

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date May 3, 1948

To Governor Eccles

Subject: Investments Committee of the

From Mr. Knapp *JK*

United Nations

Attached is a copy of a letter from Mr. Rounds reporting the results of the first meeting of the Investments Committee of the United Nations which he attended as your representative. Attached to Mr. Rounds' letter is a copy of the Committee's report and also a summary of the report which has been prepared by Mr. Dembitz. The report seems to lay down a very sensitive program for the investment of the UN funds, and I do not believe that you will question it in any particular. I might mention that I expressed to Mr. Rounds my surprise that the report did not include among securities eligible for investment the obligations issued by the International Bank; however, Mr. Rounds said that the Committee felt that investment by the United Nations in these obligations might look too much like "pig on pork".

Meanwhile, we have just received a letter from the United Nations (copy attached) requesting you to express your concurrence in the Committee's report. They are anxious to receive a reply, and I have drafted one for your signature which I would suggest you might mail directly back to New York.

Finally, there is attached a copy of a further letter from Mr. Rusk concerning your future participation in the Investments Committee. You will note from the report of the Committee, however, that unless some unusual circumstances arise, it will not meet again during your term of office as a member. The only question that remains is whether Mr. McCabe desires to be nominated to succeed you, and you may want to take this matter up with him upon your return to Washington.

Attachments

Mr Thurston.

Mr Rounds did  
a good job in selling  
the Committee his ideas  
on the investment of  
Retirement Funds.

I heartily agree  
with the recommenda-  
tions and have tried,  
with some success, to  
have our retirement  
investment Committee  
adopt similar principles.

ERH

Mr. Smead

If you get time, you  
might glance at Rounds'  
letter. I'd appreciate  
(in preparing an acknowledgment)  
your slant on the  
correctness of the views as  
to how U. N. ~~tax~~ pension  
funds should be invested.

ES

UNITED NATIONS



NATIONS UNIES

LAKE SUCCESS, NEW YORK • FIELDSTONE 7-1100

REFERENCE: 201-2-7-2

8 March 1948

Dear Mr. Eccles,

I was sorry to learn, from your letter of 25 February 1948, that you might not be able to attend the first meeting of the Investments Committee on 19 April 1948. However, in view of your recommendation, I am certain that Mr. Rounds will be able to contribute materially to the work of the Committee.

Before Mr. Rounds is contacted, however, there is a technicality regarding his participation on the Committee with which I should like to obtain your agreement. The Resolutions adopted by the General Assembly establishing the Investments Committee contain no provisions for the appointment of an alternate. In view of this fact, the Legal Department has suggested that Mr. Rounds act in the Committee as your representative, rather than as your alternate, and that you later confirm the decisions taken by the Committee. If you agree to this arrangement, please let me know, and we will get in touch with Mr. Rounds regarding the arrangements for the meeting of the Committee.

Yours very truly,

A handwritten signature in dark ink, appearing to read "Byron Price".

Byron Price

Assistant Secretary-General  
Administrative and Financial Services

Mr. Marriner S. Eccles  
Vice-Chairman of the Board of Governors  
Federal Reserve System of the  
United States of America  
Washington 25, D. C.

THIRTY THREE LIBERTY STREET  
NEW YORK 45, N. Y.

April 27, 1948.

Honorable Marriner S. Eccles,  
Board of Governors of  
The Federal Reserve System,  
Washington, D. C.

Dear Mr. Eccles:

During this past week, I have attended a series of meetings, beginning on April 19, of the Investments Committee of the United Nations Pension Scheme, of which you were appointed a member. As you know, the other two members of the Committee were Messrs. Jacques Rueff of France and Ivar Rooth of Sweden. The Committee completed its deliberations last evening and I am handing you herewith a copy of its first report to the Secretary-General, and also a copy of the letter transmitting this report. I think the report will make clear the philosophy of the Committee and what it attempted to accomplish.

In view of the residence of the members of the Committee, and also the size of the fund, it is clearly not practicable for the Committee to be in day to day contact with the administration of the fund or to approve all investments made prior to their purchase. It seemed to us appropriate to present in this report a discussion of the needs of the fund and of the type of investments that might be included therein, after which we attempted to outline a procedure which would permit of the prompt investment of funds as they become available, without the necessity of the Committee's passing individually upon each separate investment. A provision was made for submission of either monthly or quarterly reports to the members of the Committee, so that they may be kept informed and, of course, should they at any time feel that the investment program is not being properly executed, it would be their privilege to make that fact known and, if necessary, to call for a meeting of the Committee. If the investments are made in accord with the recommendations and within the restrictions specified, there would seem to be little opportunity for the fund to get into difficulties. This method of approach seemed to all of us, in the circumstances, to be a more desirable one than for the Committee to attempt to prescribe particular issues of securities. It is the Committee's judgment that it would probably be unnecessary to have another meeting of the Committee within approximately one year's time, and that at least until the fund shall have increased substantially, that is frequently enough for meetings under the proposed program.

In the course of discussions with the Staff Benefit Committee, the question was raised by the Chairman of that Committee as to whether

April 27, 1948.

the Investments Committee would consider it to be within its province to outline the procedure to be followed in respect of the service to be rendered by a trust company in connection with the custody and handling of these securities and also to possibly recommend a trust company for this purpose. The Committee did not believe that this phase of the operation would naturally come within the scope of its duties, and I particularly stated that I would not wish to be put in the position of recommending or expressing preference for any one New York banking institution to act for United Nations in this respect.

If you have either comments or questions concerning these meetings of the Committee, I shall be glad to attempt to answer them.

Sincerely,

  
L. R. Rounds.

Enc.

April 27, 1948.

Sir :

The undersigned members (and representative of one member) of the Investments Committee, appointed pursuant to Section 25 of the regulations of United Nations Joint Staff Pension Scheme, met on April 19 and following days, to consider the duties assigned to it. In the course of these meetings, consideration has been given to the following problems:

- (1) The relationship of the Investments Committee to the administration of the Pension Scheme and how best the Committee could function in respect of the organization developed for the management of the Pension Scheme.
- (2) The kind of investment policy that would be best designed to meet the needs of the Pension Scheme.
- (3) How that policy could be most effectively executed.

In the course of these meetings, two general sessions were held with the Staff Benefit Committee.

We now have the honor to present to you the first report of the Investments Committee, in which we have discussed the problems presented in connection with an investment fund of this kind, and the general views of our Committee with reference to the investment of such a fund and a recommended investment plan.

It is obviously not practicable for the Committee to have frequent meetings, nor to be in day to day touch with the investment program. We believe, however, that the procedure suggested will accomplish every necessary purpose looking to the safe investment of the fund and the accomplishment of the desired results.



April 27, 1948.

We wish to acknowledge our appreciation of the assistance of the Comptroller and of the Staff Benefit Committee for the help rendered us in the consideration of these matters.

Respectfully submitted,

Jacques Rueff

Ivar Rooth  
Members of Committee

Leslie R. Rounds  
Representative of one member  
of Committee

Honorable Trygve Lie,  
Secretary-General,  
United Nations,  
Lake Success, New York.

LRR:CS

Enc.