

Recommendation No. 6

U.S. investment bankers should include foreign banks and securities firms as underwriters, whenever possible, or as selling group members in new offerings and secondary distributions of either domestic or foreign securities.

(a) The March 17, 1965, GM secondary underwriting group included 30 overseas investment houses underwriting over 10 percent of the shares.

(b) The underwriting syndicate for the April 26, 1965, Chrysler offering of rights includes four Japanese firms. Although the present underwriting is not complete, it is reasonable to assume that some part of it will be purchased by foreign investors.

(c) While no foreign underwriters were included in the syndicates, significant amounts of the following issues were placed abroad through foreign selling groups: Baystate Corp. (138,285 shares); Savanna Electric (150,000 shares); the Southern Co. (510,000 shares); Southern California Edison (1,500,000 shares).

(d) Private placements and public offerings in which Bache & Co. participates either as manager, syndicate member, or selling group member frequently included foreign banks and securities firms as participants.

Recommendation No. 7

U.S. investment bankers and brokerage firms should organize the underwriting and distribution of dollar-denominated foreign securities issues so that the maximum possible amount is sold to investors abroad.

(a) During 1964 the NYSE listed three foreign bond issues sold entirely outside the United States as a consequence of the interest equalization tax: Copenhagen Telephone Co., Inc., the Japan Development Bank and the Metropolis of Tokyo. Two additional issues of this type are in process.

(b) Between October 1964 and May 1965 the following six offerings of bonds totaling \$135 million were registered with the SEC, managed by U.S. investment bankers, and underwritten by international consortiums: (Foreign underwriters participating in each of the underwriting groups placed an average of 36 percent of each such offering).

(1) *May 5, 1965: Commonwealth of Australia.*—\$25 million bonds; 43 foreign underwriters, 58 percent of issue.

(The 43 foreign firms are located in 9 European countries. In addition, a substantial number of European dealers participated as selling group members. The entire issue (which is subject to the interest equalization tax) is being placed outside the United States, and application has been made to list the bonds on both the London and New York Stock Exchanges.)

(2) *December 15, 1964: European Investment Bank.*—\$25 million bonds; 50 foreign underwriters, 62 percent of issue.

(This issue was placed entirely abroad, although listed on the New York Stock Exchange.)

(3) *October 27, 1964: Mexico.*—\$35 million bonds; five foreign underwriters, 26 percent of issue.

(4) *January 19, 1965: Republic of the Philippines.*—\$15 million bonds; seven foreign underwriters, 21 percent of issue.