-1/4	14
1/25/71	9-3/4	19
2/2/71	9-3/4	19
2/2/71	8-3/8	2
2/5/71	9-1/4	4
2/8/71	8-3/8	12.5
2/15/71	10	5
2/15/71	9-3/8	18.5
2/22/71	8	6
2/26/71	8	5.5
3/5/71	8-7/8 8- ³ / ₄	5.5
3/9/71	9-1/4	10.5
3/9/71	9-1/8	10
		<u>183.0</u>
		<u>202.0</u>

EHRotberg:emk

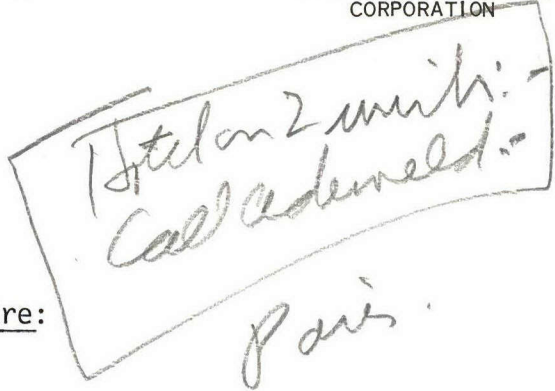
October 29, 1970

Date	Int/Rate	Millions
12/15 - 1	10 ⁷ / ₈	32
12/12	10 ¹ / ₈	7
12/17	8 ⁷ / ₈	2
1/8	10	21
1/12	10 ¹ / ₈	8.5
1/18	9 ¹ / ₄	14
1/25	9 ³ / ₄	19
2/2	9 ³/₄	19
2/2	8 ³ / ₈	2
2/5	9 ¹ / ₄	4
2/8	8 ³ / ₈	12.5
2/15	10	5
2/15	9 ³ / ₈	18.5
2/22	8	6
2/26	8	5.5
3/5	8 ⁷ / ₈	5.5

3/9 - 9 ¹/₄ - 10.5

3/9 - 9 ¹/₈ - 10

~~3/15~~ ✓



Your Calls Are:

Hugo

Donald Weedon

Alan Markizon

Baker - First Boston

Should I get a car to take you to the
Turkish Embassy (1606 - 23rd St., N.W.)
It's from 12 to 2. Should I try to have
them pick you up?

OUTGOING WIRE

TO: INTBAFRAD
PARIS

DATE: OCTOBER 29, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (FRANCE)

TEXT:
Cable No.: 1356

ATTENTION STEUBER

PLEASSED TO
REGRET DELAY IN ANSWERING YOUR CABLE STOP ~~PLEASE~~ ACCEPT INVITATION
FOR LUNCH THURSDAY NOVEMBER 5 REGARDS

ROTBURG

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: EHRotberg:emk

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch:

Ebr.

Schedule of meetings

Copies retained

by H. Hittner

INCOMING CABLE

Kessie

DATE AND TIME
OF CABLE:

OCTOBER 7, 1970

LOG NO.:

ITT TELEX / 7

TO:

INTBAFRAD

FROM:

PARIS

ROUTING

ACTION COPY: MR. ROTBERG

INFORMATION
COPY:
DECODED BY:

TEXT:

1418 FOR ROTBERG

GROUP OF GOVERNMENTAL EXPERTS ON FINANCIAL MARKETS WILL MEET AT
OECD ON THURSDAY NOVEMBER FIVE AT TEN THIRTY AM ALSO ON NOVEMBER
SIX. WILL YOU ATTEND AND DO YOU WISH ME TO JOIN YOU AT THESE
MEETINGS. I AM RETURNING TO BASEL TO JOIN UHRIG WALSER AND
SEBERT FROM MONDAY OCTOBER TWELVE UNTIL SIXTEEN AND EXPECT TO
MAKE COURTESY VISIT ON DR STOPPER AT NATIONAL BANK ZURICH DURING
THIS STAY REGARDS

LESSEPS

Thursday, November 5-
November 6

10.30 ~~pm~~ am

OECD

will Ebr. Hittner?

IR

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg 

SUBJECT: Portfolio Yields: October 16, 1970

DATE: October 27, 1970

Attached is the statement of our portfolio yields for the period ending October 16. Since the previous report two weeks ago, overall yields have declined 9 basis points. This was due to the drop in our yields on U.S. Time Deposits from 8.99 to 8.81. Maturing Time Deposits yield over 10% and, although we have been able selectively to roll over these deposits at considerably higher than recently quoted rates (now about 6-3/4%), there has been a considerable erosion of our yield on these investments. Nonetheless, our projections for overall investment income and average return on investments for fiscal 1971 are still valid since we contemplated the decline in short term rates. Further, we have begun to take advantage of certain aberrations in the yield curve and technical market factors to switch from one investment holding to another, take a book profit, and more significant, increase our income for future periods.

In view of this activity, we have developed a new report (and a "bond swap" program) which will reflect the yield on our investments to maturity, the "book yield" and the current market yield for each investment. This should be available for the period ending October 31.

. . .

Recently, we have begun to disburse dollars since the dollar yields on incremental funds are now below the yields obtainable in other currencies. In the last few months we had drawn down our Canadian dollars and Deutsche marks since the yield on our short investments (Treasury Bills) was lower than the yields obtainable in the United States.

Attachment

Chron.

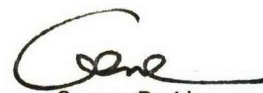
10822 Childs Court
Silver Spring, Md.
20901

October 27, 1970

Dear Francis and Doris:

Iris and I want to express our deepest sympathy on the loss of your daughter. While we know that very little can be said which will relieve the tragedy, we hope it comforts you to know that your friends' sympathy and feelings go out to you. The unexpectedness of this kind of tragedy is hard to comprehend and even harder to accept but we know that both of you will continue to have pleasures and satisfactions from those friends and family who remain with you.

Kindest personal regards,

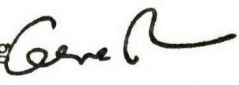

Gene Rotberg

Mr. and Mrs. Francis R. Poore
5905 Cromwell Drive
Washington, D.C. 20016

OFFICE MEMORANDUM

TO: Mr. Lars J. Lind

DATE: October 26, 1970

FROM: E. H. Rotberg SUBJECT: Re Attached Article

1. We sold \$10 million of our 2-year Central Bank bonds issued in March 1969 to the UNDP at an interest rate of 6-3/4%. At or about this time we invested funds at between 6-3/4% to 7-1/2%.

2. In September 1969 the UNDP purchased another \$10 million of our 8% 2-year bond issue. The proceeds were invested at or about that time in 1-year Bank certificates of deposit at 10-3/8%.

3. On both occasions the rate which we offered was higher than comparable rates for high grade obligations with 2-year maturities. The higher investments which we were able to obtain was a result of putting the funds in shorter maturities which carried a higher interest rate.

The Unflappable M. Monod

NOEL MONOD, 59, may just be the lowest paid big-money manager in the world. For his salary of \$25,000 a year—\$20,000 after taxes—he manages around \$900 million in capital, trades actively in currency markets around the world and handles an extremely complex annual budget of \$169 million (\$183 million next year). Monod, a tall, thin Frenchman who dresses in gray suits and black ties, has been the first and only treasurer of the United Nations since its founding in 1946. He comes of an old French Huguenot family and has ties high up in French industry and finance. Jacques Monod, the Nobel Prize-winning scientist, and Lucien Monod, the painter, are cousins. Monod was educated in Britain and France, speaks four languages and was a successful French businessman (his company specialized in electrical instrumentation) before World War II.

Monod's biggest single chunk of money is the U.N.'s pension fund, currently \$500 million and growing by \$84 million or so a year. In investing this money, says Monod, "We have to be like Caesar's wife"—above suspicion. So his investment policies are "ultraconservative"—dollar-averaging and the like on stocks and minimum AA rating on bonds, with no more than 2% in any one issue. The profits are respectable but moderate: \$24 million in 1968 and \$29 million in 1969 (fiscal years vary among his funds). Monod counted it a resounding victory back in 1952 when, after four years of urging, his U.N. bosses finally agreed to give the fund the freedom to buy common stocks as well as bonds.

Currently, the pension fund's \$500 million is divided 60-40 between bonds and common stock, with about \$150 million in American common issues, \$50 million in non-U.S. common issues. "We're down like everybody else in U.S. common stocks this year," says Monod. "But we recently rated ourselves against 45 other funds, and we were in the first 10%. In the last six months, I pushed for substantial purchases of high-interest bonds." He already holds around \$180 million in U.S. corporate bonds. Thus, including both equities and fixed-interest obligations,



Monod of the U.N.

some two-thirds of all the money is in U.S. issues.

Wouldn't it be more appropriate for an international organization to have a more international portfolio? Monod is moving that way, but there is a hitch, a familiar one. "One problem is that the markets outside the U.S. are often too small to absorb large sums," he says. "It's bad enough on the buy side. But occasionally I've had bad nights thinking what would happen to the Paris market if I suddenly, say, put \$500,000 worth of Michelin stock on that market."

He also handles the U.N. Development Program portfolio, which has about \$150 million of its \$200-million budget invested, pending disbursement on various projects. This money is mainly short-term and mainly in the currencies in which the funds will be paid.

Monod's busy arbitrage operation arises out of the fact that the U.N. has employees and operations all over the world. It pays the bulk of its personnel in other countries in the currencies of those countries. That means keeping tabs on all changes in rates of exchange and especially devaluations. Monod works through banks that give him

foreign quotes by Telex in ten minutes. "At the moment," he says, "I'm engaged in a substantial operation selling Swedish kroner against dollars here. This is a public organization, heavily scrutinized by auditors, and I must be sure of getting the best rate. On the other hand, if I announce too loudly that I am going to buy, say, \$2 million in Sweden tomorrow, it might mess up the rate of exchange. What do I do? Consult quietly with two or three banks—I concentrate on Irving Trust here and Banque Worms in Paris—which won't spoil the market and I can be reasonably sure will give us their best rate."

Monod stays out of forward currency markets "because we must not give even the impression of speculating for or against a member state's currency," he explains. But in a case like the period leading up to the devaluation of the British pound in 1967, it was to protect the U.N. that he says, "I naturally pushed my people to use sterling to disburse, so that we would be caught with as little sterling as possible."

Monod is not the sort of man to engage in public controversy, but it's no secret that there is rivalry between Paul Hoffman's U.N. Development Program and Robert McNamara's World Bank. About all that Monod will say is: "We lent the World Bank \$10 million at 6%, and McNamara turns around and places it at 10%. I could do the same thing."

He also has constant problems with member states—which is not surprising since there are some 127 of them, some rich and powerful, some poor and weak, but all of them proud and opinionated. "There are 127 auditors-general who think they know better how to invest their money than we do. But, on the whole we do extremely well. I defy anyone else to do as well with what we have."

Monod says that proudly, but not arrogantly. You get a clue to his character when you ask him why he forsook a good-paying career with a family company for a low salary and a high quota of headaches. First he cites his family's tradition of public service. Then he adds: "There were many things I saw in World War II that I would rather not see again." ■

Chron.

October 23, 1970

AIR MAIL

Bank of England
Threadneedle Street
London E.C. 2, England

Dear Sirs:

Monthly Statement of Account Transactions

Thank you for your letter dated September 18, 1970 in which you draw attention to the signature on our letter concerning Monthly Statements of Account Transactions.

Attached please find a further copy of this letter signed in accordance with the Bank's list of Authorized Signatories.

Sincerely yours,

(signed) Eugene H. Rotberg

Eugene H. Rotberg
Treasurer

Attachment

cc: Messrs. Rotberg ✓
Rutland
Miss Warford

FILE: Bank Reconciliations

DWGray/rc

October 23, 1970

AIR MAIL

Bank of England
Threadneedle Street
London, E.C. 2, England

Dear Sirs:

Monthly Statement of Account Transactions

Your attention is drawn to the procedures which apply to the maintenance of accounts held in the name of the International Bank for Reconstruction and Development details of which appear in International Bank for Reconstruction and Development Circular No. 2 dated April 1, 1968.

Part II Paragraph 5 of this Circular reads as follows:

"Each Depository shall unless otherwise instructed by the Bank, report to the Bank immediately after the close of each month, all transactions in each Account during the preceding month and the status thereof as of the close of business on the last day of such month....."

Please note that such reports should in future be addressed "Attention Controller" rather than to the Internal Auditor as formerly. Similar provisions apply in respect of accounts maintained for the International Development Association and the International Finance Corporation.

Sincerely yours,

(signed) Eugene H. Rotberg

Eugene H. Rotberg
Treasurer



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

October 23, 1970

Mr. Arthur Karasz
Director, European Office
I.B.R.D.
66, Avenue D'Iena
Paris 16E, France

Dear Arthur:

I have just returned from a meeting out of the country and I must apologize therefore for not writing to you sooner and returning Robert de Lesseps' supervisory report.

I hope to be in Paris for a day or so next week and will look forward to seeing you then. Kindest personal regards.

Sincerely,

Eugene H. Rotberg

Enclosure



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

Chron

October 14, 1970

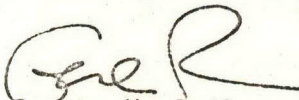
Mrs. Peter Hahn
8 Kensington Road
Garden City, N.Y. 11530

Dear Mrs. Hahn:

Thank you for your letter of October 7. I would be delighted to speak at one of the Unitarian-Universalist Church meetings - preferably on February 18. As you know, Carol and Hal are my favorites and I look forward to meeting with them and seeing you at that time.

If you think it is appropriate, I would like to talk on the role of the World Bank and, in particular, the necessity for a reasonable reallocation of the savings and wealth of a consumer-oriented Western society to developing and poorer nations. If you think this is satisfactory please let me know. I am enclosing for your information a copy of Mr. McNamara's recent speech at the World Bank Annual Meetings in Copenhagen. You may find of particular interest his remarks describing the objectives of world development in the '70's, commencing on page 17.

Sincerely,


Eugene H. Rotberg
Treasurer

Mrs. PETER HAHN
8 KENSINGTON ROAD
GARDEN CITY, N. Y. 11530

October 7, 1970

Mr. Eugene Rotberg
10822 Childs Court
Silver Spring, Md.

Dear Mr. Rotberg,

Carol Lazarus gave me courage to ask you for a huge favor. The minister of our Unitarian-Universalist Church wants me to arrange 4 evenings in the spring of 1971 on international affairs. I am the church's "U.N.-Envoy" and an active and ardent UN supporter.

Will it be possible for you to speak in our Garden City church on the World Bank on one of the following Thursday evenings at 8:30 p.m. February 18, February 25, March 3 or March 11?

With the help of the League of Women Voters, perhaps the Economics Department of our local Adelphi University, and other groups, I hope to get a good attendance. The church can seat between 250 and 300 people. I feel it necessary to point out that Garden City has many "Barron's Weekly" magazine readers and probably, adherents. Therefore, publicity for a talk on the World Bank is likely to attract also some with doubting, closed and/or querulous minds.

My husband imports raw material from the Orient and Latin America, has taken me on several of his business trips, and I use his busy days to visit UN- or AID- or Peace Corps projects. We have come to recognize that only by vigorous US participation can the UN live up to full potential. \$\$ alone don't suffice, the comprehension and interest of the people are needed. With your view from the top you can render an invaluable service by informing us on the functions of the World Bank. I find that too few people know of the Bank's affiliation with the UN.

It will be a red-letter day when you let me know that you can come on any one of the Thursdays mentioned above, and Carol and Harold want you and your family to stay with them at that opportunity as long as possible.

Yours sincerely,

Lili Hahn

P.S. A collection taken on those 4 evenings will benefit the Unitarian-Universalist UN office located in the Church Building on UN Plaza.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

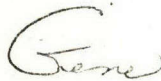
INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. Graves

Harold:

Just to keep you up to date. I
will let you know if there are any
further developments.

A handwritten signature in cursive script, appearing to read "Gene".

Gene Rotberg
October 23, 1970

FYFE, IRELAND & CO.
W.S.

F. H. SIMPSON, W.S.
J. L. FALCONER, W.S.
JAMES THOMSON, W.S.
GEORGE A. HENRY, W.S.

TELEPHONE: 031-225 4914
TELEGRAMS: "LEGAL, EDINBURGH"

27, MELVILLE STREET,
EDINBURGH,
EH3 7JG.

29th September 1970.

H.C. Hittmair, Esq.,
Deputy Treasurer,
International Bank for Reconstruction and Development
1818 H Street, N.W.,
Washington, D.C. 20433,
U.S.A.

Dear Mr. Hittmair,

Representative Church Council
Action for World Development.

I am most grateful for your letter of 24th September
and for the helpful information therein together with a copy of
the Articles of Agreement of the Bank.

Yours sincerely,

J. L. Falconer

JLF/MC. B.R.C.C.29.

8 1/2
September 24, 1970

Fyfe, Ireland & Co.
27 Melville Street
Edinburgh
EH3 7 JG
SCOTLAND

Gentlemen:

Re: Representative Church Council
Action for World Development

This is in reply to your letter of September 15, your reference JLF/LM R.C.C.29.B., addressed to the Treasurer of the Bank who is presently out of the country for the Annual Meetings in Copenhagen.

I am enclosing for your files a copy of the Articles of Agreement of the Bank in response to your request.

The minimum amount of a subscription for a participation or for a portfolio purchase is \$50,000 or the equivalent in another currency. I might say, however, that sometimes, in the case of a participation in a new loan, the maturities available are oversubscribed and it becomes necessary for us to make allotments to the subscribers. The amount of an allotment might, as a result, be less than \$50,000. This situation affects only the earliest maturities of a loan and, if a participant is agreeable to taking later maturities, we can always provide maturities to meet his subscription.

I should be pleased to answer any other questions you may have.

Sincerely yours,

H.C. Hittmair
Deputy Treasurer

RDeely:mb

cc: Mr. Rotberg ✓
Mr. Deely/Mrs. Seguin

Central Files

FYFE, IRELAND & CO.
W.S.

F. H. SIMPSON, W.S.
J. L. FALCONER, W.S.
JAMES THOMSON, W.S.
GEORGE A. HENRY, W.S.

TELEPHONE: 031-225 4914
TELEGRAMS: "LEGAL, EDINBURGH"

AIRMAIL.

27, MELVILLE STREET,
EDINBURGH,
EH3 7JG.

15th September, 1970

Our Ref: JLF/LM R.C.C.29.B.

The Treasurer,
The International Bank for Reconstruction and
Development,
Washington, D.C. 20433,
U.S.A.

Dear Sir,

Representative Church Council.
Action for World Development.

We are most grateful for your helpful letter of 3rd September
and the interesting enclosures.

Would it be possible for you to please send us a copy of the
Articles of Agreement of your Bank as amended to date.

What please are the minimum sums which your Bank would be
prepared to accept either in a participation Agreement or in the
sale of a portion of a loan which has already been disbursed.

Yours faithfully,

Jga M

Chiron

September 3, 1970

Fyfe, Ireland & Co.
27, Melville Street
Edinburgh
EH3 7JG
Scotland

Gentlemen:

Representative Church Council
Action for World Development

This refers to your letter of August 20th in which you make inquiry, on behalf of your client, the Representative Church Council of the Episcopal Church in Scotland, as to the possibility of lending funds to the World Bank. We appreciate your inquiry and are pleased to enclose for your consideration a copy of our most recent Annual Report, several speeches of Mr. Robert S. McNamara, President of the Bank, a brochure on the aims and goals of the World Bank, and other enclosures as set forth below. As you can observe from the enclosures, the resources of the Bank are dedicated to improving the living conditions in less developed countries. The Bank's loans (which in its last fiscal year approximated \$1,600,000,000) for education, agriculture, telecommunications, transportation, etc. are designed to improve the economic conditions in less developed countries through the channeling of funds to those projects with the highest economic priority. As you can observe from the attached material, the World Bank as of June 30, 1970, had made loan commitments, currently outstanding, of approximately \$9 billion. Its activities in its last fiscal year are summarized on page 10 and 11 and in the Appendices to its Annual Report.

The World Bank borrows in convertible currencies and accordingly its obligations are denominated in many currencies throughout the world (see Appendix E to Annual Report). It should be noted, however, that the Bank's Articles require that before the Bank borrows funds it must receive the approval of the government of the country in which it borrows and from the government in whose currency the borrowing is denominated. The borrowed funds must be freely convertible. The Bank has made private placements of its obligations as well as public offerings; the extent of its borrowing operations is also summarized in the financial statements in our Annual Report, and on pages 35 and 36. I am also enclosing for your general information the prospectus of our most recent bond issue in the United States and address your attention, in particular, to the disclosures which set forth the extent of the uncalled capital subscriptions of the member countries of the Bank which can only be used to meet the Bank's obligations.

September 3, 1970

The interest rates offered by the Bank vary of course in accordance with the currency of issue and the particular maturity schedule. We can assure you that interest rates would be competitive with other high quality obligations and would contain appropriate provisions for amortization of the obligation prior to final maturity if that is required. It would be most appreciated if you would indicate to us the approximate size of any loan your client may wish to make to the Bank inasmuch as this will affect the type of obligation the Bank might offer.

You may also note that the Bank also offers "participations" in specific loans. This permits institutions to participate in the financing of specific projects financed by the Bank under similar terms as the Bank loan. These participations, however, are not guaranteed by the Bank and are without recourse to it. There is also enclosed a descriptive memo dated June 5, 1968 regarding these "participations" and the typical form of agreement.

Sincerely,

Eugene H. Rotberg
Treasurer

Enclosures

EHR:sb

AIRMAIL.

FYFE, IRELAND & CO.
W.S.

F. H. SIMPSON, W.S.
J. L. FALCONER, W.S.
JAMES THOMSON, W.S.
GEORGE A. HENRY, W.S.

TELEPHONE: 031-225 4914
TELEGRAMS: "LEGAL, EDINBURGH"

27, MELVILLE STREET,
EDINBURGH,
EH3 7JG.

20th August, 1970

Our Ref: JLF/LM R.C.C.29.B.

The Manager,
The World Bank,
I.M.F. Building,
19th and H Street N.W.,
Washington D.C. 20431,
U.S.A.

Dear Sir,

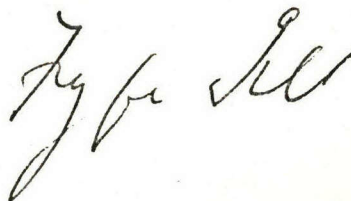
Representative Church Council.
Action for World Development.

Our clients, the Representative Church Council, of the Episcopal Church in Scotland are considering the possibility of lending to the World Bank certain monies so that these monies might be made available through the World Bank for the improvement of under developed countries.

It is under consideration that such monies be made available to the World Bank by way of a loan.

We should be grateful if you could please let us have such information as you can as to the terms on which such a loan might be made, namely security granted, rates of interest payable, notice required for repayment and whether the money so lent to the World Bank could be directly applied for the improvement of living conditions, education etc., in under developed countries.

Yours faithfully,





INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

Chen

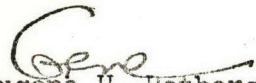
September 3, 1970

Mr. James C. Morrison
Senior Vice President and
Director
The First Boston Corporation
20 Exchange Place
New York, N. Y. 10005

Dear Jim:

Further to our telephone conversation today
I am enclosing some documents which you might
find useful. If you need extra copies, please
let me know. Note that the Annual Report cannot
be released until Wednesday, September 9.

Sincerely,


Eugene H. Rothberg
Treasurer

Enclosures: Mr. McNamara's speeches, Annual Report
Financial Statements, Q & A (Bank and IDA)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

Chson.

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. Poore

Francis:

I have read the Draft Memorandum from the Internal Auditor and I would suggest some revisions as set forth in the attachment. Note that in addition to the Treasurer's Department doing a check on the replies from commercial banks confirming the opening of a deposit that I have also suggested that the Controller's Department and/or the Internal Auditor do a quarterly confirmation that the deposits are still maintained by the respective banks.

Gene R
Gene Rotberg
October 15, 1970

cc: Mr. Y.L. Chang
Mr. Rapley

COMPUTATION OF INTEREST

In the United States, commercial banks customarily compute interest on certificates of deposit on the basis of a 360-day year. This yields a higher return than the same interest rate on open time accounts on which interest is generally computed on the 365-day basis. It was observed that the Bank has generally invested in certificates of deposit with the principal exception of Chase Manhattan Bank in which open time accounts have been established. As one of the principal investment policies is to obtain the highest yields possible, we discussed with the Treasurer why investments were made in these open time deposits rather than in certificates of deposits. He indicated that generally the interest rate obtained on time deposits or certificates of deposit reflects the highest effective yield the Bank wishes to pay and that the exclusive use of CD's would be reflected on a compensating lower quoted rate.

INTERNAL CONTROL PROCEDURES

Certificates of deposit are normally held in custody by the issuing commercial bank for our account, without charge, in order to facilitate the marketability or subsequent redemption of the certificate at maturity. In the authorization letter to the commercial bank, the Treasurer's Office requests notification as soon as the certificate of deposit has been issued and placed in safekeeping for our account. Since there appeared to be no formal procedure established for checking whether the deposits actually were held by the commercial bank in the Bank's favor, other than the audit conducted by the Bank's accountants,

the Treasurer has implemented a follow-up system in his office for this purpose. This formalized procedure will give the Bank immediate written confirmation that the certificate of deposit purchased has been issued and is being held by the depository. In addition, the Controller and/or Internal Auditor, will ask for a quarterly confirmation of the CD's or time deposits from the respective Banks.

REGISTRATION OF SECURITIES

The question of certificates of deposit and other investment securities being issued in "Bearer" form rather than registered in the name of the Bank (or affiliated organizations) for the purpose of security was discussed with the Treasurer. He agreed that if the securities were registered in the Bank's or affiliate's name, there could be a greater protection for the Bank Group against misuse or misappropriation, but suggested that other factors had to be considered concerning questions of marketability and the ease with which the security can be negotiated by the Bank. On the other hand, the Bank has the option to change the "bearer" certificates to registered certification at any time at its discretion. The Treasurer indicated that these questions would have to be studied in depth and that he would proceed to do this.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

Chson

October 15, 1970

Mr. Gustave L. Levy
Goldman, Sachs & Co.
55 Broad Street
New York, N.Y. 10004

Dear Gus:

I have just returned from vacation and received your very kind invitation. Unfortunately, I will be out of the country on the 21st. Otherwise, I would have been delighted to accept your invitation. Many of the Bank's principal officers are in Europe now on Bank business and it might be difficult for most of them to attend.

Thank you again for your thoughtfulness in thinking of me. Perhaps we can get together in the middle of November when I come back from my trip.

Kindest regards,

Gene
Gene



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

October 15, 1970

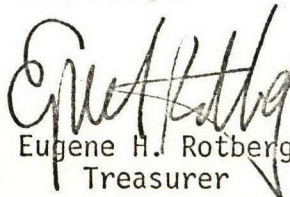
Mr. Hans-Jurgen Schlichting
General Manager
State Street Bank GmbH
Leopoldstraße 19
8 München 23, Germany

Dear Mr. Schlichting:

Thank you for your letter of October 8.

I regret that I will be unable to meet with
you on November 2 when you are in Washington as
I expect to be in Europe at that time. However,
if you so wish, Mr. Hittmair, the Deputy Treasurer,
would be available on that day and would be
pleased to see you.

Sincerely,


Eugene H. Rotberg
Treasurer



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

Chron

October 15, 1970

Mr. Walter P. Stern
Burnham and Company
60 Broad Street
New York, N.Y. 10004

Dear Wally:

Thank you for your kind invitation. While it is difficult for me to make plans so far in advance, I would like tentatively to accept your kind invitation to participate in your conference. I will mark off my calendar for Monday, Tuesday and Wednesday as I do have business in London. My only caveat is that often on very short notice I cannot meet commitments previously made because of emergency situations in the Bank. Subject to that possibility, I look forward to seeing you in London - indeed, hopefully before that.

Best regards,

Gene

A handwritten signature in cursive script, appearing to read "Gene", is written over the typed name "Gene".



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

October 15, 1970

Mr. E. B. Reynolds
Vice President
James O. Rice Associates, Inc.
300 Madison Avenue
New York, N.Y. 10017

Dear Ed:

Thank you for your letter of September 23 in which you invite me to participate in a Conference to be held at the Americana Hotel in New York on November 19 and 20. Unfortunately, I have another commitment out of the country at that time and will not be able to take part in the program.

Thank you for inviting me and I look forward to being with you at some future time.

Sincerely,


Eugene H. Rotberg
Treasurer



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

October 15, 1970

Mr. Ante Zelic
Deputy Federal Secretary
for Finance
Belgrade
Yugoslavia

Dear Mr. Zelic:

I regret that it was not possible for me to contact you during my recent visit to Yugoslavia since an unexpected change in plans made it not possible for me to go to Belgrade. My wife and I, however, were delighted with our visit to Yugoslavia and were particularly fond of the Plitvice Lake area and the Dalmatian Coast. I did have the pleasure of meeting with Mr. Ivo Fabrio of the Investment Bank of Split who was most gracious.

I look forward to seeing you again in the not too distant future.

Sincerely,


Eugene H. Rotberg
Treasurer

Chen

OUTGOING TELETYPE

Time:

TO: Federal Reserve Bank of New York, New York
Attention: Foreign Department & COYLE

Date: OCTOBER 15, 1970

No. 1078

PLEASE SELL \$10,000,000 EIGHT PERCENT FHLB NOVEMBER 25, 1974 AT 103
OR BETTER AND INVEST PROCEEDS IN 7.50% FNMA SEPTEMBER 10, 1975 AT
100-8/32 OR BETTER TEST 808

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

EHRotberg:emk

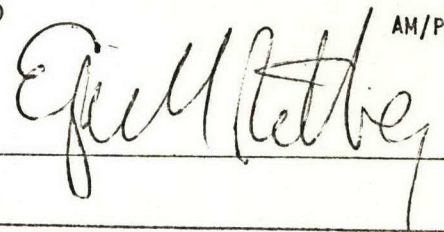
cc: Mr. Rotberg
Mr. Prins
Mr. Rutland
Miss Johnston

TEST

DESPATCHED

BY

AM/PM

AUTHORIZED BY: 

, TREASURER'S DEPARTMENT



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

Chron

October 14, 1970

Mrs. Peter Hahn
8 Kensington Road
Garden City, N.Y. 11530

Dear Mrs. Hahn:

Thank you for your letter of October 7. I would be delighted to speak at one of the Unitarian-Universalist Church meetings - preferably on February 18. As you know, Carol and Hal are my favorites and I look forward to meeting with them and seeing you at that time.

If you think it is appropriate, I would like to talk on the role of the World Bank and, in particular, the necessity for a reasonable reallocation of the savings and wealth of a consumer-oriented Western society to developing and poorer nations. If you think this is satisfactory please let me know. I am enclosing for your information a copy of Mr. McNamara's recent speech at the World Bank Annual Meetings in Copenhagen. You may find of particular interest his remarks describing the objectives of world development in the '70's, commencing on page 17.

Sincerely,


Eugene H. Rotberg
Treasurer



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

October 14, 1970

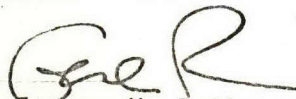
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8 Kensington Road
Garden City, N.Y. 11530

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Sincerely,


Eugene H. Rotberg
Treasurer

Chron.

OFFICE MEMORANDUM

TO: Mr. John H. Adler

DATE: October 14, 1970

FROM: Eugene H. Rotberg *EHR*SUBJECT: Your Memorandum on our Meeting with Mr. Volcker: October 12, 1970

The reference in the second paragraph on page 2 does not reflect the point that I made. You will recall that I did not mention any increase in the Bank's earnings. Rather, I stated I think quite clearly that the lower cost of borrowing in the intermediate term market at this time would tend to reduce some of the pressures for a higher lending rate (and increased debt servicing obligation on borrowers) because of the general procedure in setting our lending rates based upon our experience in borrowing in the capital markets. You may recall that Volcker responded by indicating that he recognized the necessity to maintain a low lending rate and, indeed, had instructed the U.S. Executive Director to support the current rate of 7-1/4%, in recognition of the problem of borrowing countries. He said, however, one could make the argument that we should pay whatever the market demands in the long term market and that if the long term costs were high perhaps borrowing countries might have to assume that cost.

The discussion on earnings came up in the context of why the Bank invested in the longer term market and we explained that this was on yield considerations, etc. and that it was a relatively small proportion of our overall liquidity.

cc: Mr. Knapp
Mr. Aldewereld



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

September 18, 1970

Dear Ben:

I tried to call you at home before I left for Copenhagen and Yugoslavia but you were not at home. It's good that you are feeling better and walking around. Take it easy and keep me informed about what is going on in the office. I am sure that 48 hours after your operation you knew more than I did about the latest office news.

Iris and I will be back in the middle of October and by that time you will be in really good shape. I will take your advice and watch my wallet in Split.

Best regards to the family.

Gene

Gene

Mr. Benjamin L. Prins
Apartment 906
2445 Lyttens Villa Road
Silver Spring, Md. 20910

Chron

10822 Childs Court
Silver Spring, Md. 20901
September 18, 1970

Dear Gillian:

I am glad to hear that you were home for the weekend. It was good talking to you. My mom tells me that your spirits are good and you are a sweetheart. I always knew that. I am sure that the worse tension and aggravation is over.

We will be back around the middle of October.
We will think of you and miss you.

Love,

Gore

Mrs. Gillian Reeder
308 Vassar Road
Alexandria, Va.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

September 17, 1970

Dr. & Mrs. Samuel Comens
335 Wedgewood Road
Bethlehem, Pa. 18017

Dear Folks:

We are now making the last minute plans for our trip and I have a list of 40 things to do. I am enclosing a list of our itinerary where we will be staying. The hotels marked with a red "X" are where you should write to us as the others are quite small and I doubt if we would receive any letters there. As you will see on the bottom, Miss Margaret Bowell is the secretary in the office who can take any messages about the children, etc. as I will be calling in every week or so. (Kessie is going to Copenhagen.) I will also tell her to call you about our trip and fill you in on various tidbits. Thanks again.

Love,

Gene



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

September 16, 1970

Mr. Marc Alexandre
Eurofinance
9, Avenue Hoche
Paris, VIIIe
France

Dear Marc:

Thank you for your letter of September 1. Unfortunately I am unable to see you at that time since I expect to be out of the country.

As you know, I have raised the question with the Pension Fund Committee concerning the use of an external investment adviser for advice on the purchase of non-U.S. securities. This matter is currently under consideration. We have recently split our investment portfolio in two parts and have chosen T. Rowe Price as an external adviser in addition to our current adviser J. W. Redmond & Company. I expect that later in the Fall our Investment Committee will determine whether a portion of the funds from each of these advisers should be allocated to non-U.S. securities with some amount under the general discretion of a non-U.S. adviser.

I will keep in touch.

Sincerely,

Eugene H. Rotberg
Treasurer



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

September 16, 1970

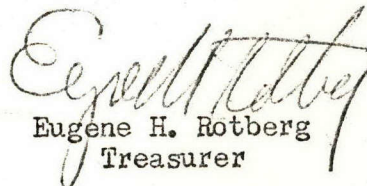
Dr. Werner Schick
Sub-Manager
Swiss Bank Corporation
Basle, Switzerland

Dear Dr. Schick:

This refers to your conversations with Mr. Robert de Lesseps, Chief European Financial Operations, of our Paris office concerning a possible issue of Swiss franc bonds by the World Bank. I expect to be in Copenhagen for our Annual Meeting from Sunday September 20, through Thursday September 24, at which time I would like to take the opportunity to discuss the matter further with my colleagues who are in Copenhagen and with representatives of your Bank who will be in attendance.

Mr. de Lesseps has advised you that we are interested in a bond issue in the Swiss market. Therefore in order to expedite preliminary work, even prior to my discussions in Copenhagen, I am enclosing three copies of a draft prospectus letter and Appendices A-F to be included in the prospectus. We are presently awaiting Price Waterhouse's translations in French and German of Appendices A-F and I hope to be able to send these to you shortly.

Sincerely,


Eugene H. Rotberg
Treasurer



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

September 16, 1970

Dr. and Mrs. Myron Woolman
55 East 86th Street
New York, N. Y.

Dear Mike and Genie:

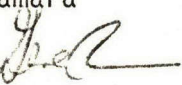
Iris and I want to express our delight at hearing about Marcia's marriage. We are sure that she will be happy and fulfilled. Our trips to New York have been very infrequent since Iris has been completely submerged in her OEO work. I travel much too much out of the country. We both are off to Copenhagen and Yugoslavia on Friday.

I promise the next time either of us are in New York we will call you. Please give our best to the children. It has been a long, hot summer here and the political situation in Washington remains depressing.

Fondest regards,

Gene

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: Eugene H. Rotberg 
SUBJECT: Bond Issue in Switzerland

DATE: September 14, 1970

In view of the recent improvement of the Swiss market, we instituted some informal negotiations to determine whether the Bank could have a bond issue in the near future in Switzerland. I have been advised by de Lesseps of the following:

The Swiss Bank Corporation (the managing underwriter for our next Swiss issue) have advised that they would be prepared to do an issue for Sw F 60 million (approximately \$14 million) in late October/early November. Under present market conditions the bond could be marketed at 6-3/4% coupon, interest payable annually, at par or a slight discount with a 10 to 12 year final maturity. I do not have details on sinking fund provisions.

The managing underwriter requests that the Bank pay the current standard rates for all foreign issues: 3% underwriting commission plus 1/2% management fee. This fee is considerably higher than our underwriting commission in the U.S. (7/8%) and in Germany (1-3/4%) and compares to a total fee of 2-1/2% on our last three issues in Switzerland. Prior to that time we paid 1-1/2% in Switzerland.

De Lesseps has advised that he thinks the underwriters might be prepared to reduce the commission by perhaps 1/4 or 1/2%. Assuming a 3-1/2% underwriting commission, the cost to the Bank for a 10 year bond would be 7.13; for a 12-year maturity the cost would be 7.07. Assuming a 3% commission, the cost to the Bank for a 10-year bond would be 7.06; for 12 years the cost to the Bank would be 7.01%. Dr. Stopper, President of the Swiss National Bank, has advised de Lesseps that he would be prepared to recommend that the Bank offer its bonds in Switzerland though technically there are some other bond issues in a queue ahead of us. He further recommends that we not argue too much about the commission since that is a going rate for foreign issuers who market their bonds in Switzerland.

I recommend if the aforesaid commissions are the going rate for foreign borrowers, who come to the market on a rather regular basis, that we pay it. The cost of the bond issue is quite modest despite the rather high commission and we have not been to the Swiss market for some time. I would like to send our representatives to Switzerland to

Mr. Robert S. McNamara

- 2 -

September 14, 1970

begin discussing the preparation of the Prospectus, resolution of legal matters, etc. Siem and I will talk to the representatives of the Swiss Bank Corporation, who will be in Copenhagen, concerning precise timing of the issue, confirmation of fees, pricing procedures, etc.

The Swiss market is strong and the Zurich newspapers have recently reported that there has been considerable success for foreign flotations. The 6-3/4% coupon is down from a 7% coupon in July.

Chen

September 11, 1970

The Officers
Mellon National Bank and
Trust Company
Mellon Square
Pittsburgh, Penn. 15230

Gentlemen:

Thank you for your kind invitation to attend your reception on October 11 during the Convention of the American Bankers Association in Miami Beach. Unfortunately, I will be out of the country at that time and will be unable to attend. However, I appreciate your thoughtfulness in remembering me.

Sincerely,

Eugene H. Rotberg
Treasurer

Chen

September 11, 1970

The Officers and Directors
Bank of America National
Trust and Savings Association
300 Montgomery Street
San Francisco, California 94120

Gentlemen:

Thank you for your kind invitation to
attend your reception on October 12 during
the Convention of The American Bankers
Association in Miami Beach. Unfortunately,
I will be out of the country at that time
and will be unable to attend. However, I
appreciate your thoughtfulness in remembering
me.

Sincerely,

Eugene H. Rotberg
Treasurer

Personal

DECLASSIFIED

DEC 27 2024

WBG ARCHIVES

September 11, 1970

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Bank of America National
Trust and Savings Association
300 Montgomery Street
San Francisco, California 94120

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Treasurer

Personal

DECLASSIFIED

DEC 27 2024

September 11, 1970

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Pittsburgh, Penn. 15230

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Sincerely,

Eugene H. Rotberg
Treasurer

INCOMING CABLE

DATE AND TIME
OF CABLE:

SEPTEMBER 6, 1970

1120

ROUTING

LOG NO.:

RC 26 / 7

TO:

EL EMARY INTBAFRAD

FROM:

TRIPOLI

ACTION COPY:

MR. EL EMARY

INFORMATION
COPY:

DECODED BY:

TEXT:

REFERENCE YOUR LETTER OF FOURTH AUGUST 1970 AND PRESIDENT'S CABLE
DATED TWENTIETH AUGUST 1970 REGARDING SEVEN AND SEVENEIGHTS PERCENT
IBRD BONDS MATURING SEPTEMBER 1972. DUE TO CERTAIN LEGAL DIFFICULTIES
BANK OF LIBYA COULD NOT ADVISE INTBAFRAD BEFORE TWENTYEIGHTH AUGUST
ABOUT ITS SUBSCRIPTION TO THE AFOREMENTIONED ISSUE. THESE LEGAL IMPEDIMENTS
HAVE SINCE BEEN REMOVED. I WONDER IF IT WOULD NOW BE POSSIBLE FOR BANK OF
LIBYA TO SUBSCRIBE TO THE ABOVE BONDS USDOLLARS FIVE MILLION OUT OF MATURITY
PROCEEDS OF ITS HOLDING OF EQUIVALENT AMOUNT OF IBRD BONDS FALLING DUE FOR
PAYMENT THIS MONTH.

I AM PLEASED TO INFORM THAT INTBAFRAD WOULD SHORTLY BE HEARING FURTHER
FROM BANK OF LIBYA ABOUT PROPOSED SPECIAL ISSUE OF IBRD BONDS FOR LIBYAN
POUNDS TEN MILLION

KMSHERLALA BANKLIBYA

IR

FOR INFORMATION REGARDING INCOMING CABLES, PLEASE CALL THE COMMUNICATIONS SECTION, EXT. 2021

ORIGINAL

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

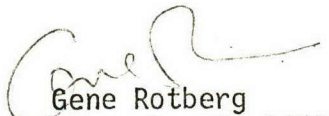
INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. Leif Christoffersen

Leif:

Would you please O.K. this with Mr. McNamara before it is dispatched. Note that the original offering cable was sent under Mr. McNamara's signature but the response is to El Emary who is not available. It could be signed simply INTBAFRAD but in view to the reference of the bond issue in Libya I thought it might carry Mr. McNamara's signature.



Gene Rotberg
September 9, 1970

OUTGOING WIRE

TO BANK LIBYA
TRIPOLI

DATE: SEPTEMBER 9, 1970

CLASS OF
SERVICE: FULL RATE

COUNTRY: LIBYAN ARAB REPUBLIC

TEXT:

Cable No.: FOR GOVERNOR SHERLALA

RE YOUR CABLE SEPTEMBER 6 WE SINCERELY REGRET THAT WE ARE NOT IN A
POSITION TO ALLOCATE BONDS TO YOU FROM OUR NEW ISSUE SINCE ALL
ALLOTMENT CABLES WERE DISPATCHED TO ALL PURCHASERS ON SEPTEMBER 1
AND OUR BOOKS HAD TO BE CLOSED THEN ON THIS ISSUE STOP WISH TO
EXPRESS OUR SINCERE THANKS FOR YOUR INDICATION OF SUPPORT AND LOOK
FORWARD TO YOUR SUBSCRIPTION TO OUR NEXT TWO YEAR BOND OFFERING
STOP WE ARE ALSO VERY PLEASED ABOUT BANK OF LIBYA'S CONSIDERATION
OF A SPECIAL IBRD BOND ISSUE FOR LIBYAN POUNDS TEN MILLION AND ARE
LOOKING FORWARD TO YOUR FURTHER COMMUNICATION ON THIS SUBJECT STOP
REGARDS. 859

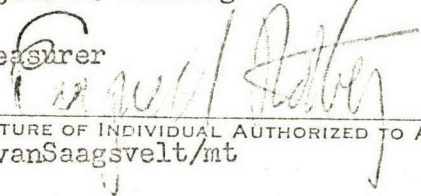
McNAMARA
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Eugene H. Rotberg

DEPT. Treasurer

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)
WmvanSaagsvelt/mt

REFERENCE:

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Messrs. Aldewereld
Nurick
El Emary
Rotberg
Clyde

For Use By Communications Section

Checked for Dispatch: _____

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Eugene H. Rotberg *ER*

SUBJECT: Central Bank Issue: September 15, 1970

DATE: September 8, 1970

This is to advise that we recently received subscriptions for our current Central Bank issue after the closing date (and after allotment cables had been sent) from Uganda - \$1 million and from Libya - \$5 million.

As you know, the Board has already received the list of subscribers and, since the issue is fully subscribed and allotted, the acceptance of these subscriptions would have involved reallotting the issue and extending the closing date beyond the date set in the offering cables. Accordingly, we have expressed our regrets to Uganda and will also so advise Libya whose subscription cable was received this morning.

cc: Mr. Aldewereld

Chron
10822 Childs Court
Silver Spring, Maryland 20901
September 4, 1970

Tannoy
Norwood Road
West Norwood
London, S.E. 27
England

Gentlemen:

I have recently heard and been impressed with your 15-inch Tannoy Monitor Gold Dual Concentric Speakers. I am considering purchasing them for stereophonic application. I am taking this opportunity to write to you directly so that you might provide some advice concerning the enclosures which I intend to use. I presently have 2 large cabinets approximately 20 feet apart set into a wall of the house. Each of these cabinets is approximately 32 cubic feet (4' x 4' x 2'). Would you please advise me the following:

1) Which of the interior surfaces should be acoustically lined and with what kind of material, i.e. top, bottom, front, back, sides?

2) Because of the location of these cabinets in the wall it is possible to remove one of their surfaces (the top) so as to produce an "enclosure" approximately 8' x 4' x 2'. Will this substantially improve the performance and, if so, should this entire area also be surfaced with acoustic materials?

3) I am considering purchasing 4 Tannoy speakers (2 in each of the aforesaid cabinets).

(a) Will this improve the performance substantially?

(b) If I merely kept the enclosures at 32 cubic feet, would that produce a maximum performance with 2 speakers in each cabinet?

(c) Should the 2 speakers in each cabinet be connected to each other and then fed into the amplifier? Or, should I simply run the connecting cables of each speaker directly into my amplifier (which is engineered so as to take 2 different stereo systems simultaneously)? The amplifier is extremely powerful and can readily handle the speakers without distortion.

Any suggestions that you might have will be very much appreciated.

Sincerely,

Eugene H. Rotberg

EHR/sb

Mr. John Blaxall

September 4, 1970

E. H. Rotberg

Re 25-Year Projection: 8/31/70

1. Congratulations on a very clear and effective 25-year projection.

2. On the other hand, I have some comments:

a. The average borrowing rate of 7.25 for the rest of the decade is low. It is simply unreasonable to assume that during a period of heavy capital demands and inflationary expectations that interest rates can fall to an average of that level starting in FY72.

b. Even assuming a 7.25 percent cost of borrowing, the investment return is too low at 6.25. There is no reason to assume that if the Bank must borrow half of its U.S. borrowings in the medium-term market that we cannot approximate the cost of that borrowing by simultaneous investments in the same maturity. A 100 basis point differential doesn't seem very realistic.

3. The maintenance of a \$1.7 billion cash position commencing in the mid-1970's is dangerously low.

The cumulative effect of these points is to substantially understate our debt servicing obligation and that of the developing countries since if my hypotheses are correct we would probably have to increase the lending rate. Further, as you can observe from the projection, our greatest vulnerability is between the years 1973/74 - 1978 and, if we have a shortfall in our borrowing of several hundred million dollars a year during that period, we have lots of trouble--to say the least.

Accordingly, I have suggested to Jean-Claude Dumoulin that we prepare what I think is a more realistic projection, namely: borrowing rate 8 percent; investment rate 7-1/2 percent (we probably might do a bit better but I am being conservative); liquidity position rising to \$2.25 billion 1972-74 and then to \$2.5 billion, and thereafter declining during the late '70's to \$2 billion; lending rate increased to 7-1/2 and then to 8 percent in the mid-1970's.

3. When can the Bank start borrowing from IDA?

cc: Mr. Adler

EHR:sb

Chin

10822 Childs Court
Silver Spring
Maryland 20901

September 3, 1970

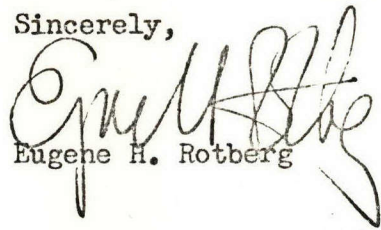
United Audio Products
120 So. Columbus Avenue
Mount Vernon, N. Y. 10553

Gentlemen:

It would be most appreciated if you send me your 16-page booklet on turntables and tonearms appearing in the Stereo Review and descriptive literature relative to your Dual 1209 and 1219. I am interested in purchasing a high quality shure cartridge and wish to determine whether each of these turntables will be equally satisfactory.

Thank you very much.

Sincerely,


Eugene H. Rotberg



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

September 2, 1970

Miss Nora Reade
London Office
International Bank for Recons-
truction and Development
15th Floor
Haymarket
London, S.W.1, England

Dear Nora:

Kessie is on vacation. She said that if I should need anything in London to call or write to you. I will probably be in London before the end of the year and I would very much appreciate your checking out something for me before I come. I am interested in purchasing a high-fidelity speaker - the "Tannoy" Monitor Gold Dual Concentric (15 inch) Speaker which is manufactured and sold in London. Would you be so kind as to call some of the hi-fi stores, or perhaps, even the manufacturer and obtain for me the London price. I would expect to purchase the speaker during my next trip to London and bring them back with me. I would appreciate it if you could get the price of one speaker and also four speakers (it may be less if I buy them in bulk!) I do not need the cabinets as I have my own enclosures.

The speaker is quite expensive when purchased in the U.S. because of duty, freight, insurance, middleman, etc. It costs between \$160 and \$195 each here, depending on whether the store discounts its merchandise. Thank you very much.

Sincerely,

A handwritten signature in dark ink, appearing to read "Eugene H. Rotberg".
Eugene H. Rotberg



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

September 2, 1970

Dr. & Mrs. J. M. Rotberg
15640 - 86th Avenue, S.W.
Miami, Florida

Dear Jay and Karen:

I hope you are all moved in, are set up and organized. Karen, how are you feeling? Don't work too hard around the house. Iris and I are off to Copenhagen and Yugoslavia on September 18th so things are pretty hectic right now. The children have started school and are very excited about it though Pammy is disappointed that after being in the first grade (for one day) she can't read yet. Keep in touch.

Love,

INTERNATIONAL DEVELOPMENT
ASSOCIATIONINTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENTINTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: DEUTSCHBANK
FRANKFURT/MAIN

DATE: SEPTEMBER 1, 1970

CLASS OF
SERVICE: TELEXCOUNTRY: FEDERAL REPUBLIC OF
GERMANYTEXT:
Cable No.:

ATTENTION FOREIGN EXCHANGE DEPARTMENT

RE YOUR TELEPHONE COMMUNICATION OF SEPTEMBER 1 WE ACCEPT YOUR OFFER FOR
RENEWAL OF OUR DM DEPOSIT MATURING SEPTEMBER 3 AT NEW RATE OF 7-5/8 PERCENT
WE PROPOSE EXTENSION TO OCTOBER 5 PLEASE ADVISE IF YOU AGREE TEST 420

ROTBERG

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. Treasurer's

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section

Checked for Dispatch:

INCOMING CABLE

DATE AND TIME
OF CABLE: SEPTEMBER 2, 1970

LOG NO.: RCA TELEX/2

TO: INTBAFRAD

FROM: FRANKFURT

TEXT:

ROUTING

ACTION COPY: MR. ROTBERG
INFORMATION
COPY:
DECODED BY:

ATTENTION MR ROTBERG

RE YOUR TELEX SEPTEMBER 1

WE EXTENDED YOUR DMARK MATURITY OF 95 MILLION MARKS VALUE
SEPT 3RD FOR ONE MONTH TO MATURITY OCT 5 IN THREE AMOUNTS OF
30 MILLION 30 MILLION AND 35 MILLION WITH 7 5/8% P.A.

THANK YOU VERY MUCH

KUNZ

DEUTSCHBANK FRANKFURT

MPB

OUTGOING WIRE

DM Deposits - Germany

TO: DEUTSCHBANK
FRANKFURTMAIN

DATE: SEPTEMBER 1, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: FEDERAL REPUBLIC OF
GERMANY

TEXT:
Cable No.:

ATTENTION FOREIGN EXCHANGE DEPARTMENT

RE YOUR TELEPHONE COMMUNICATION OF SEPTEMBER 1 WE ACCEPT YOUR OFFER FOR
RENEWAL OF OUR DM DEPOSIT MATURING SEPTEMBER 3 AT NEW RATE OF 7-5/8 PERCENT
WE PROPOSE EXTENSION TO OCTOBER 5 PLEASE ADVISE IF YOU AGREE TEST 420

ROTBERG

INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

PT. Treasurer's

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

August 31, 1970

Mr. Emil J. Pattberg, Jr.
Chairman of the Board
The First Boston Corporation
20 Exchange Place
New York, N. Y. 10005

Dear Pat:

Iris and I look forward to meeting with you, the
Overby's and the Pierotti's for dinner on Sunday evening,
September 20th. Kindest regards.

Sincerely,



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

August 31, 1970

Mr. Arthur Zeikel
Standard & Poor's/
InterCapital, Inc.
1775 Broadway
New York, N. Y. 10019

Dear Arthur:

Thank you very much for the book on the DLJ Endowment
Funds Conference. It is most interesting and useful. I
appreciate your thoughtfulness.

Sincerely,

Gene

EHR:sb

Chron

August 31, 1970

Mr. George Kaufmann
1819 H Street, N.W.
Washington, D. C.

Dear George:

It was good talking to you a few weeks ago. I hope that your brief is progressing. I am sure that you have covered all of these cases, but they may provide some nuances or open up new avenues for your consideration.

Iroquois Industries
Crane
Kahan v. Rosentiel
Herpich v. Wallace
National Securities
Schoenbaum
Moerman v. Zipco
Fratt v. Robinson
Trussell v. United Underwriters
Jordan Building
Merrill Lynch
Joseph v. Fransworth Radio
Miller v. Bargain City
Colonial Realty v. Bache

Sincerely,

Eugene H. Rotberg

EHR:sb

August 31, 1970

Professor Alvin Cohen
Department of Economics
Lehigh University
Bethlehem, Pennsylvania

Dear Professor Cohen:

This refers to your recent visit concerning our interest in your proposed studies on "public priorities" and "value added taxation." I took the liberty of distributing the material you supplied to the Area Departments directly involved with your work and to our Economics Department. They have advised me that while your studies promise to be interesting that we cannot provide financial support. We believe that there are a number of appropriate institutions in both Latin America and the United States which might be prepared to support your research.

Sincerely,

Eugene H. Rotberg
Treasurer

EHR:sb

Chron

August 31, 1970

Mr. Alan R. Markizon
Suite 224
9601 Wilshire Boulevard
Beverly Hills, California 90210

Dear Alan:

Thanks for your letter. Your note was most interesting and I appreciate your thoughtfulness in sending it to me. I have had parts of Judge Wysanski's opinion read to me over the telephone. My heart really goes out, however, for Dave Silver who is specifically identified in the opinion as having first raised the issue of the fiduciary responsibilities to recapture giveups for a fund. And that is how you become General Counsel of the ICI.

Iris and I leave on the 18th of September for the World Bank Meetings and then on to Yugoslavia. Tell Mike for me that I miss him and I look forward to talking to him. Bumped into Greta and JoAnn in the lingerie department of Woodies. It was all very embarrassing as I gave a feeble excuse about looking for a gift for my wife--which alas was true. Keep in touch. Love to Vickie.

Sincerely,

Gene

EHR:sb



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

August 26, 1970

Dr. Richard S. Bower
Professor of Business Economics
The Amos Tuck School
of Business Administration
Dartmouth College
Hanover, New Hampshire 03755

Dear Dr. Bower:

I look forward to meeting with you,
students and faculty on Friday, November 13.
I expect to arrive on Thursday night and
will send you further details as soon as my
travel plans have been completed.

Sincerely,


Eugene H. Rotberg
Treasurer



The Amos Tuck School of Business Administration

DARTMOUTH COLLEGE · HANOVER · NEW HAMPSHIRE · 03755

TEL. (603) 646-2680

RICHARD S. BOWER
Professor of Business Economics

July 28, 1970

Mr. Eugene H. Rotberg
Treasurer
International Bank for Reconstruction
and Development
1818 "H" Street, N.W.
Washington, D. C. 20433

Dear Mr. Rotberg:

Both students and faculty at Tuck have a growing interest in international finance. Acting on that interest we are trying to invite speakers to campus who can speak with authority on overall issues and particular institutions. We hope that you will be one of our speakers.

In seeking suggestions for speakers I called Raymond Norton, a Bank staff member and Tuck alumnus, and he indicated that you might consider speaking to us on the work of the Bank Group. The specific topic is up to you, of course. But we would hope to have some fairly informal exchanges with small groups as well as a talk to a larger group. The schedule might involve an hour or an hour and a half presentation with questions for 50 to 150 students and faculty on a Friday morning at 9:15 or so followed by coffee, informal discussion and lunch with student-faculty groups of 10 or 15. If you could come up Thursday evening perhaps a dinner or a drink with 3 or 4 of us could be arranged. And if you would like, we could take some time and demonstrate our time-sharing system and what we have done on it with bond switching, portfolio analysis and other financial matters.

Though Friday seems to be a good day for us, other days of the week are possible, and any Friday in October or November, with the exception of the Thanksgiving weekend, is a possibility. I hope that there is some date that is convenient for you and I also hope it's a date on which Ray Norton can come along.

Please call me if there are unanswered questions.

Sincerely yours,


Richard S. Bower

RSB:e

Handwritten notes:
2 Boston
2 ME
4 Whit. River
Junction
5 min.

Handwritten initials: JH

Handwritten numbers: 6 713

Personal

DECLASSIFIED

JAN 06 2025

WBG ARCHIVES

10822 Childs Court
Silver Spring, Md.
20901

August 27, 1970

Altec Lansing
1515 South Manchester Avenue
Anaheim, California 92803

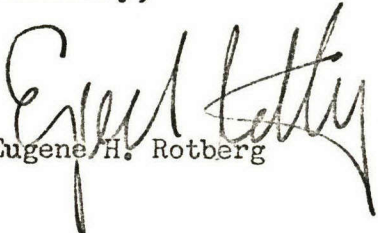
Gentlemen:

I am considering a purchase of your 604E Speaker. Is this your best single speaker? I expect to put the speaker in a large infinite baffle, approximately 30 cubic feet. Please advise the following:

1. Will this type of enclosure produce the same quality as what you referred to as the "optimum enclosure"?
2. I would very much appreciate your sending me specifications on this speaker, i.e. total distortion from 15-20,000 Hz; frequency range according to dB, etc.

Thank you very much for your courtesy.

Sincerely,


Eugene H. Rotberg

Chon

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg *EHR*

SUBJECT: Portfolio Yields: August 17, 1970

DATE: August 26, 1970

1. Attached is a statement of our portfolio for the period ending August 17, 1970. The book yield has fallen 12 basis points since the date of the last report. This is due primarily to the shift of our U.K. intermediate term investments (book yield: 9.56) to longer term instruments yielding 9.12 and to an increase of about \$56 million and a lower yield on our U.S. Treasury Bill holdings representing a portion of the proceeds of our recent U.S. bond issue. Further, the book yields on our short term deposits in Germany (1 month) have fallen from 9.09% to 8.12%. There is attached to this report a separate statement showing the capital gain on the sale of our sterling investments.

2. Since the date of this report, we have committed the purchase of about \$55 million in intermediate term agencies (7.50 to 7.95) in the United States market, approximately 100 basis points over the current Treasury Bill rate. However, such yields are about 250 basis points below the rate on currently maturing time deposits.

3. The interest rates in the U.S. approximate our projections for the months of August and September. We are improving somewhat on these projections by investing in a broader maturity range (3 months to one year) in the U.S. agency and time deposit market. In order to maximize our yields, we are also considering purchasing six month German Government bonds, subject to the approval of the Bundesbank and the Economics Ministry, with the interest payments received on our outstanding loans denominated in Deutsche mark. Based upon our preliminary discussions with the German authorities, they would not object if we held a relatively stable amount of some undetermined magnitude in Germany. Interest payments on outstanding DM approximate \$6.5 m. equiv. each month. Second, we have started to accumulate French francs as these are now yielding 8% on open deposit with the Bank of France and we may further increase our holdings of French francs by purchasing French Government obligations of 2-3 year maturities. Finally, we are giving careful consideration to calling back Italian lire (principal repayments) and investing these in Italian Government short term obligations.

4. We perhaps can invest a total \$100-150 million in Germany, Italy, and France by investing accumulated interest payments and principal repayments, and disburse dollars up to that amount. There is, of course, a 6 to 8 week delay in calling back principal which involves our projecting interest rates for various currencies well in advance of the investment.

Attachment

Chron.

OFFICE MEMORANDUM

TO: Mr. M. M. Mendels
FROM: Eugene H. Rotberg *EHR*
SUBJECT: Invitation to Annual Meeting

DATE: August 26, 1970

I am attaching a letter requesting an invitation to our Annual Meeting. As you will note, Wachovia Bank & Trust has been invited to our previous meetings. Their close relationship with the Bank is due to the fact that, since the earliest days of the Bank, Wachovia has been the bank most instrumental in changing the various laws in the State legislatures in the South to permit Bank obligations as legal investments for pension funds and state and local retirement systems -- the largest category of buyers of our U.S. bonds. They were most successful in this regard and I hope that you can see your way to extending them an invitation again.

They recently purchased about \$1/2 million of our latest bond issue this past month.

You will note that they already have hotel reservations in expectation of receiving an invitation, so we have no obligation on that score.

Thank you.

cc: Mr. Bennett



August 24, 1970

INTERNATIONAL
DIVISION

CABLE ADDRESS
WACHOVIA

Mr. Eugene Rotberg
Treasurer
International Bank for Reconstruction
and Development
1818 H Street, N. W.
Washington, D. C. 20433

Dear Mr. Rotberg:

I apologize for writing at this late date, but I have just awakened to the fact that we have not received an invitation to the annual meetings of the World Bank to be held in Copenhagen next month. This is a bit embarrassing to us since we have previously been invited to your meetings in Washington and Rio and I, myself, have been the one to attend. I had even gone so far as to make plane reservations and hotel reservations in Copenhagen and have already accepted several invitations for luncheon and dinner.

I talked today with Mr. Bennett of your organization and he suggested that I write you direct to see if it might be possible for us to still be included on the guest list. Certainly, anything you could do for us would be greatly appreciated and I look forward to hearing from you at your convenience.

Very truly yours,

Thatcher L. Townsend, Jr.
Vice President

TLTjr:mau

OFFICE MEMORANDUM

TO: Mrs. Muriel Lee

FROM: Edith M. Kesterton *Emk*

SUBJECT: Future Travel - Treasurer's Department

DATE: August 26, 1970

- (1) For the period September 20 through September 25, Mr. Rotberg will be in Copenhagen attending the Annual Meeting; from September 26 through October 9, he will be on Annual Leave.
- (2) Mr. Hittmair has no plans to be away from the Bank during the next four months.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

August 25, 1970

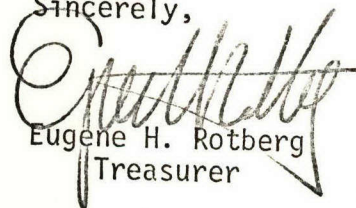
Mr. Katsuhiko Akita
Representative
The Bank of Japan
One Chase Manhattan Plaza
New York, N.Y. 10005

Dear Mr. Akita:

I wish to acknowledge receipt of your letter of August 5, with which you sent me ten ¥100 coins issued in commemoration of Expo. '70. It was indeed very kind of you to remember me. I will distribute the coins amongst my colleagues at the Bank. Permit me to thank you on their behalf for your thoughtfulness.

Best regards.

Sincerely,


Eugene H. Rotberg
Treasurer



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

Chron

August 25, 1970

Dear Folks:

Hope you had a good trip to Atlanta.
Everything is fine here and we are preparing
for our trip to Copenhagen. Nothing else
much new.

We saw the new Swedish movie "Passion
of Anna". Iris liked it more than I did.
Tonight we go to the reception for Algeria.

Lots of Love,

Mr. and Mrs. I. Bernard Rotberg
Penn. Center Apartments
19th & Kennedy Boulevard
13th Floor
Philadelphia, Pennsylvania 19103

10822 Childs Court
Silver Spring, Md.
20901

August 24, 1970

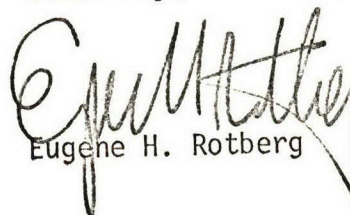
Audio Sales
2745 Erie Blvd. East
Syracuse, N.Y. 13224

Dear Sirs:

Would you please advise me the best discount
price of the Kenwood Stereo Receiver, Model 7070
(300 watts).

Thank you for your courtesy.

Sincerely,


Eugene H. Rotberg

10822 Childs Court
Silver Spring, Md.
20901

August 24, 1970

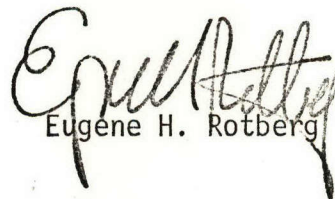
Hi-Fidelity Center
239-H East 149th Street
New York, N.Y. 10451

Dear Sirs:

Would you please advise me the best discount
price of the Kenwood Stereo Receiver, Model 7070
(300 watts).

Thank you for your courtesy.

Sincerely,


Eugene H. Rotberg

10822 Childs Court
Silver Spring, Md.
20901

August 24, 1970

Downtown Audio, Inc.
17 Warren Street
New York, N.Y. 10007

Gentlemen:

Would you please advise me the best discount price of
the Kenwood Stereo Receiver, Model 7070 (300 watts).

Thank you for your courtesy.

Sincerely,


Eugene H. Rotberg

10822 Childs Court
Silver Spring, Md.
20901

August 24, 1970

Stereo Corporation of America
2122 Utica Avenue
Brooklyn, New York 11234

Dear Sirs:

Would you please advise me the best discount price
of the Kenwood Stereo Receiver, Model 7070 (300 watts).

Thank you for your courtesy.

Sincerely,



Eugene H. Rotberg

10822 Childs Court
Silver Spring, Md.
20901

August 24, 1970

Audio Unlimited, Inc.
396-F Third Avenue
(Nr. 28)
New York, N.Y. 10016

Dear Sirs:

Would you please advise me the best discount
price of the Kenwood Stereo Receiver, Model 7070
(300 watts).

Thank you for your courtesy.

Sincerely,


Eugene H. Rotberg

Chron

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OFFICE MEMORANDUM

TO: Mr. Gerald Alter

DATE: August 19, 1970

FROM: Eugene H. Rotberg

SUBJECT:

Gerry:

You may wish to review the attached material. A Lehigh University member of the study team inquired whether the Bank would be interested in either funding directly, or indirectly, their research. I told them that I wasn't very optimistic but that I would pass it on. If you don't think this is something we would support, please let me know; or if you wish, you can pursue this matter directly.

Attachment

↓
[paper by Prof. J. Richard Aronson
and Alvin Cohen
Department of Economics
Lehigh University
or Social Commission of Public Priorities.]

Chron
D R A F T

CHDavies/EHRotberg:mrk:emk
August 19, 1970

SSM MINUTES (AUGUST 18)

BANK BOND ISSUES

Mr. Rotberg reported that he would visit Canada later in the week to discuss with the Ministry of Finance and the Bank of Canada the possibility of a Bank bond issue in the Canadian market. Relative financial stability, increasing reserves, and the fact that for the first time for many months interest rates were on a level with rates in the United States suggested that conditions might be favorable. ^{AN ISSUE} ~~The offering~~, possibly in the amount of \$20-25 million, might be made either privately or publicly.

Long-term interest rates in the United States, which had been falling when the Bank successfully sold \$200 million of 8-5/8% bonds at par on July 23, had since turned upwards. \$100 million of Duke Power 8-5/8% mortgage bonds offered on August 5 at 99.733 to yield 8.52% to the buyer had not proved attractive to institutional buyers, and had fallen to about 97 ~~the same day~~ when syndicate restrictions were removed.

Mr. Rotberg added that one interesting feature of the Bank's bond issue in the United States was that, despite the general tightness of money, a relatively small percentage of the bonds offered - 17% - involved delayed delivery arrangements. In previous offerings during periods of tight money, 60-65% of the issue was taken under delayed delivery arrangements.

OFFICE MEMORANDUM

TO: Mr. S. Aldewereld

FROM: Eugene H. Rotberg

SUBJECT: Selection of Investment Advisor for IBRD Pension Fund

DATE: August 18, 1970

I have the following views concerning the selection of an investment advisor(s) for the IBRD Pension Fund:

(1) On the basis of performance over the last five years, I would urge the selection of T. Rowe Price as an advisor to the IBRD pension fund.

(2) They have one of the most extensive money management and research capabilities in the United States but are, I believe, small enough to offer personalized service to an account of our size.

(3) I support their selection on the basis of their orientation towards the purchase of common stock in specialized, well managed, growth companies which made substantial market penetration. See portfolio of New Horizons and Growth Stock Funds.

(4) The only qualification I have, if you can term it a qualification, is that their views are rather strongly held with few deviations from that approach within their organization. This is reflected in the fact that there are only 150 - 200 stocks which their senior counselors can recommend and the various mutual funds under which their management have little variation from the mean performance -- which performance has been, up until recently, of the very highest caliber. Their orientation has, of course, had an adverse effect in the 1970's as compared to other approaches as to investment policy in a declining market. See attachment.

(5) Accordingly, I would recommend that in addition to T. Rowe Price we choose another investment advisor, who has demonstrated the same kind of extraordinary growth record during the 1960's but has made adjustments in the 1970's to reflect alternative investment opportunities. As you know, I believe that Oppenheimer & Co. would provide an excellent offset against T. Rowe Price and, indeed, would also provide a useful measuring rod.

(6) If this last suggestion is not now feasible, I would urge that we maintain careful records of the T. Rowe Price's performance as measured against Oppenheimer; Thorndike, Doran, Paine & Lewis, Inc.; and the S & P 500 Common Stock Average. At the end of perhaps six months, we could again choose among these (or other) alternative investment advisors in addition to T. Rowe Price. I emphasize the word "addition" as I have no hesitation at all about recommending them to manage a portion of our portfolio. The attached exhibit sets forth the performance of selected managers for 1970.

Attachments

1970 FUND PERFORMANCES

Based on the average of bid and asked prices, and the appropriate proportion of income and capital gains distributed in the preceding twelve months.

	PERCENTAGE CHANGES FOR:	
	JAN 2- AUGUST 13	APRIL 10- AUGUST 13
	%	%
<u>T. Rowe Price</u>		
Growth Stock	- 28.71	- 19.91
New Horizons	- 34.06	- 22.83
New Era	- 15.61	- 12.86
 <u>Oppenheimer</u>		
Fund	- 10.37	- 22.99
A.I.M. Fund	*	+ 23.49
 <u>Thorndike's parent co.</u>		
Wellington Fund	- 8.85	- 8.07
Explorer Fund	- 32.27	- 21.59
 <u>Endowment Management</u>		
Omega Fund	- 33.45	- 20.09
 Eaton & Howard Balanced Fund	- 6.24	- 5.24
S & P 500	- 17.17	- 13.38
IBRD total fund	- 14.59	- 14.29
IBRD equities only	- 28.12	- 24.95

* first published April 10, 1970

OFFICE MEMORANDUM

TO: Mr. W. van Saagsvelt

DATE: August 17, 1970

FROM: Eugene H. Rotberg *am*

SUBJECT: Yield on Portfolio Sales

Following the discussion of the Bank's lending rate by the Executive Directors on July 28, 1970, the standard lending rate will increase to $7\frac{1}{4}\%$ for loans approved after September 1, 1970. In view of this increase I authorize you herewith to offer participations in loans and sales from portfolio as from that date at a yield to the purchaser of $7\frac{1}{4}\%$ on all maturities, except that no maturities less than two years will be offered.

cc: Mr. de Lesseps

HCHittmair:mb

OFFICE MEMORANDUM

*Hans: would you
prepare memo on
loan select
participations?
bue*

TO: Mr. Eugene H. Rotberg

DATE: August 12, 1970

FROM: W. M. van Saagsvelt/Therese R. Seguin *TRSeguin*SUBJECT: Interest Rate

At your suggestion, we checked with the Secretary's Office and were referred to a memorandum, dated August 3, 1970, prepared by Mr. Cope on the subject of the Bank's lending rate. Attached is a copy of such memorandum for your files.

It is noted that the present change of rate, and future changes, will apply to loans approved by the Executive Directors on or after the sixteenth day following the date of the meeting at which the change was discussed. Because of the Board recess, the rate of $7\frac{1}{4}\%$ will apply to loans considered by the Executive Directors on and after September 1, 1970.

We would appreciate obtaining, for the records, the authorization to offer participations in new loans, as well as the loans in portfolio, at $7\frac{1}{4}\%$ for maturities of two years and longer.

The European office should be informed accordingly.

Attachment

cc: Mr. de Lesseps
Mr. Deely/Sec.Div.Files

TRSeguin/aa

OFFICE MEMORANDUM

TO: Mr. Eugene H. Rotberg *ne*

DATE: August 5, 1970

FROM: W.M. van Saagsvelt/ Therese R. Seguin *RS*SUBJECT: Interest Rate

*8/11/70
Taken care of
by Mr. Cope & memo
of 8/13/70 re interest
rate. TH*

An item on the Agenda for the Executive Directors' meeting on July 28, 1970 was the Bank's lending rate (R70-142). From the consideration of this item, has any decision been taken?

The proposed \$8.3 million loan to City Council of Nairobi should be offered soon to prospective participants and, before preparing an offering, we should know the loan rate.

Also, if the loan rate has been changed, at what rate should we offer participations?

cc: Mr. Deely/Sec.Div.Files

TRSeguin/aa

Area Directors

August 3, 1970

S. R. Cope

The Bank's Lending Rate

1. The Executive Directors, at their meeting on July 28, 1970, discussed the President's intention, set out in his memorandum dated July 16, 1970, to recommend a lending rate of 7-1/4% per annum in his future recommendations of Bank loans.
2. Mr. McNamara stated that this change, and future changes, would apply to loans approved by the Executive Directors on or after the sixteenth day following the date of the meeting at which the change was discussed.
3. Because of the recess, this means that the increase will apply to loans considered by the Executive Directors on and after September 1, 1970. The interest rate applicable to development finance companies will become 7-1/4% on and after August 13, 1970, i.e. 16 days after July 28, 1970..

SR Cope:mmr

cc: Mr. J. Burke Knapp
Mr. B. Chadenet
Mr. Francis R. Poore
Mr. William Diamond
Mr. M. M. Mendels
Mr. David Pearce

Area Directors: Mr. G. Alter
Mr. M. P. Benjenk
Mr. I.P. Cargill
Mr. R. A. Chaufournier
Mr. R. J. Goodman
Mr. Edgar Gutierrez
Mr. Michael L. Lejeune

Chron

10822 Childs Court
Silver Spring, Md.
20901

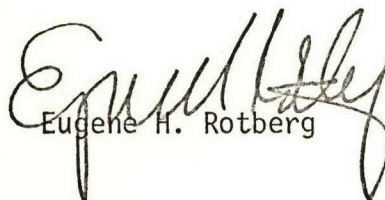
August 17, 1970

Tannoy (America) Ltd.
1756 Ocean Avenue
Bohemia, N.Y. 11716

Dear Sirs:

I would appreciate your sending
me your latest catalog. Thank you very
much.

Sincerely,


Eugene H. Rotberg

*Phone (516)
567-0770*

Chron

10822 Childs Court
Silver Spring, Md.
20901

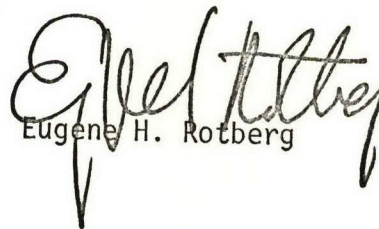
August 17, 1970

McIntosh
2 Chambers Street
Department A-9
Binghamton, N.Y. 13903

Dear Sirs:

I would appreciate your sending me
your latest catalog and directory. Thank
you very much.

Sincerely,


Eugene H. Rotberg



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

August 14, 1970

Dear Mr. Hayes:

The International Bank for Reconstruction and Development in September 1968 sold \$144,500,000 of 5.80% Bonds which mature on September 15, 1970. These Bonds were offered to Central Banks, other governmental institutions and international organizations. The Bank intends to offer a new issue of two-year bonds, to mature September 15, 1972, in a principal amount not to exceed \$175,000,000, to refund the maturing issue and raise additional funds.

The interest rate will be stated in our offering cable of August 20 which will formally offer the bonds for sale. The bonds will carry an interest rate competitive with United States Government and other high grade debt obligations of two-year maturity. The subscription period will end at the close of business, Washington, D.C., August 28.

We should be most grateful if you would bring this issue to the attention of any of your clients who may be interested. I understand that certain Central Banks have made purchases of these bonds through you upon receipt of our offering cable.

Sincerely,


Eugene H. Rotberg
Treasurer

Mr. Claude J. Hayes, C.M.G.
Chairman, Crown Agents
4 Millbank
Westminster
London, S.W.1
England

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg *ER*

SUBJECT: Portfolio Yields: July 31, 1970

DATE: August 12, 1970

Attached is a statement of our portfolio yields as of July 31, 1970. This statement does not reflect the investment of the proceeds of our U.S. or German borrowings.

The proceeds of the German borrowing, at the request of the Government, will be disbursed as expeditiously as possible. Accordingly, the funds have been invested in Treasury Bills and are being quickly disbursed.

The proceeds of the U.S. borrowing have also been invested as follows: Approximately \$40 million has been invested in Time Deposits maturing over one year. These investments were made at 8 and 8-3/8. It was not possible to invest more funds in Time Deposits because of the low quotations offered by most banks. We have also recently invested, and committed ourselves to invest, an additional \$50 million in two to four year agency securities yielding from 7.75 to 7.95. The balance of the proceeds of the U.S. offering and the accumulation of dollars arising from our DM disbursement are temporarily invested in Treasury Bills or U.S. agencies maturing in the next 3 - 4 months. It is my intention to draw these down as suitable investment opportunities appear in the 2 - 4 year U.S. agency market.

Attachment



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

August 10, 1970

Mr. Don Wallace, Jr.
Director
Institute for International and
Foreign Trade Law
Georgetown University
511 E Street, N.W.
Washington, D.C. 20001

Dear Mr. Wallace:

Thank you for your letter of July 23
in which you invite me to participate in a
conference on "Problems of European Direct
Investment in the United States" to be held
on October 12 and 13. Unfortunately, I will
not be able to be present as I will be out
of the country at that time.

Sincerely,


Eugene H. Rotberg
Treasurer



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

August 10, 1970

Mr. Gene L. Pulliam
Vice President and Trust
Investment Officer
The Riggs National Bank
of Washington, D.C.

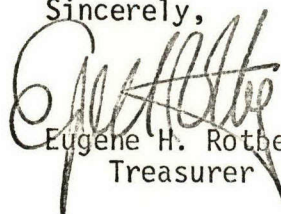
Dear Mr. Pulliam:

Receipt is acknowledged of your letter of July 28, 1970, regarding portfolio investments. I would be very pleased to meet with you either next week or the following and suggest that you call my office so that we may arrange an appointment (my telephone number is 477-2213). If you are free for lunch one day, I would be delighted to have you join me.

I apologize for not getting in touch with you earlier this week but my schedule at the office has been extremely busy.

I look forward to meeting with you in the near future.

Sincerely,


Eugene H. Rotberg
Treasurer

The Riggs National Bank
of
Washington, D. C. 20013

TRUST DEPARTMENT OFFICE

800 17TH STREET, N.W.

(202) 783-5600

GENE L. PULLIAM

VICE PRESIDENT AND TRUST INVESTMENT OFFICER

July 28, 1970

Mr. Eugene H. Rotberg, Treasurer
International Bank for Reconstruction & Development
1818 H Street, N. W.
Washington, D. C.

Dear Mr. Rotberg:

On the possibility that the Bank might be interested in utilizing the investment management services of our Trust Department, I am taking the liberty of writing you this letter. For the purpose of providing the best service to our institutional portfolios and clients, our investment division was recently separated into two groups and the writer is in charge of the Institutional Portfolio Management Section. My group is responsible for the investment of large portfolios belonging to pension funds, associations and charitable or eleemosynary institutions - having a broad variety of investment objectives.

We would like to have an opportunity to tell you more about this service as we feel that it could be of definite interest to the Bank. I would be glad to visit your office to discuss the matter, or perhaps you could have lunch with me one day soon.

Looking forward to hearing from you, I am

Yours very sincerely,



Vice President and
Trust Investment Officer

GLP/lbw



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

August 10, 1970

Mr. Charles W. Bryson
Assistant Chief Economist
Office of Policy Research
Securities and Exchange Commission
Washington, D.C. 20549

Dear Charlie:

Thank you for your letter of August 3, with which you were kind enough to send me various charts and tables on market value and volume, which represent a compilation of data on the New York and American Stock Exchanges. I appreciate your furnishing me with this material.

Sincerely,


Eugene H. Rotberg
Treasurer



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

Chron.

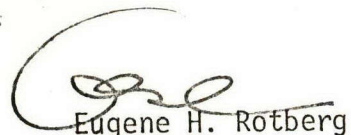
August 10, 1970

Dear Lionel:

I was delighted to learn that you had become a Member of your firm. Please accept my congratulations and good wishes for your continued success.

Give me a call soon so that we can arrange lunch.

Sincerely,


Eugene H. Rotberg
Treasurer

Mr. Lionel Kestenbaum
Bergson, Borkland, Margolis & Adler
888 Seventeenth Street, N.W.
Washington, D.C. 20006

MURRAY J. BELMAN

FORMERLY DEPUTY LEGAL ADVISER

UNITED STATES DEPARTMENT OF STATE

HAS BECOME COUNSEL TO THE FIRM

AND

Handwritten signature: Stanley for note

LIONEL KESTENBAUM

HAS BECOME A MEMBER OF THE FIRM

BERGSON, BORKLAND, MARGOLIS & ADLER

888 SEVENTEENTH STREET, N.W.

WASHINGTON, D. C. 20006

TELEPHONE: (202) 298-5900

CABLE ADDRESS: "BEMAAD"

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: DELESSEPS
INTBAFRAD
PARIS

DATE: AUGUST 7, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (FRANCE)

TEXT:
Cable No.: 998

REURLET JULY 31 STOP (1) WE WILL DISCUSS POSSIBLE BOND ISSUE
WITH ROGER ALLOO IN COPENHAGEN STOP NO NEED TO DISCUSS AT THIS
TIME STOP (2) RE OFFERING IN SWITZERLAND WE ARE INTERESTED IN
RAISING FUNDS IN SWITZERLAND SUBJECT TO RECEIPT OF PROPOSAL FROM
SWISS BANK CORPORATION STOP PLEASE ASK THEM TO SUGGEST POSSIBLE
TIMING, AMOUNT, MATURITY AND CURRENT INTEREST RATE STOP

BEST REGARDS

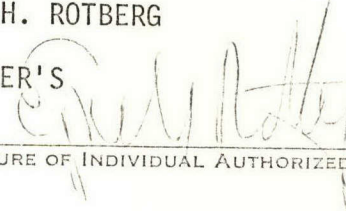
ROTBERG

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIG. RE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

EHRotberg:emk

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section

Checked for Dispatch: _____

OFFICE MEMORANDUM

TO: Mr. Eugene H. Rotberg

DATE: August 7, 1970

FROM: H.C. Hittmair *171*

SUBJECT: Proposed Investment in U.K. obligations

In the course of a telephone conversation today, Mr. Hattori, the Japanese Executive Director, told me that he had recommended to the Japanese authorities to agree to the proposed switch into long-term U.K. maturities. He had now been notified from Japan that he was authorized to support this proposal "as an exceptional measure".

He ventured a guess that some Executive Directors might have objections to the proposal. He asked furthermore whether there were any particular reasons for the 16 year time limit. I explained to him that this figure was chosen because of our present investment options. He finally asked whether there were any other reasons aside from the yield advantages which might have led us to ask for this authorization. I told him that the overriding consideration was yield and he seemed to be satisfied with the answer.

OFFICE MEMORANDUM

TO: Mr. Eugene H. Rotberg

DATE: August 7, 1970

FROM: H.C. Hittmair *TH*

SUBJECT: Telephone Conversation with Mr. Blunden, Bank of England

I talked to Mr. Blunden today at about 12 o'clock. I first told him about the timing of the forthcoming Board meeting and the basic points of the authorization we are seeking from the Board concerning the switch into longer term U.K. Government securities. He confirmed the statement in his cable of August 6 that as long as our order for the new long-term stock is received before 3 p.m. (London time) on August 12 it could still be filled at subscription conditions. We should have no problem meeting this deadline if the Board passes the proposed Resolution on August 11.

As to the amounts of long-term Government stock available to us for the purpose of this transaction, Mr. Blunden told me that they had reserved £20 to £25 million of the 8½% Treasury 1980/82 and that there would be no problem to provide all of the difference up to the authorized amount of \$200 million equivalent (or about £83.3 million) from the 1984/86 issue. This would, therefore, amount to between £58 and £63 million of this new long-term stock.

Mr. Blunden said that he was sending to us copies of the Prospectus today. The final maturity of the 1984/86 issue is July 10, 1986 and therefore still falls within the 16 year authorization limit requested. He confirmed that the redemption yield was £9.2.0. (i.e. 9.10%) at the issue price.

cc: Mr. Aldewereld

Chen

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OFFICE MEMORANDUM

TO: Mr. Donald D. Fowler **DATE:** August 6, 1970
FROM: Eugene H. Rotberg *EHR*
SUBJECT: Meeting with Representative of the European Investment Bank

With reference to your memorandum of July 31, 1970, this is to advise that I will be able to see Mr. Miurin during the Annual Meeting on any morning, September 21 through September 24, to discuss the subject matter of my letter to him of December 16, 1969. I will not be available on September 18 or 19.

Chron.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg *EHR*

SUBJECT: U.K. Investments

DATE: August 6, 1970

I have received the following cable from the Bank of England:

"ISSUE OF TWO NEW REDIS BRITISH GOVERNMENT
STOCKS ANNOUNCED TODAY STOP POUNDS
300 MILLION 6-3/4% TREASURY (NOTES)
1974 /POUNDS 600 MILLION 8-1/2% TREASURY
LOAN 1984/86 APPLICATIONS FOR THESE STOCKS
AT 98 POUNDS 5 (SHILLINGS) AND NOTHING AND
95 RESPECTIVELY WILL BE RECEIVED HERE ON
AUGUST 12 STOP WE CAN APPLY ON YOUR BEHALF
AGAINST THE SALE OF YOUR EXISTING HOLDINGS
SHORT-DATED STOCKS STOP YOU WOULD SAVE
STAMP DUTIES AND OTHER INCIDENTAL EXPENSES
ON THE PURCHASE STOP ALTERNATIVELY THESE
STOCKS WILL BE AVAILABLE FOR PURCHASE IN
MARKET ON AUGUST 13"

The respective yields for the two new issues are approximately 7.3 for the issue maturing in 1974 and 9.10 for the issue maturing 1984/86. The longer term issue is in line with the current market. I recommend that, inasmuch as we have been advised that we can only obtain about \$48 million in the 1980/82 maturity, we ask for authorization to fill the balance in this new 14 to 16 year maturity.

Chrow

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg *EHR*

SUBJECT: U.K. Investments

DATE: August 6, 1970

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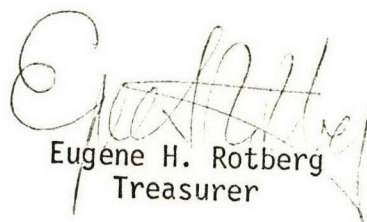
Chron
August 4, 1970

American Security & Trust
World Bank Branch
Washington, D.C.

Gentlemen:

This will authorize my secretary,
Miss Edith M. Kesterton, to pick up my
Travelers Check in the amount of \$50.00
and exchange it for cash.

Sincerely,


Eugene H. Rotberg
Treasurer

Chern

D R A F T
EHRotberg:emk:bb
August 4, 1970

MEMORANDUM TO: THE EXECUTIVE DIRECTORS

Subject: Investment of Bank Funds

Introduction

The authority vested in the President, Vice President and Treasurer of the Bank to invest the Bank's funds in securities is set forth in Resolutions No. 63 of July 23, 1947 (as amended by Resolution No. 69-81 of September 16, 1969) and No. 181 of March 22, 1951, of the Executive Directors. These Resolutions authorize investment in certain governmental "... bonds, notes and other obligations... maturing not more than five years after the date of purchase thereof." The purpose of this memorandum is to request authorization from the Executive Directors as an exception to Resolution No. 181 to invest up to \$200 million equivalent of the Bank's liquid assets in direct obligations of the United Kingdom with a final maturity in excess of five years. Such investments would be made from the proceeds derived from the liquidation of our present short and medium term sterling holdings in United Kingdom obligations.

Bank Investments in the United Kingdom

In July 1969 the Bank liquidated a substantial amount of its United Kingdom Treasury Bills and purchased, with the proceeds,

intermediate term United Kingdom obligations maturing between 1971 and 1973. At that time, the Treasury Bills were yielding the Bank approximately ____%; the new obligations purchased with the proceeds yielded the Bank approximately 10%. From time to time the Bank has increased its holdings of these intermediate term obligations. The market prices for these intermediate term obligations have substantially improved since our investment and recently have been quoted at yields from 7.02 to 7.88 (see Annex I for a summary of our present holdings, book value and recent market prices). If we were to liquidate these securities we would take, on the basis of recent prices, a profit of approximately \$4,700,000 in FY 1971 income.

While the reinvestment of the proceeds in the intermediate term market (under five years) could be made at or about 7-1/2%, there are certain investment opportunities in the 10 - 12 year market, and thereafter, of full faith and credit United Kingdom obligations which could be made at yields of approximately 9.35. These yields for longer term securities are at or near historic highs and represent a considerable advantage over comparable investments in the intermediate term market. Thus, if the Bank were to retain its present holdings, forego taking a \$4.7 million profit, and reinvest the proceeds of maturing obligations at 7-1/2% in 1971, 1972 and 1973, we would forego considerable gain in income for these years compared to the investment at 9.35% from the proceeds of our current holdings. Table I below summarizes the increased income for FY 1971, 1972 and 1973 of investments at 9.35% (not compounded) as compared to renewing our current holdings as they mature at 7-1/2% -- the current intermediate market yield.

TABLE I

Income on Current Holdings reinvested at maturity
@ 7.50% versus income from securities yielding 9.35%

	<u>Income @ 9.35%</u>	<u>Current Income</u>	<u>Difference</u>
FY 1971	18,700,000	17,730,000	970,000
FY 1972	18,700,000	13,000,000	5,700,000
FY 1973	18,700,000	11,500,000	7,200,000

Over a period of 10 years, the investment in securities yielding 9.35% will result in income of \$278,400,000 or \$55,100,000 in excess of a comparable investment of \$200,000⁰⁰⁰ in intermediate term securities yielding on the average 7-1/2%. (See Table III below).

DISCUSSION

Table II below shows the yields for the last 22 years of five year and long term government obligations in the United Kingdom and the spread differential between these obligations. That differential, with the exception of a brief period in 1951 is now at a greater spread than any other point in the last 20 years. It is this substantial differential and the minimal risk to the Bank, as well as the increased income, which has led us to consider and recommend that we purchase longer term United Kingdom securities at this time.

TABLE II

UK Government Bond Yields

1948 - 1970

<u>Period</u>	(1) <u>Short-term Yield *</u>	(2) <u>Long-term Yield</u>	(3) <u>(2-1) Spread</u>
1948	2.01	3.21	1.20
1949	1.96	3.31	1.35
1950	2.02	3.54	1.52
1951	1.86	3.79	1.93
1952	3.00	4.24	1.24
1953	3.03	4.08	1.05
1954	2.50	3.76	1.26
1955	3.80	4.18	.38
1956	4.68	4.74	.06
1957	5.17	5.01	(.16)
1958	4.72	4.98	.26
1959	4.16	4.82	.66
1960	5.47	5.43	(.04)
1961	5.74	6.21	.47
1962	5.21	6.00	.79
1963	4.83	5.59	.76
1964	5.54	6.03	.49
1965	6.57	6.42	(.15)
1966	6.77	6.81	.04
1967	6.67	6.70	.03
1968	7.59	7.40	(.19)
1969	8.82	8.89	.07
Jan. 1970	8.79	8.82	.03
Feb. 1970	8.62	8.53	(.09)
Mar. 1970	8.29	8.46	.17
Apr. 1970	8.05	8.81	.76
May 1970	8.00	9.37	1.37
June 1970	7.89	9.51	1.62
July 28, 1970	7.50	9.35	1.85

Note: Quotations for the periods 1948 to June 1970 are from the "International Financial Statistics," published by IMF; the July 28, 1970 quotation is from "The Times."

* Five Years

There is, of course, a risk of market depreciation in purchasing longer term obligations which must be balanced against the short term profit derived from purchasing such securities even at record high yields. We have considered, first, the fact that the longer term securities are now virtually at historic high yields and that the average yield for each of the last five year periods commencing in 1955 in the long term market was 4.75%(1955-1959), 5.85%(1960-1964) and 7.24% (1965-1969). The risk, therefore, of capital loss is not substantial and the potential amount of the capital loss is not great if historical trends are a guideline. Second, it is even less likely that the Bank would be required to liquidate the long term securities we would propose to purchase at the precise moment when market conditions were unfavorable. The Bank's substantial cash and liquid resources, 50% of which are invested in securities maturing one year or less, virtually ensures that the Bank would not have to liquidate these particular securities during a period of adverse market conditions.

Nonetheless, despite the record high yields and low prices for longer term securities in the United Kingdom, and irrespective of the Bank's liquidity position and the concomitant risk that we would have to liquidate in the next 10 years at the precise moment when market conditions were unfavorable, we have quantified the results of the alternative investment decision to retain and roll over our intermediate term obligations at various yields and have compared and offset such investment against the risks taken in the longer term market. Table III below shows the difference in income to the Bank between purchasing longer term obligations at 9.35%

er
and rolling over the short/term investment at three different rates - 6-1/2%, 7-1/2% and 8-1/2% for 10 years. It should be observed that it is highly unlikely that, on the basis of prior historical yield trends, the Bank could roll over the intermediate term investments at an average yield of 8-1/2%. On the basis of historic experience the average rate for renewing our intermediate obligations would be below 7-1/2%. Nonetheless, for the purpose of covering a full spectrum of favorable investment conditions in the intermediate term market, we have assumed three different average rates (all of which are higher than any prior ten year period) for that market over the next 10 years.

TABLE III

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Opportunity Loss on \$ 200,000,000
rolled over in short-term investments at 6.5, 7.5 resp. 8.5% for 10 years
versus long-term investment yielding 9.35%

Years Elapsed	Nominal Amount	Rollover at 6.5%		Rollover at 7.5%			Rollover at 8.5%		
		Present Value *	End Value *	Nominal Amount	Present Value *	End Value *	Nominal Amount	Present Value *	End Value*
1	5,700,000	5,370,000	5,810,000	3,700,000	3,480,000	3,770,000	1,700,000	1,600,000	1,730,000
2	11,400,000	10,340,000	12,100,000	7,400,000	6,710,000	7,850,000	3,400,000	3,080,000	3,610,000
3	17,100,000	14,940,000	18,910,000	11,100,000	9,690,000	12,270,000	5,100,000	4,450,000	5,640,000
4	22,800,000	19,190,000	26,260,000	14,800,000	12,450,000	17,050,000	6,800,000	5,720,000	7,830,000
5	28,500,000	23,120,000	34,220,000	18,500,000	15,010,000	22,210,000	8,500,000	6,900,000	10,210,000
6	34,200,000	26,750,000	42,820,000	22,200,000	17,360,000	27,790,000	10,200,000	7,980,000	12,770,000
7	39,900,000	30,100,000	52,130,000	25,900,000	19,540,000	33,840,000	11,900,000	8,970,000	15,550,000
8	45,600,000	33,210,000	62,200,000	29,600,000	21,560,000	40,370,000	13,600,000	9,910,000	18,550,000
9	51,500,000	36,080,000	73,080,000	33,300,000	23,420,000	47,440,000	15,300,000	13,760,000	21,800,000
10	57,000,000	38,730,000	84,860,000	37,000,000	25,140,000	55,080,000	17,000,000	11,550,000	25,310,000

* Discount factor: 8%

As can be observed, if we were to invest the proceeds derived from the liquidation of \$200 million of our intermediate term obligations in securities yielding 9.35%, as compared to renewing such intermediate term obligations over the next 10 years at an average yield of 6-1/2%, at the end of five years we would have an increase in income of \$34,200,000; at 7-1/2% an increase of \$22,200,000; and at 8-1/2% \$10,200,000. It is apparent from Table III that with each year there is a considerable advantage of the longer term investment. This advantage can be offset, of course, if the market price on the long term investment declines. Table IV below calculates the gain or loss, of each year, if the long term market changes to yield 8; 10; 10.5; 11; 11.5; or 12%.

TABLE IV

Potential Gain or Loss on Sale of \$200,000,000 10-year Securities yielding 9.35%														
Years Elapsed	8%		Sale Price	10%	Gain (Loss) if Market Yield changes to									
	Sale Price	GAIN			Sale Price	LOSS	10.5%		11%		11.5%		12%	
							Sale Price	LOSS	Sale Price	LOSS	Sale Price	LOSS	Sale Price	LOSS
1	108.55	\$17,100,000	96.20	\$(7,600,000)	93.41	\$(13,180,000)	90.72	\$(18,560,000)	88.14	\$(23,720,000)	85.65	\$(28,700,000)		
2	107.87	15,740,000	96.48	(7,040,000)	93.88	(12,240,000)	91.37	(17,260,000)	88.95	(22,100,000)	86.61	(26,780,000)		
3	107.13	14,260,000	96.78	(6,440,000)	94.40	(11,200,000)	92.09	(15,820,000)	89.85	(20,300,000)	87.68	(24,640,000)		
4	106.33	12,660,000	97.12	(5,760,000)	94.97	(10,060,000)	92.89	(14,220,000)	90.86	(18,280,000)	88.89	(22,220,000)		
5	105.47	10,940,000	97.49	(5,020,000)	95.61	(8,780,000)	93.78	(12,440,000)	91.99	(16,020,000)	90.25	(19,500,000)		
6	104.54	9,080,000	97.90	(4,200,000)	96.32	(7,360,000)	94.77	(10,460,000)	93.26	(13,480,000)	91.77	(16,460,000)		
7	103.54	7,080,000	98.35	(3,300,000)	97.10	(5,800,000)	95.88	(8,240,000)	94.67	(10,660,000)	93.48	(13,040,000)		
8	102.45	4,900,000	98.85	(2,300,000)	97.97	(4,060,000)	97.11	(5,780,000)	96.25	(7,500,000)	95.41	(9,180,000)		
9	101.27	2,540,000	99.40	(1,200,000)	98.93	(2,140,000)	98.48	(3,040,000)	98.02	(3,960,000)	97.57	(4,860,000)		
10	100.00	-	100.00	-	100.00	-	100.00	-	100.00	-	100.00	-		

Thus, if the long term market after five years declined to yield 11% (price at 93.78) and if the Bank were required to liquidate these particular securities at that precise time, it would have a capital market loss of \$12,440,000. However, even then, the additional compounded income of such investment for the five year period, as compared to the alternative of rolling over our intermediate term obligations at 7-1/2%, would be \$22,210,000 (see Table III above) -- or approximately \$10 million in excess of the theoretical capital loss -- which capital loss contemplates a price decline and yield not reached in the last twenty-five years in the United Kingdom.

Table V below shows the additional income, compounded, derived from a 9.35 investment as compared to renewing our intermediate obligations for 10 years at 6.50% - a rate which more closely approximates recent yield patterns in the United Kingdom, and the price at which the long term obligation would have to drop to erode that additional income.

TABLE V

Break-even Points for additional income
and potential sale loss on \$200,000,000 Securities yielding 9.35%
versus rolled-over short-term investments yielding 6.50%

<u>Years after Purchase</u>	<u>(1) Compounded End Value * of additional income</u>	<u>(2) Break-even Sale Price **</u>	<u>(3) Break-even Sale yield</u>
1	\$ 5,810,000	97.10	9.80%
2	12,100,000	93.95	10.50
3	18,910,000	90.55	11.30
4	26,260,000	86.87	
5	34,220,000	82.89	
6	42,820,000	78.59	
7	52,130,000	73.94	
8	62,200,000	68.90	
9	73,080,000	63.46	
10	84,860,000	57.57	

* At time of sale.
** (2)=100-(1):2,000,000.

As you may observe, at the end of three years, the long term security would have to fall to 90.55 (yield 11.30). After that point the yields would have to be in excess of 12-1/2% to erode the accumulated profit. Our existing yield tables do not calculate these figures for long term obligations.

The yield spreads between the intermediate and long term market could, of course, further widen. It is our view that such possibility, which would further increase our gain, should we defer liquidation at this time, is not worth the risk. If we were to defer liquidation at this time for two years (and earn an average of 7-1/2% in the interim), the yields on the long term obligation would have to rise to 10.02% to compensate for the foregone income of immediate investment in such longer term obligation.

Conclusion:

Based on the foregoing analysis, it is our view that it would be appropriate, as an exception to applicable Bank Resolutions, to invest up to \$200 million of our United Kingdom investments in maturities in excess of five years and such authorization is so requested.

ANNEX I

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

U.K. TREASURY STOCK

<u>Rate</u>	<u>Issue</u>	<u>Face Value</u>	<u>P r i c e</u>		<u>Y i e l d</u>		<u>V a l u e</u>		<u>Gain</u>
			<u>Book</u>	<u>2/Market</u>	<u>1/</u>	<u>Book</u>	<u>2/Market</u>	<u>1/</u>	
6-1/2	Jan. 28, 1971 (J & J)	\$ 48,000,000	98.63	99.72	9.39	7.02	\$ 47,342,004.69	\$ 47,865,600.00	\$ 523,595.31
6-3/4	Sept. 10, 1971 (M & S)	51,722,642	97.07	98.75	9.67	7.88	50,207,952.32	51,076,108.98	868,156.66
6-1/4	Aug. 8, 1972 (F & A)	83,333,670	94.40	97.63	9.55	7.53	78,663,097.77	81,358,662.02	2,695,564.25
6-3/4	Jan. 15, 1973 (J & J)	15,158,388	93.89	97.91	9.83	7.68	14,232,699.94	14,841,577.69	608,877.75
		<u>\$198,214,700</u>					<u>\$190,445,754.72</u>	<u>\$195,141,948.69</u>	<u>\$4,696,193.97</u>

1/ Source: London Times - 7/21/70

2/ As of 7/31/70

Chron

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. McNamara

- (1) Attached is the draft memorandum on our U.K. investments. You will note that although the tables include the present value calculations, the paper, for the most part, refers to the interest income differential, compounded, between intermediate and long term investment. This would appear to be the appropriate measure of determining the break-even yield if long term market yields rise and if we are required to liquidate at any given time.
- (2) I have circulated a copy of this draft to Mr. Aldewereld and the Legal Department for their comments and review.
- (3) After you have had an opportunity to review the paper, I would like to discuss with you which specific securities we might purchase. I have just spoken to London and there will be difficulties in purchasing blocks of the size we are interested in.


Gene Rotberg
August 3, 1970



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

July 31, 1970

Dear Jay and Keren:

Enclosed is a check for \$1500. Have fun and enjoy the house. It looks beautiful.

Iris and I, as you know, have been traveling around the country and we are off to Ocean City, Maryland, for a weekend.

Say "hello" to Daniel and let us know how things work out.

Love,


Gene

Dr. and Mrs. J. M. Rotberg
5 Millbrook Street
Framingham (Nadick), Massachusetts

NOTE ON INVESTMENT YIELD ASSUMPTIONS

At the present time, the following investment yields are available to us in the United States:

3 month Treasury Bills	-	6.25
3 month Time Deposit	-	8.50
1 year Agencies	-	7.20
1 year Time Deposit	-	8.50*
2 year Agencies	-	7.40
4 year Agencies	-	7.90

* limited size

It is difficult to predict in July 1970 what will be the range of investments yields in, say, December 1970 among competing maturities and, more to the point, which of these we will choose, on the basis of then prevailing circumstances.

- The investment decisions at any given time are a composite of
- (a) the range of potential yields for different maturities;
 - (b) our cash requirements and expectations of future borrowings;
 - (c) projections of future interest rates both in a particular currency and between currencies;
 - (d) external constraints which might serve to prevent maximization of investment opportunity; and
 - (e) evaluation of risk and amount of loss if an investment decision turns out to be wrong.

The FY 1971 investment income projection assumes no liquidations before maturity of existing holdings, i.e. swapping from one maturity to another on yield considerations.

In short, the monthly yield projections essentially are useful to determine how a particular pattern of yields in a 12 month period, given a specific cash flow projection and known maturity schedule of existing holdings, will produce a given investment income.

Eugene H. Rotberg
July 31, 1970

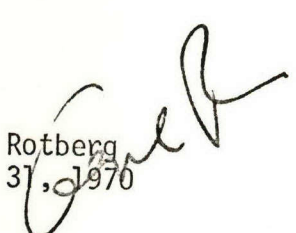
Mr. Wapenhans

Willi:

I had an interesting lunch with Mr. Rotter. He is looking for funding for the Pan American Development Foundation, which is the "administrative parent" of 15 local development foundations. Do we support these kind of projects?

If in your judgment the Area Department should also look at this material, please send it on to them.

Gene Rotberg
July 31, 1970



Pan American Development Foundation
19th & Constitution Ave., N.W. Washington, D.C. 20006

Cable FUPAD
Telephone (202)
381-8651

Galo Plaza
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William Sanders
PRESIDENT

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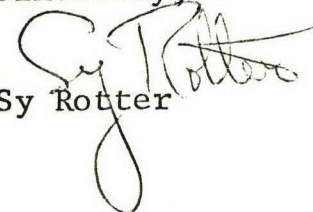
Sy Rotter
EXECUTIVE DIRECTOR

July 23, 1970.

Dear Mr. Rotberg:

Looking forward to our luncheon meeting
next week. Trust the enclosed material will
give you an adequate introduction and that
we can find some ground for future IBRD - IDA
relationships.

Sincerely,


Sy Rotter

Mr. Eugene H. Rotberg
Treasurer
International Bank for
Reconstruction and Development
1818 H Street
Washington, D.C. 20433

cc: Mr. Michael Eisengerg

Chron

OFFICE MEMORANDUM

TO: Mrs. Muriel Lee
FROM: Edith M. Kesterton *EMK/*
SUBJECT: Future Travel

DATE: July 31, 1970

This is to advise that Mr. Rotberg's tentative travel plans are as follows:

- (1) He will be in New York on Wednesday morning, August 5, in connection with the Closing of our U.S. bond issue. He will be back in the Bank in the afternoon.
- (2) For the period September 20 through September 25 he will be in Copenhagen attending the Annual Meeting; from September 26 through October 9, he will be on annual leave.

Mr. Hittmair, the Deputy Treasurer, is presently in Germany and will have discussions with the Bank of England in London on Monday. He will return to the Bank on August 5.

EMK/

Sir Denis:

You might raise the following points with the Bank of England:

- (1) What is their overall view of our shifting our holdings into longer term maturities?
- (2) Are there market considerations which, in their opinion, militate against our making such shift?
- (3) If we were to shift, say, \$200 million, should we do so in maturities of about 10 years with a yield to us of about 9%; or would it be necessary, considering the size of the block, to purchase several maturities perhaps longer than 10 years.
- (4) Do they have any view on what caused the relatively flat yield curve between one year maturities and 15 year maturities in July 1969 as compared to the current substantial yield differentials in the same maturities.


Gene Rotberg
July 30, 1970

Mr. McNamara

Bob:

- (1) Attached is a draft paper on the Bank investment policies. It is drafted as a memorandum to you and not as a Board paper.
- (2) I must apologize for telling you more than you probably wanted to know. I suspect the paper might appeal only to chess players.
- (3) There are some legal problems involved on several key points and I distributed a draft to Ronnie and Lester. Siem and Georg Gabriel also have copies.
- (4) There are some special matters dealing with the Tarbela and Indus deposits which I will comment upon in a later draft.
- (5) The problems relating to which investments to make within a currency are not considered in this paper.
- (6) Finally, after reading the paper I hope that you will agree that a discussion of these matters at the Board is not likely to be very productive. See you Monday.


Gene Rotberg
July 30, 1970

Attachment

DRAFT
EHRotberg:mb

July 30, 1970

TO: Mr. Robert S. McNamara
FROM: Eugene H. Rotberg
SUBJECT: Bank Policy on Recall and Investment of Currencies

The purpose of this memorandum is (1) to set forth the general standards applicable to the recall of various currencies on loan; and (2) to set forth the basis for our holding particular currencies which make up our liquid resources.

INTRODUCTION

Under Section 4.02 of the General Conditions Applicable to Loan and Guarantee Agreements, the Bank has the right to specify the currency or currencies of a particular loan amortization payment, provided that the currency or currencies have been withdrawn from the loan account and are outstanding.

If the Bank sold Deutsche mark, for example, in order to purchase Swiss francs for remission to a Swiss supplier, the borrower is charged the amount of Deutsche marks which were required to purchase the Swiss francs and, under the conditions of the Loan Agreement as set forth above, the borrower is required to pay back that amount of Deutsche marks at any amortization payment - perhaps almost immediately after receipt. The Bank is not required, if it disburses several currencies to a particular borrower to call back pro rata or in the order of disbursement.

The decision as to which currency or currencies the Bank will recall on repayment of loan is usually made six to eight weeks before the amortization payment is due. We cannot call back, in aggregate amount for any particular currency, an amount which exceeds our total disbursements then outstanding in that currency to that borrower (this is one of the

reasons why in our Japanese yen borrowings we have taken particular care to assure that the yen is being disbursed to borrowers (a) whose grace periods on loans have expired or will expire in the next three to five years and (b) whose amortization schedules permit us to call back a sufficient amount of yen required to meet our debt servicing requirements).

With respect to interest payments on loans the Bank calculates the number of days which have elapsed since the disbursement/charge of a particular currency then outstanding. With respect to these interest payments the Bank has no discretion. Once a disbursement is made in a particular currency, the interest payments are made on the outstanding balance.

Recall Standards

The decision as to which currency to call back for principal repayments is generally based on the following considerations:

(1) The need for a particular currency at a particular time for debt servicing (principal and interest) in that currency. Because of the variations in dates between our borrowers' amortization schedules and our own debt servicing obligations we may accumulate, from time to time, amounts which are invested in short term sight or short fixed time deposits while the funds are being accumulated pending our debt servicing payment. In the case of large sinking fund or amortization payments or at final maturity the Bank may find that the accumulated interest payments to us will be insufficient and, under the circumstances we may be required to call back a particular currency from several borrowers - sometimes considerably in advance in order to fit our requirements on our funded debt.

(2) The need for certain currencies at a particular time for use in IDA transfer. IDA transfers are made, generally, on a pro rata

basis. To the extent that accumulating interest payments and investment holdings do not cover the amount required in particular currencies, the Bank will call that particular currency from a borrower who is obligated to make loan repayments in that currency.

(3) A currency will be called back if a maintenance of value payment is contingent on the recovery of that currency from loans. Article II, Section 9 of The Articles of Agreement of the Bank, as interpreted by the Executive Directors in May 1950, provides that with respect to the amount of 9% funds on loan, the members and the Bank are obligated to make the maintenance of value payments only when such 9% currencies are recovered by the Bank. Under the present practice, adopted in December 1960, the Bank, at the time of a change in the value of a member's currency, determines the amount of 9% and non-9% currency (earnings and borrowings) of such member then on loan. The first amounts of such currency recovered thereafter (up to the total of such non-9% currency then on loan) are deemed to be non-9% funds and the subsequent amounts 9% funds. Apparently this decision was reached since the Bank administratively did not allocate, when it disbursed funds - whether the funds being disbursed were borrowed funds, earnings or capital. Thus, the decision to treat funds out on loan as if, when recalled, first as borrowed funds, then as earnings and finally as capital, had a direct impact on the member obligation to maintain the value of its currency in the case of devaluation. For, under the interpretation of the Executive Directors in May 1950, all the non-9% funds had to be called back before any maintenance of value payments were required. As a result, the Bank must call back an amount of funds from borrowers equal to the borrowings and earnings before the member country is required to maintain the value of its

currency. It need not invest these funds and can disburse them immediately. However, because of this provision, the Bank may be required to call back currencies which it would prefer not to call back and might, therefore, have to forego calling back other high-yielding currencies for investment.

Some member countries, however, have made a lump sum payment to maintain the value of their 9% currencies on loan at the time of devaluation (Canada, Ceylon, Denmark, Finland, Ghana, India, Israel and Spain). I am advised that the arrangements have been made with other countries to provide for instalment payments of their maintenance of value payments under circumstances in which a certain amount of earnings is called back, but not the full amount, before an instalment payment is made. The reverse situation occurred in Germany where, under the procedures set forth above, the Bank could have required that it call back \$1,045,000,000 (in DM) (the earnings and borrowings in Germany) before it made a maintenance of value payment. Under such circumstances, it estimated it could have taken about 15 years before the 9% Marks were brought back. I am advised that an understanding was reached providing for accelerated payments by the Bank of its obligations to the Federal Republic of Germany to avoid that situation. The important point is that, to the extent that a country wishes, it can require the Bank to call back currencies which it would rather not have to call back if the Bank^{is} to receive the maintenance of value payments.

(4) The investment yield in a currency. The Bank maintains a continual review of the short and intermediate term interest rates in a number of currencies and, generally, brings back, subject to the foregoing requirements, those currencies which would bring the

Bank the highest yields. There are, however, certain important qualifications. First, the investment, to the extent it is not being held for a very short time to meet the obligations set forth above, must be liquid in the event the Bank will need the funds prior to the maturity of the obligation. The Bank will call back funds only if it is assured there are reasonable opportunities for liquid investments. Thus, the Bank's investments are in securities which are actively traded or are invested in time deposits whose maturity schedules over the life of the aggregate deposits ensure a relatively even flow of maturities in each month. Further, where the Bank has substantial amounts of a particular currency outstanding in time deposits, provisions are also made for a put-back of the time deposit to the holder at a slight discount. Finally, in such currencies the deposits can be sold in the secondary market. By far, however, the most important aspect of the liquidity is the short term maturity of the deposit, typically one year, and the fact that they are, in the aggregate, distributed so as to mature in roughly equal payments each month. It is currencies which satisfy that requirement which the Bank will recall - assuming appropriate yields.

A second consideration is safety and administrative convenience. The Bank does not generally call back currencies which are out on loan for investment where the available investments are such that, despite high yields, we would not consider prudent investments available, where markets are unstable or where our expertise is simply too limited to make informed investment decisions, monitor those decisions and predict with a reasonable degree of assurance, future developments which might affect those investments.

We do review, however, on a regular and continual basis, currencies where we have expertise and seek to broaden that expertise as to investment opportunities, economic conditions of the country and availability of

investments. In this connection, it should be emphasized that I do not mean that the Bank would not call back and invest its resources in a currency which was subject to a possible devaluation risk. A devaluation in this context has no effect on the Bank. Such development affects the Bank's earnings and it is irrelevant for that purpose whether the earnings are out on loan or invested as part of our liquid resources.

(5) If the amount of currency in a particular loan is small, the Bank will call it back as a matter of administrative convenience, so the borrower will not be constantly required to make interest payments, ad infinitum, for a range of currencies in very small amounts. This process tends to consolidate some of the less active currencies in fewer borrowers over a period of time as they are disbursed to borrowers who have already taken in substantial amounts in their accounts.

(6) There are times when currencies will be called back on loan repayments which fit none of the foregoing standards. For example, if the Bank were to disburse only one or two currencies to a particular borrower and these amounts were derived from the release of capital funds then the Bank would be required at a certain point in the loan amortization schedules to call back that currency irrespective of the foregoing standards. Ordinarily, these would be capital funds. These capital funds are repaid to the Bank in connection with our call of loan repayments - simply because those are the only funds out on loan. These funds while unavoidably "called back" are immediately disbursed because they cannot be invested.

.

Investment Policy

The foregoing represents our current policy on the calling of currencies. It is linked to the question of which currencies we hold as our liquid resources and many of the considerations are identical. However, there are certain aspects of our investment policy which raise different considerations from those rated above. Thus, we may be required to recall a particular currency, but we may not wish to hold it as part of our liquid investments, e.g. Japanese yen, pending our debt servicing obligations. Conversely, we may be required to hold a particular currency, though we would have preferred to disburse it. For example, if the Bank is required to disburse certain currencies as expeditiously as possible (Japanese yen or Deutsche mark) our investments in other currencies will increase as we will forego disbursement of them, irrespective of low yield. This acceleration of investment in securities or bank accounts will occur through the normal flow of interest payment receipts. As a result, we might find ourselves with considerable holdings in certain currencies which we might rather not have; this is an unavoidable cost of the borrowing. Similarly, if member countries prefer that we disburse the proceeds of borrowings quickly, then it is reasonable to conclude that we do not recall that currency from borrowers. The dilemma occurs when interest payments begin to increase in such a currency (DM) but we are unable to disburse them because of the desire of another country (Japan) that we disburse its loan to us as rapidly as possible. It may be useful here to examine the standards, using currencies by way of example, which are applicable to our investment policies, and, to the extent possible, whether the "exceptions" to these standards have or have not resulted in investments inconsistent with such standards.

1. U.S. Dollars

In connection with our borrowings in the United States, the Bank

gave assurances commencing in 1966 that the funds derived from certain designated bond issues would be invested by the Bank for certain periods in a manner which would have no adverse effect on the United States balance of payments. The last commitment was given in September 1968. The Bank was committed under those assurances, which were extended from time to time, to hold approximately \$1 billion in investments over one year original maturity (excluding U.S. Treasury Notes or Bonds) through at least June 30, 1970. That commitment has expired although the commitment to retain funds thereafter "as long as practicable" may not have expired. I will not comment in this paper on the significance of that phrase. I doubt whether to meet assurances to the U.S. Treasury, we were required to recall dollars on loan principal payments. However, it is not readily known whether the approximately \$500 million we held in United States Government agencies in late 1968 was the result of yield considerations for the period 1966 through 1968 or because of an assurance to the U.S. Treasury. It would have been a most reasonable investment decision. Further that since January 1969 we have called back dollars on loan repayments and have retained them not because of the commitment obligation (our holdings are well in excess of our assurances) but rather because of yield considerations alone. Virtually, in every maturity, dollars were better yields than any other currency that I was aware of. On the one currency, where that was not the case, the U.K. investment of sterling was pressed to the point where recall of principal would have represented U.K. capital which cannot be invested.

2. Sterling Holdings

I do not know the origin of our sterling holdings. I have reviewed the files and have discussed the matter extensively with our staff. (See attachment to this memo)

Our holdings of U.K. securities are consistent with the policy of maintaining investment in the highest yielding securities. (We cannot call back further sterling on loan repayments since our total holdings are virtually identical with the amount of our earnings and borrowings. Further calls, therefore, could not be made for investment reasons as they would be considered capital funds). However, within the last month yields on U.K. securities have fallen to the point where incremental investments approximate those available elsewhere. Thus, we now must make a decision either to shift the sterling to higher yielding investments or disburse sterling if investments are not comparable to other alternatives. This, of course also involves an evaluation of the likelihood of higher or lower yields of sterling in the future compared to other currencies and the speed in which sterling can be recalled once disbursed.

3. Canadian Dollars

As of June 30, 1970, we held (face value) \$58 million in Canadian dollars which included \$40 million of short term Treasury Bills and \$18 million of medium term securities. This represents a decline from about \$70 million several months ago. There are several relevant points concerning these holdings which, by example, indicate the various considerations applicable to our investment decisions. First, Canadian dollars have been disbursed recently because the yields in Canada have been falling. We have discussed this matter with the Bank of Canada and we are disbursing, in an orderly fashion, approximately \$3 million a week. The 8 percent yield earlier received on Canadian dollars was a preferable investment than the disbursement of these funds on loans and retention of other currencies. However, inasmuch as our Canadian holdings were not derived from loan repayments, they were bound to increase (interest payment) unless disbursed, and in all likelihood, they could not have been disbursed because of the requirement to disburse Japanese yen. Indeed we stopped disbursing

Canadian dollars during the period of the Japanese disbursement and started again immediately thereafter. The increase in holdings occurred because of the flow of interest payments on our loans and our undisbursed borrowings. Our holdings of a particular currency are affected by comparison with other currencies which might be called back on loan or received as interest. In determining what to hold or invest as against alternative investments, it is irrelevant whether the alternative investment is derived from interest payment or principal payments recalled.

Our initial holdings in Canada were not predicated upon yield considerations alone. I do not know what the short term yield was in Canadian dollars at the time we made the Canadian borrowing. I am advised that, based on discussions with the Governor of the Bank of Canada, he indicated the desire or preference that, if possible, we hold these Canadian funds for some period rather than immediately disbursing them. We agreed. It is clear that in the last year and a half the investment of these funds and the retention of interest payments has been a favorable investment decision. As noted above, however, we are slowly drawing down these Canadian dollars as yields have fallen below competing investments. However, we again will probably have to slow our disbursement pending the disbursement of Deutsche Mark.

4. Deutsche Mark

The Bank now holds over \$100 million equivalent in Deutsche mark. These holdings represent earnings on Deutsche mark and the proceeds of our recent borrowing. Based on our discussions today with the Bundesbank and the Economics Ministry, the Deutsche mark borrowing will be disbursed virtually immediately. It is their strong preference that the funds leave the country as soon as possible (see Canada above). The same situation occurred at the time of our borrowing of the Kuwaiti Dinars, when we held the proceeds of our borrowing because of the desire of the German

Government that the proceeds of their borrowing be disbursed immediately. It might be noted that our holdings in Germany exceeds the amount of our recent borrowing. The reason is one of yield. We have been rolling over on a monthly basis the interest received in Deutsche marks on our loans since we were offered yields of 9%/10% for short term funds. As a result, these funds were held rather than disbursed. Further, the interest payments were retained and scheduled to mature in Time Deposits on the day of our Bundesbank maturity. This was necessary in the event the Bundesbank wanted the repayment of our borrowing.

Based on yield considerations, we could have called back DM on loan repayments. I did not recommend doing this in May 1970, for funds which would be available by July 1, because of an investment decision on my part that yields in Germany were likely to fall by July and that when the funds did become available to us they would be invested at lower yields. The yields have dropped considerably (we were advised today that the Deutsche Bank will offer 8% on the roll over of the one month deposit noted above). At present the Federal Republic would prefer us not to build up Deutsche marks in that country because they wish to tighten credit; thus we will disburse DM received on interest payments.

5. Italian Lire, Netherlands Guilders and Swedish Kronor

The Bank has rather small investments in these currencies. Essentially, they represent the accumulation of interest income and are maintained (a) to service our debt; and (b) because we are offered excellent yields in these currencies. Thus, we have determined to hold and invest them rather than disburse. We have made inquiry as to the availability of and yield of lire investments in order to determine whether to start to call back on loan repayments.

6. Swiss Francs, Japanese Yen, etc.

These funds represent small accumulations of interest income to service forthcoming debt servicing obligations.

7. Finnish Markkaa

We have about \$1.2 million in Finnish markkaa. I am advised that my predecessor arranged for the purchase of \$1,263,000 of Government secured obligations because of a then-accumulating interest income in that currency. The yields at the time of investment were competitive with our other investments.

STERLING HOLDINGS

Over a year ago I inquired as to the reasons for sterling holdings and received the following memorandum which is set forth below.

Quote

"INVESTMENTS IN THE UNITED KINGDOM

At the end of May 1969, the Bank had a total investment in U.K. securities of a face value of £74.7 million and a book value of £73.2 million (US\$179.3 million and \$175.8 million equivalents respectively). These securities give an average yield of 7.93%.

These investments have been held for a number of years and the funds were derived mainly from earnings (about \$158 million). The purchases and sales are handled exclusively by the Bank of England under a special arrangement with the Bank. The return on these investments has been and still is the highest in our portfolio.

(Emphasis added). A few years ago the Bank was approached by some commercial banks in London with the request that funds be deposited with them in the form of time deposits. This matter was taken up informally with the Bank of England who did not favor such a move. As all these approaches were made informally there is no record in the files.

On October 10, 1968 Bob Cavanaugh in a memorandum addressed to Irving Friedman had included under the title "Portion Restricted" an amount of \$144 million 'held in U.K. for policy reasons'.

In another memorandum two years earlier the holdings in U.K. were considered as 'free funds'. Therefore it can be assumed that the

restriction placed for policy reasons must have taken place between the years 1967 and 1968.

NOTE: Other than the Bank's own funds there are also the following accounts invested in U.K. securities:

1. Indus Account
2. Tarbela Account
3. IDA Account "

Unquote

On March 7, 1969, I was advised that "the yield on U.K. Treasury Bills has increased to 7.86%, which is about 1.22% above the yield on U.S. 182-day Treasury Bills". Although I have not made a study of the yields on the U.K. investments, at the time that our investments were first made, it is my understanding, as noted in the cited memorandum, that the Treasury Bills were always yielding higher than comparable dollar Treasury Bills. I have not reviewed sterling vs. lire, French francs, etc. from the time of our initial investments. It is my understanding that the "policy considerations", referred to in the memorandum above, related to a somewhat informal and voluntary commitment by Mr. Woods to hold some amount of sterling -- I do not know whether a figure was discussed -- for some particular length of time. Our files do not reflect whether a specific length of time was discussed or, if so, with whom. My discussions with the Bank of England on this matter a year ago were similarly inconclusive. I advised the Bank of England that the yields on our U.K. holdings were approaching

comparable yields on other investments and asked them their view on shifting into intermediate 9-1/2 - 10% obligations. They concurred. On the basis of these new yields and the maturities, our U.K. investments were consistent with our investment policy. At that time, the U.K. Treasury Bills - although then yielding better than U.S. Treasury Bills - were not attractive investments compared to longer term U.K. securities. Indeed, we were beginning to shift out of U.S. Treasury Bills because of higher yields on U.S. Government agencies which in turn were rapidly approaching the yields on U.K. Treasury Bills. We, therefore, simply switched out of the Treasury Bills into the high-yielding longer-term U.K. securities.

DRAFT
TM Clyde:ep
July 30, 1970

Annex

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

RESOLUTION NO. 70-

Amendment of Resolution No. 63 of July 23, 1947 and of
Resolution No. 181 of March 22, 1951

RESOLVED THAT:

1. Clause (a) of Resolution No. 63 of July 23, 1947, as amended by Resolution No. 69-81 of September 16, 1969, of the Executive Directors of the Bank is hereby further amended so as to delete after the word "obligations" the words "maturing not more than five years after the date of purchase thereof and"; and

2. Clause (a) of paragraph 1. of Resolution No. 181 of March 22, 1951 of the Executive Directors of the Bank is hereby amended so as to delete at the end of such clause the words "maturing not more than five years after the date or purchase thereof".

OPEN QUESTIONS

1. Should there be a limitation as to the amount, either of the percentage or in amounts in the Resolution?
2. Should there be a restriction as to the length of the final maturity?
3. Should obligations maturing in excess of 5 years be guaranteed by Governments (unlike the U.S. Federal Agency)?

D R A F T
EH Rotberg:emk
July 30, 1970

MEMORANDUM TO: THE EXECUTIVE DIRECTORS

Subject: Investment of Bank Funds

The authority vested in the President, Vice President and Treasurer of the Bank to invest the Bank's funds is set forth in Resolution No. 63 of the Executive Directors of July 23, 1947, as amended on September 16, 1969, by Resolution No. 69-81, and by Resolution No. 181 of the Executive Directors of March 22, 1951. These Resolutions authorize the investment in "... bonds, notes, and other obligations... maturing not more than five years after the date of purchase thereof." At June 30, 1970, over 50% of the Bank's assets were invested in instruments maturing within one fiscal year. The balance was distributed in investments maturing in approximately equal percentages in fiscal 1972 through fiscal year 1975. In connection with our continuing review of the management of the Bank's investment portfolio, which is held in various currencies, it is our view that the limitation which requires that the Bank's investments be restricted to those which mature not more than five years after the date of purchase, poses a somewhat artificial barrier to the management of the Bank's assets. Our review of interest rates for the high quality

obligations of the type in which the Bank invests shows a considerable difference in the yield spreads between the short or intermediate term obligations and longer term interest rates. Thus, in the United Kingdom interest rates for Government obligations maturing in 1978 through 1988 yield from 8.96 to 9.26, while the shorter term obligations maturing between 1971 and 1976 yield between 7.16 and 7.63. Similarly, in the United States, Treasury Bills are now yielding 6-1/4; one year federal agencies 7.20; two year federal agencies 7.40; four year federal agencies 7.90, while 15 year guaranteed U.S. Government obligations can be expected to yield considerably higher.

Further, short term obligations, as you can appreciate, are quite volatile and are subject to a variety of economic and monetary measures which substantially affect their yields. The longer term obligations appear to reflect the considerable demand for long term capital, inflationary expectations, and are, therefore, considerably higher than short term rates. As you know, the longer term obligations have been in recent months, and in some cases still are, at historic high rates as inflationary pressure and the demand for capital exert its influence.

The Bank has become aware of the availability of several high quality obligations of the quality encompassed by Resolution No. 181 and Resolution No. 63, as amended by Resolution No. 69-81, except for the limitation of the five year maturity.

It is our view that it would be appropriate for the Bank to invest a portion of its funds in obligations with maturities exceeding five years. I am, therefore, requesting your authorization to make such investments. A Draft Resolution amending Resolution No. 69-81, so as to authorize such investments in the United States, and a similar Resolution authorizing an amendment to Resolution No. 181, to permit such investments in securities outside the United States, by removing the restriction to five year maturities, is attached as Annex 1. Although neither proposed amendment expressly provides for a percentage limitation or amount of assets of the Bank invested in obligations maturing beyond five years; it is our present intention to make such investments in an amount not in excess of \$____ hundred million and we shall advise the Board if we intend to exceed that amount prior to the time such action is taken.

Chron

Sir Denis:

You might raise the following points with the Bank
of England:

- (1) What is their overall view of our shifting our holdings into longer term maturities?
- (2) Are there market considerations which, in their opinion, militate against our making such shift?
- (3) If we were to shift, say, \$200 million, should we do so in maturities of about 10 years with a yield to us of about 9%; or would it be necessary, considering the size of the block, to purchase several maturities perhaps longer than 10 years.
- (4) Do they have any view on what caused the relatively flat yield curve between one year maturities and 15 year maturities in July 1969 as compared to the current substantial yield differentials in the same maturities.


Gene Rotberg
July 30, 1970

2nd to Oatost
D R A F T
EH Rotberg:emk
July 30, 1970

MEMORANDUM TO: THE EXECUTIVE DIRECTORS

Subject: Investment of Bank Funds

The authority vested in the President, Vice President and Treasurer of the Bank to invest the Bank's funds in securities is set forth in Resolutions No. 63 of July 23, 1947 (as amended by Resolution No. 69-81 of September 1969) and No. 181 of March 22, 1951, of the Executive Directors. These Resolutions authorize investment in certain governmental "... bonds, notes, and other obligations... maturing not more than five years after the date of purchase thereof." At June 30, 1970, over 50% of the Bank's assets were invested in instruments maturing within one fiscal year. The balance was distributed in investments maturing in approximately equal percentages in fiscal 1972 through fiscal year 1975.

Our continuing review of the management of the Bank's investment portfolio now indicates that the limitation on Bank investments to those which mature not more than five years after the date of purchase may not be consistent with the most effective management of the Bank's assets. Our review of interest rates for the high

quality obligations of the type in which the Bank invests shows a considerable difference in the yield spreads between the short or intermediate term obligations and longer term instruments. Thus, in the United Kingdom interest rates for Government obligations maturing in 1978 through 1988 yield from 8.96% to 9.26%, while the shorter term obligations maturing between 1971 and 1976 yield between 7.16% and 7.63%. Similarly, in the United States, Treasury Bills are now yielding 6-1/4%; one year U.S. Government agency obligations 7.20%; two year U.S. Government agency obligations 7.40%; four year U.S. Government agency obligations 7.90%, while 15 year guaranteed U.S. Government obligations can be expected to yield considerably higher.

The yields on short term obligations, as you can appreciate, are quite volatile and are subject to a variety of economic developments and monetary measures which substantially affect their yields - sometimes radically within a short period of time. The longer term obligations appear to reflect the considerable demand for long term capital, inflationary expectations, and are, therefore, considerably higher than short term rates. As you know, the longer term obligations have been in recent months, and in some cases still are, at historic high rates as inflationary pressure and the demand for capital exert its influence. The ability to invest a portion of the Bank's liquid funds in longer term securities will permit us both to take advantage of the prevailing historically high yields and

to plan the Bank's future financial requirements and performance with greater precision.

The Bank has become aware of the availability of several high quality obligations meeting all of the tests encompassed by Resolutions No. 63 and No. 181, except for the five year maturity limitation.

It is our view that it would be appropriate for the Bank to invest a portion of its funds in obligations with maturities exceeding five years. I am, therefore, requesting your authorization to make such investments. A draft Resolution amending Resolution No. 63, so as to authorize such investments in the United States, and Resolution No. 181, to permit such investments in securities outside the United States, by removing the restriction to five year maturities, is attached as an Annex. Although neither proposed amendment expressly provides for a limitation of the funds of the Bank invested in obligations maturing beyond five years, I do not expect investments on such obligations to exceed \$____ hundred million. I shall consult with the Board if we wish to exceed that amount prior to the time such action is taken.

OUTGOING WIRE

TO: BANCO DE MEXICO
MEXICO CITY

DATE: JULY 29, 1970

CLASS OF
SERVICE: IBF GOVT.

COUNTRY: (MEXICO)

TEXT:
Cable No.:

REFERENCE YOUR CABLE JULY 28 CONCERNING OUR NEW DOLLAR
ISSUE DUE AUGUST 1, 1995 WE ARE ADVISED BY UNDERWRITERS
THAT ISSUE WAS OVERSUBSCRIBED STOP HOWEVER WE HAVE
COMMUNICATED YOUR REQUEST TO MORGAN STANLEY & CO.,
MANAGING UNDERWRITERS WHO WILL CONTACT YOU TEST 434

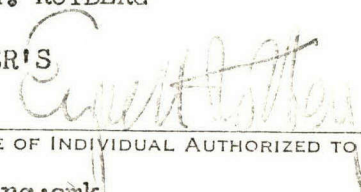
ROTBERG
TREASURER
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

EHRotberg:emk

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section

Checked for Dispatch: _____

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

Chen

TO: BANCO DE MEXICO
MEXICO CITY

DATE: JULY 29, 1970

CLASS OF
SERVICE: IBF GOVT.

COUNTRY: (MEXICO)

TEXT:
Cable No.:

REFERENCE YOUR CABLE JULY 28 CONCERNING OUR NEW DOLLAR
ISSUE DUE AUGUST 1, 1995 WE ARE ADVISED BY UNDERWRITERS
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(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section

Checked for Dispatch: _____

Chen

OFFICE MEMORANDUM

TO: Messrs. Alter, Benjenk, Cargill, Chaufournier, DATE: July 29, 1970
Goodman, Gutierrez and Lejeune
FROM: Eugene H. Rotberg *EHR*
SUBJECT: Central Bank Issue: September 15, 1970

Attached is a schedule of estimated subscriptions on our forthcoming Central Bank issue. It will be most appreciated if you would review our estimates for those countries for which you are responsible.

There will be a meeting in Mr. Aldewereld's office at 5:00 p.m., Thursday, July 30 to discuss these subscriptions and it would be most appreciated if you or one of your colleagues could attend.

Chron

OFFICE MEMORANDUM

TO: Mr. S. Aldewereld

FROM: Eugene H. Rotberg

SUBJECT: Central Bank Issue

DATE: July 28, 1970

Attached is a schedule indicating possible subscriptions for our forthcoming Central Bank issue.

- (1) I recommend we attempt to raise \$175 million, an increase of \$30.5 million, and not request authorization for \$200 million unless we are reasonably assured of substantial subscriptions from Japan, UNDP, and Zambia. (see below).
- (2) I recommend that we advise the Executive Directors:
 - (a) that they may wish to notify their governments informally of the contemplated offering; and
 - (b) that officials of the Bank may also make such contacts and, if so, will coordinate their efforts with the Executive Directors so as to avoid duplication.
- (3) I suggest that specific contacts be made by the Bank staff to the countries designated in the attachment. In those cases, I suggest that the designated individual advise the Executive Director that he will send a letter. The countries I am most concerned about are Argentina, The Congo, Finland, Libya, Saudi Arabia, Norway and Singapore. In the case of Japan, UNDP and Zambia, an early contact should be made prior to the time of distribution of the papers to the Executive Directors in order to determine the possibility of a \$200 million offering.
- (4) A form letter setting forth the details of the offering is being prepared and can be expanded or personalized as appropriate for the staff contact.

Attachment



Record Removal Notice

File Title Eugene H. Rotberg - Chronological Records - Volume 4 - May - December 1970		Barcode No. 1858107		
Document Date 27 July, 1970	Document Type Letter			
Correspondents / Participants To: Volunteer of the Shelters, Inc. From: Eugene Rotberg				
Subject / Title Second deposit payment				
Exception(s) Personal Information Financial Information iv				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Tarsica Morgan-Taylor</td><td>Date July 17, 2024</td></tr></table>	Withdrawn by Tarsica Morgan-Taylor	Date July 17, 2024
Withdrawn by Tarsica Morgan-Taylor	Date July 17, 2024			

OUTGOING WIRE

TO: INGOTISM
LONDON

DATE: JULY 27, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (ENGLAND)

TEXT:
Cable No.:

ATTENTION MR. GEORGE BLUNDEN

MY ASSOCIATE, MR. HANS HITTMAYER, DEPUTY TREASURER, WILL BE IN
LONDON MONDAY AUGUST 3 STOP WOULD IT BE POSSIBLE FOR HIM TO
VISIT WITH YOU OR YOUR ASSOCIATES RE WORLD BANK'S STERLING
INVESTMENTS STOP PLEASE ADVISE STOP BEST REGARDS

ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE _____
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

EHRotberg:emk

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch: _____

Chron

OFFICE MEMORANDUM

TO: Mr. Aron Broches
General Counsel

July 27, 1970

Mr. Francis R. Poore
Controller

Mr. K. Georg Gabriel
Deputy Controller

Mr. Raymond E. Deely
Chief, Securities Division
Treasurer's Department

FROM: Eugene H. Rotberg *EHR*

I wish to take this opportunity to commend you and your respective staffs for the extraordinary efforts in connection with the Bank's recent three bond issues. The preparation of the Preliminary Prospectus in the United States in a matter of 24 hours; the efficiency with which your staffs worked in order to facilitate the audit by Price Waterhouse; the coordination between our German and U.S. issues and the reconciliation of the two Prospectuses again attest to the superior quality of the Bank's staff. Representatives of Morgan Stanley and First Boston have told me that there were few, if any, organizations which could have produced the necessary work as quickly as the Treasurer's, Controller's and Legal Departments of the Bank.

The preparation of the materials in Germany and the United States reflects not only on the willingness of your respective staffs to put in a great deal of time and effort but also attests to the efficiency and quality of your existing procedures. As you know, there were a number of complex problems which were resolved with intelligence and perception. The resolution of these problems and the advice given on a variety of legal, financial and market considerations had a direct effect on the success of the offerings.

cc: Mr. McNamara
Mr. Aldewereld

Chen

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. Aldewereld

Siem:

There are attached the following documents:

- (1) Draft briefing memorandum for Mr. McNamara;
- (2) Tentative Time Schedule;
- (3) Projected subscription list;
- (4) Recent foreign exchange holdings;
- (5) Yield sheet for two year agencies; and
- (6) September 1969 Time Schedule.

You will note that the draft briefing paper says that the last Board Meeting is August 11. I understand that there is a Committee of the Whole Meeting scheduled for August 13 so that we could ask the Board to approve the Central Bank issue on that day rather than the 11th. This would not make any difference, however, in our Time Schedule since we will not price the issue until August 20.

Gene B. 
July 27, 1970

TWO YEARS BONDS OF 1970, DUE SEPTEMBER 15, 1972

Tentative Timetable

July 28

Mr. McNamara informs Board of proposed issue; advises Executive Directors that we plan to contact central banks and requests Executive Directors to inform their governments.

- (a) Draft letter for use of Executive Directors or others to be available.

Week of
Aug. 4

Tuesday

- (1) Circulate documents to Board:
 - (a) Forms of Bonds
 - (b) Draft resolution (interest rate to be determined by President; resolution will state, however, that interest rate will not exceed%).

- (2) Order printing of Bonds.

- (3) Send Informational Letters to Central Banks.

Aug. 5

Wednesday

Letter from Bank to U.S. Government requesting approval of proposed issue.

Aug. 11

Tuesday

- (1) Consideration by Executive Directors.
- (2) Advise Federal Reserve Bank of New York informally of proposed issue.

Aug. 17
to

Monday

Board in recess.

Aug. 31

Monday

Aug. 20

Thursday

- (1) Determine interest rate.
- (2) Send offering cables.
- (3) Advise printer of interest rate and coupon amounts.

Aug. 28

Friday

Close of subscription period.

Sept. 1

Tuesday

- (1) Send allotment cables.
- (2) Advise printer of principal amount of issue.
- (3) Send to Federal Reserve Bank of New York Certificate of Secretary regarding Resolution and Forms of Bonds.

Sept. 3

Thursday

Press release.

Sept. 4

Friday

- (1) Close of period for subscribers to notify Bank regarding registration, denominations and payment arrangements.
- (2) Amend Fiscal Agency Agreement.

Tentative Timetable (continued)

-2-

Sept. 7	Monday	Labor Day
Sept. 8	Tuesday	(1) Authorize Federal Reserve to authenticate and to deliver Bonds.
		(2) Delivery of Bonds to Federal Reserve.
		(3) Inform Federal Reserve regarding registrations, denominations and delivery.
		Send to Federal Reserve Bank of New York:
		(a) Legal opinions
		(b) Certificate of Secretary.
Sept. 9 to Sept. 11	Wednesday Friday	Authentication and inscribing of Bonds by Federal Reserve.
Sept. 15	Tuesday	Delivery of Bonds against payment.
Sept. 22	Tuesday	Last day for filing formal report with S.E.C.

chron

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Mr. McNamara
Mr. Aldewereld

I am attaching, per your request, a calculation showing the gain or loss on an 8-1/2% investment at par under varying market conditions during the life of the investment.

The calculation, of course, does not take into account the impact of the alternative investment. For example, if the Bank liquidated its long term investment after six years and prevailing yields were then 9-1/2%, we would take a \$5,960,000 loss. However, that risk might be measured against the increased income derived from an 8-1/2% investment vs. a 7-1/2% two year investment rolled over three times at the same rate. The interest derived from the higher yield (\$1 million per year) reinvested at, say, 8% produces an increased income over the period of six years of about \$7,500,000 -- an amount in excess of the theoretical "loss" of \$5,960,000.

Gene Rotberg 
July 27, 1970

Attachment

OFFICE MEMORANDUM

TO: Mr. Eugene H. Rotberg

DATE: July 27, 1970

FROM: Hugo J. Schielke

SUBJECT: Potential Gains or Losses on Sale of 8½% 15-year bonds
Principal Amount: \$100,000,000

Years to Maturity	Gain (Loss) for Assumed Yield of				
	7.5%	8%	8.5%	9%	9.5%
	\$	\$	\$	\$	\$
15	8,910,000	4,320,000	-	(4,070,000)	(7,910,000)
14	8,580,000	4,170,000	-	(3,940,000)	(7,660,000)
13	8,210,000	4,000,000	-	(3,790,000)	(7,380,000)
12	7,820,000	3,810,000	-	(3,620,000)	(7,070,000)
11	7,400,000	3,610,000	-	(3,450,000)	(6,730,000)
10	6,950,000	3,400,000	-	(3,250,000)	(6,370,000)
9	6,460,000	3,160,000	-	(3,040,000)	(5,960,000)
8	5,940,000	2,910,000	-	(2,810,000)	(5,520,000)
7	5,370,000	2,640,000	-	(2,560,000)	(5,030,000)
6	4,760,000	2,350,000	-	(2,280,000)	(4,490,000)
5	4,110,000	2,030,000	-	(1,980,000)	(3,910,000)
4	3,400,000	1,680,000	-	(1,650,000)	(3,260,000)
3	2,640,000	1,310,000	-	(1,290,000)	(2,560,000)
2	1,830,000	910,000	-	(900,000)	(1,780,000)
1	950,000	470,000	-	(470,000)	(930,000)

D R A F T
July 27, 1970

BRIEFING FOR MR. McNAMARA FOR MEETING OF EXECUTIVE DIRECTORS - JULY 28, 1970

On September 15, 1970 an outstanding issue in the principal amount of U.S.\$144,500,000 World Bank bonds will mature. This issue was originally sold to Central Banks, other governmental institutions and international organizations in September, 1968, at an interest rate of 5.80%. The Bank has four of these issues outstanding in an aggregate principal amount of \$686,650,000. The last issue in March, 1970 was in the principal amount of \$174,500,000. I propose to recommend to you a new issue to replace the maturing \$144,500,000 issue and to raise additional funds by a \$175,000,000 offering. In the event that there are indications of an over-subscription I may recommend an over allotment of an additional \$25 million.7

A Resolution concerning this borrowing will be circulated for your approval at the August 11, 1970 Board meeting - the last scheduled meeting before the recess. Our offering cable will be sent on August 20, 1970 and the subscribers will have until August 28 to subscribe to the issue. I am bringing this matter to your attention at this time inasmuch as there are, as you know, a substantial number of Central Banks whom you may wish to contact in order to advise them, informally, of our intention to make this offering.

As in previous cases, the Bonds will carry an interest rate competitive with U.S. government or agency obligations of similar maturity. If you agree to proceed with this approach I will ask certain of my staff members to communicate with you to coordinate our efforts in communicating with member governments in this regard.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

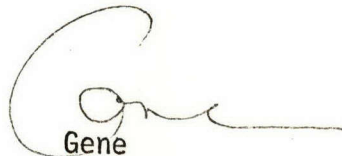
Chrom

July 24, 1970

Dear Nelson and Helen:

Attached are four snapshots of our recent trip. I have taken better pictures but I think the one of Nelson is a classic.

See you soon,


Gene

Dr. Nelson McClung
1280 - 21st Street, N.W.
Apartment 407
Washington, D.C. 20036

OFFICE MEMORANDUM

TO: Files

DATE: July 24, 1970

FROM: Eugene H. Rotberg SUBJECT: Notes of Meeting held at 4:00 P.M., July 22, 1970, in
Morgan Stanley Offices, New York City, New York

For the Bank:

Messrs. McNamara
Aldewereld
Broches
Rotberg

For Morgan Stanley & First Boston:

Messrs. Wilson
Pattberg
Parker
Van Dine
Townsend
Doescher

Larry Parker of Morgan Stanley opened the substance of the meeting by reviewing the indications of interest and the dates such interest were received from institutional investors. At 4:00 p.m., July 22, they had received indications of interest from specific institutional investors of \$132,260,000, of which \$32,000,000 was represented by delayed deliveries. He said that the indications from underwriters were also strong and that he had designated amounts to underwriters which he believed reasonable and had retained bonds for the account of managers and other underwriters which could be properly placed. He also supplied us with a detailed schedule showing recent issues of industrial, telephone and utility companies, including the recent pricing and market performance of Travelers, Continental Can and Pennsylvania Bell Telephone. He advised that the Pennsylvania Bell Telephone issue was only about 50% sold and that most of the interest was from individuals. We were also supplied with a summary of the views of major underwriters concerning pricing of the issue. Parker noted there was a considerable range in yields and that we should recognize that some underwriters had (a) more expertise; or (b) given more thought to the pricing exercise. He advised us that it was Morgan Stanley's and First Boston's joint opinion that, considering the current state of the market and its volatility based on recent news headlines, as well as the strong indication of interest in our issue, he felt the issue would be successfully marketed at a yield to the public of 8.625, i.e. par with an 8-5/8 coupon. He said this was a "professional" judgment based upon an excellent possibility of success and a favorable reception without giving away points to the market.

July 24, 1970

Mr. McNamara asked for a comparison of World Bank public yields on our past issues, compared to comparable issues at or about that time. Pattberg advised us that at the time of our October 1968 issue, a Telephone issue at or about that time was marketed at a 6.37 yield to the public compared to our 6.54. At or about that time, an International Harvester issue came to the market with an issue of 6.30 yield. There was a general consensus that we were usually 10 to 15 points over AT&T system issues. Mr. McNamara asked for a comparison of our yields to other issues going back to the mid-1950's (that is being prepared and should be available within the next day or two). Mr. McNamara asked how much of a premium we might expect, if any, at the recommended price. Parker said he hoped that they would have something like a 1/4 to 1/2 point premium by the end of the day. Doescher and Pattberg stated that they could not guarantee this since news developments might cause a rise in price and a fall in yields. They pointed out that an increase of 3/4 of a point would produce a yield to the public of about 8.55, which was possible depending on news developments. Mr. McNamara emphasized that, while he expected or could accept a small premium, he did not expect that premium to run counter to the market, i.e. we would not go to a substantial premium while other issues of similar quality did not. He noted that the pricing should be such, while he recognized a range of "tolerances", that the issue should be priced so as not to result in a premium in excess of a point -- it should be less, particularly if it ran counter to the market trends. Pattberg and Parker confirmed that, while there might be specific interest in World Bank bonds as distinguished from other issues of similar quality -- they did have a small short position -- they thought the pricing was professional and would result in a small premium. Parker then said they had considered the redemption premium and that they would recommend 102 after 12-1/2 years and 101 commencing July 1986 -- (prior to the meeting I had calculated that a 102 redemption premium would permit us to redeem the issue at a price of 8.34 or less after 12-1/2 years).

Parker indicated that World Bank bonds were not appropriate investment media in Texas. We stated that our General Counsel's office had been working on the legal investment of our bonds in the various States and this matter will be looked into immediately. Mr. McNamara agreed that a coupon of 8-5/8, issued at par, with a redemption premium of 102, was acceptable. The gross spread was 7/8. This results in a cost to the Bank of 8.71.

. . .

July 24, 1970

Larry Parker also raised the question of the compensation to underwriters and the management fee and asked whether we had considered the matter further in view of the practice of other underwriters who also had a 7/8 spread. Mr. McNamara said that this matter essentially was one which concerned the underwriters and that the decision as to increasing the management fee and decreasing the underwriting compensation should be decided on the basis of what the managers had advised the underwriters at the time of the telex invitation or, if nothing had been said, what the underwriters would have been led to expect by the absence of any specific reference to this matter. Parker indicated that the telex invitation merely stated the gross spread and selling concession and did not make any further breakdowns. After some discussion, Morgan Stanley representatives said that they recognized that the underwriters might expect the normal pattern since nothing to the contrary was stated and that, under the circumstances, they would not change that pattern. We agreed that we would review the matter at the time of the next bond issue and that, if it were deemed appropriate to make any changes in the compensation structure, the underwriters would be advised at the time of the initial solicitation rather than on the day of the offering. There was general agreement that this was a more appropriate procedure.

NOTE: I have not attached to this memorandum the appendices supplied by Morgan Stanley, except the initial indications of interest by institutions. The others are available if required.

cc: Mr. Aldewereld
Mr. Broches

Chrm.

OFFICE MEMORANDUM

TO: Mr. S. Aldewereld

FROM: Eugene H. Rotberg *EHR*

SUBJECT: Bank Investments

DATE: July 24, 1970

The purpose of this memorandum is in support of a recommendation that the Bank Board be requested to grant authority to designated Bank officers to invest the Bank's liquid resources in securities with a final maturity in excess of five years -- the current limitation. Specifically, I would ask for authority to invest a certain specified percentage of the Bank's liquid resources in instruments which have a public market with a final maturity up to 20 years. The reasons are as follows:

First, during recent periods, when the Bank was engaged in considerable shorter term borrowing, it was appropriate for the Bank to limit its investments to five years, particularly since in most instances we were able to cover the interest costs by investing our liquid resources in instruments of five years or less. Further, we have recently gone through a period in which short term rates were extraordinarily high, particularly in the banking system. Thus, at the end of calendar year 1969, we were able to place funds at rates as high as 10-1/2%, albeit only for a year. (We are now losing some of these deposits as some banks are offering as low as 7-1/2% for renewal). The high short term rates permitted us to readily cover the costs of our Central Bank borrowing and indirectly our German short term borrowing.

Second, there has been considerable deterioration of the intermediate and short term rates. One year bank deposits are about 8%; two year U.S. Government agencies are approximately 7.40 to 7.50; and 3-1/2 to 4 year federal agencies have been successfully placed this week at 7.90. Our recent long term offering requires us to pay an interest rate of 8.625 with a cost to us of 8.71. If we were to invest, say, \$100 million of these funds in the two year market at 7.50 with U.S. Government agencies, there would be a 120 basis point differential under the cost of our borrowing. I have reason to believe that the Bank could now purchase a longer term security - with a final maturity of approximately 15 years - at a yield of about 8.50 which would be a full faith and credit obligation of the United States Government. A 100 point differential (7.50 vs. 8.50) on \$100 million over 12-1/2 years would amount to about \$7-1/2 million present value, discounted at 8%. That present value, on but \$100 million, is equal to the difference in our lending rate between 7-1/4 and 7-1/2 for a period of about five months - almost the time for our next review.

July 24, 1970

If the Bank, alternatively, decides to invest in a U.S. agency with a four year maturity under its current authorization, it will lose at least 60 basis points or \$4-1/2 million present value on \$100 million over 12-1/2 years. Finally, the foregoing calculations assume that the present rates in the intermediate term market will remain throughout the 12-1/2 years, i.e. we will be able to roll over two year debt and four year debt at 7.50 and 7.90 respectively. If, over the next 12-1/2 years short or intermediate term rates come down to more normal levels and we roll over a two year investment at, say, 7%, then we will have a 150 basis point loss over a comparative investment in a 15 year higher quality obligation. This loss would amount to \$10 million in present value terms. That figure exceeds the difference between the Bank's current lending rate and the recommended rate of 7-1/4 at the commitment level contemplated for the next six months.

Third, the proposed lengthening of our maturity could be in a higher quality instrument than those available in the intermediate term market, since the obligation would be a full faith and credit of the United States Government. The U.S. Government 2 - 4 year instruments - which we do not hold - are yielding 7.20 to 7.55. The reason for the higher yield is because (a) the yield curves are still relatively high for long term investments - even U.S. Government obligations; and (b) the instrument will not appeal to any but large institutional investors since it will probably be sold in blocks of \$1 million (if it were sold in smaller blocks the yield for long term U.S. Government guaranteed obligations would probably be 8.15 to 8.25).

Fourth, the instrument is liquid, i.e. we are not locking ourselves in for 15 years. We are simply buying a marketable security with a long term final maturity. We can sell in a year if we wish; therefore, if the funds are required they are available. The additional income for the year is \$1 million over a two year issue.

Fifth, The issue contemplated is non-callable so that we are protected for the life of the investment and it exceeds the period of the call protection on our U.S. obligation.

Sixth, the risk is minimal. It is not realistic to assume that the Bank will have to liquidate all of its U.S. dollar holdings. Indeed, it cannot do so as it must retain \$291 million as a Special Reserve to meet its obligations (these funds are not available for lending) and, even if it had to liquidate, the risk, essentially, is one of market depreciation. What is that risk of market depreciation of Government guaranteed obligations at 8-1/2% in comparison to the known loss if we purchase an intermediate term obligation? It is true

July 24, 1970

that the market could deteriorate for U.S. Government guaranteed obligations to the point of, say, 9% or even 9-1/2% in three years. As noted above, we can simply hold on to the security until the market changes and improves and we have a relatively long period in which to do that. But even if we have to sell that particular security three years from now - an assumption which is difficult to envisage - our loss will be no greater than if we purchase a security now yielding us 7.50 with a known loss and hold it to maturity in three years.

Seventh, if market rates fall, the higher prices and lower yields across all maturities will permit us, if we hold a long term instrument, to have a substantial capital gains profit if we decide to liquidate. For example, if Government bonds are yielding, say, 7-1/2 five years from now or at any time in a long term maturity, and the intermediate term market is yielding, say, 7%, we not only will have made substantially more profit by buying the 8.50 during the period but at the end of, say, five years we have a potential capital gain of \$_____ million which will increase our income and substantially cover the difference between our cost of borrowing (8.71) and the interest on the long term investment. This is not possible in the shorter maturities. Thus, we are in a unique position to sell if we wish to if there is capital appreciation of the long term bond and hold if there is not. This is a unique advantage of our large cash position - which can only be used to its full extent with a greater maturity range of permissible investments.

Eighth, it is important to consider the extension of the maturity of our investments during the period when the average cost of borrowing is over the average cost of our lending rate since that is one way to compensate for the difference.

The extension of the length of the Bank's maturities also has particular significance for our U.K. holdings. You may recall that we switched out of Treasury Bills which were yielding us 7-1/2% into intermediate term U.K. obligations which yielded 9-1/2 to 10%. Since that time the intermediate term U.K. securities have substantially improved. They are now trading at prices which yield 7.30 to 7.60 over the six month to four year period. Even though the maturities are rapidly approaching, and despite taking down substantially profits (we amortize the difference between par and the discount over the life of the investment and take down the difference monthly into our income) - we have a substantial profit of \$4.2 million from market appreciation which

July 24, 1970

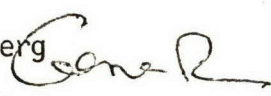
we could take immediately. However, the problem is that since we do not shift into other currencies, the reinvestment of these proceeds in sterling would have to be in instruments yielding us about 7.50 over the next three or four years. We have done some careful calculations as to whether this would be appropriate. At best it is a close question, since the investment of the proceeds of any sale would have to be made on the hypothesis that the yields in England will go even lower and it is best to not wait until our holdings mature within the 6 months - 4 years. Thus, while we might show a \$4.2 million "capital gain" profit by selling right now, it would simply mean that over the next three or four years our income in British securities would be that much less and, indeed, if market rates appreciated over about the 7.75 level in England, it would have been better to simply hold, forego taking the \$4.2 million profit and reinvest at maturity. However, the yield curve sharply changes in the U.K. after six or seven years. Full faith and credit obligations of the British Government of the same type as we hold, maturing in 1980-1982; 1982-1984; 1985-1987; are yielding 9-1/4 to 9-1/2%. Thus, if we could sell our intermediate term obligations, we could take a \$4.2 million profit and at the same time maintain investments in high yielding, high quality securities which we can not do if we use the proceeds in intermediate term obligations. These securities too are liquid and can be disposed of quite readily if the need occurred. Further, the potential for market appreciation would appear considerably greater than for the 7.50 intermediate term obligations and the relative risk of depreciation less. If we had to sell, we would do so, and if yields were higher we would take a loss. That loss, however, is virtually certain to be less than the profit foregone by not making the switch.

Conclusion:

On the basis of the foregoing, I recommend that the Bank ask the Board for authority to invest in securities up to 20 years -- perhaps only in Government guaranteed or full faith and credit obligations up to an amount of, say, \$300 million. I think it is important for us to have a flexible investment policy within the limits of conservative and prudent management, particularly during periods of falling short term investments, high rates, high volume borrowing and lending at rates which are considerably concessionary from our borrowing costs.

This matter is of some urgency since we would have to indicate our interest in certain issues almost immediately in order to assure ourselves of an allotment. Further, the matter is quite confidential as there has been no public news concerning the forthcoming U.S. guaranteed obligation.

OFFICE MEMORANDUM

TO: Mr. S. Aldewereld
FROM: Eugene H. Rotberg 
SUBJECT: Bank Investments

DATE: July 24, 1970

The purpose of this memorandum is in support of a recommendation that the Bank Board be requested to grant authority to designated Bank officers to invest the Bank's liquid resources in securities with a final maturity in excess of five years -- the current limitation. Specifically, I would ask for authority to invest a certain specified percentage of the Bank's liquid resources in instruments which have a public market with a final maturity up to 20 years. The reasons are as follows:

First, during recent periods, when the Bank was engaged in considerable shorter term borrowing, it was appropriate for the Bank to limit its investments to five years, particularly since in most instances we were able to cover the interest costs by investing our liquid resources in instruments of five years or less. Further, we have recently gone through a period in which short term rates were extraordinarily high, particularly in the banking system. Thus, at the end of calendar year 1969, we were able to place funds at rates as high as 10-1/2%, albeit only for a year. (We are now losing some of these deposits as some banks are offering as low as 7-1/2% for renewal). The high short term rates permitted us to readily cover the costs of our Central Bank borrowing and indirectly our German short term borrowing.

Second, there has been considerable deterioration of the intermediate and short term rates. One year bank deposits are about 8%; two year U.S. Government agencies are approximately 7.40 to 7.50; and 3-1/2 to 4 year federal agencies have been successfully placed this week at 7.90. Our recent long term offering requires us to pay an interest rate of 8.625 with a cost to us of 8.71. If we were to invest, say, \$100 million of these funds in the two year market at 7.50 with U.S. Government agencies, there would be a 120 basis point differential under the cost of our borrowing. I have reason to believe that the Bank could now purchase a longer term security - with a final maturity of approximately 15 years - at a yield of about 8.50 which would be a full faith and credit obligation of the United States Government. A 100 point differential (7.50 vs. 8.50) on \$100 million over 12-1/2 years would amount to about \$7-1/2 million present value, discounted at 8%. That present value, on but \$100 million, is equal to the difference in our lending rate between 7-1/4 and 7-1/2 for a period of about five months - almost the time for our next review.

July 24, 1970

If the Bank, alternatively, decides to invest in a U.S. agency with a four year maturity under its current authorization, it will lose at least 60 basis points or \$4-1/2 million present value on \$100 million over 12-1/2 years. Finally, the foregoing calculations assume that the present rates in the intermediate term market will remain throughout the 12-1/2 years, i.e. we will be able to roll over two year debt and four year debt at 7.50 and 7.90 respectively. If, over the next 12-1/2 years short or intermediate term rates come down to more normal levels and we roll over a two year investment at, say, 7%, then we will have a 150 basis point loss over a comparative investment in a 15 year higher quality obligation. This loss would amount to \$10 million in present value terms. That figure exceeds the difference between the Bank's current lending rate and the recommended rate of 7-1/4 at the commitment level contemplated for the next six months.

Third, the proposed lengthening of our maturity could be in a higher quality instrument than those available in the intermediate term market, since the obligation would be a full faith and credit of the United States Government. The U.S. Government 2 - 4 year instruments - which we do not hold - are yielding 7.20 to 7.55. The reason for the higher yield is because (a) the yield curves are still relatively high for long term investments - even U.S. Government obligations; and (b) the instrument will not appeal to any but large institutional investors since it will probably be sold in blocks of \$1 million (if it were sold in smaller blocks the yield for long term U.S. Government guaranteed obligations would probably be 8.15 to 8.25).

Fourth, the instrument is liquid, i.e. we are not locking ourselves in for 15 years. We are simply buying a marketable security with a long term final maturity. We can sell in a year if we wish; therefore, if the funds are required they are available. The additional income for the year is \$1 million over a two year issue.

Fifth, The issue contemplated is non-callable so that we are protected for the life of the investment and it exceeds the period of the call protection on our U.S. obligation.

Sixth, the risk is minimal. It is not realistic to assume that the Bank will have to liquidate all of its U.S. dollar holdings. Indeed, it cannot do so as it must retain \$291 million as a Special Reserve to meet its obligations (these funds are not available for lending) and, even if it had to liquidate, the risk, essentially, is one of market depreciation. What is that risk of market depreciation of Government guaranteed obligations at 8-1/2% in comparison to the known loss if we purchase an intermediate term obligation? It is true

that the market could deteriorate for U.S. Government guaranteed obligations to the point of, say, 9% or even 9-1/2% in three years. As noted above, we can simply hold on to the security until the market changes and improves and we have a relatively long period in which to do that. But even if we have to sell that particular security three years from now - an assumption which is difficult to envisage - our loss will be no greater than if we purchase a security now yielding us 7.50 with a known loss and hold it to maturity in three years.

Seventh, if market rates fall, the higher prices and lower yields across all maturities will permit us, if we hold a long term instrument, to have a substantial capital gains profit if we decide to liquidate. For example, if Government bonds are yielding, say, 7-1/2 five years from now or at any time in a long term maturity, and the intermediate term market is yielding, say, 7%, we not only will have made substantially more profit by buying the 8.50 during the period but at the end of, say, five years we have a potential capital gain of \$_____ million which will increase our income and substantially cover the difference between our cost of borrowing (8.71) and the interest on the long term investment. This is not possible in the shorter maturities. Thus, we are in a unique position to sell if we wish to if there is capital appreciation of the long term bond and hold if there is not. This is a unique advantage of our large cash position - which can only be used to its full extent with a greater maturity range of permissible investments.

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Conclusion:

On the basis of the foregoing, I recommend that the Bank ask the Board for authority to invest in securities up to 20 years -- perhaps only in Government guaranteed or full faith and credit obligations up to an amount of, say, \$300 million. I think it is important for us to have a flexible investment policy within the limits of conservative and prudent management, particularly during periods of falling short term investments, high rates, high volume borrowing and lending at rates which are considerably concessionary from our borrowing costs.

This matter is of some urgency since we would have to indicate our interest in certain issues almost immediately in order to assure ourselves of an allotment. Further, the matter is quite confidential as there has been no public news concerning the forthcoming U.S. guaranteed obligation.

Mr. Nurick

The Federal Bar Association asked if we would participate on a panel on international trade, legal issues involved in international transactions and/or capital markets, etc. I don't think the subject matter of the panel is very firmly defined as yet. Are you available?

The meeting will be held in Washington sometime in late September. If you can make it, Lester, will you give John Frye a call? Otherwise, what about Piero Sella? Frye can fill you in on the details of the scope of the panel if you or any of your staff are interested.

Gene Rotberg
July 23, 1970

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT
ASSOCIATION
INTERNATIONAL FINANCE
CORPORATION

Mr. Rotberg:

Mr. John Frye called. He came to see you last week to see if you or Mr. Broches or someone would be willing to speak to the Federal Bar Association - he thought the date would be September 18.

Mr. Broches will be away - so will you. He wonders if you could suggest someone else. It would have to be someone who is not attending the Annual Meeting. I asked him whether it should be a lawyer - and he said "not necessarily". I promised to call him back. (783-5775).

Kessie
7/23/70

July 15, 1970

BY HAND

Aron Broches, Esquire
General Counsel
International Bank for Reconstruction
and Development
Washington, D. C.

Dear Mr. Broches:

At the suggestion of Eugene Rotberg, I am writing on behalf of the International Law Committee, Council on International Law and Foreign Trade, of The Federal Bar Association to invite you to participate in the Council's program to be held on Friday, September 18.

The program will be devoted to the foreign relations aspects of international trade and development, and emphasis will be placed on the future role of the U.S. Foreign Aid Program, as well as the course of U.S. Trade Policy.

It is our thought that a spokesman from the World Bank could contribute materially to such a program by commenting on the World Bank's role in these areas.

Many thanks for your consideration of this request.

Sincerely,

John H Frye, III

JHF/rab

cc: Mr. Eugene Rotberg ✓

Chron.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg 

SUBJECT: Portfolio Yields: July 16, 1970

DATE: July 23, 1970

There is attached a statement of our portfolio yields for the two week period ending July 16. You will note that our yields have dropped eight basis points from the preceding period. Seven of these basis points are accounted for by our increased holdings of U.S. Treasury Bills which rose by approximately \$67 million in the two week period. The yields on these Bills are lower than our average yield. Since July 17 we have sold \$25.5 million of these Bills and reinvested the proceeds in time deposits ranging from 8-5/8 to 9-1/4 for 3 to 6 months. There will be a further reduction on August 3 of \$40 million to repay the Bundesbank dollars on a maturing obligation and to meet other dollar interest payments.

We will probably temporarily invest the proceeds from our Deutsche mark and dollar issues in Treasury Bills, pending the completion of negotiations in Germany and the United States for longer term and higher yielding investments. The most recent intermediate term agency issue (FNMA) maturing in 3 years and 10 months was priced to yield 7.90. I think we probably can do better by some 18-month time deposit placements in the U.S. and/or disbursement of dollars and retention of Deutsche mark in 2 - 4 year Kassenobligations. Hans Hittmair will go to Germany shortly to discuss potential investments in Germany.

Attachment

OFFICE MEMORANDUM

TO: Files

FROM: Eugene H. Rotberg

SUBJECT: German Capital Markets

DATE: July 22, 1970

I called Peter Eigen this morning, July 22, concerning the condition of the German capital markets. Eigen advised me the following:

- (1) The market is basically unchanged since yesterday, July 21.
- (2) The Bundesbank issue traded today at 99-7/8. The 1/8 lower price, compared to yesterday, was considered by the Deutsche Bank to be a natural development in view of our forthcoming issue.
- (3) The Dunlop issue is 3 times oversubscribed.
- (4) The Bundespost issue prices were not publicly available and Eigen has not received any information from the Deutsche Bank on the interbank trading.
- (5) There are rumors in Frankfurt about a number of high quality issuers soon coming to the market.
- (6) Dr. Gaertner believes that a price of 99 would be appropriate, particularly since that was the price which was referred to (at or about) in the telex invitation to the underwriters. Dr. Seipp of the Deutsche Bank believes that 99-1/4 would be an appropriate price. The Deutsche Bank believes there should be a slight difference in price from the Bundespost issue.
- (7) Finally, Eigen mentioned that there was a slight difference in the "turnover" tax of our issue compared to Government issues.
- (8) We also discussed time deposits, etc. and possible other short term investments of the proceeds of the issue.

cc: Mr. Aldewereld
Mr. Hittmair
Mr. Deely

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cc: Mr. Aldewereld
Mr. Hittmair
Mr. Deely

Chrom.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
FROM: Eugene H. Rotberg *EHR*
SUBJECT: U.S. Bond Market - 7/22/70

DATE: July 22, 1970

I received a telephone call from Larry Parker at 12:15 this morning. He made the following points:

- (1) The bond market is slightly off from yesterday.
- (2) The Continental Can offering is at a slight discount of 1/8 -- a drop of about 1/4 of a point.
- (3) The Bell issue is only about 50% sold and Morgan Stanley have had very few orders this morning.
- (4) The news about inflation and Secretary Kennedy's remarks about the leveling of interest rates have contributed to the somewhat softer tone in the market.
- (5) He thinks that we are still in the 8.60 - 8.65 yield range to the public.

cc: Mr. Aldewereld
Mr. Hittmair
Mr. Deely

Chron

OFFICE MEMORANDUM

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cc: Mr. Aldewereld
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Mr. Deely

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

Chron

Mr. McNamara
Mr. Aldewereld

The compensation on the Pennsylvania
Bell issue is as follows:

<u>SPREAD (per \$1,000 Bond)</u>			
<u>Gross</u>	<u>Management</u>	<u>Underwriting</u>	<u>Selling Concession</u>
\$11.87	\$.59	\$3.78	\$7.50

GR
Gene Rotberg
July 21, 1970

INTERNATIONAL BANK FOR
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Mr. McNamara
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Gene Rotberg
July 21, 1970

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg *EHR*

SUBJECT: Pennsylvania Bell Pricing

DATE: July 21, 1970

I received a telephone call from Larry Parker on the pricing of the Pennsylvania Bell issue. Morgan Stanley won the bid with a price to yield to the public 8.50. The cost of the issue will be 8.606. The initial demand is quite heavy. Morgan Stanley has already sold \$35 million in the first half hour. The issue is in great demand among small investors as evidenced by the fact that over 200 tickets were written for the first \$35 million. The underwriters do not wish to give back any bonds to Morgan Stanley since they do not feel they will have any difficulty in placing the issue according to their commitments. The problem, for our issue, according to Larry Parker, is that this issue has great individual investor demand with little institutional interest at that rate. Parker said that the basic decision is whether they should try to press this kind of rate on institutions and take the chance of being rejected. It is not clear whether our issue would have the same attraction to individual buyers as the Telephone system. I asked Parker whether the Telephone issue could be considered as a complete success. He said he was deluged with telephone calls since the issue was announced and that it looked as though the issue would be a success.

. . .

The Traveler's issue, priced at 8.70 to the public this morning, was selling at a small premium. There are two further factors relevant to our bond issue. First, if the Federal Reserve Board lowers the discount rate today, that should make for a stronger bond market tomorrow. Secondly, Morgan Stanley intends today to solicit the 60 underwriters who have not responded to their initial solicitation on our issue. By 5:30 today they should, therefore, have a better feel for the across-the-board interest in retail or individual accounts for our issue. Morgan Stanley is somewhat concerned that some of the large trusts may pull their indications of interest if we try to obtain the same yield as an issuer who has developed an "individual" following for its obligations.

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Chron

Mr. McNamara

Bob:

There are a few points that I wanted to mention about the attraction of individuals to the bond market. First, I don't think it is only or even primarily a question of the underwriting concession which attracts individuals to the bond market. There is no assurance that a high selling commission will attract individuals as many issuers have higher concessions than ours and still have to rely on institutional investors. Conversely, there is substantial individual demand for debt securities with minimal compensation, e.g. Treasury Bills, U.S. agencies, etc. Second, individuals tend to buy those bonds which have liquid secondary markets. Thus, they purchase the intermediate or short term agencies, Treasury Bills or AT&T system obligations which, because of the frequency of their market appearances, early sinking funds and the number of outstanding bonds, have liquid markets. Third, individuals have only come into the bond market in the last year or two when we have not had any bond issues and, therefore, our name is not as familiar to them as other issuers of debt securities.

Nonetheless, several weeks ago I talked to Morgan Stanley and First Boston with a view to assuring that there would be reasonable underwriting commitment of the large retail firms, i.e. Merrill Lynch, Bache, Reynolds, etc. in the event we needed their support if institutional interest was not forthcoming or if it evaporated. (In the last several months I had spoken to these firms and they had indicated to me that they thought World Bank bonds would be of interest to individual investors -- and I assumed at the current compensation level). Morgan Stanley and First Boston both advised me at our recent luncheon meeting and on earlier occasions that it was unlikely that there would be much individual demand because it was expected that our issue would be "spoken for" by institutions and firms representing these institutions. Thus, if anything, the retail firm indications of interest would be reduced to make up for the expected institutional demand. Nonetheless, in recognition of the placing power of the retail firms, the underwriters increased the underwriting commitment of Bache to the same level as Merrill Lynch but felt it would prefer not to increase the percentage of Reynolds. The indication of interest has developed, as the underwriters predicted -- with considerable institutional demand. Morgan Stanley advised us yesterday that they have been turning down dealers in substantial amounts who want more bonds to sell. In these circumstances, it is unlikely that even if there were individual demand that that demand could be satisfied. In short, to make a shift of the underwriting compensation so as to attract individual

buyers, although possibly successful, (a) is probably unnecessary and (b) would involve a fundamental restructuring of the underwriting since the major institutions would either have to be turned down if they still had an interest or would simply forego buying if the yield was too low. I do not think either alternative is a good one, particularly since this is our first issue in a long time and the rejection of institutional buyers, either by yield pricing or by underwriting allocation, would seem unwise and probably unnecessary.

One further point: the Telephone issues are done on competitive bidding. This tends to produce a somewhat lower cost to the issuer than otherwise.

Gene Rotberg
July 21, 1970



OUTGOING WIRE

TO: NOTENBANK
FRANKFURTMAIN

DATE: JULY 20, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (GERMANY)

TEXT:
Cable No.:

ATTENTION DR. TUNGELER

REFERENCE OUR TELEX NO. 279 DATED JULY 17, 1970 THE TEST SHOULD

READ 1122 STOP REGARDS TEST 642

ROTBURG

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Y. L. CHANG

PT. Treasurer's

SIGNATURE
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

Checked for Dispatch:

Average rate on loans held by the Bank
including effective, non effective and
undisbursed portions

6.06%

Average rate on undisbursed loans
including the effective and non
effective

6.58%

Average rate for loans disbursed and
outstanding

5.72

Figures supplied by Mr. Deely
July 17, 1970

OUTGOING WIRE

TO: NOTENBANK
FRANKFURTMAIN

DATE: JULY 17, 1970

CLASS OF
SERVICE: TELEX 279

COUNTRY: GERMANY

TEXT:
Cable No.: ATTENTION DR. TUNCELER

CONFIRMING OUR TELEPHONE CONVERSATION OF JULY 17 COMMA
PROPOSE TO RECOMMEND TO OUR EXECUTIVE DIRECTORS FOR APPROVAL
ON JULY 21 REPEAT JULY 21 AN INTEREST RATE OF 8.50 PERCENT
FOR DEUTSCHE MARK 239,800,000 NOTES AS DESCRIBED IN FURTHER
DETAIL IN MY TELEX OF JULY 14 STOP ALL OTHER TERMS AND
CONDITIONS ARE AS STATED IN SUCH CABLE STOP REGARDS

ROTBERG

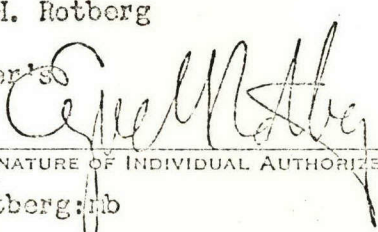
Test 1122

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME Eugene H. Rotberg

PT. Treasurer's

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE: EH Rotberg:nb

CLEARANCES AND COPY DISTRIBUTION:

Cleared with and cc: Mr. Szasz
Mr. Deely

cc: Mr. Parris / Mr. De Boeck

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Checked for Dispatch: _____



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

July 15, 1970

Dear Diana:

Kessie and Betty received your first letter and were happy to hear from you. This will be my last letter since I am going to pick you up late Sunday afternoon and you probably would not receive another before leaving.

I did not get your letter in which you asked for extra money so I, therefore, cannot respond to your request. I am sure that you will manage your laundry, candy requirements, arts and crafts expenses like a careful money expert.

We all miss you. See you soon.

Love,

A handwritten signature, possibly "Diana", is written in ink next to the word "Love,".

Miss Diana Rotberg
Bunk 6
Camp Louise
Cascade, Maryland 21719

OUTGOING WIRE

TO: NOTENBANK
FRANKFURTMAIN

DATE: JULY 14, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (GERMANY)

TEXT:
Cable No.:

ATTENTION MR. TUENGELER

CONFIRMING OUR TELEPHONE CONVERSATION OF JULY 14 WE AGREE, SUBJECT TO APPROVAL OF OUR
EXECUTIVE DIRECTORS, TO THE FOLLOWING:

WORLD BANK 4-1/2% TEMPORARY CERTIFICATES PRINCIPAL AMOUNT \$12,000,000 AND 4-1/4% NOTES
PRINCIPAL AMOUNT \$18,000,000 AND 4-1/2% TEMPORARY CERTIFICATES PRINCIPAL AMOUNT
DM 50,000,000 ALL MATURING AUGUST 1, 1970 AND HELD BY BUNDESBANK AS WELL AS 4-1/4% NOTES
PRINCIPAL AMOUNT DM 80,000,000 MATURING AUGUST 1, 1970 AND HELD BY DEUTSCHE GIROZENTRALE
WILL BE REPLACED BY WORLD BANK NOTES WITH INTEREST PAYABLE SEMIANNUALLY ISSUED TO BUNDESBANK
IN A TOTAL PRINCIPAL AMOUNT OF DM 239,800,000 TO BE DATED AUGUST 1, 1970 AND TO MATURE
FEBRUARY 1, 1975 WITH AN INTEREST RATE TO BE DETERMINED STOP REGARDING OUR PAYMENT DUE
GIROZENTRALE WE EXPECT TO FOLLOW PROCEDURE AGREED FOR SIMILAR PAYMENT LAST FEBRUARY AND
WILL IN DUE COURSE INSTRUCT YOU TO MAKE PAYMENT BEFORE THE OPENING OF STOCK EXCHANGES ON
MONDAY AUGUST 3 STOP FOR YOUR INFORMATION ON MONDAY JULY 13 U.S. TREASURY OBLIGATIONS
MATURING IN FEBRUARY 1975 YIELDED ~~7.57~~ 7.57 STOP OTHER YIELDS FOR U.S. TREASURY
OBLIGATIONS MATURING BETWEEN NOVEMBER 1974 AND MAY 1975 RANGED BETWEEN 7.49 AND 7.57 STOP

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME

DEPT.

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

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OUTGOING WIRE

TO: NOTENBANK
FRANKFURTMAIN

DATE: JULY 14, 1970

CLASS OF
SERVICE:

COUNTRY: (GERMANY)

TEXT:
Cable No.:

PAGE 2.

FEDERAL AGENCY OBLIGATIONS, NOT GUARANTEED BY U.S. GOVERNMENT, MATURING
JANUARY TO APRIL 1975 YIELDING BETWEEN 7.91 AND 8.03 STOP YOU HAVE
ADVISED ME THAT DM YIELDS FOR SIMILAR MATURITIES WOULD BE BETWEEN 8-3/4
AND 9% STOP I WILL CABLE YOU THIS WEEK SUGGESTING A RATE FOR YOUR
CONSIDERATION FOR THE NEW NOTES STOP BEST REGARDS TEST

ROTBERG
INTBAFRAD

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE

(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

EHRotberg:emk

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

cc: Mr. Aldewereld
Mr. Szasz

For Use By Communications Section

Checked for Dispatch:



Record Removal Notice

File Title Eugene H. Rotberg - Chronological Records - Volume 4 - May - December 1970		Barcode No. 1858107		
Document Date 13 July, 1970	Document Type Letter			
Correspondents / Participants To: Morris M. Shuster From: Eugene Rotberg				
Subject / Title Law School Alumni Giving Fund				
Exception(s) Personal Information Financial Information iv				
Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Tarsica Morgan-Taylor</td><td>Date July 17, 2024</td></tr></table>	Withdrawn by Tarsica Morgan-Taylor	Date July 17, 2024
Withdrawn by Tarsica Morgan-Taylor	Date July 17, 2024			

Chron.

Mrs. Porter:

In addition to the names on the attached list, the following students were present on many occasions during the course:

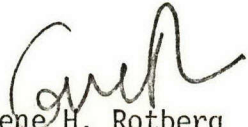
CHRISTESEN

MARIN

COMPTON

HALL

None of them, however, took the final exam. I do not know whether they received administrative passes or not since their names do not appear on the list. All other students received administrative passes, since they did not take the final examination, except those with specific grades noted in the attachment. These students took their final examination.


Eugene H. Rotberg
July 11, 1970

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg

SUBJECT: U.S. Borrowing

DATE: July 10, 1970

I received a telephone call at 4:15 from Larry Parker of Morgan Stanley. He said he was calling on behalf of both his firm and First Boston. His call was in response to my earlier call concerning our preference as to the date of issue and the date of unaudited financial statements. He made the following points:

- (1) Although a July 23 offering date will be tight, they are prepared to meet that commitment. They will inform the underwriters of July 23 offering date. However, if indications of interest in the issue are such so as to require a rescheduling to July 27, they may have to make such reconsideration. They will do their best not to do so.
- (2) In view of the tight period between the first announcement, Tuesday, July 14, and July 23, he asked whether it would be possible to reschedule the Board Meeting to July 13 so as to give them one more day to obtain indications of interest in the issue. Parker will call Mr. Aldewereld on this point.
- (3) Subject to an unqualified legal opinion from Sullivan & Cromwell, they are prepared to accept audited June 30, 1969 figures and not require any further audit. They indicated they were hopeful they could obtain this opinion and go forward.
- (4) Their Accountants and Counsel believe that it would be inappropriate to use June 30, 1970 unaudited figures even though they are more up to date than the March 31 figures. The reason is that the June 30 figures are subject to audit and the underwriters could be legally liable for material misstatements in the Prospectus which could be proven if the audit showed different figures. They, therefore, request March 31 unaudited figures. Our Legal Department is considering this matter.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

Chron.

July 10, 1970

Dear Folks:

We had a very relaxing time in Bethlehem and, as usual, it was good seeing you again. Iris and I have been on a real merry-go-round since we got back. Diana and Pammy are both off to camp; Iris is working every day and night and I, for the first time in a long time, am somewhat busy in the office. You will read about it in the newspapers. Fortunately, I don't think I have any traveling to do except for some trips back and forth to New York.

I am glad to see the stock market is improving.

Have you seen "Catch 22"? We are getting different reactions about it so we might see it this weekend. We are having some neighbors over tonight with their young 25-year old hippie daughter, who is overwhelmed by the fact that we were in Barcelona and saw the famous Gaudi Church. I think you have seen it too. Apparently that church is a mecca and has become the great symbol for hippies and psychedelic nature lovers throughout the world. Evidently the combination between its Beardsly architecture, the fact that it was designed originally as a church and was not completed and its surrealistic setting - as you know it has no roof - makes it a great status symbol with the disenchanted. So - we will show them movies of the Church.

We had 4-1/2 inches of rain here yesterday and people were wading up to their hips on Constitution Avenue. Have fun. I will write again soon.

Love,


Gene

Dr. & Mrs. Samuel Comens
335 Wedgewood Road
Bethlehem, Pa. 18017



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

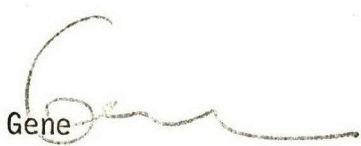
July 10, 1970

Dear Mike:

Attached are some snapshots. Life
is extremely hectic right now. You'll read
about it in the newspapers. I will talk to
you next week.

Regards,

Gene

A handwritten signature in dark ink, appearing to be "Gene", is written over the typed name "Gene". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Mr. Meyer Eisenberg
Lawler, Sterling & Kent
1156 - 15th Street, N.W.
Room 1016
Washington, D.C. 20005



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

July 10, 1970

Dear Folks:

Life is very hectic right now.
I will write you more about it later.

Enclosed are some photographs.
They are still not too good but when I
see you again I will take some better
shots.

Love,

Gene

Mr. & Mrs. I. Bernard Rotberg
Penn. Center Apartments
19th & Kennedy Boulevard
13th Floor
Philadelphia, Pa. 19103



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

July 10, 1970

Dear Diana:

The office is very busy now with lots of interesting things going on. I'll tell you more about it when you get home. There was almost 5 inches of rain yesterday and people were walking on Constitution Avenue, near the museum, up to their hips in water. Cars were stalled and people got soaked.

Pammy says she doesn't like camp because the Counselors scream at the children during the rest period because they won't keep their heads down and, of course, she doesn't like that.

It is a cloudy day today and we miss you. We hope you are having a good time and are learning all sorts of new skills.

Love,

A handwritten signature in cursive script that reads "Dad".

Camp Louise
Bunk 6
Cascade
Maryland



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

July 10, 1970

Dear Alan and Vicki:

Thanks very much for sending us the colorful pamphlets and interesting material on Yugoslavia. Iris and I are getting very excited about our forthcoming trip.

Life at the office is very hectic just now. You will read about it in the newspapers.

I am sending you some pictures taken on our skiing trip. You both look great. Alan in particular looks like Richard II on the way to free Jerusalem from the infidels.

Iris and the children send their love. Diana is away at camp. Pam is attending a day camp near home. We are all keeping fairly active.

Thanks again for everything.

Regards,

Gene

Mr. & Mrs. Alan R. Markizon
The Seaboard Corporation
9601 Wilshire Boulevard
Beverly Hills, California 90210



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

July 10, 1970

Dear Diana:

As your Daddy has told you, we are terribly busy at the office -- lots of 'phone calls and many visitors and of course plenty of work -- but everything is very exciting. Your Dad keeps us very busy but both Betty and I enjoy our work.

We hope you are having fun at camp and we are anxious to hear all about it when you get back. Betty's children - Cindy, Malu and Chito - are also going to camp so everyone is having fun. You and Pammy will have lots to tell each other when you come home. I hope you are meeting lots of nice children.

Have a good time, honey.

Love,

Kessie

Miss Diana Rotberg
Camp Louise
Bunk 6
Cascade
Maryland

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

OUTGOING WIRE

TO: DELESSEPS
INTBAFRAD
PARIS

DATE: JULY 10, 1970

CLASS OF
SERVICE: TELEX

COUNTRY: (FRANCE)

TEXT:
Cable No.: 879

HAVE PLANNED DEUTSCHE MARK PUBLIC ISSUE IN GERMANY STOP ARE YOU
AVAILABLE FOR SIGNING IN FRANKFURT APPROXIMATELY WEDNESDAY
JULY 22 STOP VAN SAAGSVELT WILL BE AT FRANKFURTERHOF MONDAY
JULY 13 STOP REGARDS

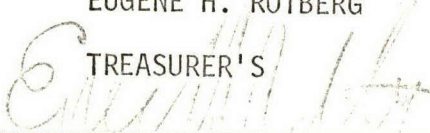
ROTBERG

NOT TO BE TRANSMITTED

AUTHORIZED BY:

NAME EUGENE H. ROTBERG

DEPT. TREASURER'S

SIGNATURE 
(SIGNATURE OF INDIVIDUAL AUTHORIZED TO APPROVE)

REFERENCE:

EHRotberg:emk

ORIGINAL (File Copy)

(IMPORTANT: See Secretaries Guide for preparing form)

CLEARANCES AND COPY DISTRIBUTION:

For Use By Communications Section

Checked for Dispatch:

DECLASSIFIED

OFFICE MEMORANDUM

Date: 10/19/2001

TO: Mr. Robert S. McNamara

FROM: Eugene H. Rotberg 

SUBJECT: U.S. Treasury Financial Projections

DATE: July 9, 1970

CONFIDENTIAL

Attached is the memorandum from Patterson to Petty and an analysis of our 10 year program under varying financial "strategies". I have also attached the projections which he was supplied and which formed the basis of his analysis. Although there are some major differences between this projection and some of the more recent ones, the basic points made in his tables are confirmed by our own analysis of our most recent projections. Patterson's thesis, which is found in the last sentence of the second paragraph, assumes that a change in lending rate, reduction in IDA transfer or increase in capital will substantially affect the providing of "adequate loanable resources in the 1970's". The basic argument is that, on the basis of the declining ratios shown on the tables, possible debt rescheduling, and the fact that the Bank's borrowing program would shortly exceed the U.S. "cover", it would be even more difficult to borrow in 1974 to 1978 and that it is important for the Bank to go into the mid 1970's with as strong a financial position as possible. I suggested that Alternative 2 and even an increase in the lending rate, while obviously strengthening the Bank's financial position, would not appear to have direct substantial benefit in resolving what Patterson referred to as a "liquidity squeeze". We did not discuss Alternatives 3 and 4.

Attachments: 2

OFFICE MEMORANDUM

DECLASSIFIED

TO: Mr. Robert S. McNamara

Date: 10/19/2001
DATE: July 9, 1970

FROM: Eugene H. Rotberg

SUBJECT: U.S. Treasury Financial ProjectionsCONFIDENTIAL

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Attachments: 2

Chen

OFFICE MEMORANDUM

DECLASSIFIED

01/19/2001

TO: Mr. Robert S. McNamara

DATE: ~~Date~~ July 9, 1970FROM: Eugene H. Rotberg *EHR*SUBJECT: U.S. Treasury Financial ProjectionsCONFIDENTIAL

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Attachments: 2

UNITED STATES GOVERNMENT

Memorandum

TO : Assistant Secretary John R. Petty

DATE: July 8, 1970

FROM : Arthur C. Patterson

SUBJECT: Lending Interest Rate Discussions

I believe you may find the attached tables valuable in assessing our policy position on the proposed lending interest rate increase by the Bank. They represent a portion of the analysis we made, using the IBRD financial model, as a part of the Bank's December 1969 proposal for a general capital increase.

In structuring our analysis of that proposal, we took the interest rate spread policy to be only one of five major policy options available to influence the Bank's financial projections through 1980. The others were: a general capital increase, suspension of the earnings transfer to IDA, modification of the planned commitment level, and adjustment of the amortization schedules and/or grace periods of future loans. Theoretically, these five options are substitutable, and/or complementary, alternative means for effecting given financial objectives. Consideration of them together in our analysis allowed us for the first time to quantify the trade offs between these strategies and gave us a feel for the sensitivity of the model's projections to each variable. While the availability of these options may in practice vary, we found this exercise a useful way to better understand our potential policy flexibility in meeting the foreseeable problems of providing the Bank with adequate loanable resources in the 1970's.

If you believe it would be productive, Treasury could introduce this broader analytical framework to the lending interest rate discussions at the Bank.



5010-103

Buy U.S. Savings Bonds Regularly on the Payroll Savings Plan

Different
Spread
Assumptions

Alternative Financial Strategies

1st

2nd

3rd

4th

IBRD Lending Rate	IBRD Borrowing Rate	50% Earnings transfer to IDA, no capital increase	No Earnings transfer to IDA, no capital increase	50% Earnings transfer to IDA, 25% general capital increase	50% Earnings transfer to IDA, 50% general capital increase
		1969 1975 1980	1975 1980	1975 1980	1975 1980
			DATA/UNITED STATES		
6	-2	8	2.02 3.52	1.71 2.60	1.39 2.41 .97 1.72
6	-1	7	2.00 3.20	1.70 2.36	1.39 2.26 .96 1.66
7	-1	8	1.96 3.03	1.66 2.20	1.35 2.14 .95 1.54
6	0	6	1.93 2.93	1.69 2.12	1.33 2.12 .985 1.53
7	0	7	1.26 1.94 2.83	1.64 1.97	1.35 2.02 .95 1.49
8	0	8	1.86 2.65	1.54 1.84	1.29 1.88 .90 1.38
7	+1	6	1.92 2.60	1.63 1.82	1.34 1.90 .96 1.43
8	+1	7	1.89 2.45	1.54 1.67	1.29 1.78 .91 1.31
8	+2	6	1.82 2.26	1.53 1.54	1.23 1.63 .91 1.27

INTEREST COVERAGE RATIO

6	-2	8	1.31 1.03	1.35 1.09	1.52 1.35	1.81 1.30
6	-1	7	1.41 1.17	1.45 1.24	1.62 1.29	1.91 1.46
7	-1	8	1.40 1.13	1.45 1.26	1.63 1.33	1.94 1.51
6	0	6	1.53 1.35	1.57 1.43	1.74 1.48	2.02 1.66
7	0	7	1.88 1.50 1.35	1.55 1.46	1.73 1.51	2.04 1.70
8	0	8	1.50 1.35	1.55 1.48	1.74 1.53	2.03 1.75
7	+1	6	1.60 1.55	1.63 1.63	1.86 1.72	2.17 1.94
7	+1	7	1.60 1.55	1.65 1.69	1.85 1.73	2.19 1.93
8	+2	6	1.75 1.79	1.80 1.93	2.00 2.00	2.34 2.25

NET INCOME (millions)

6	-2	8	174 28	194 101	256 147	337 266
6	-1	7	203 161	223 224	277 259	346 356
7	-1	8	223 199	242 279	304 318	383 437
6	0	6	240 285	253 340	298 364	356 443
7	0	7	172 235 325	270 395	324 423	393 521
8	0	8	271 371	290 459	352 490	433 603
7	+1	6	266 444	299 504	344 523	402 602
8	+1	7	302 491	316 563	371 589	440 686
8	+2	6	334 605	347 671	392 664	450 763

Long Term Mathematical Relationship
Between Debt/Equity Ratios and Interest Coverage
For Various Interest Rate Spreads

INTEREST COVERAGE RATIOS	DEBT EQUITY RATIOS			
	negative spread 6%-7%:-1%	no spread	positive spreads	
			7-6%:+1%	8-6%:+2%
1	3.3	9	-----	-----
1.1	2.3	4.5	-----	-----
1.2	1.85	3	8	-----
1.3	1.4	2.2	4.4	-----
1.4	1.2	1.8	3.1	8
1.5	1	1.5	2.45	5
1.6	.9	1.3	2	3.4
1.7	.8	1.12	1.65	2.6
1.8	.72	1	1.45	2.15
1.9	.65	.9	1.3	1.85
2	.6	.8	1.15	1.6
2.1	.55	.75	1.02	1.45
2.2	.52	.67	.95	1.3
2.3	.48	.63	.86	1.16
2.4	.46	.59	.8	1.05
2.5	.45	.56	.75	.98

DEBT EQUITY RATIOS	INTEREST COVERAGE			
	negative spread 6-7%:-1%	no spread	positive spreads	
			7-6%:+1%	8-6%:2%
.166	5.3	6.3	7.46	8.63
.20	4.54	5.4	6.4	7.4
.25	3.78	4.5	5.33	6.16
.333	3.03	3.6	4.26	4.93
.5	2.27	2.7	3.20	3.7
.66	1.89	2.25	2.65	3.08
1	1.51	1.8	2.12	2.46
1.5	1.27	1.5	1.78	2.06
2	1.14	1.35	1.59	1.85
3	1.01	1.2	1.42	1.65
4	.95	1.125	1.33	1.54
5	.91	1.08	1.28	1.48
6	.88	1.05	1.25	1.44
7	.86	1.03	1.22	1.41
8	.85	1.012	1.20	1.39
9	.84	1.0	1.18	1.37

Assumptions: Administrative and financial expenses will be 10% of interest income.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U.S.A.

Chun

July 8, 1970

Dear Diana:

We all miss you. I even went into your room last night to check if you were in bed. You weren't there. Pammy still likes camp, but she doesn't like to take a nap in the afternoon and she gets upset when the teacher yells at some of the other children. Papa and Louise wrote you a nice letter with a dollar, but mailed it to the wrong address. They are going to write again today and will send you another dollar, I think.

Mom will invite the Zaritsky's sometime this week to see some of our European movies. She says that Toby's older sister is interesting and nice. I hope you are having a great time swimming, participating in dramatics - if you like that - and arts and crafts. Have a great time and write to us. Kessie is out with a stomachache today and Betty will type this letter.

Mom wants me to do the SRA, just so that someone in the house is always doing it. I refused. I don't think I should do it, do you?

Love,

Dad

Camp Louise
Bunk 6
Cascade
Maryland

Chron

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld

FROM: Eugene H. Rotberg *EHR*

SUBJECT: U.S. Borrowing

DATE: July 7, 1970

First Boston advised me this morning of the reception of the new Federal Land Bank issue. This Government agency will offer over \$400 million of its securities on July 20, 1970, with a maturity on January 22, 1973. The issue will be priced tomorrow; it is expected to carry a yield of 8% or 8.05%. The issue was oversold in the first 15 minutes this morning, on the basis of the estimated yield, with substantial demand from corporations and other institutional investors.

The 5 year Washington Gas Light offering at 8-5/8% (A rating) is also meeting with considerable success. The long term A/AA J.C. Penney issue, underwritten by First Boston, was priced at 8.93; it is in quite heavy demand.

First Boston and Salomon Brothers have indicated that long term rates could be down considerably by the end of the year. Wojnilower of First Boston recently wrote:

"The outlook may have shifted, in other words, toward reduced capital spending and sharply lower corporate bond flotations in late 1970 and throughout 1971. The prime rate could then well fall to 7 per cent by year-end and corporate bond yields even below that level, while municipal bond yields in the long bank range could drop to 4 per cent or even less."

Salomon Brothers & Hutzler made the same point:

"In respect of interest rates, the firm expects that the triple-A corporate bond yields will be down to 7 per cent by the year-end; that Treasury bill rates will break below 6 per cent by midyear and then trade in the 5.0 per cent to 5.5 per cent area; and that the prime rate, now at 8-1/2 per cent, will be lowered before midyear."

Mr. Robert S. McNamara
Mr. S. Aldewereld

- 2 -

July 7, 1970

If the yield spread between the intermediate and long term market continues to hold up, and in view of the projections of long term rates (I think they are too optimistic in projecting a 7% long term rate), it seems preferable to have a mixed 5 year and long term issue in the immediate future or a large 5 year issue, particularly if we can price it at about 8.20. We might discuss this amongst ourselves before First Boston and Morgan Stanley come in on Thursday.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara
Mr. S. Aldewereld
FROM: Eugene H. Rotberg *EHR*
SUBJECT: U.S. Borrowing

DATE: July 7, 1970

First Boston advised me this morning of the reception of the new Federal Land Bank issue. This Government agency will offer over \$400 million of its securities on July 20, 1970, with a maturity on January 22, 1973. The issue will be priced tomorrow; it is expected to carry a yield of 8% or 8.05%. The issue was oversold in the first 15 minutes this morning, on the basis of the estimated yield, with substantial demand from corporations and other institutional investors.

The 5 year Washington Gas Light offering at 8-5/8% (A rating) is also meeting with considerable success. The long term A/AA J.C. Penney issue, underwritten by First Boston, was priced at 8.93; it is in quite heavy demand.

First Boston and Salomon Brothers have indicated that long term rates could be down considerably by the end of the year. Wojnilower of First Boston recently wrote:

"The outlook may have shifted, in other words, toward reduced capital spending and sharply lower corporate bond flotations in late 1970 and throughout 1971. The prime rate could then well fall to 7 per cent by year-end and corporate bond yields even below that level, while municipal bond yields in the long bank range could drop to 4 per cent or even less."

Salomon Brothers & Hutzler made the same point:

"In respect of interest rates, the firm expects that the triple-A corporate bond yields will be down to 7 per cent by the year-end; that Treasury bill rates will break below 6 per cent by midyear and then trade in the 5.0 per cent to 5.5 per cent area; and that the prime rate, now at 8-1/2 per cent, will be lowered before midyear."

Mr. Robert S. McNamara
Mr. S. Aldewereld

- 2 -

July 7, 1970

If the yield spread between the intermediate and long term market continues to hold up, and in view of the projections of long term rates (I think they are too optimistic in projecting a 7% long term rate), it seems preferable to have a mixed 5 year and long term issue in the immediate future or a large 5 year issue, particularly if we can price it at about 8.20. We might discuss this amongst ourselves before First Boston and Morgan Stanley come in on Thursday.



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C. 20433, U.S.A.

July 7, 1970

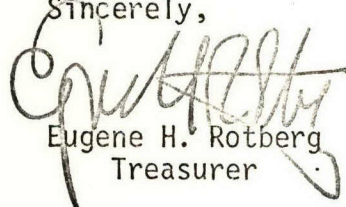
Mr. Renato Guadagnini
Manager
Banca Nazionale del Lavoro
25 West 51st Street
New York, N.Y. 10019

Dear Mr. Guadagnini:

I have just returned to the office after a business trip to Europe and a vacation with my family. Please forgive me for not writing to you before this to thank you for sending me the beautiful book "Piemonte Valle d'Aosta". It was indeed very thoughtful of you to remember me.

I look forward to meeting with you again in the near future. Best personal regards.

Sincerely,


Eugene H. Rotberg
Treasurer



Record Removal Notice

File Title Eugene H. Rotberg - Chronological Records - Volume 4 - May - December 1970		Barcode No. 1858107		
Document Date 06 July, 1970	Document Type Form			
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Additional Comments		The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information or other disclosure policies of the World Bank Group. <table border="1"><tr><td>Withdrawn by Tarsica Morgan-Taylor</td><td>Date July 17, 2024</td></tr></table>	Withdrawn by Tarsica Morgan-Taylor	Date July 17, 2024
Withdrawn by Tarsica Morgan-Taylor	Date July 17, 2024			



INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D. C. 20433, U. S. A.

Chron.

July 6, 1970

Miss Joyce L. Hedges
Transcript Department
The Institutional Investor
140 Cedar Street
New York, N.Y. 10006

Dear Miss Hedges:

Attached is an edited copy of
my remarks.

Thank you very much.

Sincerely,


Eugene H. Rotberg
Treasurer

Attachment

Chrom.

10822 Childs Court
Silver Spring, Maryland
20901

July 2, 1970

Yugoslav State Tourist Office
509 Madison Avenue
New York, N.Y.

Dear Sirs:

Reference is made to my conversation with your office today. I am enclosing a copy of Mr. Rotberg's letter to you dated May 27, 1970 and would appreciate your looking into this matter.

Thank you for your courtesy in this matter.

Sincerely,

Edith M. Kesterton

(Miss) Edith M. Kesterton
Secretary to Mr. Rotberg

Chron.

10822 Childs Court
Silver Spring, Maryland
20901

May 27, 1970

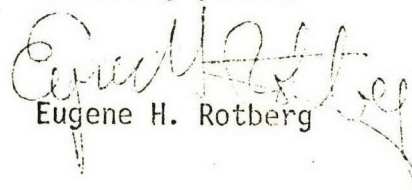
Yugoslav State Tourist Office
509 Madison Avenue
New York, N.Y.

Dear Sirs:

I expect to be touring Yugoslavia for two or three weeks this summer and would appreciate your sending me any brochures or literature which you might have on Yugoslavia, particularly the Dalmatian Coast, the islands and Macedonia. I would also be grateful if you would send me information on car rental in that country.

Thank you for your cooperation in this matter.

Sincerely yours,


Eugene H. Rotberg