

II. Actions Involving the U.S. Financial Community

This section of the report presents our views as to measures which the U.S. securities industry—brokers, dealers, investment bankers, securities exchanges, and investment companies—and commercial banks, in cooperation with U.S. corporations whose shares are publicly held, can take to increase the ownership of U.S. corporate securities by investors in the other industrial nations of the free world.

Direct ownership of equity securities by the public is not nearly so broad in other countries as in the United States. Foreigners owning U.S. securities tend to be wealthy, sophisticated investors. In most countries facilities for serving a broad investing public have not been developed as intensively as in the United States. Most investors abroad encounter difficulty in obtaining information about companies and securities. Securities transactions are generally handled through banks, which make little or no effort to encourage equity investment by customers with small accounts. Indirect ownership of equities through institutions, such as pension and insurance funds, is at a less-developed stage abroad than in the United States; moreover, the number and size of such institutions are considerably smaller than in the United States. Despite these circumstances, we believe foreign purchases of U.S. securities can be significantly expanded.

Our recommendations here are concerned with (1) selling U.S. corporate securities abroad, (2) adapting U.S. corporate securities to foreign markets, (3) selling U.S. investment company shares abroad, (4) providing information to foreign investors, and (5) attracting foreign bank deposits.

Selling U.S. Corporate Securities Abroad

Recommendation No. 1:

U.S. investment bankers and brokerage firms should intensify their efforts to develop facilities for reaching foreign investors directly.

Recommendation No. 2:

U.S. investment bankers and brokerage firms should seek modification of foreign regulations and practices which unduly restrict the ability

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