

EXECUTIVE

October 10, 1972

MEMORANDUM FOR: PETER M. FLANIGAN
FROM: RICHARD D. ERB

Before Congress adjourns, the SEC would like to submit legislation allowing Foreign Portfolio Corporations to be organized and operated in the U.S. for the sale of mutual fund shares to foreigners. The main objective is to give domestic mutual funds tax advantages comparable to those of off-shore funds in selling shares to foreign investors.

The proposal was developed by an interagency task force which consisted of representatives of the SEC, Treasury, State, and the FRB.

The SEC is anxious to get this proposal introduced before Congress adjourns, even though nothing will happen with it until next year. While SEC would like to move ahead, it would not create major problems if they didn't.

OMB does not have any problem with the substance of the proposals, but they're concerned about submitting any legislation dealing with taxation at this time. It could be discerned by politicians claiming that we are creating another tax loophole.

I agree with OMB -- if you do also, I'll tell Casey's office.