



TREASURY DEPARTMENT

WASHINGTON

JUN 23 1947

Dear Mr. Martin:

Reference is made to Public Law 89 - 80th Congress, an Act "To provide for the reincorporation of Export-Import Bank of Washington, and for other purposes", approved June 9, 1947.

Section 2 of this Act amends the Export-Import Bank Act of 1945, as amended, with respect to the interest rate on the Bank's obligations by deleting the provision that such obligations shall bear such rate of interest as may be determined by the Board of Directors of the Bank, with the approval of the Secretary of the Treasury, and substituting in lieu thereof a provision that each such obligation shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the obligation of the Bank.

It appears that this provision for changing the rate of interest on obligations issued by the Export-Import Bank to the Treasury has been enacted in line with the recommendation of the President in his Budget Message of January 3, 1947. The President recommended that Government corporations engaged in revenue-producing programs be required to reimburse the Treasury for the full cost to it of money advanced to them and stated that interest paid on borrowings from the Treasury be based upon the current average rate on outstanding marketable obligations of the United States.

In accordance with my letter of October 24, 1946, the Treasury has been purchasing promissory notes of the Export-Import Bank maturing on December 31, 1951, bearing interest at the rate of one per cent per annum. However, in accordance with the terms of that letter the Treasury's agreement to purchase subsequent issues of notes issued pursuant to the resolution adopted October 2, 1946 by the Board of Directors of the Export-Import Bank may be terminated upon notice to the Bank. Accordingly, you are advised that the Treasury will not purchase any further notes of the Export-Import Bank after June 30, 1947 with interest at the rate of one per cent per annum and will purchase additional notes prior to June 30, 1947 solely for the purpose of enabling the Bank to meet its net cash disbursements during the period ending on that date.



The Treasury will be glad to purchase notes of the Export-Import Bank subsequent to June 30, 1947, bearing a rate of interest in line with the current average rate of interest on the outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of the obligations of the Bank. The current average rate on outstanding marketable obligations of the United States as of May 31, 1947 was 1.863%.

It is suggested that such obligations bear interest at a rate equal to the average rate on outstanding marketable obligations of the United States as of the last day of the month preceding the issuance of such obligations; except that where such average rate is not a multiple of one-eighth of one per centum, the rate of interest of such obligations shall be the multiple of one-eighth of one per centum next lower than such average rate. On the basis of an average rate of 1.863% as prevailed on May 31, 1947, the rate of interest to be borne by the Bank's obligations purchased by the Secretary of the Treasury would be 1-3/4%. This would avoid frequent changes in rates of interest borne by the Bank's obligations, and in the opinion of the Treasury will comply with statutory requirements.

I shall be glad to discuss this matter with you or to consider any comments which your Bank may desire to submit with respect to the interest rate on obligations to be purchased by the Treasury subsequent to June 30, 1947. The obligations of the Bank which may be held by the Treasury on that date will, of course, continue to bear their present rate of interest, namely one per cent, until maturity on December 31, 1951 or until their earlier retirement.

Very truly yours,

(Signed) JOHN W. SPYDER

Secretary of the Treasury

Honorable William McC. Martin
President, Export-Import
Bank of Washington
Washington 25, D. C.