BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date April 15, 1947

To Chairman Eccles

Subject: Bill to reincorporate Export-Import Bank

From Mr. Knapp

RBK

The Senate Banking and Currency Committee is about to open hearings on a bill (S.993) providing for the reincorporation of the Export-Import Bank as a Federal corporation and for certain other amendments to the Export-Import Bank Act of 1945. This bill is of a routine nature, but I think you should know of its existence.

The Export-Import Bank is now a Government corporation incorporated under the laws of the District of Columbia. For technical reasons, it is now thought desirable to change it into a Federal corporation to continue through June 30, 1953. Its life could be further extended by Congressional action, and the bill specifically states that the Bank may acquire obligations or assume liabilities maturing after June 30, 1953.

You will recall that the Bank's capital consists of 1 billion dollars in capital stock held by the Secretary of the Treasury, plus additional sums up to the amount of its total lending authority to be provided by the Treasury against the Bank's obligations. At the present time the Treasury charges 1 per cent per annum on funds advanced against such obligations (the same rate as charged to other Government corporations, e.g. the R.F.C.). The new bill provides that in the future the rate of interest shall be fixed by the Secretary of the Treasury "taking into consideration the [then] current average rate on outstanding marketable obligations of the United States" (at present 1.85 per cent). This change makes no significant difference, except that the Bank's earned surplus will not grow as fast as it would have otherwise.

The bill also provides that the net earnings of the Bank after "reasonable provision for possible losses" should be used to pay dividends on the 1 billion dollars of capital stock. At present the Bank is not required to make dividend payments and in practice it has been accumulating all of its net earnings in earned surplus (now amounting to 44 million dollars). The Bank does not much like the new provision, which was inserted at the request of the General Accounting Office, since it is so difficult to determine what is a "reasonable provision for possible losses". For the present at least, I understand that the Bank will simply continue allocating all net earnings to earned surplus.