the limited pool of "investment dollars" which now sell at a premium of about 11 percent, after having been as high as 14 percent earlier in 1964. These "investment dollars" represent primarily the proceeds of sales for dollars or other foreign currencies, of foreign securities held by United Kingdom residents.

Capital Issues Control

Recommendation No. 36:

The Department of State and the Treasury Department should encourage and support the enlargement of free world capital markets and urge countries with balance of payments surpluses to relax their capital issues control in order to permit an expanded volume of international lending.

New issues of foreign securities are carefully controlled in most major countries. The liberalization of capital issues raises sensitive questions because sales of new securities issues have a direct impact on interest rates, patterns of investment and the balance of payments. Some countries restrict distributions of foreign securities in attempts to prevent heavy demand for capital by foreign borrowers from driving up domestic interest rates and siphoning off a high proportion of domestic savings. In some countries direct controls over securities issues are in part designed to channel financial resources into investments considered of high priority by the government concerned. Although there has been some recent relaxation with respect to foreign borrowing in the United Kingdom, the capital issues control policy of that country generally has been to reserve the London new issues market for sterling securities for residents of the sterling area and the European Free Trade Area.

Regulation of Institutional Investors

Recommendation No. 37:

The Department of State and the Treasury Department should request that the Organization of Economic Cooperation and Development (OECD) initiate a comprehensive review of the practices and regulations in member countries relating to investment portfolios of financial institutions.