

THE WHITE HOUSE
Washington

May 24, 1950

Honorable Harry A. McDonald
Chairman, Securities and Exchange Commission
Washington 25, D.C.

Dear Mr. McDonald:

I am most appreciative of your offer to be of assistance in the project I have undertaken and wish to avail myself of your aid at this time in regard to a particular inquiry.

Although we are only in the first stages of the project and have therefore developed no firm conclusions, it is apparent from work that has been done by others that an expanded outflow of private capital to foreign countries could play a significant role in a desirable solution. So far, in discussions of private foreign investment major emphasis has been placed on direct equity investment. Public marketing of securities for portfolio investment, having been negligible for many years, has been largely ignored. It would be a valuable contribution if the SEC could prepare a rather comprehensive report on the obstacles to such investment and the possibilities of removing them, including concrete suggestions for doing so.

Among the specific points occurring to me that might be covered are such questions as the following: Have foreign borrowers, public or private, actually tried to float securities in the U.S. market? If so, to what extent have underwriters been unwilling to handle the proposed issues? At what terms have they been willing to do so? Do would-be borrowers have difficulty in meeting registration requirements? If so, is there any way in which they could be helped to meet them? No doubt there are many other significant aspects of this problem which you will feel should also be included in this inquiry.

In addition to, or as part of your analysis of this problem, I would be most interested to learn of the points of view of the major United States investment banking houses and the representatives of foreign governments on the points suggested above.

I would be pleased to discuss this inquiry with you at your earliest convenience.

Sincerely,

/s/ Gordon Gray

Gordon Gray
Special Assistant to the President

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