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INTERNATIONAL LABOUR CONFERENCE

75th Session - Geneva - June 1988

Committee on Apartheid

Banking facilities in the ILO

The ILO Governing Body Programme, Financial and Administrative Committee document on the above topic (GB.240/4/12, as modified in that Committee) which is attached is placed before the Committee on Apartheid of the Conference at the request of the Governing Body at its 240th Session in May 1988, following a recommendation to that effect by the Programme, Financial and Administrative Committee at the same session.

Geneva,
May-June 1988

Fourth item on the agenda

BANKING FACILITIES IN THE ILO

Report of the Special Working Group
on Banking Facilities in the ILO¹

1. The Special Working Group on Banking Facilities in the ILO held its second meeting on 23 May 1988 under the chairmanship of Mr. James A.E. Thomas (Antigua and Barbuda).
2. At the invitation of the Chairman and of the members of the Special Working Group, the representative of the Director-General (the Treasurer and Financial Comptroller, hereinafter referred to as the Treasurer), described the events which had taken place since the last meeting of the Special Working Group on 24 February 1988. The Office had again written to the 15 banks originally contacted two years previously to inquire whether they were now in a position to provide the banking facilities required by the ILO and, if so, to obtain information about their relationships with South Africa. All 15 banks had again replied in the negative. A further 14 banks, including all those mentioned as possibilities by members of the Special Working Group and the Programme, Financial and Administrative Committee, had been contacted. Some had sought further information either by way of telephone or during the course of interviews. All had concluded that they were not in a position to provide the retail banking services required by the Office, but at the same time most expressed great interest in providing the ILO with specialised wholesale banking facilities. They had been asked to send further details of the services they could provide. The ILO was willing to consider their proposals provided that they were not conducting business with South Africa.

¹ As approved by the Programme, Financial and Administrative Committee of the Governing Body at its 240th Session.

3. The response of the other three large Swiss banks had been quite clear; they were not in a position to open a branch in the ILO building. In any case, they all appeared to be in a similar position as far as dealings with South Africa were concerned, so there did not seem to be any advantage in changing from one to another; in fact the Union de Banques Suisses (UBS) had a far better network than the others for making international payments.

4. Appendix 3 of the document submitted to the Special Working Group¹ contained the text of a letter to the UBS written by the Director-General repeating the questions submitted earlier and asking whether the bank's policy had changed; it also raised a further question formulated by the Special Working Group, as to whether the UBS would be willing to renew the present contract with the ILO when it expired on 31 December 1989. In the course of discussions held since then the UBS had reiterated that its policy had not changed from that indicated in its previous letter. Further, the bank had not increased its position in any way in South Africa, nor had it taken up any of the slack created in banking circles because of the withdrawal of some international banks from operations in South Africa. In response to the specific question concerning the ILO contract, the UBS had said that it would be willing to renew it if the ILO so wished. The Treasurer added that a written reply to the Director-General's letter, confirming the foregoing comments, was expected shortly.

5. The Special Working Group requested that, in the absence of a reply from the UBS to the latest letter from the Director-General, a copy of the earlier reply from the UBS should be included in the report of the Special Working Group for the information of the Programme, Financial and Administrative Committee, particularly as the UBS had stated clearly that its position had not changed.

6. The Special Working Group agreed that the replies to the very extensive inquiries made by the Office, which are appended to this report, tended to confirm the findings of the Special Working Group at its previous meeting. It noted particularly that the UBS had made a substantial and unsecured line of credit available to the ILO in the past, and in view of its present serious financial situation it was likely that the ILO might have to make use of that facility again in the near future. In addition, many of the banks approached had themselves admitted that they would find it difficult to provide the ILO with services as competitive as those of a major domestic bank.

7. The Special Working Group also noted that almost the entire bulk of banking business between the ILO and the UBS consisted of retail transactions such as large volumes of payments of relatively small amounts, including the payment of salaries to officials and experts based in approximately 100 countries. The average amount of ILO funds held by the UBS, including those in current accounts, was less than 2 per cent of total funds; almost no deposits were made with the UBS, except where it was necessary in the interests of the Office to have a small deposit for subsequent transfer to the current account. Likewise, hardly any of the foreign exchange transactions were conducted through the UBS. Furthermore, the replies received from banks which were possibly in a position to take on the ILO's business showed a general lack of enthusiasm for doing so, which was accentuated by their failure to respond point by point to the requirements set out in the Director-General's letter, particularly as regards their relationships with South Africa. The Special Working Group noted particularly that the Treasurer had expressed the ILO's intention to consider using some of the other banks

¹ GB.240/PFA/SWG/BF/1.

for parts of the ILO's wholesale banking business, again provided that they had no business relationships with South Africa.

8. The Special Working Group also noted that the ILO had contacted 13 other international organisations to ascertain whether their legislative or executive bodies had raised the subject of the choice of their respective in-house bank and its policies with regard to conducting banking business with the Government of South Africa or other South African institutions. The replies received established that in no case had this question been raised, despite the fact that the idea originated in a resolution of the UN. The tripartite ILO was the only specialised agency to undertake this exercise.

9. In assessing the results of its deliberations so far, the Special Working Group noted that, although a very exhaustive search had been made, no feasible alternative to the UBS as domestic banker to the ILO had emerged from the 29 other banks consulted. It was difficult to see how any further progress could be made on this issue at present, and the Special Working Group unanimously agreed that it had discharged its mandate to the best of its ability. Without wishing to preclude entirely the possibility of convening to reconsider this matter at some time in the future, the Working Group believed strongly that it should only do so when there was new information to consider.

Conclusions reached by the Special Working Group

10. The Special Working Group on Banking Facilities in the ILO,

Despite a very intensive search involving 29 banks, has been unable to identify a bank that is willing to provide or capable of providing the services currently provided to the ILO by the Union de Banques Suisses (UBS), which are essential for the efficient running of the Office,

Notes that the only banks equipped to provide the required service are the four big Swiss banks: the Union de Banques Suisses, the Société de Banques Suisses, Crédit Suisse, and Banque Populaire Suisse, the last three of which are unwilling to open a branch in the ILO,

Notes with satisfaction that almost all of the ILO's business with the UBS is limited to transactions of a retail nature for making payments to local suppliers and for paying salaries to headquarters' and field officials; that on average less than 2 per cent of the total funds of the ILO are held with the UBS; that virtually no deposits are made with the UBS; and, likewise, very few foreign exchange transactions are conducted through the UBS,

Encourages the Director-General to continue to diversify the deposit of ILO funds and to effect foreign exchange transactions with those banks that do not have banking relationships with South Africa,

Requests the Director-General to continue to use his good offices and influence to persuade the UBS to curtail its involvement in South Africa.

Geneva, 23 May 1988.

(Signed)

J.A.E. Thomas,
Chairman and Reporter.

APPENDIX I

BANKS CONSULTED IN SEPTEMBER 1986 AND AGAIN IN MARCH 1988

A. Name of bank

1. Algemene Bank Nederland (Suisse)
2. Bankers Trust AG
3. Barclays Bank SA
4. Chase Manhattan Bank (Suisse)
5. Chemical Bank (Suisse)
6. CITIBANK NA
7. Crédit Commercial de France (Suisse) SA
8. Crédit Lyonnais
9. Crédit Suisse
10. Deutsche Bank (Suisse) SA
11. First National Bank of Chicago
12. Lloyds Bank Plc
13. Banque Populaire Suisse
14. Royal Bank of Canada (Suisse)
15. Swiss Bank Corporation

B. Text of enquiry

Dear Sir,

I wish to recall the exchange of correspondence between your bank and the ILO in September 1986 regarding the in-house banking facilities of the ILO, and would now advise you that pursuant to one of the conclusions adopted by the Committee on Apartheid at the June 1987 Session of the International Labour Conference, the Governing Body of the ILO has established a Special Working Group to assist the Director-General to find alternative banking facilities for the ILO. The Special Working Group met in late February and requested the Director-General to again make enquiries of major banks represented in Geneva to determine whether they are capable of and willing to provide an appropriate range of banking services required by the ILO.

I should accordingly be grateful if you would let me know whether your bank is now in a position to provide the ILO with the full range of banking facilities and services described in detail in our letter of 4 September 1986, should the Organisation decide to change its present banking arrangements. The only major technical development since that time is that virtually all Swiss franc and foreign currency payments made by the ILO are now automatically processed through the Swiss DTA service in conjunction with the present in-house bank.

Should the answer to the above question be in the affirmative, I would request that you state in your reply your bank's current policy vis-à-vis lending and other business relationships with the Government of South Africa and other South African institutions. In this regard, it would again be necessary to know whether your bank would be prepared to state formally that it does not and will not in future lend money to the Government of South Africa or other South African institutions and that it will not in future participate in the floating of bonds issued on the international bond markets by the South African Government and/or other South African institutions, until such time as the South African Government dismantles the system of apartheid.

The Director-General has been requested to furnish the replies received to his current enquiries to the next meeting of the Working Group, which will be held in mid-May 1988. I would therefore be most grateful for an early reply.

Yours faithfully,

For the Director-General:

(Signed)

A. Ahmad,
Treasurer and Financial Comptroller.

C. Relevant extracts of replies received

(i) Algemene Bank Nederland (Suisse)

Whilst thanking you for having approached us once again on this subject, we regret to inform you that we are not in a position to accept your offer.

(ii) Bankers Trust AG

Since we believe that our bank would definitely meet your conditions but is primarily offering investment services in Switzerland, we would like to offer you our services in this regard.

In reply to your question you will find below Bankers Trust official position vis-à-vis South Africa:

The Management of Bankers Trust Company is unified in the condemnation of apartheid and has not been reluctant to make these views known to South African businessmen and government officials. Bankers Trust maintains no offices in that country and its existing credit exposure there is related entirely to past extensions of credit to correspondent, private sector banks and is subject to the unilateral standstill announced by the Government of South Africa on September 1, 1985 and as since modified by the Second Interim Arrangement of July 1, 1987.

The Corporation's policy, as established in 1985 by its Management Committee, is that no new loans would be made in South Africa as long as the existence of apartheid continues to impose a destabilising influence on the social, political and economic environment of that country. That continues to be the Corporation's policy, and the Management Committee has resolved that the officers of the Corporation and Bankers Trust Company continue to conduct their business in accordance with that policy.

(iii) Barclays Bank SA

As we explained in our previous letter of September 9th 1986, we are not equipped to handle large volumes of retail business in Switzerland since we specialise here in other sectors of banking. The position has not therefore changed since our previous correspondence.

We thank you for your enquiry and would suggest that you contact the larger Swiss banks on this subject.

(iv) Chase Manhattan Bank (Suisse)

I would advise you that the position of my bank, as stated in my letter addressed to your predecessor on September 10th 1986, has not changed. Hence, much to my regret, I must again inform you that we are not in a position to provide the range of banking services that were mentioned in your predecessor's letter - and attachments - of September 4th 1986.

This notwithstanding, I would assure you that in all those fields in which the Chase Manhattan Bank is actively involved in providing certain banking services to ILO, such as portfolio management, foreign exchange and US dollar disbursement accounts, we will continue as in the past to highly value your custom and of our very best attention and service.

(v) Chemical Bank (Suisse)

The nature of our activities and our structure have remained unchanged during the past two years and, unfortunately, we are in no better position today to meet the ILO banking needs than we were in 1986. The reasons for our lack of ability to give you satisfaction are the same as those that we mentioned previously.

(vi) CITIBANK NA (Citicorp Investment Bank)

We are glad to provide the international cash movement services for which we are renowned world-wide but as we are not retail orientated in Switzerland, we regret that we are not presently equipped for all the diverse local services you would need.

Where South Africa is concerned you will no doubt have read in the press that "Citicorp terminated its loans to the public sector in 1985, and terminated the corporation's presence in June 1987".

(vii) Credit Commercial de France (Suisse) SA

As indicated in our letter of 8 October 1986, we are not equipped to provide the services mentioned in the appendix to your letter.

(viii) Crédit Lyonnais

As mentioned in our letter dated September 18th, 1986, being a wholesale bank in Switzerland, we are regrettably not in a position to satisfy the complete services of a retail bank, with the infrastructure needed for that.

On the other hand, we look forward in maintaining and developing the excellent relationship we enjoy with your esteemed organisation since many years, and to be at your service for the sectors where we are traditionally active and competitive.

(ix) Crédit Suisse

In this connection, we wish to confirm the contents of our letter addressed to you on September 12th, 1986 and to inform you that our planning for the opening of town branches in Geneva did not change since that time. We therefore regret not to be in a position to reply affirmatively to your proposals.

(x) Deutsche Bank (Suisse) SA

Principally, we would welcome an organisation like the ILO as one of our esteemed clients. But our ethics as bankers do not allow us to disclose to any of our existing or prospective clients with whom else we do business. Also we can not accept a client's interference in selecting future clients or even in exercising pressure to terminate existing relationships.

(xi) First National Bank of Chicago

As previously mentioned, the First National Bank of Chicago is not in a position to provide the range of banking services required by the ILO.

First Chicago's strategy in Geneva does not encompass retail banking services. Therefore, it cannot be envisioned that a branch be opened in ILO's building.

However, we would be very pleased to develop a relationship in the foreign exchange area. We believe that our expertise in this field could assist ILO in managing its foreign exchange exposure.

(xii) Lloyds Bank Plc

We have updated the feasibility study made two years ago for the opening of a branch on your premises.

We have again come to the same conclusion, unfortunately, and cannot but decline your offer. As a foreign bank in Switzerland, we primarily aim at developing wholesale, rather than retail banking operations; as a matter of fact, we could hardly provide your organisation and its staff members with services as competitive as those of a major domestic bank.

Thank you very much for your proposal; we sincerely regret not to be in a position to answer it in a more positive way.

(xiii) Banque Populaire Suisse

While thanking you for your initiative in approaching our bank, we must unfortunately reiterate our reply of 16 September 1986, namely that our operational policy does not enable us to envisage the co-operation you wish to obtain and which was specified in your letter of 4 September 1986 and its appendix.

Regretting that our respective strategies cannot converge, we express to you, Sir, our highest regards.

(xiv) Royal Bank of Canada (Suisse)

While we appreciate the opportunity to review your banking requirements for ILO personnel, unfortunately our structure in Switzerland is not geared to the provision of efficient retail banking services.

I would add however that the current policy of our bank does indeed exclude lending to the Government of South Africa and if RBC (Suisse) can be of assistance to you in respect of institutional deposits, foreign exchange or associated investment requirements, we would be pleased to do so.

(xv) Swiss Bank Corporation

We are most honoured by your offer for which we are very grateful. We must however confirm, as we stated in our letter of 12 September 1986, that we are already well established in your neighbourhood and that we do not intend to open any new branch there, at least for the moment.

Nevertheless, we would be very happy to provide our services to your Organisation and its employees through our Vermont-Nations branch, located at 16 chemin Louis-Dunant. You might also want to use the desk our Vermont-Nations branch holds at the Centre International, 87 rue de Montbrillant.

APPENDIX II

ADDITIONAL BANKS CONSULTED IN MARCH 1988

A. Name of bank

1. AMRO Bank
2. Bank of Tokyo (Suisse)
3. Banque Bruxelles Lambert (Suisse)
4. Banque Centrale Coopérative SA
5. Banque Hypothécaire du Canton de Genève
6. Banque Nationale de Paris (Suisse)
7. Banque Paribas (Suisse)
8. Banque Scandinave en Suisse
9. Canadian Bank of Commerce (Suisse)
10. Dresdner Bank (Suisse)
11. Grindlays Bank
12. J.P. Morgan (Suisse)
13. Skandinaviska Enskilda Banken
14. Union Bank of Finland

B. Text of enquiry

Dear Sir,

As you may be aware, the International Labour Organisation has for many years been in the forefront of the battle against the system of apartheid practised by the Government of the Republic of South Africa.

In pursuance of one of the conclusions adopted by the Committee on Apartheid at the June 1987 Session of the International Labour Conference, the Governing Body of the ILO has established a Special Working Group to assist the Director-General to find alternative banking facilities for the ILO. The Special Working Group has requested the Director-General to explore appropriate alternatives to the ILO's continued use of the bank which currently provides banking facilities and services at the ILO headquarters in Geneva.

The ILO's Financial Rules stipulate that its funds shall be placed only with banks of internationally recognised standing. In order to meet its principal retail banking requirements at headquarters the ILO needs a bank of such standing, with appropriate facilities in Geneva, able to offer a full range of domestic and international banking services to the Office, visiting Conference delegates, Governing Body members, members of industrial and other committees meeting in Geneva, and to ILO staff. Such a bank must of course be capable of maintaining a branch in the headquarters building as well as providing a banking facility at the Palais des Nations during the three to four weeks of the annual ILO Conference, to meet the needs of delegates and special Conference staff.

The in-house bank must also act as the ILO's principal clearing bank and maintain its Swiss franc and US dollar current accounts through which the bulk of its domestic and international retail payments are made. Virtually all Swiss Franc and foreign currency payments are processed automatically through the Swiss DTA system: the in-house bank must accordingly be able to provide this service.

In the light of the foregoing, I would ask you to be good enough to respond to two specific questions. First, should the ILO decide to change its present banking arrangements, would your bank be prepared to provide the ILO, in Geneva, with the facilities and services described in this letter and the attached appendix? Second, if the answer to the first question is in the affirmative, would you be prepared to declare your bank's policy vis-à-vis lending and other business relationships with the Government of South Africa or other South African institutions? In this regard, it would be necessary to know whether your bank would be prepared to state formally that it does not and will not in future lend money to the Government of South Africa or other South African institutions and that it will not in future participate in the floating of bonds issued on the international bond markets by the South African Government and/or other South African institutions, until such time as the South African Government dismantles the system of apartheid.

The Director-General has been requested to furnish the replies received to his current enquiries to the next meeting of the Working Group, which will be held in mid-May 1988. I would therefore be most grateful for an early reply.

Yours faithfully,

For the Director-General:

(Signed)

A. Ahmad,
Treasurer and Financial Comptroller.

Appendix to the enquiry

Banking services at the ILO

1. Services at Headquarters

- (a) Same day value on Swiss franc funds deposited to bank accounts.
- (b) Foreign currency cheques credited to bank accounts value next day.
- (c) Withdrawals in cash from US dollar bank accounts at par.
- (d) No charge for telegraphic transfers of funds abroad.
- (e) Advances of salary to ILO staff members who will be absent on pay day in accordance with authorisations given by the ILO's financial services. Advances so made are interest free and recovered on the following pay day.
- (f) Installation of automatic cash dispensers.
- (g) Provision of a full range of branch banking services to ILO staff, including foreign exchange transactions and investment advice.
- (h) Negotiation of personal loans to ILO staff on favourable terms.
- (i) Granting of preferential exchange rate for purchase of French francs by staff members on pay day. Numerous officials benefit from this facility.
- (j) Provision of several teller windows to service all requirements.

2. Services at the ILO Conference

- (a) Operation of a temporary branch in the Palais des Nations for the benefit of Conference delegates and ILO and special staff working for the Conference. This involves the exchange of foreign currency, the opening of temporary bank accounts free of charge, assistance to delegates having funds transferred to them in Geneva from their home countries, and the issue of bank drafts and Travellers Cheques.
- (b) Liaison between the temporary branch and the ILO Conference Cash Office for the provision of cash, processing of local and international fund transfers, etc.

C. Relevant extracts of replies received

(i) AMRO Bank

We greatly appreciate your approaching our bank in this matter, which was earlier discussed in the course of the interesting and pleasant visits which Drs. A.D. de Jong, Head of the Department Governments and Central Banks of our parent bank's Amsterdam headquarters, paid in the past years to your offices. Your letter represents, however, the first formal request.

Our bank in Switzerland is predominantly engaged in Investment Management and lacks the proper infrastructure to provide retail banking services. We therefore regret having to inform you that we would not be able to accommodate your organisation's wishes.

We are always interested to discuss matters outside the retail banking sphere.

(ii) Bank of Tokyo (Suisse)

The Bank of Tokyo (Suisse) Geneva office, is not operating a full range of retail banking.

We therefore regret having to inform you that we are not capable to provide you with the facilities and services described in your letter.

(iii) Banque Bruxelles Lambert (Suisse)

Regretfully we cannot comply with your requirements of setting up and maintaining a branch in your headquarters building or a banking facility at the Palais des Nations and therefore must decline your offer.

(iv) Banque Centrale Coopérative SA

I regret to have to confirm that we cannot offer you services similar to those you are receiving from your present bank.

On the other hand, we are ready to handle other transactions for you in connection with the forward purchase of currency.

(v) Banque Nationale de Paris (Suisse)

We nevertheless regret to inform you that we decline your offer, as we are not equipped for the purpose.

(vi) Banque Paribas (Suisse)

Much to our regret we are not in a position to be of assistance to your organisation, because we do not fulfil the basic requirements since we are not a retail bank and we do not foresee to open branches in Geneva or in Switzerland. In particular, we have no plan to open a branch in your headquarters building or to provide banking facilities at the Palais des Nations during your annual ILO Conference.

(vii) Banque Scandinave en Suisse

We would like to inform you that, even if Banque Scandinave en Suisse is a universal Swiss bank under Swiss law, based in Geneva since 1964, we would not be in a position to provide the ILO in Geneva with all the facilities and services described in your letter and its appendix.

We would, however, be pleased to assist you with some of your banking operations and would therefore like to reply as follows to your question as to our policy concerning the Republic of South Africa:

We wish to confirm that on our books we have no loans to the Republic of South Africa or to any other South African institution. The policy of our bank is drawn up by our ultimate shareholders. They are first class banks, mainly in the Nordic countries, where the overwhelming attitude towards South Africa well corresponds to that expressed by yourself.

We are not in a position to give you any written policy statement nor a commitment of any kind, but we hope that the information given above and the structure of our background will constitute a sufficient reply to your enquiry.

It would be a pleasure to assist you in your banking operations, albeit on a limited scale as mentioned above, and look forward to hearing further from you in this matter.

(viii) Canadian Bank of Commerce (Suisse)

We regret to inform you that we do not have the facilities to cope with the retail banking business to which you refer.

(ix) Dresdner Bank (Suisse)

Being our institution specialised in the management of private capitals, we are not in a position to satisfy your requirements. Should, however, our services be of interest to you or to members of your staff, we would be happy to take contact with you.

(x) Grindlays Bank

Unfortunately we have to quite frankly admit that in our capacity of a wholesale Private Bank we are not equipped to handle retail banking services which would appear to be a significant portion of the overall banking relationship you are interested in establishing with your future house bank.

(xi) J.P. Morgan (Suisse)

J.P. Morgan (Suisse) SA is a private bank which serves families around the world, with emphasis on estate planning and portfolio.

Therefore, we would be ill-equipped to fulfil your conditions and must, in that case, decline.

(xii) Skandinaviska Enskilda Banken

Thank you for your offer to present our proposal for banking facilities for the ILO. It is with regret that we have to decline your proposal in view of the fact that retail banking facilities in Switzerland is not really within the scope of our business.

(xiii) Union Bank of Finland

We very much regret having to inform you that, being a Representative Office of Union Bank of Finland, we do not offer bank services. We would, however, be very pleased to assist you by forwarding all requests to the Head Office in Helsinki, should such a need occur.

APPENDIX III

TEXT OF INQUIRY TO UBS

(Translation from French)

Dear Sir,

I wish to recall our past correspondence on the subject of the Union Bank of Switzerland's policy with regard to the Government of South Africa - in particular our exchange of letters of 21 July and 2 September 1986 - and to bring formally to your notice up-to-date information upon action taken by the International Labour Conference with respect to apartheid.

At the June 1987 Session of the International Labour Conference the Committee on Apartheid adopted a series of conclusions on the Special Report that I submitted to it on the Application of the Declaration concerning the Policy of Apartheid in South Africa. I enclose herewith the Special Report considered by the Committee and a copy of Provisional Record No. 20 of the Conference, which is the report of the Committee. The report, which was adopted by the International Labour Conference in plenary session, contains the Committee's conclusions on page 20/30.¹

The conclusion set out in sub-paragraph V.10 on page 20/31¹ refers to the Union Bank of Switzerland and its banking relationship with the International Labour Office. As you will observe, this conclusion called for the Governing Body of the ILO to establish a Special Working Group to assist me to pursue the question of ILO's banking facilities. The Special Working Group, which was established by the Governing Body of the ILO in November 1987, held its first meeting last week. It requested me to seek from your bank a declaration on the Union Bank of Switzerland's current policy and future intentions with regard to the conduct of business with South Africa.

I should accordingly be obliged if you would provide me, as soon as convenient, with a statement of your bank's current policy and future intentions with regard to its involvement in any form of business dealings with the South African Government or South African institutions.

I have further been asked to ascertain for the information of the Special Working Group whether the Union Bank of Switzerland would intend to accept a renewal of the agreement with the ILO to continue to provide banking services beyond 31 December 1989, the date of expiration of the present agreement.

Yours faithfully,

(Signed)

Francis Blanchard.

¹ See p. 20/27 and p. 20/28 in the English text.

Text of letter dated 2 September 1986 from the
General Management of the Union de Banques Suisses
to the Director-General of the ILO

(Included at the request of the Special Working Group)

(Translation)

Dear Sir,

By your letter of 21 July 1986, you informed us of the meeting of the tripartite working group of the Governing Body of the ILO and the Committee on Apartheid of the International Labour Conference in June. In particular, you drew our attention to the conclusions contained on page 24/23 of the Provisional Record, in which our bank is expressly mentioned. In that connection, you request our comments on the interpretation given by the Committee on Apartheid to the attitude and position of the Union de Banques Suisses towards apartheid and the Government of South Africa.

Allow us first to express our surprise and regret at the negative remarks made about our establishment. We are of the opinion that they are essentially based on misunderstandings, which require clarification on our part:

1. We would stress the fact that, contrary to what has been said, our bank, having regard to the extent of its involvement in South Africa, by no means occupies a leading position if one makes international comparisons. The recent negotiations concerning debt rescheduling have shown that the Union de Banques Suisses, as far as the volume of its participation is concerned, ranks clearly below a whole series of international banks of comparable size. In the meanwhile, our loans have been considerably reduced. In particular, we have renounced taking over the positions of other banks. On the other hand, our freedom of manoeuvre as regards any further decrease in our involvement is greatly limited owing to the moratorium imposed by South Africa. Vis-à-vis that country, our bank finds itself today in the same situation as with regard to other debtor countries which have suspended the repayment of their loans or which, through agreements with the banks concerned, have postponed repayment for several years. Hundreds of other international banks are in a similar position.
2. We took note with interest of the fact that the working group asked you "to continue to press the Union de Banques Suisses to use its influence on the Government of South Africa with a view to ending the policy of apartheid". In this respect, we should like to assure you that this is indeed our attitude and we would recall that at our General Assembly on 10 April 1986, Mr. R. Holzach, Chairman of the Managing Board, made it clear to the shareholders that in the long run the system of apartheid would have to be abolished through appropriate measures. However, he also pointed out that this would require a certain amount of time.
3. Our bank supports the efforts made by South African economic associations to reform the political and social order with a view to abolishing apartheid and considers their programme of action as being a reasonable solution.

We hope that our explanations will help to dispel certain misunderstandings and we would like to stress, once again, the importance we attach to the relations we have maintained for many years with the ILO, whose requests we have always endeavoured to meet in all circumstances, and in

particular when your Organisation had to call upon our assistance, as a result of difficulties which, fortunately, only proved to be temporary. We would be deeply saddened if these relations were affected in any way whatsoever for political reasons beyond our control.

In the hope that we will be able to continue to offer you our banking services, we remain,

Yours faithfully,

(Signed)

R.J. Favarger,
General Manager.

F. Lusser,
General Secretary.

APPENDIX IV

UN ORGANISATIONS REQUESTED TO PROVIDE INFORMATION
ON THEIR IN-HOUSE BANKING ARRANGEMENTS

A. Organisations contacted

1. Food and Agriculture Organization, Rome
2. United Nations Educational, Scientific and Cultural Organization, Paris
3. International Civil Aviation Organization, Montreal
4. World Health Organization, Geneva
5. International Telecommunications Union, Geneva
6. World Meteorological Organization, Geneva
7. International Fund for Agricultural Development, Rome
8. United Nations Industrial Development Organization, Vienna
9. International Atomic Energy Agency, Vienna
10. General Agreement on Tariffs and Trade, Geneva
11. United Nations, Geneva
12. United Nations High Commissioner for Refugees, Geneva
13. International Trade Centre, Geneva

B. Text of enquiry

Dear Sir,

Over recent years the International Labour Conference Committee on Apartheid, through the Governing Body of the ILO, has requested the Director-General to search for a possible alternative to the continued use of the bank (the Union Bank of Switzerland) which provides banking facilities and services at the ILO headquarters, as well as at the Palais de Nations in Geneva during the annual International Labour Conference. This was because the Union Bank of Switzerland had participated in the floating of loans to the South African Government and other South African institutions.

As part of the enquiries being made by the Director-General in this regard, in late 1986 a number of UN agencies were informally contacted in order to determine whether their legislative bodies had raised the question of relationships with their "in-house" bank in the light of the apartheid issue. All agencies contacted responded in the negative.

At the 73rd Session of the International Labour Conference (June 1987) the Committee on Apartheid requested the Governing Body of the ILO to establish a Special Working Group to assist the Director-General to find alternative banking facilities to the UBS, involving one or more banks as necessary, and asked the Governing Body to submit a progress report on action taken on this subject to the Committee at the June 1988 Session of the Conference. The Governing Body appointed the Special Working Group in November 1987.

The Special Working Group held its first meeting in late February 1988 and inter alia requested the Director-General to obtain from other organisations within the UN system relevant information on their in-house banking arrangements.

Accordingly, I would be obliged if you would let me know:

- (a) the name of the bank (if any) which maintains a branch or agency at your headquarters for the purpose of providing official banking facilities and services;
- (b) whether your legislative or executive bodies have raised the subject of the choice of your in-house bank and its policy with regard to conducting banking business with the Government of South Africa or other South African institutions.

As the Special Working Group will be meeting again in May, an early reply to the above questions would be greatly appreciated.

Yours sincerely,

For the Director-General:

(Signed)

A. Ahmad,
Treasurer and Financial Comptroller.

C. Relevant extracts of replies received

(i) Food and Agriculture Organization

- (a) Banca Commerciale Italiana maintains a branch at FAO Headquarters for the purpose of providing official banking facilities and services.
- (b) The governing bodies of FAO have not raised the subject of the choice of Banca Commerciale Italiana nor its policies with regard to conducting banking business with the Government of South Africa or other South African institutions.

(ii) United Nations Educational, Scientific and Cultural Organization

UNESCO's "in-house" bank which provides official banking services, is the Société Générale. It maintains branches in two separate buildings at our headquarters in Paris.

As far as I am aware, UNESCO's legislative or executive bodies have not raised any questions as to the choice of the "in-house" bank in the light of its policy regarding the conducting of banking business with the Government of South Africa or other South African institutions.

(iii) International Civil Aviation Organization

- (a) ICAO has no "in-house" bank which maintains a branch or agency at Headquarters, or in any of the seven Regional Offices, for the purpose of providing official banking facilities and services.
- (b) Consequently, ICAO's legislative or executive bodies, namely the Assembly or the Permanent Council of ICAO, have not raised the question of the "in-house" banking facility.

- (c) Furthermore, neither the Assembly nor the Council have raised the question of the policy with regard to conducting banking business with the Government of South Africa or other South African institutions.

(iv) World Health Organization

- (a) WHO uses the in-house services of Société de Banque Suisse (Swiss Bank Corporation) at our Geneva headquarters to provide banking services for our staff here, on a strictly commercial basis. Société de Banque Suisse was not among the listed transnational corporations identified by the ECOSOC Commission in 1985 to be avoided for doing business in South Africa. The in-house banking facilities are used for salary accounts and current operational services for WHO staff, but are not used for investment of WHO's resources.
- (b) The governing bodies of WHO have not raised the subject of choice of in-house bank and its policy with regard to business relating to South Africa; however, the WHO Executive Board and Health Assembly are fully aware and supportive of our overall organisational policy which is not to give any facilities to, or invest any funds in, banks, financial institutions or corporations which continue to invest in, or give loans to, the South African regime.

(v) International Telecommunications Union

Since the ITU tower building was put into service in 1973, the Swiss Bank Corporation (SBS) has established there a sub-agency of its agency at the International Centre.

No question has been raised by the competent bodies of the ITU regarding ITU/SBS or SBS/South African relations.

(vi) World Meteorological Organization

There is no bank which maintains a branch or agency at WMO headquarters for the purpose of providing official banking facilities and services. Consequently, the second question raised in your letter is not applicable in our case.

(vii) International Fund for Agricultural Development

The question of BCI's business involvement with the Government of South Africa or other South African institutions has never been raised by IFAD's Executive Board nor by the Governing Council. However, IFAD's management has reiterated the UN General Assembly's resolution concerning businesses involved with South Africa and IFAD does not have contractual relationships with any banks who are lending to the Government of South Africa or to South African institutions.

(viii) United Nations Industrial Development Organization

(a) UNIDO has relationships with two Austrian banks who maintain full branches in the Vienna International Centre:

(i) Creditanstalt Bankverein;

(ii) Zentralsparkasse und Kommerzialbank.

(b) The subject of UNIDO's choice of in-house bankers has not been raised by our governing bodies.

For your information UNIDO takes cognizance of UN General Assembly resolutions on South Africa before establishing banking relationships.

(ix) International Atomic Energy Agency

Concerning the questions raised by your Special Working Group dealing with the apartheid issue, I would like to inform you that the International Atomic Energy Agency has banking relations with all major Austrian banks.

Our legislative or executive bodies have not raised this subject.

(x) General Agreement on Tariffs and Trade

The Swiss Bank Corporation (Société de Banque Suisse) provides banking services to the GATT secretariat through its agency at the Centre William Rappard, the building where our offices are located. The reply to your second question is negative.

(xi) United Nations, Geneva

(a) The name of the bank which maintains a branch at the Palais des Nations is Lloyds Bank Plc.

(b) To the best of my knowledge, no question has ever been raised by our legislative bodies with regard to Lloyds Bank Plc conducting business with the Government of South Africa or other South African institutions.

(xii) United Nations High Commissioner for Refugees

UNHCR's Executive Committee and its Subcommittees have never raised the subject of in-house banking arrangements or policy issues with regard to banks having business with South African institutions. As UNHCR is a subsidiary organ of the United Nations the mandate of the Executive Committee is limited to approving programmes and budgets financed through voluntary contributions. Only in this respect can the Executive Committee be regarded as a legislative body to UNHCR. Otherwise UNHCR depends on the UN General Assembly which also established the UNHCR Statute.

(xiii) International Trade Centre

The branch of the Union de Banques Suisses located in our building only provides private banking facilities for staff and visitors; our organization's official bank accounts are maintained with Lloyds. The Joint Advisory Group on ITC has not raised the subject of the choice of our in-house bank and its policy with regard to conducting banking business with the Government of South Africa or other South African institutions.
