

MEMORANDUM

June 20, 1967

TO: All Regional and Branch Offices

FROM: Robert Block, Chief Counsel (signed R Block) Division of Trading and Markets

SUBJECT: Foreign broker-dealers

As you probably know, there has been an increasing amount of activity by foreign broker-dealers who purchase securities in the United States for foreign customers, or for their own account for resale abroad. Any foreign broker-dealer or foreign bank which uses the facilities of interstate or foreign commerce, or the United States mails, to engage in this activity would ordinarily be subject to registration and regulation under the Exchange Act unless all such transactions are effected on a national securities exchange.

While we may raise no objection if a particular unregistered foreign broker-dealer engages in such activities with or through a registered American broker-dealer, particularly if it will help to alleviate the United States balance of payments problem, we like to consider each of these cases on its own facts. For example, we do not take a "no action" position where the foreign broker-dealer or bank is acting for or with a foreign investment company or any other person engaged in a fund-of-funds type operation.

Under the circumstances, in order to achieve uniformity in these cases, and to be sure that this office is fully aware of the nature and extent of these foreign activities, it is requested that all inquiries with respect to the applicability of the broker-dealer registration or other regulatory requirements to foreign broker-dealers be referred to this office for direct reply from here.