

accumulated in other industrial countries flowing here for investment to be increased—to the benefit of our balance of payments.

Despite this general endorsement, we have serious reservations about a number of provisions in the bill which conflict with its overall objective of stimulating foreign investment in the United States and aiding our balance of payments. The exchange, therefore, suggests the following deletions, amendments and additions to H.R. 11297:

1. Delete the provisions which make bank deposits of foreigners subject to the estate tax, and which provide that whether or not they are engaged in business here foreigners would be taxed on interest they receive on U.S. bank deposits after 1970.

2. Eliminate the estate tax on nonresident aliens completely, instead of providing only a rate reduction.

3. If estates continue to be taxed, retain the situs rule on bonds. In addition, exclude customers' cash balances with brokers awaiting investment from property considered taxable for estate tax purposes.

4. Repeal or reduce the withholding tax levied on interest and dividends paid to foreigners. As a minimum step, press for mutual reductions with other countries in the percentage withheld.

5. Eliminate or ease taxes and other restrictions imposed on foreign pension trusts and similar institutional investors.

6. The exchange specifically endorses the language in section 2 of the bill referring to "Trading in Securities and Commodities," as revised from the original administration proposals.

H.R. 11297, the Foreign Investors Tax Act of 1966, accepts the philosophy and recommendations of the Presidential Task Force on the Balance of Payments (the Fowler Committee), of which the exchange president was a member. It codifies steps long advocated by representatives of the exchange community regarding international financing. The task force recommendations were originally embodied in H.R. 5916, submitted by the administration to the Congress for consideration in 1965. In its statement on H.R. 5916, the exchange noted that, "Adoption of this legislation would do much to stimulate the long-term flow of foreign capital to the United States, in part by removing archaic restrictions on the flows. The securities industry has long advocated removal of such restrictions. The exchange applauds the fact that the proposed legislation will enhance the freedom of movement in the international flow of capital funds."

The legislation, appropriately cast, should aid our balance-of-payments problem. As the late President Kennedy observed in his last balance-of-payments message to the Congress, "Securities of U.S. private firms could be and should be one of our bestselling exports." This proposed legislation, by removing some bothersome and complex restraints, should make American securities a good deal more salable to foreign investors.

Although supporting the basic philosophy of the bill, we wish to bring to the attention of the Congress our serious reservations about specific provisions of the current version of this proposal. We have great concern that unless these provisions are modified, the legislation might well produce unfavorable rather than favorable reactions in the financial markets of the world and on our balance of payments.

The changes from the original (H.R. 5916) version of the bill which appear in H.R. 11297 tend to undercut a good deal of the legislation's