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Mr John S R Shad  
Chairman  
Securities and Exchange Commission  
Washington DC 20549  
USA

*John R Shad*

SHARE EXCHANGE OFFERS TO US SHAREHOLDERS - PROPOSED NEW FORM F-5

When I wrote to you on 8 November I said that the Institute of Chartered Accountants and The Stock Exchange had broadly welcomed the proposals for a new form F-5 while the law firms which we had consulted were rather more cautious. The major potential difficulty was with the Issuing Houses Association (representing the merchant banks) which felt that the current problems were not sufficiently serious as to cause UK offerors to have to submit to the jurisdiction of the Commission. In that letter I said that I would contact a number of influential individuals at the leading merchant banks to explain the proposed new form F-5 and to try to obtain their support.

Having consulted a number of leading merchant bankers I regret that I have to say that although there have been some favourable responses the overall reaction tends to support the attitude of the Issuing Houses Association.

Although I personally remain of the view that the proposed new procedure would in appropriate circumstances prove advantageous to UK offerors, it does appear that the proposals do not carry sufficient support in the UK for me to be able to tell you that the new procedure would be used to any significant extent.

I understand from John Huber that the Commission's view was that it was unlikely that it would wish to proceed with the proposed new procedure unless it could be reasonably sure that it would be much used by UK offerors making offers for UK companies with appreciable numbers of US shareholders. With the increasing internationalisation of the securities markets the numbers of US shareholders in UK companies (and of UK shareholders in US companies) can only increase and it may well be that the point will be reached where there is a consensus that proposals such as these will be needed.

Once again I would like to thank you and the members of your staff for all the time and effort which has been put into the development of these proposals. Although the outcome has been disappointing, I hope that it will not discourage other co-operative efforts.

*Yours sincerely*

*Tim Barker*

T G Barker  
Director-General

cc John Huber  
E F Greene