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'PARALLEL LOAN' SET UP IN EUROPE

Simultaneous Financing Is Arranged in a Common Market Experiment

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PARIS — The European Common Market, an ambitious German banker, and Italy's nationalized electrical industry are collaborating on a new experiment to develop Europe's underdeveloped capital markets.

Ente Nazionale per l'Energie Elettricia — the Italian Government enterprise that was formed when electric power was nationalized two years ago — is borrowing $215 million next month in six simultaneous parts in the six Common Market countries.

The borrowing is called a parallel loan. It is the invention of Hermann J. Abs of Germany's big Deutsche Bank.

Mr. Abs has been pushing the idea for several years, but only now has succeeded in putting together this first, less than perfect model. In so doing he has made a significant breakthrough in the Paris and Amsterdam markets, heretofore closed to foreigners, and this was an accomplishment in itself.

The difficulties in assembling this prototype are a clear illustration of the basic limitations that continue to hamper European capital financing — thin and scattered markets, made thinner by government restrictions on the use of European currencies. A variety of schemes have been designed to overcome the limitations, but none except dollar bond issues have become established. Even these have their bad spells such as they have had lately.

Approval Expected

The final push that brought the E. N. E. L. parallel issue into being was an unannounced agreement by the Finance Ministers of the six Common Market countries — Germany, France, Italy, Belgium the Netherlands and Luxembourg — at their last quarterly meeting, last month in Cannes.

The Deutsche Bank's role in all this was as the prime mover and as one of the principal underwriters of the German part of the deal. The parts in other countries are being underwritten by those countries' banks.

Some of the governments, notably France and the Netherlands, have yet to give formal approval to the specific details. It is normal for them not to rule until the evening of the issue date, and a favorable ruling can be assumed.

The imperfections of this first issue include the fact that European financiers do not leap automatically at the chance of financing nationalized industries. Also, the spread of this borrowing among the six currencies is unbalanced. Finally, the markets generally are not strong these days.

But it is an impressive beginning nonetheless.

More than two-thirds of the loan — $160 million — will be in E. N. E. L.'s home currency, Italian lire. Deutsche marks, naturally, account for the second biggest share—$25 million. Another $20 million will be in French francs, $7 million in guilders, $2 million in Belgian francs and $600,000 in Luxembourg francs.

6 Per Cent Coupons

All six parts are identical in some major respects. They all carry a 6 per cent coupon and mature in 15 years. But their selling prices, as well as local taxes and financial procedures, make some difference in the yields.

The German, Dutch and Luxembourg parts will be issued at 95, giving them a yield of a little more than 6½ per cent to maturity — or more for those that are retired by earlier drawings. The Belgian part will be sold privately, on about the same terms.

The big Italian part is being issued at 96, but the peculiarities of Italian Government enterprise will probably make this work out to the same yield as those sold at 95.

The French price, not yet announced, is expected to be 95½ for a yield of a little less than 6½ per cent to maturity.

The official date of issue is set for July 13.