

ALIGNING SEC REGULATIONS FOR THE WORLD BANK'S  
INTERNATIONAL DEVELOPMENT ASSOCIATION ACT

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DECEMBER 1, 2023.—Committed to the Committee of the Whole House on the State  
of the Union and ordered to be printed

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Mr. MCHENRY, from the Committee on Financial Services,  
submitted the following

R E P O R T

[To accompany H.R. 1161]

[Including cost estimate of the Congressional Budget Office]

The Committee on Financial Services, to whom was referred the bill (H.R. 1161) to accord securities issued by the International Development Association the same exemption from the securities laws that applies to the securities of other multilateral development banks in which the United States is a member, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

**SECTION 1. SHORT TITLE.**

This Act may be cited as the “Aligning SEC Regulations for the World Bank’s International Development Association Act”.

**SEC. 2. EXEMPTION OF SECURITIES OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION FROM THE SECURITIES LAWS.**

(a) IN GENERAL.—The International Development Association Act (22 U.S.C. 284–284cc) is amended by adding at the end the following:

**“SEC. 32. EXEMPTION OF SECURITIES OF THE INTERNATIONAL DEVELOPMENT ASSOCIATION FROM THE SECURITIES LAWS.**

“(a) EXEMPTION FROM SECURITIES LAWS; REPORTS TO SECURITIES AND EXCHANGE COMMISSION.—Any securities issued by the Association (including any guaranty by the Association, whether or not limited in scope) and any securities guaranteed by the Association as to both principal and interest shall be deemed to be exempted securities within the meaning of section 3(a)(2) of the Securities Act of 1933 (15 U.S.C. 77c(a)(2)) and section 3(a)(12) of the Securities Exchange Act of 1934 (15 U.S.C. 78c(a)(12)). The Association shall file with the Securities and Exchange Commission such annual and other reports with regard to such securities as the Commission shall determine to be appropriate in view of the special character of the As-

sociation and its operations and necessary in the public interest or for the protection of investors.

“(b) AUTHORITY OF SECURITIES AND EXCHANGE COMMISSION TO SUSPEND EXEMPTION; REPORTS TO CONGRESS.—The Securities and Exchange Commission, acting in consultation with the National Advisory Council on International Monetary and Financial Problems, is authorized to suspend the provisions of subsection (a) of this section at any time as to any or all securities issued or guaranteed by the Association during the period of such suspension. The Commission shall include in its annual reports to the Congress such information as it shall deem advisable with regard to the operations and effect of this section.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect 30 days after the date of the enactment of this Act.

#### PURPOSE AND SUMMARY

Introduced on February 24, 2023, by Representative Maxine Waters, H.R. 1161, the *Aligning SEC Regulations for the World Bank’s International Development Associations Act*, classifies securities issued by the World Bank’s International Development Association (IDA) as exempted securities, subject to reporting requirements deemed appropriate by the Securities and Exchange Commission. This classification would align the treatment of IDA securities with that of other World Bank divisions, as well as the current-law treatment of securities issued by the Inter-American Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and African Development Bank. An exemption would allow for lower legal expenses, negotiating private placements directly with U.S. investors, and issuance of short-term paper in the U.S. at low rates.

#### BACKGROUND AND NEED FOR LEGISLATION

H.R. 1161 brings about parity among other World Bank groups and various other multilateral development banks to classify securities issued by the World Bank’s IDA as exempted securities. Prior to 2018, IDA did not raise funds in the securities market and therefore did not require this exemption. Recognizing that various World Bank programs and practices need significant reform, continuing to support IDA’s core mission of providing loans and grants to developing nations through provision of this exemption remains consistent with previous treatment of multilateral development bank securities.

#### HEARING

Pursuant to clause 3(c)(6) of rule XIII, the following hearing was used to develop H.R. 1161: The Committee on Financial Services held a hearing on February 7, 2023, titled “Combatting the Economic Threat from China.”

#### COMMITTEE CONSIDERATION

The Committee on Financial Services met in open session on February 28, 2023, and ordered H.R. 1161 to be reported favorably to the House as amended by a recorded vote of 38 ayes to 0 nays (Record vote no. FC–24), a quorum being present. Before the question was called to order the bill favorably reported, the Committee adopted an amendment in the nature of a substitute offered by Ms. Waters by voice vote.

## COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee to list the record votes on the motion to report legislation and amendments thereto.

H.R. 1161 was reported favorably to the House as amended by a recorded vote of 38 ayes to 0 nays (Record vote no. FC-24), a quorum being present.

## Record vote no. FC- 24

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. McHenry	X	—	—	Ms. Waters	X	—	—
Mr. Hill	X	—	—	Mrs. Velazquez	X	—	—
Mr. Lucas	—	—	—	Mr. Sherman	—	—	—
Mr. Sessions	X	—	—	Mr. Meeks	—	—	—
Mr. Posey	X	—	—	Mr. Scott	—	—	—
Mr. Luetkemeyer	X	—	—	Mr. Lynch	—	—	—
Mr. Huelskamp	—	—	—	Mr. Green	X	—	—
Mrs. Wagner	X	—	—	Mr. Clawson	—	—	—
Mr. Barr	X	—	—	Mr. Himes	X	—	—
Mr. Williams (TX)	—	—	—	Mr. Foster	X	—	—
Mr. Eshen	—	—	—	Mrs. Beatty	X	—	—
Mr. Loudermilk	X	—	—	Mr. Vargas	X	—	—
Mr. Mooney	X	—	—	Mr. Gohmert	X	—	—
Mr. Davidson	X	—	—	Mr. Gonzalez	—	—	—
Mr. Rose	X	—	—	Mr. Costen	X	—	—
Mr. Steel	X	—	—	Ms. Pressley	X	—	—
Mr. Timmons	X	—	—	Mr. Horsford	X	—	—
Mr. Norman	X	—	—	Ms. Thib	X	—	—
Mr. Meuser	X	—	—	Mr. Torres	X	—	—
Mr. Fitzgerald	X	—	—	Ms. Garcia	X	—	—
Mr. Garbarino	—	—	—	Ms. Williams (GA)	X	—	—
Mrs. Kim	—	—	—	Mr. Nickel	—	—	—
Mr. Donalds	X	—	—	Ms. Petersen	X	—	—
Mr. Flood	X	—	—				
Mr. Lawler	—	—	—				
Mr. Nizza	X	—	—				
Ms. De La Cruz	X	—	—				
Mrs. Houchins	X	—	—				
Mr. Ogles	X	—	—				

## COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

## PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 1161 is to align the treatment of IDA securities with that of other World Bank divisions, as well as the current-law treatment of securities issued by the Inter-American Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, and African Development Bank by classifying securities issued by the World Bank's IDA as exempted securities, subject to reporting requirements deemed appropriate by the Securities and Exchange Commission.

## CONGRESSIONAL BUDGET OFFICE ESTIMATES

Pursuant to clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the following is the cost estimate provided by the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1974:

<b>H.R. 1161, Aligning SEC Regulations for the World Bank's International Development Association Act</b>			
<b>As ordered reported by the House Committee on Financial Services on February 28, 2023</b>			
By Fiscal Year, Millions of Dollars	2023	2023-2028	2023-2033
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	0
Spending Subject to Appropriation (Outlays)	*	*	not estimated
Increases <i>net direct spending</i> in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	No
		<b>Mandate Effects</b>	
Increases <i>on-budget deficits</i> in any of the four consecutive 10-year periods beginning in 2034?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold
* = between zero and \$500,000.			

H.R. 1161 would exempt the International Development Association at the World Bank from the requirement to register securities it issues or guarantees with the Securities and Exchange Commission (SEC). The SEC may require the Association to file additional reports and, in consultation with the National Advisory Council on International Monetary and Financial Problems, suspend the exemption at any time.

Using information about the cost of similar provisions, CBO estimates that it would cost the SEC less than \$500,000 to update rules and process any additional disclosures by the Association.

Moreover, because the SEC is authorized to collect fees each year to offset its annual appropriation, CBO expects that the net effect on discretionary spending over the 2023–2028 period would be negligible, assuming appropriation actions consistent with that authority.

If the SEC increases fees to offset the costs associated with implementing the bill, H.R. 1161 would increase the cost of an existing mandate on private entities required to pay those assessments, as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the incremental cost of the mandate would be small and would fall well below the annual threshold for private-sector mandates established in UMRA (\$198 million in 2023, adjusted annually for inflation).

H.R. 1161 contains no intergovernmental mandates as defined in UMRA.

The CBO staff contacts for this estimate are David Hughes (for federal cost) and Rachel Austin (for Mandates). The estimate was reviewed by H. Samuel Papenfuss, Deputy Director of Budget Analysis.

PHILLIP L. SWAGEL,  
*Director, Congressional Budget Office.*

NEW BUDGET AUTHORITY, ENTITLEMENT AUTHORITY, AND TAX  
EXPENDITURES

Pursuant to clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee adopts as its own the estimate of new budget authority, entitlement authority, or tax expenditures or revenues contained in the cost estimate prepared by the Director of the Congressional Budget Office pursuant to section 402 of the Congressional Budget Act of 1973.

FEDERAL MANDATES STATEMENT

Pursuant to section 423 of the Unfunded Mandates Reform Act of 1995, the Committee adopts as its own the estimate of the Director of the Congressional Budget Office.

ADVISORY COMMITTEE STATEMENT

No advisory committees within the meaning of section 5(b) of the Federal Advisory Committee Act were created by this legislation.

APPLICABILITY TO LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the Congressional Accountability Act.

EARMARK IDENTIFICATION

Pursuant to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

## DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

## SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

*Sec. 1: Short title*

This Act may be cited as the “Aligning SEC Regulations for the World Bank’s International Development Association Act”.

*Sec. 2: Exemption of Securities of the International Development Association from the Securities Laws*

This section would classify securities issued by the World Bank’s International Development Association (IDA) as exempted securities, subject to reporting requirements deemed appropriate by the Securities and Exchange Commission. An exemption would allow for lower legal expenses, negotiating private placements directly with U.S. investors, and issuance of short-term paper in the U.S. at low rates.

