

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

## Office Correspondence

Date March 17, 1937To Mr. BryanSubject: Foreigners' "trading"From Mr. Bradleyin the United States.*lb*

The volume of "trading" in securities in the United States for foreign account in 1936 is estimated to have been \$2,713,000,000, or 9.94 per cent of the total volume of transactions on all stock exchanges in this country in 1936, namely, \$27,285,000,000. Thus it would seem that if all "trading" in securities in the United States for foreign account ceased, the volume of business done by members of exchanges in this country would decline by not more than ten per cent.

This does not appear to be a large percentage when it is recalled that the volume of transactions on the exchanges in 1936 was about 50 per cent greater than it was in 1935. However, the volume of business done by some members (those whose foreign business constitutes a substantial part of their total business) would decline by considerably more than ten per cent.

The figure of \$2,713,000,000, representing the volume of "trading" for foreign account, was obtained from Treasury reports by adding the total sales of stocks and bonds in the United States for foreign account in the 40 weeks when foreigners were purchasing on balance, and their total purchases in the three weeks when they were selling on balance. The figure of the total value of transactions on exchanges was obtained from S.E.C. reports.

The volume of "trading" for foreign account includes arbitrage transactions, and it would have been only 7.78 per cent of the total transactions on all stock exchanges if arbitrage transactions had been omitted. It also includes transactions effected by non-members as well as those effected by members. The total volume of transactions on all stock exchanges, on the other hand, does not include transactions effected by members over the counter. It is probable that, if all "trading" in securities in the United States for foreign account ceased, the volume of business done by members would decline by considerably less than ten per cent rather than by more than ten per cent.