

Financial Economists Roundtable

Statement on Registration Requirements for Foreign Securities

July 28, 1993

We the undersigned members of the Financial Economists Roundtable (FER) propose that American investors be allowed to trade the shares of major foreign companies as easily as they now trade the shares of U.S. companies. Our proposal should be viewed as a first step towards eliminating the regulatory impediments that now preclude the securities of most foreign firms from being traded on the principal U.S. equity markets.

The Securities and Exchange Commission now requires foreign firms that wish to have their securities traded in these markets to register under the Securities Exchange Act of 1934, and, among other things, reconcile quantitatively their financial statements to U.S. generally accepted accounting principles (U.S. GAAP). This registration requirement hinders U.S. investors and exchanges in trading foreign shares.

Eliminating impediments to the trading of foreign shares will enhance the competitive position of the United States in world equity markets and reduce the cost to U.S. investors, who trade these shares. Our proposal to facilitate the trading of foreign shares in U.S. markets is consistent with the principal elements of a recent suggestion made by the New York Stock Exchange.

We propose that the equities of very large foreign companies be made eligible to be traded and/or listed in the United States on registered exchanges and on NASDAQ without conforming to all current SEC registration requirements. To be traded on U.S. equity markets, foreign companies would need to have available only their customary financial statements, independently audited, and have revenues of at least 3 billion dollars and a market capitalization of at least 1 billion dollars.

Adopting our proposal will benefit U.S. investors and make U.S. financial markets more competitive.

FER Members Signing Statement

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