Foreign Bond Issues in European Markets

1. Introduction

The reconstruction in New York of an international market to handle bond issues launched by governments, public bodies and foreign firms, which seemed to be proceeding vigorously, suddenly encountered some months ago an obstacle that has raised the question of whether this market could survive. After the presentation of the project to introduce an "interest equalization tax" in the United States, the argument has been heard on both sides of the Atlantic that responsibility for continuing the work started in New York should be shouldered by Europe. What is meant by this is extremely vague, since at present it is impossible to speak of a "European capital market", nor on the other hand has any indication been given of the ways in which such a market might be developed.

The present study shows — I hope convincingly — that only by a reorganization of the markets, a revision of certain directives now being followed in monetary and financial policy, and the introduction of new formulas for bond issues will Europe be able to fulfil, in the interest both of itself and of third countries, the function of an international financial centre.

I must point out, on the other hand, that the conclusions reached in this study are not in accord with the ideas of those who consider that the development of a European capital market requires the convergence of international demand for and supply of capital towards one of the existing markets, while the others would retain purely domestic functions. I believe, on the contrary, that study of the variety of structures and policies that can be seen in the various European markets should lead to the conclusion that the development of international issues must be based on the establishment of the closest possible links between existing national markets and on the expansion of capital flows between those markets, and not necessarily on a gradual decline in relative importance of the majority of them to the benefit of a dominant centre.

This article will in the first place therefore touch on some structural problems of the European Economic Community countries' capital markets, with particular reference to the functions of institutional investors. Subsequently an examination will be made of the conditions necessary for establishing closer links between the European markets, so as to enable issues to be placed on a broader basis than that offered by the individual markets. Finally, techniques recently developed for issuing international loans will be examined, several problems arising from the use of those techniques will be outlined, and means suitable for furthering the evolution now in progress will be indicated.

2. The size of the European markets

The debate on the future of the European markets flared up as a result of the speech that Mr. Dillon, the U.S. Secretary of the Treasury, made at the meeting in Rome of the American Bankers' Association in May 1962. In emphasizing how legal and institutional restrictions and an insufficient development of machinery for placing new issues prevented Europe's saving potential from being efficiently used, Mr. Dillon argued in his speech that all this placed an excessive burden on the New York market. This, in fact, was compelled to absorb a volume of issues which could better have been divided out, in the interest of a better balance between the United States and Europe, provided that our continent's capital markets had been able to fulfil their functions in a less restrictive climate than the one then prevailing.

Certain "paradoxical" features of European issues on the New York market have been analysed by various writers (1): if one can speak of a paradox, it is certainly not however from the point of view of the advantage that individual issuers and investors find in operating on the New York market, but rather in connection with the policies followed by European governments, which in

(1) Cf. P. B. Kenen, "Towards an Atlantic Capital Market", *Lloyds Bank Review*, July 1963; R. F. Gemmill, "New Foreign Bond Issues in the U.S.", *F.R. Bulletin*, May 1963; N. Samuels, "The Investment Banking Background of Issuing and Marketing Foreign Securities in the United States", Address delivered at a conference on Legal Problems of International Financing at the Yale Law School, March 1-3, 1962.

practice contributed to forcing the issuers of certain markets to have recourse to the New York market's mediation in order to mobilize capital that was not of American but of European origin. I do not wish however to reopen a discussion which has already made clear the bases on which relations between the New York market and Europe, as regards new issues, were being established. The question that interests us here is to ascertain to what extent and on what terms success can be achieved — particularly within the framework of the European Economic Community — in providing firms and bodies of member countries and third countries with issue-placing opportunities such as would meet urgent needs for capital and not cause too many regrets at the disappearance of the facilities New York used to offer.

The first fact to examine is the "underdevelopment" of the European markets. Any comparison in quantitative terms of the size of the markets for new issues in the six Community countries, the United States and Great Britain encounters very serious conceptual and statistical difficulties (see Table I). Nevertheless, it becomes clear — even when use is made of data so debatable as the global volume of new issues in the various countries, which take no account, for example, of the adjustments that should be made in order to distinguish recourse to actual savings from the placing of issues with monetary bodies — that while the Six's capital markets as a whole reach a size still below, it is true, that of the United States' market, they will be able to approach it if their recent development rate suffers no substantial check.

Again, if a comparison is made of the ratio of net issues on the capital markets to formation of saving respectively in the Community countries, Great Britain and the United States, no impression is received on the whole that issue activity in the two latter great markets has reached such a point of greater development as to mobilize saving to an extent proportionally exceeding what happens in continental Europe (see Table II). If more significant conclusions are to be drawn, statistical series longer than those currently available are necessary, and primarily series adjusted by the highly important variations introduced under the issue policies adopted by the governments in the different countries (2).

(2) After the present study had been completed, the U.S. Treasury Department sent to Congress a document entitled "A Description and Analysis of certain European Capital

It must further be stated that immediately the data concerning each of the Community member countries are examined, it is realised that the considerations just advanced on the size of the "European market" can at most serve as indications of future developments. In fact, if the total of new issues has increased between 1958 and 1962 at an average annual rate of 8.4 per cent, evolution within each individual country has differed greatly and in some cases has been downright conflicting. The vigorous development of markets in Italy and Germany has not been matched in France, the Netherlands and Belgium where the trend has been rather uncertain. Actually, each market seems to be governed by factors quite of its own; their sometimes erratic behaviour, even in face of a steady development of savings, is explained by the very fact that they are relatively modest-size markets, but I also believe that this behaviour shows that it is a case of markets that have not yet reached a stable adjustment and the fragile structures of which feel particularly severely the effects of the repercussions of monetary, financial and fiscal policy measures.

3. Imperfection of the markets and cost of capital

If a competitive market in the classical sense is taken as the basis of comparison, that is, a market in which the "atomistic" structure both of demand and of supply enables an equilibrium to be found with the minimum changes in the volume of transactions and interest rates, then it is easy to gather how "imperfect" are the new issue markets in the Community countries and what therefore are the reasons for their irregular behaviour.

I cannot within the space of this study pretend to examine in detail the structural problems of these markets: I would like only to focus attention on three particular problems which illustrate how none of the Community markets can truly describe itself as an "integrated" market, even on the purely domestic plane.

Markets", which contains not only a detailed analysis of some of the principal European capital markets (the Netherlands excepted) but also some general comments and several comparisons with the American market. The comparisons instituted within this context are based on criteria differing from those adopted here, and they therefore give different results. I consider however that the type of comparison presented above is probably of greater significance in connection with the analysis of the problem that interests us here.

The first point with which I should like to deal concerns the particular role played by public sector issuers in each of these markets, whether they be the government itself, local bodies or financial institutions controlled by public powers. Table III illustrates this phenomenon, especially if attention is concentrated on new *bond* issues, in a way clearly evident for some countries and only indirectly shown in the case of others. For example, a characteristic phenomenon — the most evident case is the change in the French market's structure from 1958 to 1959, which was maintained in subsequent years — is that when public sector issues diminish, the global volume of fixed-interest security issues also contracts. This may result from various causes: it may be that public sector securities and private sector securities are but little interchangeable, in which case it must be asked whether that phenomenon is caused by the preferential status given to the former; it may also be that the private sector issues are subject to actual rationing; it may be, finally, that the public powers can vary within wide limits the size of the market so as to adapt it to their own needs, by requiring, in practice, that given investors should buy their issues, or even by placing these with money-creating institutions, in which case the recourse to savings is only apparent. In fact, it can be stated that these three kinds of causes, together with others, all concur: at all events, the government, either to provide for its own financial needs or to canalize resources gathered on the market through government-controlled institutes towards uses which are regarded as of prime importance, exercizes a predominant influence on the capital market (3). Recourse to the capital market takes place in large measure therefore under the control of the authorities and within the limits determined by political choices and not by market factors.

The second point that deserves emphasis is the activity of institutional investors on the capital market. As far as new bond issues are concerned, it is known that features such as breadth, stability and low cost of placing issues which are typical of the more developed markets are directly related to the importance of the role played by bodies that collect savings and canalize them into security investments. Any analysis of the degree of "institutionalization" of savings in the European countries encounters formidable difficulties, from both the conceptual and statistical

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(3) For a deeper analysis, see the Report of the Bank of Italy for 1961, pp. 60-70.

points of view and, for that matter, is outside the scope of this study. Nevertheless, an indication can be provided, in general terms (see Table IV), that funds gathered by the insurance and social security institutions on the one hand and by the savings banks on the other hand, taken as percentages of the total savings of private investors and companies, are of greater importance in Germany and the Netherlands than in France and Italy. On the other hand, in all these countries with the exception of the Netherlands, the savings banks collect a mass of funds considerably larger than that which flows to the insurance and social security institutions, which normally are more qualified to take an active interest in security investments. But these institutions, for that matter, put only a relatively modest part of their technical reserves into bond investments, except in France; here, however, the regulations with which they have to comply compel them to allocate at least 50 per cent of such funds to purchasing public securities and comparable issues. Here there is an evident contrast with Great Britain, where the insurance companies enjoy a freedom to invest their reserves such as is practically unknown in the other European countries (with the exception, perhaps, of the Netherlands). This helps to explain to some extent the underdevelopment of life insurance in the other Community countries as compared with the Netherlands (see Table V), a phenomenon that naturally has other deeper causes, linked with the organization of social security as a whole. The situation is reflected in the data — unfortunately far from satisfactory — which show the contribution made by institutional investors and, in particular, insurance companies, to the placing of new issues. From these data — which are restricted to Germany, Italy, Belgium and the Netherlands — it appears that only in the market of the last mentioned country do the insurance and social security institutions provide a really substantial outlet for new issues. A feature of the German, Italian and Belgian markets over a good part of the years considered is, instead, the importance as buyers of private investors and firms on the one hand and of the banking sector proper on the other hand (see Table VI).

On this point it is difficult to draw from the scanty data available any sufficiently sound conclusions: what seems to be clear, however, is that on the whole the markets of the Europe of the Six, excluding perhaps the Netherlands, lack the stability which the London and New York markets possess as a result of the regular

contributions made by important flows of savings through institutional investors. This can partly be linked with a certain preference for liquid assets displayed by the public in some European countries, but also with the very limited appeal of institutional saving. As regards the latter, it is clear that the problem does not originate only in the fear of monetary risk but also in the fact that regulations governing investments by insurance and social security institutions are still marked by highly restrictive criteria, originally connected with the protection of savings but often surviving as a convenient means of canalizing savings towards the public purse: in these circumstances those institutions obviously find it very difficult to offer savers attractive forms of insurance.

A third factor that contributes to the lack of internal homogeneity of a large part of the European markets is the fiscal one. The two types of taxation applied to new bond issues (that is, the direct tax on interest distributed to bondholders, which in some countries is borne directly by the issuers, and the indirect tax in the form of stamp duties) are often marked by criteria and collection methods which seriously harm the functioning of markets. In the first place discriminatory treatment is sometimes encountered as between public issuers, who bear few or no charges, and private issuers for whom, instead, the fiscal factor means a considerable increase on issue costs. On the other hand, concentration of taxation on particular forms of recourse to the market stimulates borrowers to seek other forms of raising capital — on the domestic market or even abroad — to the detriment of the bond market. The effects of the tax on bond issues in west Germany provide a typical example of this phenomenon. In other countries again, firms find it in their interest to obtain funds from government-controlled banking institutions rather than have direct recourse to the market, just because of the fiscal advantages enjoyed by those institutions.

Comparisons that can be made between the cost of money obtained through long-term bond issues in the case respectively of the public sector and of private industries, and comparisons between the yield from bonds to the buyer and the cost for the issuer, reflect some effects of the aforementioned imperfections of the markets only approximately. If, in fact, they highlight certain aspects of tax discrimination, they can, instead, show only indirectly the difficulties which the private sector issues can encounter because of the regulations affecting institutional investors. The commissions received by the issuing consortia in Europe, which are generally far higher than in the United States and Great Britain, reflect, at least in part, the greater cost of placing which results from the factor just mentioned and can be regarded on the whole as an indication of the markets' shortcomings (4).

4. Conditions of a "European market" to handle foreign issues

The differences in costs of and yields from bond issues which are to be seen when comparisons are made on the international plane illustrate the effects of the markets' isolation from one another, in addition to the lack of internal homogeneity in each of them. I have had the opportunity of indicating elsewhere (5) how in addition to the more obvious causes of isolation, i.e., exchange controls and the uncertainty arising from the risk of changes in monetary parities, a host of other factors — partly legislative, partly institutional and partly psychological — seem to show that the formation of an integrated international market for new issues is still a long way off. Until the "imperfections" of the individual national markets are mitigated, it can hardly be expected that markets where relatively liberal regulations are in force will do nothing to defend themselves against the repercussions of measures that can be introduced in markets marked by a rigid rationing of issues and a canalization of savings in accordance with directives decided by the public powers. As a first step, it is necessary to re-establish a more competitive situation in certain markets by means of internal reforms. These reforms should include greater efficiency of internal machinery but at the same time must take account of the longer-term objective of integration on the international plane.

(4) See in this connection the "Lorain Committee" report (*Rapport présenté au Ministre des Finances et des Affaires économiques par le comité charge d'étudier le financement des investissements*), p. 49. Attempts to compare the various cost elements of issues, the differences between yield for the buyer and cost for the issuer and the differences in cost respectively as between public and private issuers on the one hand and between national and foreign issuers on the other hand, have been carried out by Bröker in *Kapitalzins und Emissionskosten in Westeuropa und Nordamerika*, Bank-Betrieb, No. 3, 1963; by Kenen, *op. cit.*, p. 20; by Gemmill, *op. cit.*, p. 593; and in the *Bulletin of the Bank of England*, vol. III, No. 2, June 1963, *International Investment: the Role of Securities Markets*, Tables I and III.

(5) *Financial Markets in the E.E.C.: Prospects for Integration*, Moorgate and Wall Street, December 1963.

Recognition that the present realities of national markets can be modified only gradually certainly does not mean that today no effort should be made to find formulas that would enable certain communications to be established between them and lay the foundations for an international market (6). If these plans are to be realised, there must be, in the first place, a common conception of what is meant by an "international market" for new issues. In this connection it can be stated that two main propositions can be put forward on a theoretical level. It has been maintained by arguments that are certainly well founded (7) that an international market can be set up only in a given centre, which at the same time should supply domestic capital and act as a kind of "entrepôt" for capital of third countries, along the lines of the classical model of the London market up to the time of the First World War and of the New York market in more recent times. The advantages of this solution would of course be the economies resulting from the better organization, that is, from the special skills acquired by the financial intermediaries and from the development therefore of efficient machinery for placing bond issues.

The need for a similar centralization of transactions in one single market can however be questioned by pointing to the development of new-issue placing operations simultaneously on various markets, thanks to the formation of international banking syndicates. As to the possibility that an "entrepôt" traffic, similar to that to be seen in money markets that are also reserve centres, might develop in a given market for new issues, a similar parallelism does not seem wholly convincing. In fact, in the case of capital coming from third countries, the propensity towards long-term investment through a particular and "dominant" market is often explained by the attraction that the currency of the country in question has for investors as well as by the breadth of the market and by tax considerations; these are elements other than those that are relevant to the money markets. As to what perhaps constitutes the main attraction of the centralization of transactions on a market, that is,

(6) The functions that a similarly integrated market should fulfil in the equilibrium of international payments are indicated by J. C. Ingram in *A proposal for Financial Integration in the Atlantic Community*, published in the study of the Joint Economic Committee, Congress of the United States, *Factors Affecting the United States Balance of Payments*.

(7) C. P. Kindleberger, *European Economic Integration and the Development of a Single Financial Center for Long-term Capital*, Weltwirtschaftliches Archiv, Band 90, 1963, Heft 2.

the easy negotiability of securities and the consequent stability of prices, it will be pointed out later that this characteristic can be secured also by other methods, that is, by issuing securities that are equally acceptable to the investors of various markets.

In any case, it must be stated that no conflict of principle exists between these two different ways of conceiving the machinery for integrating capital markets; there is rather a different evaluation of concrete possibilities. In fact, even those who favour centralization of the new issues on a particular market recognize that the necessary condition is that such a market should be able to provide a considerable basis of domestic savings capable of absorbing those issues, in combination, of course, as far as possible, with capital coming from third countries (8). Now, facts indicate that these conditions do not exist today either in London, where the relatively limited amount of " exportable savings " available has led to a very restrictive system as regards new foreign issues, or on the Zurich and Amsterdam markets, whose capacity to provide domestic savings is restricted by the size of the respective countries, or, finally, on the New York market which, while possessing all the necessary features on the financial and technical plane, today finds it difficult in practice to accept new foreign issues because of the introduction of the interest equalization tax. As regards the other markets of continental Europe, and in particular Paris, Frankfurt and Milan, reference has already been made to the fact that they are not in a position to perform satisfactorily the tasks that are theirs on the domestic plane: reforms so sweeping would therefore be necessary before they could usefully operate as international centres that any such possibility seems to be highly remote.

If a realistic study is to be conducted of the problem of rebuilding an international market for new bond issues, it would seem necessary to start by considering the following facts:

(a) the policies followed by the authorities in the individual national markets will continue to be essentially dominated by factors of a domestic character;

(b) none of those markets, for structural reasons or for contingent reasons that cannot be quickly eliminated, will be in a position to take over the role of financial centre of the western world;

(8) C. P. Kindleberger, *op. cit.*, p. 205.

(c) the eventuality that changes in parity may occur between the various currencies will continue to influence the choices made by private investors and financial intermediaries, who will regard securities denominated in a currency other than their own sometimes as an inflation-hedge and at other times as too risky investments, taking into account the nature of their obligations towards depositors or policy-holders.

If these are the limits within which an international market can be organized, what are the characteristics it must possess in order to fulfil a truly positive function, that is, to contribute to a better distribution of capital flows and to a reduction for issuers of the cost of money? These characteristics can briefly be listed as *breadth, stability, compatibility with the needs of international equilibrium.*

This means firstly, that one must be able to place issues of sizes at least comparable to those placed in New York in recent years, that is, between 15 and 40 million dollars. Generally speaking, this will be possible only on condition that the monetary unit in which the securities are denominated renders them attractive to a sufficiently large mass of investors and particularly that they can be purchased by institutional investors.

Secondly, the securities, once placed, must enjoy a stable market. This is a condition that largely coincides with the foregoing one, but it requires in addition that the securities can be traded on the stock exchange or at least have an active market " over the counter ", and above all that the market shall not feel unduly the effects of waves of bullish or bearish feelings in one currency or another.

Thirdly, the placing of new issues must not have disturbing repercussions on the policies being followed by the authorities in order to preserve equilibrium on the domestic capital markets. An essential condition here, however, is that such policies should harmonize with the requirements of international financial equilibrium and not, instead, aim at perpetuating conditions that in themselves could be a disturbing factor for the other countries.

It is in the light of these criteria that I would like to examine now the different solutions that are commonly put forward today for the development of an international new-issues market.

These solutions can be grouped in five main categories, according to their technical features:

— admission of foreign firms and bodies to the individual national markets, within the limits indicated by the authorities, their issues being denominated in the currency of the country where they are launched;

— issues placed simultaneously on various markets and divided into *tranches*, each denominated in the currency of the country where the *tranche* is placed;

— issues characterized by clauses that enable the bearer, when interest is paid or the securities redeemed, to choose between two or more currencies (exchange option);

— issues on a given market of securities denominated in the currency of a third country and intended for placing largely in other third countries;

— issues denominated in " European Units of Account ".

5. Liberalization of foreign issues on the individual national markets

The first solution — a gradual opening of national markets — corresponds in practice to the actual situation of recent years. It is hardly necessary to repeat that today, in practice (with the exception of Germany, which is of little significance so far in view of the high level of this market's rates), free access for foreign issuers is not permitted to any country's market. The obstacles preventing this access may be of a general character or consist of case-by-case licensing. Among these obstacles may be mentioned controls exercized within the framework of foreign exchange regulations, controls on capital issues in general, controls on eligibility for purchase by financial intermediaries. and controls on admission of securities to stock exchange lists. It is obvious that the national authorities, by using such a set of instruments, can ensure that the admission of foreign issuers to the market shall not constitute a disturbing factor for their particular policies; for that matter, such issues can even be used as instruments of domestic monetary policy, for example, to absorb excess liquidities.

It cannot be denied that some progress has been registered in recent years in spite of such a total subordination of international to national needs. But it is more difficult to show that the authorities of certain countries — where for example there has been a rapid accumulation of foreign exchange reserves and a corresponding increase of internal liquidity — have done all they could to take advantage of the openings offered for international collaboration in the field of issues. As a matter of fact, the present system does not elicit " equal efforts " from all, and there is no guarantee of orderly but constant progress, the result being that the countries more inclined to adopt a liberal attitude likewise find themselves checked by the fact that the restrictive attitude of others threatens to bring a disproportionate pressure on their market.

It therefore seems necessary that in order to blend domestic requirements with a certain internationalization of the new issues market, two pledges must be made by member countries within the economic cooperation bodies on the European plane: the pledge to create quickly conditions which shall ensure that foreign issuers admitted to the market by an explicit decision of the authorities be placed on a footing of equality with the national issuers; the pledge to fix an annual quota within the limits of which foreign issues would be admitted. This quota might be based, for example, on such yardsticks as the volume of issues on the domestic market and the trend of foreign exchange reserves, and it should be subject to gradual expansion. Of course, the fixing of such quotas would constitute only a general indication and would not prejudice normal procedures applying to domestic issues, procedures intended to ascertain the standing of the issuer and to ensure a balanced distribution of new issues over a period of time.

If those pledges were given, the present system would suffer the minimum of disturbance and progress would undoubtedly be made. Nevertheless, it must be remembered from the technical point of view that such a solution would not be satisfactory when judged by the two criteria mentioned above of breadth and stability of markets.

6. Issue of loans sub-divided into *tranches* expressed in different currencies

Access to a larger mass of savings could be secured by recourse to the second technique already mentioned, that is, to loans placed simultaneously on different markets and sub-divided into different *tranches*, each denominated in the currency of the country where it is placed. This proposal, as is known, was put forward in

October 1963 by Hermann J. Abs (9) and it concerns a method that has never been put into practice during this last postwar period, at least in its " pure " form.

In these issues allowance would be made for the differences in the rate levels ruling on the different markets by varying the issue price, while the nominal rate of interest and other features of the loan would be uniform for all *tranches*. In this case, however, would not the problem arise of preventing subscriptions from being concentrated on the *tranche* that offered the highest yield? Those who support the proposal say no, and they point out that experience has shown — the example often cited is that of two 15-year issues in Switzerland and Germany in 1959 by the International Bank for Reconstruction and Development, in, respectively, Swiss francs and German marks — that practically identical securities can show on two markets widely different yields without the arbitrage, which is quite free in the case cited, cancelling out the difference. The reason is plainly the importance attached by buyers to the currency in which the securities are denominated: this in turn may depend on the restrictions already mentioned which prevent institutional investors from buying to any noteworthy extent securities denominated in foreign currencies. On the other hand, it may also be an indication of the respective prestige of the different currencies in which the *tranches* are denominated. Here is precisely one of the more difficult problems raised by this formula, that is, the fact that it throws into prominence any speculative movement affecting this or that currency by means of price fluctuations of the securities belonging to the various *tranches*. It would in fact be only logical for an investor possessing bonds of the *tranche* denominated in currency A to trade these in exchange for identical bonds in currency B if he considers that a devaluation of A or a revaluation of B is likely to occur at a certain moment. The fluctuation in prices that would consequently result might embarrass the authorities of the two countries.

Another factor to be considered, if the issue is to be offered to the general public, is the need to obtain simultaneously an authorization from the authorities of different countries and to observe the legislative and administrative regulations in force in each of

(9) *Die Banken in der Europäischen Zusammenarbeit*, X. Deutschen Bankiertag, München, October 14, 1963.

them. In view of the present differences in these regulations as between countries, it may be asked whether in practice the result might not be the flotation of a series of loans having similar general features but actually quite distinct one from another because of a host of features which are accessory in themselves but important as a whole. An important disadvantage on the technical level would arise from the fact that, if the various *tranches* are really to possess identical characteristics as regards duration, redemption formula, payment of interest and so on, then the particular preferences that different markets customarily display in these matters cannot receive consideration. In addition, as the placing must be simultaneous, it would be difficult to ensure that the issue took place at the most favourable moment in all the markets that were used.

As regards the position of issuers, if they accept the principle of shouldering debts in a foreign currency, it is clear that this issue-technique, which enables them to reduce the exchange risk by spreading it over various currencies, would not present any particular difficulties.

It can be said that, if this formula taken as a whole offers certain possibilities, it is not devoid of problems, in view of the complexity and cost of preparing a new issue that should satisfy all the requisites of the different countries concerned. It therefore seems suitable only for operations involving very large sums, for which a very wide circle of investors must be reached. On the other hand, the limited size of some of the markets that would be formed for the various *tranches* of any one loan, and their vulnerability to speculative factors of a monetary character, might make the prices of such bonds very unstable.

7. Issues with exchange option

Stability and uniformity of prices on the various markets ought, instead, to be a prime feature of loans with an exchange option, which give bondholders the right of requesting — normally with only a few days' notice — payment of interest and amortization in one or more currencies different from that in which the securities are denominated, at an exchange rate based on the parity existing at the time of issue. Investors, in fact, would have no reason for anxiety over fluctuations of one or other of the currencies included in those for which there was an option, since they would be able at any moment to choose the most advantageous one for them.

A certain number of loans with exchange option between dollar and German mark — sometimes extended to other currencies like the Dutch florin and Belgian franc — have been issued in recent years by international banking syndicates. The formula is notably attractive to investors in virtue of the protection it offers against exchange risks: moreover, such bonds should be regarded as bonds in their national currency by institutional investors of the countries whose currency is included among those on which the option can be exercised. With some of the issues in question, it was even possible, too, for the investor to choose, at the time he subscribed, securities denominated in one or the other currency (10). In this way there was a combination of the issue formula *by tranches* and the simple exchange option formula, a combination which possesses the advantages of both formulas as regards the placing possibilities while avoiding certain complications and the risk of market instability typical of the first.

The other side of the coin is obviously the fact that the exchange option may prove to be a very burdensome clause for the issuer: here the normal risk run by any issuer of foreign currency securities — that of seeing his debt in his own national currency increased because of a possible devaluation of the latter — is multiplied rather than split as in the preceding formula. Although only of limited importance, the 5 per cent increase in their debt, which the issuers of loans carrying an exchange option in German marks and Dutch florins have had to bear following the revaluation of these currencies in 1961, is one example of the unpleasant surprises that this formula can involve. The development possibilities of this formula therefore depend on the extent to which the cost could be reduced compared with other issues, in such a way as to compensate the issuer for the greater risks he has to bear.

(10) This was the case with the "Fond des Routes" 1960 and the Société Nationale des Chemins de Fer Belges 1961 loans, issued by consortia managed by the Banque Lambert; with both these loans the bonds could be denominated in either dollars or German marks, at the bearer's choice, and he retained the exchange option between the two currencies during the entire life of the security. This problem is, of course, a purely formal one, but it can become of some importance in the regulations of several countries.

It is thus legitimate to ask whether the harshness of that clause could not eventually be mitigated by making it impossible for the bondholder to profit by any revaluation of one of the currencies considered; in this way, none of the essential features already mentioned would be lost, while the objections of issuers to shouldering the serious risks of the pure and simple exchange option could be overcome. We shall see how the "account unit" formula described further on is exactly an attempt to find a solution for this problem.

In connection with this formula I have not referred to the problems it can raise for countries whose currency might be included in the exchange option, without the national authorities being able to exercise an effective control over the drain on their own market by means of such issues: these problems emerge more plainly in the other formulas now to be examined and I propose to deal with them then.

8. Dollar or Swiss franc issues on third country markets

In a position equally advanced technically towards internationalization of new issues are certain operations in which the concept of "market of issue" takes on a very hazy form, almost to the point of losing its essential features. I am referring to the issues denominated in dollars and Swiss francs which have been placed outside respectively the American and Swiss markets by international banking syndicates organized by English and Belgian banks. Examples of such operations were already to be seen before the American measures of July 1963, but their number and importance have rapidly been increasing since then. The practical reasons for such operations are evidently to be found in the following facts: in the first place, an important part of the normal foreign issues in dollars in New York (like, for that matter, of those in Swiss francs in Zurich) used to be subscribed by residents of other countries, especially by residents of the country where the issuer had his headquarters, currency and tax considerations being evidently of fundamental importance for European buyers, as the yield from these issues was not in itself a sufficient incentive; in the second place, issues on the New York market laid upon the issuer the obligation to comply with the burdensome documentation formalities of the Security and Exchange Commission, a task which issuers would have been very happy to avoid (11). Hence it did not take long to reach the conclusion that, in view of New York's temporary withdrawal from the field of new issues for foreign account, a market existed in Europe to be exploited for issues in currencies particularly sought after by investors. As for issuers, the simplification of formalities could compensate to some extent for the higher cost of money on European markets.

The fundamental characteristic of such operations is, then, the denomination of securities in dollars (or Swiss francs) and their placing with buyers resident in third countries. As indicated above, the concept of " market of issue " becomes in this case an extremely vague one, since the various elements of such a concept, which are generally grouped together, are here scattered to such a degree that it has been possible to speak in these cases of " issues in London " only because the issuing consortia were generally managed by English banks. As to the other elements, instead, the quotation is certainly asked for at London and Luxembourg, but actually the London quotation has almost a symbolic character in view of the high cost of operations on that market; the subscription for and delivery of the securities take place in Luxembourg, for tax reasons among other things; the financial service is effected in the principal European centres as well as, frequently, in New York; the laws that govern relations between the issuer, the consortium and the bondholders are those of the issuer's country, or those of Luxembourg; last but not least, the securities are always placed with residents of countries other than Great Britain, where the premium that has to be paid to obtain investment dollars makes the purchase of such securities of little interest.

In this connection, it is as well to clarify a point that has often led to misunderstandings. It has sometimes been stated that those loans are subscribed for in Eurodollars, and certainly if this meant simply to indicate dollars that are held by non-residents of the United States, then the term is a convenient one to which no objection can be taken. If, on the other hand, the meaning is that the loans are placed on the Eurodollar market in a narrow sense, that is, on the market where dollars that do not belong to Americans are deposited and invested at short-term, and essentially between

(11) Cf. E. Nevin, *Reflections on the N.Y. New Issue Markets*, Oxford Ec. Papers, vol. 13, No. 1, February 1961.

banks, thus implying that the financial intermediaries are using short-term funds for financing purchases of long-term securities, then I consider that the statement is inexact. In fact, the difference in yield between short-term investments in Eurodollars and the securities in question is not such as to invite indulgence in operations that can obviously turn out to be dangerous for the banks. While therefore Eurodollars can be used to some extent initially to facilitate the starting up of operations and give the market flexibility, it is certain that the securities are in the main placed with " genuine " investors and not financed with dollars borrowed at short maturity.

The fundamental problem that these issues raise concerns their repercussions on the situation of the countries whose currency is used as a reference currency: the complexities of this problem must be analysed separately as regards the two cases that have so far appeared, that is, the use of the dollar and the use of the Swiss franc, in view of the different basic conditions and juridical position of these two countries' residents.

In the case of the United States, attention must be concentrated on the effects of such issues on the outflow of capital which the interest equalization tax is precisely trying to stop. As a general rule, subscriptions to these securities should be of no interest to American citizens subject to the tax in question, since its incidence would lower the yield by about 1 per cent; nevertheless, it cannot be ruled out on the one hand that the tax is evaded by means of the purchase of securities with funds kept by American citizens in European banks, while on the other hand it is clear that sufficient possibilities exist for certain American investors — and particularly for companies with European branches — to buy such securities, should they so wish, without formally breaking the law. More difficult to ascertain is the effect that security subscriptions in dollars from funds belonging to non-residents have on the American balance of payments: to discover this it would be necessary to know the origin of the funds — which might come from the sale of American securities — and the alternative use to which they would have been put — for example, to buy American securities — had there been no dollar issues on the London market. It would also be necessary to know how the issuer intends to use — for purchases in the United States or elsewhere — the dollars received, and, finally, what would be the policy of the central bank that might eventually receive those dollars. On the whole, however, the effects of the development of such dollar issues are unlikely to be positive for the American balance of payments: at best they could be simply neutral.

In the other case of issues in the currency of a third country, that is, Swiss francs (12), the controversy has centred on the effects of such operations on the situation of the capital market, on the Swiss foreign exchange market and on the international status of the Swiss franc. As to the first point, it cannot be doubted that the issue abroad of loans in Swiss francs on conditions more favourable to subscribers than those in force for similar loans on the Swiss market cannot fail to have effects on the situation of the latter, the more so that Swiss residents can subscribe on an equal footing with the residents of other countries, unlike what happens in the case of American residents, who are penalized by the tax already mentioned. Of course, the question naturally comes to mind whether the restrictive policy followed by the Swiss authorities in the field of foreign issues on their market can be maintained in the long run, in face of a continually expanding unsatisfied demand, in view of the fact also that the capital available for subscriptions to such issues is itself largely of foreign origin. In other words, it is to be doubted whether a country that follows a policy of relative freedom as regards capital movements can isolate the domestic level of interest rates from that ruling on the other markets.

The second argument put forward against such operations is that they disturb the foreign exchange market at the time the subscription is made: here it will suffice to state briefly that the agreement reached between the issuer and the National Bank of Switzerland in the case of the Copenhagen loan (13) shows that methods do exist for obviating this drawback; for that matter there is nothing to prevent the central bank from intervening on the market in such a way as to moderate any fluctuations in the quotations of its own currency.

There remains the concern expressed by the Swiss authorities regarding a more extended use of the Swiss franc as an international

(12) The sole example is the loan floated in the autumn of 1963 on behalf of the city of Copenhagen by a consortium of banks managed by Morgan, Grenfell & Co., of London.

(13) "Zur Kopenhagen Anleihe", in *Zeitschrift für das Gesamte Kreditwesen*, Heft 23, 1963.

currency: this concern cannot relate to its use as a "reference currency" but presupposes that when securities are redeemed or interest paid on them, liquid assets in Swiss francs gradually accumulate in the hands of third parties and could in certain cases constitute a factor of instability. Even if this is theoretically possible, it is far from being probable because the Swiss franc would be of interest as a reserve currency only if there existed a wide range of short-term investment possibilities for such assets, which is certainly not the case today. In any case, the formation of those liquid assets would simply mean that Switzerland would need to accumulate larger reserves in gold and foreign currency — something that would happen automatically.

In conclusion, it can be stated that even if such loans may present certain drawbacks for the countries whose currency is used, the most serious problem is that the breadth and stability of the market for such securities are strictly dependent on the prestige on the international plane of their monetary yardstick. Further, since for the buyers it is a question of loans in foreign currency, these can be included only to a limited extent in the institutional investors' portfolio. Dollar loans will thus enjoy a far less wide market than was the case with the loans that were floated in New York and there is no doubt therefore that if this market should again become accessible, issues in dollars on the European markets would suffer a rapid decline.

9. Issues expressed in European Units of Account

Loans issued in "European Units of Account", since their first appearance in 1960 at the initiative of a Belgian bank, have become sufficiently well known on the international markets as to make a detailed analysis of their origin and technical features superfluous (14). It need only be recalled that the essential character of the European U.A. — which is of course a monetary yardstick used for measuring the contractual obligations arising from a loan, but is not a means of exchange — is that of attempting to stabilize

(14) See F. Collin, "The Formation of a European Capital Market", 1964; for a critical analysis that reflects a Swiss point of view, see "Ausländische Anleihen in Rechnungseinheiten", *Neue Zürcher Zeitung*, November 22, 1963.

as much as possible in a loan agreement the respective obligations and rights of the parties involved. The U.A.'s value is defined in terms of a gold weight, with which the 17 " reference currencies " — which are those of the countries forming part of the former European Payments Union and do not include the dollar — are linked through their gold parity as communicated to the International Monetary Fund. Nevertheless the U.A.'s value can change if the gold parity of all the reference currencies should change, provided that at least two-thirds of the currencies have moved in the same direction. In this case the U.A.'s value varies to the same extent and in the same direction as the currency — belonging to the " two-thirds group " — which has suffered the smallest percentual variation in comparison with its original gold parity (15).

In substance, the bondholder therefore enjoys not a gold guarantee — which would be illegal in some countries and burdensome for the issuer, given that a general revaluation of gold cannot be ruled out — but an exchange guarantee in terms of the most stable currency among those forming part of the group considered. It is almost superfluous to emphasize that the rules determining the respective value of the U.A., and the reference currencies do not affect the use as a means of payment of any currency of the group, and that the bearer will normally request the servicing of the securities in his own currency.

In the case of the bondholder the protection offered by the U.A. seems to be fully satisfactory, though he certainly there misses the windfall gain that could be obtained in the case of revaluation of one of the currencies included in an exchange option loan. Nevertheless, the U.A. formula enables the holder to consider his credit as equivalent to a credit in his own currency (16), added to which is the protection provided by the exchange guarantee against the case of an isolated devaluation of

(15) This definition — here given in concise form — differs in some respects from the formula used for the first loans, a formula that has been altered so as to take into account particular problems that might arise at the time of the U.A.'s adaptation. Other changes have been introduced to solve certain problems connected with the fact that at the time the subscription is paid or when the interest or redemption payment becomes due, the ratio of the market exchange rate to gold-parity might be different for the various currencies.

(16) Except for the *lucrum cessans* in the — fairly improbable — case of revaluation of his own currency in relation to at least two-thirds of the others, without change in the value of the U.A.

this currency. Here is therefore a type of investment that should also suit institutional investors who have commitments expressed in national currency towards their depositors or policy holders. This factor, together with that just mentioned, makes it possible for the market in U.A. loans to function — barring particular obstacles raised by the laws of any country — as a market effectively integrated throughout the monetary area that was covered by the former European Payments Union. This market should be particularly stable, as isolated events affecting one or another of the currencies could have no repercussions on the value of the U.A.

As to the position of those who issue loans in U.A., a distinction must be made according to whether the term of comparison adopted is a loan in national currency or a loan in one or more foreign currencies. In the first case it is clear that a risk exists that the cost in national currency originally foreseen may be increased if that currency alone should suffer devaluation or a devaluation greater than that of the other currencies composing the U.A. If, instead, a comparison is made between a loan in U.A. and a simple loan in foreign currency, or, even worse, an exchange option loan, it is evident that the U.A. formula carries a lesser risk for the issuer, who will suffer no unforeseen burden as long as his currency remains stable; in the case of the other loans, instead, he would run an identical risk should his currency be devalued, in addition to the risk of upward revaluation of the currency or currencies in which his debt is expressed.

If we now turn to the whole set of problems — relating to the effects on the state of the domestic market and on the balance of payments — already examined in connection with the dollar and Swiss franc loans, we find that the vigorous development of an international market for U.A. issues could certainly exercise some influence on the level of interest rates in the national markets. This influence would be towards an upward trend in rate levels only in the case of markets that by rationing issues have hitherto succeeded in maintaining levels lower than those current in the rest of Europe. Generally speaking, the effect would be rather a tendency towards a levelling downwards of rates, provided, of course, that present obstacles were removed; at all events, it would be an exaggeration to affirm that the state of the individual national markets would completely escape the control of the authorities.

There seems to be still less justification for the objection that as a result of being able to obtain securities in U.A. on the market there would be a reluctance on the part of investors to buy securities in national currencies, to which the U.A., with the greater protection it affords, would be systematically preferred. This argument can be briefly answered by stating that in the first place the comparison between securities in national currency and securities expressed in other currencies — assumed to be " stronger " — is already possible for investors today, since they can freely buy those securities on foreign stock exchanges; in the second place, if such a preference for securities in U.A. were really to show itself on an important scale, it would simultaneously reduce the yield from the U.A. securities, and the equilibrium of the market would then quickly be re-established.

It remains to examine the objections put forward by those (17) who maintain — since the Swiss franc is among the reference currencies and in view of the " hardness " of this currency compared with the others — that loans in U.A. are nothing but camouflaged loans in Swiss francs, and that therefore the same objections levelled against Swiss franc issues and outlined above hold good in this case. I believe it suffices to reply that, on the one hand the changes introduced in the method of subscription and interest payment in the case of some recent loans in U.A. have eliminated the particular role that the Swiss franc played in the first loans, and that on the other hand the link between the use of a currency as a reference and its use as a reserve currency, already confuted above, is still more difficult to prove in the case of loans in U.A.

In conclusion, it can be stated that the U.A. formula steers clear of most of the negative sides of the other categories of foreign issues examined in this study and epitomizes their advantages, especially breadth of market (thanks to the interest it arouses among institutional investors), stability of prices (thanks to the absence of speculative movements) and neutrality as regards policies of the authorities on national markets, each of which, because of the vast distribution of issues, would feel only a fraction of the overall effect of the flotation of a U.A. issue.

(17) See N.Z.Z., article cited.

The mechanism in question is, of course, relatively new, and can perhaps be improved: in any case, it needs above all to be given time to enable it to become an element familiar to investors, issuers, and the capital market in general.

10. Conclusions

The analysis so far developed has examined the principal aspects of the problem of foreign issues in European markets. It is now necessary to illustrate what seem to be the most relevant conclusions from the point of view of economic policy.

I feel that the urgent need to develop a more efficient market in Europe can be taken for granted: it is enough to look, with the help of the lists of issuers and figures given in Table VII, at the gap left by the temporary closing of the New York market and the present modest contribution of the European markets. On the other hand, the changes now taking place in the distribution of incomes to the detriment of self-financing compel business firms to have recourse on an increasingly important scale to the market not only as seekers of risk capital, but as bond issuers as well.

If the gradual opening of national markets is accelerated and made more efficient by introducing, in a climate of monetary stability, the measures that have been outlined above, then important steps will have been taken towards the long-term solution of the problem. However, in the immediate future the gathering of European savings by means of issue mechanism of a more international character will continue to be an important factor.

From the technical point of view the various issue formulas already mentioned do not exclude one another but are, indeed, reciprocally complementary since characteristics peculiar to each of them can appeal to particular types of investors. Nevertheless, some of them raise particular problems that could seriously compromise their future. For example, issues in Swiss francs on third country markets can now be regarded as difficult to launch in future in view of the opposition, already described above in detail, they have encountered. Equally it may be asked whether the United States will not one day express concern regarding loans in dollars floated in Europe, loans which in any case do not seem wholly in keeping with the hope expressed by Mr. Dillon of seeing a truly European capital market develop.

This objection could not, on the other hand, apply to U.A. loans which, as is known, do not include the dollar among the reference currencies, and are therefore financing instruments clearly European in character. I have already indicated that the U.A. formula, with any improvements that could still be added to it, should not raise problems of monetary policy for any of the interested countries. As to the issuers, if they at present regard the formula as being " harder " than a simple issue in dollars, I believe it can rightly be maintained that the monetary risk they would run would be less with that formula than with issues expressed for example in Swiss francs, German marks or Dutch florins, an eventual revaluation of which cannot be ruled out. In any case, the formula is certainly far less risky for the issuer than the exchange option loans that inevitably would have to be taken into consideration again if the other types of issues already examined should prove insufficient or even disappear.

The three types of issues cited in a third-country-currency, with exchange option and in Units of Account, possess in common the characteristic of evading, within certain limits, the control of the national authorities of the individual countries and are therefore sometimes regarded as a disturbing factor that serves to satisfy only the needs of investors desirous of guaranteeing themselves against the risks of a devaluation of their own currency. However, this is not the only point of view from which these issues can be considered: rather than marginal phenomena they should be regarded as the expression of the necessity to reach wider markets, by going beyond the confines of just one individual market. To enable them to fulfil such a function, the authorities must however adopt a positive attitude that will enable certain obstacles to be removed concerning exchange control, quotation on the stock exchanges and the placing of such securities with institutional investors. As a counterpart to this positive attitude, cooperation could easily be achieved between banking consortia and national authorities meeting within European monetary cooperation organizations, with the object of preventing an excessive volume of issues of an international character from upsetting the individual capital markets.

From the particular point of view of capital markets' integration within the European Economic Community, such issues can represent an important factor by fostering collaboration between financial institutions (no less than 32 banks of the E.E.C., and third countries participated in the consortium that issued the U.A. loan for the Cassa del Mezzogiorno) and developing capital flows capable of contributing to a closer alignment of interest rates on the capital markets.

On the other hand the use of these formulas by the financial institutions of the Six could be encouraged. In this connection it may be recalled that the principal customer of the European Investment Bank, that is, the Cassa per il Mezzogiorno, which acts as intermediary for loans relating to projects situated within its sphere of activity, has itself issued an important loan in U.A. If therefore European institutions were to make issues in U.A., it should not be difficult for them to conclude afterwards their own loans agreements on the same basis.

Finally, it might be considered whether the U.A., as a means of promoting the aims of European integration, should preserve its present form — which is linked with the old E.P.U. unit — or be based on a lesser number of currencies. An instrument that took into account the particularly close relations in the monetary sphere which have actually been developing within the E.E.C. could prove to be especially useful in connection with the prospect of a gradual evolution towards a monetary union.

CLAUDIO SEGRÉ

Brussels, February 1964.

TABLE I

NET ISSUES OF SECURITIES IN THE E.E.C. COUNTRIES, THE UNITED STATES AND THE UNITED KINGDOM

(milliards of dollars)

	Germany	Belgium	France	Italy	The Netherlands	Luxembourg	Total E.E.C.	United States	United Kingdom
1958	2.01	0.57	1.70	1.03	0.48	0.02 (*)	5.81	24.4	1.22
1959	2.37	0.69	1.17	1.51	0.39	0.02	6.15	15.2	0.33
1960	1.50	0.62	0.95	2.11	0.44	0.02	5.64	12.1	1.59
1961	2.52	0.56	1.37	2.08	0.31	0.03	6.87	10.0	1.15
1962	2.78	0.75	1.49	2.63	0.32	0.07	8.04	13.0	3.19

(*) Estimated figure.

Note: The data given in Tables I, II and III are drawn from the following official statistical sources:

Germany: Annual Reports of the Deutsche Bundesbank.

Belgium: Information and Documentation Bulletin of the Banque Nationale de Belgique.

France: Annual Reports of the Conseil National du Credit.

Italy: Annual Reports of the Bank of Italy.

The Netherlands: Annual Reports of the Nederlandsche Bank.

Luxembourg: General Bulletin of Statistics of the Statistical Institute of the European Community.

United Kingdom: Quarterly Bulletin of the Bank of England.

United States: Federal Reserve Bulletin.

The data refer to the proceeds from security issues net of redemptions. However, in spite of the attempt to use, as far as possible, uniform definitions, it cannot be ruled out that differences of an institutional and statistical character reduce to some extent the comparability of data. In particular, the data relating to mortgage securities, indicated whenever possible, represent a delicate problem: in fact, while their inclusion among the security issues as far the E.E.C. countries are concerned seemed to be justifiable, the characteristics of these securities in the United States and the United Kingdom lead rather to their exclusion, as has been done in Tables I and II.

TABLE II

NET ISSUES OF SHARES AND BONDS

(in % of the gross national saving)

	Currency	Year	Net issues: Shares	Net issues: Bonds	Net issues: Total	Gross National Saving	Bond Issues (in % of gross national saving)	Total Issues (in % of gross national saving)
Germany	milliards of D. marks	1960	1.90	4.39	6.29	79.4	5.5	7.9
		1961	2.19	7.99	10.18	84.4	9.5	12.1
		1962	1.51	9.63	11.14	89.2	10.8	12.5
Belgium	milliards of Belgian francs	1960	6.2	24.7	30.9	110.4	22.4	28.0
		1961	6.0	21.9	27.9	119.4	18.4	23.4
		1962	7.5	30.0	37.5	129.3	23.2	29.0
France	milliards of French francs	1960	2.37	2.31	4.68	67.5	3.4	6.9
		1961	3.24	3.56	6.80	70.0	5.1	9.7
		1962	3.95	3.43	7.38	76.7	4.5	9.6
Italy	milliards of lire	1960	495.7	825.9	1321.6	5183.6	15.9	25.5
		1961	416.8	884.6	1301.4	5967.9	14.8	21.8
		1962	608.2	1033.9	1642.1	6568.3	15.7	25.0
The Netherlands	milliards of florins	1960	0.17	1.49	1.66	12.7	11.7	13.1
		1961	0.13	1.00	1.13	12.7	7.9	8.9
		1962	0.46	0.69	1.15	12.9	5.3	8.9
United Kingdom	milliards of pounds	1960	0.34	0.23	0.57	4.6	5.0	12.4
		1961	0.44	− 0.03	0.41	4.8	—	8.5
		1962	0.26	0.88	1.14	4.9	17.9	23.3
United States	milliards of dollars	1960	1.8	10.3	12.1	91.5	11.3	13.2
		1961	2.7	7.3	10.0	90.2	8.1	11.1
		1962	0.5	12.5	13.0	98.3	12.7	13.2

Sources: see Table I.

TABLE III-A

GERMANY

(millions of D. marks)

	1958		1959		1960		1961		1962	
	Value	%	Value	%	Value	%	Value	%	Value	%
Public sector, government-controlled organizations and mortgage securities:										
— Government (1)	1,743	20.1	1,937	19.5	1,182	18.8	2,048	20.1	2,466	22.1
— Local bodies	2,237	25.9	2,141	21.5	943	15.0	1,864	18.3	1,770	15.9
— Special credit institutes	329	3.8	721	7.2	365	5.8	567	5.6	666	6.0
— Other bonds	1.6	—	− 3	—	− 0.6	—	94	0.9	398	3.6
— Mortgage bonds	1,559	18.0	2,819	28.3	2,227	35.4	3,302	32.5	3,639	32.7
Total	5,869.6	67.8	7,615	76.5	4,716.4	75.0	7,875	77.4	8,939	80.3
Private sector:										
— Bonds	1,550	17.9	613	6.1	− 376	−6.0	101	1.0	592	5.3
— Shares	1,140	13.2	1,383	13.9	1,905	30.3	2,192	21.5	1,507	13.5
Total	2,690	31.1	1,996	20.0	1,529	24.3	2,293	22.5	2,099	18.8
Foreign issuers	92	1.1	345	3.5	45	0.7	12	0.1	97	0.9
Total	8,651.6	100	9,956	100	6,290.4	100	10,180	100	11,135	100

(1) Includes Federal Government, Railways and Post Office.

TABLE III-B

FRANCE

(milliards of French francs)

	1958		1959		1960		1961		1962	
	Value	%	Value	%	Value	%	Value	%	Value	%
Public sector, government-controlled organizations and mortgage securities:										
— Government	2.20	30.8	−0.94	−16.2	−1.12	−23.9	−0.75	−11.0	−0.86	−11.7
— Other public loans	0.09	1.3	−0.07	− 1.2	−0.09	− 1.9	0.12	1.8	0.03	0.4
— Public enterprises and PTT	1.42	19.9	0.96	16.5	1.04	22.2	1.07	15.7	1.24	16.8
— Special credit institutes	0.70	9.8	1.01	17.4	0.86	18.4	1.37	20.1	1.65	22.4
of which: mortgage bonds (gross)	(0.25)		(0.25)		(0.30)		(0.35)		(0.50)	
Total	4.41	61.8	0.96	16.5	0.69	14.8	1.81	26.6	2.06	27.9
Private sector:										
— Bonds	0.77	10.8	1.63	28.0	1.62	34.6	1.75	25.7	1.37	18.6
— Shares and other securities giving varying yield	1.96	27.4	3.23	55.5	2.37	50.6	3.24	47.7	3.95	53.5
Total	2.73	38.2	4.86	83.5	3.99	85.2	4.99	73.4	5.32	72.1
General total	7.14	100	5.82	100	4.68	100	6.80	100	7.38	100

TABLE III-C

ITALY
(milliards of lire)

	1958		1959		1960		1961		1962	
	Value	%	Value	%	Value	%	Value	%	Value	%
Public sector, government-controlled organizations and mortgage securities:										
— Government	- 9.1	-1.4	287.7	30.5	122.9	9.3	- 7.9	-0.6	- 108.5	-6.6
— Local bodies	—	—	4.8	0.5	- 0.3	—	11.5	0.9	- 0.5	—
— Issues on Treasury behalf by special credit institutes	- 7.2	-1.1	51.0	5.4	39.4	3.0	143.2	11.0	170.5	10.4
— Other issues by special credit institutes	140.0	21.7	172.0	18.2	275.7	20.9	283.9	21.8	437.4	26.6
— Mortgage bonds	75.0	11.6	90.8	9.6	136.4	10.3	230.1	17.6	280.8	17.1
— ENI, IRI	152.7	23.7	82.9	8.8	59.4	4.5	115.4	8.9	60.0	3.7
Total	351.4	54.5	689.2	73.0	633.5	48.0	776.2	59.6	839.7	51.2
Private sector (1):										
— Bonds	71.0	11.0	30.0	3.2	192.4	14.5	93.4	7.2	164.2	10.0
— Shares	222.3	34.5	225.0	23.8	495.7	37.5	416.8	32.0	608.2	37.0
Total	293.3	45.5	255.0	27.0	688.1	52.0	510.2	39.2	772.4	47.0
Foreign issuers	—	—	—	—	—	—	15.0	1.2	30	1.8
General total	644.7	100	944.2	100	1,321.6	100	1,301.4	100	1,642.1	100

(1) Including issues by enterprises in which Government participates.

TABLE III-D

BELGIUM
(milliards of Belgian francs)

	1958		1959		1960		1961		1962	
	Value	%	Value	%	Value	%	Value	%	Value	%
Public sector, government-controlled organizations and mortgage securities:										
— Government	9.3	32.8	13.3	38.2	14.9	48.2	6.0	21.5	13.5	36.0
— Local bodies	5.6	19.7	4.3	12.4	4.2	13.6	3.9	14.0	6.4	17.1
— Government-controlled credit institutes	5.4	19.0	5.4	15.5	6.0	19.4	7.6	27.2	4.2	11.2
— Government-controlled enterprises	- 1.9	-6.7	3.1	8.9	- 0.7	-2.3	1.4	5.1	1.0	2.7
— Other autonomous government and social insurance bodies	2.2	7.7	2.5	7.2	- 0.4	-1.3	2.1	7.5	1.9	5.0
Total	20.6	72.5	28.6	82.2	24.0	77.6	21.0	75.3	27.0	72.0
Private sector:										
— Bonds	2.9	10.2	2.4	6.9	0.7	2.3	0.9	3.2	3.0	8.0
— Shares	4.9	17.3	3.8	10.9	6.2	20.1	6.0	21.5	7.5	20.0
Total	7.8	27.5	6.2	17.8	6.9	22.4	6.9	24.7	10.5	28.0
General total	28.4	100	34.8	100	30.9	100	27.9	100	37.5	100

Table III-E

LUXEMBOURG

(millions of Luxembourg francs)

	1959		1960		1961		1962	
	Value	%	Value	%	Value	%	Value	%
Public sector	536.4	51.1	423.1	38.4	− 84.5	− 5.5	404.7	11.9
Private sector:								
— Bonds	223.2	21.3	− 116.5	−10.6	− 9.3	− 0.6	250.0	7.3
— Shares	289.0	27.6	795.2	72.2	1,622.0	106.1	2,748.3	80.8
Total	512.2	48.9	678.7	61.6	1,612.7	105.5	2,998.3	88.1
General total	1,048.6	100	1,101.8	100	1,528.2	100	3,403.0	100

Table III-F

THE NETHERLANDS

(millions of florins)

	1958		1959		1960		1961		1962	
	Value	%	Value	%	Value	%	Value	%	Value	%
Public sector, government-controlled organizations and mortgage securities:										
— Government	29	1.6	506	34.4	595	35.9	266	23.5	− 91	−7.9
— Local bodies	642	35.5	689	46.8	679	40.9	176	15.6	202	17.5
— Mortgage bonds	31	1.7	42	2.8	115	6.9	70	6.2	132	11.5
Total	702	38.8	1,237	84.0	1,389	83.7	512	45.3	243	21.1
Private sector (1):										
— Bonds	245	13.5	161	10.9	140	8.4	53	4.7	304	26.4
— Shares	897	49.6	90	6.1	170	10.2	134	11.8	462	40.2
Total	1,142	63.1	251	17.0	310	18.6	187	16.5	766	66.6
Foreign issuers	− 34	−1.9	− 15	−1.0	− 39	−2.3	432	38.2	142	12.3
General total	1,810	100	1,473	100	1,660	100	1,131	100	1,151	100

(1) Including issues by enterprises in which Government participates.

Table IV-A

SAVINGS FLOWING TO THE INSURANCE AND SOCIAL SECURITY INSTITUTIONS AND TO THE SAVINGS BANKS

(annual data in milliards of dollars) (*)

	Year	Germany	France	Italy	The Netherlands	Belgium
Savings flowing to the insurance and social security institutions	1954	1.00	0.22	0.26	0.26	0.16
	1955	1.10	0.28	0.36	0.29	0.18
	1956	1.24	0.34	0.34	0.33	0.18
	1957	1.14	0.41	0.37	0.41	0.21
	1958	1.05	0.44	0.20	0.38	0.19
	1959	1.26	0.39	0.11	0.44	0.20
	1960	1.57	0.45	0.71	0.43	0.21
	1961	1.74	0.51	n. a.	0.55	0.20
	1962	1.93	0.59	n. a.	0.57	0.18
Savings deposits received by the savings banks	1954	1.50	0.61	0.39	0.13	0.11
	1955	1.29	0.81	0.37	0.18	0.10
	1956	1.12	0.66	0.40	0.15	0.13
	1957	1.79	0.48	0.45	0.07	0.11
	1958	2.10	0.69	0.58	0.23	0.22
	1959	2.24	0.77	0.67	0.29	0.21
	1960	2.45	0.69	0.73	0.30	0.12
	1961	2.65	0.79	0.91	0.35	0.19
	1962	3.12	1.06	1.11	0.40	0.28
Total	1954	2.50	0.83	0.65	0.39	0.27
	1955	2.39	1.09	0.73	0.47	0.28
	1956	2.36	1.00	0.74	0.48	0.31
	1957	2.93	0.89	0.82	0.48	0.32
	1958	3.15	1.13	0.78	0.61	0.41
	1959	3.50	1.16	0.78	0.73	0.41
	1960	4.02	1.14	1.44	0.73	0.33
	1961	4.39	1.30	n. a.	0.90	0.39
	1962	5.05	1.65	n. a.	0.97	0.46

(*) The conversion into dollars has been made on the basis of the following parities:

— Germany:	1 dollar = 4.2	DM	(from 1.1.54 to 4.3.61).
	4.0	DM	(from 5.3.61 to 31.12.62).
— France:	1 dollar = 3.5	F	(from 1.1.54 to 10.8.57).
	4.2	F	(from 11.8.57 to 31.12.58).
	4.937	F	(from 1.1.59 to 31.12.62).
— Italy:	1 dollar = 625	lire	
— The Netherlands:	1 dollar = 3.80	Dutch fl.	(from 1.1.54 to 4.3.61).
	3.62	Dutch fl.	(from 5.3.61 to 31.12.63).
— Belgium:	1 dollar = 50	Belgian frs	

TABLE IV-B

SAVINGS FLOWING TO THE INSURANCE AND SOCIAL SECURITY INSTITUTIONS AND TO THE SAVINGS BANKS, AS PERCENTAGES OF INDIVIDUALS' AND FIRMS' SAVINGS

	Year	Germany	France	Italy	The Netherlands	Belgium
Savings flowing to the insurance and social security institutions	1954	30.9	8.1	13.2	32.9	19.8
	1955	23.5	7.7	17.1	24.6	21.2
	1956	24.4	8.9	16.0	33.7	17.8
	1957	19.2	9.7	15.0	36.6	20.8
	1958	16.1	11.3	6.7	28.1	16.0
	1959	17.8	10.3	2.9	31.4	20.2
	1960	19.0	8.2	18.2	25.0	16.0
	1961	20.2	9.8	n. a.	33.9	15.7
	1962	22.6	9.8	n. a.	34.7	13.2
Savings deposits received by the savings banks	1954	46.3	22.4	19.8	16.5	13.5
	1955	27.5	22.1	17.6	15.3	11.8
	1956	22.0	17.4	18.8	15.3	12.9
	1957	30.0	11.4	18.2	6.3	10.9
	1958	32.3	17.8	19.5	17.0	18.5
	1959	31.7	20.3	17.7	20.7	21.2
	1960	29.6	12.6	18.8	17.4	9.2
	1961	30.7	15.2	20.5	21.6	15.0
	1962	36.5	17.5	22.7	24.4	20.6
Total	1954	77.2	30.5	33.0	49.4	33.3
	1955	51.0	29.8	34.7	39.9	33.0
	1956	46.4	26.3	34.8	49.0	30.7
	1957	49.2	21.1	33.2	42.9	31.7
	1958	48.4	29.1	26.2	45.1	34.5
	1959	49.5	30.6	20.6	52.1	41.4
	1960	48.6	20.8	37.0	42.4	25.2
	1961	50.9	25.0	n. a.	55.5	30.7
	1962	59.1	27.3	n. a.	59.1	33.8

Note: The sources from which the data given in Table IV are drawn are:

— As regards the savings of individuals and companies, in all the countries considered: General Bulletin of Statistics of the Statistical Institute of the European Community.

— As regards the other data:

Belgium: *Comptes rendus* of the Caisse Générale d'Epargne et de Retraite.
Germany: Monthly reports of the Deutsche Bundesbank.
France: Annual Reports of the Conseil National du Crédit.
The Netherlands: Centraal Economisch Plaan and Annual Reports of the Nederlandsche Bank.
Italy: Annual Reports of the Bank of Italy and Italian Statistical Year Book.

It must be pointed out that the scanty homogeneity of the sources, the incompleteness or even the absolute lack of certain data, and the differences impossible to eliminate between definitions adopted in each country as regards particularly social insurance have made it impossible to reach a degree of comparability that can be regarded as satisfactory. The figures provided must therefore mainly be taken as an illustration of the evolution they

show over the years in each country, and only with the greatest caution can they be used for making comparisons between the various countries.

As regards the insurance sector, the data are generally confined to the accumulation of technical reserves of the life insurance companies, but in some cases they extend also to other insurance companies.

As regards social security, the differences between the systems in force in the various countries lessen considerably the comparability of the data: generally speaking, use has been made of the data, where these were available, covering the accumulation of reserves by the individual social security institutions. In other cases the differences between contributions paid and services rendered have had to be taken into consideration, where those differences were positive. In countries where social security shows a deficit, the data concerning this sector have been omitted, it being impossible to speak of savings formation and the deficit being covered by public funds.

As regards the savings banks, the definition adopted for this sector, which includes ordinary savings banks, the "building societies" and similar bodies, is to some extent arbitrary. In fact, the savings deposits with other credit institutes have been excluded, and this may partly be justified by the differences which, as a general rule, should exist in the uses made of these latter deposits.

TABLE V

LIFE INSURANCE IN THE E.E.C. COUNTRIES

	Premiums paid (in millions of dollars)	Premiums paid per capita (in dollars)	Premiums paid (in % of the per capita income)
France	250.2	5.49	0.6 %
Germany	721.4	13.52	1.3 %
Belgium	130.1	14.21	1.3 %
Italy	140.5	2.85	0.6 %
Luxembourg	1.5	4.78	0.4 %
The Netherlands	244.2	21.27	2.7 %

Source: Report presented to the Minister of Finances and Economic Affairs by the Committee charged with studying the financing of investments (Lorain Report - Paris, 1963).

TABLE VI-A

PURCHASES OF SECURITIES IN GERMANY, BY CATEGORIES OF BUYERS

(milliards of DM)

	1961					1962				
	Shares	Bonds		Total		Shares	Bonds		Total	
		Value	%	Value	%		Value	%	Value	%
Public sector . .	-0.65	1.33	14.9	0.68	5.0	0.22	1.64	17.1	1.86	14.8
— Local bodies .	(-0.65)	(0.46)	(5.1)	(-0.19)	(-1.4)	(0.22)	(0.18)	(1.9)	(0.40)	(3.2)
— Social insurance . . .		(0.88)	(9.8)	(0.88)	(6.5)		(1.46)	(15.2)	(1.46)	(11.6)
Insurance companies . . .	0.35	0.72	8.07	1.07	7.9	0.30	0.80	8.3	1.10	8.7
Savings banks .		0.05	0.6	0.05	0.4		0.08	0.8	0.08	0.6
Credit institutes .	0.30	4.18	46.6	4.48	33.3	0.08	3.12	32.5	3.20	25.4
— Deutsche Bundesbank . .		(1.00)	(11.1)	(1.00)	(7.4)		(-0.11)	(-1.1)	(-0.11)	(-0.9)
— other banks .	(0.30)	(3.19)	(35.5)	(3.49)	(25.9)	(0.08)	(3.23)	(33.6)	(3.31)	(26.3)
Foreign sector .	1.42	0.30	3.3	1.72	12.8	0.90	0.73	7.6	1.63	12.9
West Berlin . .	0.04	0.07	0.8	0.11	0.8	-0.01	0.27	2.8	0.26	2.1
Firms	0.63	1.07	11.9	1.70	12.6	0.67	0.31	3.2	0.98	7.8
Private investors .	2.41	1.25	13.9	3.66	27.2	0.83	2.66	27.7	3.49	27.7
Total . .	4.50	8.97	100	13.47	100	2.99	9.61	100	12.60	100

TABLE VI-B

PURCHASES OF PUBLIC SECTOR SECURITIES IN BELGIUM, BY CATEGORIES OF BUYERS

(milliards of Belgian francs)

	1958		1959		1960	
	Value	%	Value	%	Value	%
Government, autonomous bodies and government-controlled organizations	1.0	3.8	1.7	5.7	1.0	4.1
Insurance and social security institutions	4.4	16.8	2.7	9.0	4.5	18.7
Savings banks	0.4	1.5	4.3	14.4	2.0	8.3
Fonds des rentes	- 0.8	- 3.1	1.3	4.3	2.1	8.7
Credit institutes	6.1	23.2	3.9	13.0	0.3	1.2
Congo and Ruanda Burundi . .	0.1	0.4	- 0.1	- 0.3	- 0.7	- 2.8
Private investors and firms . . .	15.1	57.4	16.1	53.9	14.9	61.8
Total	26.3	100	29.9	100	24.1	100

TABLE VI-C

PURCHASES OF SECURITIES IN ITALY, BY CATEGORIES OF BUYERS

(milliards of lire)

	1961					1962				
	Shares	Bonds		Total		Shares	Bonds		Total	
		Value	%	Value	%		Value	%	Value	%
Insurance and social insurance institutes .		75.3	8.5	75.3	5.8		115.5	11.2	115.5	7.0
Cassa Depositi e Prestiti		16.8	1.9	16.8	1.3		109.3	10.6	109.3	6.7
Special credit institutes		11.9	1.3	11.9	0.9		16.7	1.6	16.7	1.0
Bank of Italy and Italian Exchange Office		24.4	2.8	24.4	1.9		37.1	3.6	37.1	2.3
Banks		227.9	25.8	227.7	17.5		506.0	48.9	506.0	30.8
Private investors, firms and foreign sector .	416.8	528.3	59.7	945.1	72.6	608.2	249.3	24.1	857.5	52.2
Total . . .	416.8	884.6	100	1,301.4	100	608.2	1,033.9	100	1,642.1	100

TABLE VI-D

PURCHASES OF SECURITIES IN THE NETHERLANDS, BY CATEGORIES OF BUYERS

(millions of florins)

	1961		1962	
	Value	%	Value	%
Insurance and social security institutions	680	38.6	600	34.7
Savings banks	260	14.8	160	9.2
Banking sector	210	11.9	250	14.5
Foreign sector	580	33.0	360	20.8
Private investors and firms	30	1.7	360	20.8
Total	1,760	100	1,730	100

Notes: The data given in Table VI (A, B, C, D) are drawn from the following statistical sources:

Germany: Monthly reports of the Deutsche Bundesbank.

Belgium: Banque Nationale de Belgique, *Statistiques économiques belges, 1950-60.*

Italy: Annual Reports of the Bank of Italy.

The Netherlands: Annual Reports of the Nederlandsche Bank.

The original data given in Table VI have been obtained by analysing the variations in the portfolios of the different categories of buyers. The purchases of securities by the " private investors and firms " sector have been taken as the difference between net issues and the variations in the portfolios of the other buyers. These data can differ from those given in Table III relating to new issues, since they contain also purchases of foreign securities made on the domestic market: this factor is particularly important in the Netherlands.

The data given for the various countries are not strictly comparable, since, in particular, in the case of Belgium only the securities of the public sector are taken into consideration. Other differences can be caused by the use of statistical methods that are not identical. As to the sub-division by categories of buyers, a satisfactory uniformity has been obtained, except for the fact that in Italy purchases of Italian securities by foreign buyers are added to the purchases of private investors and firms; in Belgium, separate data for purchases by non-residents are not available, except in the case of residents of the Congo and Ruanda Burundi.

TABLE VII

FOREIGN LONG-TERM (1) LOANS PUBLICLY ISSUED, 1961-63

(gross issues)

Country of issue	Amount		Terms
United States (2)			
1961			
Fonds de Rétablissement du Conseil de l'Europe	$	7,600,000	5 1/2% at 99% - 15 years
Nippon Tel. & Tel.	»	10,000,000	6% at 95 1/2% - 15 years
Kingdom of Norway	»	18,000,000	5 1/2% at 97 1/2% - 15 years
Commonwealth of Australia	»	25,000,000	5 1/2% at 97% - 20 years
Argentine Republic (3)	»	25,000,000	6 1/2% at 95% - 12 years
The Japan Development Bank	»	20,000,000	6% at 95 1/2% - 15 years
Government of New Zealand	»	20,000,000	5 3/4% at 97 1/2% - 15 years
Kingdom of Belgium	»	25,000,000	5 1/2% at 98% - 15 years
Total	$	150,600,000	
1962			
Commonwealth of Australia	$	30,000,000	5 1/2% at 98 1/4% - 20 years
Soc. du Pipe-Line Sud. Eur.	»	40,000,000	5 1/2% at 100 1/2% - 20 years
Kingdom of Belgium	»	30,000,000	5 1/2% at 98 1/2% - 15 years
City of Oslo	»	10,000,000	5 1/4% at 98% - 15 years
European Coal & Steel Community	»	25,000,000	5 1/4% at 99% - 20 years
Kingdom of Denmark	»	20,000,000	5 1/4% at 97 3/4% - 15 years
Government of New Zealand	»	25,000,000	5 1/4% at 97 1/2% - 15 years
The Japan Development Bank	»	17,500,000	6% at 96% - 15 years
Copenhagen Tel. Comp. Inc.	»	15,000,000	5 5/8% at 96.80% - 15 years
Commonwealth of Australia II	»	30,000,000	5 1/2% at 97 1/2% - 15 years
Nippon Tel. & Tel.	»	15,000,000	6% at 96% - 15 years
Kingdom of Norway	»	20,000,000	5 1/2% at 96 1/2% - 15 years
Shin Mitsubishi Heavy Industries	»	10,000,000	6 1/2% at 100% - 15 years
Commonwealth of Australia III	»	25,000,000	5 1/2% at 99% - 20 years
Inter-American Development Bank	»	75,000,000	4 1/4% at 100% - 20 years
I.B.R.D.	»	100,000,000	5 1/2% at 98 1/4% - 20 years
Total	$	487,500,000	
1963			
Kingdom of Norway	$	25,000,000	5 1/4% at 98 1/4% - 15 years
Japan Government	»	27,500,000	5 1/2% at 97 3/4% - 17 years
City of Copenhagen	»	15,000,000	5 3/8% at 98.23% - 15 years
City of Oslo	»	10,000,000	5 1/4% at 97 3/4% - 15 years
The Japan Development Bank	»	22,500,000	6% at 96 1/2% - 15 years
Rep. of Finland	»	12,500,000	6% at 98 3/4% - 10 years
Kingdom of Denmark	»	30,000,000	5 1/4% at 98 3/4% - 15 years
Commonwealth of Australia	»	30,000,000	5% at 97 1/2% - 20 years
Copenhagen Telephone	»	15,000,000	5 3/8% at 98% - 15 years
Mexico	»	25,000,000	6 3/4% at 97.70% - 15 years
City of Milan	»	20,000,000	5 1/2% at 98 3/4% - 15 years
Nippon Tel. & Tel.	»	20,000,000	5 3/4% at 96 3/4% - 14 years
Mitsui Co.	»	10,000,000	6 3/8% at 100% - 15 years
Total	$	262,500,000	

(1) More than 5 years.
(2) Excluding the issues of Canada and Israel.
(3) Of which $3,000,000, equivalent to D. marks 12,000,000, issued in the German Federal Republic.

(TABLE VII *continued*)

Country of issue	Amount		Terms	
Switzerland				
1961				
I.B.M. World Trade Co., New York	Sw. fcs.	60,000,000	4 1/4% at 100%	- 15 years
Sacor	»	4,373,000	5 3/4% at 99%	- 15 years
Philips	»	50,000,000	4 1/2% at 100%	- 18 years
The British Petroleum Co. Ltd.	»	60,000,000	4 1/2% at 100%	- 15 years
Commonwealth of Australia	»	60,000,000	4 1/2% at 100%	- 15 years
I.M.I.	»	50,000,000	4 1/2% at 100%	- 16 years
I.B.R.D.	»	100,000,000	4% at 100%	- 18 years
Cassa per il Mezzogiorno	»	50,000,000	4 1/2% at 100%	- 13 years
VOLVO	»	40,000,000	4 1/2% at 100%	- 15 years
Svovlsyre-og Superphosphat-Fabrik, Copenhagen	»	25,000,000	4 1/2% at 100%	- 15 years
Soc. Nat. Chemins de Fer Belges	»	50,000,000	4 1/2% at 100%	- 12 years
Tunnel Routier sous le Mont-Blanc	»	17,500,000	4 1/2% at 100%	- 12 years
Robert Bosch, Stuttgart	»	50,000,000	4 1/2% at 100%	- 15 years
Petrofina	»	50,000,000	4 1/2% at 100%	- 15 years
Soc. Intern. de la Moselle, Trèves	»	30,000,000	4 1/2% at 100%	- 18 years
Tiroler Wasserkraftwerke	»	40,000,000	5% at 100%	- 16 years
Electric & Musical Industries Ltd.	»	40,000,000	4 1/2% at 100%	- 15 years
République d'Autriche	»	50,000,000	5% at 100%	- 15 years
Vaksdal Bergen	»	8,000,000	4 1/2% at 99%	- 10 years
The British Aluminium Co., London	»	60,000,000	4 1/4% at 100%	- 15 years
République de Finlande	»	30,000,000	5% at 100%	- 15 years
Acciaierie Falck, Milano	»	50,000,000	4 1/2% at 100%	- 15 years
Hypothekenbank des Landes Vorarlberg-Bregenz	»	5,000,000	4 1/2% at 100%	- 12 years
République d'Argentine	»	32,102,000	6 1/2% at 95%	- 12 years
Total	Sw. fcs.	1,011,975,000		
	($	231,425,000)		
1962				
Albert Reed	Sw. fcs.	50,000,000	4 1/2% at 100%	- 15 years
Imperial Chemical Industries	»	60,000,000	4 1/2% at 100%	- 15 years
The Bowater Paper Corp.	»	60,000,000	4 1/2% at 100%	- 15 years
I.B.R.D.	»	100,000,000	4% at 100%	- 11 years
Kingdom of Denmark	»	60,000,000	4 1/2% at 100%	- 15 years
Cinzano	»	10,000,000	5% at 100%	- 12 years
Mannesmann	»	50,000,000	4 1/2% at 100%	- 15 years
International Standard Electric	»	60,000,000	4 1/2% at 100%	- 18 years
Anglo American Corp. of South Africa	»	50,000,000	5% at 100%	- 12 years
Cie des Machines Bull, Paris	»	40,000,000	4 1/2% at 100%	- 15 years
August Thyssen Hütte	»	50,000,000	4 1/2% at 100%	- 15 years
E.C.S.C.	»	60,000,000	4 1/2% at 100%	- 18 years
Steweag, Graz	»	25,000,000	5% at 100%	- 15 years
Rheinkraftwerk Säckingen (Baden)	»	30,000,000	4% at 100%	- 15 years
Total	Sw. fcs.	705,000,000		
	($	161,224,000)		

(TABLE VII *continued*)

Country of issue	Amount		Terms	
1963				
Cadbury Brothers Ltd.	Sw. fcs.	20,000,000	4 1/2% at 100%	- 15 years
Kingdom of Norway	»	60,000,000	4 1/2% at 100%	- 18 years
Cie des Forges de Châtillon	»	30,000,000	4 1/2% at 100%	- 16 years
Cie des Ateliers et Forges de la Loire	»	9,000,000	4 1/2% at 100%	- 6 years
Interfrigo	»	15,000,000	4 1/2% at 100%	- 15 years
Siemens Halske	»	60,000,000	4 1/2% at 100%	- 15 years
Compania Sevillana de Electr.	»	20,000,000	5% at 99%	- 15 years
Soc. Mét. de Knutange	»	30,000,000	4 1/2% at 100%	- 16 years
Soc. Electrique de l'Our	»	60,000,000	4 1/2% at 100%	- 16 years
Joseph Lucas Ltd.	»	50,000,000	4 1/2% at 100%	- 15 years
Vaksdal, Bergen	»	8,000,000	4 1/2% at 99%	- 12 years
Cie Française des Pétroles	»	60,000,000	4 1/2% at 100%	- 18 years
Phoenix-Rheinrohr	»	50,000,000	4 1/2% at 99%	- 15 years
Bayer A.G.	»	60,000,000	4 1/2% at 100%	- 18 years
Saugbrugsforeningen Norvège	»	9,000,000	4 3/4% at 99%	- 18 years
Ass. Diocesaine de Besançon	»	2,000,000	5% at 100%	- 10 years
Ass. Diocesaine de Besançon	»	1,000,000	5% at 100%	- 10 years
Rheinkraftwerk Säckingen, Baden	»	40,000,000	4% at 100%	- 15 years
Hypothekenbank des Landes Vorarlberg-Bregenz	»	5,000,000	4 1/2% at 100%	- 12 years
Total	Sw. fcs.	589,000,000		
	($	134,696,000)		
The Netherlands				
1961				
I.B.R.D.	Fl.	50,000,000	4 1/2% at 100%	- 20 years
Wagon-Lits	»	12,500,000	4 3/4% at 98,5%	- 15 years
Kingdom of Belgium	»	75,000,000	4 3/4% at 100%	- 20 years
Comp. Nat. Distribution des Eaux, Bruxelles	»	50,000,000	4 3/4% at 100%	- 20 years
Comp. des Téléphones de Copenhague	»	25,000,000	4 3/4% at 100%	- 20 years
E.C.S.C.	»	50,000,000	4 1/2% at 100%	- 20 years
Eurofina	»	30,000,000	4 3/4% at 100%	- 15 years
Belg. Petroleumraffinaderij	»	10,000,000	5% at 100%	- 15 years
Europ. Inv. Bank	»	50,000,000	4 1/2% at 100%	- 20 years
Redernes Skibs Credit forening Kristiansand	»	12,500,000	5 1/2% at 100%	- 14 years
Sabena	»	22,000,000	4 3/4% at 99%	- 20 years
City of Oslo	»	30,000,000	5% at 100%	- 20 years
Commonwealth of Australia	»	40,000,000	5% at 100%	- 20 years
City of Copenhague	»	30,000,000	5% at 100%	- 20 years
Soc. du Pipe-Line Sud Eur.	»	50,000,000	5% at 100%	- 20 years
Cie Française des Pétroles	»	40,000,000	5% at 100%	- 15 years
Total	Fl.	577,000,000		
	($	159,392,000)		

(Table VII *continued*)

Country of issue	Amount	Terms
1962		
I.B.R.D.	Fl. 40,000,000	4 1/2 at 99 1/2% - 20 years
E.C.S.C.	» 25,000,000	4 3/4% at 99% - 20 years
Albert Reed	» 20,000,000	5 1/4% at 100% - 15 years
Kraftlaget Oppländskraft, Oslo	» 25,000,000	5 1/4% at 100% - 20 years
Europ. Inv. Bank	» 30,000,000	4 3/4% at 100% - 20 years
Total	Fl. 140,000,000 ($ 38,674,000)	
1963		
Luxembourg		
1961		
Sacor I	U.A. 5,000,000	5 3/4% at 99% - 17 years
1962		
E.C.S.C.	Lux. fcs. 300,000,000	4 3/4% at 100% - 15 years
Sacor II	U.A. 5,000,000	5 3/4% at 99% - 16 years
Total	$ 11,000,000	
1963		
Vestkraft	$ 6,000,000	5 1/2% at 99% - 20 years
Norges Kommunalbank	U.A. 12,000,000	5 1/2% at 99% - 20 years
Fonds de Retablissement du Conseil de l'Europe	$ 4,500,000	5 1/2% at 98 1/2% - 15 years
Imatran Voima	U.A. 5,000,000	6% at 97% - 15 years
Voëst	$ 10,000,000	5 3/4% at 98% - 15 years
Cassa per il Mezzogiorno	U.A. 16,000,000	5 1/2% at 99 1/4% - 15 years
Banco de Fomento	» 10,000,000	5 1/2% at 97 1/2% - 15 years
Total	$ 63,500,000	
United Kingdom (1)		
1962		
Iceland	£ 2,000,000 ($ 5,600,000)	6 1/2% at 97 1/2% - 26 years

(1) Issues of Commonwealth countries excluded.

(Table VII *continued*)

Country of issue	Amount	Terms
1963		
Autostrade	$ 15,000,000	5 1/2% at 99% - 15 years
Japan	£ 5,000,000	6% at 96% - 25 years
Canon Camera (conv.)	$ 5,000,000	6 1/4% at 100% - 20 years
City of Copenhagen	Sw. fcs. 60,000,000	5% at 100% - 20 years
Takeda Chemical (conv.)	$ 5,000,000	6% at 100% - 20 years
Total	($ 52,721,000)	
Italy		
1961		
I.B.R.D.	Lire 15,000,000,000 ($ 24,000,000)	5% at 100% - 15 years
1962		
Europ. Inv. Bank	Lire 15,000,000,000	5% at 100% - 15 years
Inter-American Development Bank	» 15,000,000,000	5% at 100% - 20 years
Total	Lire 30,000,000,000 ($ 48.000.000)	
1963		
E.C.S.C.	Lire 15,000,000,000 ($ 24,000,000)	5 1/2% at 97 1/2% - 20 years
Germany		
1961		
Argentine Republic	DM. 12,000,000	6 1/2% at 95% - 12 years
Soc. Nat. Chemins de Fer Belges	$ 20,000,000	5 1/4% at 100% - 15 years
Fonds de Retablissement du Conseil de l'Europe	DM. 7,600,000	5 1/2% at 99% - 10 years
Total	($ 24,900,000)	
1962		
Osaka	DM. 100,000,000 ($ 25,000,000)	6 1/2% at 96 1/2% - 15 years
1963		
Osaka	DM. 100,000,000	6 1/2% at 98 1/2% - 15 years
Europ. Inv. Bank	» 60,000,000	5 1/2% at 99% - 7 years
Total	DM. 160,000,000 ($ 40,000,000)	
Austria		
1962		
I.B.R.D.	$ 5,000,000	4 1/2% at 102% - 15 years