

MEMORANDUM

DATE November 30, 1936

TO: Chairman Landis

FROM: Research Division

SUBJECT: Comparison between reports on foreign transactions in American securities made to the Treasury and made to the Securities and Exchange Commission.

The figures on capital movements between the United States and foreign countries which have just been released by the Treasury cover, as you know, a much wider field than our reports. Comparison can be made only between our reports and that part of the Treasury reports which reflects purchases and sales of American securities for foreign accounts.

We are attaching a table which compares the figures reported to the Treasury with those derived from reports furnished to us by a group of 38 members of the New York Stock Exchange for the period from May 26 to November 9. From this table it will be seen that our statistics on the average covered about 60% of the purchases and sales of American securities for foreign account as reported to the Treasury. The weekly ratio between the figures derived from our reports and the complete figures as reported to the Treasury has been relatively steady except for a few weeks when large individual transactions handled by houses not reporting to us have caused our figures to fall below 50% of the total reported to the Treasury. It will further be noticed that our coverage of arbitrage transactions is very satisfactory, the reports to us usually covering 80% or 90% of the total reported to the Treasury. Foreign regular transactions are covered to only about 55% by our sample. The balance between the value of purchases and sales as shown by our sample differs repeatedly from the balance shown in the comprehensive reports to the Treasury, although it is fairly reliable as an indicator of the direction of the total balance. The reason for the relatively large extent of the difference between our sample and the complete statistics of the Treasury with respect to the net balance is that any differences existing either in sales or in purchases is reflected in full in the balance where it bulks relatively much larger since the absolute value of the balance is much smaller than either that of purchases or sales.

We have been constantly checking our figures against those of the Treasury and have tried to determine the reason for any major discrepancy. There is no doubt that our sample occasionally does not accurately reflect the grand total reported to the Treasury which becomes available only after an interval of about a fortnight. A comparison of both series

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should, however, show that our figures have proven pretty satisfactory indicators, at least of the direction and, with few exceptions, also of the extent of all movements in transactions in American securities for foreign account.

(It may be well to repeat here that our sample covers the great majority of all foreign transactions through brokers. As a matter of fact, it may be estimated that of the approximately 40% of the comprehensive reports to the Treasury not represented through our sample not more than about 15% represents transactions done by other brokers, while the remaining 25% represents transactions for account of foreigners which are handled by banks).

Attach.