

LOANS AND GUARANTEES

The functions of the Bank under this heading fall into four categories:—

- (i) It may make loans directly out of its own funds:
- (ii) It may participate in loans made by other lenders, that is, it may supplement amounts put up by other lenders, thus demonstrating its confidence both in the borrower and in the purpose for which the loan is raised:
- (iii) It may borrow in a member's market, and then may lend the money so borrowed:
- (iv) It may guarantee loans made by other investors.

On the other hand, the Bank may not borrow in a member's market or guarantee loans made by investors in a member's market unless:—

- (a) It has the approval of the member in whose market the funds are raised, and of the member in whose currency the loan is denominated.
- (b) Those members agree that the proceeds may be exchanged for the currency of any other member without restriction.

One reason for this is to enable a member to prevent the lending of its currency if, for example, it has an unfavourable balance of payments.

An essential feature of loans granted or guaranteed by the Bank is that it must first satisfy itself that, without its intervention, the borrower would be unable to obtain the accommodation on reasonable terms.

Once this fact is established, the Bank would pursue the normal standard procedure by taking the safeguards ordinarily observed by lending institutions of good standing.

But if losses should in fact be sustained through the default of borrowers from the Bank or borrowers under the Bank's guarantee, and if the Bank's own reserves are not adequate to meet these losses, the responsibility in the last resort to make good such losses falls on the member countries.

The procedure by which they would shoulder this responsibility is to pay further calls in respect of that part of their quotas which is in excess of 20 per cent. of the total amount of such quotas.

Calls would be *pro rata*, according to the size of each member's quota, and each member's contingent liability is limited to the amount of its quota.

On the existing basis of the quotas, New Zealand's commitment would not exceed £1 million, unless defaults by borrowers exceeded £180 million.

New Zealand's contingent liability in respect of the uncalled 80 per cent. of its quota may therefore be regarded as a reasonably fair risk.

INAUGURATION OF THE BANK

The provisions covering the entry into force of the Bank agreement and the inauguration of the Bank are similar to those affecting the Fund, both as regards the minimum percentage of 65 per cent. of the total subscriptions to be represented by the initial signatories, and as regards the requirement that in any event the Bank agreement shall not enter into force before 1st May, 1945.

(c) OTHER MEASURES FOR INTERNATIONAL FINANCIAL CO-OPERATION

The work of Commission III, unlike that of Commissions I and II, did not represent the culmination of an organized body of preparatory work during a long period before the Conference was convened. Its task was to examine and report to the Conference on any proposals within its order of reference which might be submitted to it after the opening of the Conference. Every Delegation was, of course, entitled to submit proposals.

In all, fifteen proposals were made to Commission III, and on analysis it was found that these could be classified under four headings—

- (1) The use of silver for International Monetary Purposes.
- (2) Liquidation of the Bank for International Settlements.
- (3) Enemy Assets, Looted Property, and Related Matters.
- (4) Recommendations on Economic and Financial Policy, and other means of Financial Co-operation.

Taking these in order:—

(1) *Use of Silver*.—Consideration of this topic arose out of the Mexican Delegation's proposal that the Monetary Fund should embody provisions giving silver a recognized monetary status, along with gold and the currencies of member countries, for the purposes of international transactions through the medium of the Fund. Although it was not found possible to reach agreement on this subject, it was felt that a matter of such importance for some nations should not be allowed to drop. A clause was therefore included in the Final Act, placing on record the recommendation of Commission III that the subject should merit further study by the interested nations.

(2) *Bank for International Settlements*.—The Conference concurred in the recommendation of Commission III that the Bank for International Settlements should be liquidated at the earliest possible moment.

(3) *Enemy Assets and Looted Property*.—The proposal under this heading was to the effect that the United Nations should co-operate in certain measures—

- (a) To frustrate any attempts of enemy countries to use such assets and property to their own advantage;
- (b) To facilitate the delivery of such assets and property to the post-armistice authorities,