

of U.S. firms to promote the sale of U.S. securities or to deal directly with potential foreign customers.

Foreigners may buy U.S. corporate securities by: (1) placing orders with foreign banks or brokers, who in turn may either place the orders with U.S. firms for execution in the U.S. market or execute the orders on a foreign exchange or in the foreign over-the-counter market; or (2) placing orders directly with brokers in the United States or with their oversea offices for execution in the United States. However, not all of these channels are open in all countries.

Despite the recent growth in offices of U.S. brokerage firms abroad, sales efforts by U.S. brokers are hampered in most foreign countries by restrictions on advertising or direct approaches to potential investors. In some countries, U.S. brokerage firms are prohibited from soliciting securities business of any kind. In others they are permitted to deal only with banks.

Opportunities may exist to open new channels for dealing directly with the local investing public. Every effort should be made to find and utilize such opportunities, even though it may require modification of established practices or governmental regulations.

Recommendation No. 3:

U.S. investment bankers and brokerage firms, with the cooperation of interested U.S. corporations, should endeavor to obtain shares of U.S. corporations for distribution abroad.

In certain cases it may be possible for U.S. securities firms to obtain blocks of U.S. securities for distribution exclusively abroad. Distribution abroad may involve a greater amount of time and effort and, possibly, greater compensation to foreign broker-dealer firms than would distribution in the United States. However, as pointed out below, certain circumstances may be present which would significantly increase the attractiveness of exclusive oversea distribution.

One source of such blocks would be outstanding securities that would have to be registered with the Securities and Exchange Commission (SEC) if sold in the United States. However, because of the time and expense involved, or for other reasons, it may not be desirable to register such blocks. Holders of such securities might prefer to have U.S. securities firms undertake distribution abroad, and thus avoid the inconvenience and cost of registration with the Securities and Ex-