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QUANTIFYING FOREIGN INSTITUTIONAL BLOCK OWNERSHIP AT PUBLICLY TRADED U.S. CORPORATIONS

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Abstract

This short technical report provides an empirical analysis of the level of foreign institutional block ownership at a broad set of publicly traded corporations. Disclosed institutional blockholders of every company in the Standard & Poor's 500 index are analyzed to determine if these blockholders were foreign entities or were majority owned or controlled by foreign entities. Roughly one in eleven (9%) companies in the S&P 500 has one or more foreign institutions each owning five percent or more blocks of stock, nine have foreign institutions with ten percent or more blocks, five have a foreign institution with more than fifteen percent, and three have foreign institutions with more than 20% blocks. Three firms have multiple foreign institutional blockholders. The descriptive data reported here may assist lawmakers, analysts, and investors in assessing the effects of globalization of capital markets and the interaction of country and governance risk, and in developing policies. Among other things, these data may inform debates on the degree to which domestic political spending by U.S. corporations conveys any potential for foreign influence through governance, and the likely costs and benefits of disclosure laws regarding such influence.

Introduction

Since the Supreme Court's 2010 *Citizens United* decision invalidated restrictions on corporate political spending,⁵ considerable public and

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² Legal Director, Free Speech For People. For more information on Free Speech For People, a public interest advocacy organization formed on the day of the *Citizens United* decision, see <http://www.freespeechforpeople.org>. Free Speech For People supports legislation to regulate political spending by corporations with significant foreign ownership, including the local measure described in note 10.

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⁵ *Citizens United v. FEC*, 558 U.S. 310 (2010).

policymaker interest has developed in the potential for U.S. elections to be influenced by foreign interests through U.S. corporations.⁶

On the one hand, existing federal law (the Federal Election Campaign Act) already prohibits political spending in federal, state, or local elections by corporations that are incorporated outside the U.S., or which have their principal place of business abroad.⁷ On the other hand, current law still allows substantial avenues for foreign influence over corporate political spending by U.S.-incorporated and -based corporations.⁸ Such influence could arise from board representation, manager control, contracts (including lending arrangements), or ownership of significant blocks of stock. This paper focuses on the last potential channel for influence.

Lawmakers in Congress and members of the Federal Election Commission have expressed interest in addressing this phenomenon. As of yet federal reform proposals have failed to advance.⁹ A more likely near-term prospect for new policy measures is at the state and local level. Local governments are now contemplating measures to address this concern.¹⁰

⁶ *Compare Citizens United*, 558 U.S. at 362 (“We need not reach the question whether the Government has a compelling interest in preventing foreign individuals or associations from influencing our Nation’s political process.”) *with id.* at 424 (Stevens, J., dissenting) (“If taken seriously, our colleagues’ assumption that the identity of a speaker has *no* relevance to the Government’s ability to regulate political speech . . . would appear to afford the same protection to multinational corporations controlled by foreigners as to individual Americans. . . .”); *see also* President Barack Obama, Remarks by the President in State of the Union Address (Jan. 27, 2010), <https://www.whitehouse.gov/the-press-office/remarks-president-state-union-address> (“With all due deference to separation of powers, last week the Supreme Court reversed a century of law that I believe will open the floodgates for special interests — including foreign corporations — to spend without limit in our elections.”).

⁷ 52 U.S.C. § 30121; *see also* *Bluman v. FEC*, 800 F. Supp. 2d 281 (D.D.C. 2011) (three-judge court) (upholding prohibition on individual foreign nationals making independent expenditures against First Amendment challenge), *aff’d mem.*, 132 S. Ct. 1087 (2012).

⁸ *See* Jon Schwarz & Lee Fang, *Cracks in the Dam: Three Paths Citizens United Created for Foreign Money to Pour Into U.S. Elections*, *The Intercept* (Aug. 3, 2016), <http://interc.pt/2aA8QP8>; *see also* FEC, Advisory Opinion No. 2006-15 (*TransCanada*) (May 19, 2006), <http://saos.fec.gov/aodocs/2006-15.pdf> (providing pre-*Citizens United* guidance for internal corporate decision-making processes regarding state and local political contributions by domestic subsidiary of foreign corporation).

⁹ *See* DISCLOSE Act, H.R. 5175 (111th Cong.), <https://www.congress.gov/bill/111th-congress/house-bill/5175>; Commissioner Ellen L. Weintraub, FEC, *Proposal to launch rulemaking to ensure that U.S. political spending is free from foreign influence* (Sept. 9, 2016), <http://go.usa.gov/xkpFX>; Commissioner Ann M. Ravel, FEC, *Proposal to Rescind Advisory Opinion 2006-15 (TransCanada)* (Aug. 9, 2016), <http://go.usa.gov/xkpFQ>; FEC, *Forum: Corporate Political Spending and Foreign Influence* (June 23, 2016), <http://go.usa.gov/xkpFP>.

¹⁰ *See* Lisa Wheeler-Brown & Karen Lieberman, *St. Pete, let’s take a bite out of Citizens United*, *The Weekly Challenger* (Sept. 16, 2016), <http://theweeklychallenger.com/st-pete-lets-take-a-bite-out-of-citizens-united/> (describing proposed ordinance in St. Petersburg, Florida that would, *inter alia*, regulate political spending in city elections by corporations with significant foreign ownership); Darden Rice & Scott Greytak, *Keep super PAC cash out of St. Petersburg elections*, *Tampa Bay Times* (July 15, 2016), <http://www.tampabay.com/opinion/columns/column-keep-super-pac-cash-out-of-st-petersburg-elections/2285582> (similar).

The policy interest in foreign ownership need not rest on the idea that foreign investors are tied to hostile governments that are actively trying to undermine the democracy or economy of the United States. Rather, it may also or separately rest on the observation that foreign nationals (even those in countries that are staunch U.S. allies) are not part the U.S. polity. Democratic self-governance presumes a coherent and defined population to engage in that activity. Foreign nationals have a different set of private interests than their U.S. counterparts, as regards a range of policies, such as defense, environmental regulation, and infrastructure. Few dispute the idea that a given government may properly seek to limit foreign influence over “activities ‘intimately related to the process of democratic self-government.’”¹¹

Depending on the degree of their influence, foreign governments (or their agents, such as sovereign wealth funds), foreign corporations, or other foreign investors might be able to leverage ownership stakes in U.S. corporations to affect corporate governance. Through that channel, they could influence corporate political activity in a manner inconsistent with democratic self-government, or at least out of alignment with the interests of U.S. voters. It would also be reasonable to at least consider regulations that make U.S. voters aware, through disclosure, of which U.S. companies were subject to significant foreign influence. Such disclosures would be useful not simply as a matter of corporate governance policy (as under current SEC regulations), but in television ads or other specific communications in the electoral arena.

The prospect of such concerns about political influence should also be of interest to investment researchers and analysts. Actual or perceived foreign influence can create a political demand for or expectation of regulation, and with it the risk of political backlash. For example, the fact that foreign banks benefited from the bailouts in the financial crisis stimulated some degree of public criticism, and may have contributed to political demand for regulatory policies limiting discretion by government agencies to engage in future market interventions. Beyond policy and politics, a better understanding of the ways in which capital integration and the growth of global institutional investors contribute to cross-border influence over portfolio companies is of general interest to economists and business scholars.

This paper addresses one aspect of the policy questions raised by the potential for foreign influence over U.S. elections: quantifying foreign institutional ownership of voting shares of U.S.-based corporations at levels sufficient to have a meaningful degree of influence in corporate governance of large and well-resourced public companies — i.e., foreign blockholders. Remarkably, we are unaware of any recent empirical analysis of a broad set of corporations to ascertain the frequency and level of foreign block ownership. We examined all

¹¹ *Bluman*, 800 F. Supp. 2d at 287 (quoting *Bernal v. Fainter*, 467 U.S. 216, 220 (1984)).

505 companies currently in the Standard & Poor's (S&P) 500 Index to assess whether they had blockholders that were themselves foreign entities or were majority owned or controlled by foreign entities.

While one motivation for this paper relates to corporate political spending, the generality of the empirical research may also be useful to other areas of law (e.g., telecommunications) or corporate governance, where significant foreign blockholder ownership of U.S.-based corporations may be relevant. A stylized and largely uncontested fact is that institutional shareholders — the most likely to be blockholders of U.S. public companies — are increasingly influential in the governance of those companies.¹² Various changes in markets and regulation have increased the ability of such institutions to encourage, pressure or force boards to adopt policies and positions that twenty years ago would have been beyond their reach. Board members are spending increased amounts of time responding to and directly “engaging” with blockholders. While in the past legal regimes tested “control” of foreign nationals at higher levels of ownership – majority voting power, or 25% blocks for example – those regimes may no longer catch the new forms of institutional influence.

Finally, the descriptive data reported here may also assist researchers, analysts and investors in assessing the effects of globalization of capital markets and the interaction of country and governance risk. Most scholarship on globalization has focused on fundamental business integration, trade flows, and their impacts on employment and production. To the extent it has been studied at all, capital market integration has been analyzed mostly in the aggregate. It has not focused on the effect of globalized capital flows on corporate governance, or on blockholders, boards, and managers as separate units of observation and interest. To the extent that corporate governance matters to real economic decisions, the fact, causes, and impacts of globalization of blockholders should be a research subfield in its own right.

The paper proceeds as follows. In Part I, we briefly describe our methods. In Part II, we present our findings. We conclude with a brief discussion of implications and future research questions.

¹² See John C. Coates IV, *Thirty Years of Evolution in the Roles of Institutional Investors in Corporate Governance*, in *Research Handbook on Shareholder Power* 79-99 (Edward Elgar Publishing, eds., J. G. Hill and R.S. Thomas 2015).

I. Methodology

A. Defining foreign investors

We developed a two-part definition of a foreign investor for purposes of this analysis. First, we count any investor that would meet the federal definition of a “foreign national” used for purposes of the Federal Election Campaign Act (FECA) — viz., a foreign government, a corporation incorporated or having its principal place of business in a foreign country, or an individual who is neither a U.S. citizen nor a lawful permanent resident.¹³ Second, we also count any investor that is not *itself* a foreign national under that definition, but which is majority owned or controlled by a foreign national.

Our definition is purposefully broader than the statutory definition, because majority owners or controllers can clearly exert the same kind of influence as a corporation can exert directly. That is because a foreign national with such a level of ownership or control can practically direct the subsidiary investor’s governance activities with respect to the ultimate corporation being analyzed. (In fact, one could argue for broadening this definition even further than we did, in that shareholders with less than majority stakes can effectively control portfolio companies, as well. Our data should thus be understood as putting a lower bound on potential foreign influence through ownership.)

This second part of the definition is relevant because, in many cases, foreign investment in U.S. securities occurs through subsidiaries. For example, consider Massachusetts Financial Services Company (recently renamed MFS Investment Management), a major investment management firm with substantial blockholding positions in many U.S. equities. MFS was founded in 1924 in Massachusetts, maintains its headquarters in Boston, and in many respects is as American as apple pie. It would not itself qualify as a “foreign national” under FECA. However, in 1982 it was acquired by Sun Life Financial, Inc., a Canadian firm headquartered in Toronto.¹⁴ However similar to the U.S., Canada is another country. To the extent that MFS has the potential to influence portfolio companies in which it invests, it has the potential to do so at Sun Life’s bidding or with Sun Life’s approval. (To be clear, we present no direct evidence that any foreign company has used such a potential for influence; rather, we note the possibility and estimate the frequency of that potential.) Consequently, our analysis treats MFS as functionally equivalent to Sun Life Financial, and therefore a foreign blockholder.

¹³ See 52 U.S.C. § 30121(b); 22 U.S.C. § 611(b).

¹⁴ See Wikipedia, *MFS Investment Management*, https://en.wikipedia.org/wiki/MFS_Investment_Management (last visited Oct. 18, 2016).

B. Defining blockholder threshold

We then selected a five percent threshold definition for blockholders. While there is no magic in a five percent threshold, it is a widely used standard in corporate governance literature and in corporate and securities law and regulation.¹⁵ With five percent of shares, an investor is in a position to affect corporate governance through both formal (e.g., board elections, bylaw or charter amendments, fiduciary duty or other lawsuits) and informal (e.g., exit or threat of exit, withhold vote campaigns, and non-binding shareholder resolutions) mechanisms.¹⁶

Five percent is the threshold at which federal securities law requires disclosure to the Securities Exchange Commission. Under Section 13(d) of the Securities Exchange Act of 1934 (as amended by the Williams Act), any person or group of persons that acquires beneficial ownership of more than five percent of the voting class of the equity of a corporation that is listed or otherwise required to register as a “public” company under that law, must, within ten days, report that acquisition to the SEC via Schedule 13D (or, in some cases, Schedule 13G).¹⁷

The five percent threshold in the Williams Act has both conceptual and pragmatic advantages for present purposes. Conceptually, it validates selection of the threshold as a non-arbitrary value drawn from longstanding federal securities law. Pragmatically, it means that five percent blockholders can (presuming compliance) be readily ascertained from publicly available sources that draw their data from legally mandated SEC filings.¹⁸ For

¹⁵ See, e.g., Alex Edmans & Clifford G. Holderness, *Blockholders: A Survey of Theory and Evidence*, European Corporate Governance Institute Finance Working Paper No. 475/2016 (Aug. 11, 2016) https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2820976; Clifford G. Holderness, *A Survey of Blockholders and Corporate Control*, 9 Fed. Reserve Bank of N.Y. Econ. Pol’y Rev. 51 (Apr. 2003), <https://www.newyorkfed.org/research/epr/03v09n1/0304hold.html>.

¹⁶ *Id.*

¹⁷ See 15 U.S.C. § 78m(d); 17 C.F.R. §§ 240.13d-1, 240.13d-101. Conveniently as well for present purposes, these same SEC rules require disclosure of an acquiring blockholder’s citizenship or place of organization. See 17 C.F.R. § 240.13d-101 (item #6).

¹⁸ A minor related problem involves the scenario of a 5% blockholder selling a small percent of shares and thus ceasing to be a 5% blockholder. SEC Rule 13d-2 requires an amendment for “any material increase or decrease in the percentage of the class beneficially owned.” 17 C.F.R. § 240.13d-2(a). Under this rule, an acquisition or disposition of one percent or more is *per se* deemed material, and an acquisition or disposition of beneficial ownership of less than one percent “may be material, depending upon the facts and circumstances.” *Id.* Moreover, the fact of a 5% blockholder disposing of sufficient shares to no longer meet the 5% threshold is potentially material on its own. Thus, generally, the best advice would be for the blockholder to file a termination amendment indicating the sell-down. In truth, many filers fail to do this, and issuers are aware of this problem. Consequently, when companies file their proxy statements for annual meetings, and must disclose “known” 5% holders under SEC Regulation S-K Item 403, see 17 C.F.R. § 229.403(a), they sometimes ask Schedule 13D filers whether they are still in fact 5% owners, and if not, do not include them in the proxy.

additional interest, we also calculated how many of these blockholders held ten percent, fifteen percent, or twenty percent of shares.¹⁹

We did not, however, examine scenarios involving multiple foreign blockholders having holdings below five percent each that, together, would add up to over five percent foreign ownership, except to the extent that SEC rules governing “groups” or “beneficial ownership” would trigger a filing under Section 13(d). For example, a corporation in which two distinct and unrelated foreign institutional holders each held four percent would not register as foreign-owned in our survey, despite these foreign entities controlling a combined eight percent. Again, our findings below thus represent a lower bound on the amount of foreign blockholder ownership and potential influence over large U.S. corporations.

C. Sample, data collection and analysis

We began with a list of the companies in the S&P 500 as of September 15, 2016.²⁰ The S&P 500 is composed of publicly traded companies that are representative of the U.S. equity markets, “and through the markets, the U.S. economy.”²¹ While not every company in the S&P 500 is U.S.-based, more than 95% are, and they all have major U.S. operations. The S&P 500 companies are all “large cap” — companies that have a large market capitalization and correspondingly large role in the U.S. economy. At any one time, the S&P 500 has 500 constituent companies, but may contain more than 500 securities because some companies have more than one class traded in the U.S. equity markets.

We then relied on publicly available data to determine each S&P 500 corporation’s top institutional holders and whether each holder met the above definition of a foreign investor. Specifically, for each equity security, we identified the top institutional holders as listed by Yahoo Finance (or MSN Finance, for those companies for which Yahoo lacked data) and noted those that held blocks of over five percent.²² We then determined whether those blockholders either were themselves foreign or were majority owned or controlled by a foreign entity. This investigation relied on a variety of public sources: the institutional holders’ own websites, Wikipedia entries, and other readily available web sources. We recorded the size (in percent of shares

¹⁹ These are obviously subsets — i.e., a 20% blockholder also counts as a 15% blockholder, a 10% blockholder, and a 5% blockholder.

²⁰ For historical data on the composition of the S&P 500, see <http://siblisresearch.com/data/historical-components-sp-500/> (last visited October 17, 2016).

²¹ S&P Global, The S&P U.S. Indices, Methodology (Aug. 2016), available at http://us.spindices.com/documents/methodologies/methodology-sp-us-indices.pdf?force_download=true (last visited October 17, 2016) at 1.

²² These sites ultimately draw their data from SEC filings as made available through the EDGAR database. We did not manually cross-check the data against SEC filings.

outstanding) of each foreign blockholder so identified. Ten percent of the data were randomly chosen and spot-checked by a second author for consistency and replicability. We have focused on institutional owners in this analysis. We do not count or attempt to classify as foreign or not individuals who own blocks (e.g., Jeff Bezos at Amazon) or trusts or closely held companies that are commonly used to hold blocks by individuals or families (e.g., the Walton family at Wal-Mart). As a result, as with our definition of “foreign investor” and our focus solely on blockholders, our findings should be understood as putting a lower bound on the potential for foreign investor influence over U.S. public companies.

II. Findings

The data reveal several interesting facts. As a broad top line result, Table 1 reports foreign institutional blockholder investors at different ownership thresholds:

Table 1. Foreign blockholder ownership

Foreign ownership threshold	Number of securities	% of S&P 500
5%	47	9.3%
10%	9	1.8%
15%	5	1.0%
20%	3	0.6%

The numbers in Table 1 refer to *single* blockholders. In other words, the three corporations listed at the 20% threshold all have a single foreign blockholder with 20% or more of shares, and down the thresholds. The three companies with 20+% foreign blockholders are:

- General Growth Properties Inc. (NYSE: GGP), of which Canada-based Brookfield Asset Management owns 33.91%;
- Morgan Stanley (NYSE: MS), of which Japan-based Mitsubishi UFJ Financial Group, Inc. owns 22.3%; and
- Starwood Hotels and Resorts (NYSE: HOT), of which UK-based Omni Partners LLP owns 21.1%.

The data also show that three S&P 500 equities have *multiple* foreign blockholders, aggregating to more than ten percent in each case. These companies are:

- Level 3 Communications (NYSE: LVLT), of which Singapore-based Temasek Holdings (Private) Limited owns 18.17% and Singapore-based Singapore Technologies Telemedia owns another 18.17%;
- NASDAQ OMX Group (NASDAQ: NDAQ), which owns and operates the NASDAQ exchange and eight European stock exchanges, of which Swedish investment firm Investor AB owns 11.79% and Massachusetts Financial Services Co. (a wholly-owned subsidiary of Canadian insurance company Sun Life Financial) owns 9.02%; and
- Varian Medical Systems (NYSE: VAR), of which Loomis Sayles & Company (a wholly-owned subsidiary of French asset management company Natixis Global Asset Management) owns 6.2% and Veritas Asset Management (UK) Ltd. Owns 5.53%.

By overall count, foreign institutions make up more than 30% of the institutions holding 5+% blocks in the S&P 500. In Table 2, we report the top ten most commonly found U.S. institutions with five percent or greater blocks in the S&P 500, and the top ten most commonly found foreign institutions with such blocks. As can be seen, U.S. institutions much more frequently have large ownership blocks, but one foreign institution (MFS) would appear in the top ten institutions overall, by block frequency. Even among U.S. institutions, only the top 28 hold more than two 5+% blocks — block ownership is itself highly concentrated.

Table 2. Ten Most Frequent U.S. and Foreign Block Holders

Top U.S. Institutions		Top Foreign Institutions	
Institution	Number of 5+% Blocks in S&P 500	Institution	Number of 5+% Blocks in S&P 500
Vanguard	462	MFS	15
State Street	98	Baillie Gifford	3
Fidelity	91	Barrow, Hanley	3
T. Rowe Price	67	Macquarie Group	3
Capital Group	80	Daiwa Securities	3
Wellington	30	Harris Assoc.	2
JP Morgan	28	Loomis Sayles	2
Primecap	16	Norges Bank	2
Dodge & Cox	12	Standard Life	2
BNY Mellon	10	Brookfield	1

In Table 3, we report summary statistics on foreign institutional block ownership, conditional on the presence of any foreign block ownership. By construction, the smallest block (5.04%) is just over the SEC Section 13(d) threshold. The largest amount of foreign ownership — 36% — is at Level Three Communications, which as noted above has two Singapore blockholders. Conditional on the presence of one foreign blockholders, the median amount of foreign block ownership is 6%, and the average is roughly 9%. Foreign blocks represent 4.4% of all 5+% blocks in the S&P 500.

Table 3. Summary Statistics on Foreign Institutional Blocks

Minimum (by construction)	5.04%
Maximum	36.34%
Median	6.30%
Average	8.91%
Foreign 5+% blocks / all 5+% blocks	4.38%
These statistics are conditional on the presence of any foreign institutional blockholding, i.e., for companies with at least one foreign institution owning 5+% of the company's stock.	

In sum, foreign institutional blocks of 5+% or more are material, and common, type of ownership in the S&P 500. Most of the companies in that index do not have foreign institutional blockholders, and most institutional blockholders of such companies are not foreign. However, foreign blockholders have a significant presence at one in eleven of the largest U.S. public companies, foreign blockholding institutions are among the most frequent blockholders, and foreign institutions represent a large fraction (almost a third) of all institutions holding at least one block in the S&P 500.

III. Limitations, Implications and Future Research

This is the first recent empirical analysis of the level of foreign institutional blockholder ownership of publicly traded corporations. The analysis has limitations. Because companies in the S&P 500 have large market capitalizations, the data may not be reflective of publicly traded corporations more broadly. On the one hand, blocks of larger companies by definition are larger in absolute value, which may constrain the ability of specific foreign investors from acquiring large blocks of stock of such companies. On the other hand, such companies are more prominent and may attract more foreign investment than other U.S. companies. Membership in the S&P 500 alone attracts institutional investment flows.²³ It is thus uncertain whether other U.S. public companies have more, or less, foreign blockholder ownership.

²³ E.g., L. Harris and E. Gurel, Price and Volume Effects Associated with Changes in the S&P 500 List: New Evidence for the Existence of Price Pressures, 41 J. Fin. 815-29 (Sep. 1986).

The data are almost certainly not reflective of *non*-publicly traded corporations. Such companies vary enormously in size and ownership, and there are many U.S.-based subsidiaries that are 100% owned by foreign investors, just as there are many U.S.-based companies with zero foreign ownership. Aggregate data from the Internal Revenue Service include over 83,000 tax returns filed by U.S. corporations that are controlled (i.e., have more than 50% of their stock) owned by foreign owners, with more than \$12 trillion in assets in 2012.²⁴ Prominent examples of such companies are not hard to find: Imbev, the parent company of [Anheuser-Busch](#), the maker of a beer that is currently but temporarily being branded as “America,” is a Belgium-incorporated company listed on Euronext Brussels.²⁵ U.S. subsidiaries of such companies are not included in our data because the U.S. subsidiaries are not U.S. public companies, and are not eligible for inclusion in the S&P 500, even if they are as large as companies in that index.

Finally, our data capture a snapshot in time. Foreign blockholder investment almost certainly changes over time. In all likelihood, foreign block ownership has been rising in recent years. Such a time trend would be consistent with aggregate data from the Federal Reserve that show that portfolio investment by foreign investors grew from about 5% of all U.S. corporate equity (public and private) in 1982 to more than 20% in 2015.²⁶

Despite these limitations, the data in this study are consistent with two general conclusions: (1) a material share of large publicly traded U.S. corporations – one in eleven – have at least one foreign institutional investor with 5+% of voting shares; and (2) higher foreign-blockholder investment levels (e.g., foreign blockholders with 10% or more), or combinations of multiple foreign blockholders, are neither common nor absent among such companies. The presence of large or multiple foreign blockholders makes plausible that some degree of foreign influence in U.S. elections (or in industries for which foreign ownership may be viewed as problematic from a policy perspective) may occur even among U.S. companies with apparently dispersed ownership.

Future research could productively consider multiple related questions. How general are the findings reported here among smaller public companies? When if ever can block ownership be observed to provide foreign investors with a degree of influence over U.S. portfolio companies? Are there any evident determinants of foreign block ownership, such as industry, size, or liquidity? Do companies with foreign blockholders have different corporate governance or

²⁴ See <https://www.irs.gov/pub/irs-soi/soi-a-coit-id1511.pdf> (last visited October 17, 2016).

²⁵ <http://www.ab-inbev.com/investors/corporate-governance.html> (last visited October 17, 2016).

²⁶ Steve M. Rosenthal and Lydia S. Austin, The Dwindling Taxable Share of U.S. Corporate Stock, Tax Notes (May 16, 2016) 923, 929 (Figure 3).

executive compensation characteristics? What are the trends in foreign ownership – are they increasing, as Federal Reserve data on foreign portfolio investment generally suggest? What if any implications would an increasing prevalence of foreign blockholders have for various legal and regulatory policies? Are foreign blockholders pursuing the same general agendas as U.S. institutional blockholders, or do they pursue distinctive patterns of policies in corporate governance and other aspects of ownership?

At a minimum, we believe that our findings suggest the need for greater attention to the possible need for additional disclosures by U.S. public companies with large and potentially influential levels of foreign ownership. To be effective, these disclosures may need to be tailored to different regulatory settings. For example, in the context of political expenditures, it may not be sufficient to rely on existing SEC rules requiring disclosure of block ownership, since the links between those disclosures and the audience for point-in-time political communications are unlikely to be made by the relevant audiences in a reasonable time frame. For example, SEC filings can be delayed for up to ten days after a blockholder acquires five percent ownership, and in any event data on foreign ownership from such filings is unlikely to be salient to viewers of such communications.

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